

Jørgen Carling, Marta Bivand Erdal, Cindy Horst & Hilde Wallacher

# Legal, Rapid and Reasonably Priced?

A Survey of Remittance Services in Norway





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Cindy Horst

Hilde Wallacher

**Warning and disclaimer**

Consumers should never use a remittance service solely on the basis of information provided in this report. The information presented here has been partly collected by the researchers and partly provided by the service providers themselves. Prices and/or other conditions may have changed, and there may be inadvertent errors. The legality or illegality of specific services or transfers cannot be determined solely on the basis of information presented here. While we have strived to make synchronous comparisons of exchange rates, fluctuations within the same day, or during the period in which the transfers were effectuated, may have influenced the results.

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ISBN 978-82-7288-240-1

Cover design: Hilde Sørby, Bardus Design  
Photos: Jørgen Carling, PRIO

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## Executive Summary

This report addresses the opportunities that immigrants in Norway have for sending money to their countries of origin. The survey has aimed to cover the full variety of transfer services available, including those that exist outside the conventional market.

Migrant remittances are generally thought of as money sent by migrants to their families in the country of origin. Total remittances to developing countries were estimated to exceed USD 200 billion in 2006. This is twice the level of official development assistance. Nobody knows exactly how much money immigrants in Norway send to their countries of origin.

The choices immigrants make about *how* to send money has implications in several spheres. First, the cost of transfers influences how much money arrives in the migrants' countries of origin. Typical costs for transfers on NOK 1,000 range from 5% to 25%. Second, there are important regulatory and law enforcement aspects of remittances. Norway has a restrictive regulatory regime, motivated by the fight against tax evasion, money laundering and other crimes. As a result, there is a small variety of transfer services. There are no legal mechanisms for sending money to Somalia, and limited opportunities for sending money to Iraq. Somalia is probably the most remittance-dependent country in the world. Third, the choice of transfer mechanism affects the way in which remittances contribute to development processes in the economies to which they are sent.

The mechanisms for sending money include cash-based transfers with money transfer operators or so called hawala businesses, bank transfers between accounts, and several web based services which let the receiver withdraw the transfer from an ATM. The choice of services is restricted because no mechanism is available for all countries.

Transfer services can be differentiated with reference to many characteristics. The *accessibility* of services includes their geographical coverage, the need for specific infrastructure, and the availability of information. The *costs* of services are often difficult to determine, because they are made up of several components, some of which are unknown. The survey showed that real costs are often much higher than those that are apparent to customers. The *speed* of services is also an important consideration, not least because of its psychological significance.

Remittances often have the most benefits for development if they are sent to a bank account and enter the financial system. However, there are several reasons why cash-based services appear more appealing to customers than bank transfers. It is a major handicap for banks that they cannot say in advance how many days a transfer will take nor how much it will cost. Furthermore, their price structure make costs more obvious to customers than what is the case with money transfer operators. Many non-Western immigrants lack the skills to systematically compare services and exercise consumer power.



## I. Introduction

What opportunities do immigrants in Norway have for sending money to their countries of origin? This is the question that we seek to answer in this report. Focusing on transfers to twelve specific countries, the report compares the availability of services, as well as their price and quality. Internationally, policy initiatives on migrant remittances have focused on lowering costs and eliminating the need to use illegal services. In Norway, there has been very little systematic information available about immigrants' possibilities for sending remittances. This survey has aimed to cover the full variety of transfer services available, including those that exist outside the conventional market.

The research presented here has various audiences. First, the report is intended to inform government policy in the field of remittances. Second, it may help remittance senders understand their options and make well-informed choices. Third, the analysis can assist private-sector businesses in developing better remittance services.

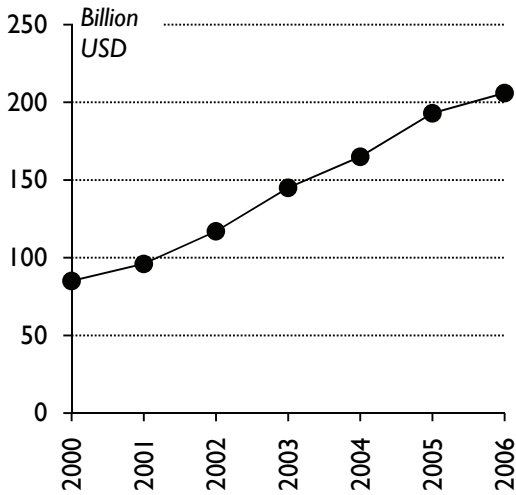
The report has been funded by the Norwegian Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (Norad). The research it contains is linked with PRIO's broader research activity in the fields of migrant remittances and transnationalism. Remittances are a very specific, concrete element in immigrants' ties with their countries of origin. This has wider implications for the integration of immigrants, as well as for their contribution to development processes in their countries of origin.

While the present report examines the availability and quality of services, it does not address immigrants' actual remittance-sending patterns. These will be analysed in the research project 'Remittances from Immigrants in Norway', which will be carried out at PRIO during the period 2007–10. 'Remittances from Immigrants in Norway' is funded by the Research Council of Norway. For more on the project, see [www.prio.no/remittances](http://www.prio.no/remittances).

Total remittances to developing countries were estimated to exceed USD 200 billion in 2006. This is twice the level of official development assistance. Remittance figures have risen

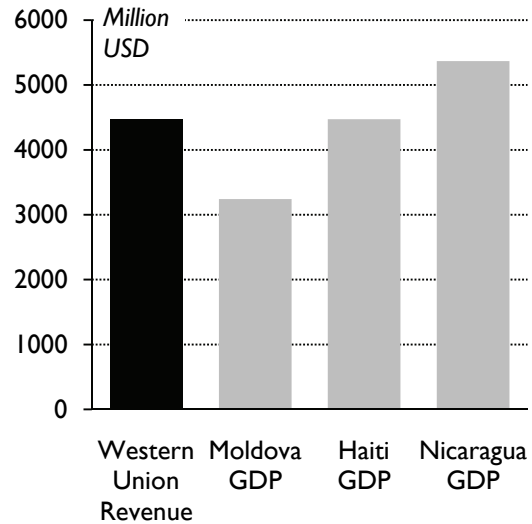
### **What are remittances?**

Migrant remittances are generally thought of as money sent by migrants to their families in the country of origin. In practice, both statistics and research often cover a larger variety of flows under the heading 'remittances'. For instance, funds transferred by migrant organizations for development projects in their home communities are typically included. If migrants return to their country of origin upon retirement, the pensions they might receive are also part of a broader concept of remittances. Institutions such as the World Bank rely heavily on the definition of remittances in balance of payments statistics. These statistics are the principal source of country-level remittance data.



**Figure 1.** The growth in remittances to developing countries (2000–2006)

Source: The World Bank



**Figure 2.** An indication of the size of the remittance transfer industry (2006)

Source: Fortune 500; International Monetary Fund

rapidly, partly as a result of better reporting and growing use of registered channels, but also reflecting a real increase in the flows (see Figure 1). The transfer of migrants' money is a multi-billion dollar industry. The market leader, Western Union has revenues that match the GDP of some of the countries that are most dependent on remittances (see Figure 2).

Much of the global flow of remittances is based on cultural norms for financial assistance within the family. Many migrants come from societies where, unlike in Norway, it is expected of adult family members to share economic resources. This is particularly important in countries without an old-age pension system, where the elderly are reliant upon their adult children for subsistence. A large proportion of immigrants in Norway send remittances to their parents (Carling 2004a). When one family member migrates and obtains a markedly higher standard of living, he or she becomes able to make more substantial contributions. Migrants may nevertheless find it difficult to live up to the expectations from relatives in the country of origin (Akuei 2005, Lindley 2007). Economists studying migration and remittances often make the assumption that families act from a common interest, deploy members to different locations, and pool their resources. This model of analysis is more appropriate in some settings than in others. It also runs the risk of concealing the tensions that often exist between senders and receivers of remittances (Carling 2005a, Sana and Massey 2005).

The next chapter of the report outlines the methodology used in the survey. Chapter Three asks the question, 'Why do transfer mechanisms matter?' Answers to this question are related partly to the regulatory regime, where different interests may collide, and partly to the impact of remittances on development in migrants' countries of origin. Chapter Four accounts for the different types of transfer mechanisms that exist in Norway, focusing on the basic functioning of each mechanism. Chapter Five addresses the quality of services, with respect to a series of specific parameters.

## 2. Methodology

The market survey carried out for this report is based on primary data collection in Oslo in the first half of 2007. It was necessary to make several choices regarding the coverage of the data collection, concentrating on specific countries, amounts and transfer mechanisms.

### Focus of the Survey

The survey covers transfers from Norway to twelve countries in Europe, Asia, Africa and South America (see Table 1). These countries were selected in order to cover a diversity of remittance destinations. They include the countries of origin of some of the largest immigrant communities in Norway, as well as countries with relatively few resident immigrants. Several of the countries are also covered in the 'Sending Money Home' initiative in the United Kingdom (see box). The market survey will contribute to the PRIO research project 'Remittances from Immigrants in Norway'. This project focuses on transfers to Pakistan and Somalia, and will also study remittance-sending patterns of four of the other nationalities included in the market survey.

**Table 1.** Countries covered in the market survey

Country	Immigrants in Norway (2007) <sup>1</sup>	Estimated proportion sending remittances (1996) <sup>2</sup>	Coverage in related research	
			'Sending Money Home' (UK) <sup>3</sup>	'Remittances from Immigrants in Norway' (PRIO) <sup>4</sup>
Bosnia and Herzegovina	13,300	28	●	●
Chile	5,800	18	—	●
Iraq	17,200	—	—	●
Kenya	900	—	●	—
Lithuania	3,000	—	—	—
Morocco	4,500	—	—	—
Nigeria	700	—	●	—
Pakistan	15,800	26	●	● (in depth)
Philippines	8,400	—	●	—
Poland	17,700	—	—	—
Somalia	14,700	27	—	● (in depth)
Vietnam	12,400	57	—	●

1 First-generation immigrants resident in Norway, 1 January 2007. Statistics Norway ([www.ssb.no](http://www.ssb.no)).

2 Calculated from Gulløy et al. (1997). The figure for Bosnia and Herzegovina refers to all immigrants from former Yugoslavia.

3 See text box and website [www.sendmoneyhome.org](http://www.sendmoneyhome.org).

4 See [www.prio.no/remittances](http://www.prio.no/remittances).

A list of relevant transfer mechanisms was set up on the basis of earlier studies, the researchers' background knowledge and input from key informants. We distinguish between mechanisms and services. Each *mechanism* has particular characteristics in terms of how the sender makes the funds available, how he or she requests the transfer, and how the recipient accesses the funds. The same mechanism can be offered by several service providers. Each *service* is thus defined by the conditions (price, speed, etc.) of the particular provider. Defined in this way, the market survey covered 42 services employing 21 different mechanisms. Table 2 presents an overview of the mechanisms and service providers covered in the market survey. The classification of mechanisms is discussed in Chapter Four. Their availability to specific countries is presented in Chapter Five.

Bank transfers and foreign-currency cheques are obviously offered by a very large number of service providers. Since it was not feasible to collect information from all banks in Norway, a careful selection was made, ensuring coverage of different types of banks (e.g. large business banks, medium-sized savings banks and internet-based banks).<sup>1</sup>

**Table 2.** Mechanisms and service providers covered in the market survey

<b>Mechanism</b>	<b>Service providers</b>
<b>Cash-to-cash services</b>	
Cash-to-cash money transfer (instant)	Forex/MoneyGram, Western Union
Cash-to-cash money transfer (budget)	Western Union
Cash-to-cash money transfer (hawala)	Hawala A, Hawala B, Hawala C, Hawala D, Hawala E
Cash-to-cash prepaid-card service	Forex/MoneyGram
Cash-to-cash home-delivery service	Forex/MoneyGram
<b>Account-to-cash services</b>	
Account-to-cash service (hawala)	Hawala F
Account-to-cash Visa card service	Moneybookers
Account-to-cash service (Internet)	Western Union
Account-to-cash prepaid-card service	iKobo
<b>Account-to-account services</b>	
Regular bank transfer (counter)	DnB NOR, Nordea, Selbu Sparebank, SpareBank 1 Nord-Norge
Regular bank transfer (Internet)	DnB NOR, Nordea, SkandiaBanken, Selbu Sparebank, SpareBank 1 Nord-Norge
Urgent bank transfer (counter)	DnB NOR, Nordea, Selbu Sparebank, SpareBank 1 Nord-Norge
Urgent bank transfer (Internet)	DnB NOR, Nordea, Selbu Sparebank, SpareBank 1 Nord-Norge
Account-to-account Internet service	Moneybookers
<b>Account-to-services/goods</b>	
Account-to-goods	MamaMikes
Account-to-voucher	MamaMikes
Account-to-school fees	MamaMikes
<b>Physical transportation of value</b>	
Personal courier	Senders' friends and relatives
Foreign-currency cheque (Internet)	Moneybookers, Nordea, SpareBank 1 Nord-Norge
Foreign-currency cheque (counter)	DnB NOR, Nordea, Selbu Sparebank, SpareBank 1 Nord-Norge
Cash in high-value letter	Norway Post

<sup>1</sup> In addition to the banks covered in the survey, Sparebanken Vest and Storebrand Bank were invited to participate. Sparebanken Vest declined to supply information about its services, and the information obtained from Storebrand Bank was incomplete.

Among *hawala*<sup>2</sup> operators, we included six service providers, identified through the Somali and Iraqi immigrant communities. The Somali businesses are able to transfer money to a range of countries where Somalis live, including Kenya. The hawala services included in the survey thus cover transfers to Iraq, Kenya and Somalia. Because of the precarious legal status of the hawala operators, we have chosen not to identify them by name, but simply as Hawala A, Hawala B, etc.

The remaining mechanisms are only offered by one or two service providers. Some of them, most notably Western Union and Forex/MoneyGram, are highly visible in the Norwegian market. The internet-based services of iKobo, Moneybookers, and MamaMikes, by contrast, are available to customers in Norway, but not advertised specifically in Norway.

In addition to selecting specific countries and mechanisms, the survey had to focus on specific transfer amounts. Transfer prices differ greatly by the amount sent, as does the relative competitiveness of different services. For systematic comparison, we selected two amounts: NOK 1,000 and NOK 5,000. These amounts are typical of the transfers immigrants are known to make to relatives in their countries of origin, often on a monthly basis.

Finally, five performance parameters of remittance services were identified as being relevant from a consumer point of view:

- Accessibility and ease
- Legality
- Costs
- Speed
- Familiarity and trust.

The last of these is mainly a question of customers' perceptions and not possible to assess through information collected from the service providers. It is important to include it among relevant aspects of quality, but our coverage of this point is only anecdotal.

## Data Collection

The data collection was differentiated according to the nature of the service provider. Basic information on the services was collected through a questionnaire to banks, direct data collection where possible, and informal data collection for hawala services. In addition, spot checks were carried out for selected services. All the information on prices and availability was collected on the same day, Monday 26 March 2007. This made it possible to make comparisons between services and calculate full

### Sending Money Home?

In 2005, the United Kingdom Department for International Development (DFID) and the Banking Codes Standards Board (BCSB) published a survey on remittance products in the United Kingdom, entitled, 'Sending Money Home?' (DFID and BCSB 2005). This was a significant first step toward achieving transparency and reduction of costs of remittances originating from the UK (Hernández-Coss and Bun 2007). The results were distributed via leaflets in a variety of languages, and on the consumer-oriented website [www.sendmoneyhome.org](http://www.sendmoneyhome.org). This website is continuously being updated and its coverage expanded. Similar websites are being developed in Spain ([www.remesas.org](http://www.remesas.org)) and the Netherlands ([www.geldnaarhius.nl](http://www.geldnaarhius.nl)) and. The Norwegian website [www.sendpenger.no](http://www.sendpenger.no) is described in the conclusion to this report.

The British and Dutch web site both refer to migrants' country of origin as 'home'. This is misleading in the sense that many remittance-senders have lived in Europe for several decades and feel 'at home' in the United Kingdom or the Netherlands. Ties to the country of origin are important to many immigrants, but this does not preclude being well-integrated and permanently settled in their country of residence.

<sup>2</sup> See Chapter Four for a discussion of this term.

costs with reference to the same interbank exchange rates. Details on the calculation of costs are given in Chapter Five.

### *Remittance Mechanism Questionnaire*

A detailed questionnaire was sent to the banks included in the survey. This questionnaire contained questions on the availability, cost and speed of regular transfers, urgent transfers and foreign-currency cheques for each of the 24 transactions (twelve countries, two amounts). Furthermore, the questionnaire requested information about requirements for customers to use the service, and the availability of information in languages other than Norwegian.

The questionnaires were designed so as to minimize the work required by the bank staff. A draft questionnaire was discussed with key informants in the banking sector and revised on the basis of their input. Before sending out the questionnaires, the researchers established contact with the appropriate individuals in each bank and explained the purpose of the survey. This direct personal contact also made it possible to resolve issues that arose after the completed questionnaires had been received.

### *Direct Data Collection*

Some of the service providers give potential customers full information about their services and prices on their websites or in their agent offices. In these cases, information was collected directly by the researchers on the reference date.

### *Informal Data Collection*

The fact that hawala businesses do not operate legally in Norway means that gathering information from them requires a different approach from collecting data from banks and financial institutes. Though information about hawala mechanisms was collected in an informal way, the aim was to produce data that was comparable with that on other transfer mechanisms. Information about hawala service providers was collected through key informants and their networks, as well as directly from the operators to the extent that they were willing to provide information. This proved rather difficult, as the hawala operators were fully aware that their business is not legal in Norway. Only the larger operators that have obtained licenses in other countries were fully cooperative and willing to talk directly with the researchers. These operators showed great interest in the research and saw a clear benefit in volunteering as much information as possible. The others were contacted through Somali and Iraqi immigrants.

### *Spot Checks*

Information gathered from service providers were supplemented with spot checks. These consisted in sending NOK 1,000 with selected transfer services to Kenya, Iraq, Somalia, Pakistan, the Philippines and Poland. Key informants recorded how much was actually paid out in local currency and when the money was available. This was deemed necessary not only to verify information from the providers, but also because providers in Norway will often be unable to



say what the total costs will be. The information about hawala services is primarily based on spot checks.

In some of the countries it proved very difficult for the key informants to obtain the information needed. Banks were not immediately able or willing to provide them with information about the origin of the money, the exact amount received and the exact date on which the money was received. This was a methodological problem, but in itself telling of the difficulties of making transfers to developing countries.

### 3. Why Do Transfer Mechanisms Matter?

It may seem insignificant how immigrants choose to send money to relatives in their country of origin. However, the opportunities remittance senders have, and the choices they make, have consequences in several spheres. First, it matters to immigrants and their families – and to their countries of origin more generally – whether the costs of sending remittances are 2% or 20% of the transfer amount. Second, there are important regulatory and law enforcement aspects of remittances. Stringent regulations may be desirable in order to prevent tax evasion, money laundering and other crimes, but they may also have the consequence of eradicating legal remittance mechanisms to certain countries. As a consequence, money transfers are driven into illegality, to the detriment of immigrants themselves, the service providers and the authorities. At a more general level, this also undermines the rule of law. Finally, the way in which remittances are sent can have an impact on their development impacts in migrants' countries of origin.

This chapter will first review regulatory issues regarding remittances in Norway, then give a brief overview of the development dimensions of remittances, and finally point to possible motivations for policy in this field.

#### **Regulations and Law Enforcement**

The provision of international payments services is closely regulated by Norwegian authorities. A key issue in relation to the regulatory regime in Norway has been the situation of so-called informal value transfer systems. These are a heterogeneous collection of mechanisms for transferring outside the conventional, regulated financial institutional systems (Passas 1999). They are characterized by a reliance on trust, a relative absence of written records and utilization of international ethnic networks. In most cases, there is no physical movement of money involved. Informal value transfer systems are known by different names in different parts of the world. Among the most common are *hawala* and *hundi* in South Asia, and *xawilad* (or *hawilad*) on the Horn of Africa. We have used 'hawala' as a convenient shorthand term, which is also appropriate for the particular systems included in this survey.

For transfers to countries and territories without a regular bank system, hawala services may be the only option for sending remittances. This is particularly the case with Somalia (Horst and Van Hear 2002, Omer 2004, Omer and El Koury 2005). It is a very unfortunate combination that remittances are most difficult to send to the places where they are most needed. Somalia is probably the world's most remittance-dependent country. Transfers from relatives abroad can be an issue of survival for the recipients, whether they live in Somalia proper or as refugees in neighbouring countries (Horst 2002a, Horst 2002b, Lindley 2006a,

Lindley 2006b). Hawala operators are the only ones who offer transfers to Somalia, and in many cases also the only options for sending remittances to Somali refugees in the region. Transfers to Iraq, especially to the Kurdish areas in the north, are also largely confined to hawala services. In Norway, it is primarily Somalis and Iraqi Kurds who operate and use hawala companies. Immigrants from Afghanistan, Iran and Sri Lanka are also thought to use hawala-like transfer mechanisms (Økokrim 2007).

The absence of a legal alternative is the strongest motivation for using hawala operators for sending family remittances. However, it is also known that migrants in different parts of the world sometimes prefer informal services because they are faster, cheaper or more convenient than transfer mechanisms in the formal sphere. The ways in which the larger, established hawala systems operate have been described in detail in recent studies (Lindley 2005, Passas 2005a). Their services have many similarities with the conventional Money Transfer Operators (MTOs) Western Union and MoneyGram.

The legal situation of the hawala operators in Norway is complicated and presently unresolved. There are substantial differences in regulations within Europe, where Somali hawala companies operate legally in the United Kingdom, Sweden and Denmark, while they are illegal in Spain, the Netherlands and Norway (Passas 2005b). Some of the firms that operate outside the formal sphere in Norway, and thus fit the label 'hawala', exist as registered money transmitters in other countries with lower barriers to market entry.

### *The Norwegian Legal Framework*

In Norway, several laws and regulations are relevant for informal money transfers, although none of these are tailored specifically to deal with the hawala phenomenon. The Somali and Iraqi communities are relatively recent immigrant populations, and the Norwegian legal system did not have to deal with the phenomenon until around the late 1990s. The most important laws and associated regulations in relation to hawala operators are the Financial Institutions Act (*Finansieringsvirksomhetsloven*), which regulates the structures and activities of financial institutions and financial activity, and the Foreign Exchange Regulations Act (*Valutareguleringsloven*).

The attention paid to hawala business by the police and regulating authorities increased substantially after 9/11. While Norwegian regulations on financial institutions and their activities have always been relatively strict, the concern for the security implications of irregular money transfers came into focus in a stronger, more systematic manner than before the 2001 attacks on New York and Washington, DC. This can be seen in the parliamentary debates surrounding new legisla-

#### **Hawala court cases in Norway**

Nine cases relating to informal value transfer systems have been investigated in Norway in the period 1999–2007. Two of the systems were operated by Somalis, and the rest were operated by Iraqi Kurds. In all cases, money was transferred in bulk via Norwegian bank accounts. The largest transfer systems have transferred on average more than 45 million NOK annually (Økokrim 2007). The two Somali cases and one of the Iraqi cases involved large, internationally established money transfer operators. Verdicts have been reached in five of the cases, resulting in the sentencing of 19 people. Of these, seven were sentenced to prison terms ranging from 45 days to 20 months.

tion on money laundering, as well as in the decisions to investigate and prosecute hawala operators. Significant changes were made to the Financial Institutions Act in 2003, partly in response to the potential role hawala businesses could play in money laundering and the financing of terrorism. In the documents leading up to the legal change, both the Ministry of Finance and the bodies consulted in the preparatory process expressed a wish to square an increased level of competition in the financial market with a concern for retaining strict control with currency flows and cross-border payments. With the new legislation, the category of businesses allowed to conduct international money transfers expanded to include dedicated MTOs like Western Union and MoneyGram, while at the same time the hawala and other ‘informal’ businesses were excluded.

In 2005, several individuals were tried and convicted in Borgarting Lagmansrett<sup>3</sup> on the basis of their involvement with hawala activities. The individuals who were found to be principally responsible were convicted under the Accounting Act (*Regnskapsloven*), the Tax Assessment Act (*Ligningsloven*) and the Foreign Exchange Regulations Act (*Valutareguleringsloven*), as well as under §317 of the criminal code. The convictions under the former two acts were primarily related to counts of inadequate accounting and tax reporting, and thus not related to the question of the legality of the business as such. The conviction under §317 of the criminal code relates to the receipt of stolen goods, more specifically the mediation of money procured through criminal activity. This is one of the negative aspects usually associated with hawala activities. However, it is not an activity inherent in the hawala structure, but rather a function of the unregulated nature of the sphere in which these businesses operate.

The main legal basis for the convictions comprised violations of the Foreign Exchange Regulations Act. Under this act, it is stated that only Norges Bank (the central bank of Norway) and foreign exchange banks can conduct cross-border payments on behalf of the public. The criteria for being licensed as a foreign exchange bank have traditionally been very strict. They involve providing significant financial security as a foundation for the business (usually 5 million euro), in addition to a formal organizational structure with a responsible board and a set level of accountability. The hawala operators on trial were primarily convicted for not having the necessary licence for carrying out currency transfers. At least one internationally established hawala operator, Dahabshiil, has applied for a licence in Norway. This application has so far been denied, though acknowledgment of the need for a legal solution for money transfers for the 15,000 Somalis and 17,000 Iraqis in Norway exists in government circles.

The seeming political bias against regulating hawala is expressed in *Odelstingsproposisjon*<sup>4</sup> no. 81 (2002–03). It is noted that Norges Bank and the Ministry of Finance have received several requests for exemption from the regulations of the Foreign Exchange Regulations Act in order to establish legal hawala operations in Norway. In justifying the rejection of these requests, the document states that, while hawala services ‘can be particularly useful’ for persons who have their families in areas without a functioning banking system, ‘there are clear indications that hawala networks have been used as mechanisms for transferring money to be used in the planning and execution of terrorism and to launder the proceeds from criminal activi-

<sup>3</sup> Norwegian equivalent of the crown court.

<sup>4</sup> Documents sent from government to parliament when the government suggests amendments to or abolition of an existing law.

ties' (Norwegian Ministry of Finance 2002-2003b:60). This may indeed be the case, but the same can be said of the regular banking system. For instance, investigations have shown that the monies that paid for the attacks of 9/11 were transferred partly through informal transfer systems and partly through the formal financial sector (Financial Action Task Force on Money Laundering 2003).

