IFAD

Enabling poor rural people
to overcome poverty

Sending Money Home

Worldwide Remittance Flows to Developing and Transition Countries




Introduction

Remittances, the portion of migrant workers' earnings sent home to their families, have been a critical means of financial support for generations. For the most part, these flows have historically been "hidden in plain view", often uncounted and even ignored. All that is changing. As the scale of migration increases, the corresponding growth in remittances is gaining widespread attention.

150 million migrants worldwide ... sent some US$300 billion to their families in developing countries during 2006

Today, the impact of remittances is recognized in all developing regions of the world, constituting an important flow of foreign currency to most countries and directly reaching millions of households – approximately **10 per cent** of the world's population. The importance of remittances to poverty alleviation is obvious, but the potential multiplier effect on economic growth and investment is also significant.

The driving force behind this phenomenon is an estimated **150 million migrants** worldwide. They sent some **US$300 billion** to their families in developing countries during 2006, typically US$100, US$200 or US$300 at a time, through more than **1.5 billion** separate financial transactions. These funds are used primarily to meet immediate family needs (consumption), but a significant portion are also available for savings, credit mobilization and other forms of investment. In other words, one of the world's largest poverty reduction effort – by millions of individuals at a time – could also become a much more efficient contribution to grass-roots economic development. This is particularly true in rural areas of the developing world, that present some of the greatest challenges to inclusion in the economic mainstream and where remittances could further become a catalyst for poverty alleviation.

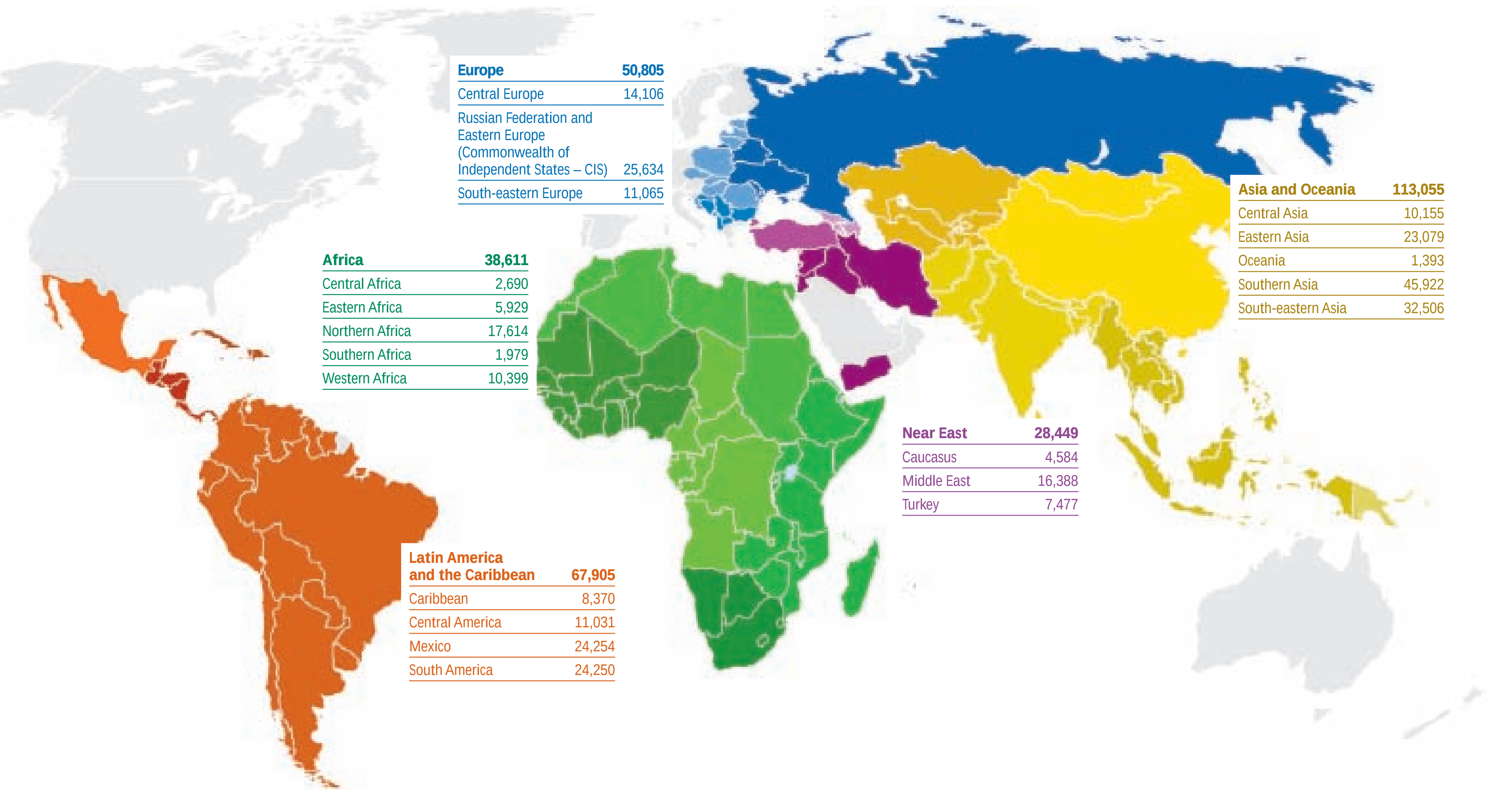
Three aspects of remittances could enhance this development:

- **improved data collection;**
- **lower transaction costs; and**
- **increased efforts to leverage remittance flows for greater development impact.**

This report represents a baseline in a series of regional documents aimed at highlighting the importance of the rural remittances in developing countries and their potential to stimulate local economic activity.
The following worldwide remittance map seeks to quantify the overall flow of remittances and highlight the importance they may play in the development of rural areas of the developing world. It compiles the best available information on migrant populations, the percentage of migrants sending remittances, average amounts remitted annually and the average frequency of annual transfers. Central banks and other official government sources, money transfer companies, international organizations and academic institutions were used for reference support. The map covers more than 150 developing countries* – many for the first time. Together with the accompanying analysis and data tables, it provides comparative indicators to measure the relative importance of remittances among 20 subregions of the developing world.

* For the purpose of this report, countries in transition for the year 2006 have been included (World Bank, United Nations Economic Commission for Europe)

Worldwide remittance flows to developing countries in 2006 (US$ million)



Estimated total remittances to developing countries: US$300 billion

This report is based on a data research study commissioned by IFAD from Dr Manuel Orozco of the Inter-American Dialogue, in collaboration with the Multilateral Investment Fund of the Inter-American Development Bank. Contributions in support of this study were made by members of IFAD's Financing Facility for Remittances, composed of the European Union, the Governments of Spain and Luxembourg, the Consultative Group to Assist the Poor, the United Nations Capital Development Fund and the Multilateral Investment Fund of the Inter-American Development Bank. For more information, please contact:

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Improved data collection

Recording the volume of actual remittance flows is difficult **because so many remittance senders and receivers remain outside the economic mainstream**.

