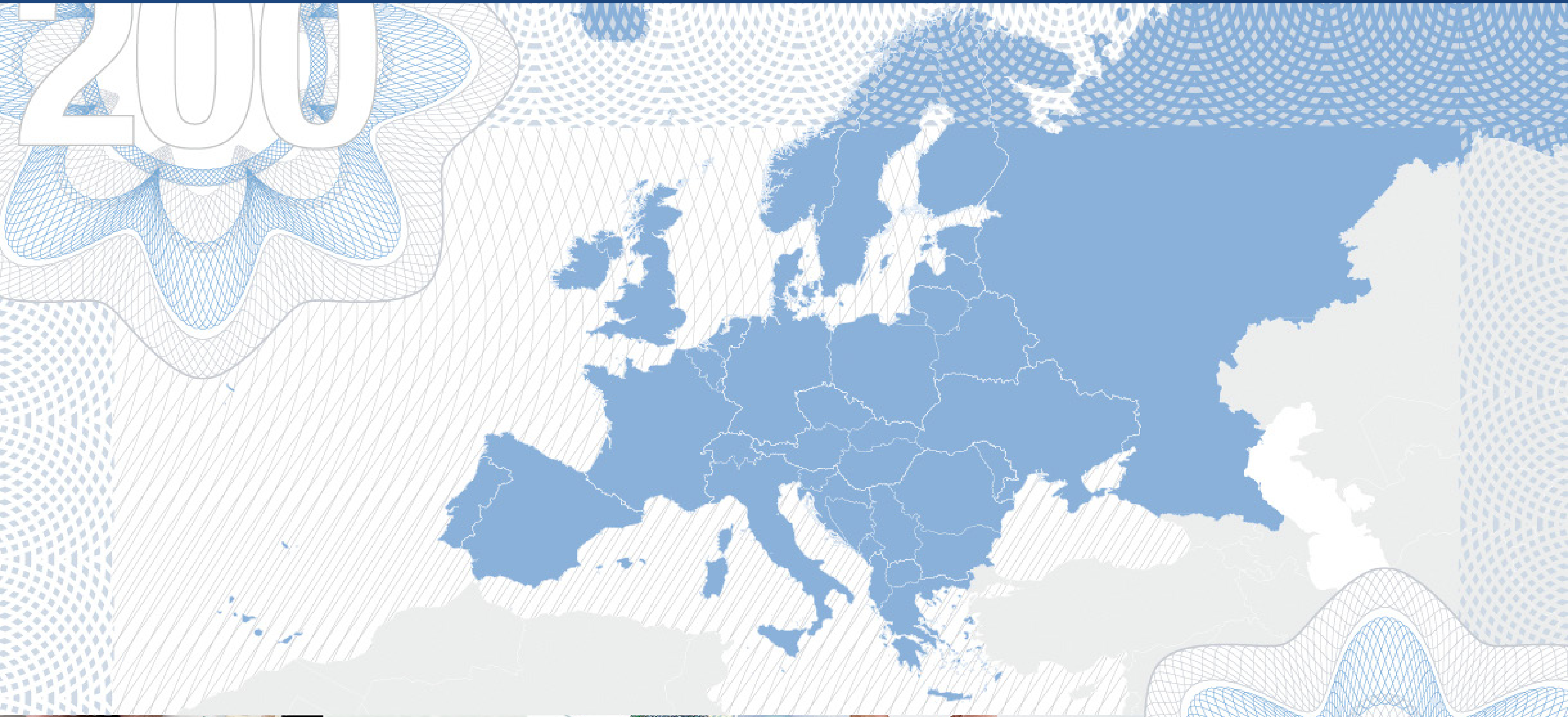
IFAD
Investing in rural people

Sending Money Home: European flows and markets



The designations “developed” and “developing” countries are intended for statistical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area. The classification of World Bank was used and developing countries include the categories of upper-middle-income economies and below.

The regions and subregions per continent specified in this report use the classification indicated in the United Nations Statistics Division Database.

Since most European countries send and receive remittances, to accurately reflect the impact that remittances have in low-income and developing countries of destination and to avoid counting flows of remittances from high-income countries to other high-income countries, a threshold of US$20,000 per capita per year was introduced. This threshold implies two categories of European countries:

- *European sending countries:* European countries with an annual gross domestic product (GDP) per capita above US$20,000 and the Russian Federation as a net remittance sender with an annual GPD per capita below US$20,000. This category includes 26 countries: Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, the Russian Federation, San Marino, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. This category excludes personal payments sent from individuals living in high-income countries to relatives in other high-income countries (e.g. the United Kingdom to France, or Germany to the United States).
- *European receiving countries:* European remittance receivers with an annual GDP per capita below US$20,000. This category includes: (i) 10 European Union countries: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovak Republic; and (ii) 9 developing countries in Eastern and southeastern Europe: Albania, Belarus, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Republic of Moldova, Serbia and the Ukraine.

In this report, the World Bank database is the main source of data, as it is the worldwide reference for information on costs and remittance service providers (RSPs) present in the market. It is worth clarifying that although representative, the dataset of RSPs is not exhaustive and should not be taken as the total list for the market.

ISBN 978-92-9072-579-4
IFAD, June 2015

Contents

Concepts and definitions*

Agent: An entity that captures or distributes remittance transfers on behalf of a remittance service provider (RSP).

AML/CFT: An acronym for anti-money laundering/combating the financing of terrorism; policies to detect and reduce money laundering and terrorism financing.

Banking institution or Bank: A financial institution holding a banking license.

Circular migration (repeat migration): Temporary and repetitive movement of a migrant worker between home and host areas, typically for the purpose of seasonal employment. It can be cross-border or rural-urban.

De-risking attitude: The phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk (Financial Action Task Force).

Europe: The world's second-smallest continent by surface area, formed by 45 countries: Albania, Andorra, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, the former Yugoslav Republic of Macedonia, Malta, Montenegro, Monaco, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, the Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and Ukraine. Smaller principalities complete the geography of Europe and for the purposes of this report are excluded.

Fragile state: A state with weak capacity to carry out the basic functions needed for poverty reduction and development and to safeguard the security and human rights of its populations and territory, and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society (OECD/DAC, 2014). Post-conflict countries are often referred to as a special case of fragile states.

Migrant worker: As per UN definition "a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national".

Migration flows: Cross-border movement of citizens from one country to another.

Migration outflow: Cross-border movement of nationals leaving a particular country.

Migration inflow: Cross-border movement of foreign nationals entering a particular country.

Money transfer operator (MTO): A payment service provider (PSP) that receives payment, in cash or by bank transfer, from the sender for each transfer (or series of transfers) without requiring the sender to open an account.

Mobile network operator (MNO): A provider of wireless communication services that can also play a role in transferring remittances.

Online service: Method to remit money using the Internet or the telephone network as access channels, bank account or credit/debit/prepaid cards as funding sources, and computers, phone or smart phones as access devices. Online services replace physical and in-cash interactions by remote electronic transactions.

Payment institution (PI) (or establishment): In the European Union, a specific category of non-bank institutions allowed to handle payment operations including remittances.

Payout location: A physical location where remittance recipients can collect their money (e.g. a bank branch, post office, MNO agent, retail store or self-service machine).

Remittance corridor: Also known as remittance markets, it specifies the remittance flow between an originating country (or region) and a receiving country (or region).

Remittances: Cross-border, person-to-person payments of relatively low value. The transfers are typically recurrent payments by migrant workers to their relatives in their home countries.

Remittance outflow: Flow of remittances leaving a country.

Remittance inflow: Flow of remittances coming into a country.

Remittance service provider (RSP): An entity operating as a business that provides a remittance service for a fee to end users, either directly or through agents, and generally making use of agents such as stores, post offices or banks to collect the money to be sent. On the receiving side, the money is picked up by the recipient at a bank, post office, microfinance institution or other payout location.

Retail store: A physical structure with the primary purpose of selling goods.

Rural presence: The extent of geographical coverage of a payout network in rural areas of a country.

*Definition for the purpose of this report.

Acknowledgements

The findings in this report are based on a series of studies and surveys commissioned by the International Fund for Agricultural Development (IFAD) and on analyses undertaken by IFAD on World Bank data. Financial contributions in support of the report were made by members of the IFAD-administered Financing Facility for Remittances, including the European Commission, the Government of Luxembourg, the Ministry of Foreign Affairs and Cooperation of Spain, the Swiss Agency for Development and Cooperation, and the United Nations Capital Development Fund.

This report was authored by Manuel Orozco, Frédéric Ponsot, Donald F. Terry and Bibiana Vásquez, and lead authored by Pedro de Vasconcelos. Contributions were made by Ashley Armstrong and Nicole Ledesma.

International Fund for Agricultural Development (IFAD)
IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, IFAD has provided nearly US$16.6 billion in grants and low-interest loans to programmes and projects that have reached about 445 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the United Nations' food and agriculture hub.

Financing Facility for Remittances (FFR)
The IFAD-administered US$35 million, multi-donor Financing Facility for Remittances (FFR) is composed of the Consultative Group to Assist the Poor, the European Commission, the Government of Luxembourg, IFAD, the Inter-American Development Bank, the Ministry of Foreign Affairs and Cooperation of Spain, the United Nations Capital Development Fund and the World Bank. The FFR works to increase economic opportunities for poor rural people by supporting and developing innovative, scalable cost-effective and easily accessible remittance services that promote financial inclusion and productive investment in rural areas. Currently, the Facility's portfolio includes almost 50 projects in more than 40 countries across the developing world.

For more information, please visit
www.ifad.org/remittances
www.remittancesgateway.org

Key findings – European flows

Remittance flows – Sending

- Europe constitutes almost 10 per cent of the world's population, but is home to 20 per cent of all migrant workers (50 million) and is the source of 25 per cent of global remittance flows.
- In 2014, it was estimated that migrants living in Europe sent US$109.4 billion in remittances to lower-income European countries and to the developing world.
- Western Europe and the Russian Federation (26 total sending countries)[1] are the main sources of migrant remittances in Europe.
- The top six European sending countries account for 75 per cent of the flows: the Russian Federation (US$20.6 billion), the United Kingdom (US$17.1 billion), Germany (US$14 billion), France (US$10.5 billion), Italy (US$10.4 billion) and Spain (US$9.6 billion).

In 2014, it was estimated that migrants living in Europe sent US$109.4 billion in remittances worldwide.

- For the 26 European sending countries, remittances sent represent on average less than 0.7 per cent of their GDP – or US$178 per capita including the total population of sending countries.
- The typical amount of flows sent from migrant workers in Europe ranges between US$1,500 and US$3,200 annually.

Remittance flows – Receiving

- Of the total remittances sent by migrants living in Europe, about one-third (US$36.5 billion) remained within 19 countries in Europe, while two-thirds (US$72.9 billion) were received by poor families in over 50 developing countries outside Europe.
- Actual remittance flows to many countries may be substantially higher than official estimates due to the frequent use of informal channels to transfer money.
- An estimated 150 million people worldwide benefit from remittances coming from Europe.

An estimated 150 million people worldwide benefit from remittances coming from Europe.

Europe

- There are 19 main remittance-receiving countries[2] in Europe, led by Ukraine, Poland and Romania.
- Ten of these receiving countries are European Union (EU) member states, receiving US$20.5 billion in remittances annually.
- Nine non-EU countries receive US$16 billion in remittances annually. The majority of these countries are agriculture-based economies and rely the most on migrant remittances: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Moldova and Serbia.
- The ratio of remittance inflows to GDP is above 10 per cent for three countries: Moldova (22 per cent), Kosovo (17 per cent) and Bosnia-Herzegovina (10 per cent).

1/ European countries with an annual GDP per capita above US$20,000 and the Russian Federation.

2/ European countries with an annual GDP per capita below US$20,000. This category includes 10 EU member countries receiving a total of US$20.5 billion and 9 non-EU countries in eastern and southern Europe that received nearly US$16 billion in 2014.

Developing countries

- Developing countries outside Europe received US$72.9 billion in remittances from nationals living in Europe.
- North Africa (from France) and Central Asia (from the Russian Federation) are the regions most reliant on European remittances.
- Twenty-four developing countries, mainly in Africa, Central Asia and the Near East, received more than half of their remittances from migrants living in Europe.
- The top five receiving countries accounted for 42 per cent of Europe's flows to the developing world: Nigeria (US$7.4 billion), China (US$6.3 billion), Morocco (US$6.2 billion), India (US$5.7 billion) and Uzbekistan (US$5.6 billion).
- Once a "Top Ten" remittance-receiving country (US$8.2 billion, mainly from Europe), current remittances to Turkey are estimated at just above US$1 billion.
- Europe is a source of considerable remittances to a number of fragile states such as Afghanistan, Eritrea, Iraq, Mali, Sierra Leone, Somalia, Sri Lanka, Sudan, Syria and Yemen.

Markets

- Cash-to-cash continues to be the most used method for migrants in Europe, as in the rest of the world, to send money home.
- In 2014, the average cost of sending remittances from Europe was 7.3 per cent – slightly below the world average of 7.9 per cent.
- The lowest-cost remittances (2.4 per cent) are from the Russian Federation to Central Asian countries. The highest costs are from Switzerland (14.5 per cent) and France (10.7 per cent).
- Although the price of sending to urban and rural markets is generally the same, the "total cost" for rural receivers is much higher when taking into account distance and time to pick up the money.
- European transfers are served by at least 200 remittance service providers (RSPs). These RSPs include both large and small money transfer operators (MTOs) as well as national banking institutions and postal networks.
- Banks are a major collection and distribution channel for sending and receiving flows in Europe. In most cases, they act as agents of MTOs or provide expensive account-to-account services. Low-cost account-to-account services are offered by a limited number of banks pursuant to bilateral agreements on both sides of the corridors.
- Cost is mainly driven by competition between national or regional RSPs and MTOs and the wide dispersal of payout locations. Limited information, for both senders and receivers, is often a deterrent to using the most convenient remittance option.
- Use of new technologies and promotion of transnational partnerships still require further harmonization of legal and regulatory frameworks between sending countries in Europe and receiving countries.
- Mobile transfer services, although limited, are starting to emerge but remain costly on the sending side.
- Online services are competitive and the supply is increasing, but virtual and cashless customer experience is still a challenge.

