

MIGRANT REMITTANCES TO REGIONS NEIGHBOURING THE EU

ARTICLES

Migrant remittances to regions neighbouring the EU

Migration to the EU from regions neighbouring the EU is not a new phenomenon. But now there is an increasing focus internationally on the payments – usually referred to as “remittances” – that migrants make to their country of origin. The flow of remittances has increased substantially over recent years, and remittances play an increasingly important role in the economies of many receiving countries. At the same time, the channels through which remittances are sent have been viewed as being at risk of use by money launderers and those that finance terrorism. This article focuses on migrant remittances to the EU’s neighbouring regions. The evidence available suggests that remittances are particularly important for the countries that have been granted the prospect of EU membership. Moreover, international efforts to improve remittance data and ensure that providers of remittance transfer services operate in a safe and sound manner are well underway. The article concludes that it is a challenge for the receiving economies to improve the absorption of remittance flows into their economies for the benefit of domestic growth and development.

I INTRODUCTION

Migration is a worldwide phenomenon. The focus of this article is on migrants from countries in the regions located to the south, south-east and east of the EU (hereafter “EU neighbouring regions”), from which the flow of migrants to the EU is noticeable. Once they have a source of income, migrants tend to “remit” funds to relatives in their country of origin. The concept of “remittance” basically refers to the process of transferring money from one person to another, primarily as a form of support to households in the country of origin. The intensity of this flow may vary greatly, depending on the motivations of the individuals concerned and a number of economic factors, such as differences in income levels.

Although remittances are the result of the decisions of individuals, they are also increasingly being viewed as a development policy issue. The economic literature has examined the impact of remittances on the recipient economies. Drawbacks have been identified, such as increased consumption, possibly leading to a worsening of the current and capital account balances and dependency on income generated abroad, which in turn may weaken incentives for the recipient to pursue a job. However, the prevailing view is that receiving countries benefit from a stable flow of often countercyclical external funding, enabling them – under certain conditions – to smoothen the economic cycle, improve

creditworthiness and increase capital formation.¹

Workers’ remittances have become an important component of global financial flows from developed to developing countries, representing the second largest source of external financing for developing countries – the largest source being foreign direct investment (FDI) – and, in many cases, a more significant source than government grants and debt forgiveness. In some instances, the flows represent a very significant percentage of the receiving countries’ GDP and help to finance countries’ external imbalances.

International institutions have recognised the importance of remittances as a potential tool for increasing growth and as a way of compensating the loss of human capital in the migrant’s country of origin. Efforts are being made internationally to improve the statistical data, thus enabling a better understanding of remittance flows and their policy implications. Work has been carried out globally to define general principles for remittance transfer services with a view to increasing the efficiency, soundness and transparency of such services. In the EU, a number of issues related to remittances are being addressed in the proposed directive

¹ Migration of labour has potentially important implications for monetary policy via its effects on supply and demand. However, it is difficult to assess these effects precisely, in part due to the unavailability of reliable and timely data.

on payment services in the internal market². Finally, remittance flows also receive attention in efforts to fight money laundering and combat the financing of terrorism.

The second section of this article reviews immigration and expatriation data for the EU, with a particular focus on migratory flows into the EU from the EU neighbouring regions. The third section describes statistical and payment systems definitions of remittances and empirical findings about why migrants remit funds to their countries of origin. The fourth section gives an overview of remittance flows to the EU neighbouring regions, and the fifth section reviews remittances relative to receiving economies. The sixth section describes international initiatives to improve data on remittance flows and activities already being implemented to enhance the safety and efficiency of international remittance services. The final section describes the challenges for improving the use of remittances in receiving countries, looking at some of the characteristics of local banking markets.

2 MIGRATION TO THE EU: SOME FIGURES

The nationality of residents in the 27 EU Member States varies considerably from country to country. Taking the EU as a whole, data from the OECD's database on immigrants and expatriates³ and from a report published by the European Commission⁴ show that 95% of the EU's population live in their country of citizenship and that, of the remaining 5%, 70% originate from countries outside the EU and 30% are migrants originating from other EU Member States (see Chart 1). In figures, using data for the period from 1999 to 2003, this means that, with a total EU population of 481 million, of the 24 million people that make up the EU's non-national population, 17 million have emigrated from countries outside the EU and 7 million can be classed as intra-EU migrants⁵.

