

# MIGRANT Remittances

AUGUST 2009 VOL. 6 NO. 2

## From the Editors

Dear Readers,

The impact of the global economic crisis on migrants and money transfers is having adverse effects in various parts of the world. However, there are also countries, such as the Philippines, where migrants steadily continue to send money. Estimates of the decline in remittances have been readjusted to reflect the news of double digit declines in year-on-year quarterly growth in countries such as Ecuador and Georgia, though this is not the case for all countries. Remittance flows have reached new records in Bangladesh and Pakistan with over 20 percent annual growth in each country. Given the mixed results of remittance flows, this newsletter highlights the important role of public policy interventions to mitigate the effects of the crisis whose outcomes are still hardly predetermined. The recent steps taken by the G8 Global Remittance Working Group are a step in the right direction in this sense, as highlighted by the guest note. Further, the research note in this issue highlights the limited remittance research on Africa and the importance of primary research on market competition and regulations in the region. In this issue we also look closely at a major remittance country in Southeast Asia, Indonesia, in the country profile.

With October quickly approaching, we look forward to the 2009 Global Forum on Remittances in Tunisia. <http://www.ifad.org/remittances/events/forum09.htm>

*Manuel Orozco and Anna Ferro*

To subscribe:  
<http://www.microlinks.org/fs/remittances>

Migrant Remittances is jointly supported by  
USAID's Microenterprise Development Office and DFID

## Worldwide Trends in International Flows

Highlights on International Flows

### 2009-2011 Remittance Projections

In its latest *Migration and Development Brief (10)*, the World Bank estimated a negative 7.3 percent growth rate in remittance flows to developing countries in 2009. This is a revision from its previous estimate of a 5 percent decline. The largest decrease is expected to be in remittances to Europe and Central Asia (a negative 14.9 percent growth rate); the Latin America and Caribbean region is expected to face a negative 6.9 percent growth rate. Sub-Saharan Africa will see an 8.3 percent slowdown in remittance flows. It is expected that 2010 and 2011 will see low but positive growth in the best case scenario. See *Publications*.

In a recent report, the *Inter-American Dialogue* projects that in 2009 immigrants from Latin America and the Caribbean will remit US\$64 billion, down from US\$69 billion in 2008. This decrease of 7 percent in 2009 will be the result of job losses, lower earnings, slower migration, and continued deportations. The study also shows that in 2008, migrants relied on their savings to maintain their remitting levels, but in 2009 nearly one million people will not remit, only 40 percent of those unemployed will continue to remit, and 25 percent of those employed will remit 10 percent less than in 2008. See *Publications*.

## Contents

- 1 Worldwide Trends in International Flows
- 5 Remittances and Financial Intermediation
- 5 Guest Note: G8 Global Remittances Working Group: Facilitating Remittance Flows Worldwide
- 6 Research Note: Reorienting Remittance Research on Africa
- 8 Country Profile: Indonesia
- 9 Events
- 9 Publications



**TABLE 1: REMITTANCES QUARTERLY GROWTH YEAR-ON-YEAR Q1 2006 - Q2 2009 (PERCENT)**

	2006				2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Mexico</b>	28	21	15	9	3	-1	5	1	-3	-9	-8	-2	-5	-11
<b>El Salvador</b>	25	16	12	9	8	7	8	3	6	7	3	-5	-8	-13
<b>Guatemala</b>	20	21	27	14	12	13	17	15	10	8	6	-5	-6	-13
<b>Honduras</b>	39	43	28	22	7	5	9	4	9	13	6	3	-2	-13
<b>Nicaragua</b>	13	13	19	9	-5	8	6	15	22	14	9	0	-1	..
<b>Colombia</b>	17	27	14	12	11	-2	23	29	20	19	10	-12	-4	-17
<b>Ecuador</b>	9	17	23	27	3	9	7	3	12	-8	-13	-22	-27	..
<b>Jamaica</b>	4	8	7	10	8	10	12	14	9	11	4	-10	-15	-17
<b>Dominican Republic</b>	11	19	18	6	18	11	7	9	4	5	5	-5	-7	-3
<b>Total 9 countries</b>	23	21	17	11	6	3	8	6	4	-1	-3	-5	-7	..

Sources: Central banks of each country. Please note that the information above reflects the most accurate data to date, but that these figures are subject to revision.

## 2009 Remittance Trends

*Latin America and Caribbean:* According to their respective central banks, the nine major remittance-receiving countries in Latin America and the Caribbean experienced negative year-on-year growth rates in the first and second quarters of 2009 (see Table 1). The greatest declines were reported in Ecuador and Jamaica. In the first quarter, Ecuador received \$554.5 million, a 27 percent decrease from the \$759.6 million received in the first quarter of 2008. This represents the country's fourth consecutive quarterly decline. Jamaica's remittance receipts amounted to \$414.5 million in the first quarter, a 15 percent year-on-year decrease, and the country again experienced negative year-on-year growth in the second quarter. Nicaragua had the smallest decline in the first quarter, receiving \$199.7 million in remittances, which represents a 1 percent or \$1.6 million year-on-year decline. Colombia and Honduras had the greatest increase in year-on-year decline between the first and second quarters of 2009. Remittances to Colombia declined by 4 percent in the first quarter and by 17 percent in the second quarter; while Honduras suffered declines of 2 and 13 percent, respectively. Also notable, the second quarter of 2009 marked Mexico's sixth consecutive quarter with negative growth.

*Africa:* According to figures from the United Nations, remittances to Somalia decreased by 25 percent in the first quarter of 2009. In Uganda, remittances fell from \$800 million in the first quarter of 2008 to \$350 million in the same period in 2009, a drop of 56 percent. Remittances experienced a 26 percent year-on-year growth in the first 5 months of 2009 in Rwanda, which received \$71.4 million during this period. The Central Bank projects that the country will receive between \$160 and \$200 million in the 2009 calendar year. The African Development Bank partly attributes this increase to improved banking sector regulations that were approved last year.