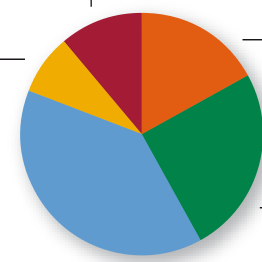
Financial inclusion and development

- Because Europe has a high proportion of adults with bank accounts, remittances offer significant opportunities for financial institutions to cross-sell products to their existing client base.
- Evidence from Albania, Kosovo, Moldova and Ukraine illustrates that: (i) access to financial services does not always translate into financial inclusion unless paired with services adapted to the needs of remittance recipients, trustworthy institutions and informed use through financial education programmes; (ii) remittance-receiving households are more inclined to save than non-receivers; and (iii) women and rural households are the most excluded.
- In fragile states, the diaspora not only takes care of daily needs of their families back home, but is also the first to respond in times of emergency. These migrant contributions can play a crucial role in reconstruction and prevention of further displacement.

Policy implications

- Migrants in Europe send significant levels of remittances to their families at home and therefore can play a critical role in the economic transformation of their home communities. Leveraging this potential role requires differentiated, contextualized and concerted policies and strategies between remittance sending and receiving countries. Regional harmonization is also necessary to increase competition, expand financial options and lower risks.

Figure 1: Migrants from remittance-reliant regions



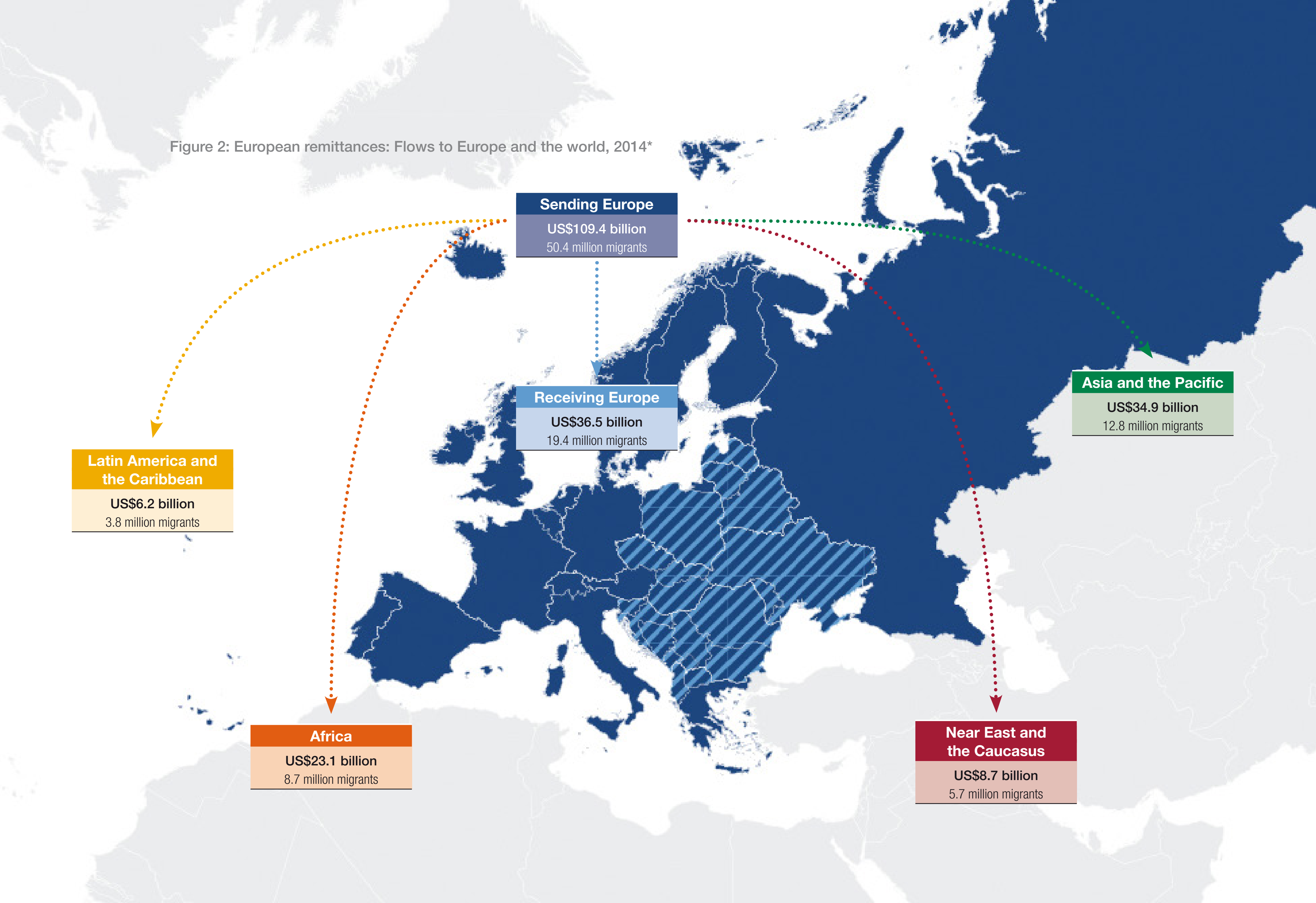
- At 7.3 per cent, average European remittance costs are slightly below global average. A reduction to 5 per cent would save migrants more than US$2.5 billion in transfer costs per year. Towards this goal, competition could be enhanced by reducing regulatory limitations, promoting diversity in the marketplace, providing incentives for banking institutions to offer low-cost transfers, and nurturing the positive impact of new technologies.

- Efforts by EU authorities to address de-risking by banks, which would otherwise limit competition and innovation, are a positive step. However, additional efforts are needed to promote dialogue among EU authorities, private-sector groups and civil society, to consult on standards and best practices that build mutual trust for efficient and effective remittance transfer services.

At 7.3 per cent, European remittance costs are slightly below global average. A reduction to 5 per cent would save migrants more than US$2.5 billion in transfer costs per year.

- Given the high percentage of migrants in Europe coming from rural areas, development programmes should continue to leverage the positive impact of remittances. Potential areas of intervention that could reduce the level of migration from rural areas include: agriculture modernization, small businesses development combined with financial education and diaspora resource intermediation through local financial institutions or investment vehicles.

Figure 2: European remittances: Flows to Europe and the world, 2014*



*Information excludes money going from high-income European countries to high-income countries.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof. Map as of January 2014.

The European context – Overview

Migration and remittances are deeply embedded in the history of Europe and its people. More than 100 million Europeans left their home countries during the 19th and early 20th centuries, and many sent money back to relatives. This phenomenon has changed dramatically over the past 50 years, driven by the demographic realities and economic needs of aging populations in developed countries, the integration and expansion of the EU, the dissolution of the Soviet Union, and post-colonial ties to several African and Asian countries. Europe now has a migrant population of more than 50 million. Once a net remittance-receiving region, Europe is now a major source of remittances for countries within its own borders as well as developing countries worldwide.

Remittance flows from Europe

Over the past 15 years, as reporting has improved, remittances have emerged as a key item in the global development agenda. Remittances are defined as cross-border, person-to-person payments of relatively low value. Not all migrants send remittances, but most do. For those who send regularly, the amount is US$200-US$300, while others, particularly those with families in southeast Europe, send larger amounts four to five times annually. In addition, some send only on special occasions or when emergencies arise back home. While these amounts may appear to be relatively small, they are often 50 per cent or more of their families' income back home. In fact, it is on the receiving end that remittances are perceived as anything but "relatively low value".

These flows constitute a critical lifeline for millions of individual households, helping families raise their living standards above subsistence and vulnerability levels, with improved health, education, housing and levels of entrepreneurship. It is at the local level that the development impact of remittances can be enhanced to provide greater economic opportunities for recipient families and the communities in which they live. It is particularly in the poorest and most rural countries where remittances can "count the most" by providing remittance-receiving families with more options for a productive use of their money. Since all European countries both send and receive remittances, this report groups countries into two categories:

It is on the receiving end that remittances are perceived as anything but "relatively low value".

- *European sending countries:*[3] includes 26 European countries with an annual gross domestic product (GDP) per capita above US$20,000 and the Russian Federation. This category excludes personal payments sent from individuals living in high-income countries to relatives in other high-income countries (e.g. the United Kingdom to France, or Germany to the United States).
- *European receiving countries:* includes 19 European remittance receivers with an annual GDP per capita below US$20,000. It has two groups of 10 EU countries,[4] and 9 developing countries in Eastern and southeastern Europe.[5]

For 2014, official remittances to developing countries worldwide totaled US$436 billion, with US$89 billion (20 per cent) coming from Europe. However, this figure does not count the US$20.5 billion flows to the 10 EU countries (no longer considered "developing") that have approximately 10 million families who still rely on remittances sent by relatives working in other European countries.

3/ Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, the Russian Federation, San Marino, Slovenia, Spain, Sweden, Switzerland and the United Kingdom.

4/ Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovak Republic.

5/ Albania, Belarus, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia Montenegro, Republic of Moldova, Serbia and the Ukraine.

Actual remittances from Europe to low-income countries in Europe may be substantially higher than official estimates, given the frequent use of informal channels to transmit cash back home or the fact that migrants bring the money themselves. Geographic proximity and relative ease of travel between many European sending and receiving countries, and the prevalence of “circular migration”, allow migrants to return home on a regular basis. In addition, it appears that the propensity to save (and invest) is particularly high among migrants who are able to go home on a regular basis. Therefore, they may build a financial cushion for their eventual permanent return.

It is particularly in the poorest and most rural countries where remittances can “count the most”.

Thus, as compared to EU countries, the pattern of remittances from Europe to non-EU Eastern European countries is unique, since most of these flows are going to remittance-reliant agriculture-based economies that have mostly rural populations. Although these remittances represent a critical part of recipient families’ income, there is comparatively little impact at the level of the individual households’ income of European sending countries, which is on average US$178 per capita per year, considering the total population of the 26 sending countries.

European market

To gain a better understanding of the reality of the European remittance market amount of flows, transaction costs, legal and regulatory environments, and impact in the developing world, IFAD commissioned a series of studies in 2014. These studies document the remarkable outreach of remittances, particularly to the small towns and villages of many developing countries.

There is not one single integrated European remittance market. The flows are occurring within a very diverse marketplace composed of a multitude of corridors with various degrees of competition as measured by the number of remittance service providers, and associated costs. In general, costs in Europe are characterized by, among others, high commissions on exchange rates and high transfer fees charged by banks and by the two largest money transfer operators (MTOs).

As the mid-point of 2015 approaches, there is one additional issue affecting European remittances. Major currency fluctuations (devaluation) involving the Russian ruble and the euro could adversely impact the total value of remittances sent to developing countries. Indeed, a decline in remittances from Europe in 2015 could be expected. However, it is also possible that this issue could be substantially mitigated by migrants working longer hours in order to send home a higher percentage of their income (as surveys and flows indicated during the post-2008 economic crisis).

Financial inclusion

Although most families receive their remittances through a bank, they do not necessarily use other banking services. Surveys indicate that more than half of remittance receivers have liquid savings that are not deposited in financial institutions due to lack of access and/or regular use of formal services. These factors may indicate that besides meeting immediate household needs, remittance-receiving families could save and/or invest if provided with better options provided by regulated financial institutions.

Fragile states and diaspora involvement

One pressing item in the 2015 European development agenda is related to the increasing number of refugees and migrants seeking to live in Europe due to violence and uncertainty in their countries of origin. The deaths of thousands of migrants attempting to escape from conflict, persecution or social disintegration underscores the need for the international community to focus more attention and resources on leveraging remittances from Europe to fragile countries in order to bring a measure of hope and stability to those living under extremely difficult circumstances.

Section 1: Migration and remittances: Europe

Sending side: European flows

Europe is a unique blend of 26 remittance sending and 19 receiving countries. In 2014, migrant workers living in all 45 European countries sent home over US$109.4 billion to their families. One third of these flows (US$36.5 billion) went to the Balkans, the Baltics and Eastern Europe, and the other two-thirds (US$72.9 billion) went to developing countries outside of Europe (Africa, Asia, Latin America and the Caribbean, and the Near East).

On an individual basis, flows sent from migrant workers in Europe typically range between US$1,500 and US$3,200 annually. The higher figure corresponds to migrant workers in the United Kingdom.

Although the aggregate amounts are significant, remittances per capita from European sending countries were relatively modest, averaging US$178 per capita in 2014, with only Austria, Ireland and Switzerland above US$275.

The top 10 sending countries[6] account for 84 per cent of the total flows (US$92 billion) to receiving countries in Europe and the developing world.

Remittances from these 10 countries ranged between US$2 billion and US$20 billion, and represent less than 0.69 per cent of their individual GDP.[7] This demonstrates that remittances do not represent a significant outflow of wealth from the host country.