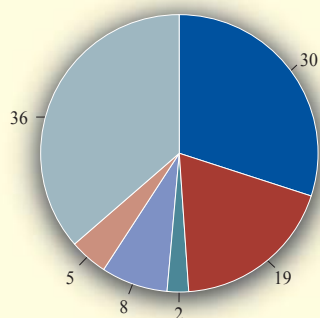
This article focuses on migrants from the EU neighbouring regions⁶:

- The biggest group is that of citizens that originate from countries neighbouring the EU that are negotiating EU membership or have officially been given the prospect of joining the EU at some point (i.e. Albania, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Serbia, Montenegro and Turkey). Citizens from

Chart 1 Origin of non-nationals residing in the 27 Member States of the EU

(percentage)

- other EU Member States
- candidate and potential candidate countries
- European CIS countries
- Mediterranean countries
- Sub-Saharan African countries
- rest of the world



Sources: OECD, GêDAP/EMZ report and ECB calculations.
Note: Population data are in many EU countries based on a population census and in some countries on a population registry.

2 "Proposal for a Directive of the European Parliament and of the Council on payment services in the internal market and amending Directives 97/7/EC, 2000/12/EC and 2002/65/EC" (COM(2005) 603 final).

3 http://www.oecd.org/document/51/0,2340,en_2825_494553_34063091_1_1_1_1,00.html.

4 "Migration and Asylum in Europe 2002" authored by the Groupe d'étude de Démographie Appliquée and the Berlin Institute for Comparative Social Research (GêDAP/EMZ report) as part of a project financed by the European Commission.

5 The latter figure may be an underestimate, since the underlying data was compiled at the beginning of this century, and excludes changes brought about as a result of the freedoms granted to the citizens of the ten central and eastern European and Mediterranean countries that joined the EU on 1 May 2004 and of Bulgaria and Romania, which joined on 1 January 2007.

6 Going beyond the regions considered in this article, Chart 1 shows that immigrants and expatriates from the rest of the world account for around one-third of all non-nationals residing in the EU.

these candidate and potential candidate countries account for 19% of the EU's non-national population, i.e. 4.6 million.

- The second group comprises citizens from the countries on the southern and eastern shores of the Mediterranean, which account for 8% of the EU's non-national population, i.e. 1.9 million.
- The third group is citizens from Sub-Saharan African countries. This group represents 5% of the EU's non-national population, i.e. 1.1 million.
- The fourth region, accounting for 2% of the EU's non-national population, i.e. 0.9 million, encompasses citizens from Russia and the other European countries of the Commonwealth of Independent States (CIS).

Migrants from these four regions come from countries whose institutional, economic and financial relations with the EU are expected to deepen in the next decade, albeit to varying degrees. This will occur in one of three ways: i) as a result of EU enlargement; ii) through the implementation of the European Neighbourhood Policy (concerning Mediterranean and former CIS countries); or iii) by the conclusion of preferential trade agreements (e.g. with the Sub-Saharan African countries).

3 DEFINITION AND DETERMINANTS OF MIGRANT REMITTANCES

DEFINITION

Remittances are by nature global and are thus defined with a global perspective. Nevertheless, there are two dimensions in defining remittances: the statistical dimension and the payment systems dimension. For each dimension there are divergences in terms of purpose and coverage:

- In terms of purpose, statisticians look at remittances predominantly as part of the

balance of payments (b.o.p.), whereas payment systems experts consider remittances in terms of payment transactions between individuals.

- In terms of coverage, statisticians include transfers between individuals, including those in cash or kind, whereas payment systems experts mainly focus on electronic transfers, but also acknowledge the existence of remittance systems involving cash.

Accordingly, the IMF's Balance of Payments Manual and the report on "General Principles for International Remittance Services", the latter jointly prepared by the G10 Committee on Payment and Settlement Systems (CPSS) and the World Bank, give different definitions of migrant remittances. Box 1 presents these two definitions in more detail.

