

# Sending Money Home – The Role of Remittances in Sida Partner Countries<sup>1</sup>

The aim of this [Development Economics Brief](#) is to take a closer look at remittances, with a focus on inflow of remittances to Sida partner countries.<sup>2</sup> It introduces key concepts, overall trends, explores links to poverty reduction, presents and analyses data from relevant geographical contexts, and finally concludes on some of the main challenges, possible ways forward and the potential role of development cooperation. This can inform Sida's and other development organisations work with remittances, as one of the most important, and perhaps less explored, financial flows for poverty reduction.

## Introduction

Human migration movements are believed to have started in Africa 70.000 to 40.000 years ago. While the wish to send resources back home has always existed, the means of doing so has developed over time. During the last couple of centuries, there are signs of early forms of sending money such as the *Sakk*, early paper money and bank notes, mainly to convene long-distance trading. But it was not until the 19<sup>th</sup> century invention of the telegraph and wire system, that money transfers really rose to the scene and are today widely used mainly based on modern

digital systems and platforms.<sup>3</sup> Today remittances are mainly generated when migrants work abroad and transfer part of their income to support family members in their countries of origin. While there are many forces behind migration decisions<sup>4</sup>, one is related to high between-country inequality – with major differences in economic opportunities in different labor markets in richer vs poorer countries. Since between-country inequality is rising, migration due to economic incentives is likely to continue also in the coming years.

Today, the global volumes of remittances are massive and growing. In the last decade it is estimated that migrants have sent over \$5 trillion in remittances to low- and middle income countries (LIC/MICs). This is almost twice of Africa's entire GDP, exceeding both Official Development Assistance (ODA) and Foreign Direct Investments (FDI) levels, making it the largest external financial inflow in developing countries.<sup>5</sup> Despite their size and potential development and poverty reduction impact, remittances rarely receive the level of attention that their economic significance warrants. Important questions such as how remittances help fight poverty in practice and what donors can do to facilitate positive outcomes, therefore continue to remain underexplored.

On the international scene remittances were highlighted in the Sustainable Development Goals (SDGs) in 2015, with a specific target – 10.c under SDG goal 10 on reduced inequalities – which commits us to reduce the transaction costs of remittances to less than 3 per cent. Studies have shown that remittances could have positive effects on up to ten SDGs at a household, local, national and international level.<sup>6</sup> Remittances positive role have also been highlighted in the Global Compact for Safe, Orderly and Regular

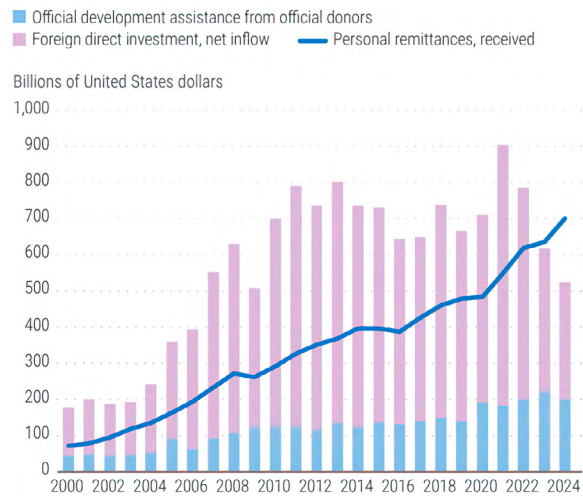
1 Authors: Love Theodossiadis, Anzee Hassanali, Linda Alejandrina Norrliid with valuable contributions from Elina Scheja, Jenny Krisch, Costanza Vera Larrucea, Måns Fellesson, Suzanne Planchard Ermelinda Xhaja, Therese Andersson and Johan Romare.  
2 In this brief, [remittances](#) refer to international remittances or money transfers that are sent from individuals/migrants working in one country sending money via digital or non-digital means back to families and friends in origin countries. For feasibility reasons, we choose a narrower scope that only looks at external inflows of remittances into regions/countries, which, excludes within-country remittances/money transfers, remittances outflows (apart from main remittances sending countries being mentioned) and countries where remittances might be of even higher importance. Data and graphs cover overall aggregated global and regional trends, but mainly Sida partner countries (SPCs), counted as countries where Sida had an bilateral strategy for the last year data is available for.  
3 [Caroline Delbert, 2022, "How Humans Have Sent Each Other Money Throughout History"](#)  
4 [Jørgen Carling, 2024, "Why Do People Migrate? Fresh Takes on the Foundational Question of Migration Studies"](#)  
5 [United Nations \(UN\), retrieved 2026, "International Day of Family Remittances"](#)  
6 IFAD, 2017, ["Remittances, investments and the Sustainable Development Goals"](#)

Migration (GCM, mainly objective 20) endorsed by the United Nations General Assembly (UNGA) in 2018. Remittances were also given renewed attention in the [Sevilla Commitment](#), endorsed by UNGA in 2025, committing to redouble efforts to reduce transaction costs, promote a competitive remittance market, digital solutions, financial inclusion and productive use of remittances within a conducive enabling environment.<sup>7</sup>

## 1. OVERALL REMITTANCES TRENDS

International Fund for Agricultural Development (IFAD) estimates that over 200 million migrants and diaspora members support over 800 million people through remittances.<sup>8</sup> In 2024, officially recorded remittance flows to low- and middle-income countries reached almost \$700 billion – a 10 per cent increase from 2023. Since 2022 remittances have also outperformed both FDI and ODA combined, standing at just over \$500 billion in 2024, making remittances the most important external financial flow into LICs/MICs (see figure 1). Since year 2000, remittances have continued to grow rapidly, proven also to be less volatile and more resilient compared to both FDI and ODA. Remittances are expected to grow in the years to come, with an additional \$4.4 trillion expected to be sent from 2025 until 2030.<sup>9</sup>

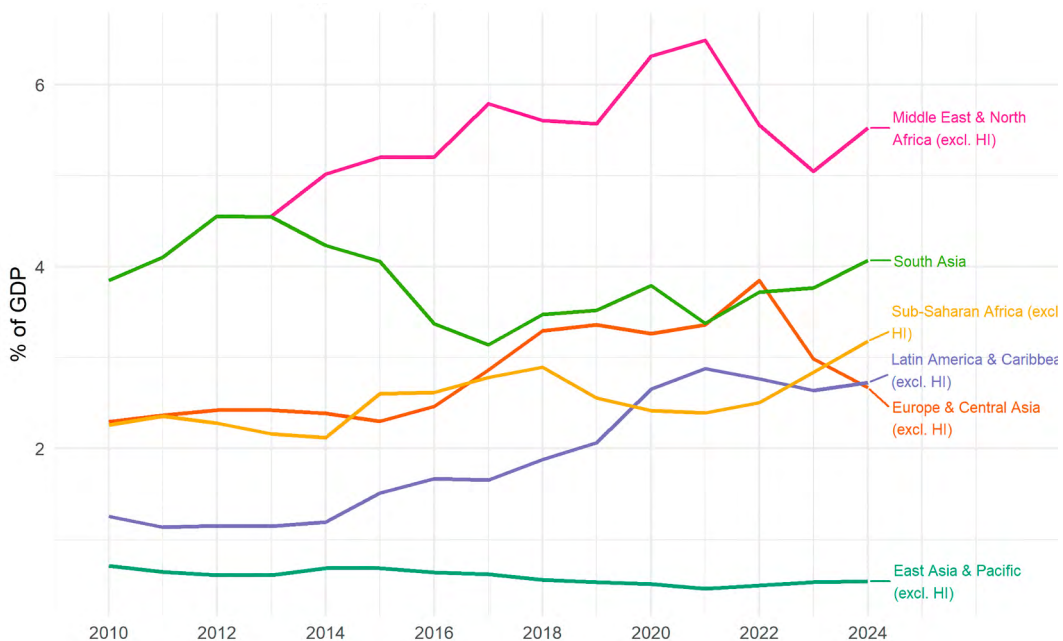
Figure 1. Remittances, official development assistance and foreign direct investment flows to low- and middle-income countries



Source: [UNDESA 2025](#), “[Developments in global remittance flows and implications for sustainable development](#)” based on the WDI/OECD

**The importance of remittances measured as share of GDP varies across regions and over time.** Middle East and North Africa (MENA) is the region with the highest remittance-to-GDP ratio, followed by South Asia (SA) and Sub-Saharan Africa (SSA). Remittances as a share of GDP have increased in importance in all regions except East Asia and Pacific (EAP) and Europe and Central Asia (ECA) during the last 15 years (see figure 2).

