



Remittances in the Transition Economies: Levels, Trends, Determinants

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Remittances Research

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Remittances in the CIS: Their Economic Implications and a New Estimation Procedure

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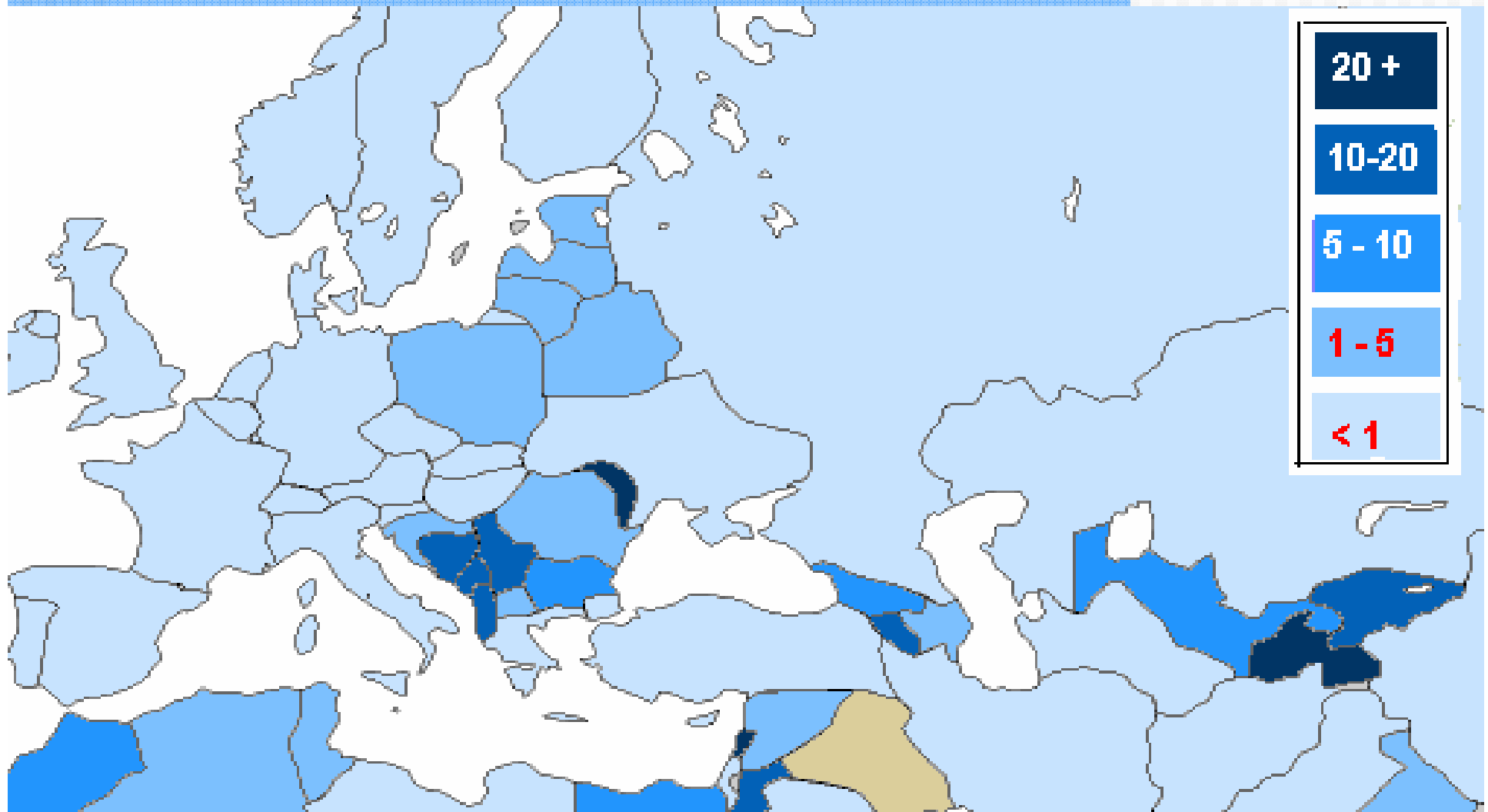
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Remittances Are Significant for the Transition Economies