DETERMINANTS

The economic literature identifies a number of reasons why migrants remit funds to their country of origin.⁷

Migrants generally care about family members back home and regularly transfer mostly small amounts of money to support their family's ability to consume or to pay for the education of the family's children. Traditionally, such remittances will be higher when migrants are away from their country of origin for only a short period or at the beginning of a more permanent stay abroad. Remittances will tend to decline the longer a migrant lives outside the country of origin. Crucially, the ability to remit depends on salary levels – which is often directly related to a person's skill levels – and the cost of living in the country of residence.

Moreover, self-interests to remit arise, for example, when transfers are made as repayments to the family that pre-financed the

⁷ See, for example, "Determinants of Workers' Remittances – Evidence from the European Neighbouring Region", ECB Working Paper No. 688, October 2006, by Ioana Schiopu and Nikolaus Siegfried.

DEFINITIONS OF REMITTANCES

Statistical definition

Official statistics on remittances are primarily collected and reported through the b.o.p. framework, which is conceptually based on the IMF's Balance of Payments Manual, fifth edition, 1993 (BPM5).

The BPM5 divides remittances into three categories with separate definitions:

1. Workers' remittances (WRs) cover current transfers by migrants employed in other countries than that of their citizenship for more than a year who are thus considered residents there. WRs are recorded in the b.o.p. current account under current transfers.
2. Compensation of employees (CoEs) comprise wages, salaries and other benefits (in cash or in kind) earned by individuals – in countries other than those in which they are citizens and (still considered) residents – for work performed for and paid by residents of those host countries. Employees, in this context, include seasonal or other short-term (i.e. less than one year) workers and border workers who have centres of economic interest in their own countries. CoEs are recorded in the b.o.p. current account under income.
3. Migrants' transfers (MTs) are not transactions between two parties but contra-entries to flows of goods and changes in financial items that arise from the migration (change of residence for at least a year) of individuals from one country to another. The transfers recorded are thus equal to the net worth of the migrants at the time of migration (cash and goods transferred). MTs are recorded in the b.o.p. capital account under capital transfers.

Definition in relation to remittance service providers

The CPSS and World Bank report's definition is: "*cross-border person-to-person payments of relatively low value*". The emphasis in this definition is on person-to-person payments rather than payments for goods and services or business-to-business payments. Nevertheless, as the definition is used to define general principles for remittance services, in an industry that performs a wider range of payments than migrants' recurring payments from developed to developing countries, the definition also captures other cross-border person-to-person transfers that are of a low value. Examples of such payments include payments by non-migrants (e.g. from parents financing a child studying abroad), ad hoc rather than recurring payments (e.g. money to cover a domestic emergency) and payments between other countries.

initial emigration; insurance against income shocks in the migrant's home country; or payments in exchange for services provided by family members back home, such as taking care of relatives and looking after property, and arrangements regarding inheritance issues.

4 REMITTANCE FLOWS TO THE EU NEIGHBOURING REGIONS

GROSS REMITTANCE FLOWS

Worldwide remittance flows have increased in recent years. Using the data for officially recorded flows of remittances – workers'

remittances, compensation of employees and migrants' transfers – the World Bank⁸ estimated worldwide flows of USD 226 billion for 2004, the last year for which a sufficiently broad statistical estimate exists, up from USD 69 billion in 1990. Flows to developing countries were estimated to be USD 160 billion in 2004, compared with USD 31 billion in 1990. The World Bank also estimated that the flows could be 50% higher, or even more, if unrecorded flows (i.e. remittances through unregulated money transfer firms or money carried in cash by family and friends) are taken into account.

The total for remittance inflows into the EU neighbouring regions has grown in nominal terms to USD 49 billion in 2004, up from USD 17 billion in 1990. In relative terms, however, and comparing these figures with developing countries more generally, the share of the region declined from 55% in 1990 to 31% of gross remittances in 2004.