Top 10 sending countries – flows

Each sending country shows a different profile depending on the region of destination, volume of flows, remittance service providers present in the market and, consequently, on costs and products available.

- The Russian Federation shows the highest level of flows, with US$20.6 billion going to eight neighbouring countries located in Central Asia and the Caucasus (CIS countries), and to southeastern Europe and the Near East.
- Remittance flows of US$17.1 billion from the United Kingdom are mainly sent to former colonies throughout the world, including Bangladesh, India, Kenya, Nigeria, Pakistan and Sri Lanka, as well as to China, Lithuania, the Philippines and Poland.
- Germany's flows of US$14 billion are mainly to Eastern European countries and the Middle East – the Czech Republic, Hungary, Lebanon and Poland.
- Migrants in France send more than half of their US$10.5 billion in remittances to family members living in former colonies in North Africa and sub-Saharan Africa, including Algeria, Madagascar, Morocco, Senegal and Tunisia, as well as to Lebanon and Viet Nam.
- Remittances for US$10.4 billion from Italy are sent to countries in diverse regions, including Albania, China, Egypt, India, Morocco, Nigeria, the Philippines and Romania.
- One third of US$9.6 billion in flows from Spain goes to Latin America and the Caribbean (largely the Andean countries) and to other regions – mainly to China, Morocco, Nigeria and Romania.
- Migrants living in the Netherlands remit US$2.6 billion each year – mostly to China, Indonesia, Morocco, Poland and Serbia. Suriname receives 78 per cent of its total remittances from the Netherlands. Flows from the Netherlands have a multi-regional spread, with only 20 per cent remaining in Europe.
- Switzerland has the highest remittances per capita (US$308) of any European sending country. Remittances to developing countries and receiving Europe totaled US$2.49 billion in 2014. Nearly 50 per cent of its flows stay in Europe, mainly in Hungary, Kosovo and Serbia.

6/ In order of magnitude: the Russian Federation, the United Kingdom, Germany, France, Italy, Spain, the Netherlands, Switzerland, Austria and Sweden.

7/ With the exception of the Russian Federation, 0.98 per cent of its GDP.

8/ As per World Bank Remittance Prices Worldwide database for Q4 2014, Universal Postal Union (2013) for Postal Networks. Although the database includes major RSPs in the market, this list is not exhaustive.

Figure 3: Remittance outflows from main sending European countries, 2014

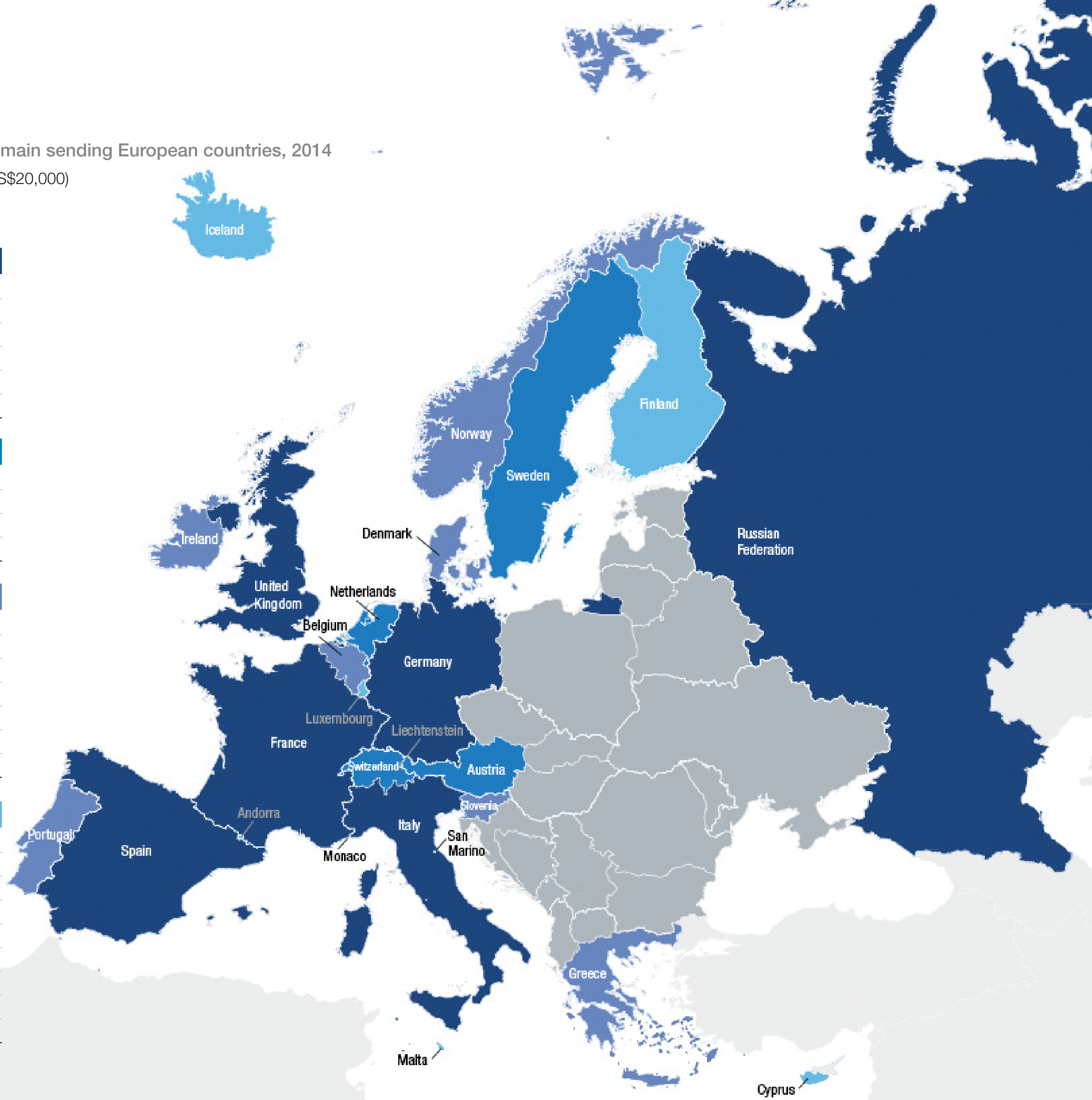
(Countries with annual GDP per capita > US$20,000)

Over US$9 billion	(US$ million)
Russian Federation	20,688
United Kingdom	17,173
Germany	14,086
France	10,531
Italy	10,433
Spain	9,610

US$2 billion to US$9 billion	(US$ million)
Netherlands	2,619
Switzerland	2,490
Austria	2,478
Sweden	2,042

US$0.5 billion to US$2 billion	(US$ million)
Belgium	1,596
Ireland	1,311
Greece	1,214
Norway	1,209
Denmark	870
Portugal	637
Slovenia	501

Below US$0.5 billion	(US$ million)
Finland	399
Cyprus	298
Luxembourg	87
Iceland	58
Malta	20
Monaco	6
Andorra	4
Liechtenstein	3
San Marino	1



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof. Map as of January 2014.

- Migrants in Austria sent US$2.47 billion in remittances in 2014. Fifty-three per cent of these flows went to its top five recipients: Bosnia and Herzegovina, the Czech Republic, Hungary, Nigeria and Serbia. European receivers account for 68 per cent of Austria's flows.
- Sweden's flows to developing countries and to other net receivers in Europe are US$2.04 billion, with the top recipient countries being China, Hungary, Lebanon, Poland and Thailand. Approximately 28 per cent of its flows go to receiving Europe.

Major devaluation of the Russian ruble and the euro could adversely affect the total flow of remittances sent to developing countries. Indeed, a decline in remittances from Europe in 2015 could be expected.

A detailed profile of the top six countries, including flows, markets and trends, is presented in annex 1.

European Union flows to developing countries

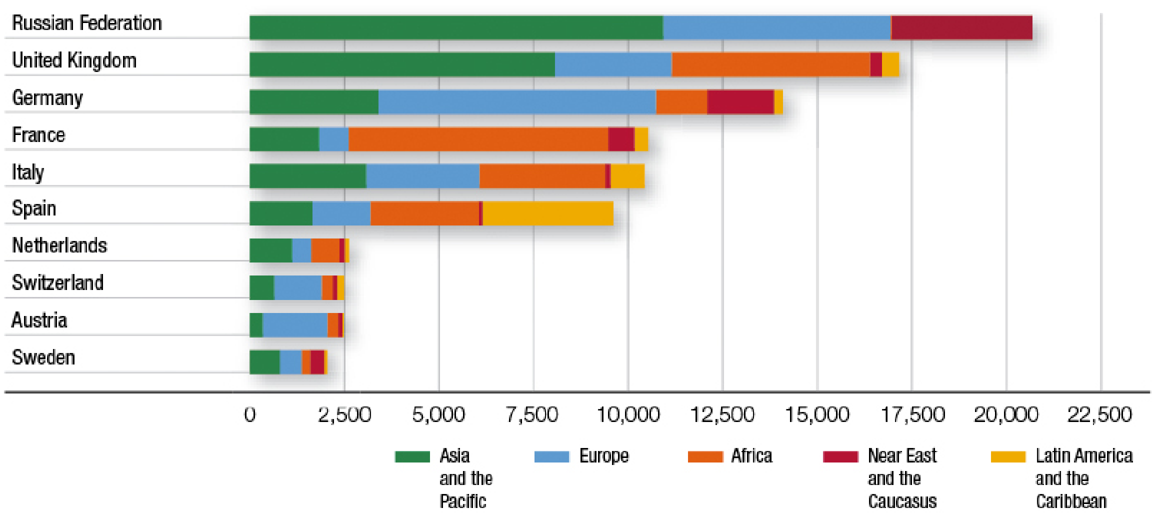
The 28 member states comprising the European Union (EU28) are home to 28 of the 50 million migrants from developing countries living in Europe. It is estimated that this group of migrants sends money home on a regular basis and in 2014, remittance flows to developing countries amounted to US$63.7 billion. These flows are comparable to the amount of official developing assistance coming from the EU of €56.9 billion in 2014.

Table 1: Top 10 remittance sending countries – outflows by receiving region (US$ million)

Country	Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and the Caucasus	Receiving Europe	Total	Share of European outflows (%)
Russian Federation	27	10,920	3	3,729	6,007	**20,688**	18.9
United Kingdom	5,240	8,055	469	308	3,094	**17,173**	15.7
Germany	1,354	3,396	238	1,759	7,339	**14,086**	12.9
France	6,861	1,823	361	698	784	**10,531**	9.6
Italy	3,334	3,065	906	131	2,996	**10,433**	9.5
Spain	2,867	1,643	3,459	105	1,537	**9,610**	8.8
Netherlands	743	1,110	123	130	513	**2,619**	2.4
Switzerland	296	644	191	113	1,245	**2,490**	2.3
Austria	295	343	34	105	1,701	**2,478**	2.3
Sweden	234	786	84	364	573	**2,042**	1.9
Sub-Total Top 10						**92,149**	**84.0**
Other European senders						17,297	16.0
Total						**109,446**	**100.0**

Receiving regions include developing countries and European receiving countries.
Source: World Bank, Remittance Bilateral Matrix, 2014.

Figure 4: Top 10 remittance sending countries – outflows by receiving region (US$ million)



Remittance market environment – Sending Europe

Competition in the industry

For analysis purposes, this section includes market environment considerations for the top sending countries, as they represent over 80 per cent of the market.

The remittance market structure of the top 10 countries is as follows:

(i) Two global money transfer operators (MTOs), present in all countries, dominate the market: MoneyGram International (MG) and Western Union International (WU).

(ii) Seven MTOs have increasingly broader coverage in several European countries, namely Ria International, Sigue, Skrill, Small World, Transferwise and two with a regional specialization – Azimo (for Eastern European corridors) and Remit2India.

(iii) National financial institutions, including local banks, postal networks and MTOs, cover a limited number of corridors.

More specifically, the breakdown of the main market RSPs[8] is as follows:

- **MTOs** are prevalent, representing 70 per cent of RSPs. They operate with their own license or in partnership with banks and postal networks.
- In Europe, **banks** have a greater market presence than elsewhere in the world (25 per cent[9] of RSPs are banks). The high presence of banks is due to: (i) a higher density of banking infrastructure in these countries; (ii) certain limitations for non-bank institutions to provide remittance services; and (iii) the presence of foreign banks covering corridors to their country of origin.
- **Postal networks** are present in each of the 10 countries but are most represented in France, Germany and Italy, where they channel more than US$1 billion in transfers every year. Postal banks use post offices as their payment network to brand their own products or co-brand MTO products like WU in France and Germany and MG in Italy and the United Kingdom. In some countries, exclusivity agreements or long-term partnerships with MTOs limit the potential of postal networks to stimulate cost competition by leveraging their countrywide outreach.

In general, competition in terms of number and diversity of RSPs is uneven in the top 10 European countries. As an example:

- The United Kingdom has the largest number of RSPs and Switzerland has the least.
- In Austria, France and Germany, half of the RSPs are banks.
- Markets in the Russian Federation and the United Kingdom are almost fully served by MTO RSPs.

In terms of options for payment instruments, the analysis becomes more complex, as several MTOs offer clients different or additional types of services. For example, MTOs like WU can offer cash-to-cash and online services, whereas other MTOs can only offer one of the two services. Also, postal networks often deliver cash-to-cash, card-to-cash and account-to-account transfers for all or certain corridors.

Beyond costs, convenience and technology become key differentiating criteria even if cash transactions still dominate the market. In this regard, costs for online transaction services tend to be considerably cheaper in most countries. However, these services are still not widely used mainly due to insufficient information on how they operate and security concerns on the user's side.