Statements from the Ministry of Justice and the Police and the Financial Supervisory Authority of Norway (*Kredittilsynet*) state the desirability of an increased level of competition in international payment services. This position was materialized in the expansion of the eligibility to conduct international transfers to include financial institutions such as Western Union. However, the Financial Supervisory Authority expressed its position that hawala systems 'must not be given exemption or authorization from Norwegian authorities to carry out their activities. These are opaque businesses that can be utilized for money-laundering purposes and financing of terror, and that are difficult to subject to effective supervision' (Norwegian Ministry of Finance 2002-2003b:63) At a European conference on Somali remittances in 2003, a representative from the Norwegian Financial Supervisory Authority was confronted with the fact that Norway had the most restrictive regulations of all the countries present, and that it had been impossible for Somali companies to establish a legal presence. The representative replied that the laws were 'meeting the best interest of Norway' and reflected the government's attitude in combating money-laundering and terrorist financing activities. He added that '80 per cent [of the Somalis in Norway] are unemployed', and that it was therefore 'alarming to the authorities' that large remittance transfers to Somalia were taking place (KPMG 2003:9).<sup>5</sup>

In *Odelstingsproposisjon* no. 72 (2003–04), the necessity of being able to identify the sender in a financial transaction through every stage of the transfer is a key point of discussion (Norwegian Ministry of Finance 2002-2003a). Identifying information should include the sender's name, address and account number. In the document, it transpires that there is a common conception among relevant bodies that such customer identification is usually not made by hawala businesses. These are seen as structurally different from regular banks – for example, in terms of the establishment of permanent customer relations. Our survey of remittance businesses in Oslo showed that some, like Western Union, are open to customers on a 'drop-in' basis, while at least one required customers to provide identification documents and register.

Because hawala businesses are illegal, and thus not covered by supervisory mechanisms, they do not have significant incentives for introducing routines that would enable tracing of remittance transfers. Such controls are nevertheless in place for some of the more established hawala operators. One hawala operator that is legally established in several European countries has routines for complying with regulations elsewhere that are also applied to its services in Norway. It is also worth noting that authorities in Somaliland require that remittance transactions are carried out in accordance with the regulations established by the Financial Crimes Enforcement Network of the US Department of the Treasury (Lindley 2006a). Partly because of their regularized operations in other countries, some of the hawala businesses al-

<sup>5</sup> The registered unemployment rate for Somalis in the third quarter of 2003 was 36.9 per cent (Lie 2004).

ready register most of the information that is identified in *Odelstingsproposisjon* no. 72 (2003–04) as being necessary for supervision purposes. Because these businesses are not regularized in Norway, however, Norwegian authorities do not have access to this information. What Norges Bank can monitor are only the gross transfers out of the operators' regular bank accounts.

The intergovernmental Financial Action Task Force (FATF) has formulated recommendations for combating money laundering and terrorist financing through money transfer services (Financial Action Task Force on Money Laundering 2001, 2003). The FATF recommendations have been an important reference point for the Ministry of Finance and the Financial Supervisory Authority in defending Norway's restrictive regulations. Depending on the perspective with which the FATF recommendations are read, they could also be used in defence of a more accommodating policy. The report on international best practices in combating the abuse of alternative remittance systems stresses that informal mechanisms can 'provide a legitimate and efficient service' that complements the shortcomings of the formal sector. Government oversight, the report recommends, 'should be flexible, effective, and proportional to the risk of abuse'. (Financial Action Task Force on Money Laundering 2003:3).

In their handbook on financial sector assessment, the World Bank and the IMF (2005:229) stress the importance of consumer protection in the legal infrastructure for financial systems:

It is imperative that the legal framework provides for appropriate legal arrangements to safeguard the interest of consumers. Consumer protection in the financial system involves the protection of personal and credit information data; the right to security and safety in electronic and e-commerce transactions; *the availability, access, and inexpensive cost of services such as remittances* and the opening and maintaining of accounts; and an appropriate mechanism to address grievances in the event of a dispute with a bank [Emphasis added].

This quote ought to raise concerns about the appropriateness of the legal infrastructure for financial systems in Norway. There are clearly multiple interests to safeguard, but the sustained disregard for the challenges of remittance-senders' merits attention.

In a recent report on informal money transfer systems, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (*Økokrim*) concludes that there are two possible solutions to the present situation. First, the police could be given additional resources in order to investigate more cases of informal value transfers and in this way reduce the extent of these practices. Alternatively, lawmakers could consider changing the practices related to the licensing of money transfer operations. Following the latter conclusion would both give immigrants in Norway better possibilities for transferring money to their countries of origin and secure Norwegian authorities the necessary insight into and control of these operations (Økokrim 2007).

### *European Regulations*

Policy developments in the European Union (EU) have consequences for Norway as a member of the European Economic Area (EEA). EU regulations in the field of money transfers have aimed at harmonizing charges for cross-border transfers and making such transfers more efficient. From 1 July 2003, cross-border bank transfers in euros within the EU cost the same as domestic transfers, bringing significant savings for customers. In order to qualify for equal

charges, senders must provide their bank with the recipient's IBAN (International Bank Account Number) and BIC (Bank Identifier Code). A new directive on payment services was adopted by the European Parliament on 26 April 2007, and has been forwarded to the Council for final adoption. The member-states of the EU are required to transpose the EU directive into national law by 1 November 2009 at the latest. The Payment Services Directive is part of the broader process of creating the Single European Payments Area. The new Payment Services Directive will apply to payments in any EU currency within the EU. It will therefore not have direct implications for remittances to non-European countries.

The parallel process of harmonizing regulations on money laundering may have significant implications for remittance services. As regulations presently vary from country to country, a possible result of harmonizing EU regulations on money laundering would be that some countries that have liberal approaches to regulation of money transfer operations today, such as the United Kingdom,

might have to tighten their regulations, while others may have to liberalize. There is currently no agreement as to how to resolve this issue (Orozco 2007).

## **Development Impacts of Remittances**

Links between migration and development are currently at the forefront of government agendas across the world. This involves seeing new links between previously separate policy areas, such as international development, on the one hand, and domestic issues related to immigrant integration and financial regulation, on the other.

Migrant remittances constitute one of the central links between migration and development. Developing countries now receive more than twice as much money from their emigrants in the form of remittances than they do in official development aid (World Bank 2005, 2007). This makes remittances an issue that merits attention from policymakers. Remittances are inherently of a private nature, however, and it is within this context that states can act.

For many years, research on the development impacts of remittances tended to reach somewhat pessimistic conclusions, based on the fact that remittances tend to be spent on consumption rather than on investment in productive activities. More recent research has shown

### **Regulatory frameworks in remittance-receiving countries in Africa**

The regulatory frameworks at the receiving end of remittance flows may also affect the availability and choice of transfer mechanisms. In the post-9/11 era, the so-called Know-Your-Customer (KYC) requirements have been given much greater emphasis and have led to stricter demands on customer identification, verification and record-keeping. This not only limits the accessibility of illiterate people, but also increases costs of money transfer services. Additionally, relationships between many banks and money transfer operators have deteriorated, as anti-money laundering regulations tighten. In the case of Somali money transfer operators, many are treated with suspicion simply because of their ethnic affiliation. In South Africa, Western Union eventually pulled out of the country in response to regulatory challenges. The regulatory framework in West Africa is particularly stringent. In Ghana and Nigeria, for instance, there are maximum limits on outward remittances, and only banks are permitted to carry out cross-border payments. This leads to a situation where most remittance intermediaries are informal players. A recent survey among West African immigrants in Ghana showed that more than 80% use informal networks for sending remittances (Orozco 2007).

that the development impact can nevertheless be considerable (Adams and Page 2005, Carling 2005b, Ratha 2005, Terry and Wilson 2005). First of all, remittances have a direct poverty-alleviating effect for the receiving families that in itself is good for development. Second, remittance expenditure on health and education – which can be substantial – should be seen as an investment in human capital rather than consumption. Third, there can be significant multiplier effects in the local economy when remittances are spent on goods and services.

Remittances often affect income inequality in migrants' countries of origin, but the nature of the impact depends on who the migrants are. If they are from the poorest segments of the population (which is rarely the case), their remittances can contribute to a more equitable income distribution. If they are primarily from middle-income backgrounds, their remittances can exacerbate existing income inequalities. In many cases, therefore, remittances simultaneously have a positive effect in terms of poverty alleviation and a negative effect in terms of income distribution (Jones 1998).

Remittances also have macroeconomic development impacts, including the positive effect of providing foreign exchange that strengthens the balance of payments. This can be consumed by a negative impact on the balance of trade, however, if remittance inflows stimulate increased import of goods.

#### **Should we expect remittance-receivers to invest?**

Past disillusionment over the development effects of remittances was largely based on the low propensity of migrants and their families to invest in productive activities. Policies that encouraged them to do so also yielded disappointing results. The popular comparison of remittances and development aid sometimes revives the view that remittances 'ought to' be spent for the benefit of local or national development rather than simply for the enjoyment of individuals or families. Before allowing such expectations or making moral judgements, however, we should ask ourselves what middle-class families in Europe would most probably do if they received additional income. Would they be the target of our condemnation or disappointment if they chose to build a bigger house or buy a new car instead of refurbishing the local school or starting a small factory to create youth employment?

One risk associated with remittance inflows is that they may create a dependency on income from abroad and a reduced effort to create sustainable livelihoods. This applies both to the state level and to individuals. Such effects are difficult to measure in empirical research. Dependency on remittances also makes countries vulnerable to external shocks, such as the sudden loss of remittances due to the expulsion of immigrants or competition from cheaper labour from other countries. While the risks of dependency should be acknowledged, it may also be argued that remittance income can be one element of a diversified economy and thereby contribute to overall stability and risk reduction.

It is difficult to measure the exact effects of financial remittances on local develop-

ment, and even harder to make broad generalizations. In order to investigate the concrete impacts of remittances for development in a particular location, an analysis of the local economic system in question would have to be undertaken. Though it is difficult to pinpoint the exact effects of remittances on development, however, there is ample room for diaspora populations and governments in remittance-sending and -receiving countries to *strengthen* the effects on development in remittance-receiving societies (Carling 2004b, Van Hear *et al.* 2004)



For migrants from conflict-torn societies, such as Iraq and Somalia, sending remittances can be a matter of great urgency. Livelihoods for relatives who remain in the country of origin are often extremely fragile, and those who live as refugees in neighbouring countries frequently endure extremely poor conditions. A significant characteristic of migrant remittances is their stability, or even increase, during times of crisis and acute hardship (Fagen 2006). When crises are protracted and undermine the functioning of institutions, however, the choice of remittance-sending mechanisms can become very limited.

### *Development Impacts and Transfer Mechanisms*

The development impact of remittance sending is also related to the ways in which money is being sent. In fact, transfer mechanisms have become a central focus in international debates on remittances and development. The principal argument is that when remittances enter financial institutions such as banks or microcredit organizations, this has several positive effects on development. First, it may facilitate long-term economic planning for the receiving families and enable them to save, borrow, or invest money at different stages. Second, when remittances are placed in accounts, this can facilitate access to credit for local entrepreneurs. This connection means that remittances can contribute to investment in productive investment even when migrants or their families are unprepared to run a business, which is often the case.

Another link between transfer mechanisms and development lies in the cost of transfers. Remittances constitute an important source of finance for the developing world as a whole, and are absolutely central to the economy of a large number of countries. Even small reductions in the average costs paid by remittance senders can thus increase the contribution of remittances to narrowing the global wealth gap.

### **Motivations for Policy**

In the past, remittances were mainly of interest to policymakers in migrants' countries of origin. More recently, governments in migrants' countries of residence have also taken an interest in the field. For a remittance-sending country, policy is potentially driven by a series of different aims, represented by different organisms in the state apparatus. These aims will be outlined here, while possible policy measures will be addressed in the conclusion.

*Combating of tax evasion, money laundering and the financing of terrorism* – These concerns are what initially made governments in countries such as Norway interested in migrant remittances. They are primarily represented by ministries of finance and justice and their subordinate agencies. The unregulated nature of hawala transfers make them open to abuse for illegal purposes. Policy in this area has concentrated on eradicating illegal money transfer mechanisms and enforcing reporting requirements.

*Development in migrants' countries of origin* – More recently, during the past 3–4 years, there has been an enormous growth in the interest in development impacts of remittances among donor countries, including Norway. Ministries of foreign affairs and agencies of international development have seen that these flows, which sometimes dwarf their own aid budg-

ets, are too large to be ignored. Exactly what to do in relation to remittances, however, has often been an open question.

*Integration of immigrants in their country of residence* – Links between remittances and integration are yet to receive much attention from policymakers. It is essential that migrants, like other inhabitants, be free to choose how to spend their own money. Policies should therefore not try to shape expenditure patterns in specific ways that are thought to be good for integration. As with development impacts, however, transfer mechanisms in their own right are important. When immigrants have no options for sending money to their relatives through legal mechanisms, this compels them to use unregulated transfer services. It is clearly not good for integration when large immigrant groups rely on crossing the line into illegal practices for the management of their household economy.

## 4. Mechanisms for Sending Money: What Options Exist?

Mechanisms for sending remittances can be categorized in different ways. In this report, we distinguish between eighteen different mechanisms, divided into four groups. Table 3 provides an overview of the mechanisms, which will be discussed in turn in this section. Each mechanism has particular characteristics in terms of how the sender makes the funds available, how he or she requests the transfer, and how the recipient accesses the funds. While this chapter will account for how each mechanism works, Chapter Five will make systematic comparisons with respect to availability, price and other aspects of quality.

**Table 3.** Overview of transfer mechanisms

<b>Mechanism</b>	<b>How does the sender make funds available?</b>	<b>How does the sender request the transfer?</b>	<b>How does the recipient access the funds?</b>	<b>Ethnic-minority orientation<sup>1</sup></b>
<b>Cash-to-cash services</b>				
Cash-to-cash money transfer (instant)	Cash at counter	At counter	Cash at counter	Medium
Cash-to-cash money transfer (next day)	Cash at counter	At counter	Cash at counter	Medium
Cash-to-cash money transfer (hawala)	Cash at counter	At counter	Cash at counter	High
Cash-to-cash prepaid-card service	Cash at counter	At counter	Cash at ATM	Medium
Cash-to-cash home-delivery service	Cash at counter	At counter	Cash at home	Medium
<b>Account-to-cash services</b>				
Account-to-cash service (hawala)	From account	By SMS	Cash at counter	High
Account-to-cash Visa card service	From account/credit card	At website	Cash from ATM	Medium
Account-to-cash service (Internet)	From credit card	At website	Cash at counter	Medium
Account-to-card prepaid-card service	From credit card	At website	Cash from ATM	Low
<b>Account-to-account services</b>				
Regular bank transfer (counter)	From account	At counter	To account	Low
Regular bank transfer (Internet)	From account	At website	To account	Low
Urgent bank transfer (counter)	From account	At counter	To account	Low
Urgent bank transfer (Internet)	From account	At website	To account	Low
Account-to-account Internet service	From account/credit card	At website	To account	Medium
<b>Account-to-services/goods</b>				
Account-to-goods	From credit card	At website	Delivered at home	High
Account-to-voucher	From credit card	At website	At home/counter	High
account-to-school fees	From credit card	At website	Credited to school	High
<b>Physical transportation of value</b>				
Personal courier	Cash to courier	(Variable)	Cash from courier	High
Foreign-currency cheque (Internet)	From account	At website	Cash or account	Low
Foreign-currency cheque (counter)	From account	At counter	Cash or account	Low
Cash in high-value letter	Cash at counter	At counter	Cash at counter	Low

<sup>1</sup> Ethnic-minority orientation partly reflects the nature of the mechanism itself, and partly the specific service providers present in Norway.

It is common to designate ‘informal’ transfer services as a specific *type* of remittance mechanism. In this report, we have taken a different approach. When mechanisms are classified according to their service to customers, the similarities between hawala operators and regular MTOs become evident. The difference in legal status can then be regarded as one of several aspects of performance, rather than as an overriding basis for classification. This seems especially reasonable when the legality of hawala services varies from country to country, even when the business operation itself is essentially the same. There is great variety in the internal operations of the payment systems that are known as hawala, ranging from simple operations that rely on pooled transfers through the regular banking system, to complex operations involving networks of trade and transactions across several countries. This report concentrates on the service provided to customers, and does not address the ways in which hawala agents in Norway and the remittance recipient’s country settle their accounts.

### Cash-to-Cash Mechanisms

Cash-to-cash mechanisms are those by which the sender presents cash to the service provider and the receiver collects the transfer in cash. Such services generally do not require accounts or permanent customer relations, but rely on identification documents, reference numbers, control questions and/or other detailed personal data to ensure that the money is paid out to the right person at the receiving end.

#### *Cash-to-Cash Money Transfer (Instant)*

Instant cash-to-cash services have a very large share of the global remittance market. The sender deposits cash at an agent office and fills in a form with details about the recipient. He or she then has to notify the recipient, for instance by phone. Just a few minutes after the cash has been deposited by the sender, the equivalent amount can be collected by the recipient at a local agent office. In Norway, instant cash-to-cash transfer services are offered by MoneyGram (through the Scandinavian agency Forex) and Western Union (through its own branches, as well as through Fexco Money Transfer and Sparebanken Øst). Both have a worldwide network of

**Table 4.** Overview of cash-to-cash mechanisms

<b>Mechanism</b>	<b>How does the sender make funds available?</b>	<b>How does the sender request the transfer?</b>	<b>How does the recipient access the funds?</b>	<b>Collected all at once</b>	<b>Enters the financial system<sup>1</sup></b>
Cash-to-cash money transfer (instant)	Cash at counter	At counter	Cash at counter	Yes	No
Cash-to-cash money transfer (next day)	Cash at counter	At counter	Cash at counter	Yes	No
Cash-to-cash money transfer (hawala)	Cash at counter	At counter	Cash at counter	Yes	No
Cash-to-cash prepaid-card service	Cash at counter	At counter	Cash at ATM	No	No
Cash-to-cash home-delivery service	Cash at counter	At counter	Cash at home	Yes	No

<sup>1</sup> Refers to financial institutions in the recipient’s country.

agents. Among the survey countries, neither Western Union nor MoneyGram offered transfers to Somalia. At the time of the survey, MoneyGram did not make transfers to Iraq, while Western Union did.

In other countries, such as the United Kingdom, there is also a large number of smaller MTOs offering instant transfer to specific countries. In Norway, MoneyGram and Western Union are, to our knowledge, the only MTOs in the regular market.

The cost of instant cash-to-cash transfers is made up of a fee, paid by the sender in addition to the transfer amount, and an exchange-rate surcharge. The fee follows a stepwise scale according to the transfer amount. The total cost of sending remittances from Norway with Western Union or Forex/MoneyGram is 12–23% for a transfer of NOK 1,000 and 7–19% for NOK 5,000.<sup>6</sup>

#### *Cash-to-Cash Money Transfer (Next-Day Service)*

Western Union also offers a more reasonable transfer service to ten countries, including Iraq, Pakistan and Poland from our sample. This cheaper option, known as next-day service, has an estimated transfer time of 24 hours. In every other respect, the service is identical to the instant money transfer. The total cost of next-day service is 11–16% for transfers of NOK 1,000 and 6–11% for NOK 5,000. The savings compared to the instant service are greater with the larger amount, where total costs are reduced 30–43% by waiting a day for the transfer to arrive.

#### *Cash-to-Cash Money Transfer (Hawala)*

Hawala businesses offer services outside (but sometimes integrated with) the conventional and regulated banking system. From the customers' point of view, the service is essentially the same as that offered by Western Union or Forex/MoneyGram: cash is delivered to an agent in Norway, who charges a fee and delivers cash to the recipient at an agent office in the destination country. The full cost of cash-to-cash hawala transfers is 8–16% for a transfer of NOK 1,000. The smaller operators tend to make the highest charges. Remittances to Northern Iraq and Somaliland are delivered the next day, while transfers to the conflict-ridden areas of southern Somalia, including Mogadishu, can take 2–3 days.

#### *Cash-to-Cash Prepaid-Card Service*

As an alternative to picking up the remittance money at an agent office, there are services that allow the recipient to collect the cash from an ATM with a prepaid card. The card has to be delivered to the recipient for the first transfer to be collected, but the card is then reused for subsequent transfers. The sender tops up the value on the card by making deposits at an agent office. There are several advantages with such a service. First, the recipient can collect the money at a much larger number of locations. Second, he or she is not limited by agent opening hours. Finally, being able to make several withdrawals minimizes the risk of carrying cash. In Norway, this service is currently only available for transfers to the Philippines, pro-

<sup>6</sup> The range of costs indicated here and for subsequent mechanisms refers to the findings of the market survey with reference to the 12 specific survey countries on 26 March 2007. See Chapter Five for details of how costs are calculated. Fees in NOK may have been converted from USD, in which case the interbank rate on 26 March 2007 has been used.

vided by Forex/MoneyGram. The cost is the same as for regular cash-to-cash transfers, 19% for NOK 1,000 and 14% for NOK 5,000. A similar card-based service paid for by credit card rather than in cash is presented under account-to-cash mechanisms below.

### *Cash-to-Cash Home-delivery service*

The cost (in time and money) of travelling to an agent office and the risk of carrying cash on the street has created a market for home delivery of remittances. Such services are popular in parts of Latin America. In Norway, this service is offered by Forex/MoneyGram for transfers to the Philippines. The sender deposits cash at an agent office in Oslo, and the money is delivered to the recipient's home in the Philippines 1–2 days later. The cost is the same as for regular cash-to-cash transfers and transfers to prepaid ATM cards. Recipients of MoneyGram prepaid cards and home delivery are required to show identity documents in the same way as people collecting money at an MoneyGram agent. In the Philippines accepted means of identification include government issued social security cards, driver's licenses, bank IDs and passports.

## **Account-to-Cash Mechanisms**

The prevalence of bank accounts is usually higher among remittance senders than among receivers. It may be convenient, therefore, for the sender to make the money available from a bank account or a credit card, while the recipient can collect cash. Four such mechanisms are included in the survey (see Table 5).

### *Account-to-Cash Service (Hawala)*

One of the hawala operators provided a service by which the sender made a bank transfer to another account in Norway. The corresponding amount was then paid out in cash to the recipient at a local agent office. The sender requested the transfer and gave details about the recipient by SMS. This service is only offered to Iraq.

**Table 5.** Overview of account-to-cash mechanisms

<b>Mechanism</b>	<b>How does the sender make funds available?</b>	<b>How does the sender request the transfer?</b>	<b>How does the recipient access the funds?</b>	<b>Collected all at once</b>	<b>Enters the financial system<sup>1</sup></b>
Account-to-cash service (hawala)	From account	By SMS	Cash at counter	Yes	No
Account-to-cash Visa card service	Account or CC	At website	Cash from ATM	No	No
Account-to-cash service (Internet)	From credit card	At website	Cash at counter	Yes	No
Account-to-card prepaid-card service	From credit card	At website	Cash from ATM	No	No

<sup>1</sup> Refers to financial institutions in the recipient's country.

### Account-to-Cash Visa Card Service

A second account-to-cash transfer mechanism is possible when the recipient is a Visa cardholder. In such cases, the web-based company Moneybookers allows remittance receivers to collect the transfer from an ATM. Moneybookers requires senders and receivers to register online and create accounts. The sender can upload funds either by credit card or by a domestic bank transfer to another account in Norway. The receiver has several options for withdrawing the funds, including having them credited to a Visa card. If the sender pays by credit card, which is the fastest transfer option, the typical cost of this service is 6% for transfers of NOK 1,000 and 4% for NOK 5,000.<sup>7</sup>

### Account-to-Cash Service (Internet)

The major MTOs offer services by which senders pay for their transfer by credit card on the Internet instead of depositing cash at an agent office. In Norway, Western Union offers a full-fledged Internet service with the same price structure and delivery times as its cash-to-cash service. Western Union's on-line services are available from Austria, Australia, Canada, Germany, France, the UK, Ireland, Netherlands, Norway, New Zealand, Sweden and the USA. In order to use the service, the sender has to be the owner of a credit card issued by a bank or financial institution in the country in question. MoneyGram has a similar service, but this is only available to customers in the USA. In Norway, Forex offers a limited account-to-cash MoneyGram service 'for customers who live far away from the Forex branches in Oslo'.<sup>8</sup>

### 'Money transfer problems solved!'

The markets and technologies for international payments are developing rapidly. Service providers or the media will often present new services as more revolutionary than they are. There are two reasons for this. First, many new services simply address the communication aspect of an international payment. Users still rely on traditional infrastructure (bank accounts, credit cards and ATMs) for depositing or withdrawing money that they send or receive. Second, the cheaper and more convenient the service, the fewer countries it is likely to cover. For instance, the new payments service offered by Skype, the Internet telephony network, in association with PayPal relies on transfers in and out of regular bank accounts. The Skype web site ensures that 'Sending money from PayPal through Skype is always free' and in connection with launching the service in march 2007, Skype co-founder Niklas Zennstrom told Reuters that 'a lot of people using Skype are people who have friends and family on the other side of the world'. It turns out, however, that while *sending* money is free, there are substantial fees for *withdrawing* money outside the United States. Furthermore, sending money from one currency to another is not free, but charged with an exchange rate spread of 2.5 per cent. As for 'friends and on the other side of the world' money can only be sent to *one* low-income country (India) and four lower-middle income countries (China, Ecuador, Jamaica and Thailand). The Skype/PayPal service has similarities with Moneybookers in terms of its potential as a remittance transfer mechanism. It could prove to be the best options for some migrants and their relatives, but neither this nor other new services are likely to provide a quick fix to the challenges of sending remittances to developing countries.

<sup>7</sup> Refers to transfers to Poland and Lithuania, which are made in local currency. For transfers to other countries, the full cost is not possible to calculate because of uncertainty about exchange rates.

<sup>8</sup> In order to use this service, the customer needs to sign a contract at a Forex office in Oslo and subsequently send every transfer request by fax. The price is the same as for regular cash-to-cash transfers. This service may also be used for home delivery and transfers to prepaid ATM cards in the Philippines.

### Account-to-Card Prepaid-Card Service

Card-based remittance services are becoming more widespread worldwide. Remittance senders in Norway can use the services of iKobo, a web-based MTO based in the United Kingdom. Upon the first use of this service, a Visa debit card is sent to the recipient by Federal Express. The balance on the card is topped up by the sender over the Internet, using his or her own credit card. The receiver can either withdraw the money in cash from an ATM or use the card wherever Visa is accepted. The card can be reused, so once the recipient has received the debit

#### Cash or card?

In this report, transfers to prepaid cards are classified as cash-to-cash or account-to-cash transfers, since the recipient can collect cash from an ATM and the money does not enter an account. However, prepaid cards can often also be used directly to pay for goods and services. As payment cards become more widely accepted in developing countries, they have the potential to play an important role in global remittances. Prepaid cards such as iKobo's have the advantage that the receiver does not need a bank account nor the financial solidity to be eligible for a credit card. Visa is developing its own service, called Visa Money Transfer. This makes it possible to transfer money from one Visa card to another, but is not yet widely available. The service is provided to cardholders through the bank that issues their Visa card, and senders must be users of online banking. In developing this service in Asia and the Americas, Visa is explicitly targeting the market for migrant remittances.

card subsequent transfers are instant. The cost for such transfers consists in a variable transfer fee, a flat withdrawal fee (NOK 12), a flat monthly maintenance fee (NOK 6), currency-conversion costs and the costs to the sender of making an online payment by credit card. Excluding the latter component, costs are 6–11% for transfers of NOK 1,000 and 3–8% for NOK 5,000.<sup>9</sup> The one-time cost of sending the debit card is NOK 73, or NOK 152 for express delivery if available. Depending on the available denominations in the ATM, the receiver may not be able to withdraw the full transfer amount. Any remaining amount stays on the card and may be withdrawn in connection with subsequent transfers.

iKobo card recipients are not required to show any ID upon receiving the card via the mail or via FedEx services. However, in

order to withdraw money from an ATM, recipients have to hold their PIN number, which is sent by e-mail. If the recipient does not have an e-mail account, the PIN number is e-mailed to the sender, who is responsible for conveying the PIN number to the recipient.