Focusing on the period from 2000 to 2004, the Mediterranean countries were the largest beneficiaries among the EU neighbouring regions, with a steady increase in gross remittances received (see Chart 2). In 2004 the Mediterranean countries received more than double the inflow of remittances of any other EU neighbouring region.

Given the scarcity of data, it is not possible to calculate the percentage of remittance inflows into the EU neighbouring regions that originate from senders residing in the EU. Nevertheless, some estimates are available: a study published by the European Investment Bank⁹ concluded that the EU is by far the main source of remittance flows to Turkey, Morocco, Algeria and Tunisia, while most remittance flows to Egypt, Lebanon, Jordan and Syria come from outside the EU.

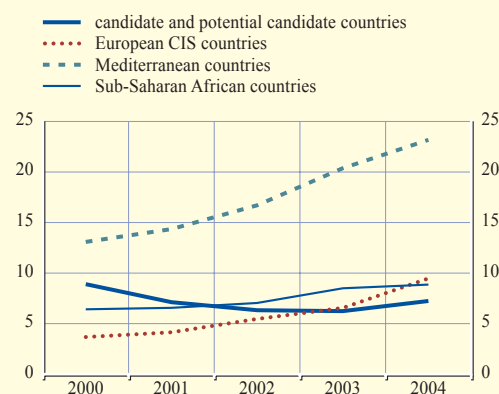
NET REMITTANCE FLOWS

The EU neighbouring regions also host migrants who also remit funds to their countries of origin. Looking at the inflow minus outflow of remittances – i.e. net remittances – can provide a more precise estimate of the importance of such flows in supporting the external position of the receiving economies (see Chart 3). Comparing gross and net remittances in 2004, the difference is largest for the Mediterranean countries (USD 23 billion gross, USD 14 billion net) and the European CIS countries (USD 10

- 8 “Global Economic Prospects, Economic Implications of Remittances and Migration, 2006”, World Bank, November 2005.
- 9 “Study on improving the efficiency of workers' remittances in Mediterranean countries”, funded by the Facility for Euro-Mediterranean Investment and Partnership, 2006, European Investment Bank.

Chart 2 Gross migrants' remittances received by regions neighbouring the EU

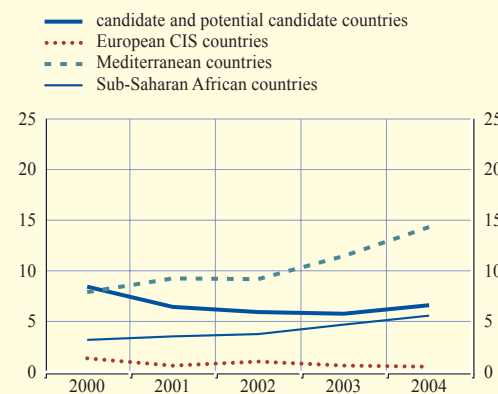
(USD billions)



Source: IMF Balance of Payments statistics.

Chart 3 Net migrants' remittances received by regions neighbouring the EU

(USD billions)



Source: IMF Balance of Payments statistics.

billion gross, USD 0.5 billion net). The difference is less pronounced in the other two regions: the economies of the candidate and potential candidate countries benefited from net inflows of USD 6.6 billion in 2004 (USD 7.2 billion in gross terms), whereas the Sub-Saharan African countries received net inflows of USD 5.6 billion (USD 8.9 billion in gross terms).

5 REMITTANCES RELATIVE TO RECEIVING ECONOMIES

With some indicators (see Table 1), it is possible to compare the importance of remittances for

both the four regions and individual countries. The ratio of net remittances to GDP illustrates how important remittances can be as a source of income for the receiving economy. The ratio of gross remittances to imported goods and services illustrates their importance in financing external imbalances, whereas the ratio of gross remittances to FDI illustrates their importance relative to the source of external financing that is normally considered the most sound in terms of long-term sustainability.