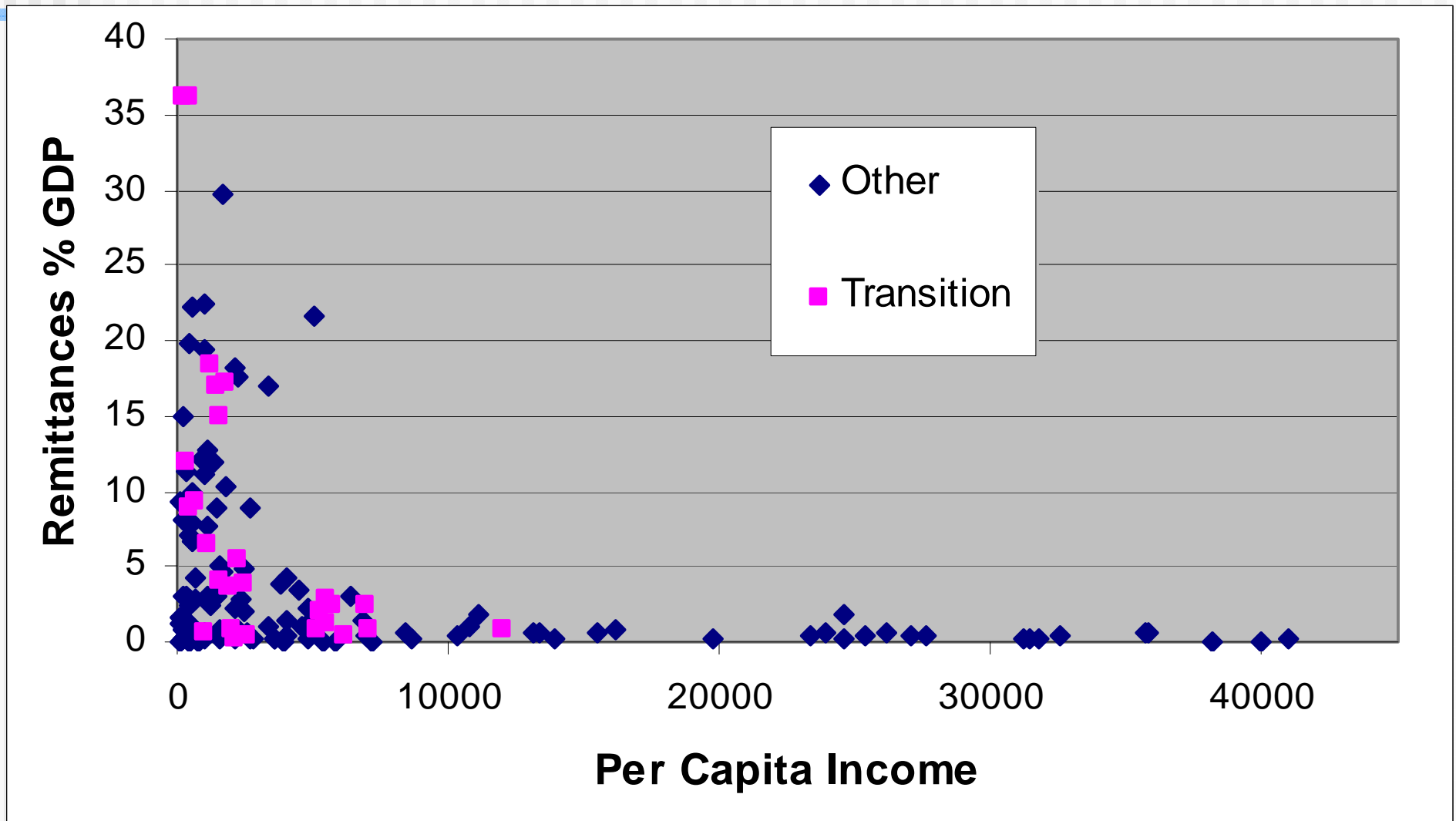
Remittances as a % of GDP

Note: World Ave=0.6; Anything over 5% is Really Large



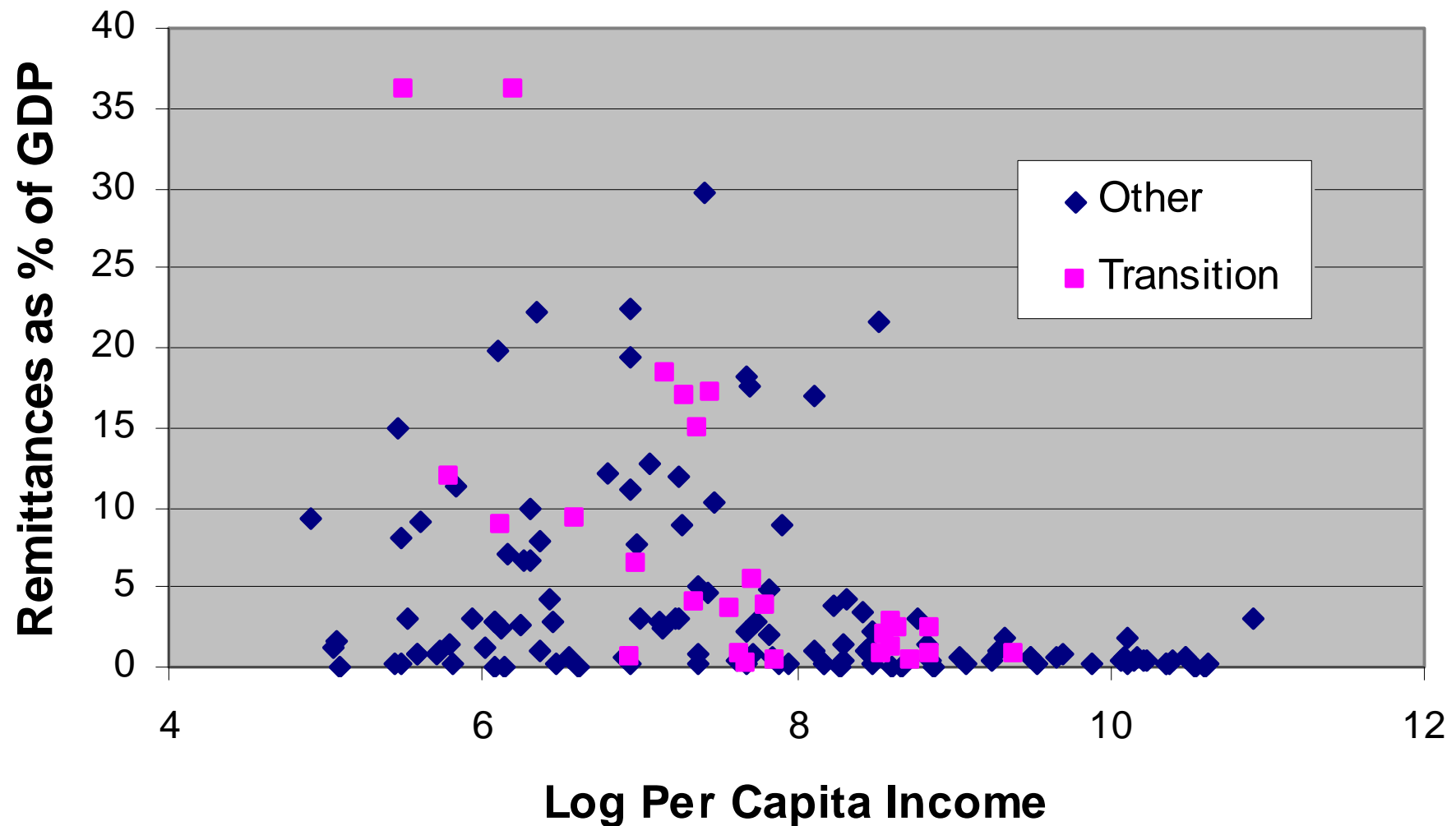