Figure 2. Regional Trends (Excluding High Income): Remittances as % of GDP (2010-2024)



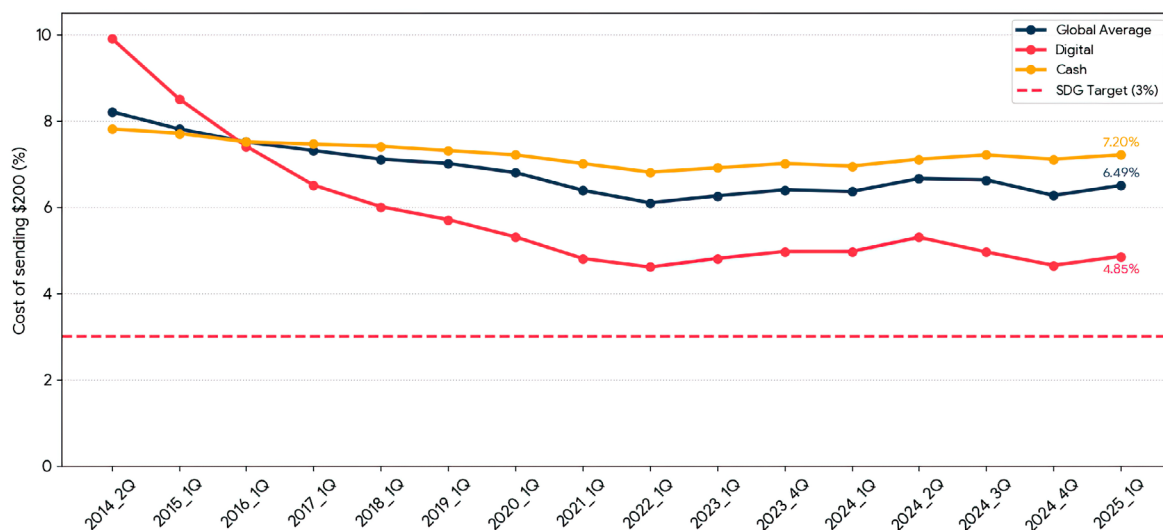
Source: World Bank, [World Development Indicators \(WDI\)](#)

<sup>7</sup> While this is not a legally binding document, it does provide an international agreed comprehensive framework for addressing and collaborating around FFD and SDG related challenges – including remittances.

<sup>8</sup> [IFAD, 2025, “15 reasons remittances matter”](#)

<sup>9</sup> UN, retrieved 2026, “[International Day of Family Remittances](#)”

Figure 3. Trends in the global cost of sending \$200 in remittances



Source: World Bank, 2025, "Remittance Prices Worldwide"

For many developing countries, the scale of remittances make them macro-critical for macro-economic stability as a stable and large inflow of foreign exchange and a booster of government revenue.<sup>10</sup> In some countries remittances can account for as much as 20-40 per cent of GDP, in 30 countries they exceed 10 per cent of GDP and in over 77 countries they exceed 3 per cent of GDP.<sup>11</sup> When looking at the main recipient countries in relative terms — that is, remittances as a share of GDP — the top five recipients in 2023 were smaller economies: Tonga (41%), Tajikistan (39%), Lebanon (31%), Samoa (28%) and Nicaragua (27%).<sup>12</sup> When looking at absolute amounts, the top five recipient countries were: India (\$120 billion), Mexico (\$66 billion), China (\$50 billion), the Philippines (\$39 billion) and Pakistan (\$27 billion).<sup>13</sup> India has been the world's largest remittance recipient in absolute amounts since 2008.<sup>14</sup>

The transaction costs of remittances are monitored as a part of SDG framework, where the target was set to a maximum cost of 3 per cent to send \$200 by 2030 (global average). After a continuous reduction between 2015-2021 – mainly due to rapid reduction in the cost of digital remittances – the global average cost has risen again during the last four years. In early 2025, the global average transaction cost was more than double the SDG target at 6.49 per cent (see figure 3). This SDG target will most likely not be reached. A paper from 2024 shows that a reduction of transaction costs down to the SDG target could generate an additional \$32bn in remittances, which is higher than the direct cost savings from lower transaction costs, thus suggesting an absolute elasticity greater than one.<sup>15</sup>

**The cost of sending remittances varies significantly across regions.** In 2024, Sub-Saharan Africa had the highest average cost for sending \$200, followed by Europe and Central Asia. South Asia remains the region with the lowest costs (see figure 4).

10 ISS African Futures, last updated 2026, "Financial Flows"

11 IFAD, 2025, "15 reasons remittances matter"

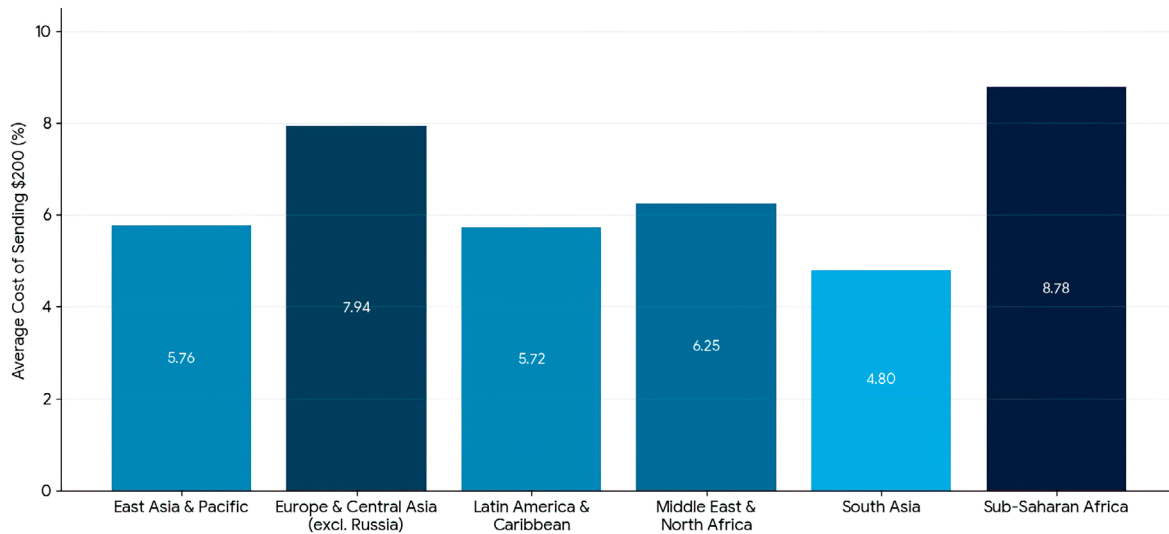
12 World Bank, 2024, "Migration and Development Brief 40"

13 Ibid.

14 Ibid.

15 Kpodar & Imam, 2024, "How do transaction costs influence remittances?"

Figure 4. Average costs by region of the world

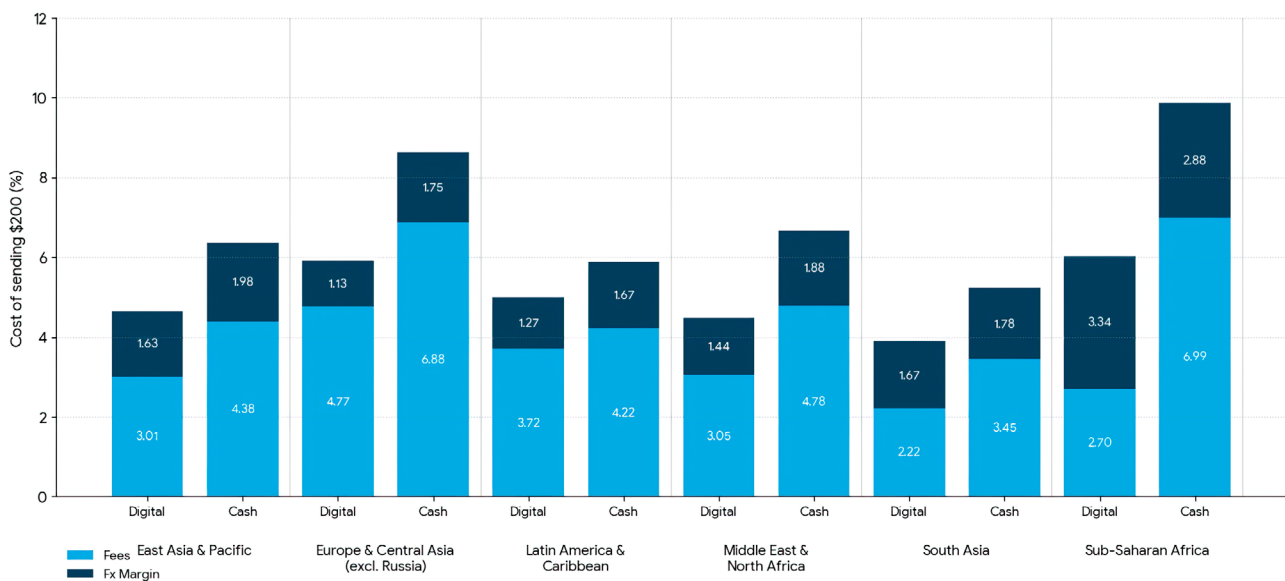


Source: World Bank, 2025, "Remittance Prices Worldwide"