*Asia:* Remittances to Jordan decreased by 2.4 percent year-on-year during the first 5 months of 2009. Bangladesh received a record \$9.68 billion in remittances in the fiscal year ending on June 30, 2009. It represents a 22 percent increase from the previous fiscal year according to Bangladesh Bank officials. In the previous fiscal year, remittances had increased by 32 percent when the country received what was then a record of \$7.91 billion. Pakistan received a record \$7.8 billion in remittances during the 2008-2009 fiscal year (July to June), a 21 percent year-on-year increase and the highest amount recorded according to the State Bank of Pakistan (SBP). Most of the funds were sent from the United States (\$1.7 billion) as well as the UAE (\$1.69 billion), Saudi Arabia (\$1.56 billion), and GCC (\$1.2 billion) countries. Remittances to the Philippines increased by almost 3 percent in the first quarter of 2009 and totaled \$8.5 billion in the first half of 2009. While the World Bank predicts a 4 percent drop in remittances to the Philippines this year, JPMorgan Chase & Co estimates they will increase by 2 percent year-on-year. The World Bank also estimates that remittances to India will decline by approximately 7 percent in 2009. As the highest remittance recipient country in the developing world, India received \$52 billion in 2008. Rupee appreciation and declining interest rates may contribute to the expected fall in remittances.

*Caucuses:* Remittances to Armenia decreased by 36 percent in the first 6 months of 2009 according to the Central Bank, reaching nearly \$600 million.

### Updated 2008 Remittance Trends

In its latest Migration and Remittances Brief, the World Bank estimates that global remittances reached \$328 billion in 2008, a 15 percent increase from its 2007 estimate. India, China and Mexico remain the main recipient countries, and Moldova, Tonga, Lesotho, and Guyana are the top remittance-receiving countries in terms of remittances as a percentage of GDP. See Publications.

## Money Transfer Operator (MTO) Trends

*Western Union* recorded revenues of \$1.2 billion and \$1.3 billion in the first and second quarters of 2009, down 5 and 7 percent from the same quarters in 2008. In the second quarter, the consumer-to-consumer segment, which makes up 85 percent of the company's revenue, saw a 7 percent year-on-year decline in revenue, though the company processed 49 million transactions in this segment, a 3 percent year-on-year increase. In this quarter, Western Union formed an agreement with Fifth Third Bank. As a follow up to a story published in the August 2008 Migrant Remittances Newsletter, the Arizona Supreme Court ruled in favor of Western Union in a lawsuit that stopped an effort of state prosecutors to seize money wires to Mexico originating from drugs and immigrant smuggling.

In the first quarter of 2009, *Euronet Worldwide* reported revenues of \$233.7 million, a 5 percent decrease from the first quarter of 2008, when it earned \$244.8 million. The company continued to diversify its operations outside Mexico. Its money transfer segment had a 1 percent revenue increase to \$53 million. In the second quarter of 2009, the company received \$248.6 million in revenues, down from \$264.5 million in the same period in 2008. Money transfer segment revenues also decreased year-on-year, totaling \$57.8 million in the second quarter, a 2.8 percent decline from the same period last year. However, the number of transfers processed increased from 4.3 million in the second quarter of 2008 to 4.5 million in the same quarter of 2009. This increase was due in large part to transfers from non-US locations, as approximately 75 percent of its revenues are generated from non-US operations. The revenue figures are influenced by exchange rate fluctuations from foreign currencies when measured against the dollar.

*UNISStream*, a Russian money transfer operator, increased its revenue by 12.9 percent year-on-year in the first quarter of 2009. It recently entered into a partnership with More Money Transfer, a Uruguayan-based company, to access the Latin American market. More Money Transfer has offices in over 20 Latin American countries. UNISStream also partnered with Ayil Bank as a way to expand its presence in Kyrgyzstan. Ayil Bank has 18 branches and multiple regional offices throughout the republic.

*MoneyGram's* total fee and other revenue (the company's main revenue indicator) increased from \$262.8 million in the first quarter of 2008 to \$268.1 million in the same period of 2009. Fee and other revenue represent 96 percent of the company's total revenue. MoneyGram added 1,200 agent locations in the Philippines through an

agreement with M. Lhuillier and nearly 6,000 locations in India after partnerships with Punjab National Bank and Allahabad Bank. The company has also signed an agreement with Bank of China, where the MTO will begin operating in the bank's 200 locations in Beijing, prior to expanding to the full China network. Finally, MoneyGram has expanded its reach in Nepal through a partnership with Samsara Private Limited, which has 200 partner locations, mostly banks, in the country.

## Regulatory Issues around the World

**United States President Barack Obama's administration lifts remittance ban on Cuba.** The White House announced on April 13, 2009 that the US will lift all barriers to travel and family remittances to Cuba. The new policy removes limits on the frequency and amount of remittances, and allows banks and other depository institutions to transfer remittances to the island. Travelers are allowed to carry up to \$3,000 in funds. Moreover, the administration will expand the list of approved items to be sent to the country as gifts.

**Oklahoma in the United States imposes fee on remittances.** The state of Oklahoma approved House Bill 2250, the Drug Money and Wire Transmitter Act. It levies a fee of \$5 on money transfers up to \$500 and an additional 1 percent of the amount if it exceeds \$500. The new regulation took effect on July 1, 2009. Senders who file an Oklahoma tax return may be eligible to receive a tax credit equal to the amount sent.

**Bank of Guyana will oversee money transfer operators.** The Guyana National Assembly approved a Money Transfer Agencies (Licensing) Bill that gives the central bank the authority to regulate MTOs, including the issuance of licenses. Among its provisions, the bill requires MTOs to publish their transaction fees, addressing the issue of disclosure of information to clients.