8/ As per World Bank Remittance Prices Worldwide database for Q4 2014, Universal Postal Union (2013) for Postal Networks. Although the database includes major RSPs in the market, this list is not exhaustive.

9/ As a comparison, in the United States, 80 per cent of RSPs are MTOs, and less than 20 per cent are banks.

Regulatory environment in the European Union

The regulatory environment in the European Union (EU) has recently evolved with different EU initiatives, such as the European **Payment Service Directive** (PSD), aiming to harmonize payments, including remittances, throughout EU member states and abroad. Besides adoption of laws and regulations, the regulatory framework for remittances mainly relies on the PSD at the EU level and on the national banking and anti-money laundering (AML) regulations. Surveys[10] among MTOs highlight some aspects affecting their operation in Europe. These are related to: lack of clarity for European operators in terms of thresholds, mitigation of bank account closures of MTOs, and regulatory aspects related to technology use.

The PSD was transposed to national legislations of the EU members in 2009 and introduced a new category of payment institutions (PIs) authorized – besides banks – to provide remittance services with a specific license and lower levels of capital, ownership and management requirements. The PSD also introduced the possibility for PIs and banks to develop agent payment networks, and promoted the formation of a European passport to help implement PI operations in other EU states. Although the purpose of the PSD is to facilitate the entry of new players with a diversification of RSPs – such as online, mobile or card payment providers – there is still little evidence of this purpose being fulfilled, but it represents an opportunity for innovation in the remittance marketplace.

In addition, the harmonization of the payment environment, in the case of remittances, still faces some limitations depending on permissive or restrictive interpretations of the PSD by national authorities entitled to deliver licenses. Limitations are amplified by discrepancies between national AML/CFT (anti-money laundering/combating-financing terrorism) frameworks and de-risking[11] attitudes of banks to host emerging and existing PI accounts.

AML/CFT regulations require client identification, transaction tracking, record keeping and reporting, which implies implementation of compliance measures and related costs. Because the EU framework leaves discretionary power to national supervision authorities to set up complementary rules, some countries pose more restrictions than others. Generally, the national rules are stricter and certain countries are more stringent than others. For instance, the annual threshold to transfer money without justification is €15,000 as per the European directive, but it can be up to five times lower in individual EU states (€3,000 in Spain or €10,000 in Belgium). Similarly, reporting requirements vary from one country to another. These differences among countries increase the cost for MTOs to comply with policies in different countries, potentially affecting competition in the marketplace.

Regarding banks' closure of MTO accounts, banks perceive that many MTOs present a high level of risk of money laundering and financing terrorism and that the return from operating accounts for MTOs is not sufficient to counterbalance this risk. As a result, an increasing occurrence in which banks are closing MTO accounts has been reported. This is leading to a concentration of MTO accounts in a limited number of places, increasing not only risks in case of closure but also cash management costs for MTOs. This particular context can also represent a risk in itself, and banks may try to keep competitors for remittance transactions out of the market. The recent fines and sanctions against European banks have also increased the number of accounts closed by banks.

As a result, an increasing number of clients may be unable to access more convenient and less costly products, especially in niche markets where informal transfers are the only alternative. To prevent such consequences, authorities in several EU countries are providing guidance to discourage account closures and are implementing effective alternatives for MTOs.

10/ IFAD surveys to main MTOs in Europe. 2015.

11/ The Financial Action Task Force (FATF) defines de-risking as "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk".

Costs[12]

The 2014 un-weighted average cost to send money from the main European remittance sending countries was 7.3[13] per cent, below the world average of 7.9 percent (Q4 2014).[14] To a large extent, higher costs in certain corridors are due to exchange rate commissions applied by RSPs among Western European countries. Such commissions can represent up to 3.63 per cent of the total transfer and add a high burden in corridors where average fees are already high for leading MTOs like WU and MG, as well as SWIFT-based bank transactions.

The exception is the Russian Federation, where average cost is 2.4 per cent. The average would be even lower, but MG's cost for nine corridors is 9.9 per cent. At the other extreme of the spectrum, Switzerland[15] has costs of 14.4 per cent.

Nonetheless, most countries have had a gradual decline in the past years by two to three percentage points. This has been more noticeable in the last five years, given significant cost reductions achieved in Belgium, France, Germany, Italy, Spain, Sweden and Norway.

Table 2: Cost of sending US$200 from Europe by type of remittance service provider (percentage)

RSP	2011	2012	2013	2014
Bank	13.0	13.3	12.8	12.5
MTO	7.3	7.3	7.5	6.9
Post	5.9	4.5	3.2	3.7

Source: World Bank, Remittance Prices Worldwide, 2014.

Remitting through **MTOs**, the RSPs most used by migrants in Europe to date, costs on average 6.9 per cent. This average is almost comparable to the 2014 U.S. outbound market average of 5.9 per cent. However, the presence of the two largest operators (WU and MG) in low-competition corridors significantly influences the market price as they charge on average over 9 per cent for a US$200 transaction. In contrast, in certain countries such as France, WU responded to competitors' pressure in order to maintain its leading position and lowered its prices below those of the cheapest MTOs.

Banks are generally more expensive than MTOs if the transfer is based on SWIFT systems but cheaper when transfers are originated from migrant country banks or are made between banks belonging to the same group.

Postal financial services offered by **postal networks** alone are generally 1 to 2 per cent cheaper than co-branded services offered by WU. In turn, WU offers cheaper services at its regular agencies. Co-branded products have the benefit of using existing postal infrastructure. However, this convenience factor implies an extra cost.

Operational costs of cash transactions are high: Is this a real limitation to cost reduction in Western European countries?

Dealing with cash remittances is expensive. Several commissions are charged along the way (shared among the partners involved in the payment chain), in addition to exchange rate fees.

In Western European countries, cash transfer charges are significantly higher given that:

- Human resources are reputed to be among the most expensive in the world and cash transactions require front office, liquidity and risk management staff.
- Norms for security and compliance are high and require significant investment in physical assets and/or agent management.
- Managing physical cash deposits is more costly at a time when banks are shifting to cashless operations.

In this context, alternative methods to remit funds based on bank or e-money accounts seem to be the most tangible breakthrough to sharply cut costs.

12/ In this section, the data source is the World Bank Remittance Prices Worldwide (RPW) database for Q4, 2014.

13/ The average cost for Europe is the average costs for the transparent RSPs of 9 countries among the top 10 countries representing 81 per cent of European outflows to developing countries.

14/ The most current world average cost for the first quarter of 2015 is 7.72 per cent.

15/ In Switzerland, there are five main RSPs.

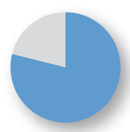
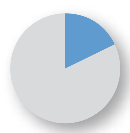
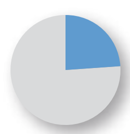
Section 2: Receiving side: Europe and the rest of the world

The receiving side of remittances originating from Europe can be sorted into two categories:

(i) Receiving countries in Europe that get one third of total flows from Europe – equivalent to US$36.5 billion. This amount indicates that these countries receive the majority of remittances from Europe (79 per cent). In this subregion, southern and eastern countries are most reliant on remittances and will consequently be analysed more in depth to better understand their migration patterns and market dynamics.

(ii) Rest of the world is the group of developing countries that receives two thirds of the European remittances equivalent to US$72.9 billion, and in which Europe is a significant contributor, 18 per cent on average. This subregion shows relative reliance on remittances from Europe and the importance of absolute flows.

Table 3: Share of flows within Europe and the rest of the world

	Remittances received from Europe (US$ billion)		Reliance on European remittances
Receiving Europe	**36.5**		**79%**
Receiving rest of the world	**72.9**		**18%**
Africa	23.1		
Asia and the Pacific	34.9		
Latin America and the Caribbean	6.2		
Near East and the Caucasus	8.7		
Total Europe and rest of the world	**109.4**		**24%**

Source: World Bank, Bilateral Remittances Matrix, 2014.

Receiving Europe: Impact back home

In Europe, 19 countries are net remittance receivers,[16] for a total of US$46.5 billion: 79 per cent originating from Europe and 21 per cent from the rest of the world.

Out of these, 10 are European Union (EU) member states that receive US$20 billion in remittances (66 per cent) from migrants in EU sending countries. Originating countries outside Europe are mainly the United States and, to a lesser extent, Turkey.

The other nine non-EU member countries receive US$16 billion from Europe, representing 81 per cent of their global inbound remittances. These are mainly originating in non-EU countries (58 per cent), mostly from the Russian Federation, while the remaining 42 per cent comes from EU member states such as Austria, Croatia, Denmark, Germany, Greece, Italy and Poland. Economies and households in this group of nine countries are the most reliant on remittances from all of Europe.

16/ European countries that are net remittance recipients with an annual GDP per capita above US$20,000 are not included in this group.

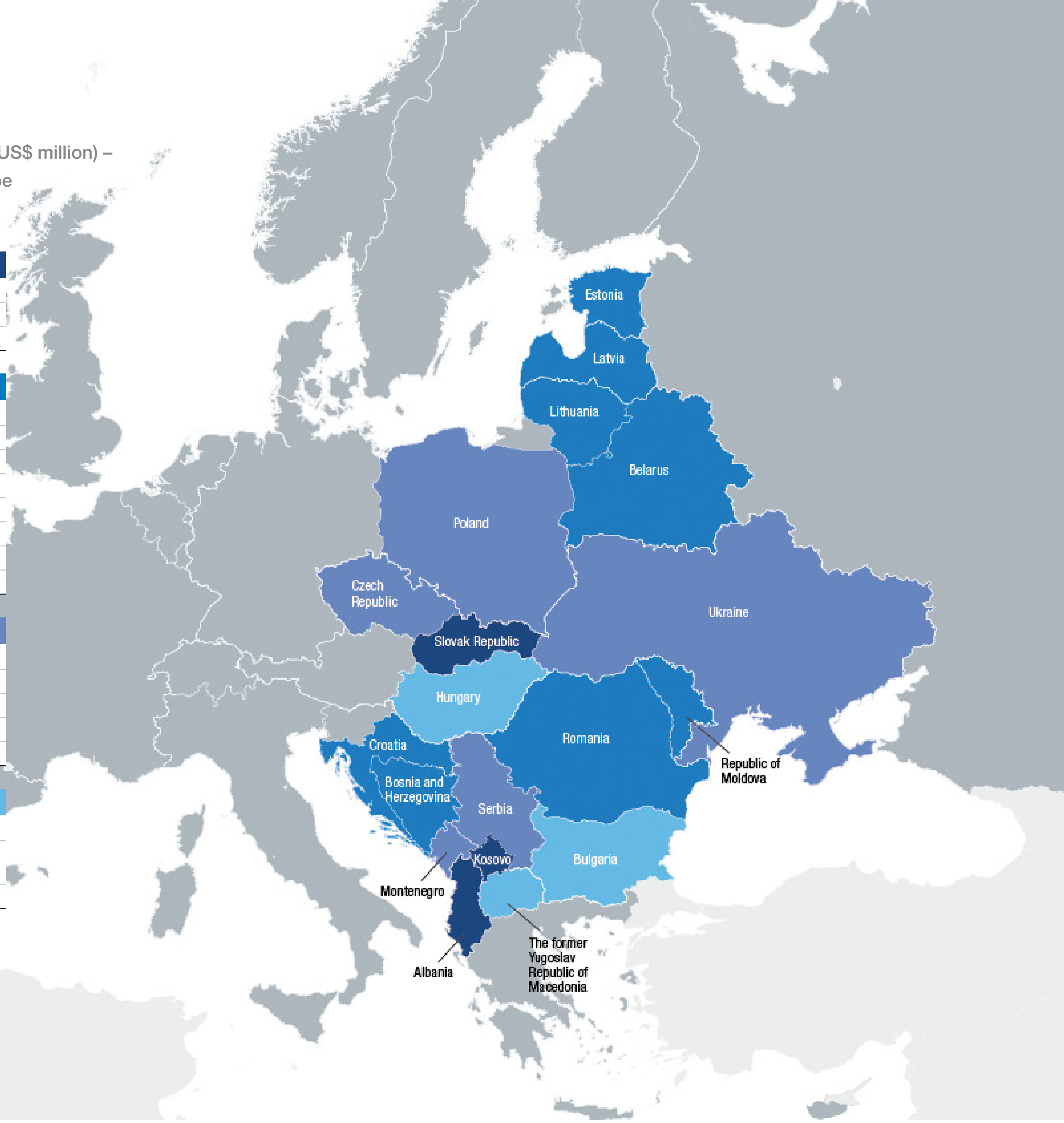
Figure 5: Receiving European countries (US$ million) – flows and share of total flows from Europe

Share over 90%	(US$ million)	%
Kosovo	1,226	95
Slovak Republic	2,121	91
Albania	1,118	91

Share 80% to 89%	(US$ million)	%
Republic of Moldova	1,981	87
Romania	3,431	86
Bosnia and Herzegovina	1,993	86
Lithuania	2,399	83
Estonia	476	83
Belarus	1,258	83
Latvia	790	83
Croatia	1,524	80

Share 50% to 79%	(US$ million)	%
Ukraine	7,587	78
Czech Republic	2,537	78
Serbia	3,656	77
Poland	7,466	76
Montenegro	441	71

Share 40% to 49%	(US$ million)	%
Hungary	4,473	68
The former Yugoslav Republic of Macedonia	367	62
Bulgaria	1,719	42



Source: World Bank, Remittance Bilateral Matrix, 2014.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof. Map as of January 2014.