As Per Capita Income Increases, The % Share of Remittances Declines



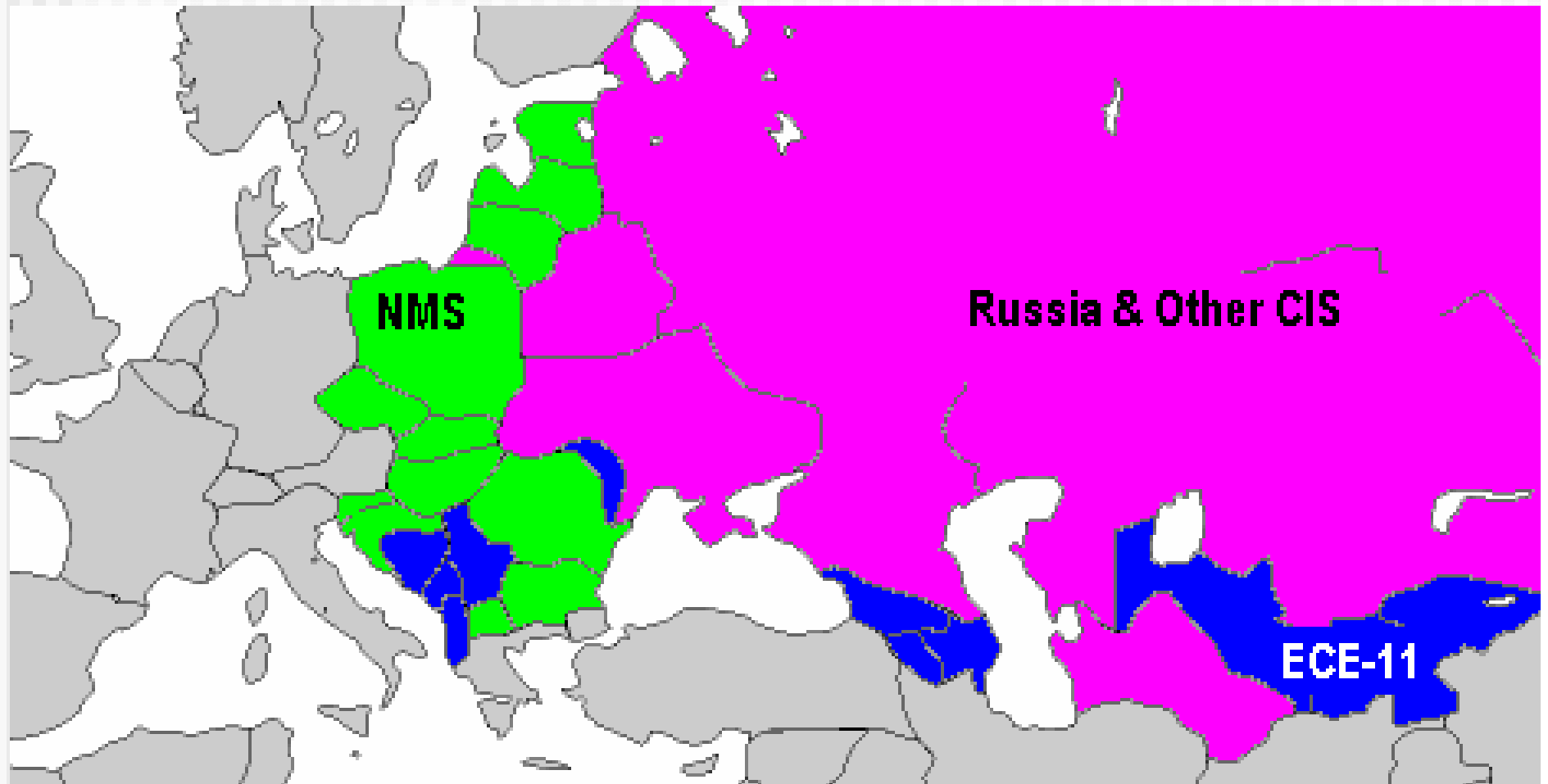


There Is Nothing Unusual About Transition Economies



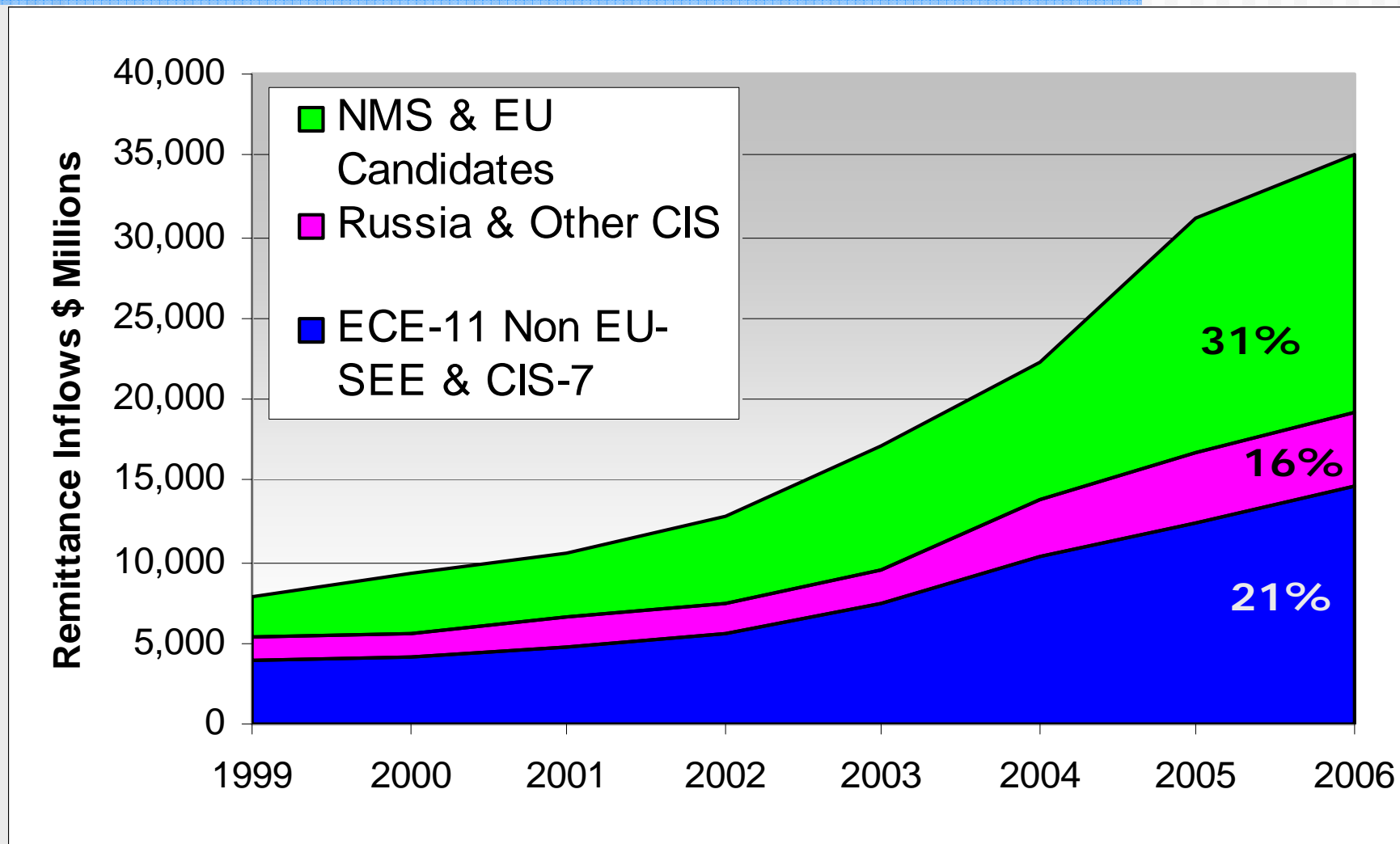