**Loosened regulations in Taiwan-China remittance corridor.** The Chinese government announced changes in regulations governing remittance flows from Taiwan to the mainland. Rather than being allowed to send money destined for financial assistance or donations only, remittances are now governed by negative listings, meaning that people are allowed to send money for any reason, as long as it is not prohibited by the government.

## International Cooperation and New Projects

**The 2009 Global Forum on Remittances and accompanying Remittances, Business Models and Technology Fair.** The Global Forum on Remittances 2009 will be held in Tunis, Tunisia on the 22nd and

23rd of October. The forum, organized by IFAD and the African Development Bank in conjunction with the Inter-American Dialogue, will have a special focus on the African region and will address the following main topic areas: a) the impact of the global financial crisis on remittances, b) the latest regulatory developments pertaining to money transfers and financial services, c) financial intermediation and financial literacy, d) rapid changes in market competition, and e) technology innovation, remittances and rural development. The Fair will run parallel to the Forum to allow private sector entities and other stakeholders to exhibit their products and services.

For more information, visit <http://www.ifad.org/remittances/events/forum09.htm> or contact [remittances@ifad.org](mailto:remittances@ifad.org). See *Research Note*.

**USAID and Western Union partner on the African Diaspora Marketplace (ADM) competition.** USAID and Western Union launched a business plan competition on June 2, 2009. The ADM encourages U.S.-based African diaspora members to partner with local business partners to propose small and medium enterprises (SMEs) to boost employment and economic opportunity in Sub-Saharan Africa. The eligible countries include Angola, Burundi, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Uganda and Zambia. Approximately 733 proposals were submitted by the close of the application period on July 30. An estimated 10 to 20 winning proposals will receive matching grants of between \$50,000 and \$100,000 and potential access to finance and technical assistance from USAID and the Overseas Private Investment Corporation (OPIC). See [www.diasporamarketplace.org](http://www.diasporamarketplace.org).

**Launch of USAID-Sogebank Haitian Diaspora Marketplace.** USAID partnered with Fondation Sogebank to establish the Haitian Diaspora Marketplace (HDM), a two-year pilot program designed to encourage Haitians living abroad to contribute to Haiti's economic development by investing in Haiti. The HDM will provide access to matching grant funding (\$50,000 to \$100,000) and technical assistance opportunities to diaspora entrepreneurs. Applications must include business plans for sustainable activities that will be implemented with Haitian businesses.

**Italian-Senegalese cooperation program.** The Italian and the Senegalese Government launched Plasepri ("*Plateforme D'appui Au Secteur Prive Et A La Valorisation De La Diaspora Senegalaise En Italie*"), a financial program of €24 million in credit aid for small and medium enterprises and microfinance institutions. Plasepri also provides technical

assistance to sustain the development of the private sector in Senegal and it intends to mobilize the potential economic role of the Senegalese community in Italy.

**Haitian diaspora links with counterparts to discuss financial literacy.** In a video conference titled "Dollars and Diaspora: A Haitian Community Financial Literacy Dialogue," Haitians at the Ministry of Haitians Living Abroad in Port-au-Prince and members of the Haitian diaspora in New York, Miami, and Boston discussed financial literacy as a tool to build the assets of migrants abroad in order to improve their contribution to the Haitian economy. The conference was sponsored by Fonkoze, Haiti's largest microfinance institution together with the IDB, IFAD, and other partners.

**Collaborative effort to promote migrant and remittances calendar made by Mexican diaspora member.** The Mexican Cultural Institute of New York, the New Immigrant Community Empowerment (NICE), and Mexican photographer Dulce Pinzon will release the new 2010-2011 "Superheroes" calendar in New York City on September 10th. The calendar consists of photographs of Latino immigrants at work, dressed as popular Mexican and American superheroes. This calendar puts a twist on the experience of Latino immigrants in the U.S. in reference to the amount of remittances they send to their home countries. All proceeds from sales will be donated to NICE, a community-based, non-profit organization dedicated to helping immigrants to thrive in their new community and abroad. To purchase the calendar, visit: [www.nyice.org](http://www.nyice.org) or for more information on the photographer, visit [www.dulcepinzon.com](http://www.dulcepinzon.com).

**New website aims to lower remittance costs to Pacific Islands.** A new website, [www.sendmoneypacific.org](http://www.sendmoneypacific.org), aims to provide more information and increase competition in the market of remittances to the Pacific Islands. Jointly created by Australia's and New Zealand's aid agencies, the website provides information on location, transfer method, fees, total cost, speed of transfer and payer outlet. Current costs may add up to 25 percent of the money transferred.

## Mobile Remittance Schemes

*Nokia* will launch a bill payment and remittance transfer service in September 2009 called Nokia Money. The cellphone maker offers the service with *Obopay*, a provider of mobile payments. The service will have its first demonstration in Germany and then expand to select markets in 2010.

*Rwandatel*, a Lybian-owned telecommunications company, announced it will launch a mobile phone banking and

cash transfer system in October 2009. Users will be able to make inbound and outbound international transfers via SMS text messages. Rwandatel has already signed 140,000 customers since its launch in late 2008. The transfer system is part of the company's \$45 million investment in Rwanda in 2009.

*Deutsche Bank* announced an alliance with London-based mobile payments provider *Luup*. The bank will offer mobile global payments for its clients in 80 countries across Europe, the Middle East and Asia. The new system will allow clients to make instant payments and money transfers from any mobile phone within any network.

*Western Union* partnered with *Zain*, a Kuwaiti mobile operator, to provide mobile payment service to customers in Africa and the Middle East. *Zain* has 65 million customers and its new *Zap* service will give them access to money transfers through *Western Union*.

## Remittances and Financial Intermediation

**The Federal Reserve expands automated clearinghouse payment system.** The Federal Reserve Bank announced the introduction of the FedGlobal ACH Services, the newest set of services that expands to more countries and payment options. It is meant to provide efficient means of electronic payments to most of Europe and Panama. The new system will allow inbound and outbound payments, and is expected to expand to other areas of Latin America and Asia.