Comparing all countries of the EU neighbouring regions, the ratio of net remittances to GDP in most countries is between 5% and 10%. However, this ratio is over 15% for Albania,

Table 1 Remittances relative to receiving economies in 2004

(percentages)

	Net remittances/GDP	Gross remittances/ Imports of goods and services	Gross remittances/FDI
Candidate and potential candidate countries			
Croatia	5.11	10.50	168.17
Former Yugoslav Republic of Macedonia	14.35	25.04	517.70
Turkey	0.27	0.80	28.34
Albania	15.58	38.67	368.26
Bosnia-Herzegovina	23.96	31.67	366.35
Mediterranean countries			
Egypt	4.29	12.62	271.01
Israel	0.82	7.96	240.25
Jordan	18.32	26.12	396.11
Lebanon	6.70	34.20	301.41
Libya	-2.03	2.32	21.29
Morocco	9.43	24.32	551.78
Tunisia	5.23	10.69	253.99
European CIS countries			
Armenia	14.06	41.72	288.59
Belarus	1.81	3.32	333.35
Georgia	8.63	18.99	94.76
Moldova	28.12	38.98	537.43
Russia	-0.46	3.14	26.63
Ukraine	3.62	6.71	142.10
Sub-Saharan African countries			
Côte d'Ivoire	-2.27	4.98	176.36
Ethiopia	7.66	20.28	n.a.
Ghana	14.52	24.03	924.14
Kenya	3.47	11.00	1,221.65
Mozambique	0.61	4.21	40.95
Nigeria	3.16	14.15	121.22
South Africa	-0.18	1.04	87.64
Tanzania	-0.09	2.32	29.75
Uganda	3.80	24.23	232.87

Source: IMF Balance of Payments statistics.

Note: Countries in the table are a sample of countries for which data are available. A negative sign in the table represents negative net remittances (outflows of remittances exceeding inflows). N.a. indicates that statistics are not available in the source.

Bosnia-Herzegovina, Jordan and Moldova, but remains low for larger economies, such as Turkey. Looking at the ratio between gross remittances and imported goods and services, remittance flows finance more than 20% of imports in 11 of the 27 countries included in Table 1. For many of these countries, remittances are a multiple of FDI, ranging from three times more (Albania, Armenia, Belarus, Bosnia-Herzegovina, Moldova and Morocco) to around ten times more (Ghana and Kenya).

6 INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE DATA AND REMITTANCE TRANSFER SERVICES

In June 2004 the G8 Heads of State and Government agreed on an international action plan to facilitate remittances through formal financial systems – to fight money laundering and combat the financing of terrorism – as well as to improve remittance transfer services.

A first necessary step to implement the measures was to gain statistical evidence of the actual size of the transfers. This section first reviews the international efforts to enhance the

availability and quality of remittance data and then briefly presents the general principles, as defined by the CPSS and the World Bank, aimed at ensuring that remitted funds reach the beneficiary in a safe and efficient manner.

INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE DATA

There is a general consensus that existing statistical definitions are not clear enough and remittances are not always recorded under the correct entries in the b.o.p. Moreover, the measurement of this phenomenon is generally considered to be incomplete, underestimated and not comparable across countries, regions and over time.

The first step in dealing with identified shortcomings has been made with the proposed new definitions for b.o.p. statistics (see Box 2). Implementing the new definitions would make it easier to analyse the impact that remittances can have on investment and growth in both the sender and recipient economies, thereby helping governments to set priorities for the development of remittance transfers as a tool for economic development.

Box 2

NEW APPROACH TO THE DEFINITIONS FOR THE COLLECTION OF INFORMATION ON REMITTANCES

New definitions

The United Nations Technical Subgroup on the Movement of Natural Persons has developed a number of new concepts and definitions concerning remittances, which were subsequently reviewed by the IMF's Balance of Payments Committee and, subject to some clarifications, endorsed. These definitions will be incorporated in the updated Balance of Payments Manual¹, which is expected to be released by the IMF by the end of 2008:

1. Personal Transfers (PTs) consist of all current transfers in cash or in kind made, or received, by resident households to or from other non-resident households. PTs include all current transfers from resident to non-resident households, independently of (a) the sources of income of the sender, (b) the relationship between the households, and (c) the purpose for which the transfer is made. PTs are meant to be introduced as a standard item, replacing “workers’ remittances”.