**The average cost can be broken down to both fees and foreign exchange (FX) margins.** The fee for cash services is the highest in the world in SSA and the main driver of higher costs there. Fees for digital services are surprisingly the highest in the world in ECA. The highest FX margins in the world, for both cash and digital services, can be found in SSA which also explains the higher costs there (see figure 5). The causes for this are both regulatory and structural. While mobile money – i.e. digital solutions like telecom mobile wallets – has significantly reduced remittance transaction costs and will likely continue

to do so, its impact is limited by underdeveloped licensing regimes on one hand<sup>16</sup> and the interoperability of funds across banks, mobile money and informal channels on the other.<sup>17</sup> For example, the licensing regulations of several SSA countries does not cover mobile money enterprises which causes an uncoordinated system of financial entities necessitating separate licenses, complicating transaction chains and ultimately increasing barriers to entry.<sup>18</sup> In addition, many countries control capital outflows rigorously due to foreign exchange shortages – a measure that ultimately increases FX margins.<sup>19</sup>

Figure 5. Average costs by region: cash vs digital services



Source: World Bank, 2025, "Remittance Prices Worldwide"

16 GSMA, 2026, "Mobile Money: Driving affordable and resilient international remittances at scale"  
 17 Ricci et al., 2025, "Digital Payment Innovations in Sub-Saharan Africa"  
 18 GSMA, 2026, "Mobile Money: Driving affordable and resilient international remittances at scale"  
 19 Ricci et al., 2025, "Digital Payment Innovations in Sub-Saharan Africa"

There are several remittances service providers (RSPs), but also informal channels. The main formal channels are banks, money transfer operators (MTOs like Western Union and MoneyGram), mobile operators and post offices. Since 2016, mobile operators have been able to provide the most competitive prices for sending remittances, followed by MTOs who have slowly and gradually reduced their prices. Both post offices and banks have actually increased their prices on average over time since 2012 (see figure 6 on the next page). While intermediaries are needed, the lower the cost of transaction could be, the higher amount will arrive on the receiving end. According to Kpodar & Imam, between 5-15 per cent of remittances are “lost” due to fees, exchange rate margin and other costs, depending on the country and the amounts sent home.<sup>20</sup> Two of the main forces behind high transaction costs are lack of competition, that fail to put pressure on fees, and limited price transparency where FX costs are sometimes hidden in FX margins.<sup>21</sup>

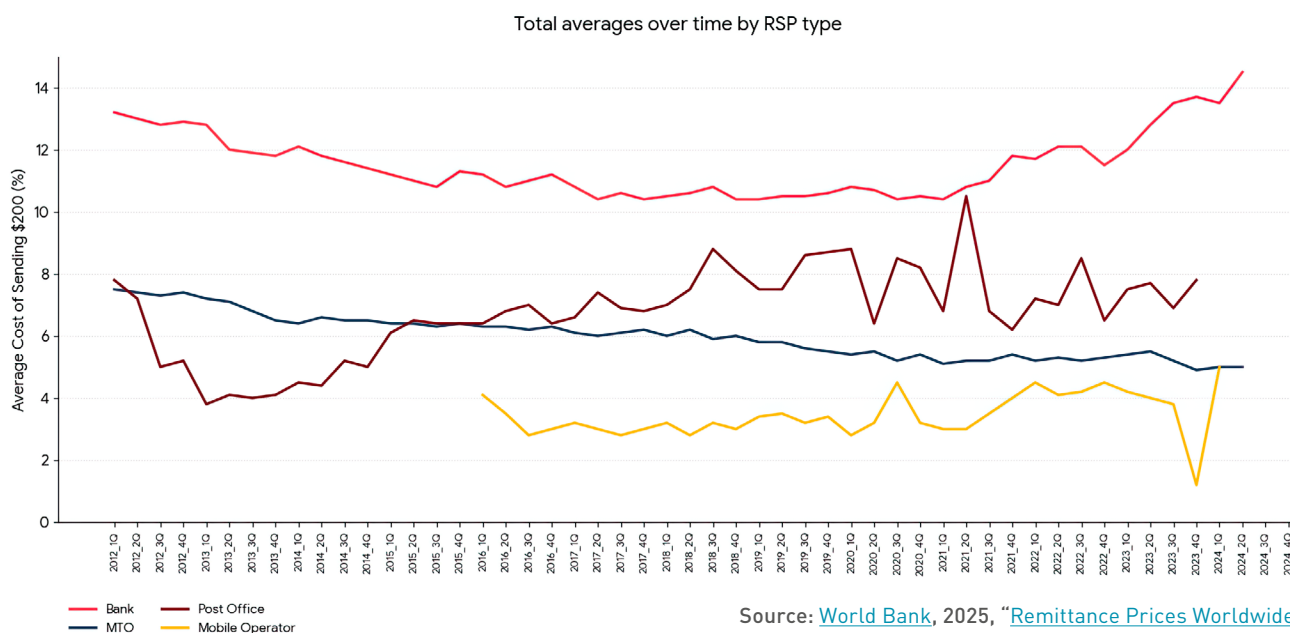
## 2. MAIN LINKS BETWEEN REMITTANCES AND POVERTY REDUCTION

As the main external financial flows into developing countries in the last couple of years, the potential impact of remittances on poverty, directly and indirectly, in the short as well as the long term, should

not be overlooked. This section summarizes some of the existing evidence on **macroeconomic** vs **household** level impacts of remittances.

**When looking at evidence at the macroeconomic level, the impact is mixed depending on the type of effects one looks at.** Two IMF papers from 2008<sup>22</sup> and 2018<sup>23</sup> find evidence of two potential **negative** effects in a potential “*remittance trap*”: 1) the so called “*Dutch Disease*” effects, where a large inflow of forex – despite having a positive effect on balance of payments – lead to real exchange appreciation, making exports less competitive; and 2) weaker governance where a large influx of remittances keeps the economy afloat, but at the same time reduce the political will for necessary reforms. Both papers also show that remittances do not add significantly to a country’s economic growth. However, when it comes to **positive effects**, the same papers show that remittances can reduce country risk and improve debt sustainability, through an increase in household savings and even government tax revenues; *and* that governments tend to take advantage of improved fiscal positions by consuming and borrowing more. Two World Bank papers from 2013 and 2022 find that remittances contribute to countercyclical effects, reduce growth volatility, help countries adjust to policy shocks, which are important prerequisites for poverty reduction and resilience.<sup>24</sup>

Figure 6. Total average costs over time by type of Remittance Service Provider (RSP)



20 Kpodar & Imam, 2024, “How do transaction costs influence remittances?”

21 Ibid.

22 Chami et al., 2008, “Macroeconomic Consequences of Remittances”

23 Chami et al., 2018, “Is There a Remittance Trap?”

24 World Bank, 2013, “Remittances over the Business Cycle: Theory and Evidence” and World Bank, 2022, “Remittances are a critical economic stabilizer”

**When looking at evidence at the household level, the impact points towards mainly positive effects, where remittances benefit all segment of the population as it boosts household incomes mainly used for necessities, but also used for human capital investments, which reduces poverty in the short- and the long term.** According to IFAD calculations based on global averages, remittances increase with income across the income quintiles (see Table 1 on the next page).<sup>25</sup> However, variances can be found when taking a closer look at country-level evidence, like a IOM study from 2017<sup>26</sup> and a World Bank study from 2015.<sup>27</sup> Countries like Haiti, Vietnam, Mauritius, Mexico and Paraguay showed trends with the poorest segments receiving the highest shares of remittances. Often the distribution of remittance reception was concentrated at each end of the scale, benefitting both the poorest *and* the richest segments/quintiles the most. Remittances thus seem to benefit households in all income quintiles of the population in recipient economies, but vary across countries, most likely due to which segment of the population has migrated. While the poorest segment on average receive a smaller share of the overall remittances volumes, these amounts can be assumed to be of even higher relative importance to poorest households with smaller budgets and fewer income sources.