**Ivobank to pay remittances in Europe and Canada using SWIFT.** With the support of Synergy Financial Systems Ltd., a UK provider of SWIFT services, the online banking service now offers same day/next day and three day transfers for account holders. Remittance recipient countries include the UK, Ireland, Spain, Canada, France, Italy, Germany, Austria, Norway and the Netherlands.

**iRemit enters into partnership with Syrian financial services firm.** iRemit signed an agreement with Al Alamiah Group Co., opening an opportunity for the two companies to provide money transfer services to Filipino migrants in Syria. As one of the largest Filipino-owned money transfer operators, iRemit will be able to pay out for approximately 17,000 Filipino workers in Syria.

**Xoom and Bancolombia join forces.** Bancolombia, one of the oldest and largest banks in Colombia entered a partnership with Xoom corporation, an internet-based money transfer operator. With Bancolombia's network of over 700 branches and 2,000 ATMs, Xoom expands its

presence in Colombia.

### GUEST NOTE:

## G8 Global Remittances Working Group: Facilitating Remittance Flows Worldwide

*Massimo Cirasino and Dilip Ratha, Coordinators of the G8 Global Remittances Working Group, The World Bank*

At their recent summit in L'Aquila, the G8 Heads of State made a pledge "to make financial services more accessible to migrants and to those who receive remittances in the developing world" and "to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10 percent to 5 percent in 5 years through enhanced information, transparency, competition and cooperation with partners, generating a significant net increase in income for migrants and their families in the developing world."<sup>1</sup> This concrete achievement, which can help mitigate the impact of the financial crisis on migrants and their families, is the result of the work undertaken by a recently formed initiative, the G8 Global Remittances Working Group. This guest article provides insights on the background, objectives and rationale for this important initiative.

International remittances, as defined by the flow of funds from migrant workers back to their families in their home country, are an important source of household income in many developing economies, representing in some cases a substantial percentage of the GDP of the receiving countries. The recipients often depend on remittances to cover day-to-day living expenses, to provide a cushion against emergencies and, in some cases, funding for small investments. The World Bank estimates that remittances from some 190 million international migrants totaled \$433 billion in 2008, of which \$328 billion went to developing countries.<sup>2</sup> Remittances provide a lifeline to the poor in many developing countries.

The Heads of State and Government of the major industrial democracies (the G8) announced the formation in February 2009 of a Global Remittances Working Group (G8 GRWG) to facilitate the flow of remittances worldwide. The G8 GRWG is composed of representatives nominated by the authorities and chaired by the World Bank Vice President for Financial and Private Sector Development. The Coordinators and a small Secretariat facilitate the initiative, and an International Advisory Committee, composed of global experts, ensures quality

1 G8 Leaders Declaration: Responsible Leadership for a Sustainable Future. L'Aquila Summit, July 2009.

2 The estimates refer to officially recorded flows; actual numbers are considered to be much higher.

assurance and technical guidance. Four thematic working areas, covering different aspects of remittances, have been established around the seven G8 recommendations: 1) data, 2) interconnections with migration and development, and policy, 3) payment and market infrastructure, and 4) remittance-linked financial products and access to finance.

As a consequence of the financial and economic crisis, remittances are expected to fall by 7 percent in 2009.<sup>3</sup> The growth of remittances began to slow down in the last quarter of 2008, and the slowdown has continued into 2009. This decline is smaller than the projected fall in private capital flows. However, compared to the double-digit annual growth in the past few years, an outright fall in the level of remittance flows as projected now will cause hardship in many poor countries.

A pressing issue in this grim context is the cost of remitting. In many remittances corridors the cost of sending remittances is still high relative to the often low incomes of migrant workers and their families. A decrease in prices would increase the disposable income for migrant families worldwide, thus mitigating the impact of the crisis for millions of households in especially vulnerable segments, in both developed and developing countries. One of the main objectives of the G8 GRWG coordinated efforts is the reduction of the average cost of sending remittances by 5 percentage points over 5 years (5x5), from a present estimated average of 10 percent to an average of about 5 percent by 2014. The World Bank Remittance Prices Worldwide database<sup>4</sup> provides a reference for monitoring progress. Complementary objectives of this group include actions to 1) broaden access to remittance services, particularly in rural areas and 2) improve the developmental impact of remittances through their use as an instrument to promote access to finance.

To achieve the 5x5 objective governments can tap into several tools that have proven effective in helping reduce the cost of remittances. These include: 1) fostering market transparency and consumer protection, 2) improving the payment systems infrastructure, 3) reforming the legal and regulatory framework, 4) enhancing market structure and competition, and 5) adopting governance and risk management best practices. These areas are identified in the *WB-CPSS General Principles for International Remittances Services*, the internationally agreed-upon framework to guide actions to enhance the efficiency of international remittances. The developmental interactions of remittances and migration have also been discussed in

3 Migration and Development Brief n°10, D. Ratha et al., The World Bank, July 2009.

4 <http://remittanceprices.worldbank.org>

a comprehensive manner in another World Bank flagship, *Global Economic Prospects 2006*.

The G8 Global Remittances Working Group is a multi-year platform aimed at facilitating the flow of remittances by providing guidance and policy options to the global community. This year the efforts of the working group were successful in securing the commitment of the G8 Heads of State to reduce the cost of remittances by five percentage points in five years. Looking forward, the G8 Global Remittances Working Group will address other key areas such as interactions with migration and development and access to finance.

#### RESEARCH NOTE:

## Reorienting Remittance Research on Africa: The Importance of Market Competition and Regulation to Leverage the Development Impacts of Remittances

*Tim Cheston (IAD)*

Amid improved methodologies and increased flows, remittances have catapulted from statistical anomalies to a leading issue for numerous governments and development agencies worldwide. Remittance flows to Africa are widespread, approaching \$40 billion annually, or nearly five percent of countries' GDPs.<sup>5</sup> Despite the clear importance of remittances in Africa, only a small fraction of remittance research actually touches on Africa, and publications that do, highlight a highly limited selection of issues and countries. Little remains known about other critical areas of research, particularly competition and regulation in remittance markets in Africa.