The worldwide remittance map constitutes a first effort to quantify total remittance flows through both formal and informal channels on a country-by-country basis. Remittance corridors to some countries in Latin America and the Caribbean (LAC) have been the subject of research and analysis for several years. Central banks in a number of these countries have made significant efforts to adjust their data-collection systems, improving the accuracy of recorded flows and increasing their knowledge of the characteristics of remittance markets. However, for many countries in Africa, Asia and the middle East, estimation of remittance flows remains a pending task. This is particularly true in rural areas where remittance flows are systematically undercounted and in a majority of cases unaccounted for. Accurate measurement of remittances is a challenge for most balance-of-payments systems, largely because they rely heavily on reporting from formal financial institutions. In many countries, however, informal channels are commonplace, accounting for almost half the remittances worldwide. In the Middle East, for example, many remittances are transferred through a well-developed network of informal brokers (*hawaladars*) and are not captured by the official reporting system. Remittances are also underestimated in particular in rural areas, where informal channels dominate remittance delivery patterns because of the relative absence of banks and other formal financial institutions.

Improvements in remittance recording systems to date have raised awareness of the staggering estimated volume of remittance flows, which in many cases exceed the combined volume of overseas development assistance and foreign direct investment in developing countries. A majority of the countries in most developing regions show annual remittance inflows of more than US$1 billion: Asia and Oceania (17 countries), LAC (13 countries), Europe (12 countries) and the Near East (9 countries), with a further 18 African countries receiving more than US$500 million. Greater knowledge of the volume of these flows, and of the millions of transnational families that send and receive remittances, can inform policymakers of the need to provide an enabling environment for migrant transfers. It can also attract more players to the remittance services market, encouraging competition and increasing downward pressure on the cost of these transfers, which represent a lifeline for hundreds of millions of individuals in poor rural areas and around the world.

Lower transaction costs

Reducing the cost of remittance transfers is difficult **because so many factors influence the cost of a transfer: informality, monopolies, regulations and volume, among others**.

Across the globe, the cost of remittance transfers varies greatly depending on the region to which they are sent. While the higher-volume remittance corridors such as those to Latin America have seen drastic reductions in sending costs, remittance transfers in other corridors remain considerably more expensive. Lowering costs is crucial to both the maximization of the impact of remittances for recipient families and the competitiveness of formal remittance channels.

The lack of competition in rural and remote areas often leads to higher costs and the creation of informal networks. In many developing countries, remittance payment is restricted to banks; as a result, many rural areas are neglected, helping create the preconditions for informal channels. Legislation that allows non-banking financial institutions to pay remittances – for example, microfinance institutions, cooperatives and credit unions – will help reduce informality, increase competition and lower the cost per transfer.

In an era of technological progress, innovative business models are reshaping the remittance marketplace. New technologies, such as prepaid cards and the use of mobile phones, provide cheaper alternatives for transferring money, as well as lower account-to-account transaction costs. In many countries, 30 per cent of remittance recipients currently use debit or credit cards, and in some countries this figure is as high as 50 per cent. In India and the Philippines, mobile technology is already a widely accepted means of money transfer operations, and its use is growing exponentially. These new opportunities have radically changed the remittance market by increasing the spectrum of participating players. However, there is still room for improvement as new ideas and alliances arise.

One obstacle to lowering transaction costs is the increased focus on the regulatory environment since 11 September 2001. Money transfer companies and financial institutions have been encouraged to monitor their transactions strictly. The associated compliance costs have greatly impacted the remittance business, forcing some companies to close shop, leaving migrants no alternative but to use more expensive outlets or informal networks.

Despite these challenges, the cost of remitting has declined over the last decade. The savings generated have greatly increased the potential for remittances as a step towards financial self-sufficiency. However, this trend is not as visible in rural areas where competition is poor and access to innovative means of transferring remittances is still limited.

Leveraging of development impact

Leveraging of development impact is difficult **because so many remittance senders and receivers remain outside the formal financial system**.

For millions of families around the world, remittances are the lifeline that lifts them out of poverty. The vast majority of these flows are spent on basic needs of recipient families such as food, clothing and shelter. This consumption, combined with investment in health care and education, constitutes 80-90 per cent of remittance spending. The remaining 10-20 per cent includes a mix of formal and informal savings and investments. Financial access and financial literacy are two key factors in unlocking the development potential of remittance flows.

Throughout Latin America and the Caribbean, half of the licensed money transfers are handled by banks, whereas in Central Asia, Africa, the Southern Caucasus, Eastern Europe and parts of South-eastern Asia, the share rises to almost 100 per cent, because regulations only permit banks to make such transfers. Surprisingly, despite the fact that in many countries banks generate at least 10 per cent of their net income from remittance services and could benefit greatly from cross-selling, they have been slow to reach out to migrant workers and their families. As a result, remittance recipients cannot save, borrow or build up credit histories through these banking institutions.

Most remittance transfers are cash-to-cash transactions as opposed to account-to-account transfers, which would leverage these flows for remittance senders, receivers and their communities. Expanding financial access would have the effect of formalizing remittance flows, reducing costs and increasing the scope for local investment.

Alternative financial service providers are increasingly stepping into the vacuum and providing a full range of financial services. Even though these institutions still account for a low participation in the overall market, they have demonstrated willingness to play a crucial role in banking the traditionally 'unbanked' and in cross-selling financial services to remittance recipients. In rural areas in which bank presence is at its lowest, these institutions can provide key services to segments of the population that would otherwise be left without access to finance.

At the social level, the relevance of stakeholders from civil society, such as organized migrant diasporas and hometown associations, is increasingly recognized by governments and multilateral organizations in their approach to leveraging the development impact of remittances. The inclusion of these stakeholders is crucial when addressing the gender dimension of remittances.

In 2006, 57 developing countries received more than US$1 billion in remittances.