### Account-to-Account Mechanisms

For many Norwegians, the most intuitive association when they think of sending money is simply to transfer funds from one account to another, with no cash involved. In order to use this mechanism, both the sender and the receiver must have a bank account. There are several advantages to transfers being deposited directly into the receiver's account. For an individual transfer, the main advantage may be that the risk of handling cash is minimized. If remittance receipts encourage the receiver to hold a bank account at all, this may have wider benefits, including the accumulation of interest, facilitation of financial planning and access to financial services, such as loans. As noted in Chapter Three, deposits of remittances can also have important development benefits when they increase availability of credit to local entrepreneurs.

<sup>9</sup> Based on the assumption of one transfer per month. If more transfers are made, the monthly maintenance fee will be shared across transfers, and the cost for each will be lower.



**Table 6.** Overview of account-to-account mechanisms

Mechanism	How does the sender make funds available?	How does the sender request the transfer?	How does the recipient access the funds?	Collected all at once	Enters the financial system <sup>1</sup>
Regular bank transfer (counter)	From account	At counter	To account	No	Yes
Regular bank transfer (Internet)	From account	At website	To account	No	Yes
Urgent bank transfer (counter)	From account	At counter	To account	No	Yes
Urgent bank transfer (Internet)	From account	At website	To account	No	Yes
Account-to-account Internet service	Account or CC	At website	To account	No	Yes

<sup>1</sup> Refers to financial institutions in the recipient's country.

### Bank Transfers

The possibility for transferring money abroad through the banking system depends on the contact networks of individual banks. Most banks are able to make transfers to most countries with a functioning banking system, but these may often go through several intermediary banks, with an unpredictable outcome in terms of speed and cost. In Norway, many of the smaller savings banks, organized in the Savings Banks Union, make all their currency transfers through DnB NOR. A transfer from a local savings bank in Norway to a local bank in Iraq may need to make its way through DnB NOR to a bank in the USA and then to a correspondent bank in Baghdad before finally reaching the local bank. For transfers to most other countries in the survey, however, the route taken will be more direct.

When making a bank transfer, the sender should supply as much information as possible about the receiver's bank and account. Ideally, the transfer request should contain the receiving bank's Bank Identifier Code (BIC) and, for European countries, the International Bank Account Number (IBAN) (see box for further details on these standards). The sender's bank may charge a higher fee or refuse to carry out the transfer without this information.

#### SWIFT, BIC and IBAN

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the industry-owned cooperative supplying standardized messaging services to financial institutions in almost every country in the world. SWIFT assigns so-called Bank Identifier Codes (BICs) that precisely identify the financial institutions involved in transactions. These codes are sometimes referred to as 'SWIFT addresses'. Banks that are directly connected to the SWIFT network have an eight-character code composed of a bank code, a country code, and a location code. Other banks or branches have an 11-character code consisting of the full BIC of the bank that provides their network connection, followed by a three-character branch code. It is possible to search for the BIC of a specific bank online ([www.swift.com/biconline](http://www.swift.com/biconline)). In recent years, SWIFT has become increasingly aware of the market for migrant remittances and has set up a working group and an advisory group to deal with the challenges and opportunities involved in this type of transfer.

The International Bank Account Number (IBAN) is a standard format for identifying bank accounts across national borders. While it plays an important part in the harmonization of European payments systems, the IBAN has not been widely adopted outside Europe. An IBAN consists of four letters followed by 15–30 numbers, depending on the country.

**Table 7.** Range of total costs for bank transfers (%)

Speed	Transfer of NOK 1,000		Transfer of NOK 5,000	
	Ordered at the counter of a bank branch	Ordered over the Internet via online banking	Ordered at the counter of a bank branch	Ordered over the Internet via online banking
Regular transfer	3.0–33.8	0.5–26.3	0.6–12.2	0.5–10.7
Urgent transfer	20.0–57.8	19.5–53.5	4.0–17.0	3.9–15.5

Note: Actual costs will always exceed the minimum and may exceed the maximum costs (see text for explanation). The ranges refer to all 12 destination countries included in the survey. The ranges of costs for individual countries differ.

Bank transfers are differentiated with respect to their speed and the mode of ordering. Urgent transfers will usually reach the recipient's bank within 1–2 days. Regular transfers may only be marginally slower in some cases, but could take more than a week in other cases. Transfers can be ordered either over the counter at a local bank branch or via online banking.

The principal known component of the cost of a bank transfer is the fee charged by the sender's bank. This is generally the same for all amounts, but varies according to the speed and ordering mode. Most banks also give the sender the opportunity to cover the costs abroad, which would otherwise be deducted from the transfer amount. In general, these costs are also independent of the amount being transferred. The flat fees mean that percentage costs of bank transfers are much higher with small transfer amounts.

Table 7 gives an indication of the range of total costs based on available information. The upper limits invariably refer to services where the sender covers costs abroad. In some cases, foreign banks may still make charges, thus increasing the total cost above the maximum indicated in the table. The lower limits only include the charges made by the sender's bank, as well as the known costs of currency changes. The total cost will *always* be higher than this, sometimes substantially higher.

#### *Account-to-Account Internet Service*

An alternative to regular bank transfers is the account-to-account service provided by Moneybookers. The recipient of a transfer through Moneybookers can withdraw money to his or her bank account for a flat fee of NOK 14, plus any charges that might be made by the receiving bank. In some countries, including Poland among our sample, the transfer will be a domestic one from a local Moneybookers account. This usually means that no fee will be charged by the receiving bank. For bank transfers from Norway to Poland, the total cost, excluding the sender's credit card use, is 6% for NOK 1,000 and 4% for NOK 5,000. Transfers can also be made to banks in other countries, but only to those that are directly connected with the SWIFT network.

#### **Account-to-Services/Goods**

Companies in migrants' countries of origin have seen that there is a market for letting emigrants pay directly for goods or services that are delivered to their relatives – an alternative to conventional remittances that gives emigrants greater control over how the money is spent. One such company is MamaMikes, which delivers goods and services to emigrants' relatives in Kenya and Uganda. We have included three transfer mechanisms offered by MamaMikes (see Table 8).

**Table 8.** Overview of account-to-services/goods mechanisms

<b>Mechanism</b>	<b>How does the sender make funds available?</b>	<b>How does the sender request the transfer?</b>	<b>How does the recipient access the funds?</b>	<b>Collected all at once</b>	<b>Enters the financial system<sup>1</sup></b>
Account-to-goods	From credit card	At website	Delivered at home	Yes	No
Account-to-voucher	From credit card	At website	Delivered at home	No	No
Account-to-school fees	From credit card	At website	Credited to school	Yes	No

<sup>1</sup> Refers to financial institutions in the recipient's country.

### *Account-to-Goods*

This service lets senders select goods and pay by credit card on the MamaMikes website. Examples include flat-screen TVs, DVD players, mobile phones, refrigerators, cookers, toasters, bicycles, perfume and teddy bears. The goods are delivered to the recipient's home or workplace within 1–3 days, depending on the location and type of goods. The sender pays a fixed service charge and a variable delivery fee. The full cost of the service is difficult to determine without knowing what the price of identical goods bought locally would be. Furthermore, since prices are reported in USD on the website, it is not possible to know what exchange rate is used by the service provider.

### *Account-to-Voucher*

Transfers to so-called monthly vouchers allow recipients to make purchases at one of Kenya's three main supermarket chains for a given amount per month. At the end of the month, the total is billed to the sender's credit card. The recipient can either collect their vouchers at MamaMikes' Nairobi office or have them delivered at home (in which case the sender pays a delivery fee). The fixed service charge for monthly vouchers is half the service charge for goods or one-off vouchers. The exchange-rate surcharge for this service is 9–14 %, depending on the currency in which the credit-card payment is made. Single-purchase vouchers can also be bought for other goods and services, including school uniforms, restaurant meals, fuel and electricity.

### *Account-to-School Fees*

MamaMikes lets emigrants pay school fees for relatives directly to schools in Kenya. The sender specifies the name of the school and the pupil, and pays by credit card on the website. The fee is paid to the school within 48 hours, and the receipt is made available to the recipient. As with shopping vouchers, there is an exchange-rate surcharge of 9–14%.

A similar direct payment service is offered for mobile-phone airtime. Payments are credited directly to the recipient's phone number. The service charge is lower than for other services, and there is a much smaller exchange-rate surcharge (1–5%).

**Table 9.** Overview of transfer mechanisms by physical transportation of value

Mechanism	How does the sender make funds available?	How does the sender request the transfer?	How does the recipient access the funds?	Collected all at once	Enters the financial system <sup>1</sup>
Personal courier	Cash to courier	(Variable)	Cash from courier	Yes	No
Foreign-currency cheque (Internet)	From account	At website	Cash or account	Y/N	Y/N
Foreign-currency cheque (counter)	From account	At counter	Cash or account	Y/N	Y/N
Cash in high-value letter	Cash at counter	At counter	Cash at counter	Yes	No

<sup>1</sup> Refers to financial institutions in the recipient's country.

## Physical Transportation of Value

In all the mechanisms discussed so far, the sender does not relate directly to any physical transportation. Hawala transactions may involve the transfer of cash across borders, but whether or not they do is of little importance to the customer. The final category of transfer mechanisms, by contrast, is based on cash or cheques being transported from the sender to the receiver (see Table 9).

### The potential for abuse of remittance mechanisms: the taxi cases in Oslo

Norwegian authorities have since 2004 uncovered fraud among some of Oslo's taxi drivers. The tax authorities estimate that the cases include more than 800 drivers involved in evading taxes on income of more than NOK 500 million. Several hundred of these taxi drivers have also been involved in fraud related to welfare and benefits, amounting to more than NOK 100 million. About seventy per cent of the taxi drivers involved are of Pakistani descent. The tax evasion and welfare fraud have led to an increased focus on the flows of money from Norway to Pakistan, the mechanisms used for such transfers, and the investments made in Pakistan. It is well known that Pakistanis in Norway bring money with them on trips to Pakistan. Several of the taxi drivers have been apprehended at Oslo airport with large amounts of cash, apparently trying to conceal their earnings from authorities and creditors. Bringing money out of the country is perfectly legal, though amounts above NOK 25,000 (per person per flight) have to be declared to customs authorities. In the first half of 2007 passengers on their way to Pakistan declared 72 million NOK at Oslo airport. The large amounts that are declared underline the significance of this remittance mechanism also among law-abiding travellers to Pakistan. Unfortunately, the smuggling of cash that can be linked to fraud has led this legitimate and affordable remittance mechanism to be associated with criminal activities.

### Personal Courier

When members of a migrant community travel frequently back and forth to the country of origin, it is possible to send remittances by asking friends or relatives to carry cash in person. This is usually done simply as a favour, so the only direct cost is the exchange-rate surcharge when Norwegian cash is exchanged in the migrants' country of origin. Amounts above NOK 25,000 must be declared to customs at the border upon departure from Norway. The availability of this transfer mechanism varies greatly across nationalities and individuals. Well-connected individuals from large, geographically concentrated immigrant groups may use personal couriers extensively. Being one of the 20,000 people of Pakistani origin in Oslo is very different, in this respect, from being one of the eleven Mauritians in Norway.

### *Foreign-Currency Cheque*

If there is no trusted courier available, it is possible to have a cheque issued in a foreign currency and sent in the mail. The sender orders the cheque at his or her local bank or through the Internet, and the transfer amount and fee are deducted from the sender's account. Upon receiving the cheque, the recipient must cash it at a bank, but does not need to have an account. Depending on the destination country and the issuing bank, the cheque can often be issued in the appropriate local currency. This eliminates uncertainty about exchange rates, though the foreign bank may still apply fees. Cheques are more flexible than bank transfers since the recipient is not required to hold an account, and more secure than cash since they are issued in the name of a specific person. Foreign-currency cheques are available through most banks, but are increasingly seen as an anachronism. Bank employees consulted in the survey often had limited knowledge about such cheques or advised against their use. The cost of a foreign-currency cheque may include the fee of the issuing bank, exchange-rate surcharges, postage and fees at the recipient's local bank. The latter component is unknown, but the remaining costs are typically 10–29% for cheques of NOK 1,000 and 3–12% for NOK 5,000.

A different foreign-currency cheque service is offered by Moneybookers. The receiver of a transfer can request a cheque to be sent to his or her home address at a relatively low price. However, Poland is the only country surveyed where this service is offered. The total cost of transfers made in this way is 7% for cheques of NOK 1,000 and 4% for NOK 5,000.

### *Cash in High-Value Letter*

A final mechanism for physical transportation of remittances is to send bank notes in special high-value letters. The sender must deliver and register the letter at a post office, and the recipient must collect the letter at his or her local post office. The letter is insured, with a maximum coverage of NOK 40,000. As with personal couriers, amounts above NOK 25,000 must be declared to the customs authorities. The cost of sending remittances with a high-value letter consists of the fee charged by the Norwegian postal service (Norway Post), additional postage costs, and exchange-rate surcharges that apply when Norwegian cash is exchanged in the destination country. For letters with a value of up to NOK 10,000, the fixed fee is NOK 100 plus NOK 10.50 to seal the letter.

### **Mobile transactions in Kenya**

Mobile phones are likely to play a significant role in future remittance transactions, although this is still not the case for immigrants in Norway. Exciting developments in mobile payments systems are taking place in Africa, where the annual growth in the number of mobile-phone users exceeds 150% in many countries (DFID 2006, Vodafone 2007). Mobile phones are likely to remain more important than the Internet in Africa for the foreseeable future. In March 2007, Vodafone and the Kenyan telecommunications company Safaricom launched M-PESA, a mobile-based payment service that has been developed on a pilot basis since 2005. This is targeting people who rely on pre-pay mobile-phone subscription. M-PESA is likely to become available for international transfers soon. The service enables mobile-phone users to transfer money via SMS, with agents handling the operation at both ends. Neither the sender nor the receiver is required to have a bank account. This ensures that new and larger groups of people obtain access to formalized financial services (Muriuki 2007). Large international actors such as Western Union, MasterCard and the GSM Association are initiating pilot projects resembling M-PESA, at both national and international levels, to develop remittance service products using mobile phones.

## 5. Performance Parameters: What Makes a Service Good?

Chapter Five accounted for the great variety of existing remittance mechanisms. However, not every service is available for every country. Furthermore, specific requirements or limitations can make services inaccessible for many potential customers. For instance, some people might find it convenient to use the internet for making transfers, while internet use is a hindrance to others. The diversity of remittance mechanisms means that there is a long list of characteristics which influence the choices of remittance senders. This chapter will address the various parameters along which a transfer service can be evaluated.

### **Accessibility and Ease**

Remittance senders may turn to particular services because they are accessible and easy to use. Among other things, accessibility and ease have to do with the geographical outreach of services, requirements for infrastructure and skills, and availability of information.

### *Services on Offer*

In most cases, it is possible to say clearly whether a service is available for a given country. The exception is transfers by personal courier, which depends on each individual's networks, in addition to the immigrant community's travelling patterns and geographic concentration. Among the countries surveyed, it is clear that personal couriers are widely used for transfers to Pakistan. The community is large and concentrated in specific areas both in Norway and in Pakistan, and there is a constant movement of people. Consequently, the likelihood of knowing somebody who can carry an envelope with cash in the near future is high. For the remaining mechanisms, information from service providers can give an overview of availability (see Table 10).

In this section, we have differentiated between two tiers of availability for bank transfers and currency cheques. A bank transfer service is labelled 'direct' if it is available for direct transfers from the Norwegian bank to some or most banks in the destination, and not through intermediary banks. The same level of availability is ascribed to foreign-currency cheques issued in the destination-country currency, as opposed to cheques issued in a third-country currency or NOK. In both cases, 'direct' services may be cheaper and more predictable.

Table 11 ranks the twelve countries in the survey by the number of different transfer mechanisms available. This table should be interpreted with care, since there may be services on offer that have not been included in the survey – especially those that may be based in the migrants' country of origin and allow payments by credit card on the Internet. Also, the number of available services reflects our survey sample. There are, for instance, a large number of banks that could have been included and would have given the bank sector greater weight in the

Table 10. Availability of transfer services

		Bosnia	Chile	Iraq	Kenya	Lithuania	Morocco	Nigeria	Pakistan	Philippines	Poland	Somalia	Vietnam
<b>Cash-to-cash services</b>													
Cash-to-cash money transfer, instant	Forex/MoneyGram	●	●	—	●	●	●	●	●	●	●	—	●
	Western Union	●	●	●	●	●	●	●	●	●	●	—	●
Cash-to-cash money transfer, next day	Western Union	—	—	●	—	—	—	—	●	—	●	—	—
Cash-to-cash money transfer, hawala	Hawala A	—	—	—	●	—	—	—	—	—	—	●	—
	Hawala B	—	—	—	●	—	—	—	—	—	—	●	—
	Hawala C	—	—	—	●	—	—	—	—	—	—	●	—
	Hawala D	—	—	—	—	—	—	—	—	—	—	●	—
	Hawala E	—	—	●	—	—	—	—	—	—	—	—	—
Cash-to-cash prepaid-card service	Forex/MoneyGram	—	—	—	—	—	—	—	—	●	—	—	—
Cash-to-cash home-delivery service	Forex/MoneyGram	—	—	—	—	—	—	—	—	●	—	—	—
<b>Account-to-cash services</b>													
Account-to-cash service, Hawala	Hawala F	—	—	●	—	—	—	—	—	—	—	—	—
Account-to-cash Visa card service	Moneybookers	●	●	—	●	●	●	●	●	●	●	—	●
Account-to-cash service, Internet	Western Union	●	●	●	●	●	●	—	●	●	●	—	●
Account-to-cash prepaid-card service	iKobo	—	●	—	●	●	●	—	●	●	●	—	●
<b>Account-to-account services</b>													
Regular bank transfer, counter	DnB NOR	●	●	○	●	●	●	●	●	●	●	—	●
	Nordea	○	○	—	○	●	○	○	○	○	○	—	○
	Selbu Sparebank	○	○	—	○	○	○	○	○	○	○	—	○
	SpareBank 1 Nord-Norge	●	○	○	○	●	●	○	●	●	○	—	●
Regular bank transfer, Internet	DnB NOR	●	●	○	●	●	●	●	●	●	●	—	●
	Nordea	○	○	—	○	●	○	○	○	○	○	—	○
	Selbu Sparebank	○	○	—	○	○	○	○	○	○	●	—	○
	SkandiaBanken	—	—	—	—	●	—	—	—	●	●	—	—
Urgent bank transfer, counter	SpareBank 1 Nord-Norge	●	○	○	○	●	●	○	●	●	○	—	●
	DnB NOR	●	●	○	●	●	●	●	●	●	●	—	●
	Nordea	○	○	—	○	●	○	○	○	○	○	—	○
	Selbu Sparebank	○	○	—	○	○	○	○	○	○	○	—	○
Urgent bank transfer, Internet	SpareBank 1 Nord-Norge	●	○	○	○	●	●	○	●	●	○	—	●
	DnB NOR	●	●	○	●	●	●	●	●	●	●	—	●
	Nordea	○	○	—	○	●	○	○	○	○	○	—	○
	Selbu Sparebank	○	○	—	○	○	○	○	○	○	○	—	○
Account-to-account Internet service	Moneybookers	●	●	—	●	●	●	—	●	●	●	—	●
<b>Account-to-services/goods</b>													
Account-to-goods	MamaMikes	—	—	—	●	—	—	—	—	—	—	—	—
Account-to-voucher	MamaMikes	—	—	—	●	—	—	—	—	—	—	—	—
Account-to-school fees	MamaMikes	—	—	—	●	—	—	—	—	—	—	—	—
<b>Physical transportation of value</b>													
Personal courier	Friends and relatives	..	..	..	..	..	..	..	..	..	..	..	..
Foreign-currency cheque, Internet	Moneybookers	—	—	—	—	—	—	—	—	—	●	—	—
	Nordea	○	○	—	—	●	●	—	○	○	●	—	○
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	●	—	—
Foreign-currency cheque, counter	DnB NOR	○	○	—	○	●	●	—	●	●	●	—	○
	Nordea	○	○	—	—	●	●	—	○	○	●	—	○
	Selbu Sparebank	—	—	—	—	●	●	—	●	●	●	—	—
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	●	—	—
Cash in high-value letter	Norway Post	●	—	—	—	●	●	—	—	—	●	—	—

● Available (bank transfers: directly to most/some banks in the destination country; cheques: issued in the destination-country currency).

○ Available through intermediary banks (bank transfers) or in third-country currencies (cheques).

.. Availability depends on personal networks.

— Not available (cheques: not available or discouraged by bank staff).

**Table II.** Country rank by availability of transfer mechanisms and services

Country	Available mechanisms		Available services (total)		Available services (direct)
	N	%	N	%	N
1. Kenya	14	70	29	67	15
2. Poland	13	65	32	74	16
3. Philippines	13	65	29	67	7
4. Lithuania	12	60	28	65	10
5. Morocco	12	60	27	63	10
6. Pakistan	12	60	27	63	11
7. Bosnia and Herzegovina	11	55	26	60	9
8. Chile	11	55	25	58	9
9. Vietnam	11	55	25	58	9
10. Iraq	9	45	13	30	5
11. Nigeria	6	30	19	44	7
12. Somalia	1	5	4	9	4

Mechanisms refer to the 20 different ways of sending money; each mechanism may be offered by several service providers. The total number of services surveyed is 43, excluding personal couriers.

total number of services covered. With these caveats in mind, it is nevertheless possible to draw some conclusions from the table. First, money can be sent by at least ten different mechanisms to nine of the twelve countries surveyed. Second, people sending money to Somalia, Iraq and Nigeria have fewer options. Only one transfer mechanism (cash-to-cash hawala) is available for transferring money to Somalia. Third, Kenyans have a particularly wide range of choice because the country is covered by services in three different spheres: banks and MTOs in Norway, hawala services, and the Kenya-based remittance services of MamaMikes.

### *Limiting Requirements*

Even when a particular service is offered to a specific country, it may not be accessible for all individuals. Access to specific services can be limited by the need for senders and/or receivers to have bank accounts, credit cards, and valid identity papers (see Table 12). Immigrants without legal residence may not have a valid ID and not be able to send remittances. This problem has been recognized in the USA, where undocumented Mexican immigrants are now allowed to send remittances with identification papers issued by Mexican consulates. In Norway, a valid ID is required for most transfer services, either directly for making the transfer or for opening a bank account and acquiring a credit card. Hawala operators do not always require the sender to show valid ID.

Identification requirements can also constitute restrictions for remittance receivers. For instance, Somali refugees in Kenya may be reliant on hawala services to receive remittances from their relatives abroad. There is a range of other mechanisms available for transfers to Kenya, but being able to use them is often dependent on having legal residence in Kenya.

Norwegian banks operate with similar, though not identical, formal requirements for opening accounts or obtaining a credit card. In order to open a bank account a person is required to have valid identity papers (preferably a passport and another document, such as a drivers license),



**Table 12.** Requirements on senders and receivers

Mechanism	Service provider	Requirements on the sender			Requirements on the receiver		
		Bank account	Credit or debit card	Identification <sup>1</sup>	Bank account	Visa card	Identification <sup>1</sup>
<b>Cash-to-cash services</b>							
Cash-to-cash money transfer, instant	Forex/MoneyGram	—	—	●	—	—	●
	Western Union	—	—	●	—	—	●
Cash-to-cash money transfer, next day	Western Union	—	—	●	—	—	●
Cash-to-cash money transfer, hawala	Hawala A	—	—	—	—	—	—
	Hawala B	—	—	●	—	—	—
	Hawala C	—	—	—	—	—	—
	Hawala D	—	—	●	—	—	—
	Hawala E	—	—	—	—	—	—
Cash-to-cash prepaid-card service	Forex/MoneyGram	—	—	●	—	—	●
Cash-to-cash home-delivery service	Forex/MoneyGram	—	—	●	—	—	●
<b>Account-to-cash services</b>							
Account-to-cash service, Hawala	Hawala F	●	—	●	—	—	—
Account-to-cash Visa card service	Moneybookers	●	—	●	●	●	●
Account-to-cash service, Internet	Western Union	●	●	●	—	—	●
Account-to-cash prepaid-card service	iKobo	●	●	●	—	—	—
<b>Account-to-account services</b>							
Regular bank transfer, counter	DnB NOR	●	—	●	●	—	●
	Nordea	●	—	●	●	—	●
	Selbu Sparebank	●	—	●	●	—	●
	SpareBank 1 Nord-Norge	●	—	●	●	—	●
Regular bank transfer, Internet	DnB NOR	●	—	●	●	—	●
	Nordea	●	—	●	●	—	●
	Selbu Sparebank	●	—	●	●	—	●
	SkandiaBanken	●	—	●	●	—	●
	SpareBank 1 Nord-Norge	●	—	●	●	—	●
Urgent bank transfer, counter	DnB NOR	●	—	●	●	—	●
	Nordea	●	—	●	●	—	●
	Selbu Sparebank	●	—	●	●	—	●
	SpareBank 1 Nord-Norge	●	—	●	●	—	●
Urgent bank transfer, Internet	DnB NOR	●	—	●	●	—	●
	Nordea	●	—	●	●	—	●
	Selbu Sparebank	●	—	●	●	—	●
	SpareBank 1 Nord-Norge	●	—	●	●	—	●
Account-to-account Internet service	Moneybookers	●	—	●	●	—	●
<b>Account-to-services/goods</b>							
Account-to-goods	MamaMikes	●	●	—	—	—	—
Account-to-voucher	MamaMikes	●	●	—	—	—	—
Account-to-school fees	MamaMikes	●	●	—	—	—	—
<b>Physical transportation of value</b>							
Personal courier	Friends and relatives	—	—	—	—	—	—
Foreign-currency cheque, Internet	Moneybookers	●	—	●	—	—	●
	Nordea	●	—	●	—	—	●
	SpareBank 1 Nord-Norge	●	—	●	—	—	●
Foreign-currency cheque, counter	DnB NOR	●	—	●	—	—	●
	Nordea	●	—	●	—	—	●
	Selbu Sparebank	●	—	●	—	—	●
	SpareBank 1 Nord-Norge	●	—	●	—	—	●
Cash in high-value letter	Norway Post	—	—	●	—	—	●

<sup>1</sup> Identification required either directly in connection with each transfer or in order to establish a customer relationship.

a permanent or temporary Norwegian national identification number,<sup>10</sup> and a permanent address in Norway, registered with the National Population Registry (*Folkeregisteret*). Some banks, however, may offer customers bank accounts even without a social security number, providing the person has an address in Norway. In these cases the customer will not be able to obtain a credit card, but only a Visa electron debit card. In order to obtain a credit card customers have to be aged 18 or above and have a regular income. Some banks apply a minimum annual income, e.g. NOK 150,000 NOK, but there is no common standard. Each bank will investigate the applicant's income and payments history for the past two years.