Table 4: Population, migrants and remittance indicators of non-EU European remittance-receiving countries

	Albania	Bosnia and Herzegovina	Belarus	Kosovo	Macedonia, FYR	Moldova	Montenegro	Serbia	Ukraine	Total
Population (million)	2,801	3,834	9,466	1,824	2,106	3,560	0,621	7,199	45,593	**77,003**
Rural population (%)	45	61	24	N.A.	43	55	36	45	31	**35**
Migrants worldwide (million)	1,252	1,525	1,571	0,500	0,515	0,851	0,283	1,318	5,560	**13,375**
Migrants in Europe (million)	1,143	1,315	1,300	0,500	0,367	0,744	0,202	1,019	4,369	**10,960**
Share of migrants in Europe (%)	91	86	83	100	71	87	71	77	79	**82**
Share of migrants in Europe as per total population (%)	41	34	14	27	17	21	33	14	10	**14**
Main destination countries in Europe	Greece Italy	Croatia Germany	Poland, Italy Russian Fed.	Germany	Germany Italy	Russian Fed. Italy	Denmark	Austria	Russian Fed.	–
Remittances from world (US$ million)	1,118	1,993	1,258	1,226	367	1,981	441	3,656	7,587	**19,628**
Remittances from Europe (US$ million)	1,015	1,722	1,045	1,168	227	1,721	311	2,819	5,941	**15,969**
Total remittances as per annual GDP (%)	9	11	2	17	4	25	10	8	4	–
European remittances as per annual GDP (%)	8	10	1	17	2	22	7	6	3	–

Source: Population, World Bank 2013, migrants UN 2013, Remittances flows, World Bank 2014.

Flows and trends within the countries most reliant on European remittances

With less than 10 per cent of the European population, Albania, Belarus, Bosnia and Herzegovina, Kosovo, Macedonia, Moldova, Montenegro, Serbia and Ukraine receive almost half (44 per cent) of all European outflows. For three countries, remittances inflows from Europe to GDP ratios are above 10 per cent – Moldova (22 per cent), Kosovo (17 per cent), and Bosnia and Herzegovina (10 per cent).

With the exception of Ukraine, these countries share a history of labour migration to Europe since the end of the 1990s, partly resulting from political and economic transitions. Compared to Ukraine, with a population of nearly 46 million, Belarus with 9.5 million, and Serbia with 7 million, the other six countries have less than 4 million inhabitants each. In most of these countries, more than one third of the population is rural, and migration rates range from 15 per cent to as high as 40 per cent of the total population. Migration patterns include a mix of low-skilled migrants to neighbouring countries and higher-skilled migrants to other European countries. However, the majority of migrant workers are from rural areas, given the lack of opportunities in rural or urban local labour markets.

The top destination countries for migrants in the nine non-EU countries are Austria, Germany, Greece, Italy and mainly the Russian Federation. Belarus, Moldova and Ukraine receive more remittances from the Russian Federation compared to the other non-EU European countries. Half of the migrants from Belarus and Ukraine work in Russia, and their common border favours both settlement and circular migration.

With the settlement of migratory flows and the development of the remittance market, migrant workers in European sending countries increasingly make use of licensed RSPs to remit rather than informal channels. As a result, after 2000, remittance flows recorded by central banks from Europe increased sharply. Nonetheless, studies indicate that remittances sent through informal channels remain prevalent and comprise around 40 per cent of total flows to rural and unbanked recipients in Bosnia, Kosovo and Serbia.[17]

17/ M. Petreski, B. Jovanocic 2013; UNDP 2012.

Market overview[18]

The US$16 billion remittance market to the nine non-EU countries is divided into many bilateral corridors. Among the 20 main corridors representing 85 per cent of the market, only seven are significant as each channels more than 150,000 transactions per month. Therefore, economies of scale are limited for the smaller corridors, unless RSPs can cover more than one corridor in a given sending country.

The payment network in the nine countries has more than 300,000 payout locations offering one or more remittance products, with one-third located in Ukraine. The outreach of this network is noteworthy, as 89 per cent of the payout locations are outside the capital cities.

The payment infrastructure in most of the countries is fairly well decentralized, with more than 50 per cent of bank branches located outside of the three main cities in any given country. The number of branches (per 100,000 adults) varies from 12 in Moldova to 43 in Montenegro.[19]

Among RSPs, **MTOs** lead the market. The three biggest MTOs – WU, MG and Ria – are present on both sides of the corridors for all or most of the countries. These MTOs develop partnerships with the largest banking institutions, postal networks and occasionally with retailers. Smaller competitors cover only three to four receiving countries and partner with other players in the sending countries to capture several corridors.

Banks are present in every market, and in most cases partner with MTOs to deliver cash-to-cash services. They represent more than two thirds of the payout locations. For cash-to-account transfers, banks using the SWIFT system are generally more expensive than the most used cash-to-cash MTO service. However, banks are more competitive than MTOs when they have subsidiaries or direct arrangements with other banks in the sending country. Unfortunately, this type of arrangement is marginal, as only a small fraction of bank branches offer cash-to-account services for the remittance market.

Postal networks complete the payout infrastructure in European receiving countries, except for Kosovo, which does not have a postal network. Postal networks represent more than

Table 5: MTOs operating in nine non-EU European countries

MTO	Country presence
Western Union	9
MoneyGram	9
Ria	7
Contact	5
Leader	5
Avers	4
Azimo	3
Small World	3

Source: Manuel Orozco, IFAD survey, 2015.

Table 6: In-country banking presence in 2013: Bank and postal networks – penetration and outreach

	Bank branches per 100,000 adults	Bank branches outside the three main cities (%)	Total financial institutions branches (banks and postal networks)
Albania	22	59	1,003
Belarus	N.A.	N.A.	4,696
Bosnia and Herzegovina	15	N.A.	1,405
Kosovo	20	51	404
Macedonia, FYR	24	48	752
Moldova	12	54	1,561
Montenegro	43	N.A.	339
Serbia	33	59	3,764
Ukraine	N.A.	N.A.	24,453
World average	**19**		
USA	34		
France	39		

Source: IMF, 2013; UPU, 2013; IFAD, 2014.

18/ In this section, the data sources are IFAD's survey, 2015; the World Bank Remittance Prices Worldwide (RPW) database for Q4, 2014; and the World Bank, Bilateral Remittances Matrix, 2014.

19/ As a comparison, this average is 34 in the United States, 39 in France (one of the most concentrated networks in Europe) and 19 worldwide. IMF, 2013.

30 per cent of payout locations and are key players in rural areas as they account for 85 per cent of payout locations. National postal offices partner with WU only in four countries, whereas in the other countries they partner with more than one MTO. Although the share of transactions through postal offices varies between 1 per cent in Macedonia to 10 per cent in Ukraine, remittance services help balance the decrease in mail distribution requirements and allow post offices to maintain their presence in rural areas.

Other delivery channels

Microfinance institutions and mobile payment agents have a marginal delivery of remittances, with a presence in one country each, as shown in the payout locations table. In addition, retail networks add capillarity to the payout networks, mostly in urban areas.

Table 7: Payout locations in the capital by type of channel of delivery (percentage)

	Retail (%)	Bank (%)	MFI (%)	Postal (%)	NBFI* (%)	Other (%)
Albania	32	48		30	8	
Bosnia and Herzegovina		17		4		
Kosovo	17	25			12	
Macedonia, FYR	37	50		20		
Moldova		44		6		
Montenegro	0	32		20		
Serbia	100	31	33	16		
Ukraine		31		1		10

Source: IFAD survey, 2015.

* Non-bank financial institution

Table 8: Contributing factors to costs

	Factors that contribute to cost reduction	Factors that contribute to cost increase
Characteristics of flows, in terms of volume by corridors and share of formal and informal flows	Economies of scale	Share of informal flows
Number of players and notably the presence of national or regional competitors beside leading MTOs	More than three competing MTOs	Exclusivity agreements limiting the number of products by RSP
Density and spread of the payout network	Widespread and decentralized payout infrastructure	Concentration of payout locations in the capital

Costs

Many factors influence the cost of sending money to one country. In the context of these nine European remittance-reliant countries, three types of factors seem particularly significant in impacting competition and costs at the national level, as described in Table 8.

As these factors vary from one country to another, so do costs among countries. The average remittance rate is 6 per cent, and notably lower than the global average of 7.9 per cent. MTOs are the most used RSP, with the average cost at 5.6 per cent. However, remitting to Bosnia and Herzegovina remains particularly costly, with an average MTO cost of 12 per cent. Ukraine and Moldova are the least expensive countries, especially in the Russian Federation corridors (1 to 2 per cent).

Postal product diversification: How postal networks can improve competition with leading MTOs

The case of Moldova. With a network of more than 900 rural post offices compared to fewer than 50 rural bank branches, the Post of Moldova has launched its own low-cost money transfer services with Italy and Romania, with a cost policy based on a flat €5 fee for up to €1,000 sent. It expects to add Poland, Portugal and Spain in 2015. Services are operated for more than five MTOs.

Table 9: MTO costs by corridor and by country (percentage)

Countries	Austria	Switzerland	Germany	Denmark	Greece	Croatia	Italy	Poland	Russia	Ukraine	National average
Bosnia and Herzegovina	8		11			11					10
Serbia	7	16	12				7				11
Albania					8		7				8
Kosovo		11	5								8
Macedonia		10	7				8				8
Montenegro				8							8
Molvoda			14				7		2	2	6
Ukraine			5				4	5	2		6
National average	**8**	**12**	**9**	**8**	**8**	**11**	**7**	**5**	**2**	**2**	**0**

Sources: World Bank Remittance Prices Worldwide (RPW) database for Q4, 2014; IFAD survey, 2015.

<= 5%   >= 10%

Financial inclusion and European recipients

When compared to the Findex average, which shows 51 per cent of the adult population in Europe and Central Asia holding an account in a regulated financial institution, Albania, Kosovo, Moldova and Ukraine have the lowest access to regulated financial institutions within this region. Only 2 to 9 per cent of their population use accounts to receive remittances. For example, while in Moldova 18 per cent of the adult population has a formal account, only 2 per cent use it to receive remittances.

This low level of financial access and use of formal services highlights the missed opportunity to receive remittances safely through regulated financial institutions, and consequently to make better use of financial services, especially savings. This is particularly relevant considering that surveys have shown that remittance recipients are more inclined to save than non-recipients are. In the same four countries, where around 40 per cent of adults report having saved some money, only 7 per cent on average have done so in a financial institution.

For people living in areas where a bank branch (or another deposit-taking regulated institution) offers remittance services, using accounts to receive remittances could be a key alternative to increase access and, potentially, the use of formal financial services. Such opportunities would be even more optimal for both senders and receivers if banks were to offer account-to-account remittances at lower rates than MTOs, as is sometimes the case. Some recent financial education initiatives in Albania, Kosovo and Moldova have demonstrated improvements in the use of banking products, especially savings, among remittance recipients.

Table 10: Use of formal and informal services in four remittance-reliant European countries (percentage)

Country	Account at a formal financial institution	Account used to receive remittances	Saved any money	Saved at a financial institution
Moldova	18	2	44	7
Albania	38	6	38	7
Kosovo	48	9	36	7
Ukraine	53	3	40	8

Source: Worldbank, FINDEX, 2014, 2011.

Europe's flows to the rest of the world by region

Europe's importance as a sending region is not only indicated by the total amount of remittances sent but also by how much these flows contribute to developing countries' GDP and the proportion of remittances originating from Europe.

Table 11: Global flows and share from Europe 2014

Regions and subregions	European-only remittances received (US$ million)	European share of global flows (%)
Africa	**23,134**	**36**
Northern Africa	11,480	37
Sub-Saharan Africa	11,654	36
Asia and the Pacific	**34,854**	**14**
Central Asia	11,232	94
Eastern Asia	6,438	10
Southeastern Asia	6,351	11
Southern Asia	10,821	9
Oceania	12	2
Europe	**36,561**	**79**
EU Receiving (GDP/capita < US$20 k)	20,592	76
Non-EU Receiving	15,969	81
Latin America and the Caribbean	**6,207**	**10**
Near East and the Caucasus	**8,690**	**32**
Turkey	947	84
Near East/Caucasus	4,841	79
Near East/Middle East	2,902	14
Total all regions	**109,446**	**24**

Source: World Bank, Bilateral Remittances Matrix, 2014.

Table 12: Global flows, share of European flows and remittances as percentage of annual GDP

Remittances from Europe (US$ million)		Share of European flows (%)		Remittances as percentage of annual GDP (%)	
Nigeria	7,412	Uzbekistan	100.0	Tajikistan	39.0
China	6,297	Turkmenistan	100.0	Kyrgyzstan	29.1
Morocco	6,168	Kazakhstan	94.2	Armenia	16.7
India	5,747	Kyrgyzstan	93.7	Comoros	16.3
Uzbekistan	5,588	Suriname	92.4	Gambia	14.9
Tajikistan	3,314	Madagascar	91.9	Georgia	11.0
Lebanon	2,506	Algeria	91.6	Uzbekistan	9.8
Philippines	2,162	Tunisia	88.9	Senegal	7.0
Pakistan	2,140	Morocco	88.6	Cabo Verde	6.4
Kyrgyzstan	2,104	Tajikistan	86.4	Morocco	5.9
Tunisia	2,057	Georgia	85.7	Lebanon	5.7
Viet Nam	2,040	Turkey	83.9	Sao Tome and Principe	5.3
Algeria	1,850	Comoros	80.9	Tunisia	4.4
Georgia	1,770	Armenia	80.9	Madagascar	3.7
Armenia	1,747	Croatia	80.3	Guinea-Bissau	3.1
Thailand	1,649	Gambia	70.7	Sri Lanka	2.2
Sri Lanka	1,500	Azerbaijan	69.8	Jamaica	2.0
Egypt	1,398	Mauritius	66.4	Tuvalu	1.9
Azerbaijan	1,324	Cabo Verde	64.0	Liberia	1.8
Ecuador	1,211	Guinea Bissau	**63.3**	Azerbaijan	**1.8**

Sources: World Bank, Bilateral Remittances Matrix, 2014. World Bank GDP, 2013.