Africa

Total number of emigrants	32,808,000

Total remittances (US$ million)	**38,611**
Central Africa	2,690
Eastern Africa	5,929
Northern Africa	17,614
Southern Africa	1,979
Western Africa	10,399

Indicators (weighted average)	
Remittances per capita	US$44
Annual average remittances per migrant (unweighted average)	US$1,177
Remittances as percentage of GDP	5%
Remittances as percentage of exports	27%
Average share of migrants in total population	3.7%
Average share of migrants in countries with a population under 1 million (unweighted average)	20%
Average share of migrants in countries with a population over 1 million (unweighted average)	5%

Top five recipients by volume received (US$ million)	
Morocco	6,116
Algeria	5,399
Nigeria	5,397
Egypt	3,637
Tunisia	1,559

Six out of 53 countries receive more than US$1 billion

Main migrant destination (and origin):

International

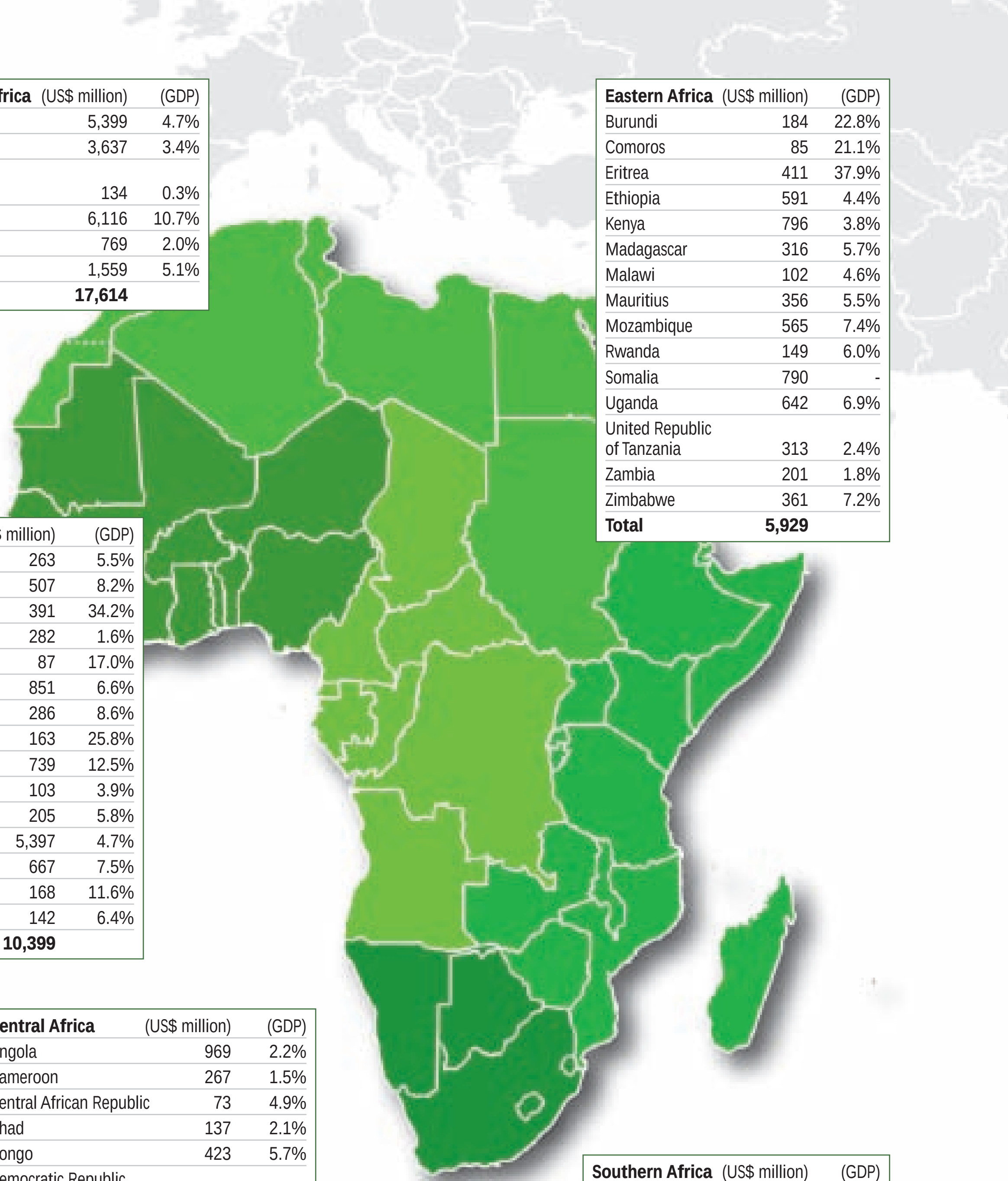
United States (Nigeria, Ghana); France (Senegal, Mali, Algeria, Morocco); the Netherlands (Morocco, Democratic Republic of the Congo)

Regional

South Africa (Southern Africa); Côte d'Ivoire (Western and Central Africa); Nigeria (Ghana)

Cost range of sending: US$200	8 - 12%

Only countries receiving more than US$50 million are listed.



Northern Africa	(US$ million)	(GDP)
Algeria	5,399	4.7%
Egypt	3,637	3.4%
Libyan Arab Jamahiriya	134	0.3%
Morocco	6,116	10.7%
Sudan	769	2.0%
Tunisia	1,559	5.1%
Total	**17,614**	

Eastern Africa	(US$ million)	(GDP)
Burundi	184	22.8%
Comoros	85	21.1%
Eritrea	411	37.9%
Ethiopia	591	4.4%
Kenya	796	3.8%
Madagascar	316	5.7%
Malawi	102	4.6%
Mauritius	356	5.5%
Mozambique	565	7.4%
Rwanda	149	6.0%
Somalia	790	-
Uganda	642	6.9%
United Republic of Tanzania	313	2.4%
Zambia	201	1.8%
Zimbabwe	361	7.2%
Total	**5,929**	

Western Africa	(US$ million)	(GDP)
Benin	263	5.5%
Burkina Faso	507	8.2%
Cape Verde	391	34.2%
Côte d'Ivoire	282	1.6%
Gambia	87	17.0%
Ghana	851	6.6%
Guinea	286	8.6%
Liberia	163	25.8%
Mali	739	12.5%
Mauritania	103	3.9%
Niger	205	5.8%
Nigeria	5,397	4.7%
Senegal	667	7.5%
Sierra Leone	168	11.6%
Togo	142	6.4%
Total	**10,399**	

Central Africa	(US$ million)	(GDP)
Angola	969	2.2%
Cameroon	267	1.5%
Central African Republic	73	4.9%
Chad	137	2.1%
Congo	423	5.7%
Democratic Republic of the Congo	636	7.4%
Equatorial Guinea	77	0.9%
Gabon	60	0.6%
Total	**2,690**	

Southern Africa	(US$ million)	(GDP)
Lesotho	355	24.1%
South Africa	1,489	0.6%
Swaziland	89	3.4%
Total	**1,979**	

Migration

The African continent has over 30 million people in the diaspora. Of all the world's regions, however, Africa's predominant migration is the most intraregional. The fluid migration within Western Africa, for instance, is partly due to the region's status as a geopolitical and economic unit, but also to a common history, culture and ethnicity among many groupings. There is also significant international migration to former European colonial powers such as France, the United Kingdom of Great Britain and Northern Ireland, the Netherlands and Italy, among other countries.