### *Accessibility on the Sending Side*

Being able to present identity documents and having a bank account or a credit card are all absolute requirements that can impede people from using a particular transfer service. In addition, transfer services may require infrastructure that is only available in some places. This can make it cumbersome, time-consuming or expensive to use a particular service, even if not outright impossible. Table 13 shows the infrastructure needs for using different money-transfer services. For the majority of services, senders must access either a branch/agent office or the Internet. The banks covered in this survey are not present throughout the country, but there may be other, local banks that offer similar services. It is difficult to draw conclusions about possible variations in the quality of services available through local banks in different parts of the country. However, the vast majority of the population in Norway live relatively close to a bank. The situation is different for MTOs and hawala operators. It is clear that hawala operators are concentrated in Oslo, but we have little information about the location of hawala agents in other parts of the country. The location of the 19 MTO agents, however, is shown in Table 14. Almost two-thirds are located in Oslo. More than half of the country's non-Western immigrant population, 127,600 people, do not live near a MTO agent. While Western Union Bank and Fexco Money Transfer are dedicated MTOs, Sparebanken Øst and Forex have other business areas as their core activity. This is reflected in their location patterns.

### *Accessibility on the Receiving Side*

Accessibility of money-transfer infrastructure is often a much larger problem on the receiving side, especially in developing countries. Table 13, referred to above, also shows the infrastructure needs of remittance recipients. Other than for home-delivery services and the direct payment of school fees, recipients need to access either a branch/agent or an ATM. With transfers to accounts, such access is required not when the transfers are actually effectuated, but when money is to be withdrawn from the account. The services of Moneybookers also require that recipients have Internet access.

Table 15 shows available information on the density of bank branches, ATMs and Money-Gram agents in the twelve survey countries. While there are 22.9 bank branches per 100,000 people in Norway, the corresponding figure is only 1.4 in Kenya and 1.6 in Nigeria. There are no available figures for ATM density in Norway, but the differences between other countries in the table are staggering.

<sup>10</sup> Permanent and temporary national identification numbers are called *personnummer* and *D-nummer*, respectively, in Norwegian.

**Table 13.** Infrastructure needed for senders and receivers

Mechanism	Service provider	Infrastructure needs of the sender		Infrastructure needs of the receiver		
		Internet access	Agent/branch office	Internet access	Agent/branch office	ATM
<b>Cash-to-cash services</b>						
Cash-to-cash money transfer, instant	Forex/MoneyGram	—	○ <sup>1</sup>	—	●	—
	Western Union	—	●	—	●	—
Cash-to-cash money transfer, next day	Western Union	—	●	—	●	—
Cash-to-cash money transfer, hawala	Hawala A	—	●	—	●	—
	Hawala B	—	●	—	●	—
	Hawala C	—	●	—	●	—
	Hawala D	—	●	—	●	—
	Hawala E	—	●	—	●	—
Cash-to-cash prepaid-card service	Forex/MoneyGram	—	○ <sup>1</sup>	—	—	●
Cash-to-cash home-delivery service	Forex/MoneyGram	—	○ <sup>1</sup>	—	—	—
<b>Account-to-cash services</b>						
Account-to-cash service, Hawala	Hawala F	—	—	—	●	—
Account-to-cash Visa card service	Moneybookers	●	—	●	—	○ <sup>2</sup>
Account-to-cash service, Internet	Western Union	●	—	—	●	—
Account-to-cash prepaid-card service	iKobo	●	—	—	—	○ <sup>2</sup>
<b>Account-to-account services</b>						
Regular bank transfer, counter	DnB NOR	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	Nordea	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	Selbu Sparebank	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	SpareBank 1 Nord-Norge	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
Regular bank transfer, Internet	DnB NOR	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	Nordea	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	Selbu Sparebank	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	SkandiaBanken	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	SpareBank 1 Nord-Norge	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
Urgent bank transfer, counter	DnB NOR	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	Nordea	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	Selbu Sparebank	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
	SpareBank 1 Nord-Norge	—	●	—	○ <sup>3</sup>	○ <sup>3</sup>
Urgent bank transfer, Internet	DnB NOR	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	Nordea	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	Selbu Sparebank	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
	SpareBank 1 Nord-Norge	●	—	—	○ <sup>3</sup>	○ <sup>3</sup>
Account-to-account Internet service	Moneybookers	●	—	●	○ <sup>3</sup>	○ <sup>3</sup>
<b>Account-to-services/goods</b>						
Account-to-goods	MamaMikes	●	—	—	—	—
Account-to-voucher	MamaMikes	●	—	—	—	—
Account-to-school fees	MamaMikes	●	—	—	—	—
<b>Physical transportation of value</b>						
Personal courier	Friends and relatives	—	—	—	—	—
Foreign-currency cheque, Internet	Moneybookers	●	—	●	●	—
	Nordea	●	—	—	●	—
	SpareBank 1 Nord-Norge	●	—	—	●	—
Foreign-currency cheque, counter	DnB NOR	—	●	—	●	—
	Nordea	—	●	—	●	—
	Selbu Sparebank	—	●	—	●	—
	SpareBank 1 Nord-Norge	—	●	—	●	—
Cash in high-value letter	Norway Post	—	●	—	●	—

<sup>1</sup> Customers living far from Oslo may use a fax service after signing a contract at a branch office.

<sup>2</sup> Cards can also be used wherever Visa is accepted. If ATMs are not available, cash may be withdrawn from some banks or MTO agents.

<sup>3</sup> Either a branch office or an ATM is needed to withdraw money from the account.

**Table 14.** The location of MTO agents in Norway

Location	Western Union			MoneyGram	MTO agents (total)	Non-Western immigrants <sup>1</sup>	MTO agents per 1,000 immigrants
	Western Union Bank	Spare-banken Øst	Fexco Money Transfer	Forex			
Oslo city centre	4		1	5	10		
Other areas of Oslo		1	1		2	77,000	0.16
Bergen	1				1	13,100	0.08
Drammen	1	1			2	6,500	0.31
Hokksund		1			1	1,300	0.77
Stavanger	1				1	7,700	0.13
Tønsberg		1			1	1,700	0.59
Trondheim	1				1	7,900	0.13
Other areas of Norway					0	127,600	0.00
<b>Total</b>	<b>8</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>19</b>	<b>242,800</b>	<b>0.08</b>

<sup>1</sup> First-generation non-Western immigrants resident on 1 January 2007 (www.ssb.no).

**Table 15.** Financial infrastructure and activity in the survey countries

Country	Per 100,000 people				Households with bank accounts <sup>2</sup> (estimate, %)	FIN messages <sup>3</sup> per person per year
	Bank branches	ATMs	MoneyGram agents	Deposit accounts <sup>1</sup>		
Bosnia and Herzegovina	3.9	5.4	1.0	42,940	(39)	1,247
Chile	9.4	24.0	3.2	104,482	(46)	5,425
Iraq			0.0			5
Kenya	1.4	1.0	1.9	6,998	10	744
Lithuania	3.4	28.8	7.1	116,645	(35)	1,471
Morocco			36.4			1,072
Nigeria	1.6		0.5			16
Pakistan	4.7	0.5	0.1	19,184	12	39
Philippines	7.8	5.3	28.3	30,205	(32)	1,110
Poland	8.2	17.3	1.6			617
Somalia		0.0	0.0			0
Vietnam			0.5			51
<b>Norway</b>	<b>22.9</b>		<b>0.1</b>	<b>161,078</b>	<b>(84)</b>	<b>9,858</b>

Sources: Beck *et al.* (2005), SWIFT (2007) and authors' calculations.

<sup>1</sup> Refers to all deposit accounts, including those of businesses and organizations.

<sup>2</sup> Figures in parentheses are predictions made on the basis of other statistics, and give only a rough indication of the prevalence of bank accounts.

<sup>3</sup> FIN messages are messages sent between financial institutions through the SWIFTNet FIN messaging service.

In many countries, large banks or the national postal system are agents for MTOs, ensuring good access across the country. For instance, the density of MoneyGram agents in the Philippines or Morocco is higher than the density of banks in Norway, viewed in relation to population. For other countries, however, including Pakistan, Vietnam and Nigeria, MoneyGram agents are relatively few and far between. It was not possible to obtain corresponding figures for Western Union. Globally, Western Union has about twice as many agents as MoneyGram:

245,000 versus 125,000. Of the twelve survey countries, Western Union has no agent in Somalia, 63 agents in Iraq and more than 100 agents in each of the other countries. With reference to the area of origin of most Pakistanis in Norway, it is worth noting that there is 1 MoneyGram agent in Kharian and 2 in Jhelum, versus 10 and 46 Western Union agents in the same two towns.

Table 15 includes three other indicators of the level of financial development in each country. The number of deposit accounts in banks and the estimated proportion of households with bank accounts give an indication of the role of formal banking in society. The number of FIN messages per person per year reflects the importance of international transfers between banks. Taken together, the data in Table 15 suggest that all twelve countries have a markedly lower level of financial development than Norway, and that they can be classified in three tiers. Bosnia and Herzegovina, Chile, Lithuania, the Philippines, Poland and possibly Morocco have a relatively high level of financial development, indicating that remittances through the formal banking system or with the use of ATM cards is a feasible option for many people. Kenya, Nigeria, Pakistan and Vietnam also have a functioning financial system, but a substantially lower level of development. The accessibility of formal banking institutions in these countries may be too low to attract a substantial proportion of remittance transfers. In the case of Nigeria, international transactions are limited by the high prevalence and fear of financial fraud. Finally, Iraq and Somalia are countries where the banking system is very weakly developed. As shown in Table 10, bank transfers to Iraq are possible, although only through intermediaries. Transfers to Somalia are not possible at all.

In all developing countries, the availability of banks, ATMs and MTOs tends to be much lower in the countryside than in cities. In international debates on remittances and development, extending remittance infrastructure to rural areas is identified as a central challenge and priority.

### *Financial and Computer Literacy*

While the availability of banks, ATMs and the Internet can be an obstacle for both senders and receivers, the *ability to use* existing facilities can be an additional limitation. The web-based services of Moneybookers and iKobo for instance, require a certain level of confidence in using the Internet – in the case of Moneybookers also on the part of receivers.

Difficulties in using the internet can be a significant factor discouraging the use of bank transfers. The fees for international transfers at DnB NOR and Nordea are 3–5 times higher at the branches than for online transactions. More than one third of adult non-Western immigrants in Oslo have so limited computer literacy that they experience problems in their daily lives, compared to only 10% of the native Norwegian population (Vox 2007).

#### **Finding an ATM or agent office**

In many developing countries, ATMs are few and far between, especially in rural areas. The major credit-card companies have online search engines allowing users to search for ATMs at a given location. For Visa or MasterCard, simply search for 'Visa locator' or 'MasterCard locator' in a search engine and you will find the relevant page. Western Union and MoneyGram also have agent locators on their websites, where it is possible to search by town or address.

Promoting financial literacy is often presented as an important element in policy on remittances and development. If remittance receivers become better financial planners, with a good understanding of how to benefit from financial services, this is thought to deepen the development impacts of remittances. Financial literacy can also include the ability to use ATMs, and thereby have the option of card-based remittance services. If remittance receivers lack confidence in ATM usage in the first place, the fact that ATMs are often out of order may add to the sense of insecurity and encourage a return to collecting remittances at an agent office.

### *Ethnic-Minority Orientation and Availability of Information*

Being able to use a remittance service depends on having access to information in a language one understands. It has not been possible to test the ability of employees to communicate in English or other languages. Table 16, however, shows the availability of written information, either at a branch/agent or on the Internet.

The language(s) of communication with customers partly reflects the varying degree of ethnic-minority orientation of the services. By ethnic-minority orientation, we mean the degree to which services are targeted and tailored to ethnic groups other than the ethnic-Norwegian majority population. The hawala services and personal couriers have the highest degree of ethnic-minority orientation, often being organized entirely within ethnic groups. It is, for instance, very difficult for non-Somalis to use the Somali hawala services, even in order to make a transfer to somebody in Somalia. The web-based services of MamaMikes can also be said to have a high degree of ethnic-minority orientation. Not only are they exclusively available for transfers to Kenya and Uganda, but the service is developed *in* Kenya on the basis of the culturally specific demands for goods and services.

The large MTOs and the web-based services of iKobo and Moneybookers have a medium level of ethnic-minority orientation. They are not targeted to specific immigrant groups, but their services are primarily oriented to remittance-sending migrants. This is reflected in the availability of information in different languages. Western Union has information folders available in Arabic, Polish, Serbian, Spanish, Tagalog, Urdu and Vietnamese. The transfer services of Western Union are advertised informally, for instance on posters in Vietnamese on the walls of Vietnamese shops and restaurants, as well as in the commercial advertising market. Western Union and the telecommunications company Lebara are the only two large-scale advertisers who specifically target immigrants in Norway. At the global level, MoneyGram is similar to Western Union in its orientation towards migrant customers. In Norway, the situation is somewhat different, however, since MoneyGram services are sold through a company (Forex) whose core business is not targeted towards an immigrant market.

The user interface of the Moneybookers website is available in twelve different languages. This investment partly reflects the fact that senders *and* receivers must enter the website in order to use the company's services. The range of languages is also indicative of targeting remittances to countries where the Internet is relatively widely used (e.g. Eastern Europe, China and Turkey). iKobo, by contrast, only has an English-language user interface. The orientation towards migrant remittances is nevertheless evident in the persuasive promotion video on the website, featuring a man sending money to his mother.

**Table 16.** Language(s) in which written information about transfer services is available

Mechanism	Service provider	Norwegian	English	Other languages	Ethnic-minority orientation
<b>Cash-to-cash services</b>					
Cash-to-cash money transfer, instant	Forex/MoneyGram	●	●	Arabic, Spanish, Tagalog	Medium
	Western Union	●	●	Arabic, Polish, Serbian, Spanish, Tagalog, Urdu, Vietnamese	Medium
Cash-to-cash money transfer, next day	Western Union	●	●	Arabic, Polish, Serbian, Spanish, Tagalog, Urdu, Vietnamese	Medium
Cash-to-cash money transfer, hawala	Hawala A	—	—	—	High
	Hawala B	—	—	Somali	High
	Hawala C	—	—	—	High
	Hawala D	—	●	Somali	High
	Hawala E	—	—	—	High
Cash-to-cash prepaid-card service	Forex/MoneyGram	—	●	Tagalog	Medium
Cash-to-cash home-delivery service	Forex/MoneyGram	—	●	Tagalog	Medium
<b>Account-to-cash services</b>					
Account-to-cash service, Hawala	Hawala F	—	—	—	High
Account-to-cash Visa card service	Moneybookers	—	●	Chinese, Czech, French, German, Greek, Italian, Polish, Romanian, Russian, Spanish, Turkish	Medium
Account-to-cash service, Internet	Western Union	●	●	French, German, Dutch, Swedish	Medium
Account-to-cash prepaid-card service	iKobo	—	●	—	Medium
<b>Account-to-account services</b>					
Regular bank transfer, counter	DnB NOR	●	○	—	Low
	Nordea	●	○	—	Low
	Selbu Sparebank	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Regular bank transfer, Internet	DnB NOR	●	○	—	Low
	Nordea	●	—	—	Low
	Selbu Sparebank	●	—	—	Low
	SkandiaBanken	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Urgent bank transfer, counter	DnB NOR	●	○	—	Low
	Nordea	●	○	—	Low
	Selbu Sparebank	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Urgent bank transfer, Internet	DnB NOR	●	○	—	Low
	Nordea	●	—	—	Low
	Selbu Sparebank	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Account-to-account Internet service	Moneybookers	—	●	Chinese, Czech, French, German, Greek, Italian, Polish, Romanian, Russian, Spanish, Turkish	Medium
<b>Account-to-services/goods</b>					
Account-to-goods	MamaMikes	—	●	—	High
Account-to-voucher	MamaMikes	—	●	—	High
Account-to-school fees	MamaMikes	—	●	—	High
<b>Physical transportation of value</b>					
Personal courier	Friends and relatives	—	—	(Sender's own language)	High
Foreign-currency cheque, Internet	Moneybookers	—	●	Chinese, Czech, French, German, Greek, Italian, Polish, Romanian, Russian, Spanish, Turkish	Medium
	Nordea	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Foreign-currency cheque, counter	DnB NOR	●	—	—	Low
	Nordea	●	—	—	Low
	Selbu Sparebank	●	—	—	Low
	SpareBank 1 Nord-Norge	●	—	—	Low
Cash in high-value letter	Norway Post	●	—	—	Low

Note: Refers to written information at the branch/agent or on the Internet.

○ Some information about the service available.

The Norwegian banks represent the other end of the scale, with a low level of ethnic-minority orientation. Banks in the USA, the United Kingdom and Southern Europe have made a big effort to attract immigrant customers, for instance through hiring multilingual staff and offering attractive remittance services. There is little evidence of similar moves by Norwegian banks.

Sparebanken Øst, a regional savings bank, stands out by having become an agent for Western Union. It is the only Norwegian bank to offer cash-to-cash money-transfer services in its branches. Sparebanken Øst also provides information about this service in English on its website. It is telling of the Norwegian banking sector that this rather modest initiative is nevertheless exceptional. The Italian bank Banco Popolare di Milano provides an example of what sensitivity to the immigrant market can be like. Its programme *Extraordinario!* is a line of services targeted to the needs of non-European immigrants. It includes remittance services, prepaid debit cards, and different options for savings accounts and loans. It is advertised on public transport in different parts of the country and is immediately visible on the personal banking section of the website.

While the Norwegian banks have been slow to adapt to the growth of the immigrant population, other financial institutions have specifically targeted the ethnic-minority market. For instance, Oslo-based mortgage brokers FinansInvest acted as an intermediary for 300 million NOK worth of mortgages in 2006, 90% of which was to customers with an immigrant background.

It may well be difficult for banks to make a direct profit from remittance services, other than in cases where there is potential for a large volume of transfers to specific banks in other countries. However, sensitivity to the specific needs of immigrants may promote long-term loyalty of customers who use a wide range of services. This is what has motivated banks in other countries to target ethnic minorities, in some cases even cross-subsidizing remittances services.

The larger banks included in the survey have some information about transfer services available in English, but the user interface of online banking is only available in Norwegian. Developing a full user interface in other languages would be a very large investment, possibly disproportionate to the number of new customers it would attract. However, it is equally telling of the low level of ethnic-minority orientation that most banks were relatively ill-prepared to advice about their own transfer services. This is discussed further in the section on transfer costs (see page 43).

Web-based service providers are not necessarily less accessible to their customers than service providers with agents or branches. iKobo, for instance, has an innovative and efficient customer service, letting customers choose between phone, e-mail, or internet chat. In doing the market survey, we found that the chat service had very short waiting times and was attended by knowledgeable staff.

## **Legality**

From a customer point of view, the legal status of a remittance service can be seen as one of the aspects of quality. The illegality of a service may in itself be a discouragement to using it, but one that can be outweighed by its performance in other areas, such as availability, cost and speed. In Norway, illegal services are used primarily where there are no legal alternatives. In



**Table 17.** Combinations of informality and illegality

Remittance service	Informal	Illegal	Unregistered
Hawala X <sup>1</sup>	●	●	●
Hawala Y <sup>1</sup>	●	●	—
Hawala Z <sup>1</sup>	(●)	●	●
Hand-carried cash <sup>2</sup>	●	—	●

1 Hypothetical examples, not referring to specific businesses.

2 Amounts of less than NOK 25,000.

the case of Somali hawala operators, several of the businesses in Norway are legal operators in other countries in Europe and Africa. Consequently, many Somalis do not perceive sending money through them as illegal.

In debates about remittances, illegal, informal and unregistered transfers are often conflated. The combination between these three characteristics, however, is not always straightforward. Table 17 presents four hypothetical transfer services that would all usually be regarded as informal. Hawala X is the stereotypical hawala service, operating outside the formal financial system. Its business is illegal in Norway, and the transfers it makes are not registered by Norwegian authorities. Hawala Y differs in that its transfers are made through normal bank channels. The business is illegal because it is not authorized to make transfers on behalf of others, but the transfers do not go unregistered. Hawala Z may be a large business that can only be classified as ‘informal’ because it is not authorized to operate in Norway. The same business may operate legally in other European countries, where it would be comparable to regular money-transfer operators such as Western Union. The ‘label’ informal may thus be misleading as a description of the business itself. Finally, hand-carried cash is clearly an informal mechanism, usually a non-profit service to friends and relatives. The transfers made in this way are not registered by Norwegian authorities, but they are perfectly legal.

## Costs

The cost of remittance services is clearly one of the most important performance parameters, also in relation to development impacts. If a large proportion of the money given up by senders is diverted to transfer operators instead of reaching the recipients, this reduces the potential benefits to the latter.

### Cost Components

There are several components to the cost of remittance services, and they vary by the type of service. Services vary not only in terms of the actual costs, but also in the extent to which the full costs are known to the customer. It is possible to distinguish between four general components, although not all are applicable to all mechanisms:

- Fees on the sending side
- Currency-conversion costs (exchange rate spreads)
- Fees at intermediate stages and on the receiving side
- Indirect costs and opportunity costs.

Fees on the sending side are either fixed (regardless of the transfer amount), increased on a stepwise scale depending on the transfer amount, or calculated as a percentage of the transfer amount. This fee is usually the most obvious cost element to the remittance sender.

In addition, there is usually a currency-conversion cost in a remittance transfer. Remittance senders in Norway make funds available in local currency (NOK), and the sender collects the transfer in the local currency or a widely used third-country currency, such as euros or US dollars. The service providers may sell foreign currency to customers at a rate that is substantially higher than the rate at which they buy it, and this spread becomes a cost to the customer. In some cases, the transfer amount goes through two currency conversions before reaching the recipient. A transfer from Norway to Vietnam, for instance, could first be converted from NOK to USD and subsequently from USD to Vietnamese dong (VND). It is difficult to say whether this will make the transfer more expensive than if the monies were converted directly from NOK to VND, since surcharges on exchanges to or from USD and the euro are often relatively low. If transfers are paid out in a third-country currency such as USD, the receiver may exchange it on the black market at a low cost, depending on the country. From

**Sending NOK 1,000 to Morocco with Western Union: Is the cost 10% or 29%?**

The Western Union price list clearly states that the fee for sending NOK 1,000 to Morocco is NOK 100, making it reasonable to assume that the cost of making the transfer is 10% of the amount. However, the exchange rate used by Western Union is such that if NOK 1,000 is sent from Norway, it is the equivalent of NOK 876 that arrives in Morocco. If the purpose of the transfer is that the receiver should collect the equivalent of NOK 1,000, it is necessary to send NOK 1141. This brings the transfer into the next tier on the price list, with a fee of NOK 150. Taken together, the fee of NOK 150 and the exchange-rate cost of NOK 141 constitute 29% of the amount that reaches the receiver in Morocco. (The method used for comparing costs in this survey gives the intermediate figure of 22%; see text for details.)

the point of view of consumers, unfavourable exchange rates often constitute a hidden cost. It is possible to calculate this cost, but it requires an effort and a certain skill level. These costs are generally low for services provided by banks, but can be substantial in the case of MTOs. For Western Union and Forex/MoneyGram transfers, they range from 2.1% to 13.4 %.

Fees at intermediate stages and on the receiving side are most relevant to bank transfers. Transfers from Norway to developing countries may have to be processed through banks in the USA, or they may pass through correspondent banks in the receiving country before reaching the recipient's bank. The exact size of these fees is often unknown to the sender's bank in Norway, and thus to the

sender. These costs are usually deducted from the transfer amount, making it impossible to predict the exact amount that reaches the recipient. Some banks offer remittance senders the opportunity to cover the costs abroad and thereby keep the transfer amount intact, or at least less vulnerable to deductions.

Finally, there are often indirect costs or opportunity costs associated with remittance transfers. Their size depends on the particular circumstances of the senders and receivers, and they are therefore not included in this survey. Nevertheless, it is important for customers, service providers and policymakers to be aware of these costs. Indirect costs include expenditure on travel, on Internet access and on having a credit card, and may apply to both senders and re-

ceivers. These costs may be negligible for people who use the Internet and a credit card for many other purposes, or who pass a service provider's branch every day. For remittance receivers in rural areas in a developing country, however, the cost of travelling to the nearest bank or MTO agent to collect remittances may be substantial. If receiving remittances takes up a lot of time, either by travelling or by waiting in line in an overcrowded bank, this may also constitute a considerable opportunity cost.

### Calculation of Costs

In this report, costs are calculated as a percentage of the amount *sent*, including all the known cost components. This will typically take the form:

$$C = \frac{F_s + \frac{(A \times IBR - A \times SPR)}{IBR} + F_R}{A} \times 100$$

where FS and FR are fees on the sending and the receiving side, respectively; A is the transfer amount; IRB is the interbank exchange rate; and SPR is the service provider's exchange rate. If fees are expressed in currencies other than NOK, they are converted at the interbank rate. The following example illustrates the calculation of costs for a transfer of NOK 1,000 to Pakistan with Western Union:

$$\begin{aligned} C &= \frac{100 + \frac{(1000 \times 9.9303 - 1000 \times 9.3458)}{9.9303} + 0}{1000} \times 100 \\ &= \frac{100 + 58.86 + 0}{1000} \times 100 \\ &= 15.9 \end{aligned}$$

In other words, there is a fee of NOK 100 on the sending side, an exchange-rate cost of NOK 58.86, and no fee on the receiving side. The total costs thus constitute 15.9% of the amount that was sent. The exchange-rate cost is, in fact, deducted from the transfer amount, so that the receiver only collects the equivalent of NOK 941.14. If costs were calculated in relation to the amount *received*, therefore, they would be higher (16.9% versus 15.9%).

The different composition of cost makes it useful to discuss cash-to-cash transfers and bank transfers separately. This will be done in the next two sections, before comparing costs across all mechanisms.