Table 1. International Remittance Receipt Across the Total Population by Income Quintile

Income Quintile	Share Receiving Remittances
Poorest 20%	13%
Second quintile	14%
Third quintile	17%
Fourth quintile	18%
Richest 20%	21%

Source: IFAD calculations 2025 based on [Global Index Database](#)

**The weight of cross-country evidence points towards meaningful positive effects on poverty reduction from remittances.** A 2025 study by Garcia-Fuentes, Kennedy and Ash assessing 130 developing countries between 1990-2019 found that remittances reduce poverty both directly, by raising household incomes and indirectly by enabling investments in human capital.<sup>28</sup> When households receive more remittances, they tend to spend more on children’s education and healthcare, building skills and productivity that reduce poverty over the longer term and across generations. Quantitatively, a 10 per cent increase in per capita remittances was associated with a 1.3 per cent reduction in poverty levels, a 2 per cent reduction in poverty depth, and a 3.12 per cent reduction in poverty severity. In addition, human capital also decreased poverty level, depth, and severity.<sup>29</sup> This is consistent with the broader literature. The same study cites 14 previous research studies that find that remittances reduce poverty, including Adams and Page from 2005, whose analysis of 71 developing countries found that a 10 per cent increase in per capita remittances led to a 3.5 per cent decline in the share of people living in poverty.<sup>30</sup> This happened mainly by directly increasing household incomes, reducing the depth and severity of poverty, and allowing for increased investment in health and education.<sup>31</sup>

**Regional evidence broadly reinforces this picture, with stronger poverty reducing effects in Asia than in Latin America.** A study on six ASEAN (Association of South-East Asian Nations) countries finds that remittances significantly reduced poverty between 1984-2019.<sup>32</sup> A World Bank paper on remittances in Latin America from 2007 show a more cautious reading.<sup>33</sup> While remittances appeared to lower poverty levels in most recipient countries, the effects were modest and varied significantly between countries in the region with benefits to education and health often restricted to specific segments of the population.<sup>34</sup>

25 World Bank, 2025, "[Global Index Database](#)"

26 IOM, 2017, "[Making mobility work for adaptation to environment changes](#)"

27 World Bank, 2007, "[International migration, economic development & policy](#)"

28 Garcia-Fuentes, Kennedy & Ash, 2025, "[The multiple impact of remittances on poverty in developing countries: Direct effects and through human capital](#)"

29 Ibid. Poverty headcount measures poverty level or the per centage of a country population that lives below the poverty line (\$1.90 a day in 2011 PPP). The poverty gap measures poverty depth, i.e. the average of the difference between the poverty line and the income or expenditure level that is below the poverty line, and it is a per centage of the poverty line. The squared poverty gap measures poverty severity, and it is sensitive to changes in the distribution among the poor.

30 Adams & Page, 2005, "[Do international migration and remittance reduce poverty in developing countries?](#)"

31 Ibid.

32 Nahar, 2025, "[Remittances and poverty in ASEAN](#)"

33 World Bank, 2007, "[The Impact of Remittances on Poverty and Human Capital: Evidence from Latin American Household Surveys](#)"

34 Ibid.

**Evidence from three randomized evaluations suggests that two levers are most promising for increasing remittance volumes and shaping how remittances are spent: reducing transaction costs and increasing migrants' agency over how funds are allocated.** Reducing fees increases both the frequency and total volume of remittances sent. Temporary fee subsidies for migrants from El Salvador and Guatemala<sup>35</sup>, for instance, increased both the number of transactions and overall volumes sent, whereas standalone information campaigns had little measurable effect on sending behavior. Allowing migrants to label or purpose-link transfers – for example designating funds for education or savings – can influence both the amount sent and how recipient households use the funds. In experiments with Filipino migrants<sup>36</sup>, labelling remittances for education increased amounts sent, while more restrictive mechanisms – such as directing payments straight to schools – generated only marginal additional effects. In El Salvador<sup>37</sup>, purpose-linked products shifted household spending towards targeted investments, such as education, even where total remittance volumes did not increase.

**Geography also matters for potential poverty impact. Roughly 40 per cent of the remittances flow to rural households<sup>38</sup>, which tend to have less economic opportunities and fully or partially remain outside the formal financial system.** According to IFAD, rural households commonly make a concerted effort to send a family member abroad as a way to diversify income. Remittance reception serves as an entry point into the formal financial system and enables investments in productive assets like agriculture and microenterprises ultimately cascading and multiplying local economic gain for rural communities.

**The poverty reducing effect of remittances will be determined by individual decisions within households.** It is estimated that on average 75 per cent of remittance flows go towards immediate needs, therefore in a way complementing social safety nets for basic need consumption. The other 25 per cent – an estimated total aggregate of \$100 billion per year – is available for other purposes.<sup>39</sup> One study shows that

remittance have a stronger poverty reducing effect when received by credit constraints entrepreneurs than wage earners.<sup>40</sup> On average, remittances represent up to 60 per cent of recipient families' income, and typically more than double a family's disposable income and help deal with uncertainty, allowing them to build assets.<sup>41</sup> Given this built in dynamic when it comes to remittances compared to other financial flows, within a conducive environment and availability of options, poor households can surely find the best use of incoming remittances.

### 3. THE REMITTANCES LANDSCAPE IN SIDA PARTNER COUNTRIES

This section describes trends in remittance flows to Sida partner countries (SPCs)<sup>42</sup> using five complementary indicators: 1) Remittances inflows as a share of GDP; 2) Total remittance inflows in \$US billions; 3) Remittance transaction costs; 4) Remittances inflows per capita, and 5) Top five sending countries to four selected SPCs. Together, these indicators illustrate both the macroeconomic relevance of remittances and their potential importance for households in SPCs.

**Remittances as share of GDP are high but vary a lot between SPCs**, as illustrated in figure 7 below. In almost half of the SPCs, remittances represent a significant inflow – here defined as above 5 per cent of GDP.<sup>43</sup> **Guatemala, Kosovo, Liberia, Georgia, Bosnia and Herzegovina, and Moldova** stand out with particularly high remittance-to-GDP ratios, exceeding 10 per cent of GDP. This suggests a strong dependence on remittance inflows, reflecting large diaspora populations and long-standing migration patterns. Other SPCs have a remittance-to-GDP ratios above 6 per cent: Zimbabwe, Albania, Serbia, Ukraine and Bangladesh. In the case of Kosovo, Georgia, Bosnia and Herzegovina, Moldova, Albania, Serbia and Ukraine, the countries proximity to EU contributes to high and stable inflows of remittances and enables closer relations between migrants and their communities of origin. EU visa policies also facilitate migration flows from neighboring countries to the EU.

35 Ambler, Aycinena and Yang, 2014, "[Returns to Information and Temporary Discounts on Remittances for Guatemalan and Salvadoran Migrants in Washington DC](#)"

36 Yang and de Arcangelis, 2020, "[The Impacts of Labeling Remittances on Migrants and Their Households in the Philippines](#)"

37 Ambler and Aycinena, 2015, "[Channeling Remittances to Education in El Salvador](#)"

38 FAO, 2018, "[The State of Food and Agriculture: Migration, Agriculture and Rural Development](#)"

39 IFAD, 2017, "[Remittances, investments and the Sustainable Development Goals](#)"

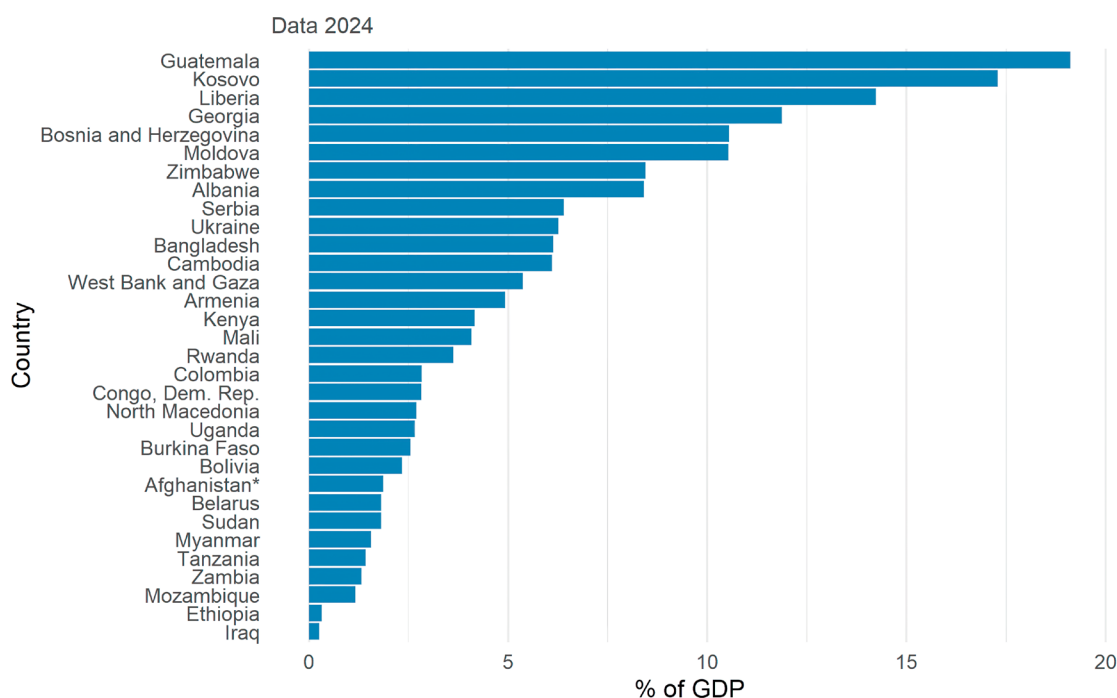
40 Bahadir, Chatterjee and Lebesmuehlbacher, 2018, "[The macroeconomic consequences of remittances](#)"

41 IFAD, 2017, "[Remittances, investments and the Sustainable Development Goals](#)"

42 Sida partner countries (SPCs), counted as countries where Sida had an bilateral strategy for the last year data is available for.