Remittances

Remittance flows to and within Africa approach US$40 billion. Countries in Northern Africa (for example, Morocco, Algeria and Egypt) are the major receivers in the continent. Eastern African countries depend heavily on these flows, with Somalia standing out as particularly remittance dependent. For the entire region, annual average remittances per migrant reach almost US$1,200 and on a country-by-country average represent 5 per cent of GDP and 27 per cent of exports.

Rural remittances

Remittances to rural areas are significant and predominantly related to intraregional migration, particularly in Western and Southern Africa. The mobility of Africans within these regions has been followed by the sending of regular amounts of money. Two thirds of West African migrants in Ghana remit to rural areas in their countries of origin.

Market and financial access

When compared with other regions, money transfers to Africa are among the most problematic, mainly due to the two major challenges faced by the continent: high rates of informality, particularly within the continent, and a regulatory environment that favours monopolies. Consequently, transfer costs are higher and remittance senders obtain less value for their money. Most African countries restrict outbound flows of money unless used for trading and money transfers to banking depositary institutions.

> In all of Western Africa … 70 per cent of … payments are handled by one money transfer operator.

As a result, informality emerges as a solution to the need to remit. Another effect, however, is the persistence of monopolies on transfers by banks and the few money transfer operators (MTOs). In all of Western Africa, for example, 70 per cent of official payments are handled by one MTO, which demands exclusivity in money transfers of the banks.

Nigeria is a case in point: nearly 80 per cent of transfers are handled by one MTO, which expects exclusivity and prevents other MTOs from contracting agreements with those banks that are the sole remittance payers in the country. Since banks are the only entities allowed to pay money transfers, all official flows end up being handled by a small group of financial institutions that rely on less than four MTOs. Migrants in South Africa are also faced with significant regulatory restrictions on sending money, and thus rely on informal networks. Because regulatory environments often prevent other non-banking financial institutions from making transfers, or restrict outbound transfers, financial access is also a casualty. As few institutions participate in the transfers, and banks do not cater to lower-income individuals, financial access among African senders and recipients is relatively low. In some countries, for example South Africa, barriers to entry relate to legal status, thus disenfranchising migrants. Other countries, for example Kenya, are seeking to increase financial access by leveraging remittance transfers through the use of mobile telephony.

Asia and Oceania

Total number of emigrants	50,839,000
Total remittances (US$ million)	**113,055**
Central Asia	10,155
Eastern Asia	23,079
Oceania	1,393
Southern Asia	45,922
South-eastern Asia	32,506

Indicators (weighted average)

Remittances per capita	US$33
Annual average remittances per migrant (unweighted average)	US$2,224
Remittances as percentage of GDP	3%
Remittances as percentage of exports	15%
Average share of migrants in total population	1.4%
Average share of migrants in countries with a population under 1 million (unweighted average)	50%
Average share of migrants in countries with a population over 1 million (unweighted average)	5%

Top five recipients by volume received (US$ million)

India	24,504
China	21,075
Philippines	14,651
Bangladesh	8,108
Viet Nam	6,822

Seventeen out of 41 countries receive more than US$1 billion

Main migrant destination (and origin):

International

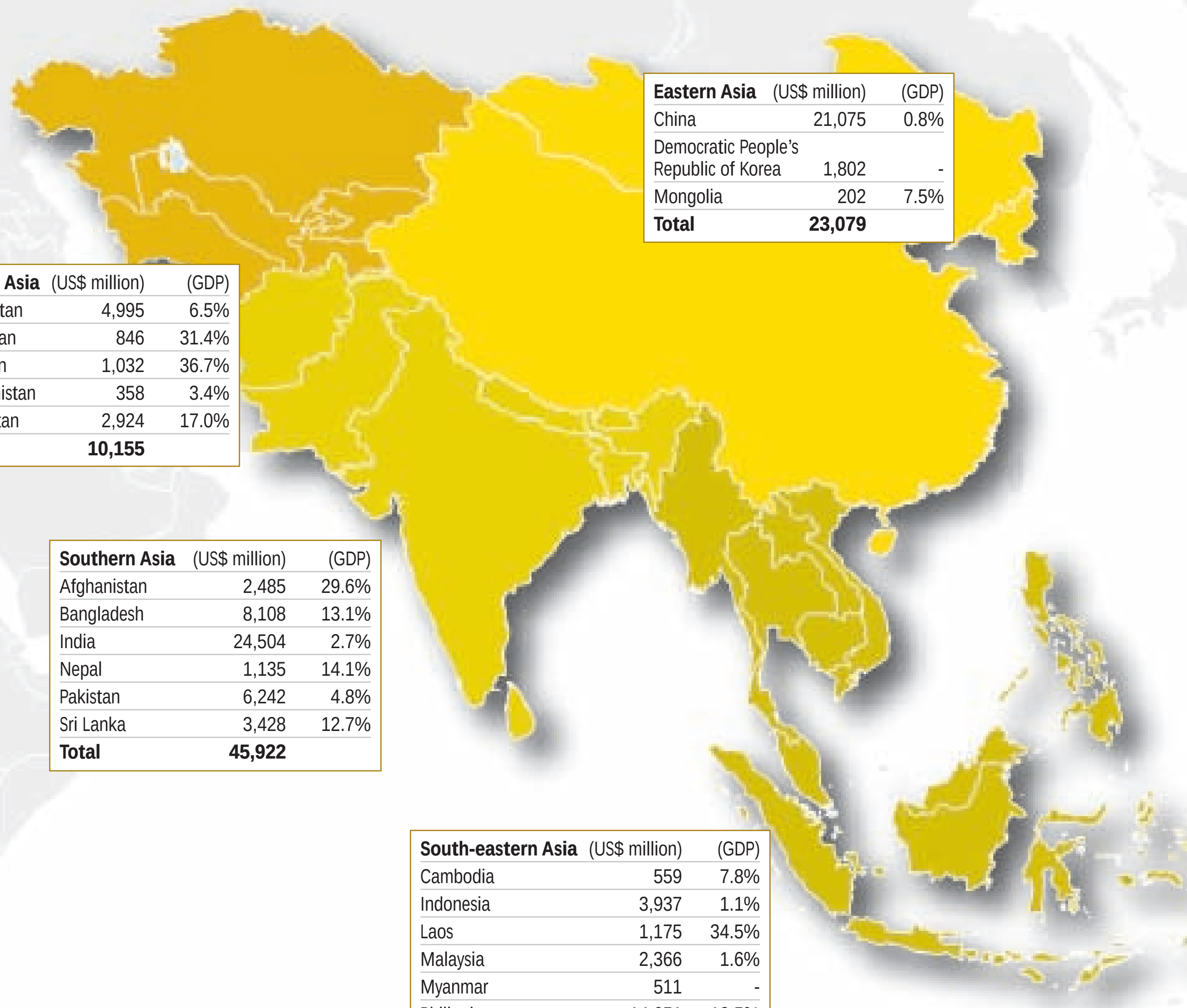
United States (the Philippines); Gulf countries (India, Indonesia); Russian Federation (Central Asian counties)