Three Regions of the Transition Economies



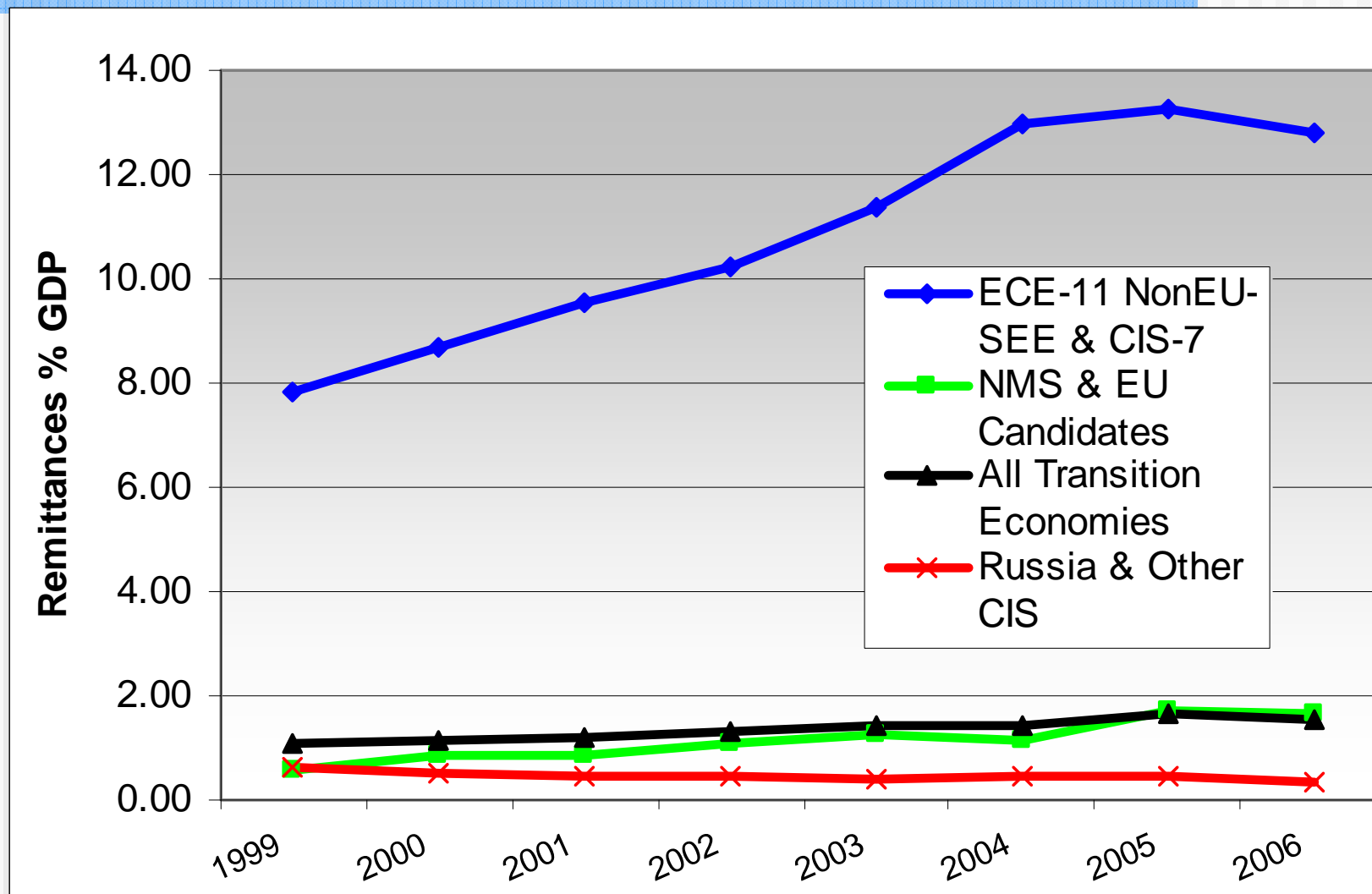


Remittances To Transition Economies Have Grown At 24% a Year (1999-2006)