43 Cross-ref to benchmark in figure 2 that shows that no regional average is above 6 per cent of GDP.

Figure 7. Remittance inflows as share of GDP



Source: CET calculations based on [World Bank, WDI](#)

**The volume of remittances inflows – in US\$ billions – are substantial in many SPC,** representing an important source of foreign exchange and comparable to – or sometimes even higher than – other major external financial flows like FDI and ODA (see figure 8). **Bangladesh, Guatemala, Ukraine** and **Colombia** receive remittance inflows well above \$10 billion. Countries that have large diaspora population and live in proximity of countries with substantially higher income levels, seem to have higher volumes of remittances. **Bangladesh** stands out as the largest remittance recipient among SPCs, with inflows exceeding \$25 billion in the most recent year. Bangladesh has one of the largest diaspora in the developing world, who are mainly concentrated in high-income Gulf states, where they often work as contract workers in construction and domestic work, and are able to remit a high share of their earnings back to Bangladesh given low living costs.<sup>44</sup> There are indications that remittances inflows in to Bangladesh in 2023 were even higher than the net incomes from the country’s important garment sector.<sup>45</sup> **Guatemala** is second of all SPCs in terms of total remittances

inflows, and has a large and geographically concentrated diaspora, with approximately 3 million Guatemalans living in the United States<sup>46</sup> – around 17 per cent of its population.. There they benefit from the high US wage floor which translates into substantial per-migrant transfers. **Albania’s** diaspora is approximately 1.6 million people – more than half of its population – where the majority reside in other European countries, mainly EU countries Italy and Greece, that have higher wage levels.<sup>47</sup>

**The size of the recipient country’s economy determines the macroeconomic importance of remittances.** Since the size of the Bangladesh economy is much bigger than other SPC, the relative importance of remittances as share of GDP is lower (see figure 7). Guatemala’s economy, on the other hand, is much smaller which is why it ranks high on both lists. This illustrates how large economies can receive high remittance volumes, important for many households, without being highly dependent on them at the macro level.

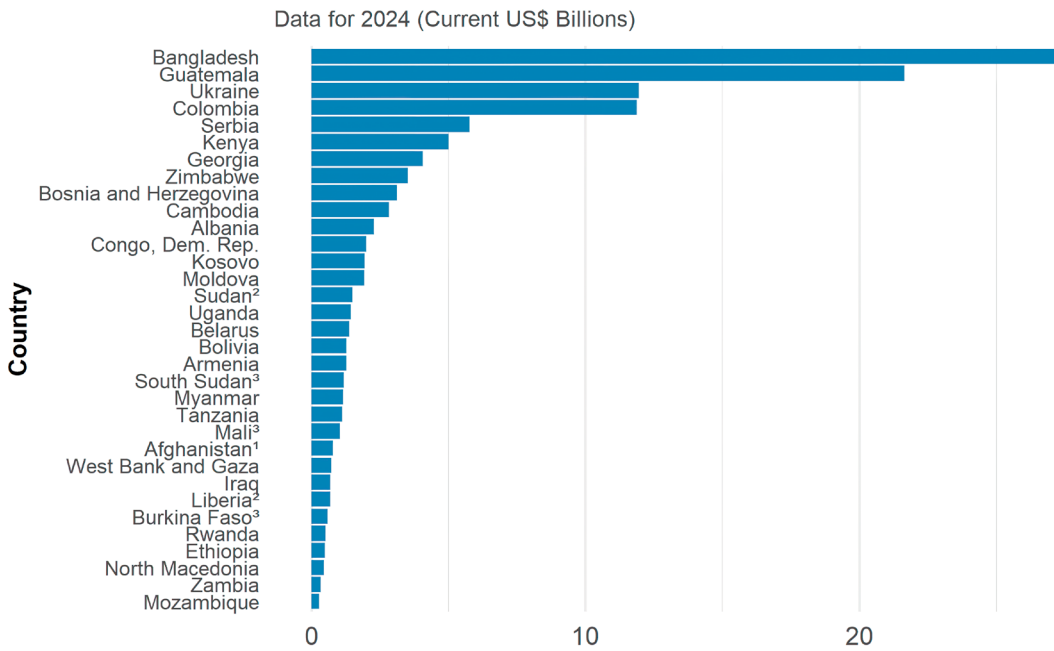
44 IOM, 2024, “[Displacement Tracking Matrix](#)”

45 Farhana & Mannan, 2024, “[Bangladesh’s economic vitality owes in part to migration and remittances](#)”

46 Chaves-González, Jiménez Atochero and Batalova, 2025, “[Guatemalan Immigrants in the United States](#)”

47 It is estimated 1.6 million Albanians living abroad from 2.4 million (Census 2023) the population in the country. Over one-third of Albanian households have at least one member who has lived or is currently living abroad. World Bank, 2024, “[International Migration in Albania: Results from the 2024 Albania Household Migration Survey](#)”

Figure 8. Total remittances inflows in US\$ billions



<sup>1</sup> 2020 | <sup>2</sup> 2022 | <sup>3</sup> 2023 | Others: 2024

Source: Authors' own calculations based on [World Bank, WDI](#)

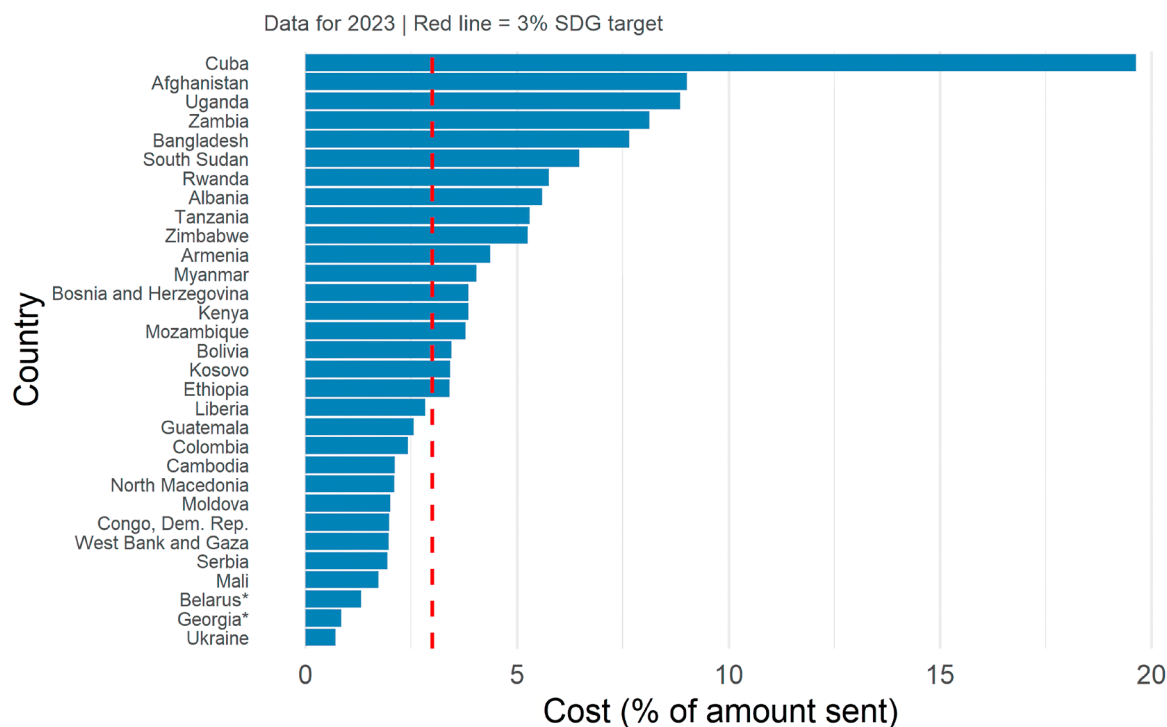
**More than half of SPCs remain above the SDG target of 3 per cent transaction costs** as illustrated in figure 9 above, implying a significant loss of value for remittance-receiving households. Costs are particularly high in **Cuba, Afghanistan, Uganda, Zambia** and **Bangladesh**, where average fees exceed 7–9 per cent. High costs may reflect limited competition among service providers, regulatory barriers, or reliance on cash-based and informal transfer channels. In contrast, **Liberia, Guatemala, Colombia, Cambodia** and **North Macedonia** report average remittance costs closer to or below the 3 per cent target, suggesting more competitive or better-functioning remittance markets. These differences highlight the potential development gains from reducing remittance costs, especially in countries where remittances constitute a large share of household income. Lower costs can directly increase disposable income for recipient households without increasing migration or remittance volumes (see BOX 1).