The two regions that are most reliant on remittances from Europe are Northern Africa and Central Asia.

The top five receiving countries outside of Europe, in order of magnitude – Nigeria, China, Morocco, India and Uzbekistan – have flows of more than US$5.5 billion each and account for 35 per cent of Europe's flows to developing countries.

There are 23 developing countries in Africa, Central Asia and Near East, and only Suriname in South America that received more than half of their remittances from their migrants living in Europe. Twenty-one countries worldwide receive over US$1 billion in remittances from Europe, mainly in Asia, Africa and Near East. The only country in South America receiving over US$1 billion is Ecuador.

Regional highlights

Africa

- Northern African countries rely mainly on remittances from France.
- Two countries stand out in Africa for the amount of remittances received from Europe: Nigeria (US$7.41 billion) and Morocco (US$6.16 billion).
- In terms of contribution of remittances from Europe to GDP, the two countries in Africa that have the largest percentage, above 10 per cent, are Comoros and Gambia.

Asia and the Pacific

- Besides Eastern Europe, Central Asian countries rely mainly on the Russian Federation for their remittances. In fact, two countries, Turkmenistan and Uzbekistan, rely fully on the Russian Federation for their remittances.
- Three countries in Asia stand out for the amount of remittances received from Europe: China (US$6.3 billion), India (US$5.7 billion) and Uzbekistan (US$5.6 billion). India receives 63 per cent of total remittances flows from the United Kingdom. Although China receives substantial flows from migrants in Spain, Italy and the United Kingdom (US$1 billion each), total remittances from Europe represent only 10 per cent of China's total inflows.
- In terms of contribution of remittances from Europe to GDP, two countries in Central Asia have a large contribution of European remittances to GDP: Tajikistan (39 per cent) and Kyrgyzstan (29 per cent). Uzbekistan is also outstanding, near 10 per cent.
- Central Asia has a low average cost of 2.3 per cent to send US$200 from Europe. The average for Asia is 6.9 per cent.

Latin America and the Caribbean

- The LAC region is mostly reliant on the United States for remittances flows. Only Suriname in South America relies primarily on Europe (the Netherlands) for remittances.
- One third of the US$9.6 billion flows from Spain go to LAC, largely to the Andean countries (in order of magnitude, Ecuador, Colombia, Peru and Bolivia).
- The three countries in LAC with the largest amount of remittances received from Europe are Ecuador (US$1.2 billion), Colombia (US$0.9 billion) and Brazil (US$0.8 billion).
- In terms of contribution of remittances from Europe to GDP, four countries can be mentioned: Jamaica (2 per cent), Haiti (1.5 per cent), Ecuador (1.3 per cent) and the Dominican Republic (1.2 per cent). For the rest of the countries, it is below 1 per cent.

Near East and the Caucasus

- The Caucasus region is mostly reliant on remittances from the Russian Federation. Armenia, Azerbaijan and Georgia receive over 50 per cent of their remittances from the Russian Federation.
- The countries with the largest amount of remittances received from Europe are: Lebanon (US$2.5 billion), Armenia (US$1.7 billion), Georgia (US$1.7 billion), Azerbaijan (US$1.3 billion) and Turkey (US$0.9 billion).
- Turkey is most reliant on remittances from Europe, receiving 48 per cent of total flows from Germany.
- In terms of contribution of remittances from Europe to GDP, two countries in the Near East show a large percentage: Armenia (16.7 per cent) and Georgia (11 per cent).
- The Middle East is the most expensive region to send remittances from Europe, at 16.3 per cent on average.

Section 3: Remittances and development

From remittances to financial inclusion

Financial inclusion encompasses access to and use of appropriate, affordable and accessible financial services.[20] Increased access to the financial system contributes to poverty and inequality reduction and supports inclusive growth. In particular, the rapid expansion of mobile money accounts in Africa has helped scale up access to financial services. However, the challenge still remains worldwide: how to improve the effective use of financial services beyond basic services (payment and accounts), among the most excluded, particularly women and rural households?

While in high-income countries, including western and northern European countries, 91 per cent of adults have access to accounts, in southeastern European developing countries only 51 per cent have access, with women often being the most disadvantaged. While 59 per cent of men have a formal account in developing economies, only 50 per cent of women do.

The Group of Twenty (G20) recognizes the value of remittance flows to drive financial inclusion and strong, sustainable and balanced growth. Remittances offer key opportunities for financial institutions to serve unbanked populations, particularly the most excluded, as follows:

- Given frequent interactions between remittance senders and receivers and the financial system, remittances could spark a long-term financial relationship.
- Remittance-receiving families see their disposable income increase, enabling them to cope with their most pressing needs.
- Financial needs for migrant workers evolve, and besides sending money home, they require products that could finance short- and long-term goals to actually return home.
- Financial institutions can develop strategies and remove constraints for migrants and receivers to use their products.

Remittances not only increase financial resilience for the poorest of the poor but also offer opportunities towards financial independence.

Thus, remittances not only increase financial resilience for the poorest of the poor but also offer opportunities towards financial independence.

Strategies to enhance financial inclusion through remittances involve availability of transparent information, financial education, provision and promotion of use of equitable savings and other financial products, greater access to credit and technical assistance for business development, and reducing barriers to deposit and invest.

Table 13 summarizes different types of interventions implemented by financial institutions that can help increase financial inclusion by leveraging the impact of remittances.

Given frequent interactions between remittance senders and receivers and the financial system, remittances could spark a long-term financial relationship.

20/ Global Partnership for Financial Inclusion, 2014.

Table 13: Financial inclusion for remittance senders and receivers: what financial intermediaries (FIs) can do

	Migrants	Receivers		How FIs can leverage on remittances to increase inclusive outreach	Examples of interventions
Access		●	**Opportunities for FIs** • Given the high proportion of remittance flows within family income, receivers make an effort to pick up remittances in offices/branches	↗ Proximity ↙ Costs ↗ Convenience and transparency ↗ Marketing products ↗ Financial education ↗ Dialogue with regulatory and supervision authorities	• Using new delivery channels and technologies to reduce operational costs and improve presence in remote areas • Setting up partnerships between international RSPs and domestic decentralized payment networks • Establishing bilateral arrangements between banks in both sending and receiving countries • Third-party financial education and consumer protection programmes • Cross-selling existing products to remittance receivers • Designing a set of financial products for migrants, including flagship products like low-cost remittances and housing finance • Public-Private-People Partnerships between catalytic projects, business development service providers, investment funds, financial intermediaries and local authorities to blend diaspora, private and public resources to support enterprises led by diaspora returnees or family members
	●	●	• Transactional track record and regular contacts with senders/recipients		
		●	• Large amounts of money received require a safe storage and related transactional tools (i.e debit cards, mobile payments, etc.)		
	●		• Migrants become familiar with the Internet, smart phones and payment cards to handle electronic transactions remotely		
	●	●	**Barriers hampering client's access** • Availability of identification documents, costs of services, distance to the point of service, administrative burden		
	●	●	• Informal habits of sending and receiving remittances, preference for cash, FIs' hours of operation		
Use		●	**Opportunities for FIs** • Remittances increase disposable income/savings of receiving families, who tend to save informally	↗ Attractive products for migrants and receivers ↗ Financial education and knowledge about conditions and advantages to use formal financial services ↗ Catalytic solutions to channel diaspora resources towards investment	
	●		• Migrants need products to save and invest for home-related projects		
	●	●	**Barriers hampering clients' usage** • Lack of trust in FIs		
		●	• Weak financial capabilities not matching increased disposable income		
	●	●	• Fragmented and ill-adapted supply of products offered by FIs to cover both migrants' personal needs and those of remittance recipient families		
	●		• Lack of targeted and integrated solutions to support small and microenterprise creation or development		

Source: IFAD, 2015.

Initiatives of International Financial Institutions (IFIs)

Strategies to enhance financial inclusion of remittance senders and receivers have been implemented in a number of initiatives sponsored by IFIs working worldwide. The aims of these initiatives are to:

- Encourage remittance recipients to open accounts in financial institutions (FIs) and use financial products, mainly savings
- Provide financial education and accurate information to recipient families about their financial options
- Provide technical assistance for business development, and reduce barriers to deposit and invest
- Train staff of FIs on how to link remittances and banking, and track the conversion of remittance recipients into bank clients

Four initiatives sponsored by IFIs illustrate good practices that address financial inclusion and are scalable models of intervention.

The overarching goal is to help migrants and their families back home overcome the challenges to save and improve their savings habits by offering them appropriate financial tools.

Small financial education pilots for remittance recipients. Between 2011 and 2013, the European Bank for Reconstruction and Development (EBRD) led financial literacy pilots in Armenia, Kyrgyzstan, Moldova and Tajikistan. The projects, funded by the Early Transition Countries (ETC) Multi-Donor Fund, aimed to improve financial inclusion by providing free one-on-one financial consultations to remittance recipients as they visited their local bank branches to collect their money. The programme, with full support from local partner banks, provided financial education to more than 119,000 people, with nearly 20,000 opening accounts, and attracting more than US$20 million in deposits over 10 months.

The Project Greenback 2.0 of the World Bank aims at increasing efficiency in the market for remittances through an innovative approach: promote change inspired by the real needs of the ultimate beneficiaries of international money transfers: the migrants and their families at home.

In Project Greenback 2.0, Remittance Champion Cities are selected. The project implements initiatives aimed at increasing transparency and efficiency in the market for remittance services. The focus is on migrants and their needs. Cooperation between migrants, remittance service providers and public authorities is key for the achievement of the project's objectives. At the moment, Project Greenback 2.0 is active in Turin, Italy and Montreuil, France.

The Inclusive Savings for Remittance Clients initiative of the Inter-American Development Bank (IDB) aims at promoting access of migrants and families to formal financial institutions through savings programmes adapted to the needs of transnational households. It is estimated that in the LAC region, only 39 per cent of adults have an account at a formal financial institution. A recently approved project for the Spain-Paraguay corridor will offer simplified and programmed savings products to 20,000 remittance recipients through accounts at Visión Banco of Paraguay. The overarching goal is to help migrants and their families back home overcome the challenges to save and improve their savings habits by offering them appropriate financial tools.

IFAD-financed Rural Enterprise and Remittance (RER) Programme for Nepal, to be initiated in the second half of 2015, brings to scale two FFR pilot projects that worked with migrant returnees between 2009 and 2011. These projects tested successful models to link migrant remittances with productive investments in agriculture and rural development. RER aims to promote the financial inclusion of migrants and remittance-recipient households through financial instruments that: (a) harness the development potential of remittances; and (b) address migrants' specific financial needs in setting up sustainable enterprises, thereby allowing them to break the endless cycle of migration.

Fragile states and situations: the importance of the diaspora

Populations from fragile states, and those affected by natural calamities, are severely limited in their access to financial services due to the lack of legal and regulatory frameworks, payment infrastructure or functioning systems of credit collaterals.
In these states, diaspora has proven to be one of the first sources of investment for reconstruction of their communities.

Almost by definition, remittances to fragile and post-conflict states are difficult – if not impossible – to count. The reality is that no matter how many people leave their home countries to escape violence, chaos or social disintegration, many more remain behind. As millions of refugees eventually become part of the diaspora, they send remittances back to their relatives. These remittances are literally a lifeline to millions of families living under desperate circumstances; indeed, they provide the only opportunity for some semblance of stability.

Remittances are often the only thing that families living in the most difficult circumstances imaginable can consistently count on.

Just as it is extremely difficult to ascertain the flows of remittances, the number of refugees fleeing fragile states is virtually impossible to estimate.
As a guide, recent official figures indicate that the number of refugees from conflict states who are now living in Europe has risen to above 4 million – but that number is certainly much lower than reality. Another indicator of current trends is that asylum requests in the EU rose by over 40 per cent in 2014 compared to 2013, reaching 626,000, and are foreseen to reach 1 million in 2015.

The reason for this increase is the largest mass migration in several regions of Africa, Eastern Europe and the Middle East. The deteriorating conditions in many fragile states urge people to reach the nearest safest lands, where they settle in “temporary” refugee camps that become permanent in bordering countries. Notably, relief efforts generally prove inadequate to the overwhelming task at hand.

In contrast, what is constant and reliable in these circumstances is the commitment to family values represented by remittances that somehow get through month after month. These precious resources, although individually small, collectively amount to the most critical assistance available to millions upon millions of families. Indeed, remittances are often the only thing that families living in the most difficult circumstances imaginable can consistently count on. It is here in the small towns and villages of devastated societies that remittances count the most, even though, ironically, they are most often not even “officially counted”.

Successful interventions identify and promote scalable models that use Public-Private-People Partnerships

Since Europe is a primary source of remittances to a growing number of conflict states, more focus is required on efforts to leverage the impact of remittances to these countries. There are a number of promising demonstration projects that prove that this in fact can be done.