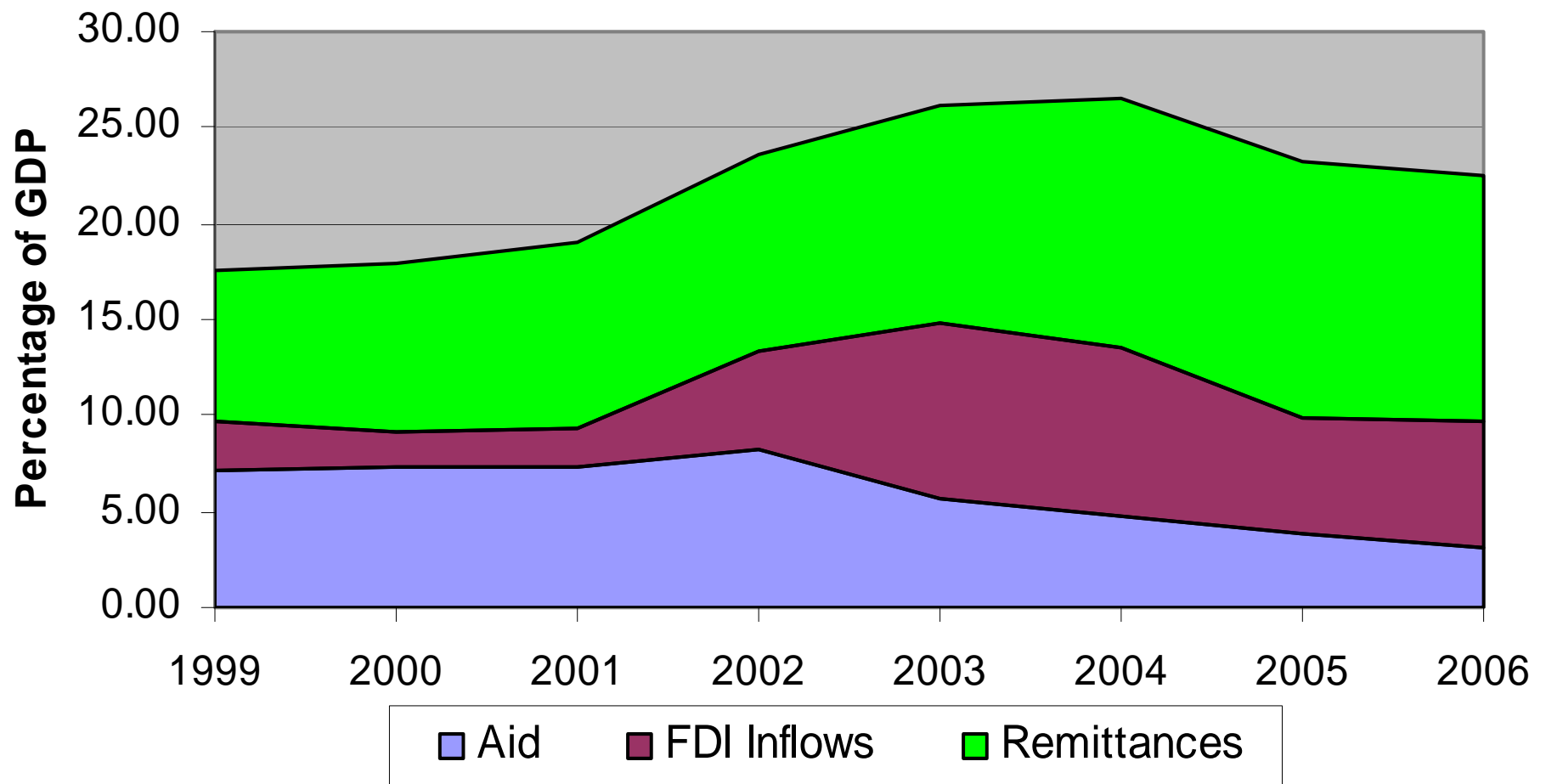


Remittance Inflow Trends by Percentage of GDP (1999-2006)