### Cash-to-Cash Transfer Costs

Cash-to-cash transfer costs usually have only two components: a fee paid by the sender and a currency-conversion cost. The fee usually follows a stepwise scale, which has two implications. First, the percentage cost does not decline as quickly with increasing amounts as is the case with bank transfers. Second, the cost can be much higher at the lower end of a fee interval than at the top end. NOK 1,000 is the maximum transfer amount for the lowest fee at both Western Union and MoneyGram. Sending NOK 1,100 will be charged with a fee that is 50% higher.

**Table 18.** Comparisons of Forex/MoneyGram and Western Union transfer costs (%)

	Transfers of NOK 1,000		Transfers of NOK 5,000	
	Forex/MoneyGram	Western Union	Forex/MoneyGram	Western Union
Bosnia and Herzegovina	12.1 ✓	13.3	7.1 ✓	10.3
Chile	16.2	13.8 ✓	11.2	10.8 ✓
Kenya	18.4	14.3 ✓	13.4	11.3 ✓
Lithuania	16.7	13.5 ✓	11.7	10.5 ✓
Morocco	15.0 ✓	22.4	10.0 ✓	19.4
Nigeria	23.4	18.4 ✓	18.4	15.4 ✓
Pakistan	15.9	13.7 ✓	10.9	10.7 ✓
Philippines	19.4	13.9 ✓	14.4	10.9 ✓
Poland	16.7	13.8 ✓	11.7	10.8 ✓
Vietnam <sup>1</sup>	13.7 ✓	17.5	8.7 ✓	14.5
Of which fee <sup>1</sup>	10.0	10.0	5.0	7.0

Costs include fees and currency-conversion costs and are expressed in % of the amount sent. Check marks (✓) indicate the lowest price for each transfer. The table is based on fees and exchange rates on 26 March 2007 and only includes the countries to which both Western Union and Forex/MoneyGram were offering transfers on this date.

<sup>1</sup> Forex/MoneyGram transfers to Vietnam are made in USD but paid out in VND. The currency-conversions costs included here are only for the conversion from NOK to USD.

<sup>2</sup> The fee paid by the sender, expressed as a percentage of the transfer amount. This is included in the country-specific total costs. (For instance, the total cost of sending NOK 5,000 to Pakistan with Western Union is 10.7 %, of which the fee constitutes 7.0 % and the remaining 3.7 % is the currency-conversion cost).

Currency-conversion costs are more complicated for customers to relate to. Remittance senders will usually be told by the MTO or hawala business exactly how much will be paid out in local currency, but must do their own calculation to find out what this means in terms of costs. Making the calculations may reveal surprising variations in actual costs. For instance, al-

though Western Union and Forex/MoneyGram both charge a fee of NOK 100 for transferring NOK 1,000 to all the countries in the survey, there are substantial differences in total costs across countries, and between the two MTOs (see Table 18, Figure 3 and Figure 4). For transfers of NOK 5,000, Forex/MoneyGram has a fee of NOK 250, compared to NOK 350 at Western Union. When the full cost for transfers of this size is considered, Western Union nevertheless turns out to be less expensive in seven out of ten cases.

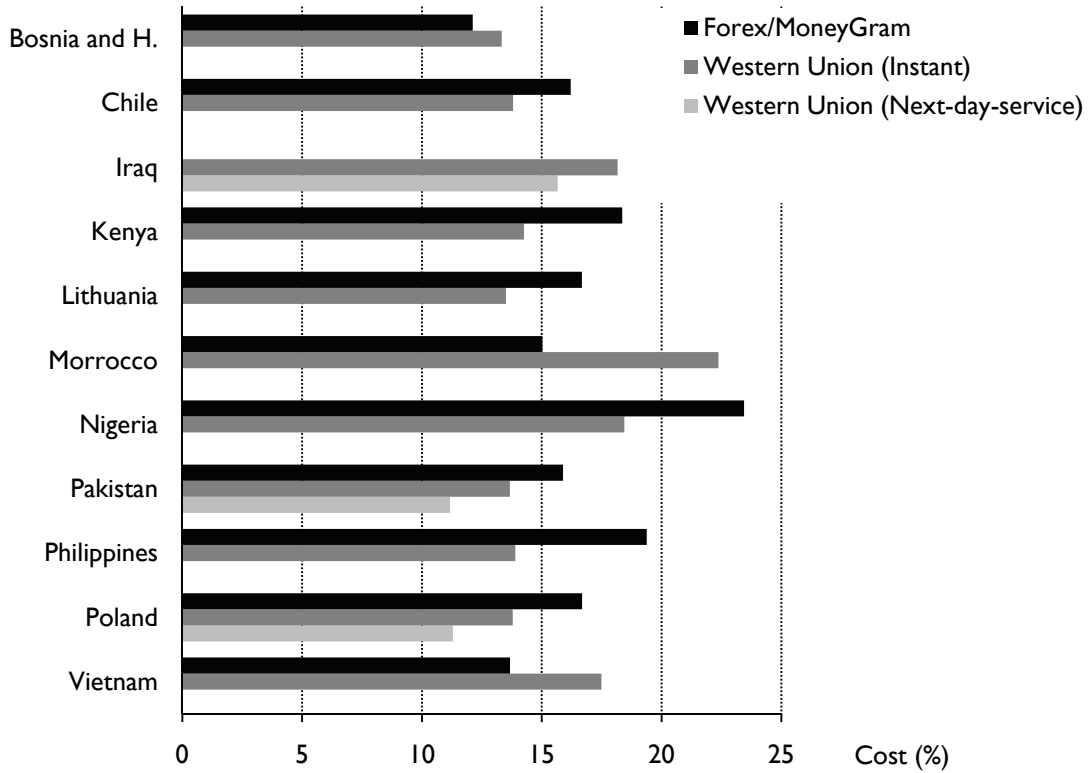
### The full cost of cash-to-cash transfers

The fee charged by MTOs or hawala operators could be less than half of the real cost. To find out how much is paid through the use of unfavourable exchange rates, follow these steps: (1) Check the amount that the transfer operator will pay out in local currency. (2) Find out how much your transfer amount corresponds to in local currency at the interbank rate (this can be done at websites such as [www.oanda.com](http://www.oanda.com)). (3) Calculate the difference between the two amounts. (4) Use the interbank rate to calculate how much this difference amounts to in NOK.

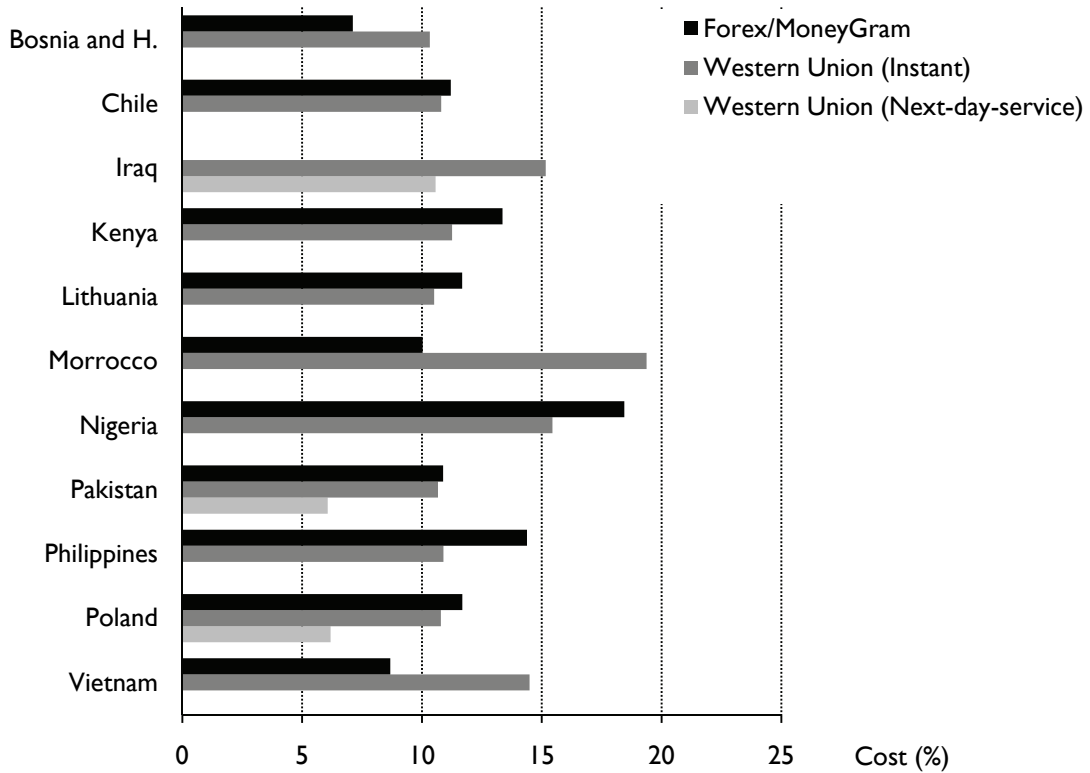
For example, Forex/MoneyGram will pay out 18,939 Naira for a transfer of NOK 1,000 to Nigeria. The interbank rate is 21.881 Naira per NOK. This means that NOK 1,000 corresponds to 21,881 Naira, or 2,942 Naira more than MoneyGram will pay out to the receiver. Dividing 2,942 by the interbank rate 21.881 gives NOK 134.45. In other words, the cost of the transfer is not just the NOK 100 fee, but a total of NOK 234.45 including the currency-conversion cost.

### Bank Transfer Costs

The costs of bank transfers are more complex to assess than those of other transfer mechanisms because of the unknown fees (and sometimes currency-conversion costs) that are charged abroad.



**Figure 3.** Total cost of sending NOK 1,000 with Western Union and Forex/MoneyGram



**Figure 4.** Total cost of sending NOK 5,000 with Western Union and Forex/MoneyGram

As with cash-to-cash transfers, the fee paid by the sender is the most obvious cost element. The variation in fees among the banks surveyed is shown in Table 19. SkandiaBanken does not charge any fee at all, but only provides online transfers at regular speed to a small number of countries. Among the other four banks, Selbu Sparebank has the lowest fees for most services.<sup>11</sup> Ordering urgent transfers of small amounts at the branches of large banks produces the highest transfer costs of all mechanisms

It is the costs abroad that make the price of bank transfers unpredictable. As noted above, some banks offer senders the option of covering these costs (see Table 20). SkandiaBanken and Selbu Sparebank do not give customers this choice. The lowest cost is usually achieved by letting the costs abroad be deducted from the transfer amount. However, it then becomes impossible to know in advance how much money arrives. According to the banks surveyed, costs abroad can range from NOK 30 to NOK 250. If the sender knows what the costs abroad will be, the transfer amount can be increased correspondingly. In most cases, however, it is not possible to obtain this information from the banks. Perhaps sending NOK 1,050 is sufficient to ensure that NOK 1,000 reaches a given recipient, or perhaps NOK 1,150 must be sent.

Where the sender has the option to pay for the costs abroad with a fixed or minimum amount, this can provide some security regarding the amount that reaches the recipient. This can be an expensive option, however. The actual costs will often be lower than Nordea's fixed fee of NOK 150 and DnB NOR's minimum fee of NOK 135.

**Table 19.** Comparisons of bank transfer fees

	Regular transfers		Urgent transfers	
	Ordered via online banking	Ordered at a bank branch	Ordered via online banking	Ordered at a bank branch
DnB NOR	30–60 <sup>1</sup>	135	300	375
Nordea	60	150	300	400
Selbu Sparebank	50	55	195	200
SkandiaBanken	0	—	—	—
SpareBank I Nord-Norge	55	75–125 <sup>2</sup>	305	325–375 <sup>2</sup>

<sup>1</sup> The lower fee applies to IBAN/BIC-based transfers to Bosnia and Herzegovina, Lithuania and Poland.

<sup>2</sup> The lower fee applies to transfers of NOK 1,000, the higher fees to transfers of NOK 5,000.

**Table 20.** Options for covering bank transfer costs abroad

	Costs abroad are deducted from transfer amount	Sender pays the actual costs abroad	Sender pays a minimum amount to cover costs abroad	Sender pays a fixed amount to cover costs abroad
DnB NOR	●		● (NOK 135)	
Nordea	●			● (NOK 150)
Selbu Sparebank	●			
SkandiaBanken	●			
SpareBank I Nord-Norge	●	● <sup>1</sup>	● <sup>1</sup>	

<sup>1</sup> Options differ between destination countries.

<sup>11</sup> The only exception are online transfers to European countries, which DnB NOR offers at a lower price.

## Comparison of Costs

Table 21 gives an overview of the costs of available transfer services to the twelve survey countries. The first two columns for each country show the *known* cost components as a percentage of the transfer amount (NOK 1,000 and NOK 5,000). The third column shows which *additional costs* apply: unknown currency-conversion costs, unknown fees, or both. It is primarily for cash-to-cash transfers with MTOs that the full costs are known. The largest unknown costs are with bank transfers. The unknown components make comparison between different mechanisms difficult. Cash-to-cash transfer costs and bank transfer costs are discussed separately in subsequent sections.

The unknown currency-conversion costs indicated in Table 21 can often be assumed to be relatively low. For the mechanisms that are financed to a large part by unfavourable exchange rates (notably the cash-to-cash transfers), this cost has usually been included in the known costs. When bank transfers are made in USD or euro and subsequently converted to local currency at an unknown exchange rate, this is likely to involve a much smaller currency-conversion cost. The same is true for the cost of making online payments in USD with a credit card linked to an NOK account. As noted above, currency-conversion costs may also be very low when the recipient changes foreign cash at the local black market in the destination country. The unknown fees, by contrast, can vary greatly in size. Banks abroad can charge substantial fees for handling international transfers. Much smaller unknown fees may apply for the use of ATMs to withdraw remittances stored on a prepaid card.

In order to ease the comparison of costs, calculations for bank transfers have also been made on the basis of assumptions about costs abroad. These assumptions are based on information from banks and spot checks, and are accounted for in the appendix. The results are displayed in Figure 5, Figure 6, Figure 7 and Figure 8. The first two are a comparison of transfer mechanisms, for NOK 1,000 and NOK 5,000 respectively. The range of costs for each mechanism reflects differences between countries as well as differences between service providers, if there are more than one. The grey gradients extending from some of the bars indicate the scope of uncertainty about additional costs. The two subsequent figures are a comparison of transfer *services*. Here, the variation only stems from differences in transfer costs to different countries. For some of the hawala mechanisms, all the cost information derives from spot checks, and the cost of NOK 5,000 transfers is therefore not known. In these figures, the

### **DnB NOR: A missed potential?**

Given the nature of international transfers through the banking system, customers depend on the expertise of bank staff in order to pay as little as possible for a given amount to reach the recipient. DnB NOR stands out from the other banks surveyed in its ability to advise on the specific aspects of transfers to different countries. Like other banks, DnB NOR offers lower fees for online banking services than for services offered at its branches. The website is generally user-friendly and straightforward, and international payments are easily found. However, information on international transfers is not provided in any other language than Norwegian, and very limited help is available online. Furthermore, if any details need to be corrected, the entire form is cleared and everything needs to be re-entered. The Internet service for international transfers is evidently not tailored to immigrants and the market for remittances. However, the quality of the service itself and the expertise of the bank's staff testify to a potential for capturing an increased share of the market.

**Table 21.** Costs for transferring NOK 1,000 and NOK 5,000

Mechanism	Service provider	Bosnia			Chile			Iraq			Kenya		
		1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC
<b>Cash-to-cash services</b>													
Cash-to-cash money transfer, instant	Forex/MoneyGram	12.1	7.1	✘	16.2	11.2	—				18.4	13.4	—
	Western Union	13.3	10.3	✘	13.8	10.8	—	18.2	15.2	—	14.3	11.3	—
Cash-to-cash money transfer, next day	Western Union							15.7	10.6	—			
Cash-to-cash money transfer, hawala	Hawala A										9.3		—
	Hawala B										15.0		—
	Hawala C										[?]		[?]
	Hawala D										[?]		[?]
	Hawala E							15.6	[?]	✘			
Cash-to-cash prepaid-card service	Forex/MoneyGram												
Cash-to-cash home-delivery service	Forex/MoneyGram												
<b>Account-to-cash services</b>													
Account-to-cash service, Hawala	Hawala F							8.3		✘○			
Account-to-cash Visa card service	Moneybookers	3.7	2.3	✘○	3.7	2.3	✘○				3.7	2.3	✘○
Account-to-cash service, Internet	Western Union	13.3	10.3	✘○	13.8	10.8	○	18.2	15.2	○	14.3	11.3	○
Account-to-cash prepaid-card service	iKobo				8.0	4.2	✘○				8.6	4.7	✘○
<b>Account-to-account services</b>													
Regular bank transfer, counter	DnB NOR	13.5	2.7	✘●	13.5	2.7	✘●	3.0	0.6	✘●	20.3	9.5	●
	Nordea	15.0	3.0	✘●	15.4	3.4	✘●				17.1	5.1	●
	Selbu Sparebank	5.5	1.1	✘●	5.5	1.1	✘●				12.3	7.9	●
	SpareBank 1 Nord-Norge	7.5	2.5	✘●	7.8	2.8	✘●	7.5	2.5	✘●	7.8	2.8	✘●
Regular bank transfer, Internet	DnB NOR	3.0	0.6	✘●	6.0	1.2	✘●	3.0	0.6	✘●	12.8	8.0	●
	Nordea	6.0	1.2	✘●	6.4	1.6	✘●				8.1	3.3	●
	Selbu Sparebank	5.0	1.0	✘●	5.0	1.0	✘●				11.8	7.8	●
	SkandiaBanken												
Urgent bank transfer, counter	SpareBank 1 Nord-Norge	5.5	1.1	✘●	5.8	1.4	✘●	5.5	1.1	✘●	5.8	1.4	✘●
	DnB NOR	37.5	7.5	✘●	37.5	7.5	✘●	37.5	7.5	✘●	44.3	14.3	●
	Nordea	40.0	8.0	✘●	40.4	8.4	✘●				42.1	10.1	●
	Selbu Sparebank	20.0	4.0	✘●	20.0	4.0	✘●				22.1	6.1	●
Urgent bank transfer, Internet	SpareBank 1 Nord-Norge	32.5	7.5	✘●	32.8	7.8	✘●	32.5	7.5	✘●	32.8	7.8	✘●
	DnB NOR	30.0	6.0	✘●	30.0	6.0	✘●	30.0	6.0	✘●	36.8	12.8	●
	Nordea	30.0	6.0	✘●	30.4	6.4	✘●				32.1	8.1	●
	Selbu Sparebank	19.5	3.9	✘●	19.5	3.9	✘●				21.6	6.0	●
Account-to-account Internet service	SpareBank 1 Nord-Norge	30.5	6.1	✘●	30.8	6.4	✘●	30.5	6.1	✘●	30.8	6.4	✘●
	Moneybookers	3.7	2.3	✘●	3.7	2.3	✘●				3.7	2.3	✘●
<b>Account-to-services/goods</b>													
Account-to-goods	MamaMikes										5.8	1.2	✘○
Account-to-voucher	MamaMikes										16.1	13.7	✘○
Account-to-school fees	MamaMikes										18.9	14.3	✘○
<b>Physical transportation of value</b>													
Personal courier	Friends and relatives	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—
Foreign-currency cheque, Internet	Moneybookers												
	Nordea	16.7	3.9	✘●	16.9	4.0	✘●						
Foreign-currency cheque, counter	SpareBank 1 Nord-Norge												
	DnB NOR	24.4	4.9	✘●	24.6	4.9	✘●				24.6	4.9	✘●
	Nordea	21.7	4.9	✘●	21.9	5.0	✘●						
	Selbu Sparebank												
Cash in high-value letter	SpareBank 1 Nord-Norge												
	Norway Post												

Costs are expressed as percentages of the amount sent, including all known cost components (see text for details on calculations). Additional costs (AC) are represented as follows:

- Additional fees will apply (e.g. fees for bank transfers charged by receiving and/or intermediary banks).
- Additional fees may apply (e.g. withdrawal fees for ATMs and fees for making credit card payments).
- ✘ Currency conversion will take place and may involve additional costs.
- No additional costs apply.



**Table 21.** Costs for transferring NOK 1,000 and NOK 5,000 (continued)

Mechanism	Service provider	Lithuania			Morocco			Nigeria			Pakistan		
		1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC
<b>Cash-to-cash services</b>													
Cash-to-cash money transfer, instant	Forex/MoneyGram	16.7	11.7	—	15.0	10.0	—	23.4	18.4	—	15.9	10.9	—
	Western Union	13.5	10.5	—	22.4	19.4	—	18.4	15.4	—	13.7	10.7	—
Cash-to-cash money transfer, next day	Western Union										11.2	6.1	—
Cash-to-cash money transfer, hawala	Hawala A												
	Hawala B												
	Hawala C												
	Hawala D												
	Hawala E												
Cash-to-cash prepaid-card service	Forex/MoneyGram												
Cash-to-cash home-delivery service	Forex/MoneyGram												
<b>Account-to-cash services</b>													
Account-to-cash service, Hawala	Hawala F												
Account-to-cash Visa card service	Moneybookers	5.3	3.8	○	3.7	2.3	✕○	3.7	2.3	✕○	3.7	2.3	✕○
Account-to-cash service, Internet	Western Union	13.5	10.5	—	22.4	19.4	—				13.7	10.7	—
Account-to-cash prepaid-card service	iKobo	7.8	3.9	✕○	8.1	4.2	✕○				7.9	4.0	✕○
<b>Account-to-account services</b>													
Regular bank transfer, counter	DnB NOR	13.5	2.7	●	15.8	5.0	●	13.5	2.7	✕●	15.6	4.8	●
	Nordea	15.5	3.5	●	16.9	4.9	●	15.4	3.4	✕●	16.7	4.7	●
	Selbu Sparebank	5.1	1.1	●	7.8	3.4	●	5.5	1.1	✕●	7.6	3.2	●
	SpareBank 1 Nord-Norge	7.5	2.5	✕●	7.5	2.5	✕●	7.8	2.8	✕●	7.8	2.8	✕●
Regular bank transfer, Internet	DnB NOR	3.0	0.6	●	8.3	3.5	●	6.0	1.2	✕●	8.1	3.3	●
	Nordea	6.5	1.7	●	7.9	3.1	●	6.4	1.6	✕●	7.7	2.9	●
	Selbu Sparebank	5.0	1.0	●	7.3	3.3	●	5.0	1.0	✕●	7.1	3.1	●
	SkandiaBanken	0.5	0.5	✕●									
Urgent bank transfer, counter	DnB NOR	37.5	7.5	●	39.8	9.8	●	37.5	7.5	✕●	39.6	9.6	●
	Nordea	40.5	8.5	●	41.9	9.9	●	40.4	8.4	✕●	41.7	9.7	●
	Selbu Sparebank	20.5	4.5	●	21.9	5.9	●	20.4	4.4	✕●	21.7	5.7	●
	SpareBank 1 Nord-Norge	32.5	7.5	✕●	32.5	7.5	✕●	32.8	7.8	✕●	32.8	7.8	✕●
Urgent bank transfer, Internet	DnB NOR	30.0	6.0	●	32.3	8.3	●	30.0	6.0	✕●	32.1	8.1	●
	Nordea	30.5	6.5	●	31.9	7.9	●	30.4	6.4	✕●	31.7	7.7	●
	Selbu Sparebank	20.0	4.4	●	21.4	5.8	●	19.9	4.3	✕●	21.2	5.6	●
	SpareBank 1 Nord-Norge	30.5	6.1	✕●	30.5	6.1	✕●	30.8	6.4	✕●	30.8	6.4	✕●
Account-to-account Internet service	Moneybookers	5.3	3.8	—	3.7	2.3	✕●				3.7	2.3	✕●
<b>Account-to-services/goods</b>													
Account-to-goods	MamaMikes												
Account-to-voucher	MamaMikes												
Account-to-school fees	MamaMikes												
<b>Physical transportation of value</b>													
Personal courier	Friends and relatives	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—
Foreign-currency cheque, Internet	Moneybookers												
	Nordea	16.8	4.1	●	19.9	7.0	●				7.9	2.2	✕●
Foreign-currency cheque, counter	SpareBank 1 Nord-Norge												
	DnB NOR	24.4	4.9	●	29.3	9.6	●				28.9	9.2	●
	Nordea	21.8	5.1	●	24.9	8.0	●				16.9	4.0	✕●
	Selbu Sparebank	9.8	2.7	●	12.9	5.6	●				12.4	5.1	●
Cash in high-value letter	SpareBank 1 Nord-Norge												
	Norway Post	12.0	2.4	✕	12.2	2.4	✕						

Costs are expressed as percentages of the amount sent, including all known cost components (see text for details on calculations). Additional costs (AC) are represented as follows:

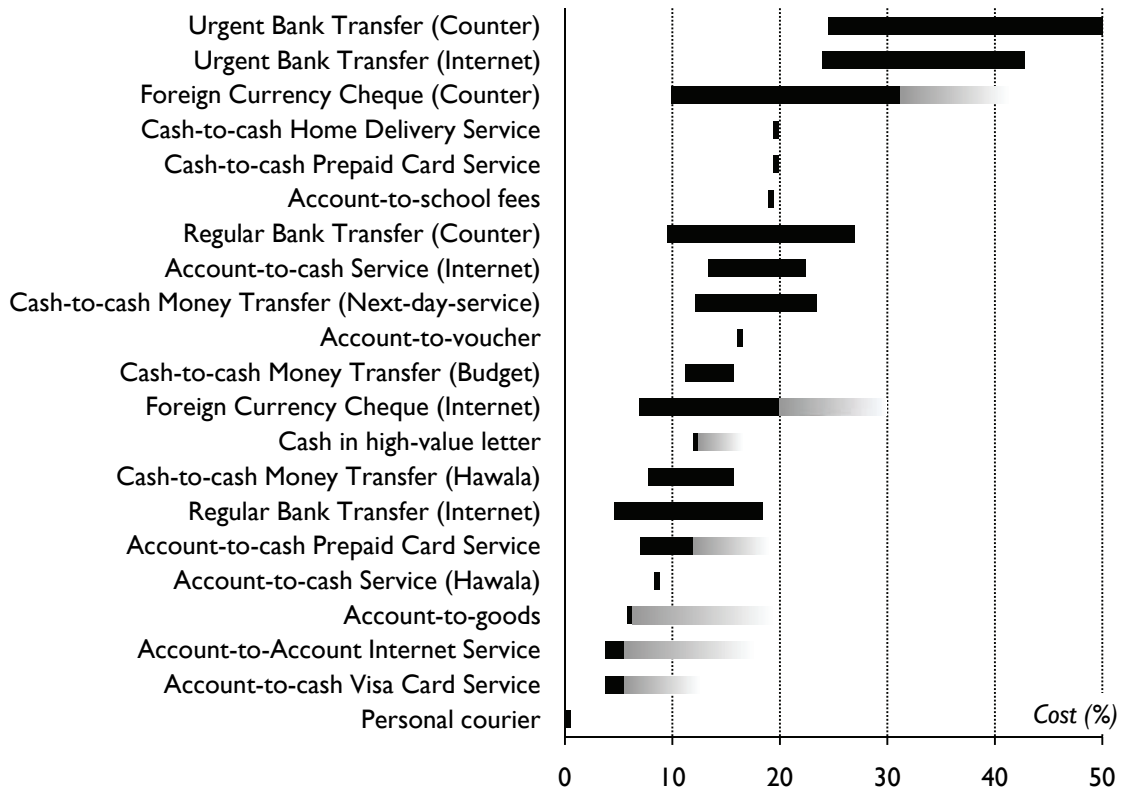
- Additional fees will apply (e.g. fees for bank transfers charged by receiving and/or intermediary banks).
- Additional fees may apply (e.g. withdrawal fees for ATMs and fees for making credit-card payments).
- ✕ Currency conversion will take place and may involve additional costs.
- No additional costs apply.