A broad body of research over the past few years has produced a lively debate on the impact of migration and remittances on development. In one report, Anna Lindley attempts to draw conclusions on the debate for the African context, but finds that even simple statements such as remittances are "good for development" are difficult, if not imprudent, to make based on limited available research and contested definitions of "development."<sup>6</sup> Lindley does state, however, that "public policy environments clearly mediate the effects of remittances in migrants' countries and places of origin."<sup>7</sup>

5 IFAD. 2006. "Remittance Forum: Africa." <http://www.ifad.org/events/remittances/maps/africa.htm>

6 Lindley, Anna. 2008. "African Remittances and Progress: Opportunities and Challenges." Real Instituto Elcano: 5. <http://www.realinstitutoelcano.org/>

7 Lindley, 2008: 5.

The limited research base on remittances to Africa often restricts policy debates to secondary information and unconfirmed assumptions. Furthermore, few attempts have been made to quantify the limited nature of remittance research on Africa. A review of the publication sections of past issues of the Migrant Remittances Newsletter<sup>8</sup> shows that out of the 267 total publications cited, only 14 percent focus directly on Africa. An additional five percent focus indirectly on Africa within a substantial section of a broader report.

Remittance research on Africa also suffers from a narrow focus on select issues and countries. Over 80 percent of the publications that focus directly or indirectly on Africa are concentrated on two issues: quantifying migration and remittance flows and analyzing the impact of remittances on development. While a significant share of these studies utilize primary sources, the majority, 56 percent, are limited in the breadth of their research, focusing on one specific country. An additional 20 percent of studies focus on a few countries or a sub-region (i.e. West Africa). The remaining studies have greater breadth in the countries studied, but rely heavily on secondary sources.

Despite Lindley's acknowledgements of the importance of the public policy context in mediating the impact of remittances, critical research issues, such as regulation and competition in the remittance market, remain largely ignored. Publications on remittance regulations in Africa, for example, are limited to a study on mobile phone banking regulations and a two-page section of a larger report. At the same time, however, the increased importance of remittances has led many African governments to take dramatic steps to change regulations on money transfers, despite the absence of clear policy recommendations from the research. The result has been an unguided and often conflicting picture of reforms between countries. In several countries, regulations limiting outbound transfers and prohibiting nonbanking financial institutions from participating in remittance markets have been liberalized, while other countries have tightened their control on money transfers.

Research on the remittance market in Africa is imperative and long overdue. In a forthcoming report,<sup>9</sup> important first steps are made to analyze competition and regulations on inbound and outbound transfers in over 50 African

countries, along with their effects on financial access. The report also notes significant challenges in data collection, measurement, and validation of official information. In researching market competition, the location of services according to money transfer operators and their partner institution payers often conflicted between their respective websites. Bank asset data and branch information were also frequently not available online, particularly for small banks and large international banks operating in small countries. Phone calls were placed to all involved parties to resolve these discrepancies, which only further highlighted the lack of updated information online. In several instances, central bank websites were non-existent or non-functional with limited, outdated information. In Guinea, for example, political conflict has shut down the central bank website, though remittance services continue. As a result, secondary sources were often used as a guide to find the necessary information and corresponding law for validation. In several countries, foreign exchange regulations are amended through a series of decrees or circulars, which are rarely fully available online. The information that is accessible online, therefore, is frequently not the current policy; obtaining current information requires direct contact with the central bank.

Whether 'good' or 'bad' for development, remittances have not reached their maximal impact on development in Africa. The need for more extensive research on remittances in Africa is pressing and requires greater commitments by governments and financial institutions to improve access to basic laws and financial information. Reorienting remittance research on Africa is critical for leveraging the development impacts of remittance flows in the continent.

---

8 The Migrant Remittances Newsletter is a publication documenting changes in remittance flows and markets, published by USAID's Microenterprise Development office and the Department for International Development. Each issue contains an extensive list of new publications on remittances. In this study, we examined all fourteen issues of Migrant Remittances that have been published from the end of 2004 to April 2009.

9 IFAD. (forthcoming) 2009. "Migration, Remittances and Development in Africa: Trends in Regulation, Competition, Rural Finance and Policy Opportunities."

## COUNTRY PROFILE: INDONESIA<sup>1</sup>

**Population:** 234.3 million (2008 est.).<sup>2</sup> The Indonesian population is currently growing by 1.2 percent annually. The fertility rate stands at 2.2 births per woman and the life expectancy is 71 years.<sup>3</sup> GDP per capita (PPP) amounts to \$3,455,<sup>4</sup> with a GDP growth rate of 6.3 percent.<sup>5</sup> The ethnic composition of Indonesians is highly complex, with around 300 ethnic groups and well over 700 languages.<sup>6</sup> Indonesia is the world's fourth most populous country and has the largest Muslim population in the world. Nearly half (49 percent) of the population live in urban areas<sup>7</sup> and over 28 percent of the population is aged 15 years or younger.<sup>8</sup>

**History of Migration:** Indonesia's geography, economy, and population size make it a prime country for migration and emigration alike. Many immigrants look to Indonesia as a destination country, as well as a transit country. Emigration has taken place in Indonesia since ancient times. Initially, fishermen were the primary emigrants, settling on neighboring islands. Immigration to Indonesia mainly took place from the regions of the present-day Indian subcontinent and China, a phenomenon that had a considerable impact on Indonesian culture. The main period of emigration from Indonesia occurred in the nineteenth century when many Indonesians were sent to Australia to work in the pearl and sugarcane industries, although the White Australia Policy of 1901 forced most to return by the Second World War. By the mid-twentieth century, migrants from the Netherlands and China were the primary foreign communities in the country. By 1949, Indonesia was home to some 250,000 Netherlands nationals, though nearly all returned home after independence in Indonesia. A public decree banning foreign migrants from participating in the retail trade in rural Indonesia resulted in the return of some 120,000 Chinese in 1960 and 1961. A failed coup attempt in 1965, supposedly financed by Chinese leaders, deteriorated relations with China; as a result, many more Chinese returned home.