**BOX 1: High potential impact of lower transaction costs in Bangladesh and Albania**

**Bangladesh:** According to [World Bank data](#), Bangladesh received an estimated \$27.6 billion in remittances in 2023. With an average transaction cost of 7.65 per cent, remittance fees absorbed more than \$2.1 billion. **If transaction costs had met the SDG 10.c target of 3 per cent, around \$1.28 billion per year could have remained with remittance-receiving households.** Reducing remittance costs therefore represents a highly efficient way to increase the development impact of existing private financial flows without mobilising new resources.

**Albania:** Transferring an amount of 1,000 euros to or from Albania used to incur a commission ranging from **10 to 40 euros**. In 2025 Albania became one of the most recent countries to join Single Euro Payment System (SEPA), an initiative of the EU that standardizes cross-border payments, ensuring the same rules, standards and costs across 41 SEPA members, [EEAS](#) reports that the fee for a transfer of this amount is no more than **2 euros**. Through the SEPA, Albanian citizens can now send and receive payments in euros under the same conditions as citizens of EU countries, in terms of fees, processing times, and security standards.

Figure 9. Remittance transaction costs



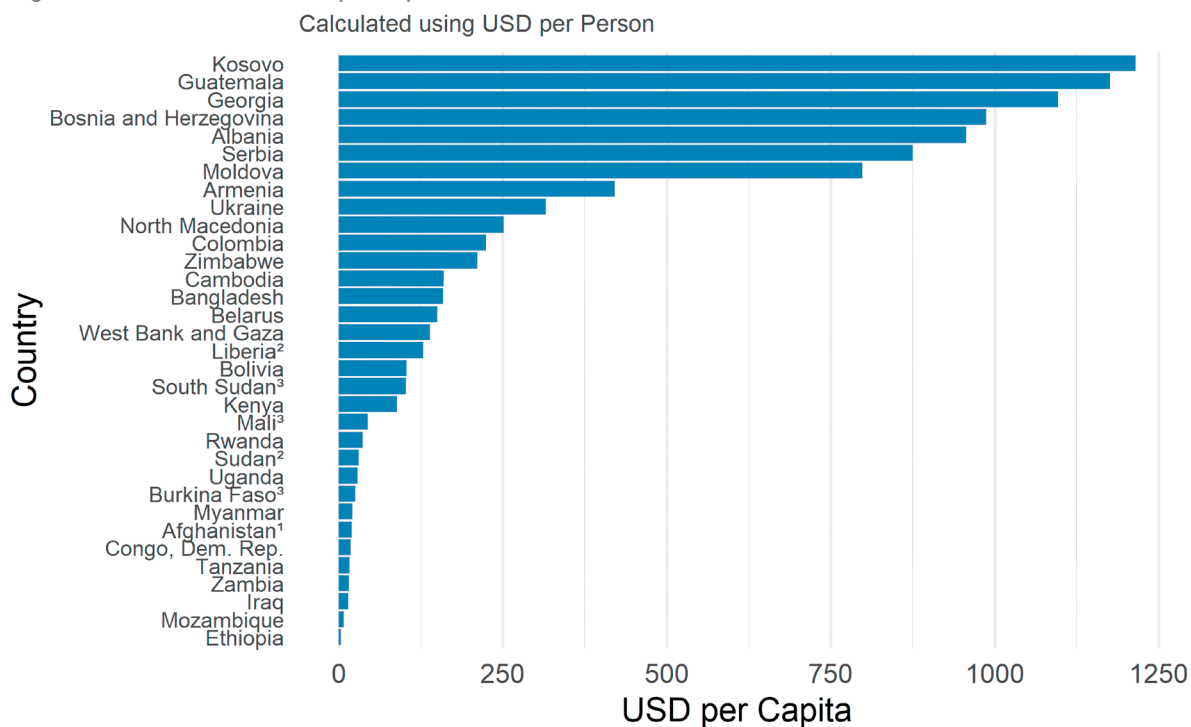
\*Data for Belarus and Georgia is from 2021

Source: Authors' own calculations based on [World Bank, WDI](#)

**Per capita remittance inflows provide an indication of how strongly remittances may impact the household level**, although actual distribution across households in the country varies. Per capita inflows are particularly high – here defined as over \$500 per capita – in **Kosovo, Guatemala, Georgia, Bosnia and Herzegovina, Albania, Serbia and Moldova**, reflecting a combination of high emigration rates and relatively

small populations (see figure 10). In these countries, remittances can represent a substantial supplement to household income for recipient families. Countries such as Kenya and Ethiopia show moderate per capita inflows, while Bangladesh and Cambodia have lower per capita values despite high total aggregated inflows, reflecting larger populations.

Figure 10. Remittance inflows per capita



<sup>1</sup> 2020 | <sup>2</sup> 2022 | <sup>3</sup> 2023 | Others: 2024

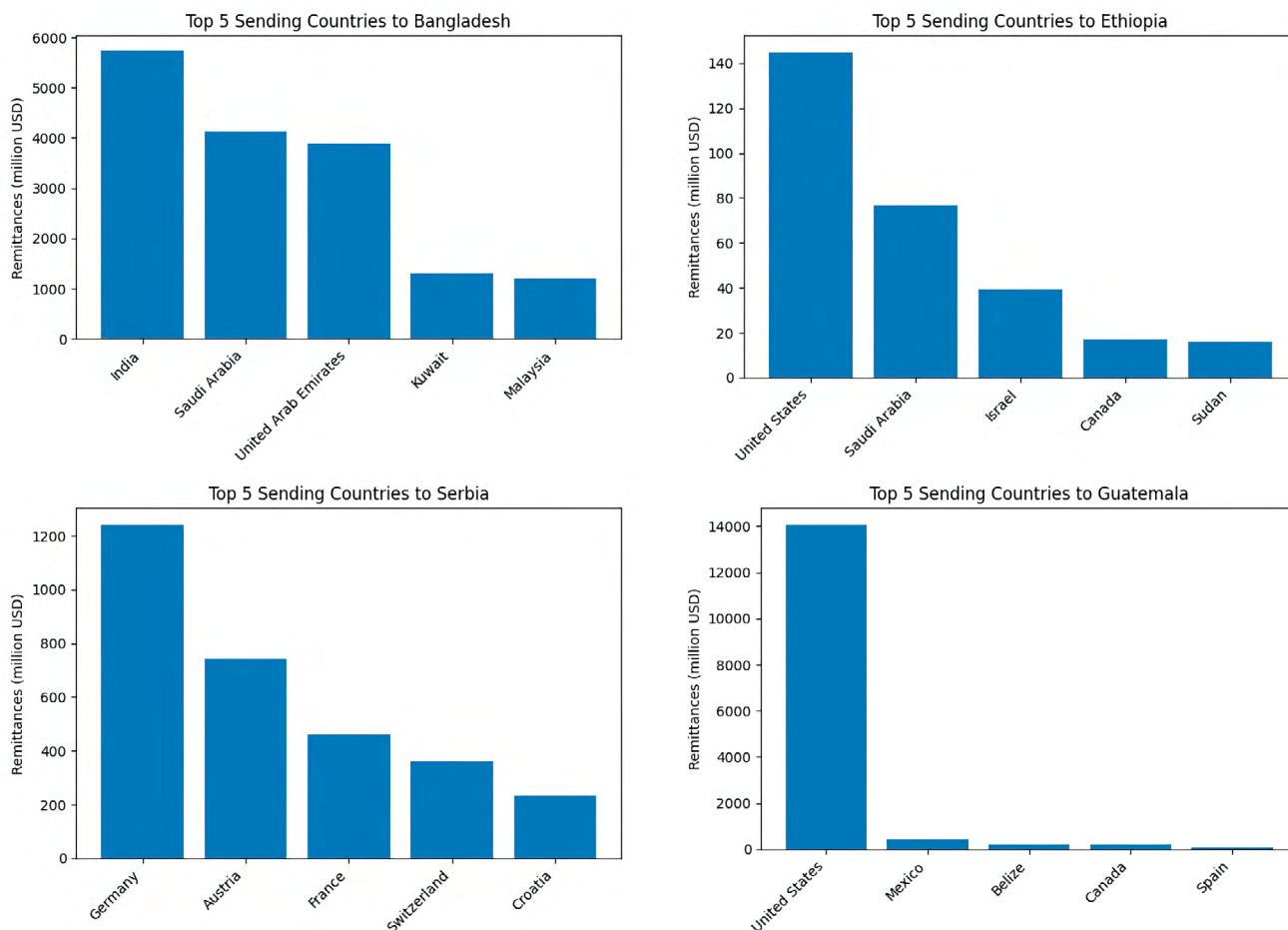
Source: CET calculations based on World Bank, WDI ([Remittance Inflows](#) & [Population](#))