**Table 21.** Costs for transferring NOK 1,000 and NOK 5,000 (continued)

Mechanism	Service provider	Philippines			Poland			Somalia			Vietnam		
		1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC	1,000	5,000	AC
<b>Cash-to-cash services</b>													
Cash-to-cash money transfer, instant	Forex/MoneyGram	19.4	14.4	—	16.7	11.7	—	—	—	—	13.7	8.7	✕
	Western Union	13.9	10.9	—	13.8	10.8	—	—	—	—	17.5	14.5	—
Cash-to-cash money transfer, next day	Western Union				11.3	6.2	—						
Cash-to-cash money transfer, hawala	Hawala A												✕
	Hawala B							7.7	7.3				✕
	Hawala C							7.7					✕
	Hawala D							8.4	7.6				✕
	Hawala E												
Cash-to-cash prepaid-card service	Forex/MoneyGram	19.4	14.4	—									
Cash-to-cash home-delivery service	Forex/MoneyGram	19.4	14.4	—									
<b>Account-to-cash services</b>													
Account-to-cash service, Hawala	Hawala F												
Account-to-cash Visa card service	Moneybookers	3.7	2.3	✕○	5.5	4.0	○				3.7	2.3	✕○
Account-to-cash service, Internet	Western Union	13.9	10.9	—	13.8	10.8	—				17.5	14.5	—
Account-to-cash prepaid-card service	iKobo	7.0	3.1	✕○	7.9	4.0	✕○				11.9	8.0	○
<b>Account-to-account services</b>													
Regular bank transfer, counter	DnB NOR	16.8	6.0	●	13.5	2.7	●				13.5	2.7	✕●
	Nordea	16.7	4.7	●	15.5	3.5	●				15.0	3.0	✕●
	Selbu Sparebank	7.2	2.8	●	6.0	1.6	●				5.5	1.1	✕●
	SpareBank 1 Nord-Norge	7.8	2.8	✕●	8.5	3.5	✕●				7.8	2.8	✕●
Regular bank transfer, Internet	DnB NOR	9.3	4.5	●	3.0	0.6	●				6.0	1.2	✕●
	Nordea	7.7	2.9	●	6.5	1.7	●				6.0	1.2	✕●
	Selbu Sparebank	6.7	2.7	●	5.5	1.5	●				5.0	1.0	✕●
	SkandiaBanken	2.4	2.4	●	0.5	0.5	✕●						
	SpareBank 1 Nord-Norge	5.8	1.4	✕●	6.5	2.1	✕●				5.8	1.4	✕●
Urgent bank transfer, counter	DnB NOR	40.8	10.8	●	37.5	7.5	●				37.5	7.5	✕●
	Nordea	41.7	9.7	●	40.5	8.5	●				40.0	8.0	✕●
	Selbu Sparebank	21.7	5.7	●	20.5	4.5	●				20.0	4.0	✕●
	SpareBank 1 Nord-Norge	32.8	7.8	✕●	33.5	8.5	✕●				32.8	7.8	✕●
Urgent bank transfer, Internet	DnB NOR	33.3	9.3	●	30.0	6.0	●				30.0	6.0	✕●
	Nordea	31.7	7.7	●	30.5	6.5	●				30.0	6.0	✕●
	Selbu Sparebank	21.2	5.6	●	20.0	4.4	●				19.5	3.9	✕●
	SpareBank 1 Nord-Norge	30.8	6.4	✕●	31.5	7.1	✕●				30.8	6.4	✕●
Account-to-account Internet service	Moneybookers	3.7	2.3	✕●	5.5	4.0	—				3.7	2.3	✕●
<b>Account-to-services/goods</b>													
Account-to-goods	MamaMikes												
Account-to-voucher	MamaMikes												
Account-to-school fees	MamaMikes												
<b>Physical transportation of value</b>													
Personal courier	Friends and relatives	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—	0.0	0.0	—
Foreign-currency cheque, Internet	Moneybookers				6.9	4.3	—						
	Nordea	16.8	4.1	●	19.9	7.0	●				7.9	2.2	✕●
Foreign-currency cheque, counter	SpareBank 1 Nord-Norge												
	DnB NOR	24.4	4.9	●	29.3	9.6	●				28.9	9.2	●
	Nordea	21.8	5.1	●	24.9	8.0	●				16.9	4.0	✕●
	Selbu Sparebank	9.8	2.7	●	12.9	5.6	●				12.4	5.1	●
Cash in high-value letter	SpareBank 1 Nord-Norge												
	Norway Post	12.0	2.4	✕	12.2	2.4	✕						

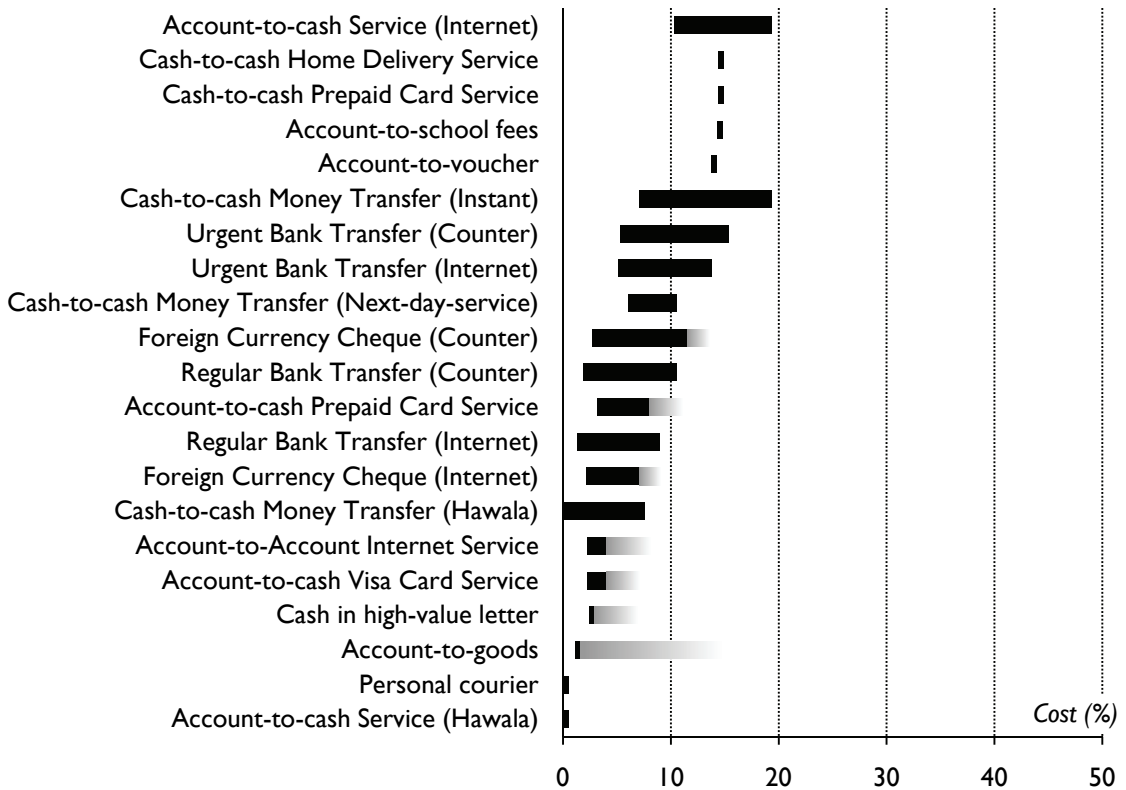
Costs are expressed as percentages of the amount sent, including all known cost components (see text for details on calculations). Additional costs (AC) are represented as follows:

- Additional fees will apply (e.g. fees for bank transfers charged by receiving and/or intermediary banks).
- Additional fees may apply (e.g. withdrawal fees for ATMs and fees for making credit-card payments).
- ✕ Currency conversion will take place and may involve additional costs.
- No additional costs apply.



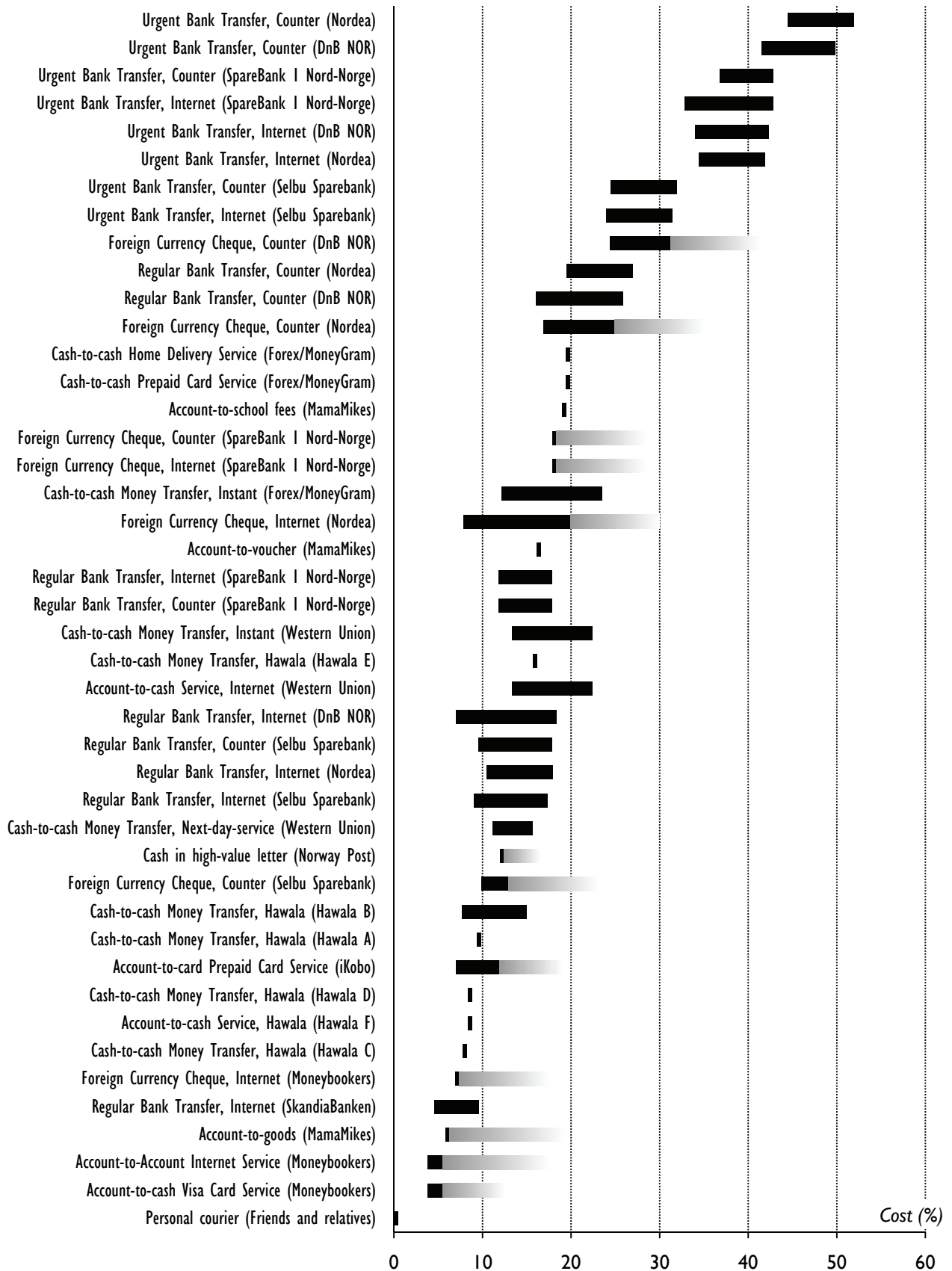
**Figure 5.** Range of costs for sending NOK 1,000. Comparison of remittance mechanisms

Ranges reflect differences between the twelve survey countries. Grey gradients indicate unknown additional costs. The order of mechanisms is based on average costs. Mechanisms differ in the number of countries they cover; some can only be used to one destination. Bank transfer costs are based on assumptions about costs abroad. (See appendix for details).



**Figure 6.** Range of costs for sending NOK 5,000. Comparison of remittance mechanisms

Ranges reflect differences between the twelve survey countries. Grey gradients indicate unknown additional costs. The order of mechanisms is based on average costs. Mechanisms differ in the number of countries they cover; some can only be used to one destination. Bank transfer costs are based on assumptions about costs abroad. (See appendix for details).



**Figure 7.** Range of costs for sending NOK 1,000. Comparison of remittance services

Ranges reflect differences between the twelve survey countries. Grey gradients indicate unknown additional costs. The order of mechanisms is based on average costs. Mechanisms differ in the number of countries they cover; some can only be used to one destination. Bank transfer costs are based on assumptions about costs abroad. (See appendix for details).



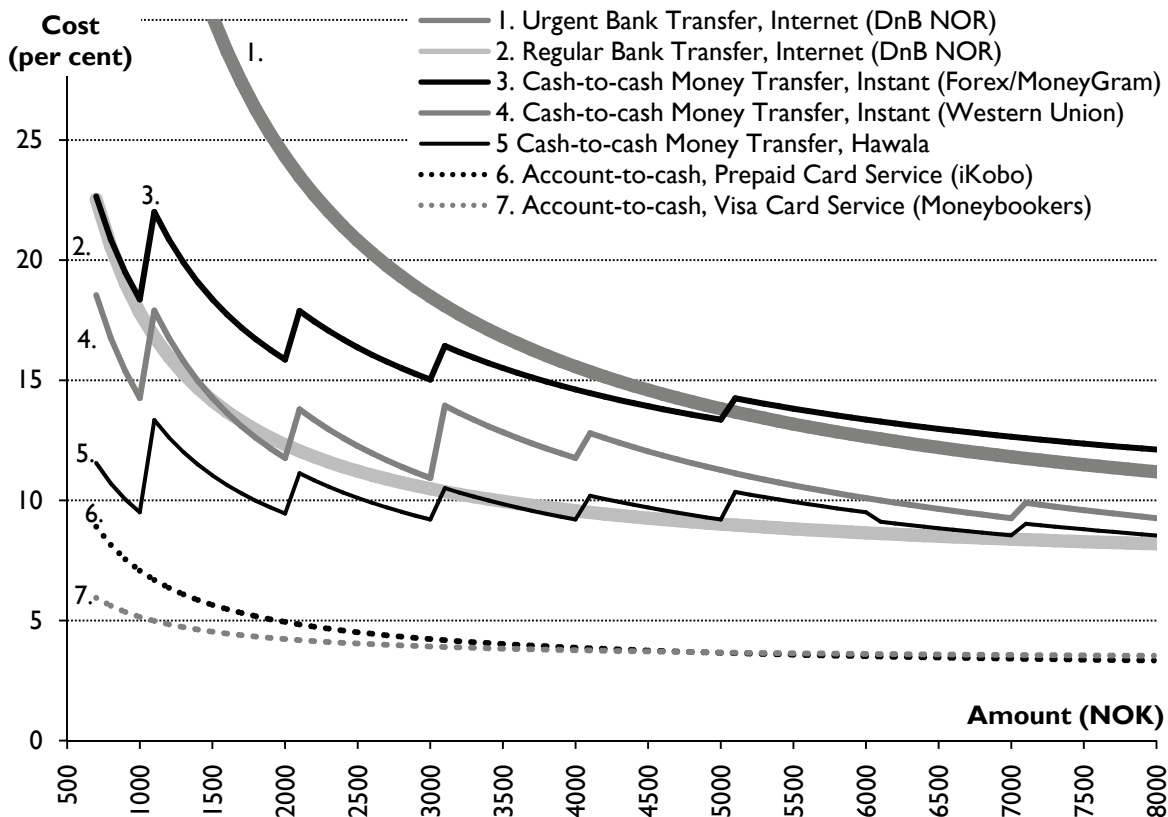
**Figure 8.** Range of costs for sending NOK 5,000. Comparison of remittance services

Ranges reflect differences between the twelve survey countries. Grey gradients indicate unknown additional costs. The order of mechanisms is based on average costs. Mechanisms differ in the number of countries they cover; some can only be used to one destination. Bank transfer costs are based on assumptions about costs abroad. (See appendix for details).

services are ordered according to the average cost. Personal couriers are generally free and thus constitute the lower extreme. Bank transfers are invariably the most expensive mechanisms for transferring small amounts, but are surpassed by cash-to-cash transfers for transfers of NOK 5,000.

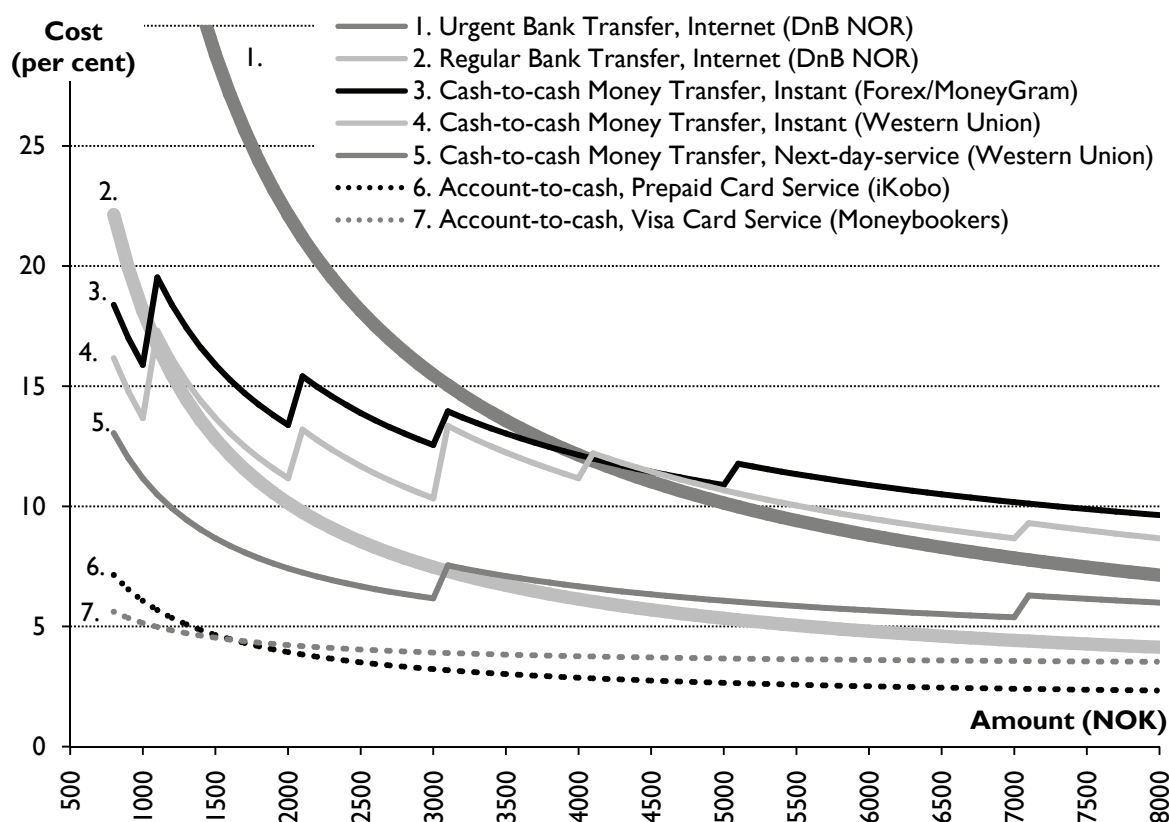
### Cost profiles

As explained in Chapter Two, there were good reasons for choosing NOK 1,000 and NOK 5,000 as the transfer amounts for systematic data collection. It is nevertheless worthwhile to examine variation in price across transfer amounts more in detail. Figure 9 shows the cost of seven different transfer services to Kenya, for amounts from NOK 800 to NOK 8,000. The sloping curves of the bank transfers reflect the combination of large fixed fees and small exchange rate spreads. Urgent transfers of small amounts become prohibitively expensive. Costs for transfers ordered at the counter, which are not included, would have been even higher. The jagged curves for cash-to-cash transfers reflect the step-wise increase in fees. The fees for hawala transfers are substantially lower than those of Western Union and Forex/MoneyGram for small amounts, but the difference becomes progressively smaller with larger transfer amounts. The card-based services of iKobo and Moneybookers appear to be the least expensive, regardless of the amount. With these two services, however, there may be additional fees on the receiving side.



**Figure 9.** Cost profiles of transfers to Kenya

The costs of bank transfers include fees abroad estimated to NOK 100.



**Figure 10.** Cost profiles of transfers to Pakistan

The costs of bank transfers include fees abroad estimated to NOK 100.

Figure 10 shows the same kind of comparison for transfers to Pakistan. Western Union's Next-Day-Service, which is not available for Kenya, is included here. The difference between Kenya and Pakistan reflect different exchange rate spreads and, for some mechanisms, different fees.

## Speed

The time it takes for remittances to reach the recipient is one of the most important factors that differentiate between mechanisms. Depending on how the money is sent, it could take anywhere from a few minutes to several weeks.

Table 22 shows a comparative overview of the speed of transfer services. The data in the table are primarily based on self-reporting by service providers. The time frames indicate the typical speed of transfers. Information about the speed of Hawala transfers was primarily collected through spot checks. In every case, the money was available to the recipient the morning after the money was sent from Norway. It is difficult to say how early it could have been collected, and thus whether the service should be classified as 'instant' or '1-2 days'.

Bank transfers usually reach the country of destination within a few days. This is reflected in the table, where most transfers are classified as taking 1–2 days or 3–5 days. However, it can take much longer for the money to reach the recipient's account in a local bank. DnB NOR indicated that the expected maximum delivery time is five business days to Lithuania and Poland, eight days to Bosnia and Herzegovina and Chile, and fifteen days to the remaining countries in the survey.

**Table 22.** The speed of transfer services

Mechanism	Service provider	Bosnia	Chile	Iraq	Kenya	Lithuania	Morocco	Nigeria	Pakistan	Philippines	Poland	Somalia	Vietnam
<b>Cash-to-cash services</b>													
Cash-to-cash money transfer, instant	Forex/MoneyGram	●	●	●	●	●	●	●	●	●	●	—	●
	Western Union	●	●	●	●	●	●	●	●	●	●	—	●
Cash-to-cash money transfer, next day	Western Union	—	—	⊙	—	—	—	—	⊙	—	⊙	—	—
Cash-to-cash money transfer, hawala	Hawala A	—	—	—	⊙	—	—	—	—	—	—	⊙	—
	Hawala B	—	—	—	⊙	—	—	—	—	—	—	⊙	—
	Hawala C	—	—	—	⊙	—	—	—	—	—	—	⊙	—
	Hawala D	—	—	—	—	—	—	—	—	—	—	●	—
	Hawala E	—	—	⊙	—	—	—	—	—	—	—	—	—
Cash-to-cash prepaid-card service	Forex/MoneyGram	—	—	—	—	—	—	—	—	●	—	—	
Cash-to-cash home-delivery service	Forex/MoneyGram	—	—	—	—	—	—	—	—	⊙	—	—	
<b>Account-to-cash services</b>													
Account-to-cash service, Hawala	Hawala F	—	—	⊙	—	—	—	—	—	—	—	—	—
Account-to-cash Visa card service	Moneybookers	●	●	—	●	●	●	●	●	●	●	—	●
Account-to-cash service, Internet	Western Union	●	●	●	●	●	●	—	●	●	●	—	●
Account-to-cash prepaid-card service	iKobo	—	●	—	●	●	●	—	●	●	●	—	●
<b>Account-to-account services</b>													
Regular bank transfer, counter	DnB NOR	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Nordea	⊙	⊙	—	⊙	⊙	⊙	○	⊙	⊙	⊙	—	⊙
	Selbu Sparebank	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	SpareBank 1 Nord-Norge	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
Regular bank transfer, Internet	DnB NOR	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Nordea	⊙	⊙	—	⊙	⊙	⊙	○	⊙	⊙	⊙	—	⊙
	Selbu Sparebank	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	SkandiaBanken	—	—	—	—	○	—	—	—	○	○	—	—
Urgent bank transfer, counter	DnB NOR	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Nordea	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Selbu Sparebank	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	SpareBank 1 Nord-Norge	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
Urgent bank transfer, Internet	DnB NOR	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Nordea	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	Selbu Sparebank	⊙	⊙	—	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
	SpareBank 1 Nord-Norge	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	—	⊙
Account-to-account Internet service	Moneybookers	⊙	⊙	—	⊙	⊙	⊙	—	⊙	⊙	—	⊙	
<b>Account-to-services/goods</b>													
Account-to-goods	MamaMikes	—	—	—	⊙	—	—	—	—	—	—	—	—
Account-to-voucher	MamaMikes	—	—	—	⊙	—	—	—	—	—	—	—	—
Account-to-school fees	MamaMikes	—	—	—	⊙	—	—	—	—	—	—	—	—
<b>Physical transportation of value</b>													
Personal courier	Friends and relatives	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Foreign-currency cheque, Internet	Moneybookers	—	—	—	—	—	—	—	—	—	○	—	—
	Nordea	○	○	—	—	○	○	—	○	○	○	—	○
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	○	—	—
Foreign-currency cheque, counter	DnB NOR	○	○	—	○	○	○	—	○	○	○	—	○
	Nordea	○	○	—	—	○	○	—	○	○	○	—	○
	Selbu Sparebank	—	—	—	—	○	○	—	○	○	○	—	—
	SpareBank 1 Nord-Norge	⊙	—	—	—	⊙	○	—	—	—	⊙	—	—
Cash in high-value letter	Norway Post	●	—	—	—	●	●	—	—	—	●	—	

● Within minutes (up to two hours in the case of card-based transfers).