Today, internal migration flows are also significant and have been a longstanding source of conflict. Migration-related conflicts have occurred in Maluku, Central Sulawesi, and parts of Papua, West Papua, and West Kalimantan, including the massacre of hundreds of Madurese by local Dayaks.<sup>9</sup> Moreover, high population density has also influenced the high number of migrants that leave Indonesia each year, seeking employment elsewhere. The unemployment rate stood at 11 percent at the end of 2006, while underemployment stood at over 20 percent.<sup>10</sup> Emigrants generally follow two paths: a predominantly permanent, high-skilled group that migrates to developed nations and a temporary, unskilled group that migrates to other destinations in Asia. Women form a disproportionate share of the latter group, working as domestics.<sup>11</sup> The Indonesia-Malaysia corridor is considered to be the world's second largest undocumented migration flow behind Mexico-United States. Many undocumented emigrants to Malaysia are male construction and plantation workers, entering low-status, poorly paid jobs.

**Estimated Remittances Flows:** According to the World Bank, remittance flows to Indonesia amounted to \$6.174 billion in



2007, representing an 8 percent increase over 2006 figures of \$5.722 billion.<sup>12</sup> In 2006, remittances amounted to 1.6 percent of GDP. Outward remittance flows are tracked less, but are still significant, amounting to \$1.359 billion in 2006, or 0.4 percent of GDP.<sup>13</sup> By comparison, official development assistance amounted to \$796 million in 2007.<sup>14</sup> As emigration in Indonesia tends to occur in pockets, remittances have greater effects at regional rather than national levels.<sup>15</sup> Remittance flows in East Flores and Eastern Java amount to more than regional government budgets.<sup>16</sup> Major migrant sending districts include Kalimantan, West Sumatra, West Java, East Java and Lombok. Remittances have a greater impact in those areas, comprising 42 percent of GDP in Madang in East Java.<sup>17</sup>

**Host Countries:** According to the World Bank Migration and Remittances Factbook, Indonesia had a stock of 1,736,717 emigrants in 2005, representing 0.8 percent of the population. Immigrants in Indonesia, by comparison, numbered 159,731 in 2005, or 0.1 percent of the population. Women migrants make up 46 percent of all immigrants.<sup>18</sup> While there is a small share of immigrant refugees, at less than 0.1 percent, Indonesia has a high level of internally displaced persons, following a string of natural disasters that devastated parts of Aceh, Nias and Yogyakarta. The net migration rate is -0.9 migrants per 1,000 people, reflecting a net emigration over time.<sup>19</sup> Indonesian emigrants can be found in nearly all corners of the world, with large numbers of Indonesians in Asia, Europe, North America, and the Middle East. The top destination countries are Malaysia, Saudi Arabia, Netherlands, Singapore, United States, Australia, Republic of Korea, Japan, Germany, and Canada. The fastest growing host countries are the United States, Australia, Canada and New Zealand. In Australia, the number of foreign-born Indonesians increased by 40 percent between 2001 and 2005 with a sharp rise in students studying in Australia, primarily at the university level.<sup>20</sup> The largest community of migrants, however, is in Malaysia, which has a similar language, culture and religion and where over half of its 1.4 million foreign born are from Indonesia.

12 World Bank, World Development Indicators, 2007 data.

13 World Bank, Migration and Remittances Factbook, 2007 data.

14 World Bank, World Development Indicators, 2007 data.

15 Foundation for Development Cooperation. 2007. "Leveraging Remittances with Microfinance: Indonesia Country Report." <http://www.fdc.org.au/Publications/ARC/FDC%20-%20ARC%20Project%20-%20Final%20Country%20Report%20-%20Indonesia.pdf>.

16 Hugo, Graeme. 2007. "Indonesia's Labor Looks Abroad." Migration Policy Institute. <http://www.migrationinformation.org/Profiles/display.cfm?id=594>

17 Foundation for Development Cooperation, 2007.

18 United Nations Population Division. World Migrant Stock: The 2005 Revision Population Database, 2005.

19 IBID

20 Hugo, Graeme. 2007. "Indonesia's Labor Looks Abroad." Migration Policy Institute. <http://www.migrationinformation.org/Profiles/display.cfm?id=594>

1 Map: [http://www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/indonesia\\_pol\\_2002.jpg](http://www.lib.utexas.edu/maps/middle_east_and_asia/indonesia_pol_2002.jpg)

2 United Nations Population Fund's State of World Population 2008, 2008 data.

3 World Bank, World Development Indicators, 2007 data.

4 Human Development Indices: A Statistical Update 2008, 2006 data.

5 World Bank, World Development Indicators, 2006 data.

6 Gordon, Raymond G., Jr. (2005). "Ethnologue: Languages of the World, Fifteenth Edition."

7 World Bank, World Development Indicators, 2007 data.

8 United Nations Population Division. World Population Prospects: the 2006 Revision Population Database, 2006 data.

9 Pudjiastuti, T.N. 2002. "Migration and Conflict in Indonesia." International Union for the Scientific Study of Population and Conflict Prevention Institute, Harvard University. 2007. "Kalimantan: The Conflict."