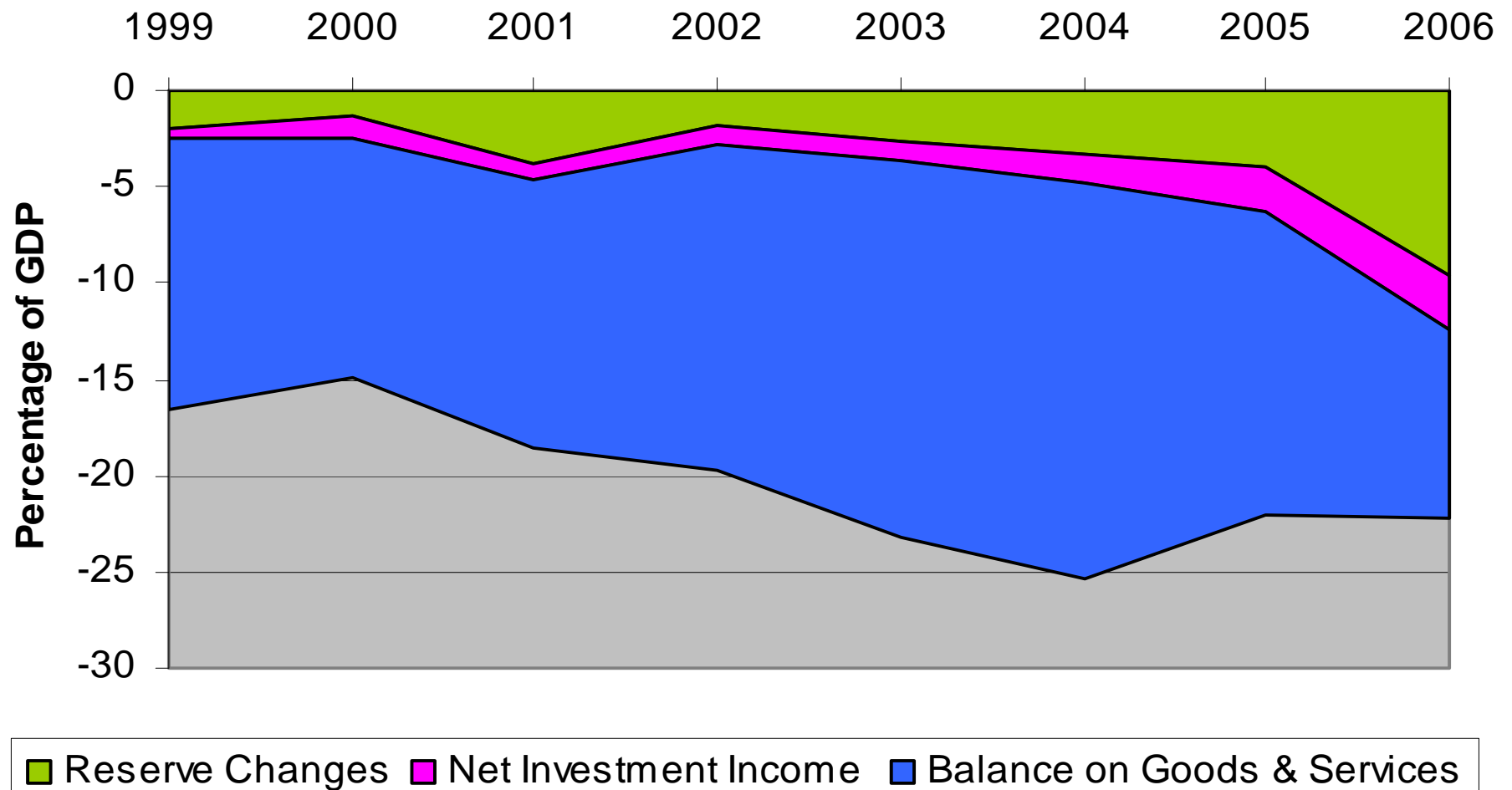


The Major Financial Inflows into the ECE-11



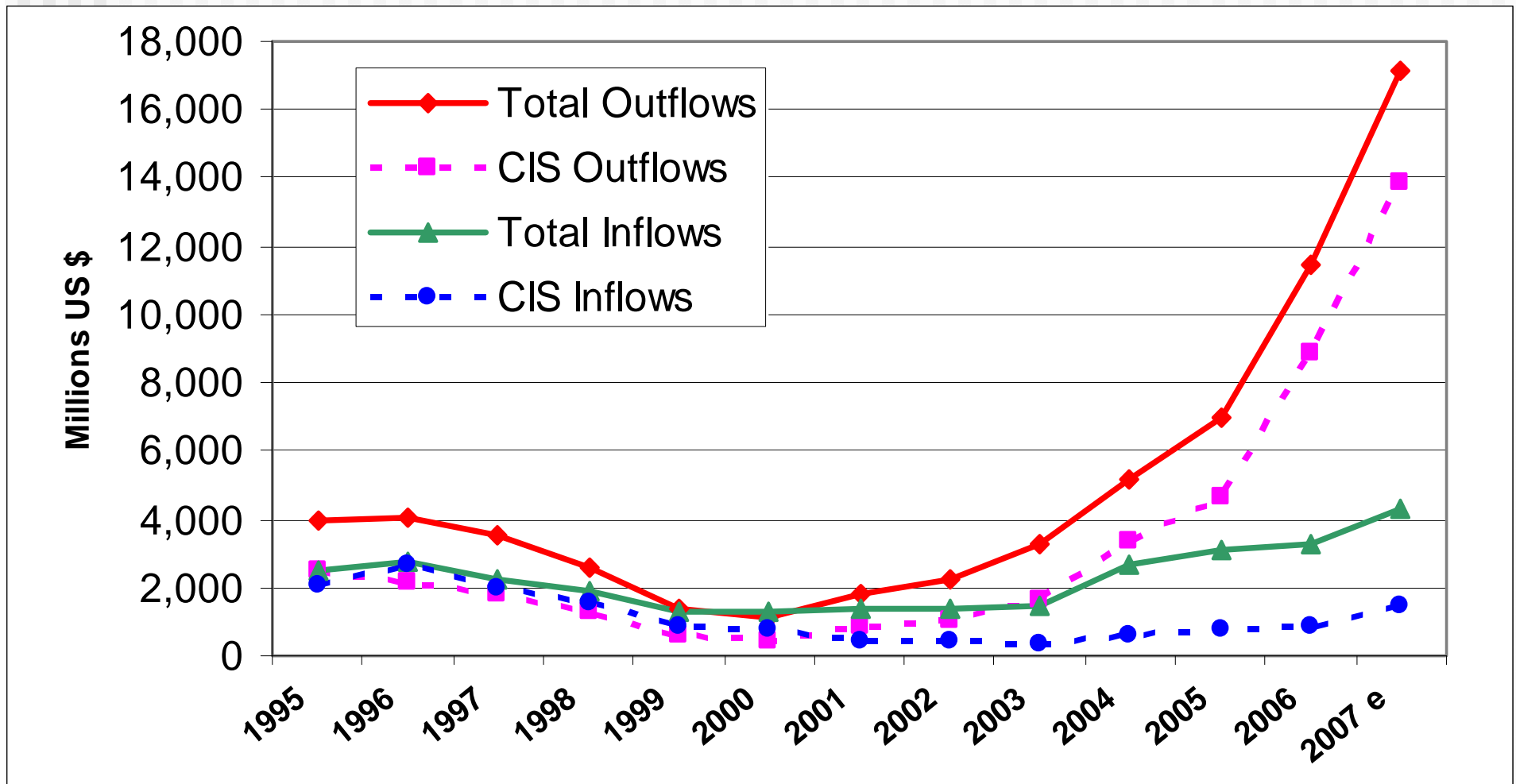


Usage of Financial Inflows in the ECE-11





Russian Remittances to and from the World and CIS



Source: Shelburne and Palacin, *Remittances in the CIS*, 2007. Based on data from Russian Central Bank.