Regional

New Zealand (Niue); Singapore (the Philippines, Indonesia); Hong Kong (Indonesia); Japan (the Philippines, Democratic People's Republic of Korea)

Cost range of sending: US$200	3 - 12%

Only countries receiving more than US$50 million are listed.



Eastern Asia	(US$ million)	(GDP)
China	21,075	0.8%
Democratic People's Republic of Korea	1,802	-
Mongolia	202	7.5%
Total	**23,079**	

Central Asia	(US$ million)	(GDP)
Kazakhstan	4,995	6.5%
Kyrgyzstan	846	31.4%
Tajikistan	1,032	36.7%
Turkmenistan	358	3.4%
Uzbekistan	2,924	17.0%
Total	**10,155**	

Southern Asia	(US$ million)	(GDP)
Afghanistan	2,485	29.6%
Bangladesh	8,108	13.1%
India	24,504	2.7%
Nepal	1,135	14.1%
Pakistan	6,242	4.8%
Sri Lanka	3,428	12.7%
Total	**45,922**	

South-eastern Asia	(US$ million)	(GDP)
Cambodia	559	7.8%
Indonesia	3,937	1.1%
Laos	1,175	34.5%
Malaysia	2,366	1.6%
Myanmar	511	-
Philippines	14,651	12.5%
Thailand	2,424	1.2%
Timor-Leste	61	17.1%
Viet Nam	6,822	11.2%
Total	**32,506**	

Migration

There are over 50 million migrants from Asia and Oceania worldwide. Their main destinations are the United States, the Russian Federation and, in the case of the Pacific, New Zealand. Emerging destination countries for migrants from India – the region's main exporter of migrants, with 22 per cent of the total – include Malaysia and the Arab oil-exporting countries. There is also significant intraregional migration to Australia, China (Hong Kong), Japan and Singapore, while Central Asian migrants go predominantly to the Russian Federation and Kazakhstan.

Oceania	(US$ million)	(GDP)
Fiji	513	18.2%
Papua New Guinea	143	2.5%
Tonga	146	-
Samoa	382	2.8%
Total	**1,393**	

Remittances

Asia and Oceania receive more than US$113 billion in remittances annually – the highest regional total in the world. India and China are the top recipient countries, receiving US$24.5 billion and US$21 billion respectively. Transfers make up 3 per cent of regional GDP. However, remittances to the smaller economies (Indonesia, Nepal and Tajikistan) constitute a large portion of per capita income. On average, remittances in Asia and Oceania represent 15 per cent of exports.

Rural remittances

The flow of remittances into rural areas in Asia is among the highest. This is partly because half the Asian countries are 65 per cent rural. The impact of remittances among developing countries in Asia is greater than in other parts of the world: in Asian countries that are highly rural, remittances as a percentage of GDP are among the highest in the world.

Asia and Oceania receive more than US$113 billion in remittances annually – the highest regional total in the world.

Market and financial access

The marketplace for money transfers is mixed, with a competitive industry sending money predominantly from China (Hong Kong), the Russian Federation and Singapore, and with a less competitive and overly regulated corridor sending from Japan and Malaysia. Parallel to these industries are informal money transfer businesses, coupled with the widespread practice of hand-carrying money when travelling. Consequently, transaction costs vary significantly. Remittance costs to Central Asia, for example, are among the lowest (if not the lowest) in the world, at an average of 3 per cent per transaction. In some parts of Asia, transfers are influenced by technological innovation, as in the case of mobile phone transfers in the Philippines.

Access to banking and other financial services varies greatly within the region. In many Asian countries, migrants and their dependents do not have access to basic financial services. South-eastern Asians (Filipinos and Indonesians, for example) have more financial opportunities than those living in countries such as Tajikistan and Kyrgyzstan, where less than 10 per cent of the inhabitants have bank accounts, or the Indian State of Kerala, with only 11 per cent.

Europe

Total number of emigrants	31,374,000
Total remittances (US$ million)	**50,805**
Central Europe	14,106
Russian Federation and East Europe (CIS)	25,634
South-eastern Europe	11,065
Indicators (weighted average)	
Remittances per capita	US$155
Annual average remittances per migrant (unweighted average)	US$1,619
Remittances as percentage of GDP	4%
Remittances as percentage of exports	11%
Average share of migrants in total population	9.5%
Average share of migrants in countries with a population under 1 million (unweighted average)	-
Average share of migrants in countries with a population over 1 million (unweighted average)	13%
Top five recipients by volume received (US$ million)	
Russian Federation	13,794
Ukraine	8,471
Romania	4,795
Poland	4,760
Serbia and Montenegro*	3,642

Twelve out of 18 countries receive more than US$1 billion

Main migrant destination (and origin):