¹ As supplementary items for points 2 and 3 below.

2. Personal Remittances (PRs), taking the perspective of the receiving country, are defined as the sum of PTs, the net compensation of employees and the capital transfers between households, i.e. representing in essence all household-to-household transfers.
3. Total Remittances (TRs), taking the perspective of the receiving country, are defined as the sum of PRs and social benefits, i.e. including all transfers directly to households from other institutional sectors.

INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE TRANSFER SERVICES

Efforts to enhance payment systems standards for remittances made headway with the publication in January 2007 of a joint report by the CPSS and the World Bank on “General Principles for International Remittance Services”. The report analyses features of the market for remittances that can lead to inefficiencies in the way remittance transfer services are provided, leading to the prices of such services being higher than would be the case in an efficient market and/or to services of lower quality. To address these issues, the report sets out five general principles for ensuring secure and efficient international remittance transfer services:

- The market for remittance services should be transparent and have adequate consumer protection.
- Improvements to payment systems infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.
- Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.
- Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.

- Remittance services should be supported by appropriate governance and risk management practices.

Although the above principles are designed to be generally applicable, each country will have to assess whether the size of its remittance market justifies significant action and individual countries may want to prioritise the most important bilateral corridors or corridors where they believe their efforts will be most productive.¹⁰ If action is required, its implementation will also need the active participation of remittance service providers.

7 CHALLENGES FOR IMPROVING THE ABSORPTION OF REMITTANCES

Activities already underway in the areas of statistics and remittance transfer services do not obviate the need to enhance the use of remittances in receiving countries, by ensuring that they contribute to capital formation and are directed into investment. The economic literature finds that this is the prime condition for ensuring that remittances help to increase output growth. The challenges here are closely linked to the ability of the banking sectors in receiving countries to provide the population and enterprises with deposit facilities and credits for investment and consumption, for

¹⁰ As an example, in 2002, the central banks of the United States and Mexico linked their automated clearing house systems, paving the way for quick, low-cost transfers from originators in the United States to recipients in Mexico. Public sector intervention may, however, not always be the most appropriate solution. The CPSS and World Bank report includes an annex that lists possible actions to implement the general principles.

example in the form of microfinance. If no such financial services are available, remittances are either consumed or stored in cash, which is inefficient, less secure and risks feeding the informal economy. It is worth noting that a number of initiatives have been launched by credit institutions and governments to address this issue.

Indicators for the geographic and demographic penetration of branches and automated teller machines (ATMs) shown in Table 2 point to the outreach of the local banking markets in the EU neighbouring regions, both in terms of traditional channels (i.e. branches) and technology (i.e. ATMs). The table also includes indicators for the penetration of loan accounts and deposit accounts to the inhabitants of these