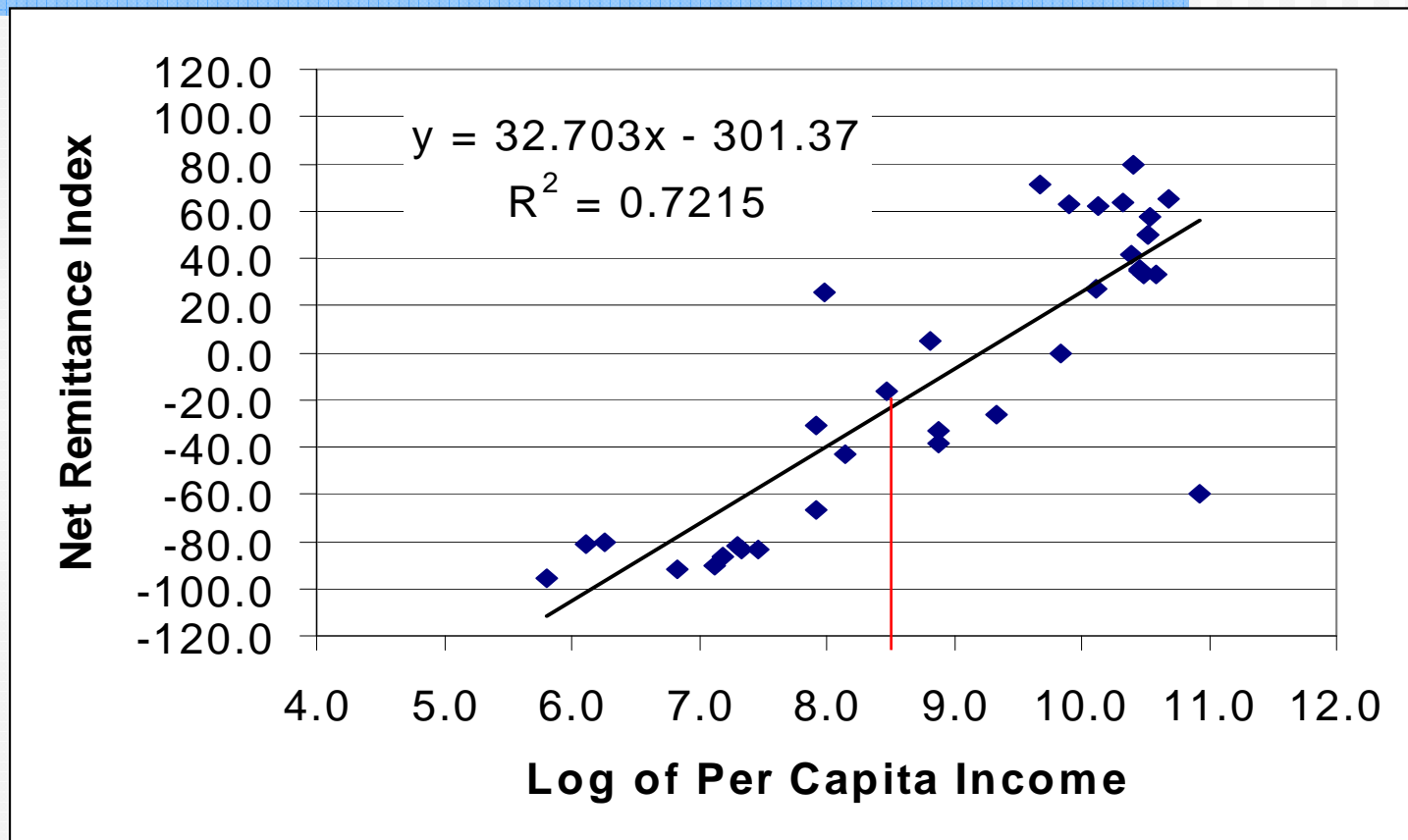


Russian Remittances to the CIS Have Increased Rapidly in Recent Years But It Is Not Clear Why

- Russian remittances to the other CIS increased annually by 65% between 2002-2006
- This increase can not be explained by:
 - The increase in wages
 - The increase in registered migration
 - There is no reason to believe migrants are sending a higher % of their earning home
- Increase must be due to:
 - A rapid increase in the number of undocumented migrants
 - Increased share of remittances being sent by officially monitored financial channels
 - New statistical procedures for estimating remittances or increased requirements for financial firms to report transfers



Russian Remittances Come from Richer Countries and Go to Poorer Ones



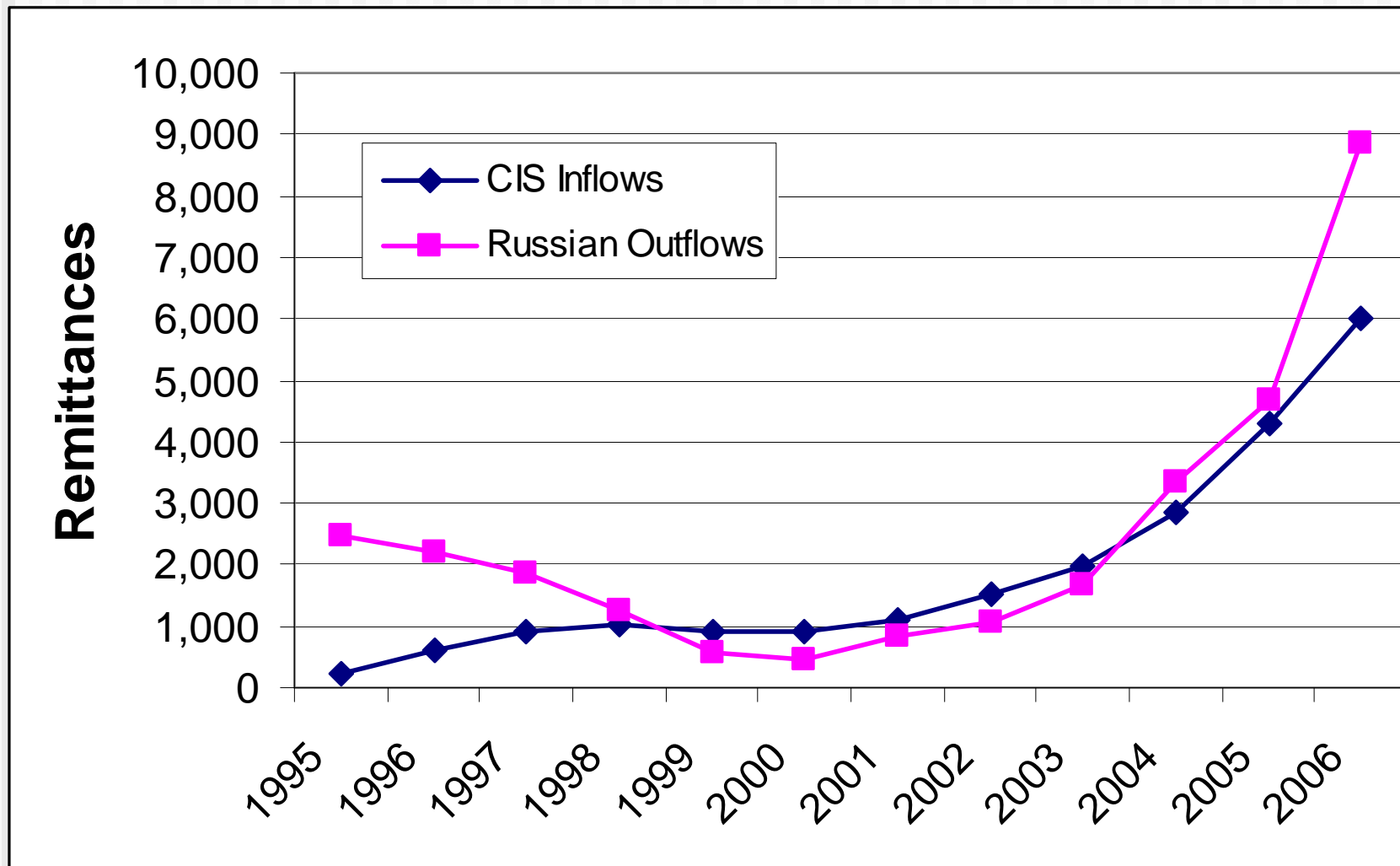
$$\blacksquare NRI_{ij} = ((RI_{ij} - RO_{ij}) / (RI_{ij} + RO_{ij})) \times 100$$