10 Hugo, Graeme. 2007. "Indonesia's Labor Looks Abroad." Migration Policy Institute. <http://www.migrationinformation.org/Profiles/display.cfm?id=594>

11 Ibid.

## Job Announcement

### USAID's Microenterprise Development office seeks Senior Advisor on Remittances and Diaspora.

USAID, via the US Department of Agriculture, seeks an expert on remittances and diaspora to help develop programs that better leverage remittances in reducing poverty. This employee will serve as a senior advisor providing technical backstopping and intellectual leadership to USAID on activities pertaining to better mobilizing remittances to assist in development and poverty reduction. [http://www.fas.usda.gov/icd/drd/icdjobs.html#Senior Advisor on Remittances and Diaspora](http://www.fas.usda.gov/icd/drd/icdjobs.html#Senior%20Advisor%20on%20Remittances%20and%20Diaspora)

## Events (July 2009 – November 2009)

- July 2-3, 2009. Money Transfer & Migrant Remittances Summit. International Centre for Business Information (ICBI). Rome, Italy. <http://www.icbi-events.com/remittances/> (includes access to conference presentations).
- July 13-14, 2009. International Conference on Diaspora for Development. The World Bank. Washington, DC, USA. <http://go.worldbank.org/EYOYIEAAP0>
- July 21, 2009. Call for Proposals: Africa Diaspora Marketplace business plan competition. United States Agency for International Development and Western Union. Winners will be selected on December 3-4, 2009. <http://www.diasporamarketplace.org>
- July 28-30, 2009. Mobile Money Transfer World Conference 2009. Developing the Best Business Model and New Business Partnership in Delivering Mobile Financial Services to the Mass Market. New Delhi, India. Contact: [Phyllis.goh@neo-edge.com](mailto:Phyllis.goh@neo-edge.com). [http://www.neo-edge.com/events/event.php?fld=it&page=it\\_6&event=Mobile Money Transfer&venue=New Delhi&date=28-30 July 2009](http://www.neo-edge.com/events/event.php?fld=it&page=it_6&event=Mobile%20Money%20Transfer&venue=New%20Delhi&date=28-30%20July%202009)
- September 15, 2009. Call for Papers early registration: Migration: A World in Motion: A Multinational Conference on Migration and Migration Policy. University of Maastricht.
- September 22, 2009. Closing the Distance: How Governments Can Strengthen Ties with Their Diasporas. Migration Policy Institute. Washington, DC. <http://contact.migrationpolicy.org/site/Calendar/2144912802?view=Detail&id=4361>
- September 28, 2009. Money Transfers Singapore Conference. International Association of Money Transfer Networks (IAMTN). Singapore. <http://mts2009.iamtn.org/register>
- September 30-October 2, 2009. FOROMIC 2009: Inter-American Forum on Microenterprise. Arequipa, Peru.

<http://www.foromic.org>.

- October 3-6, 2009. Money Transmitters Convention (IMTC 2009). The National Money Transmitters Association (NMTA). Miami, Florida. <http://www.nmta.us/portal/page.php?291>
- October 22-23, 2009. Global Forum on Remittances 2009 and Remittances, Business Models and Technology Fair. The International Fund for Agricultural Development (IFAD), African Development Bank (AfDB), and Inter-American Dialogue (IAD). Tunis, Tunisia. <http://www.ifad.org/remittances/events/forum09.htm> or contact [remittances@ifad.org](mailto:remittances@ifad.org).
- November 2-5, 2009. 3rd Global Forum on Migration and Development. Athens, Greece. <http://hdr.undp.org/en/reports/global/hdr2009/events/title.18920.en.html>

## Publications

- Adams, R. H., de Haas, H. and U. O. Ukonkwo, eds. *Web Anthology on Migrant Remittances and Development: Research Perspectives*. Social Science Research Council, March 2009. <http://www.ssrc.org/publications/view/8E13E95B-A24F-DE11-AFAC-001CC477EC70/>
- Aghazarm, C. and V. Escudero. *Migration in the Black Sea Region: An Overview*. International Organization for Migration, November 2008. <http://www.roma-intercultural.it/userfiles/Migration%20in%20the%20Black%20Sea.pdf>
- Aite Group. *Money Transfers: Riding the Storm*. April 2009. <http://www.aitegroup.com/reports/200904201.php>
- Blackwell, O. *South-South Migration and Human Development: Reflection on African Experiences*. Human Development Research Paper 2009/07, April 2009. [http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP\\_2009\\_07.pdf](http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP_2009_07.pdf)
- Casilda Béjar, R. *Remesas y Bancarización en Iberoamérica*. Documentos de Trabajo, Instituto de Estudios Latinoamericanos (IELAT). October 2008. [http://www.felaban.com/pdf/libro\\_remesas.pdf](http://www.felaban.com/pdf/libro_remesas.pdf)
- Cervantes González, J. A. and A. Barajas del Pino. *Remuneración Media, Masa Salarial y Escolaridad de los Trabajadores Mexicanos Inmigrantes en Estados Unidos*. June 2009, unpublished.
- Chappell, L. and A. Glennie. *Maximising the Development Outcomes of Migration: A Policy Perspective*. Human Development Research Paper 2009/11, April 2009. [http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP\\_2009\\_11.pdf](http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP_2009_11.pdf)