⊙ 1–2 days

⊙ 3–5 days

○ More than 5 days

— Service not available

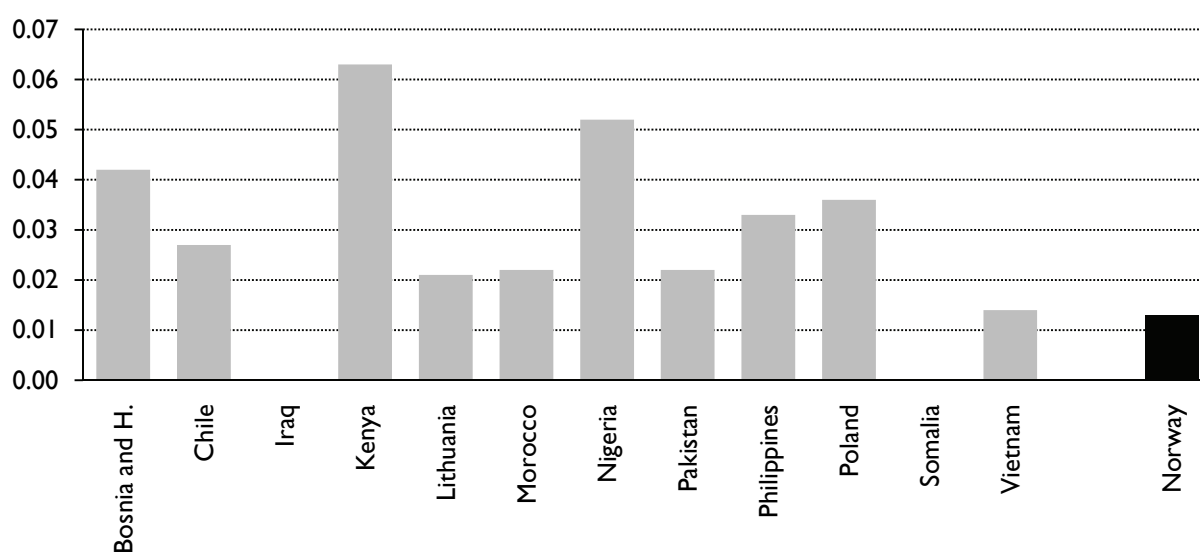
<sup>1</sup> Speed of transfers after the card has been received.<sup>2</sup> May be substantially delayed after reaching the destination country.<sup>3</sup> Waiting time for a courier to be available comes in addition.<sup>4</sup> Includes time for cheque to be issued plus time for letter to arrive.



The spot checks conducted in the market survey revealed great variation. The time it took for bank transfers to arrive was two days for Poland and the Philippines, 2–4 days for Kenya, and 11–23 days for Pakistan.<sup>12</sup> The actual speed is beyond the influence of the Norwegian banks in which the transfer originates. Banks could play an important role, however, in informing customers about such differences. The unacceptable quality of transfers to Pakistan is known to banks, but not necessarily communicated to the customers.

International statistics on the banking sector are of limited use in predicting the performance of transfers. The World Bank compiles a series of indicators on the size, efficiency, and stability of the banking sector. A widely used efficiency indicator is the ratio of operating costs to total assets (see Figure 11). The figure shows that the Norwegian banking sector has efficient operations compared to their counterparts in the survey countries. However, the ratios for Kenya, Poland, the Philippines and Pakistan, show that there is no straightforward connection between economic efficiency, measured in this way, and the specific efficiency in processing international payments. Customers rely on the expertise of bank staff, and on their own past experiences, for estimating roughly how long a transfer may take.

It is significant that the slower mechanisms are also so *uncertain* in terms of the speed. Even if a bank transfer to a given country is most likely to take 1–2 days, it could take much longer. When remittance senders are willing to pay a high price for the instant services of Western Union or MoneyGram, it is therefore not necessarily because each monthly transfer is so urgent, but because the instant transfer has a great psychological value. Knowing that the money can be collected after just a few minutes gives the feeling that it never really leaves the hands of the family. Giving the money to one institution (the sender's bank) that will pass it on to another institution (the receiver's bank) at an unspecified time in the near future is a whole other experience. The contrast between the instant services and the slower services is therefore disproportionate to the measurable difference in time.



**Figure 11.** Ratio of operating costs to total assets in the banking sector.

Source: World Bank.

<sup>12</sup> Counting all days, not only business days, which vary between countries.

## Familiarity and Trust

Even if there is rarely any real risk of remittances being lost, sending money is a transaction that requires a certain level of confidence in the service provider. Since information about alternative mechanisms is not readily available in a way that lends itself to systematic comparison, remittance senders may simply choose to use the mechanisms they are familiar with. Issues of trust and familiarity are hard to compare in absolute terms, but need to be acknowledged and discussed. Several points can be made on the basis of anecdotal evidence.

First, immigrants with a refugee background, often coming from countries with totalitarian regimes, may be sceptical towards powerful institutions such as banks, especially in their countries of origin. Even if transfer mechanisms through the banking system in Norway exist, this may not be an option they prefer. In many countries, people who are poor or belong to ethnic minorities are also treated in an intimidating or humiliating way by banks. This could further weaken the attractiveness of making transfers through the banking system.

Second, sending money with trusted personal couriers or bringing it in person may have value in and of itself. Remittances are not simply transfers of money from one person to another, but an element in a complex relationship between migrants and the people they leave behind (Carling 2008, in press). Having remittances delivered by an individual reinforces their social significance.

### Western Union: Service with a smile

Entering a branch of Western Union Bank, you will typically be welcomed by a member of staff, enquiring in Norwegian or English whether you would like any assistance. The friendly and helpful employees are recruited from different immigrant communities, and are able to speak the languages of many of their customers. Information leaflets for the Norwegian market are available in a range of languages, including Polish, Serbian, Tagalog, Turkish, Urdu and Vietnamese. The leaflets explain how money transfers through Western Union work, and include information about Internet services, the number of agents in the recipient country in question, and the addresses and opening hours of agents in Norway. For loyal customers, Western Union offers a 'Western Union Gold Card', with a points system that can reduce transfer costs by up to 10%.

Third, remittance senders usually belong to ethnic minorities and may prefer services that are provided within their own communities. Speaking one's own language with somebody who is familiar with both the country of origin and the habit of remitting money can be very different from trying to communicate with a poorly informed bank employee in a language one does not master.

Fourth, the importance of trust and familiarity can imply a conservative pattern of customer behaviour, whereby people prefer their tried and trusted transfer mechanisms and are reluctant to try something new.

Well-established immigrants may prefer to send remittances the way they have always done, whichever mechanism that may be. Furthermore, new immigrants may know of specific transfer services from their country of origin and seek to use those services rather than make a careful comparison between available options.

Finally, it is important to stress that familiarity and trust can also be cultivated by service providers. The basic point of providing information in different languages has already been mentioned. However, the contrast between the customer reception at Western Union offices and that at Norwegian bank branches is striking. Western Union perceives the needs of cus-

tomers and make them feel welcome (see box). At the banks, by contrast, one is more likely to wait in line in front of an information desk, and still not be able to obtain basic information about international transfers. This is particularly the case with transfers to countries outside Europe. The bank staff may try to be as helpful, and are obviously limited by the unpredictable nature of international bank transfers. Nevertheless, it is our experience that employees in Norwegian banks are poorly prepared to deal with international transfers in general, and with the needs of immigrants in particular.

Western Union's advertising also reflects an understanding of the role that familiarity and trust play in the remittance market. Outdoor and transport advertising across the world is encouraging millions of people to associate Western Union with the values of intra-family solidarity that remittances represent.

### **Trade-offs Between Performance Parameters**

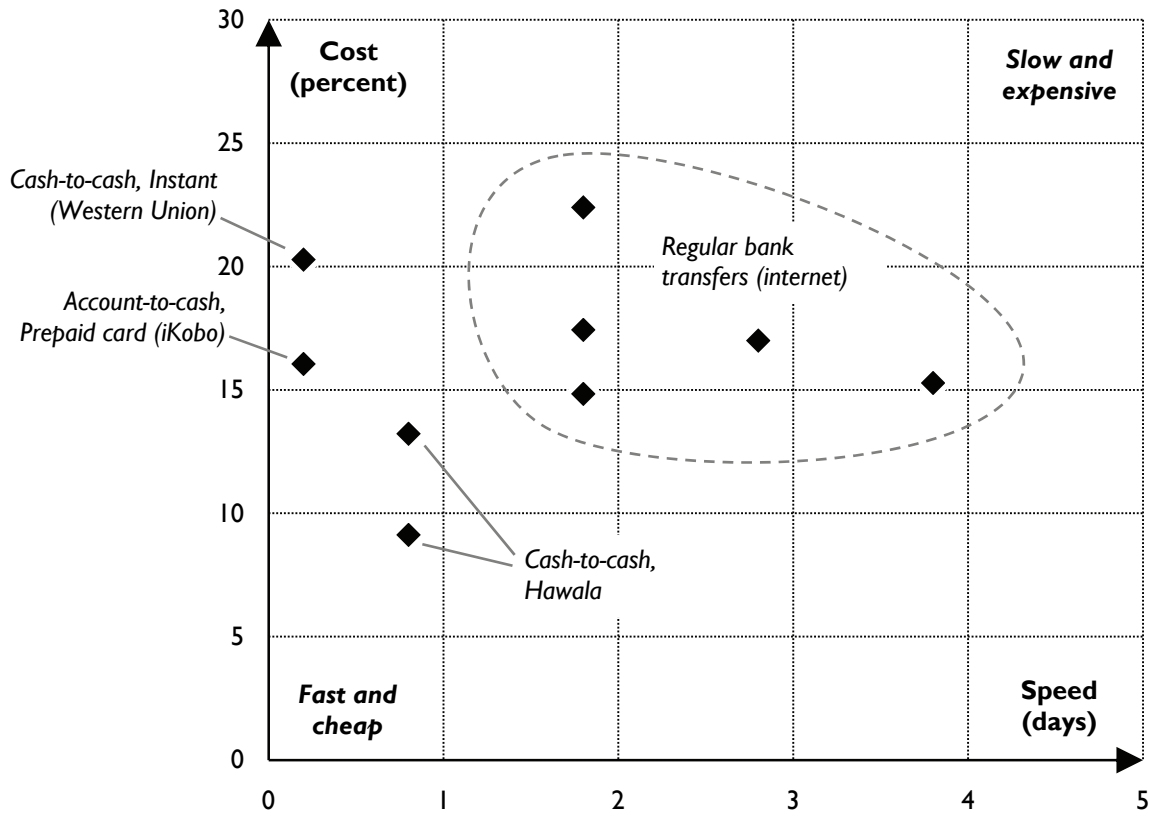
Remittance senders make choices about transfer mechanisms on the basis of several performance parameters in combination. It is clear from the preceding analysis that customers must make priorities when they choose how to remit. For Somalis, the choice is restricted to selecting between hawala operators. Other groups can choose between a variety of mechanisms, weighing, convenience, cost, speed and other considerations against each other.

The spot checks made it possible to compare the actual speed and cost of different services. Figure 12, Figure 13 and Figure 14 are scatter diagrams in which each transfer is represented by a specific combination of cost and speed. The further to the right in the diagram transfers are located, the slower they are; the further up, the more expensive. The bottom left-hand corner is thus the most attractive.

The first diagram (Figure 12) shows how banks, hawala operators, iKobo and Western Union compare in transfers of NOK 1,000 from Norway to Kenya. The Hawala transfers offer the best combination of cost and speed. The most expensive Hawala transfer was sent to a remote part of the country and subject to additional costs. Some of the hawala transfer service to Kenya can only be used by ethnic Somalis.

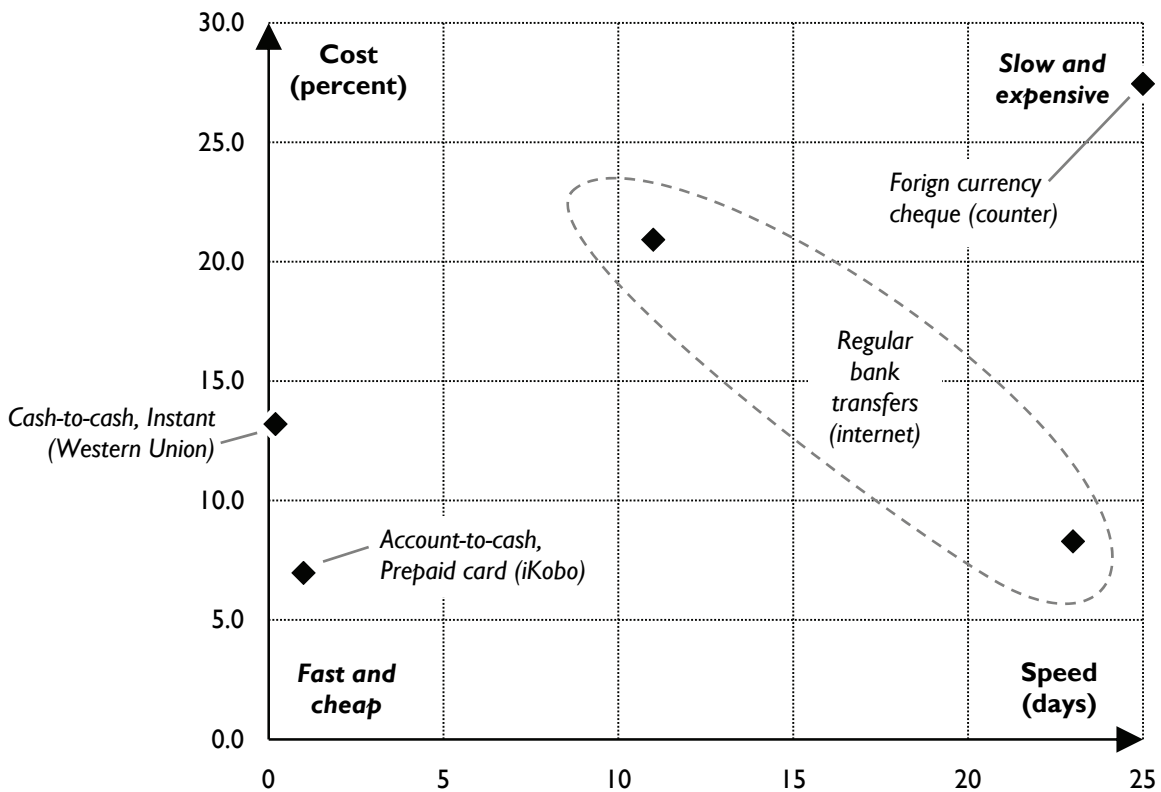
The second diagram (Figure 13) is a corresponding comparison of transfers to Pakistan. The time scale is different, ending at 25 days instead of 5. As noted earlier, bank transfers to Pakistan are particularly slow and unreliable. The foreign-currency cheque turned out to be a particularly slow and expensive transfer mechanism. In the case of Pakistan, iKobo performed very well, providing instant transfer at a very low price. The cost and speed refers to transfers after the iKobo Visa card has been delivered. Even the initial delivery of the card was very quick, though, taking less than 24 hours.

The final diagram (Figure 14) is a cross-country comparison of bank transfers. It confirms the highly irregular performance of transfers to Pakistan, especially compared to transfers to Poland and the Philippines. The low cost for transfers to Poland reflected small exchange rate spreads, while the relatively low cost of transfers to the Philippines was largely a result of small fees at the receiving end.



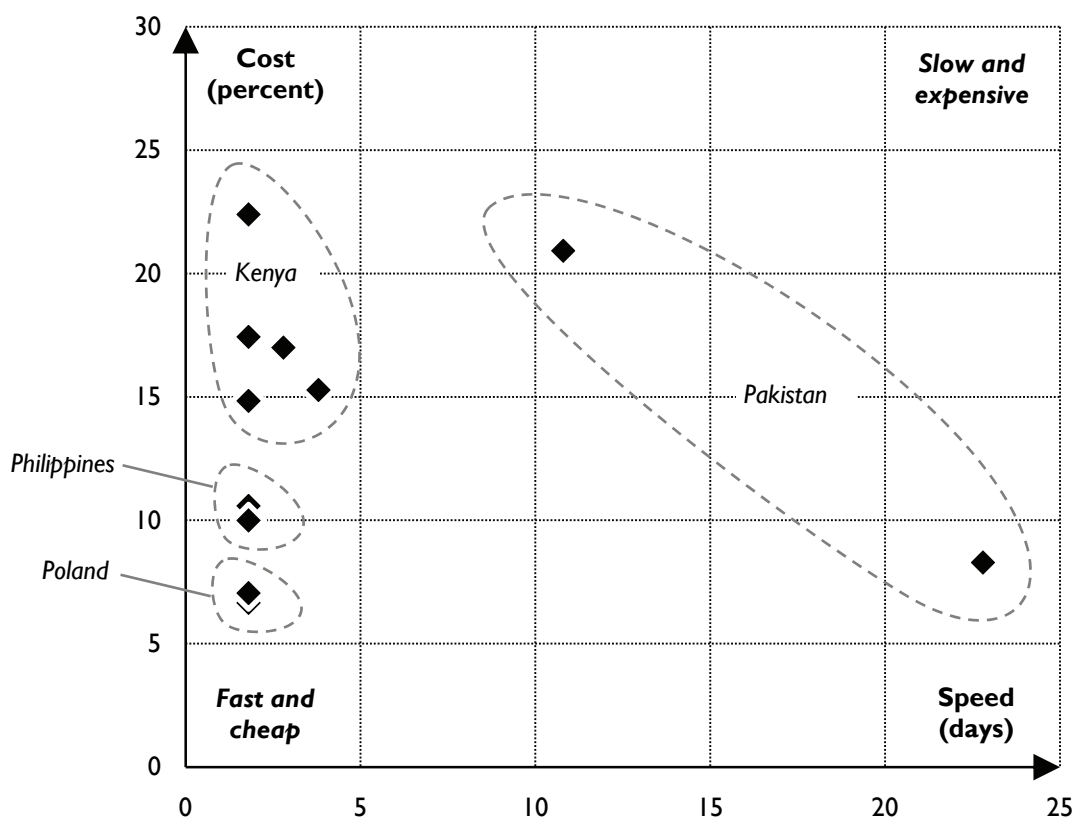
**Figure 12** Combinations of cost and speed in spot check transfers of NOK 1,000 to Kenya.

Bank transfers were ordered online through DnB NOR, Nordea and Sparebanken Vest. Speed is approximate.



**Figure 13** Combinations of cost and speed in spot check transfers of NOK 1,000 to Pakistan.

Transfers were ordered online through DnB NOR and Sparebanken Vest. Speed is approximate. The foreign-currency cheque, from DnB NOR, could only be ordered at the counter. A small part of the account-to-cash prepaid card transfer (iKobo) could not be withdrawn with the dominations available at the ATM. Counting this as a cost would have added 3.5 percentage points to the total cost displayed in the figure.



**Figure 14** Combinations of cost and speed in spot check bank transfers of NOK 1,000.

Transfers were ordered online through DnB NOR, Nordea and Sparebanken Vest. Speed is approximate.

### *Facts and perceptions*

By way of conclusion to this section, it should be stressed that consumers are likely to act upon their perceptions. This has several possible implications, which tend to go in the favour of MTOs rather than banks. First, the MTOs Western Union and Forex/MoneyGram may not be penalized for their high prices in a way that corresponds to the full cost of the transfers. Remittance senders are most likely to consider the fees, rather than the exchange rate spread. Second, the same effect penalizes banks. Their high fees and low exchange rate spreads make costs more apparent, even if the real cost is, lower than for MTOs. Third, as noted earlier, variations in speed are likely to affect perceptions of reliability. Banks suffer from being slow and unpredictable compared to MTOs. The negative implications for perceptions of reliability and convenience could be disproportionate to the actual performance of bank transfers.

## 6. Conclusions

It is not easy to compare the quality of different remittance services. This is especially the case with costs. The full cost of using a given service is typically made up of several components. Some may be unknown, also to the service provider. Even when information on all cost components is available, it is necessary to make calculations in order to compare prices. This makes it hard for customers to find the service that is most suited to their circumstances. Immigrants may have particularly great difficulties with this challenge. More than 40% of adult

### **Sendepenger.no**

The findings in this report are also made available at the website [www.sendepenger.no](http://www.sendepenger.no). The idea of using a web site to increase consumer awareness and stimulate competition is inspired by the 'Sending Money Home' website in the United Kingdom. Continuous surveillance of the market falls outside the scope of the present project, and would not be a suitable activity for PRIO as a research institute. PRIO owns the domain [sendepenger.no](http://sendepenger.no) but would welcome initiatives from others to develop the site into a dynamic resource for remittance senders in Norway.

non-Western immigrants in Oslo find it difficult to understand a table of numbers, compared to only 10% on native Norwegians (Vox 2007).

Somalis in Norway lack legal mechanisms for sending money to Somalia. The situation is partly the same for Iraqis. There are well-established Somali money transfer operators that run their business legally in other European countries. They have sought to establish operations in Norway, but this has been denied because of fear that they will be used for money laundering or financing of terror.

The hawala operators in Norway could have reported suspicious transaction and co-operated with the authorities if they had been regularized. In other countries, these firms have independently initiated anti-money laundering activities. Somalia is probably more dependent on remittances than any other country in the world. For many families in the war-torn society, money from relatives abroad is essential to survival. Somalis in Europe and the USA also send large sums of remittances to Somali refugees in other African countries. The fact that so many immigrants must turn to illegal mechanisms for managing their household economy also jeopardizes successful integration by undermining the rule of law.

The World Bank, IMF and FATF have all been proactive in the fight against money laundering and financing of terrorism. The FATF recommendations, in particular, have been referred to by Norwegian authorities in defence of Norway's restrictive regulatory environment. The same institutions, however, have also stressed the need for regulations of remittance mechanisms to be flexible and proportional to risks they pose. Furthermore, the World Bank and the IMF point out that consumer protection in the financial system involve the availabil-

ity, access, and inexpensive cost of remittance services. Failure to safeguard consumer interest in this respect appears to be a deficiency in the legal infrastructure for financial service in Norway.

To most Norwegians, bank transfers would be the intuitive mechanism for transferring money. Such transfers can, however, be highly unpredictable in sending money to developing countries. The spot checks conducted by PRIO showed that bank transfers took 2 days to Poland and the Philippines, and 2-4 days to Kenya. To Pakistan, the transfers arrived after 11 and 23 days, respectively. The price of bank transfers is also impossible to predict, due to the fees charged by intermediary and receiving banks. The unpredictable nature of bank transfers probably makes them less attractive to customers than their actual cost and speed would imply. Regular transfers ordered online are not more expensive than cash-to-cash transfers other than with very low amounts.

Banks in developing countries are often few and far between, especially in rural areas. They may also be arenas of intimidation along social, ethnic, or gender lines. For these and other reasons, many people in developing countries do not have bank accounts. In Pakistan, for instance, only 10% of households do.

The development benefits of remittances are often greatest when the money enters accounts in banks or other financial institutions. Having an account helps receivers manage their remittance income and may give them access to financial services such as including loans. Furthermore, deposits from remittances can improve access to credit for local entrepreneurs who are not themselves remittance receivers. This can be a better strategy than expecting migrants' families to invest directly.

While Norwegian banks have shown limited interest in immigrants as customers, Western Union, in particular, is persistent, professional and service-minded in approaching an ethnically diverse market. Information about Western Union's services is available in Polish, Serb, Urdu, Tagalog and Vietnamese, among other languages, where the banks only offer Norwegian. Western Union guarantees that the money can be collected by the recipient within a few minutes in one of their 245,000 agents worldwide. Immigrants are prepared to pay a high price for this excellent service, but are unlikely to realize the true price. The exchange rate spreads used by Western Union conceal a cost that can easily exceed the fee. This problem is even greater with the competitor MoneyGram. The real cost of sending NOK 1,000 with these companies can exceed 20% of the transfer amount.

Cash-to-cash transfers are provided by two regular money transfer operators in Norway: Western Union and Forex/MoneyGram. Both have a global reach, but with gaps in the coverage, including Somalia. In the United Kingdom, where the regulatory environment is less restrictive, there are 2700 registered money transfer operators. Many offer tailored services to specific national groups, based on their particular needs. Such variety is obviously welcome from a customer perspective. In addition there is a need for diversity in order to foster innovative, local solutions that can enhance the development impacts of remittances. This could be about linking remittances with microfinance in rural areas, or with payment for health insurance in countries with poor welfare services. The challenges and potentials differ greatly between remittance-receiving countries as diverse as Lithuania, Iraq and Vietnam.

Web-based and card-based transfer mechanisms have the potential to play a much more prominent role in many remittance corridors out of Norway. When senders can make a transfer over the Internet (or a mobile phone) and receivers can collect the money from an ATM, it seems possible to lower prices. The convenience of such services depends on the availability of the necessary infrastructure. Senders must also be computer literate, and receivers must be confident with using ATMs.

Government policy related to migrant remittances must respect their private nature and the right of immigrants to make their own priorities. It is nevertheless possible to promote the interests of Norwegian society, immigrant communities and migrants' countries of origin by pursuing four broad aims in combination:

- *Reduce transfer costs* – Lower costs will increase the amount of money that reaches migrants' families and can play a positive role in the development process. Increased competition in the remittance market may lower costs, especially in combination with increased consumer awareness.
- *Encourage integration with financial services* – The biggest development gains of remittances may lie in their integration with financial services in the remittance receiver's country of origin. Transfer mechanisms that lead remittances into accounts rather than paying out cash should therefore be encouraged.
- *Promote financial literacy and ICT skills among immigrants* – Markets work better with more resourceful consumers. The average cost of sending remittances is likely to be unnecessarily high because immigrants lack the preconditions for identifying the cheapest mechanism and exercising consumer power.
- *Eliminate the need for illegal transfer mechanisms* – With large immigrant populations from areas without a regular banking system, it is imperative to let the demand for remittance services be met in a regulated manner. The use of illegal services comes at a cost for society as a whole, not just for the individuals concerned.
- *Combat the abuse of remittance services* – This has for a long time been the dominant policy objective related to remittances. It may need to be adjusted as part of a coherent cross-ministerial policy on remittances. However, bringing services into the regulated sphere can also make supervision more effective and thus contribute to the initial objective.

More cost-efficient, transparent and development friendly remittance services also require initiatives on the part of service providers and customers. The banking sector in Norway characterized by a combination of passivity and powerlessness in relation to remittances. Unlike other actors in the market, banks have not reached out specifically to immigrants as customers. However, banks are also somewhat powerless in relation to their counterparts in migrants' countries of origin. No matter how well run a Norwegian bank is, it may be impossible to tell customers how much a transfer will cost or when it will reach the recipient. This is a handicap that severely limits the potential role of banks. Banks have clear potential for improvement in two areas. First, they can pay more attention to the needs of ethnic minority customers and the potential of the immigrant market, like their counterparts in other European countries. Second, they can acknowledge the very real challenges of international bank transfers and help their customers make better choices within these limitations. Bank trans-



fers *are* highly competitive transfer mechanisms in some remittance corridors, but not in others. Customers should not have to learn by trial and error.

The large money transfer operators appear to be benefiting from the status quo. There is no competition from smaller MTOs, which is known to have exerted downward pressure on prices in other markets. The pricing structure of the large MTOs makes the perceived costs lower than for bank transfers, even when the real costs are higher.