■ RI_{ij} represents remittance inflows from i to j and RO_{ij} represents remittance outflows from i to j



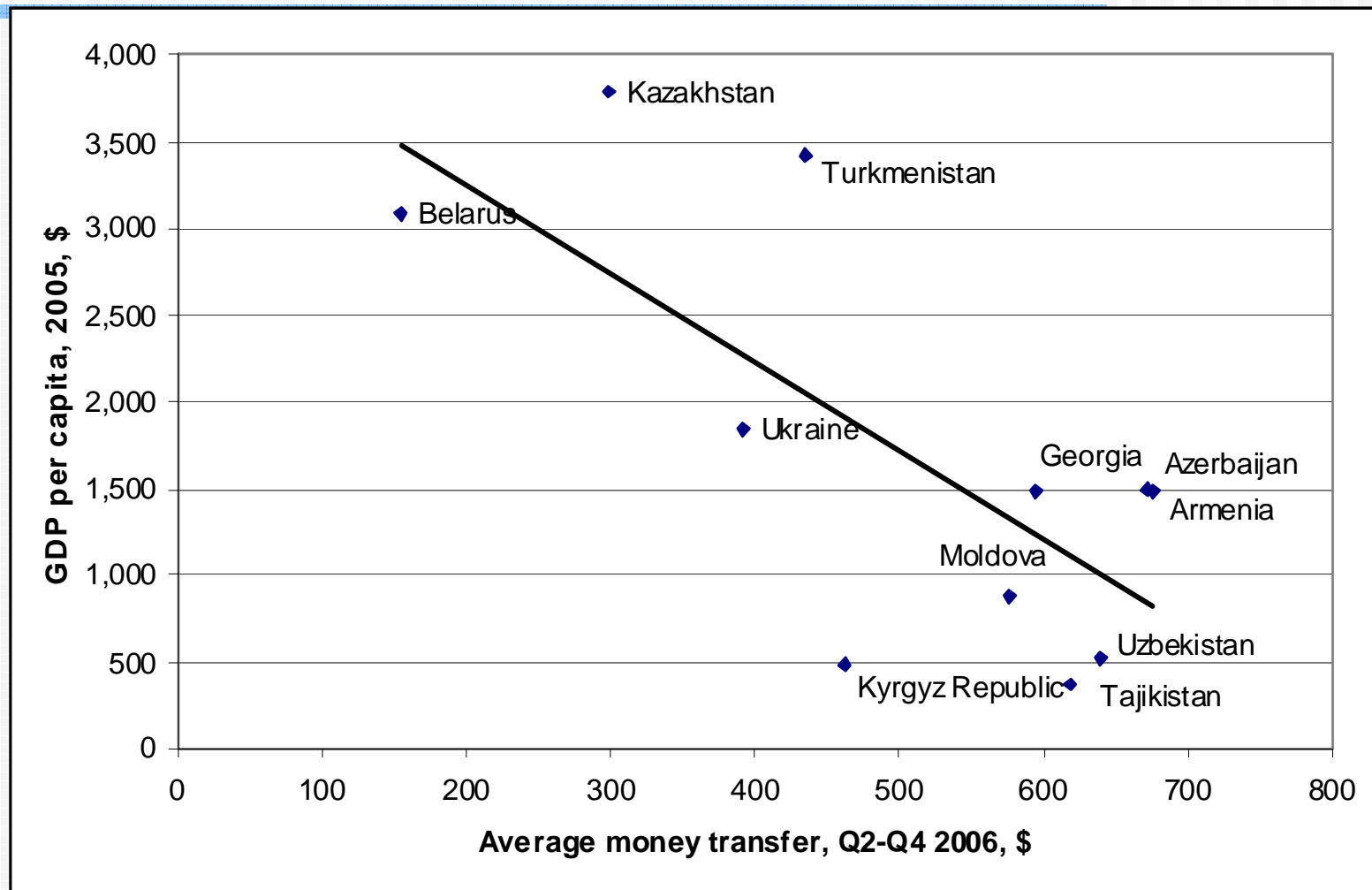
Russian Outflows to the CIS-11 Compared to CIS-11 Inflows, 1995-2006

(Millions of U.S. Dollars)





Relationship Between GDP Per Capita and Size of Average Transfer





Some Additional Conclusions of Shelburne-Palacin ECE Working Paper on CIS Remittances

- CIS data are inconsistent; what one Central Bank says is inconsistent with the others
- Most of the CIS grossly underestimate remittances; overall about 2.5 times
- Armenia, Georgia, Kyrgyzstan, Tajikistan, Ukraine have remittances twice the official values
- Belarus, Kazakhstan, Moldova- close to official values
- Remittances to Turkmenistan are quite small
- Remittances to Uzbekistan are very large, probably over 10% of GDP
- The transaction costs of sending remittances in the transition economies is not particularly high



Box 1

The General Principles and related roles

The General Principles are aimed at the public policy objectives of achieving safe and efficient international remittance services. To this end, the markets for the services should be contestable, transparent, accessible and sound.

Transparency and consumer protection

General Principle 1. The market for remittance services should be transparent and have adequate consumer protection.

Payment system infrastructure

General Principle 2. Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

Legal and regulatory environment

General Principle 3. Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.

Market structure and competition

General Principle 4. Competitive market conditions, including appropriate access to domestic payment infrastructures, should be fostered in the remittance industry.

Governance and risk management

General Principle 5. Remittance services should be supported by appropriate governance and risk management practices.

Roles of remittance service providers and public authorities

A. *Role of remittance service providers.* Remittance service providers should participate actively in the implementation of the General Principles.

B. *Role of public authorities.* Public authorities should evaluate what action to take to achieve the public policy objectives through implementation of the General Principles.