- de Haas, H. *Mobility and Human Development*. Human Development Research Paper 2009/01, April 2009. [http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP\\_2009\\_01.pdf](http://hdr.undp.org/en/reports/global/hdr2009/papers/HDRP_2009_01.pdf)
- Koncept Analytics. *Global Money Transfer (Remittance) Market: An Analysis*. May 2009. <http://www.konceptanalytics.com/reportDetail.aspx?reportID=160>
- Levitt, P. and B. N. Jaworsky. *Transnational Migration Studies: Past Developments and Future Trends*. Annual Review of Sociology: 33, 129-156, April 2007.
- Meins, Robert. 2009. *Remittances in times of financial instability*. March. Washington, DC: Inter-American Development Bank. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1913678>
- Mendola, M. and G. Carletto. *International Migration and Gender Differentials in the Home Labor Market: Evidence from Albania*. The World Bank, WPS4900, April 2009. <http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/04/14/00015834920090414093427/Rendered/PDF/WPS4900.pdf>
- Maldonado G., R., Morales R., R., and Álvaro Carella. *Remesas y Cooperativas de Ahorro y Crédito en América Latina y el Caribe*. Centro de Estudios Monetarios Latinoamericanos, Confederación Alemana de Cooperativas (CEMLA DGRV). <http://www.dgrv.org/docs/558.REMESAS2.pdf>
- Orozco, M. Testimony presented before the House of Representatives Financial Services Committee Subcommittee on Financial Institutions at the hearing titled “*Remittances: Regulation and Disclosure in a New Economic Environment*”, June 3, 2009. Inter-American Dialogue. <http://www.thedialogue.org/PublicationFiles/Testimony%20house%20of%20reps%20060309%20FINAL.pdf>
- Orozco, M. *Remittances in Latin America and the Caribbean: Their Impact on Local Economies and the Response of Local Governments*. La Descentralización y los Desafíos para la Gobernabilidad Democrática. Organization of American States. English: <http://www.thedialogue.org/page.cfm?pageID=32&pubID=2060>, Spanish: <http://www.thedialogue.org/page.cfm?pageID=32&pubID=2059>
- Orozco, M. *Asegurando futuros: el interés de inversión y estrategia de comercialización para los salvadoreños en el exterior*. Banco Multisectoral de Inversiones. May 2009. <http://www.thedialogue.org/page.cfm?pageID=55&s=asegurando+futuros>
- Orozco, M. *Migration and Remittances in Times of Recession: Effects on Latin American Economies*. Latin American and Caribbean Economic System, May 2009. <http://www.thedialogue.org/page.cfm?pageID=32&pubID=1943>
- Orozco, M. *Understanding the continuing effect of the economic crisis on remittances to Latin America and the Caribbean*. Multilateral Investment Fund, Inter-American Development Bank. August 10, 2009. <http://www.thedialogue.org/page.cfm?pageID=32&pubID=2067>
- Orozco, M. and E. García-Zanello. *Hometown Associations: Transnationalism, Philanthropy, and Development*. The Brown Journal of World Affairs: Vol. XV, Issue II, Spring/Summer 2009. <http://www.thedialogue.org/page.cfm?pageID=32&pubID=1923&s=hometown%20associations>
- Ortiz, X. *Las expresiones territoriales de las dinámicas migratorias: entre la superación y el rezago en Santa Rosa de Lima*. Programa Salvadoreño de Investigación sobre Desarrollo y Medio Ambiente. January 2009. [http://prisma2.org.sv/web/publicacion\\_detalle.php?id=354](http://prisma2.org.sv/web/publicacion_detalle.php?id=354)
- Ponce, J., Olivé, I. and M. Onofa. *The impact of remittances on human development outcomes in Ecuador*. Documento de trabajo 06/305. [http://www.flacso.org.ec/docs/olivie\\_ponce2.doc](http://www.flacso.org.ec/docs/olivie_ponce2.doc)
- Rahman, M. M. and B. S. A. Yeoh. *The Social Organization of Hundi: Channelling migrant remittances from East and South-east Asia to Bangladesh*. Asian Population Studies, Vol. 4, Issue 1, 2008.
- Rahman, M. M. and L. K. Fee. *Gender and the Remittance Process*. Asian Population Studies, Vol. 5, Issue 2, 2009.
- Ratha, D., Mohapatra, S. and A. Silwal. *Migration and Development Brief, 10*. Migration and Remittances Team Development Prospects Group, World Bank. <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/Migration&DevelopmentBrief10.pdf>
- Secretaría Permanente del Sistema Económico Latinoamericano y del Caribe (SELA). *Recesión Global, Migraciones y Remesas: Efectos sobre las Economías de América Latina y el Caribe*. SELA, Mayo 2009. [http://www.sela.org/DB/ricsela/EDOCS/SRed/2009/05/T023600003460-0-Recesion\\_global\\_migracion\\_y\\_remasas.pdf](http://www.sela.org/DB/ricsela/EDOCS/SRed/2009/05/T023600003460-0-Recesion_global_migracion_y_remasas.pdf)
- Secretaria de Relaciones Exteriores. *Flujos de Remesas en enero-junio de 2009*.
- Sukadi Mata, R. *Microfinance Institutions (MFIs) on the Remittances Market: Money Transfer Activity and Savings Mobilisation*. CEB Working Paper N°09/022, 2009. <http://www.solvay.edu/EN/Research/Bernheim/documents/wp09022.pdf>
- The Lafferty Group. *Mobile Payments*. Report commissioned by the Prepaid International Forum (PIF) and by Money Transfer International (MTI). <http://www.lafferty.com/?dept=008>
- Tolentino, A., Rocha, C.M., and N. Tolentino. *A Importância E O Impacto Das Remessas Dos Imigrantes Em Portugal No Desenvolvimento De Cabo Verde (The importance and impact of remittances of immigrants in Portugal in the development of Cape Verde)*. April 2008. [http://www.acidi.gov.pt/docs/Publicacoes/estudos/Estudo\\_27.pdf](http://www.acidi.gov.pt/docs/Publicacoes/estudos/Estudo_27.pdf)

- UNDP. *Overcoming barriers: Human mobility and development*. Human Development Report 2009. To be launched in October 2009. <http://hdr.undp.org/en/reports/global/hdr2009/>
- Visiongain. *Mobile Money Transfer Report 2009: Profiting from cross-border remittance and global banking*. April 2009. <http://www.companiesandmarkets.com/Summary-Market-Report/mobile-money-transfer-report-2009-profiting-from-cross-border-remittance-and-global-banking-82724.asp>

Editors: Manuel Orozco and Anna Ferro

Newsletter team: Nancy Castillo (IAD); Roberto Munster (IAD); Natalie Greenberg (QED)

Contributors: Massimo Cirasino and Dilip Ratha (The World Bank); Tim Cheston (IAD)

Editorial review group: Kerry Nelson (DFID); Borany Penh (USAID)

To subscribe or access earlier issues of the newsletter please visit:  
<http://www.microlinks.org/fs/remittances>