**As argued above, the macroeconomic importance of remittances in terms of their overall volume and size per capita – as well as and transaction costs – and the reasons behind the costs, varies vastly across countries. The explanations are country-specific and require understanding of local circumstances.**

Part of the explanation can sometimes be found in better understanding remittance corridors, here illustrated through four examples of remittance corridors for selected SPCs. The remittance profiles of **Bangladesh**, **Ethiopia**, **Serbia**, and **Guatemala** (see figure 11 on next page) illustrate how migration patterns, regional labor markets, and historical ties shape the geography of financial inflows and how concentrated these inflows often are. **Bangladesh** relies heavily on remittances from the Gulf countries, reflecting large-scale temporary labor migration and high concentration of remittances inflows.

**Ethiopia's** remittances are smaller and more geographically dispersed, originating from long-standing diaspora communities in the United States and from well-established labor-migration corridors to the Gulf. This composition indicates scope for future growth, while also underscoring the predominance of weaker formal transfer mechanisms. In contrast, **Serbia's** inflows are anchored in European labor markets, especially Germany and Austria, benefiting from proximity and relatively stable migration arrangements. **Guatemala** is heavily dependent on remittances from the United States, with limited regional diversification, making remittances large but highly sensitive to US economic and migration policy changes. Together, the four cases highlight how concentration, migration type, and regional integration shape both the size and resilience of remittance inflows.

Figure 11. Deep dive: Top five sending countries to four selected SPCs



Source: CET calculations based on World Bank, “[Bilateral Remittance Matrix](#)”

#### 4. CHALLENGES, WAYS FORWARD AND THE ROLE OF DEVELOPMENT COOPERATION

**Remittances are already one of the most important financial flows in terms of volume, outreach and development impact, with an outlook of continued growth in the coming years.** It is a obvious positive contribution from migration. Remittances are the largest external financial inflow to developing countries, reaching 800 million people, with 40 per cent of flows reaching rural areas and with 75 per cent of flows used for immediate needs. Evidence shows that remittances – under the right circumstances – can need a strong poverty reducing effect at household level, potential to contribute to several other SDGs, and have potential macroeconomic effects that need to be managed. For almost half of SPCs, remittances

levels are above 5 per cent of GDP. But the need for understanding this flow better is urgent, especially in contexts where volumes are larger. Remittances also differ from other financial flows, since they cannot be steered in the same way as other important financial flows such as public finance, development cooperation or private investments. People are free to send money to whomever they choose, and recipients can use the funds for whatever they need. This means that both volume and the impact of the flows will depend on individual decisions rather than government, company or development organizations policies and decisions. But there are challenges that could be tackled to increase the likelihood for a positive development impact from remittances.

## CHALLENGES

This brief identifies **three main challenges** that exist in developing countries, including SPCs, that need to be addressed to further maximize the potential positive impact of remittances:

- 1) high transaction costs,
  - 2) untapped poverty reducing potential, and
  - 3) limited availability of data and analysis.
- 1. High transaction costs for remittances is one of the major constraints to potentially unlock several additional billions for financing for development to developing countries, including for many SPCs.** The potential in transaction cost reduction is the highest in Sub-Saharan Africa – where the average purchasing power is the lowest – but also in Eastern and Central Europe. With less than perfect competition among RSPs in many context and specific remittance corridors, some of the key bottlenecks seem to center around cumbersome licensing regimes, lack of interoperability, inefficient FX regulations with weak price transparency. Weak enabling environment tend to push people into informal options which are less transparent and safe.
  - 2. Untapped poverty reducing potential. While remittances overall are already contributing to poverty reduction, their poverty reducing potential is sometimes constrained by specific contextual factors, both on a macro- and a household level.** On a macro level, in countries where remittances are macro-critical – as it is in several smaller and migration-dependent SPCs – potential negative macroeconomic effects need to be managed. The “*remittance trap*” can have so called “*Dutch disease*” effects that lead to real exchange appreciation and make exports less competitive; potential negative effects on governance as political will for reform weakens, and insignificant contribution to growth. From a household level lens, limited opportunities to make productive use of incoming remittances – such as weak link to domestic access to financial services or investment opportunities – limits its poverty reducing impact. Even

though remittances have proven resilient over time compared to other financial flows, there is a rising risk of geoeconomic and political chocks that could disturb remittances flows in specific regions. Recent examples and remittance dependent countries can be heavily affected when sudden geoeconomic and political chocks come along. Recent examples with negative effects are: the US introduction of stricter migration policies and tax on remittances are likely to affect many [Latin American countries](#); in the same way as many [Asian countries](#) might be affected by reduced remittances from GCC countries due to escalated tensions in the Middle East.

- 3. Limited availability of data and analysis. Despite being one of the most important financial flow, remittances remain chronically under-measured and under-analyzed.** Without reliable information on the volume of remittance flows, who sends and receives them, through which channels, and how they are used, it is difficult to design policies and take decisions that create the pre-requisites that can maximize their macroeconomic and household-level impact. Context matters: the opportunities and risks that remittances present differ depending on migration patterns, economic corridors, demographics, financial systems, interoperability, FX regimes etc. In the absence of data and analysis, both policy makers and market actors will operate in the dark. The evidence gap is at risk of widening further since 2024 when the World Bank discontinued their *Migration and Development Brief* series since their host program [KNOMAD](#) was closed. This brief was the global standard-setter on remittances data and analysis since its start in 2013.

## WAYS FORWARD AND THE ROLE OF DEVELOPMENT COOPERATION

Both domestic and international actors, including country governments themselves, RSPs, market regulators and development organizations, all have a potential role to play in addressing these three challenges. Here are some possible ways forward on what needs to happen followed by the potential role that development cooperation could play.

### 1. Ways forward to reduce transaction costs

Reduction in transaction costs alone has the potential to unlock billions even to individual countries such as the examples of Bangladesh and Albania mentioned earlier in this brief. Reducing transaction costs in key corridors or where they are the highest and purchasing power the weakest holds great promise. There are a number of ways forward that could reduce transactions costs:

- **Reforms to change fees to low fixed amounts instead of a per centage of the principal.** The cost of remittance services does not depend on the principal amount, and the real cost of a transaction is estimated to be significantly below the current level of fees.
- **Promote greater competition by facilitating entry of new market players.** This can be done by harmonizing and lowering bond and capital requirements, and **avoiding overregulation** such as requiring full banking licenses for money transfer operators. While stricter anti-money laundering and terrorism financing scrutiny is a legitimate concern, it has also made it difficult even for legitimate money service businesses to maintain accounts with correspondent banks.<sup>48</sup> A risk-based approach could be a way forward, where scrutiny fulfills regulatory requirements in an efficient way, while reducing remittance costs and facilitate flows. In general, **digital** remittances are cheaper than cash remittances. But the only sustainable force to bring transaction costs down over time – both for cash and digital – is **competition** in itself which is achieved through **efficiently functioning and regulated remittances markets**. More competition spurs product development, innovation to attract or keep customers and puts pressure on margins. There are recent examples of commercial banks starting to provide remittance services for free, aiming to attract

customers for their deposit and loan products. Several new tools based on cell phones, smart cards, virtual cards and e-wallets have also emerged.

- **Promoting non-exclusive partnerships** between RSPs and existing retail networks could expand remittance services without requiring large fixed investments to develop payment networks.