International

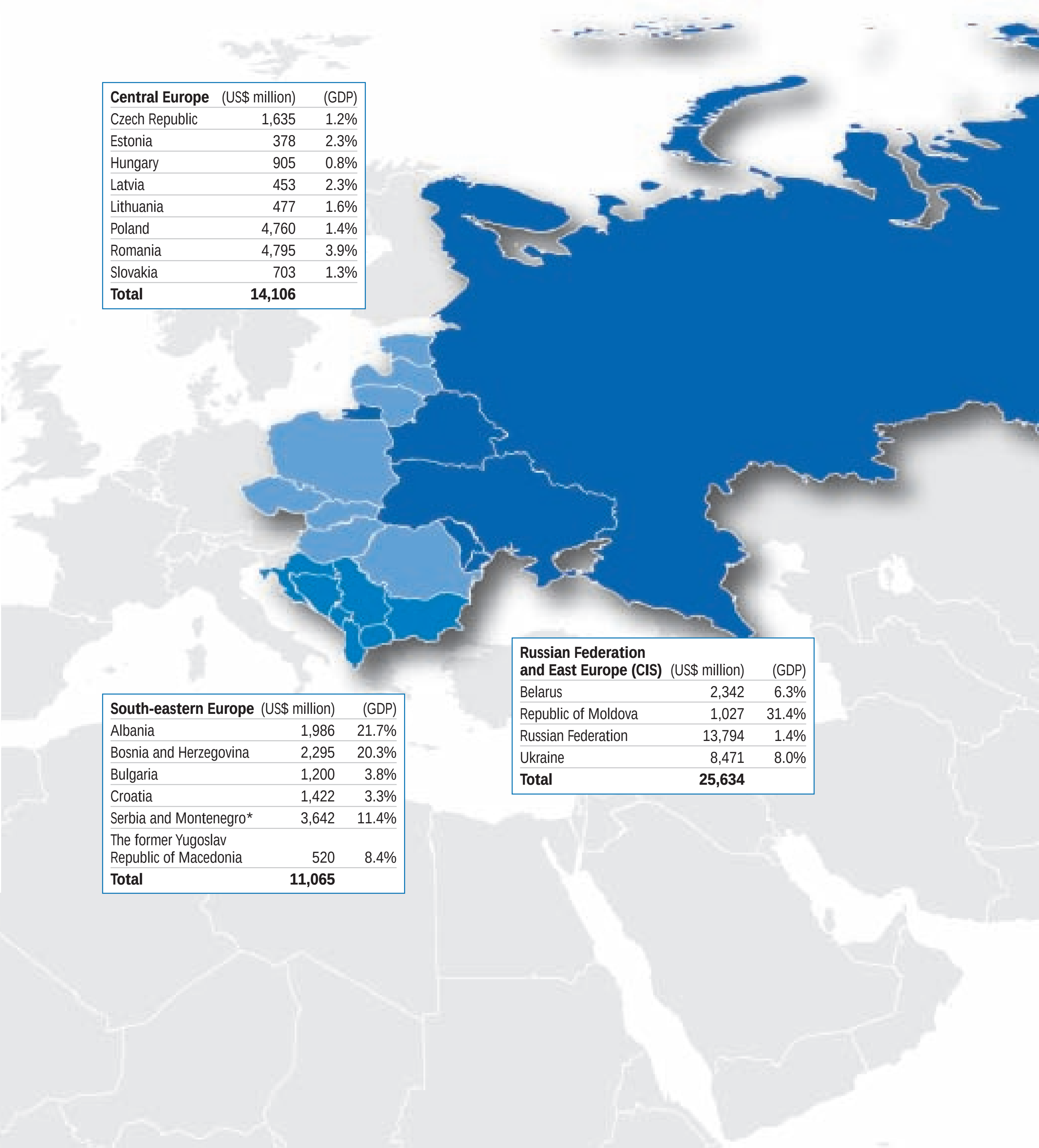
United States (South-eastern and Central Europe); Italy (Republic of Moldova, Romania); United Kingdom (Poland)

Regional

Russian Federation (Ukraine, Republic of Moldova); Ukraine (Republic of Moldova)

Cost range of sending: US$200	6-12%

Only countries receiving more than US$50 million are listed.



Central Europe	(US$ million)	(GDP)
Czech Republic	1,635	1.2%
Estonia	378	2.3%
Hungary	905	0.8%
Latvia	453	2.3%
Lithuania	477	1.6%
Poland	4,760	1.4%
Romania	4,795	3.9%
Slovakia	703	1.3%
Total	**14,106**	

South-eastern Europe	(US$ million)	(GDP)
Albania	1,986	21.7%
Bosnia and Herzegovina	2,295	20.3%
Bulgaria	1,200	3.8%
Croatia	1,422	3.3%
Serbia and Montenegro*	3,642	11.4%
The former Yugoslav Republic of Macedonia	520	8.4%
Total	**11,065**	

Russian Federation and East Europe (CIS)	(US$ million)	(GDP)
Belarus	2,342	6.3%
Republic of Moldova	1,027	31.4%
Russian Federation	13,794	1.4%
Ukraine	8,471	8.0%
Total	**25,634**	

* Estimates for Serbia and Montenegro were based on information prior to the independence of Montenegro, declared on 3 June 2006.

Migration

There are more than 30 million migrants from European economies in transition worldwide. On average, 9.5 per cent of the population has migrated abroad to live and work. Some migrate to Ukraine – one of the most populated countries in Europe. Other destinations include Italy, the United Kingdom and the United States. In Europe, the Russian Federation is a major migrant-exporting country, comprising 38 per cent of total migrants from the region. Notably, it is also the main destination country of migration from the Commonwealth of Independent States.

…Albania, the Republic of Moldova and Romania see over 50 per cent of flows going to rural areas.

Remittances

Remittances to Europe total over US$50 billion and are sent to countries such as Albania, Poland, the Republic of Moldova, Romania, the Russian Federation and Ukraine – where remittances are particularly significant. Annual transfers to Europe amount to some US$1,600 per migrant and represent 4 per cent of GDP and 11 per cent of exports. Remittances to the Republic of Moldova are also of singular importance, as they represent more than 30 per cent of the country's national income.

Rural remittances

Remittances to rural areas are received in a lower proportion than in other places in the world. However, in Eastern Europe the ratio of remittances as a percentage of GDP is over 20 per cent in countries with large rural populations. Some countries, such as Albania, the Republic of Moldova and Romania, see over 50 per cent of flows going to rural areas.

Market and financial access

The market for money transfers is relatively competitive for money flows to Poland, the Republic of Moldova, Romania or the Russian Federation. However, for some corridors, especially those originating in Western European countries, competition among MTOs is only now emerging, and thus there are few vendors. Moreover, some European migrants sending remittances from Western European countries face a situation in which only banks make money transfers. Remittances from Italy and the United Kingdom to Poland, the Republic of Moldova and Romania are more competitive and cost-effective than flows from Switzerland to Serbia.

Financial access is also limited. There is little commensurability between the percentage of banks paying remittances and the percentage of recipients opening bank accounts at those same institutions. Moldovan remittance recipients, for example, exclusively cash their remittances at banks, yet fewer than 20 per cent have bank accounts. However, a larger percentage save informally in quantities amounting to over US$1,500.