Remittance senders should be aware of the variety of services on offer, including those that are base outside Norway. A Filipina migrant who is sending NOK 1,000 to the Philippines with Forex/MoneyGram every month could end up having paid NOK 2,300 in transfer costs by the end of the year. If the money had been sent with iKobo or SkandiaBanken instead, the total transfer costs could be as low as NOK 800. It may be necessary to think ahead in order to expand the range of choices. If the recipients do not have a bank account, it may be worthwhile opening one, if they are not comfortable using ATMs, they may have to learn it. The sender will have a wider range of options with internet skills and a credit or debit card.

Remittances are private funds that belong to migrants and their families. Even so, they can make valuable contributions to the development process of the countries to which they are sent. In remittance-sending countries with substantial competition among service providers, money transmitters often operate efficiently with small profit margins. If they provide a good service, their right to make money must be respected. However, consumers must choose for themselves which service provides the best combination of speed, cost, convenience and other characteristics for their particular situation. In order to make such choices there must be a variety of services to choose from, and the remittance-senders must have the necessary skills and information to make comparisons.

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## Appendix: Country Tables

Calculations of costs for bank transfers include assumptions about costs abroad, based upon estimates from Norwegian banks and results of the spot checks. Where no information is available, estimated costs abroad have been set to NOK 100. This has yielded the following assumed costs: The Philippines and Poland: NOK 40; Kenya: NOK 50; Bosnia and Herzegovina: NOK 70; Lithuania: NOK 90; Chile, Iraq, Morocco, Nigeria, Pakistan and Vietnam: NOK 100. These assumptions should not in themselves be taken as *results* of the survey.

In the appendix tables, the columns describing the requirements of senders and receivers are the same for every country. They are repeated in order to facilitate comparison of services to a given country by looking at a single table.

One of the requirements included, is for the sender to understand Norwegian. This is taken to be required when there is no systematic provision of sufficient information about the service in any other language. In the remaining cases, therefore, remittance-senders *may* find information in a language they understand.

**Table A I.** Comparison of transfer services to Bosnia and Herzegovina

Mechanism	Service provider	Can be used to Bosnia and H.	Sender must...				Receiver must...				Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)		
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent					Use an ATM	Have a Visa card
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	12.1	7.1	✘	0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	13.3	10.3	✘	0
Cash-to-cash Money Transfer, Next day	Western Union	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash-to-cash Money Transfer, Hawala	Hawala A	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Hawala B	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Hawala C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Hawala D	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Hawala E	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash-to-cash Home-delivery service	Forex/MoneyGram	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Account-to-cash Service, Hawala	Hawala F	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	✘○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.3	10.3	✘	0
Account-to-cash Prepaid-card service	iKobo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	20.5	4.1	✘	1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	22.0	4.4	✘	3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	12.5	2.5	✘	3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	14.5	2.9	✘	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	●	●	—	○	○	—	13.0	2.6	✘	1–2
	Nordea	✓	●	●	●	—	●	●	—	○	○	—	13.0	2.6	✘	3–5
	Selbu Sparebank	✓	●	●	●	—	●	●	—	○	○	—	12.0	2.4	✘	3–5
	SkandiaBanken	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	SpareBank 1 Nord-Norge	✓	●	●	●	—	●	●	—	○	○	—	14.5	2.9	✘	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	44.5	8.9	✘	1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	47.0	9.4	✘	1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	27.0	5.4	✘	3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	39.5	7.9	✘	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	●	●	—	○	○	—	37.0	7.4	✘	1–2
	Nordea	✓	●	●	●	—	●	●	—	○	○	—	37.0	7.4	✘	1–2
	Selbu Sparebank	✓	●	●	●	—	●	●	—	○	○	—	26.5	5.3	✘	3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	●	●	—	○	○	—	39.5	7.9	✘	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	✘●	3–5
Account-to-goods	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Account-to-voucher	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Account-to-school fees	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Nordea	(✓)	●	●	●	—	—	—	—	●	—	—	16.7	3.9	✘●	5+
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign-Currency Cheque, Counter	DnB NOR	(✓)	●	●	—	—	●	—	—	●	—	—	24.4	4.9	✘●	5+
	Nordea	(✓)	●	●	—	—	●	—	—	●	—	—	21.7	4.9	✘●	5+
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash in high-value letter	Norway Post	✓	●	—	—	—	●	—	—	—	—	—	12.0	2.4	✘	5+

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✘ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 2.** Comparison of transfer services to Chile

Mechanism	Service provider	Can be used to Chile	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	16.2	11.2		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	13.8	10.8		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.8	10.8		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	8.0	4.2	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	23.5	4.7	×	1-2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	25.4	5.4	×	3-5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	15.5	3.1	×	3-5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	17.8	3.8	×	3-5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	16.0	3.2	×	1-2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	16.4	3.6	×	3-5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	15.0	3.0	×	3-5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	17.8	3.8	×	3-5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	47.5	9.5	×	1-2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	50.4	10.4	×	1-2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	30.0	6.0	×	3-5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	42.8	8.8	×	1-2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	40.0	8.0	×	1-2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	40.4	8.4	×	1-2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	29.5	5.9	×	3-5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	42.8	8.8	×	1-2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	×●	3-5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1-2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea (✓)	✓	●	●	●	—	—	—	—	●	—	—	16.9	4.0	×●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR (✓)	✓	●	●	—	—	●	—	—	●	—	—	24.6	4.9	×●	5+
	Nordea (✓)	✓	●	●	—	—	●	—	—	●	—	—	21.9	5.0	×●	5+
	Selbu Sparebank	—														
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; × Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 3.** Comparison of transfer services to Iraq

Mechanism	Service provider	Can be used to Iraq.	Sender must...				Receiver must...				Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)		
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent					Use an ATM	Have a Visa card
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Western Union	✓	—	—	—	●	—	—	●	—	—	—	—	18.2	15.2	0
Cash-to-cash Money Transfer, Next day	Western Union	✓	—	—	—	●	—	—	●	—	—	—	15.7	10.6	1–2	
Cash-to-cash Money Transfer, Hawala	Hawala A	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Hawala B	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Hawala C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Hawala D	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Hawala E	✓	—	—	—	●	—	—	●	—	—	—	15.6	—	✘	1–2
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Cash-to-cash Home-delivery service	Forex/MoneyGram	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Account-to-cash Service, Hawala	Hawala F	✓	—	●	—	—	—	—	●	—	—	—	8.3	—	✘	1–2
Account-to-cash Visa Card Service	Moneybookers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	●	—	—	—	18.2	15.2	0	
Account-to-cash Prepaid-card service	iKobo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Regular Bank Transfer, Counter	DnB NOR	(✓)	—	●	—	—	●	—	○	○	—	—	16.0	3.2	✘	5+
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SpareBank 1 Nord-Norge	(✓)	●	●	—	—	●	—	○	○	—	—	17.5	3.5	✘	3–5
Regular Bank Transfer, Internet	DnB NOR	(✓)	●	●	●	—	—	●	—	○	○	—	16.0	3.2	✘	5+
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SkandiaBanken	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Urgent Bank Transfer, Counter	DnB NOR	(✓)	—	●	—	—	●	—	○	○	—	—	47.5	9.5	✘	3–5
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SpareBank 1 Nord-Norge	(✓)	●	●	—	—	●	—	○	○	—	—	42.5	8.5	✘	1–2
Urgent Bank Transfer, Internet	DnB NOR	(✓)	●	●	●	—	—	●	—	○	○	—	40.0	8.0	✘	3–5
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SpareBank 1 Nord-Norge	(✓)	●	●	●	—	—	●	—	○	○	—	42.5	8.5	✘	1–2
Account-to-Account Internet Service	Moneybookers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Account-to-goods	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Account-to-voucher	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Account-to-school fees	MamaMikes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Foreign-Currency Cheque, Counter	DnB NOR	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Nordea	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Selbu Sparebank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	SpareBank 1 Nord-Norge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Cash in high-value letter	Norway Post	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✘ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 4.** Comparison of transfer services to Kenya

Mechanism	Service provider	Can be used to Kenya	Sender must...					Receiver must...				Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)	
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM					Have a Visa card
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	18.4	13.4		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	14.3	11.3		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	✓	—	—	—	—	●	—	—	●	—	—	9.3	—		1–2
	Hawala B	✓	—	—	—	—	●	—	—	●	—	—	15.0	—		0
	Hawala C	✓	—	—	—	—	●	—	—	●	—	—	—	—	?	1–2
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	14.3	11.3		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	8.6	4.7	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	25.3	10.5		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	22.1	6.1		3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	17.3	8.9		3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	12.8	2.8	×	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	17.8	9.0		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	13.1	4.3		3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	16.8	8.8		3–5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	12.8	2.8	×	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	49.3	15.3		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	47.1	11.1		1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	27.1	7.1		3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	37.8	7.8	×	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	41.8	13.8		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	37.1	9.1		1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	26.6	7.0		3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	32.8	6.8	×	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	×●	3–5
Account-to-goods	MamaMikes	✓	—	●	●	●	—	—	—	—	—	—	5.8	1.2	×	1–2
Account-to-voucher	MamaMikes	✓	—	●	●	●	—	—	—	—	—	—	16.1	13.7	×	1–2
Account-to-school fees	MamaMikes	✓	—	●	●	●	—	—	—	—	—	—	18.9	14.3	×	1–2
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea	—														
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR (✓)	(✓)	●	●	—	—	●	—	—	●	—	—	24.6	4.9	×●	5+
	Nordea	—														
	Selbu Sparebank	—														
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✕ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.



Table A 5. Comparison of transfer services to Lithuania

Mechanism	Service provider	Can be used to Lithuania	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit/debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	16.7	11.7		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	13.5	10.5		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	5.3	3.8	○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.5	10.5		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	7.8	3.9	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	22.5	4.5		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	24.5	5.3		3–5
	Selbu Sparebank (✓)	✓	●	●	—	—	●	●	—	○	○	—	14.5	2.9		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	16.5	3.3	✘	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	15.0	3.0		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	15.5	3.5		3–5
	Selbu Sparebank (✓)	✓	●	●	●	—	—	●	—	○	○	—	14.0	2.8		3–5
	SkandiaBanken	✓	●	●	●	—	—	●	—	○	○	—	9.5	2.3	✘	5+
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	16.5	3.3	✘	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	46.5	9.3		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	49.5	10.3		1–2
	Selbu Sparebank (✓)	✓	●	●	—	—	●	●	—	○	○	—	29.5	6.3		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	41.5	8.3	✘	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	39.0	7.8		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	39.5	8.3		1–2
	Selbu Sparebank (✓)	✓	●	●	●	—	—	●	—	○	○	—	29.0	6.2		3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	41.5	8.3	✘	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	5.3	3.8		3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea	✓	●	●	●	—	—	—	—	●	—	—	16.8	4.1	●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR	✓	●	●	—	—	●	—	—	●	—	—	24.4	4.9	●	5+
	Nordea	✓	●	●	—	—	●	—	—	●	—	—	21.8	5.1	●	5+
	Selbu Sparebank	✓	●	●	—	—	●	—	—	●	—	—	9.8	2.7	●	5+
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	✓	●	—	—	—	●	—	—	●	—	—	12.0	2.4	✘	3–5

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✘ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 6.** Comparison of transfer services to Morocco

Mechanism	Service provider	Can be used to Morocco	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit/debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	15.0	10.0		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	22.4	19.4		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	22.4	19.4		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	8.1	4.2	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	25.8	7.0		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	26.9	6.9		3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	17.8	5.4		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	17.5	3.5	×	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	18.3	5.5		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	17.9	5.1		3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	17.3	5.3		3–5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	17.5	3.5	×	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	49.8	11.8		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	51.9	11.9		1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	31.9	7.9		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	42.5	8.5	×	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	42.3	10.3		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	41.9	9.9		1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	31.4	7.8		3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	42.5	8.5	×	1–2
Account-to-Account Internet Service	Moneybookers	✓		●	●	—	—	●	●	○	○	—	3.7	2.3	×●	3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea	✓	●	●	●	—	—	—	—	●	—	—	19.9	7.0	●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR	✓	●	●	—	—	●	—	—	●	—	—	29.3	9.6	●	5+
	Nordea	✓	●	●	—	—	●	—	—	●	—	—	24.9	8.0	●	5+
	Selbu Sparebank	✓	●	●	—	—	●	—	—	●	—	—	12.9	5.6	●	5+
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	✓	●	—	—	—	●	—	—	●	—	—	12.2	2.4	×	5+

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✕ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 7.** Comparison of transfer services to Nigeria

Mechanism	Service provider	Can be used to Nigeria	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	23.4	18.4		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	18.4	15.4		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	—														
Account-to-cash Prepaid-card service	iKobo	—														
Regular Bank Transfer, Counter	DnB NOR	✓	●	—	—	—	●	●	—	○	○	—	23.5	4.7	×	1–2
	Nordea	✓	●	—	—	—	●	●	—	○	○	—	25.4	5.4	×	5+
	Selbu Sparebank (✓)	✓	●	●	—	—	●	●	—	○	○	—	15.5	3.1	×	3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	17.8	3.8	×	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	16.0	3.2	×	1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	16.4	3.6	×	5+
	Selbu Sparebank (✓)	✓	●	●	●	—	—	●	—	○	○	—	15.0	3.0	×	3–5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	17.8	3.8	×	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	●	—	—	—	●	●	—	○	○	—	47.5	9.5	×	1–2
	Nordea	✓	●	—	—	—	●	●	—	○	○	—	50.4	10.4	×	1–2
	Selbu Sparebank (✓)	✓	●	●	—	—	●	●	—	○	○	—	30.4	6.4	×	3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	—	—	●	●	—	○	○	—	42.8	8.8	×	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	40.0	8.0	×	1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	40.4	8.4	×	1–2
	Selbu Sparebank (✓)	✓	●	●	●	—	—	●	—	○	○	—	29.9	6.3	×	3–5
	SpareBank 1 Nord-Norge (✓)	✓	●	●	●	—	—	●	—	○	○	—	42.8	8.8	×	1–2
Account-to-Account Internet Service	Moneybookers	—														
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea	—														
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR	—														
	Nordea	—														
	Selbu Sparebank	—														
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; × Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 8.** Comparison of transfer services to Pakistan

Mechanism	Service provider	Can be used to Pakistan	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit/debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	15.9	10.9		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	13.7	10.7		0
Cash-to-cash Money Transfer, Next day	Western Union	✓	—	—	—	—	●	—	—	●	—	—	11.2	6.1		1–2
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.7	10.7		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	7.9	4.0	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	25.6	6.8		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	26.7	6.7		3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	17.6	5.2		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	17.8	3.8	×	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	18.1	5.3		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	17.7	4.9		3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	17.1	5.1		3–5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	17.8	3.8	×	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	49.6	11.6		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	51.7	11.7		1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	31.7	7.7		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	42.8	8.8	×	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	42.1	10.1		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	41.7	9.7		1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	31.2	7.6		3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	42.8	8.8	×	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	×●	3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea (✓)	✓	●	●	●	—	—	—	—	●	—	—	7.9	2.2	×●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR	✓	●	●	—	—	●	—	—	●	—	—	28.9	9.2	●	5+
	Nordea (✓)	✓	●	●	—	—	●	—	—	●	—	—	16.9	4.0	×●	5+
	Selbu Sparebank	✓	●	●	—	—	●	—	—	●	—	—	12.4	5.1	●	5+
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✕ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 9.** Comparison of transfer services to the Philippines

Mechanism	Service provider	Can be used to the Philippines	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	—	—	—	19.4	14.4		0
	Western Union	✓	—	—	—	—	●	—	—	—	—	—	13.9	10.9		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	✓	—	—	—	—	●	—	—	—	—	●	19.4	14.4		0
Cash-to-cash Home-delivery service	Forex/MoneyGram	✓	—	—	—	—	●	—	—	—	—	—	19.4	14.4		1–2
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	×○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.9	10.9		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	7.0	3.1	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	20.8	6.8		1–2
	Nordea	(✓)	—	●	—	—	●	●	—	○	○	—	20.7	5.5		3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	12.8	5.2		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	11.8	2.6	×	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	13.3	5.3		1–2
	Nordea	(✓)	●	●	●	—	—	●	—	○	○	—	11.7	3.7		3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	12.3	5.1		3–5
	SkandiaBanken	✓	●	●	●	—	—	●	—	○	○	—	6.4	3.2		5+
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	11.8	2.6	×	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	44.8	11.6		1–2
	Nordea	(✓)	—	●	—	—	●	●	—	○	○	—	45.7	10.5		1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	25.7	6.5		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	36.8	7.6	×	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	37.3	10.1		1–2
	Nordea	(✓)	●	●	●	—	—	●	—	○	○	—	35.7	8.5		1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	25.2	6.4		3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	36.8	7.6	×	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	×●	3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea	(✓)	●	●	●	—	—	—	—	●	—	—	16.9	4.0	×●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR	✓	●	●	—	—	●	—	—	●	—	—	31.2	11.5	●	5+
	Nordea	(✓)	●	●	—	—	●	—	—	●	—	—	21.9	5.0	×●	5+
	Selbu Sparebank	✓	●	●	—	—	●	—	—	●	—	—	12.4	5.1	●	5+
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✕ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

**Table A 10.** Comparison of transfer services to Poland

Mechanism	Service provider	Can be used to Poland	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit/debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	16.7	11.7		0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	13.8	10.8		0
Cash-to-cash Money Transfer, Next day	Western Union	✓	—	—	—	—	●	—	—	●	—	—	11.3	6.2		1–2
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	5.5	4.0	○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	13.8	10.8		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	7.9	4.0	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	17.5	3.5		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	19.5	4.3		3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	9.5	1.9		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	12.5	3.3	✘	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	7.0	1.4		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	10.5	2.5		3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	9.0	1.8		3–5
	SkandiaBanken	✓	●	●	●	—	—	●	—	○	○	—	4.5	1.3	✘	5+
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	12.5	3.3	✘	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	41.5	8.3		1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	44.5	9.3		1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	24.5	5.3		3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	37.5	8.3	✘	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	34.0	6.8		1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	34.5	7.3		1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	24.0	5.2		3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	37.5	8.3	✘	1–2
Account-to-Account Internet Service	Moneybookers	✓		●	●	—	—	●	●	○	○	—	5.5	4.0		3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	✓	—	●	●	—	—	—	●	●	—	—	6.9	4.3	—	5+
	Nordea	✓	●	●	●	—	—	—	—	●	—	—	16.8	4.1	●	5+
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	—	—	●	—	—	17.9	5.1	●	5+
Foreign-Currency Cheque, Counter	DnB NOR	✓	●	●	—	—	●	—	—	●	—	—	24.4	4.9	●	5+
	Nordea	✓	●	●	—	—	●	—	—	●	—	—	21.8	5.1	●	5+
	Selbu Sparebank	✓	●	●	—	—	●	—	—	●	—	—	9.8	2.7	●	5+
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	—	—	●	—	—	17.9	5.1	●	5+
Cash in high-value letter	Norway Post	✓	●	—	—	—	●	—	—	●	—	—	12.0	2.4	✘	3–5

Bank transfer costs include assumed costs abroad. See notes at the beginning of the appendix. Check marks in the first column are placed in parentheses if the service can only be used in an indirect or limited way. Additional costs are indicated as follows: ● Additional fees will apply; ○ Additional fees may apply; ✘ Currency conversion will take place and may involve additional costs. Speed is usual/minimum duration. See Chapter Five for details.

Table A II. Comparison of transfer services to Somalia

Mechanism	Service provider	Sender must...					Receiver must...				Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)	
		Can be used to Somalia	Understand Norwegian	Have a bank account	Have internet access	Have a credit /debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent					Use an ATM
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram														
	Western Union														
Cash-to-cash Money Transfer, Next day	Western Union														
Cash-to-cash Money Transfer, Hawala	Hawala A	✓	—	—	—	●	—	—	●	—	—	[ ? ]	[ ? ]	✘	1–2
	Hawala B	✓	—	—	—	●	—	—	●	—	—	7.7	7.3	✘	0
	Hawala C	✓	—	—	—	●	—	—	●	—	—	7.7	[ ? ]	✘	1–2
	Hawala D	✓	—	—	—	●	—	—	●	—	—	8.4	7.6	[ ? ]	0
	Hawala E														
Cash-to-cash Prepaid-card service	Forex/MoneyGram														
Cash-to-cash Home-delivery service	Forex/MoneyGram														
Account-to-cash Service, Hawala	Hawala F														
Account-to-cash Visa Card Service	Moneybookers														
Account-to-cash Service, Internet	Western Union														
Account-to-cash Prepaid-card service	iKobo														
Regular Bank Transfer, Counter	DnB NOR														
	Nordea														
	Selbu Sparebank														
	SpareBank 1 Nord-Norge														
Regular Bank Transfer, Internet	DnB NOR														
	Nordea														
	Selbu Sparebank														
	SkandiaBanken														
	SpareBank 1 Nord-Norge														
Urgent Bank Transfer, Counter	DnB NOR														
	Nordea														
	Selbu Sparebank														
	SpareBank 1 Nord-Norge														
Urgent Bank Transfer, Internet	DnB NOR														
	Nordea														
	Selbu Sparebank														
	SpareBank 1 Nord-Norge														
Account-to-Account Internet Service	Moneybookers														
Account-to-goods	MamaMikes														
Account-to-voucher	MamaMikes														
Account-to-school fees	MamaMikes														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers														
	Nordea														
	SpareBank 1 Nord-Norge														
Foreign-Currency Cheque, Counter	DnB NOR														
	Nordea														
	Selbu Sparebank														
	SpareBank 1 Nord-Norge														
Cash in high-value letter	Norway Post														

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**Table A 12.** Comparison of transfer services to Vietnam

Mechanism	Service provider	Can be used to Vietnam	Sender must...					Receiver must...					Cost of sending NOK 1,000 (%)	Cost of sending NOK 5,000 (%)	Additional costs	Estimated speed (days)
			Understand Norwegian	Have a bank account	Have internet access	Have a credit/debit card	Visit a branch or agent	Have a bank account	Have internet access	Visit a branch or agent	Use an ATM	Have a Visa card				
Cash-to-cash Money Transfer, Instant	Forex/MoneyGram	✓	—	—	—	—	●	—	—	●	—	—	13.7	8.7	✕	0
	Western Union	✓	—	—	—	—	●	—	—	●	—	—	17.5	14.5		0
Cash-to-cash Money Transfer, Next day	Western Union	—														
Cash-to-cash Money Transfer, Hawala	Hawala A	—														
	Hawala B	—														
	Hawala C	—														
	Hawala D	—														
	Hawala E	—														
Cash-to-cash Prepaid-card service	Forex/MoneyGram	—														
Cash-to-cash Home-delivery service	Forex/MoneyGram	—														
Account-to-cash Service, Hawala	Hawala F	—														
Account-to-cash Visa Card Service	Moneybookers	✓	—	●	●	—	—	●	●	—	●	●	3.7	2.3	✕○	0
Account-to-cash Service, Internet	Western Union	✓	—	●	●	●	—	—	—	●	—	—	17.5	14.5		0
Account-to-cash Prepaid-card service	iKobo	✓	—	●	●	●	—	—	—	—	●	—	11.9	8.0	○	0
Regular Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	23.5	4.7	✕	1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	25.0	5.0	✕	3–5
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	15.5	3.1	✕	3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	17.8	3.8	✕	3–5
Regular Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	16.0	3.2	✕	1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	16.0	3.2	✕	3–5
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	15.0	3.0	✕	3–5
	SkandiaBanken	—														
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	17.8	3.8	✕	3–5
Urgent Bank Transfer, Counter	DnB NOR	✓	—	●	—	—	●	●	—	○	○	—	47.5	9.5	✕	1–2
	Nordea	✓	—	●	—	—	●	●	—	○	○	—	50.0	10.0	✕	1–2
	Selbu Sparebank	✓	●	●	—	—	●	●	—	○	○	—	30.0	6.0	✕	3–5
	SpareBank 1 Nord-Norge	✓	●	●	—	—	●	●	—	○	○	—	42.8	8.8	✕	1–2
Urgent Bank Transfer, Internet	DnB NOR	✓	●	●	●	—	—	●	—	○	○	—	40.0	8.0	✕	1–2
	Nordea	✓	●	●	●	—	—	●	—	○	○	—	40.0	8.0	✕	1–2
	Selbu Sparebank	✓	●	●	●	—	—	●	—	○	○	—	29.5	5.9	✕	3–5
	SpareBank 1 Nord-Norge	✓	●	●	●	—	—	●	—	○	○	—	42.8	8.8	✕	1–2
Account-to-Account Internet Service	Moneybookers	✓	—	●	●	—	—	●	●	○	○	—	3.7	2.3	✕●	3–5
Account-to-goods	MamaMikes	—														
Account-to-voucher	MamaMikes	—														
Account-to-school fees	MamaMikes	—														
Personal courier	Friends and relatives	..	—	—	—	—	—	—	—	—	—	—	0.0	0.0	—	1–2
Foreign-Currency Cheque, Internet	Moneybookers	—														
	Nordea (✓)	(✓)	●	●	●	—	—	—	—	●	—	—	16.9	4.0	✕●	5+
	SpareBank 1 Nord-Norge	—														
Foreign-Currency Cheque, Counter	DnB NOR (✓)	(✓)	●	●	—	—	●	—	—	●	—	—	24.6	4.9	✕●	5+
	Nordea (✓)	(✓)	●	●	—	—	●	—	—	●	—	—	21.9	5.0	✕●	5+
	Selbu Sparebank	—														
	SpareBank 1 Nord-Norge	—														
Cash in high-value letter	Norway Post	—														

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What opportunities do immigrants in Norway have for sending money to their countries of origin? To answer that question, this report examines the various services on offer in the Norwegian market. Focusing on transfers to twelve specific countries, the report compares the availability of different services, as well as their price and quality. The countries covered are Bosnia and Herzegovina, Chile, Iraq, Kenya, Lithuania, Morocco, Nigeria, Pakistan, the Philippines, Poland, Somalia and Vietnam. The services examined include regular bank transfers, money-transfer services, web-based transfers and so-called *hawala* services.

In recent years, research on remittances has highlighted the importance of transfer mechanisms. The way in which money is sent determines how much of the original amount reaches the recipients, and affects how the money enters the local economy. For some immigrants, the lack of regular remittance services to their country of origin compels them to use services that may be illegal.

The research presented here has various audiences. First, it is intended to inform government policy in the field of remittances. Second, the report may help remittance senders understand their options and make well-informed choices. Third, the analysis can assist private-sector businesses to develop better remittance services.

The report has been funded by the Norwegian Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (Norad). The research it contains is linked with PRIO's broader research activity in the fields of migrant remittances and transnationalism.

For more information on PRIO's migration research, see [www.prio.no/migration](http://www.prio.no/migration).

The findings of this report are also presented at the website [www.sendepenger.no](http://www.sendepenger.no).



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ISBN: 978-82-7288-240-1