The term fragile state also applies to countries trying to cope with the long-term human and economic consequences of natural disasters. When these disasters occur, family remittances inevitably increase relief and reconstruction efforts. The devastating earthquake in Haiti (2010) is a prime example of the need for a concerted and coordinated programme to help in post-disaster conditions. In 2007, with assistance from IDB and IFAD, Fonkoze, a microfinance institution serving the unbanked mainly in rural Haiti, purchased satellite phones and diesel generators.

This equipment was intended to facilitate the delivery of remittance services in rural areas. But in the wake of the earthquake three years later, the true value of this investment came to light. In the aftermath of the disaster, remittances were the first flows to come in, but they were not reaching intended beneficiaries as banks were closed. Fonkoze was the only source of money in Haiti at that time, and 23 of its branches were operational within three days. In addition, during the critical period, partner institutions such as MG and City National Bank of New Jersey drastically reduced fees to make sure that the maximum amount of money reached those in need.

Coping with the recent earthquake in Nepal or chronic flooding in Bangladesh and Pakistan, as well as endemic drought conditions throughout much of sub-Saharan Africa, increases pressure on already fragile states. But, as in the case of Haiti, collaborative efforts that foster diaspora investment are a must.

Although remittances used for agricultural purposes in rural areas are relatively small, these flows still represent four times the global ODA that goes towards agriculture.

A recent compilation of case studies on remittances to fragile states has a reference to Somalia, where refugees' "remittances have proved significant in providing substantial charitable funding for public services and infrastructure – schools, hospitals and community projects, that have fostered local and decentralized reconstruction processes..."[21]

Best practices from IFAD also indicate that working at both ends – with diaspora and remittance-receiving households – is also one of the success factors. The 2014 Enhancing Food Security through Diaspora Investment Project in Somalia aims to harness capital from the diaspora to finance agribusiness investment projects.

Although remittances used for agricultural purposes in rural areas are relatively small, these flows still represent four times the global official development assistance (ODA) that goes towards agriculture. In Kosovo, a primarily rural country, remittance transfers from the diaspora contribute 15-20 per cent of GDP. In 2013, the International Organization for Migration and United Nations Development Program jointly implemented the *Diaspora Engagement in Economic Development* (DEED) project. DEED aims to increase the opportunities for Kosovar diaspora and remittance-receiving households to participate in the economic development of their country by facilitating the investment of remittances in creating jobs and enterprises. The project also works with government authorities to improve the business environment in Kosovo and facilitate the development impact of remittances.

Two common lessons drawn from successful initiatives are: (i) the relevance of partnerships and concerted efforts between international, private sector and government organizations; and (ii) the need to continue building the capacity of microfinance institutions and grass-roots organizations, to ensure readiness for and a rapid response to potential disasters.

In countries that have faced natural disasters, economic hardship or political instability, the diaspora not only takes care of the daily needs of family members, but are also the first to respond in times of emergency. Migrant/refugee remittances play a crucial role to prevent further displacement from conflict or fragile countries.

Boston University Task Force report, 2013

21/ Boston University, Task Force report, 2013.

Annex 1: Main remittance senders

The following country profiles for the six top sending countries provide more detail about the breakdown of outflows, related reliant countries and market competition features (RSP, costs and products).[22]

Russian Federation

Market profile

The Russian Federation is a primary host to millions of migrants from Central Asia, the Caucasus, southeastern and Eastern Europe.

Remittances to the developing world (US$ million)	20,688
Migrants ('000)	10,856
Average cost to send US$200 (Q4 2014) (%)	2.4
MTO average cost (%)	2.4
Remittance service providers (RSPs) in the market	13
Remittance outflows as per annual GDP per capita (US$)	144
Remittances as per annual GDP per capita (%)	0.98

Top-receiving countries

Nearly 60 per cent (US$12.4 billion) of transfers arrive to three countries, Uzbekistan, Ukraine and Tajikistan, which receive the largest flows, ranging between US$5.6 billion and US$2.9 billion, respectively.

Remittance reliance

Turkmenistan and Uzbekistan rely fully on the Russian Federation for their remittances. Kyrgyzstan, Tajikistan, Armenia, Kazakhstan, Georgia, Azerbaijan and Ukraine receive over 50 per cent of their remittances from Russia.

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
Uzbekistan	5,588	3.3	10	1,111
Ukraine	3,936	1.7	11	2,939
Tajikistan	2,952	2.2	11	452
Kyrgyz Republic	1,735	1.8	12	573
Armenia	1,380	1.7	5	511
Georgia	1,223	1.3	7	436
Azerbaijan	1,107	1.8	9	743
Moldova	656	1.7	8	285
Belarus	576	2.1	10	740
China	326	N.A.	N.A.	54
Other	1,210			3,013
Total	**20,689**	Average **2.4**	**13**	**10,856**

Market competition

The money transfer industry is very competitive, comparable only with dynamic remittance markets such as those in United Arab Emirates, Saudi Arabia and the United States, with predominantly MTOs operating corridors for more than 4 million transfers per month.

Leading corridors

The main corridors from the Russian Federation are Central Asian countries, the Caucasus and, in a smaller proportion, Eastern Europe.

RSPs by type, number of countries served and 2014 cost of sending US$200

Company	RSPs type	Receiving countries	Cost (%)
MoneyGram		9	9.9
PrivatMoney		4	4.8
Western Union		12	2.4
Unistream		10	2.0
Zolotaya Korona (retail)	MTO	10	1.9
Anelik		10	1.8
Contact		11	1.3
Zolotaya Korona		9	1.1
Leader		8	1.0
Bistraya Pochta (Fast Mail)	Post bank	3	2.4

RSPs

There are over 15 companies, the majority Russian-owned businesses, with an average cost of 2.4 per cent as of 2014. The majority of MTOs operate in at least five countries and the predominant sending product is cash-to-cash. MG stands out for having a cost of 9.9 per cent compared to the average cost of 2.4 per cent for other MTOs. Leader offers the cheapest price at 1 per cent.

Cost

Some of the most neighbouring countries have the lowest transfer cost, with Georgia having the lowest (1.3 per cent).

22/ Source of tables in annex 1: World Bank Remittance Prices Worldwide database, Q4, 2014.
RSPs listed by type and cost – most and least expensive.

United Kingdom

Market profile

Remittances to the developing world (US$ million)	17,173
Migrants ('000)	5,265
Average cost to send US$200 (Q4 2014) (%)	7.6
MTO average cost (%)	7.6
Remittance service providers (RSPs) in the market	60
Remittance outflows as per annual GDP per capita (US$)	268
Remittances as per annual GDP per capita (%)	0.64

The United Kingdom has an outflow of more than US$17 billion in remittances to developing countries.

Top-receiving countries

Fifty per cent of flows go to six Asian countries: India, Pakistan, China, Philippines, Bangladesh and Sri Lanka.

Remittance reliance

Although Nigeria is the main corridor for the United Kingdom, other countries in Africa (e.g. Kenya, Mauritius, Uganda and South Africa) all rely on the United Kingdom for more than one quarter of total remittances received.

Market competition

Competition in the United Kingdom is unique given the large number and variety of RSPs (more than 50 RSPs) covering many diverse corridors. As a result, leading MTOs are competing with niche markets players including small MTOs and banks covering several corridors. Innovative online platforms are also present in the market.

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
Nigeria	3,735	6.7	13	184
India	3,641	4.6	24	756
Pakistan	1,259	3.2	12	476
Poland	1,255	6.3	24	661
China	966	11.3	12	151
Philippines	558	6.8	28	127
Lithuania	547	10.1	14	133
Bangladesh	512	4.2	16	240
Sri Lanka	504	5.5	16	134
Kenya	494	8.6	12	145
Other	3,702			2,256
Total	**17,173**	Average **7.6**	**60**	**5,265**

Leading corridors

Poland and Lithuania are the main corridors of the United Kingdom in Europe. Outside of Europe, Nigeria and India have the largest flows, with over US$3.6 billion per year each.

RSPs by type, number of countries served and 2014 cost of sending US$200

Company	RSPs type	Receiving countries	Cost (%)
Bank of China	Bank	1	26.7
Ghana International Bank		1	20.8
ICICI Bank (to India)		1	4.1
Sonali Bank (to Bangladesh)		1	3.5
MoneyGram	MTO	27	10.4
Western Union		27	9.7
Ria		16	5.9
1st Contact Forex (South Africa)		1	10.8
Lebara		15	8.5
Azimo		21	5.6
RemitGuru		1	0.9

RSPs

Because of the large range of countries where transfers are made, there are also a large number of companies offering transfers (at least 50 RSPs), the large majority of which are MTOs (see table with summary).

Cost

Pricing from the United Kingdom is slightly higher than the average for Europe. The difference among corridors is notable. While the cost of sending money to Jamaica is 9.2 per cent, to Pakistan it is 3.2 per cent. Other costly corridors are in Africa, with percentages between 6.7 and 9.1.

Germany

Market profile

Remittances to the developing world (US$ million)	14,086
Migrants ('000)	7,005
Average cost to send US$200 (Q4 2014) (%)	8.4
MTO average cost (%)	8.3
Remittance service providers (RSPs) in the market	25
Remittance outflows as per annual GDP per capita (US$)	175
Remittances as per annual GDP per capita (%)	0.38

More than 3.5 million remittance transfers are sent from Germany to the developing world every year, amounting to over US$14 billion.

Top-receiving countries

Poland is the main EU recipient of remittance flows from Germany. Lebanon, China, Viet Nam, Nigeria, Serbia and Thailand are among the major recipients of Germany's flows in the developing world.

Remittance reliance

Turkey is the most reliant on remittances from Germany, receiving 48 per cent of its flows. The next most reliant is Kosovo, with 35 per cent.

Market competition

Competition is limited, partly due to the presence of informality in some key corridors and expensive costs.

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
Poland	2,328	–	–	1,147
Lebanon	969	16.3	19	67
Hungary	952	–	–	105
Czech Republic	720	–	–	111
China	647	12.9	15	74
Viet Nam	647	–	–	106
Nigeria	643	14.1	15	23
Serbia	632	11.8	20	190
Turkey	544	8.5	25	1,544
Thailand	533	–	–	71
Other	5,471			3,567
Total	**14,086**	Average **8.4**	**60**	**7,005**

Leading corridors

Germany's main corridors are Poland, Lebanon, Hungary, Czech Republic, China, Viet Nam, Nigeria and Serbia, with more than 600 million remittances every year.

RSPs

The money transfer industry in Germany has a large presence of more than 25 RSPs that include a number of banks and MTOs plus the postal bank.

RSPs by type, number of countries served and 2014 cost of sending US$200

<table>
<tr><th>Company</th><th>RSPs type</th><th>Receiving countries</th><th>Cost (%)</th></tr>
<tr><td>Deutsche Bank</td><td rowspan="4">Bank</td><td>13</td><td>26.4</td></tr>
<tr><td>HypoVereinsbank</td><td>9</td><td>25.8</td></tr>
<tr><td>Isbank (to Turkey)</td><td>1</td><td>4.4</td></tr>
<tr><td>Ziraat Bank International (to Turkey)</td><td>1</td><td>3.9</td></tr>
<tr><td>Small World FS-LCC</td><td rowspan="9">MTO</td><td>2</td><td>15.9</td></tr>
<tr><td>Contact D</td><td>4</td><td>10.7</td></tr>
<tr><td>MoneyGram</td><td>13</td><td>9.9</td></tr>
<tr><td>Western Union</td><td>13</td><td>9.2</td></tr>
<tr><td>Ria</td><td>13</td><td>8.9</td></tr>
<tr><td>Azimo</td><td>13</td><td>5.4</td></tr>
<tr><td>Skrill (to Romania)</td><td>1</td><td>4.4</td></tr>
<tr><td>Transferwise</td><td>3</td><td>1.3</td></tr>
<tr><td>Postbank</td><td>Post</td><td>13</td><td>3</td></tr>
</table>

Cost

Germany's cost for transferring money is above Europe's average (average 8.4 per cent vs. 7.3 per cent for Europe), associated to banks offering only the SWIFT service. However, MTOs are also expensive, charging on average over 8.3 per cent to send US$200. The outstanding exceptions are those MTOs that offer online services: Transferwise (1.3 per cent), Skrill (4.5 per cent) and Azimo (5.5 per cent). Lowered costs from Germany are observed for Romania and Turkey.

France

Market profile

Remittances to the developing world (US$ million)	10,531
Migrants ('000)	5,230
Average cost to send US$200 (Q4 2014) (%)	10.7
MTO average cost (%)	7.4
Remittance service providers (RSPs) in the market	19
Remittance outflows as per annual GDP per capita (US$)	160
Remittances as per annual GDP per capita (%)	0.38

France sends US$10 billion to developing countries. North Africa and sub-Saharan countries are the most reliant.

Top-receiving countries

Morocco, Algeria and Tunisia receive 49 per cent of France's flows in the developing world. Other remittance countries receiving important flows from France include China, Viet Nam, Lebanon and Senegal.

Remittance reliance

Algeria, Comoros and Madagascar rely greatly on France for remittances as they receive over 80 per cent of flows from France.

Market competition

MTOs are competing besides banks offering cash-to-cash/account services to attract a larger number of nationalities.

Leading corridors

The three distinct corridors from France are North Africa, the Middle East and the two largest countries in Asia (China and India).

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
Morocco	2,138	9.8	21	928
Algeria	1,654	13.6	15	1,456
Tunisia	1,359	11.6	18	395
China	584	14.7	18	91
Viet Nam	563	14.3	16	128
Lebanon	508	-	-	47
Senegal	463	11.3	18	115
Madagascar	377	-	-	120
India	234	12.4	20	48
Serbia	213	–	–	75
Other	2,439			1,828
Total	**10,531**	Average **10.7**	**60**	**5,230**

Products

With some exceptions, banks continue to offer SWIFT services over cash/account-to-cash transactions, thus making the cost of sending US$200 from 18 per cent to as high as 27 per cent.