Latin America and the Caribbean

Total number of emigrants	30,403,000
Total remittances (US$ million)	**67,905**
Caribbean	8,370
Central America	11,031
Mexico	24,254
South America	24,250
Indicators (weighted average)	
Remittances per capita	US$129
Annual average remittances per migrant (unweighted average)	US$2,233
Remittances as percentage of GDP	3%
Remittances as percentage of exports	11%
Average share of migrants in total population	5.5%
Average share of migrants in countries with a population under 1 million (unweighted average)	49%
Average share of migrants in countries with a population over 1 million (unweighted average)	11%
Top five recipients by volume received (US$ million)	
Mexico	24,254
Brazil	7,373
Colombia	4,516
Guatemala	3,557
El Salvador	3,328

Thirteen out of 34 countries receive more than US$1 billion

Main migrant destination (and origin):

International

United States (Mexico, Central America, South America);
Spain (Dominican Republic, Ecuador, Peru, Colombia)

Regional

Argentina (Peru, Bolivia); Brazil (Bolivia, Paraguay);
Costa Rica (Nicaragua); Dominican Republic (Haiti)

Cost range of sending: US$200	6-8%

Only countries receiving more than US$50 million are listed.

	(US$ million)	(GDP)
Mexico	24,254	2.9%

Caribbean	(US$ million)	(GDP)
Barbados	292	9.4%
Cuba	983	-
Dominica	181	-
Dominican Republic	2,739	9.0%
Grenada	162	31.2%
Haiti	1,049	21.1%
Jamaica	1,924	18.3%
Montserrat	71	-
Saint Kitts and Nevis	90	18.5%
Saint Lucia	94	10.4%
Saint Vincent and the Grenadines	123	26.4%
Trinidad and Tobago	655	3.3%
Total	**8,370**	

Central America	(US$ million)	(GDP)
Belize	139	11.4%
Costa Rica	444	2.0%
El Salvador	3,328	18.2%
Guatemala	3,557	10.1%
Honduras	2,286	24.8%
Nicaragua	798	14.9%
Panama	479	2.8%
Total	**11,031**	

South America	(US$ million)	(GDP)
Argentina	1,650	0.8%
Bolivia	972	8.7%
Brazil	7,373	0.3%
Chile	1,024	0.7%
Colombia	4,516	3.3%
Ecuador	3,162	7.8%
Guyana	270	30.1%
Paraguay	650	4.3%
Peru	2,869	3.1%
Suriname	338	21.2%
Uruguay	479	2.5%
Venezuela (Bolivarian Republic of)	950	0.5%
Total	**24,250**	

Migration

Over 30 million people emigrate abroad from Latin America and the Caribbean (LAC). For small and economically dependent countries, migrants constitute one quarter of their population. Until recently, the United States was the main destination; however, increasing migration to Europe and intraregional mobility have changed this pattern. Italy and Spain are two of the main destinations in Europe, whereas Argentina, Brazil, Costa Rica and the Dominican Republic are the main intraregional destinations.

The cost of sending remittances to this region is among the lowest in the world …

Remittances

LAC received almost US$68 billion in remittances in 2006. Mexico received US$24.3 billion and South America followed, receiving only slightly less. Though the region's economy is volatile and experiences boom-and-bust cycles, remittance flows have remained steady for many years. Annual transfers by migrants reach some US$2,200 on average, although in some countries, such as Jamaica, this number is higher. On a macro level, and as a country's average in LAC, remittances amount to 3 per cent of GDP and 11 per cent of exports.

Rural remittances

Remittances sent to rural regions represent about one third of all flows. These amounts have been increasing as migrants move to different parts of their home countries. An interesting example is Mexico: remittances from the State of Chiapas are the fastest growing in the nation and most of them are sent to rural areas. However, the percentage of remittances to the rural areas of Latin America is greater among migrants working within the region in neighbouring countries. Bolivians in Argentina are predominantly rural migrants sending money to areas near main urban centres, while Nicaraguans in Costa Rica transfer money to rural areas in the southern parts of their home country.

Market and financial access

Money transfers to LAC are predominantly processed by licensed MTOs. However, over the past three years other competitors have emerged as players (within the United States and Spain for transfers to Latin American corridors), such as banks and card-based operators offering account-to-account transfers. Nevertheless, within intraregional corridors, significant informality in fund transfers still exists. The cost of sending remittances to this region is among the lowest in the world, averaging 7 per cent to send US$200, largely because of the extent of competition.

As in other parts of the world, financial access in LAC is relatively limited, even among recipients of remittances, who tend to save more. With some exceptions, there is little access to formal banking institutions. Credit unions and microfinance institutions are stepping in to offer services to recipients and thus increase the cross-sale of financial products. The end result is greater financial intermediation and transformation among clients. Examples include Mexican rural banks (*cajas populares*), or Jamaican building societies, which benefit thousands of clients.

Near East

Total number of emigrants	12,594,000
Total remittances (US$ million)	**28,449**
Caucasus	4,584
Middle East	16,388
Turkey	7,477
Indicators (weighted average)	
Remittances per capita	US$121
Annual average remittances per migrant (unweighted average)	US$2,259
Remittances as percentage of GDP	4%
Remittances as percentage of exports	13%
Average share of migrants in total population	5.4%
Average share of migrants in countries with a population under 1 million (unweighted average)	-
Average share of migrants in countries with a population over 1 million (unweighted average)	13%
Top five recipients by volume received (US$ million)	
Turkey	7,477
Lebanon	5,723
Iraq	3,238
Jordan	2,681
Iran (Islamic Republic of)	2,001

Nine out of 11 countries receive more than US$1 billion

Main migrant destination (and origin):