**Development cooperation can contribute to lower transaction costs by: promoting an efficiently regulated domestic remittance market by supporting regulatory authorities, institutional capacity, improved enabling environment and promote innovation among market actors.** The main responsibility for reducing domestic transaction costs lies with regulatory authorities, which are the ones that can create a conducive and competitive – or a cumbersome and monopolized – environment for remittances. An efficiently regulated competitive domestic remittance market – that put pressure on excessive fee levels – should facilitate the entry of new market players, break up potential monopolies and encourage innovative new tools and solutions that can reach new customer segments especially in poorer parts of the population. All of these efforts can also be encouraged by enhanced knowledge about remittances and supported by development cooperation actors, including support to improved enabling environment for remittances, institutional capacity and using instrument such as challenge funds or guarantees to spur innovation in the remittances service space. While necessary reforms might be braked by powerful elites with economic interests in status quo, or weak untransparent institutions in less mature democracies, when opportunity arises this is very powerful area to support given its potential systemic effects.

<sup>48</sup> Stricter regulations introduced since the financial crisis post-2008 has had a [unproportional negative effect for developing countries](#).

## Box 2. Country examples of challenges and opportunities related to remittances transaction costs

Through a project called “Greenback 2.0”, **Malaysia** has demonstrated how targeted support for digital infrastructure (Know-Your-Customer improvements and development of digital remittance platforms) and financial education dramatically lowered transaction costs and formalized flows. According to the [World Bank](#), Malaysia has now become one of the first countries to meet the SDG target of reducing remittance costs to below 3 per cent. Other countries such as El Salvador, Guatemala, Tajikistan, and Paraguay have modernized payment systems in combination with provision of financial education, with similar positive effects on access to formal banking, savings products, insurance, and cheaper digital transfers.

Based on the [GSMA’s Global Adoption Survey in 2021](#), more than 40 per cent of mobile money providers are not offering international remittance services. This includes 30 per cent of respondents in **Sub-Saharan Africa**, where the cost of sending money across remittance corridors is amongst the highest in the world. The critical challenge here is restrictive licensing regimes. Mobile money providers must either seek or obtain approval to offer remittance services (such as in Uganda and Tanzania) or establish a separate legal entity (as in Kenya) before being granted a license for remittance services. In **Rwanda**, remittance licensing frameworks are already embedded in the countries’ mobile money licensing framework, which is considered good practice.

## 2. Ways forward to increase poverty reducing impact

Given some potential macroeconomic risks and that the strength in poverty reducing impact varies, there are number of ways forward that could increase the poverty reducing effect of remittances:

- **Equipping institutions with knowledge to curb the potential negative effects, while boosting the positive effects of remittances.** As mentioned in previous sections regulatory authorities – such as Central Banks or Ministries of Finance – have an important role to play create an enabling environment for efficiently regulated remittances markets, but also to curb potential negative effects from large inflows of remittances, as discussed in the poverty chapter of this brief.

This requires not only competence and capacity, but also data and analysis (see next section on data and analysis). With a better understanding of the remittances impact on a macro level and the performance of remittances markets systems, appropriate measures to curb risk and maximize the positive effect for development and poverty reduction can be pursued.

- **Encourage remittances in their own right, enhance migrants agency over the use of funds, while facilitating the productive use of remittances including through financial inclusion.** As mentioned earlier in this brief, remittances are already an important financial flow for poverty reduction, with 75 per cent being used for essential household expenditures (in particular education and health, but also food and housing) in many ways functioning similar to social safety nets which increase resilience. Since 40 per cent of remittances already go to rural areas and they have shown to have multiplier effects in the local economies, these effects should be continued to be encouraged. One way that the poverty reducing impact of remittances could be strengthened further is by facilitating access to and efficient use of financial services in receiving communities. Stable and continuous inflows of remittances to households could be used as track-record to build creditworthiness over time. Receiving households can be encouraged to invest part of the transfers in small agricultural activities, microenterprises or improvements to rural housing and productive assets, where remittances have shown a higher likelihood of being used productively. Efforts to link remittances inflows and investments of households to next step of financial services could have transformative effects. A related challenge beyond access to financial services – in order to make productive use of remittances – is the use of finance where financial literacy often also need to be boosted. Low-income migrants in recipient countries could also be given special attention, where greater access to banking and financial services could provide a smart way of enabling access to income generating activities. Here identification documents and related KYC regulation can be important hurdles to tackle.
- **Explore the potential use of financial innovations such as diaspora bonds.** Although not yet widely used, there are examples on how remittances inflows can be steered into long-term

national development efforts through financial innovations like [diaspora bonds](#). The diaspora often acts as first solidarity responders, offering immediate and direct financial assistance to their families and communities. This short-term solidarity could be used to leverage remittances for diaspora bonds. Some [diaspora-matching initiatives](#) exist in countries like Mexico and Haiti, that show the potential of matching funds and blended finance to channel remittances into community infrastructure, business development and other public-benefit projects, showing that organized diaspora groups exist and constitute a potential for leveraging mobilization of additional private and community investment.

**Development cooperation can increase the poverty reducing impact by: supporting key institutional development and capacity through technical assistance, promote access to financial services through remittances and promote the use of financial innovations.**

The main determinant for whether or not remittances will have a higher or lower poverty reducing impact does not lie in the sphere of control of development cooperation, but possibly in its sphere of influence. On the institutional level, general **knowledge that could influence decision-making** could be generated (see more under next section on data and analysis) but specific tailor-made knowledge and capacity for specific institutions on specific reforms, might be more impactful. IFAD's [Financing Facility for Remittances \(FFR\)](#)<sup>49</sup> – funded by Sida provides a good example of how **financial services can be linked to remittances**. FFR supports financially inclusive mechanisms that connect remittances to financial products, such as micro-savings, credit and insurance products tailored for rural users. This is combined with financial literacy to enhance financial knowledge, increase trust in digital services and encourage long-term financial planning. In this way remittances can be used as an entry point for both access and use of formal financial services, using remittances in a catalytic way and expanding their potential development impact. IFADs focus on the poorer segments of the population – in rural areas – is also an aspect: potential poverty impact increases if poverty focus for the intervention is strong already by design. Development cooperation can also facilitate remittances linked to blended finance and/or risk mitigation instruments like guarantees to facilitate financial inclusion and diaspora bonds.

### 3. Ways forward for better data and analysis

The discontinuation of the World Bank KNOMAD and their Migration and Remittances briefs in 2024 was a big loss for the quest for more and better data and analysis on the increasingly important topic of remittances. Some successor efforts are taking shape, though coverage remains partial. IFAD's FFR, mentioned above, launched the full version of [RemitSCOPE](#) in December 2024, a free platform offering country profiles, corridor-level data, cost indicators, and market diagnostics, currently covering over 70 countries in Africa and Latin America with an Asia expansion forthcoming.<sup>50</sup> The World Bank's [Global Findex 2025](#) has, for the first time, included international remittances data disaggregated by gender and rural residence, and the World Bank's [Remittance Prices Worldwide](#) database continues to track SDG 10.c.1 on transfer costs.<sup>51</sup> Central banks in several recipient countries, Uganda, for instance have begun publishing disaggregated data on values, volumes, gender and transaction trends with IFAD support to strengthen transparency and financial inclusion.<sup>52</sup>

**Development cooperation can improve access to better data and analysis by: supporting global and country initiatives like the examples mentioned above, both on a global, regional and national level. Data and analysis generation is costly and not realistic to be carried by any individual country, institution or market actor. Here lies a potential added value for development cooperation: to contribute to reliable, disaggregated, harmonized, timely and publicly available remittance data, that can inform decision-making by both policy makers and market actors. Another investment that could be worthwhile is support to national statistical systems and central banks in recipient countries to conduct dedicated migrant and household surveys, adopt harmonized definitions and produce corridor- and channel-disaggregated data, building on frameworks promoted through RemitSCOPE and the IMF inter-agency working group. Finally, investing in applied research and evidence on household use of remittances, gendered patterns and the interaction between remittances and financial inclusion are also important, since evidence consistently shows that design choices materially affect development outcomes.**<sup>53</sup>

49 FFR works on 70 projects in over 50 countries and has impacted 1.8 million people, and focuses on maximizing the development impact of migrant and diaspora contributions. FFR promotes innovative transfer modalities, supports financially inclusive mechanisms, enhances competition, provides financial education, and encourages migrant investment and entrepreneurship.

50 IFAD, 2024, "[IFAD launches RemitSCOPE: a free global data platform to capture and facilitate remittances for rural development](#)"

51 World Bank, "[Global Findex Database](#)" and World Bank, "[Remittance Prices Worldwide Database](#)"

52 IFAD, 2024 "[IFAD and Bank of Uganda launch remittance dashboard to strengthen transparency and financial inclusion](#)"

53 NBER, 2025, "[International Migration, Remittances, and Economic Development](#)"