RSPs

Intermediation of money transfers is predominantly handled by more than 15 RSPs. Among those, MTOs continue to dominate the market.

RSPs by type, number of countries served and 2014 cost of sending US$200

Company	RSPs type	Receiving countries	Cost (%)
Credit Agricole	Bank	11	27.0
Banque Populaire		11	19.3
Banque Chaabi de Maroc		1	7.1
Attijariwafa Bank (to Morocco)		2	1.1
Caisse D'Epargne I'lle de France	Credit Union	11	18.1
MoneyGram	MTO	11	10.4
Ria		11	8.7
Western Union		11	7.4
Paytop		3	3.9
Transferwise (India)		1	0.9
Xendpay		5	0.4
La Poste	Post		10.2
La Poste – Western Union		11	12.4

Cost

France has one of the most expensive transfer costs (average 10.7 per cent), and costs to Asia are the highest. The corridor with Morocco has costs below average (9.8 per cent), and online services are the lowest (4.4 per cent). In the past five years, average prices have declined the most among MTOs (currently at 6 per cent), which are most attractive to remittance senders. The cheapest one is Xendpay (online MTO) at 0.40 per cent, while MG is the most expensive at 10.4 per cent. The most notable differences among banks are Attijariwafa Bank, offering transfers to two countries at 1.1 per cent, while Credit Agricole charges 27 per cent.

Italy

Market profile

Remittances to the developing world (US$ million)	10,433
Migrants ('000)	4,659
Average cost to send US$200 (Q4 2014) (%)	6.7
MTO average cost (%)	7.1
Remittance service providers (RSPs) in the market	24
Remittance outflows as per annual GDP per capita (US$)	173
Remittances as per annual GDP per capita (%)	0.48

Italy transfers more than US$10 billion in remittances to the developing world.

Top-receiving countries

China, Romania, Nigeria, Morocco, India and the Philippines are among the major recipients and represent 50 per cent of the flows from Italy.

Remittance reliance

Albania and Romania rely on flows from Italy for over 30 per cent of all of their remittances received from Europe.

Market competition

Market for money transfers has at least 24 known RSPs, the large majority of which are MTOs.

Leading corridors

China, Romania, Nigeria and Morocco receive a similar flow of US$1 billion each.

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
China	1,171	14.7	5	185
Romania	1,005	5.5	23	1,008
Nigeria	962	9.2	9	48
Morocco	959	7.4	13	425
India	571	5.1	13	120
Philippines	565	6.1	23	130
Egypt, Arab Rep.	554	-	N.A.	103
Albania	404	7.2	15	450
Tunisia	392	-	N.A.	116
Moldova	382	7.3	10	151
Other	3,468			1,923
Total	**10,433**	Average **6.7**	**24**	**4,659**

RSPs

Some banks offer low transfer costs. One reason is that there are several foreign banks operating in remittance transfers. But some national banks also offer lower costs than MTOs in certain corridors.

RSPs by type, number of countries served and 2014 cost of sending US$200

Company	RSPs type	Receiving countries	Cost (%)
Unicredit Banca	Bank	9	8.2
Banca di Credito Cooperativo (to Moldova)		1	7.1
Banca Intesa SanPaolo		7	3.9
ICICI Bank (to India)		1	0.9
MoneyGram	MTO	13	8.5
Western Union		13	7.7
Ria		12	6.1
WorldRemit		1	7.9
Metro Remittance		1	3.3
Transferwise		2	1.2
Poste Italiane – Money Gram	Post	12	8.4
Poste Italiane – Eurogiro		4	7.8

Cost

Globally, costs remain above the European average with differences among corridors. Average cost to remit in 2014 was 6.7 per cent, with China showing the highest cost and India, Romania and the Philippines the lowest.

Products

Online transfer services have the lowest costs, below 5 per cent.

Spain
Market profile

Remittances to the developing world (US$ million)	9,610
Migrants ('000)	4,828
Average cost to send US$200 (Q4 2014) (%)	5.8
MTO average cost (%)	5.8
Remittance service providers (RSPs) in the market	17
Remittance outflows as per annual GDP per capita (US$)	206
Remittances as per annual GDP per capita (%)	0.68

Outflows originating from Spain amount to US$9.6 billion. Spain's migrant population comes mainly from Morocco, Romania and the five Andean countries: Ecuador, Colombia, Peru, Bolivia and Venezuela.

Top-receiving countries
A variety of countries from different regions receive 57 per cent of flows: Morocco, China, Ecuador, Romania, Nigeria and Colombia.

Remittance reliance
The most reliant countries from Spanish remittances are Ecuador (38 per cent), Gambia (28 per cent) and Argentina, Morocco, Venezuela, Uruguay, Romania and Bolivia with an average of 24 per cent.

Leading corridors
Morocco receives US$1.7 billion transfers from Spain, while China and Ecuador each receive about US$1 billion per year.

Top 10 receiving countries

Countries	Remittances (US$ million)	Average cost (%)	Number of RSPs	Migrants ('000)
Morocco	1,719	6.7	12	746
China	1,065	11.1	4	161
Ecuador	954	4.9	12	451
Romania	792	4.1	10	798
Nigeria	706	-	N.A.	37
Colombia	625	6.5	11	359
Dominican Republic	494	3.1	7	14
Peru	352	5.9	8	190
Bolivia	268	-	N.A.	185
Senegal	215	-	N.A.	59
Other	2,420			1,828
Total	**9,610**	Average **5.8**	**17**	**4,828**

Market competition
The marketplace for remittance intermediation is quite competitive and includes money transfer operators, banks and credit unions. This trend is particularly significant in the key remittance corridors mentioned above.

RSPs by type, number of countries served and 2014 cost of sending US$200

Company	RSPs type	Receiving countries	Cost (%)
BBVA Dinero Express	Bank	5	6.0
Santander Envíos		8	3.8
La Caixa	Credit Union	2	7.0
Caja Madrid (to Ecuador)		1	4.5
MoneyGram	MTO	10	8.1
Ria		8	6.4
Western Union		11	5.9
Telegiros		10	5.5
Money Exchange		8	4.5

RSPs
There are at least 17 RSPs offering services, among which MTOs are the leaders, as well as some banks (e.g. Santander Envíos). These RSPs compete among each other and in a wide range of services. Most of these RSPs are located throughout the country, and their services are relatively competitive when it comes to pricing.

Cost
The average cost is 5.8 per cent. After years of relatively unchanging pricing, these costs dropped in 2014, partly due to increases in competition, business consolidation and the recession itself.

Annex 2: Flows from Europe to the world and remittances as percentage of GDP

Africa

Country	Remittance flows from Europe (US$ million)	Country	Remittances as percentage of GDP (%)
Nigeria	7,412	Comoros	16.3
Morocco	6,168	Gambia	14.9
Tunisia	2,057	Senegal	7.0
Algeria	1,850	Cabo Verde	6.4
Egypt	1,398	Morocco	5.9
Senegal	1,037	Sao Tome and Principe	5.3
Kenya	617	Tunisia	4.4
Madagascar	397	Madagascar	4.1
South Africa	388	Guinea-Bissau	3.1
Uganda	340	Liberia	1.8

Asia and the Pacific

Country	Remittance flows from Europe (US$ million)	Country	Remittances as percentage of GDP (%)
China	6,297	Tajikistan	39.0
India	5,747	Kyrgyzstan	29.1
Uzbekistan	5,588	Uzbekistan	9.8
Tajikistan	3,314	Sri Lanka	2.2
Philippines	2,162	Tuvalu	1.9
Pakistan	2,140	Mongolia	1.2
Kyrgyzstan	2,104	Viet Nam	1.2
Viet Nam	2,040	Nepal	0.9
Thailand	1,649	Pakistan	0.9
Sri Lanka	1,500	Philippines	0.8

Latin America and the Caribbean

Country	Remittance flows from Europe (US$ million)	Country	Remittances as percentage of GDP (%)
Ecuador	1,211	Jamaica	2.0
Colombia	909	Haiti	1.5
Brazil	871	Ecuador	1.3
Dominican Republic	761	Dominican Republic	1.2
Peru	668	Bolivia	1.0
Bolivia (Plurinational State of)	316	Honduras	1.0
Jamaica	293	Dominica	1.0
Argentina	234	Guyana	0.7
Mexico	193	St. Lucia	0.6
Honduras	182	Grenada	0.5

Near East and the Caucasus

Country	Remittance flows from Europe (US$ million)	Country	Remittances as percentage of GDP (%)
Lebanon	2,506	Armenia	16.7
Georgia	1,770	Georgia	11.0
Armenia	1,747	Lebanon	5.7
Azerbaijan	1,324	Azerbaijan	1.8
Turkey	947	Jordan	0.6
Jordan	187	Turkey	0.1
Syrian Arab Republic	84	Yemen, Rep.	0.2
Yemen, Rep.	60		
Iraq	57		
State of Palestine	7		

Methodology

This report is the fourth in the Sending Money Home series. The reports are intended to provide policymakers, market players and regulators with an overview of the basic information regarding the most important topics facing the region's remittance marketplace.

This report is the product of a research process involving several primary and secondary sources.

The information used comes from a combination of desk reviews, interviews with key players in the market, surveys conducted in the field and data from central banks, IFAD, the International Monetary Fund, the World Bank, United Nations population, migration and refugees statistics.

These are the main sources used in each section:

Population

- United Nations, Population Division. Trends in International Migrant Stock: Migrants by Destination and Origin. 2013
- United Nations Refugee Agency – UNHCR.
- World Bank. International Migrant Stock. GDP and Population Figures. 2013

Remittance flows and markets

- World Bank. Bilateral Remittances Matrix. 2014
- World Bank. Country and Lending Groups. 2015
- World Bank. Remittance Prices Worldwide. Issue 12. 2015
- Informal flows: Marjan Petreski, Branimir Jovanoci, 2013; UNDP 2012
- Turkey: Giulia Bettin, Seçil Paçacı Elitok and Thomas Straubhaar. Causes and Consequences of the Downturn in Financial Remittances to Turkey: A Descriptive Approach. Hamburg University Press. 2012

Regulatory framework

- IFAD. Interviews with compliance officers and CEOs of major MTOs and banks. Interviews focused on the general regulatory environment, company compliance operations and current challenges. 2015
- European Commission. Remittances for Developing Countries, Remaining Barriers, Challenges and Recommendations. 2012
- European Commission. Commission Staff Working Document Impact Assessment. 2013
- EUR-Lex. Access to European Union law.
- Central Bank websites.

Financial inclusion

- World Bank. Findex. 2009 and 2014
- International Monetary Fund. Financial Access Survey. 2013

Country profiles

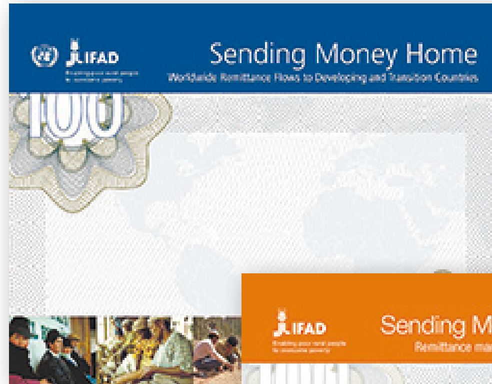
- World Bank. Remittance Prices Worldwide. 2015: list of the RSPs most representative in the market; corridors covered by RSPs.

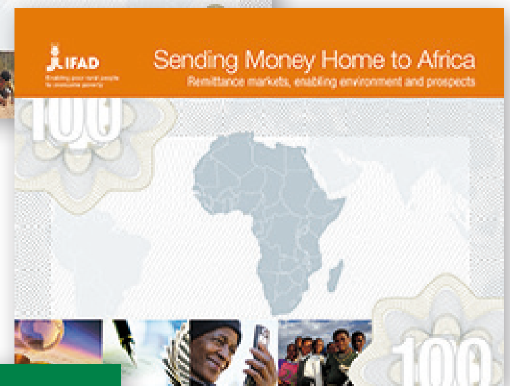
Cost methodology

- Regional and national cost average calculations were made using WB RPW methodology.
- Individual corridors cost averages used in the report include all transparent and non-transparent RSPs.

Sending Money Home publications

In 2007, the FFR's *Sending Money Home* report provided the first-ever estimates of worldwide remittances to developing countries. Since then, the FFR periodically releases new studies under the title *Sending Money Home*, focusing on central issues affecting remittances from both a global and regional perspective, and stressing the impact of remittances in the developing regions of the world. *Sending Money Home* provides comparative indicators to measure the importance of remittances among regions and subregions, and highlights their potential to stimulate local economic activity. The studies also review regulatory and remittance market issues and latest trends in financial intermediation, as in the case of *Sending Money Home to Africa* and *Sending Money Home to Asia* publications of 2009 and 2013, respectively. Find the reports here: www.ifad.org/remittances/publications.htm





For more information, please visit:
www.remittancesgateway.org
www.ifad.org/remittances

International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: ifad@ifad.org
www.ifad.org
www.ifad.org/remittances
www.ruralpovertyportal.org
ifad-un.blogspot.com
www.facebook.com/ifad
instagram.com/ifadnews
www.twitter.com/ifadnews
www.youtube.com/user/ifadTV

Download the report here:
www.ifad.org/remittances/pub/
money_europe.pdf

ISBN-978-92-9072-579-4
9 789290 725794
June 2015