International

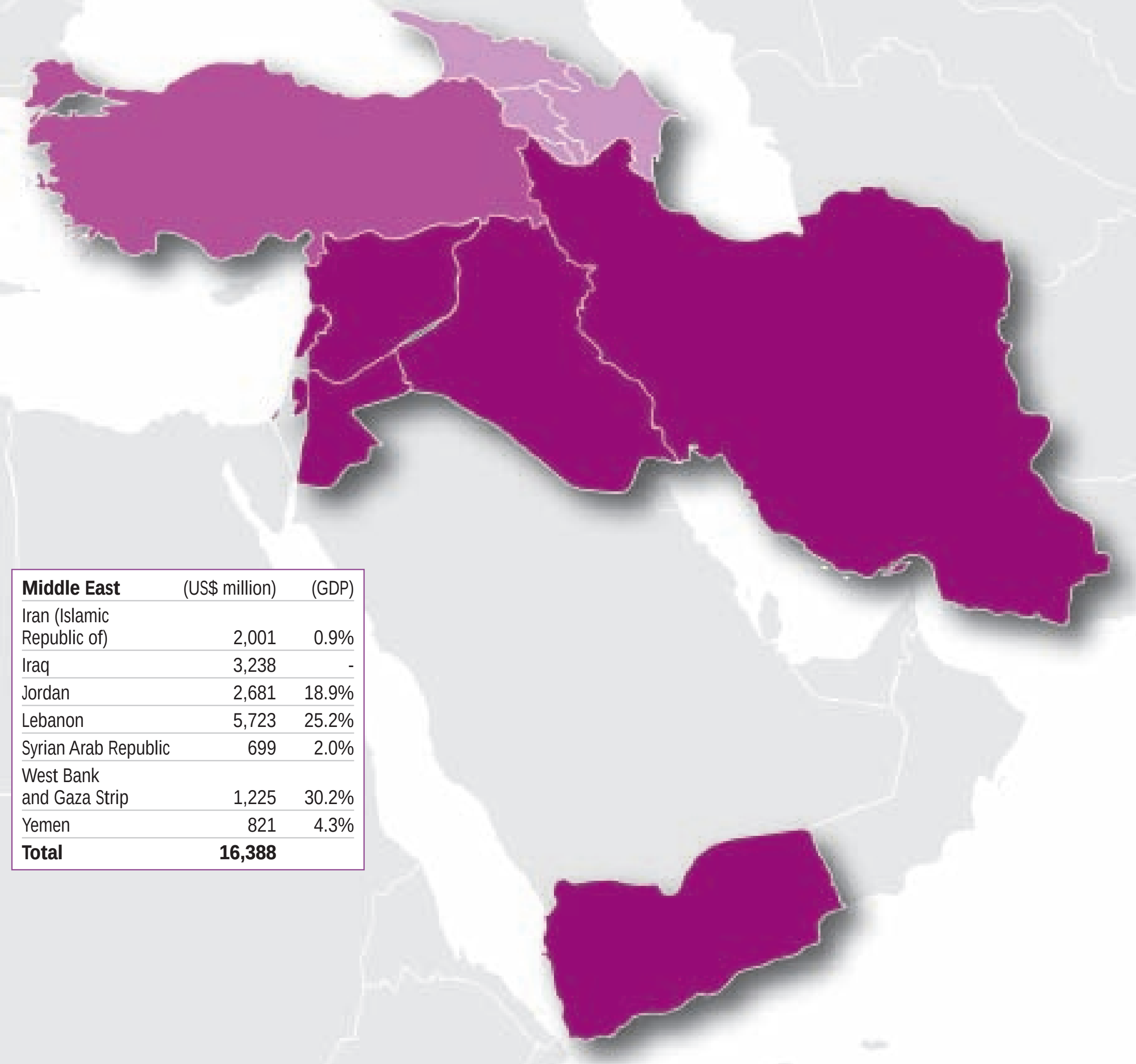
Western Europe (Middle East); Germany (Turkey, Middle East); Russian Federation and Ukraine (Caucasus)

Regional

Saudi Arabia (Middle East); Turkey (Azerbaijan)

Cost range of sending: US$200	7-12%

Only countries receiving more than US$50 million are listed.



	(US$ million)	(GDP)
Turkey	7,477	1.9%

Caucasus	(US$ million)	(GDP)
Armenia	1,188	18.5%
Azerbaijan	1,871	9.3%
Georgia	1,525	20.2%
Total	**4,584**	

Middle East	(US$ million)	(GDP)
Iran (Islamic Republic of)	2,001	0.9%
Iraq	3,238	-
Jordan	2,681	18.9%
Lebanon	5,723	25.2%
Syrian Arab Republic	699	2.0%
West Bank and Gaza Strip	1,225	30.2%
Yemen	821	4.3%
Total	**16,388**	

Migration

From the Near East, some 12 million people have migrated abroad. Depending on the region of origin, destinations for working or living abroad may include France, Germany or the Russian Federation. Equally significant is the intraregional mobility of people to countries such as Kuwait and Saudi Arabia. People from the Southern Caucasus migrate predominantly to the Russian Federation and Ukraine. In Armenia, for example, a large percentage of the population has migrated abroad.

…48 per cent of remittances to Georgia are sent to rural areas, as are over 60 per cent of remittances to Azerbaijan.

Remittances

Nearly US$30 billion are remitted to this region each year. The top two recipient countries are Turkey and Lebanon, receiving US$7.5 billion and US$5.7 billion respectively. The impact of remittances as a percentage of GDP differs notably: from 1.9 per cent in Turkey to 25.2 per cent in Lebanon. On average, on a country-by-country basis, remittances represent 4 per cent of GDP and 13 per cent of exports.

Rural remittances

Many people from the Near East, whether from the Middle East or the Caucasus, migrate from rural areas and remit to their places of origin. For example, 48 per cent of remittances to Georgia are sent to rural areas, as are over 60 per cent of remittances to Azerbaijan.

Market and financial access

Money transfers to this region offer a mix of players such as those found in the Asian region. For example, many corridors experience relatively low costs, as is the case in the Caucasus. Similarly, migrants from the Middle East sending remittances from the Arab oil-exporting countries often use inexpensive bank transfers. However, a percentage of migrants hand-carry the money upon return to their home country or on visits, especially if they are returning from Kuwait or the United Arab Emirates.

Provision of financial access in the Near East is limited, in general, to a few well-established financial institutions offering financial intermediation strategies. In most countries, access is relatively limited. For example, the share of Georgians and Azerbaijanis with bank accounts is less than 15 per cent, and it is even lower in the rural areas from which the majority of people come.

About the methodology

It is widely recognized that officially reported statistics on remittances seriously underestimate the total flows. This report is a first attempt to estimate global remittance flows within a coherent framework based on statistics on migration and observed and extrapolated remitting behaviours. A cautionary note is in order – availability of official data on migration and remitting behaviours is limited. This study is a work in progress building on existing data and research; it aims to stimulate the production of new and more accurate data and ever-more-refined interpretations of those data. The reader is advised that the accuracy of the estimates in this report is likely to vary from country to country, and thus the interpretation of the findings for any country in particular should be approached with caution.

For further information about the methodology, please visit www.ifad.org and www.thedialogue.org.

About the International Fund for Agricultural Development (IFAD)

IFAD is an international financial institution and a United Nations specialized agency dedicated to eradicating poverty and hunger in the rural areas of developing countries. Through low-interest loans and grants to governments, IFAD develops and finances poverty reduction programmes and projects in the world's poorest communities. Seventy-five per cent of the world's poorest people, almost one billion women, men and children, live in rural areas of developing countries and depend on agriculture and related activities for their survival. IFAD focuses on poor, marginalized and vulnerable rural people, enabling them to access the assets, services and opportunities they need to overcome poverty. IFAD works closely with governments, other United Nations agencies, donors, non-governmental organizations, community groups and rural poor people themselves.

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to overcome poverty

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