Table 2 Banking sector outreach indicators

	Bank branches		ATMs		Per 1,000 inhabitants	
	/1,000 square kilometres	/100,000 inhabitants	/1,000 square kilometres	/100,000 inhabitants	Loan accounts	Deposit accounts
Candidate and potential candidate countries						
Croatia	18.62	23.36	31.96	40.10	n.a.	n.a.
Turkey	7.81	8.50	16.54	18.00	264.51	1,114.23
Albania	2.45	2.11	2.74	2.37	4.42	161.25
Bosnia-Herzegovina	3.15	3.86	4.38	5.36	114.09	429.40
Mediterranean countries						
Egypt	2.45	3.62	1.21	1.78	n.a.	n.a.
Israel	47.82	14.74	61.01	18.81	709.90	n.a.
Jordan	5.98	10.02	5.60	9.38	80.39	465.48
Lebanon	79.18	18.01	73.90	16.81	93.42	382.53
European CIS countries						
Armenia	8.23	7.59	1.49	1.37	41.23	111.38
Belarus	2.28	4.79	2.41	5.06	n.a.	n.a.
Georgia	2.32	3.14	0.86	1.17	n.a.	n.a.
Russia	0.19	2.24	0.53	6.28	54.11	1,892.28
Ukraine	n.a.	n.a.	0.78	0.93	n.a.	n.a.
Sub-Saharan African countries						
Ghana	1.43	1.60	n.a.	n.a.	n.a.	n.a.
Kenya	0.77	1.38	0.56	0.99	n.a.	69.98
Namibia	0.11	4.47	0.30	12.11	80.74	422.96
Nigeria	2.41	1.62	n.a.	n.a.	n.a.	n.a.
South Africa	2.22	5.99	6.49	17.50	n.a.	n.a.
Tanzania	0.23	0.57	0.07	0.17	n.a.	n.a.
Uganda	0.67	0.53	0.90	0.70	5.79	46.64
Selected EU Member States						
Belgium	181.65	53.15	229.28	67.09	59.47	3,080.31
Bulgaria	9.81	13.87	21.09	29.79	73.85	1,351.37
Denmark	47.77	37.63	66.51	52.39	450.99	2,706.07
Greece	25.53	30.81	39.39	47.55	776.48	2,417.64
Spain	78.90	95.87	104.18	126.60	556.48	2,075.96
Italy	102.05	52.07	131.71	67.20	328.15	975.64
Lithuania	1.81	3.39	15.34	28.78	58.86	1,166.45
Malta	375.00	30.08	462.50	37.09	407.21	2,495.81

Source: "Reaching out: Access to and use of banking services across countries", Working Paper Series No. 3754, Policy Research Working Paper, World Bank, October 2005, by Thorsten Beck, Asli Demircuc-Kunt and Maria Soledad Martinez Peria.

Notes: Data are based on regulator surveys from 2001-05. No data are available for the countries in the EU neighbouring regions that are not included in the table. N.a. indicates that statistics are not available in the source.

countries. When these ratios are low, the banking sector cannot viably compete with money transfer operators, with wide networks or other transfer channels.

International benchmarks for banking sector outreach do not exist and are not easily defined. Table 2 includes indicators of banking sector outreach for a number of EU Member States.

Because of the large amount of missing data, caution is necessary in drawing conclusions relating to the different regions. Nevertheless, the data show that there are large differences across countries. They also indicate that the markets in the candidate and potential candidate countries, particularly Croatia, Turkey and Bosnia-Herzegovina, are characterised by the highest outreach of the banking sector. Outreach is also high in Israel and Lebanon. Although there seems to be a fair distribution of banks in Armenia, only a small part of the population has bank accounts. The opposite is found in Russia where many bank accounts exist but banks and ATMs are sparsely distributed across the vast territory of the country. Most people living in Sub-Saharan African countries do not have access to banking services, except those living in Namibia and Zimbabwe.

In sum, banking services in many countries in the four regions are underdeveloped. The challenges of better integrating remittance proceeds into receiving economies include building trust in banking sectors through public activities to ensure the enforceability of laws, consumer protection and monetary and financial stability. Banks and public authorities need to work together to increase the financial literacy of the population. Moreover, banks and financial institutions need to provide appropriate outreach to the populations by means of distribution channels and financial products.

Addressing these general challenges might possibly take more time than implementing specific measures to improve the efficiency and soundness of remittance transfer services. Nevertheless, it is necessary in order to be able

to reap the full benefits of a steadily increasing inflow of funds via private transfers from migrants into the EU neighbouring regions.

8 CONCLUSION

This article addressed migrant remittances, with a special focus on the EU neighbouring regions. As is the case globally, remittance flows are high and increasing, and are often much larger than FDIs, thus having an impact on the macroeconomic stability of the beneficiary countries. The EU is very often the primary destination of migration for these countries – and probably the most important origin of remittances – as well as a significant institutional partner. In the years to come, several initiatives taken at the global level will have to be considered and eventually implemented in the EU and its neighbouring regions (e.g. enhancing the statistical coverage and improving transfer services). In the EU, key issues relating to remittance transfer services are being addressed in the proposed directive on payment services. Crucially, efforts will have to be intensified to ensure that, in receiving countries, the banking sector reaches out to households that receive remittances to improve the absorption of the remittance flows into the economy for the benefit of domestic growth and development.