

# REMITTANCE FLOWS AND COSTS IN OIC COUNTRIES

OIC STATISTICAL  
**OUTLOOK**  
2022



STATISTICAL, ECONOMIC AND SOCIAL RESEARCH  
AND TRAINING CENTRE FOR ISLAMIC COUNTRIES



ORGANISATION OF  
ISLAMIC COOPERATION



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OIC STATISTICAL  
**OUTLOOK**  
2022



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## Acronyms Used

COVID-19	Novel Coronavirus 2019
FDI	Foreign Direct Investment
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SPFS	System for Transfer of Financial Messages
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNSD	United Nations Statistics Division
USD	United States Dollars
WDI	World Development Indicators

## Introduction

Remittances are cross border money transfers from person to person in relatively smaller amounts. These transfers to the home countries of migrant workers/expatriates play a significant role in the socio-economic prosperity of OIC countries. As of 2020, OIC countries as a group accounted for nearly a quarter of inward and outward flows of global remittances. Remittances inflows to OIC countries have surpassed both disbursements of Official Development Assistance (ODA) and inward flow of Foreign Direct Investments (FDI). At the same time, some OIC countries are among those with highest personal remittance outflows globally.

Unlike ODA, remittances are directly received by people in need, thus reducing the cost of sending remittances provides benefits to many families with reliance on remittances for housing, food, school fees and medical care expenses. In this connection, Sustainable Development Goal (SDG) 10.c calls for reducing remittance transaction costs to under 3% of the amount remitted and eliminating remittance corridors with costs higher than 5% across all regions and countries by 2030.

Against this background, this study presents the trends in remittances inflows and outflows to/from OIC countries and provides an analysis on the average costs associated with receiving and sending a remittance based on most recent available data.

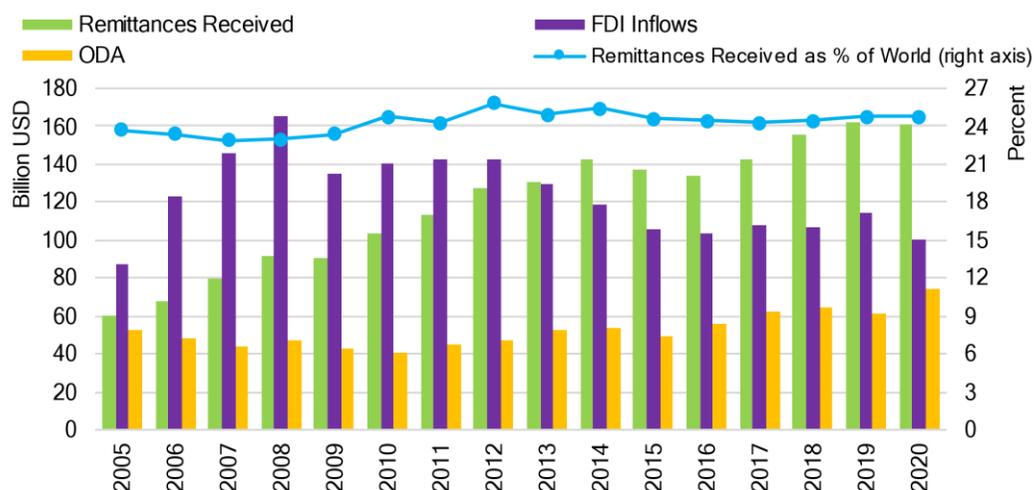
## Trends in Remittance Inflows to OIC Countries

This section provides an analysis on the trends in remittance inflows and costs associated with remittance transfers to OIC countries. At the global level, total remittances received by all developing countries increased from 253.1 billion USD in 2005 to 656.8 billion USD in 2019 but slightly dropped to 651 billion USD in 2020 due to the COVID-19 pandemic related cuts in job opportunities.

On the other hand, inflows of remittances to the OIC countries group increased from 60.1 billion USD in 2005 to 162.6 billion USD in 2019 with a slight fall to 161 billion USD in 2020. The OIC countries as a group increased their share in the total global remittances received from 23.7% in 2005 to 24.7% in 2020.

Overall, FDI, ODA and remittances along with goods and services exports are primary sources of foreign exchange inflows in OIC countries. Figure 1 shows that the value of remittances received by the OIC countries group has surpassed the inward FDI flows and disbursements of ODA to OIC countries since 2013. Particularly, as of 2020, 161 billion USD worth of remittances were received by the OIC countries group in comparison with the FDI inflows worth of 100 billion USD and ODA disbursements worth of 74 billion USD (Figure 1).

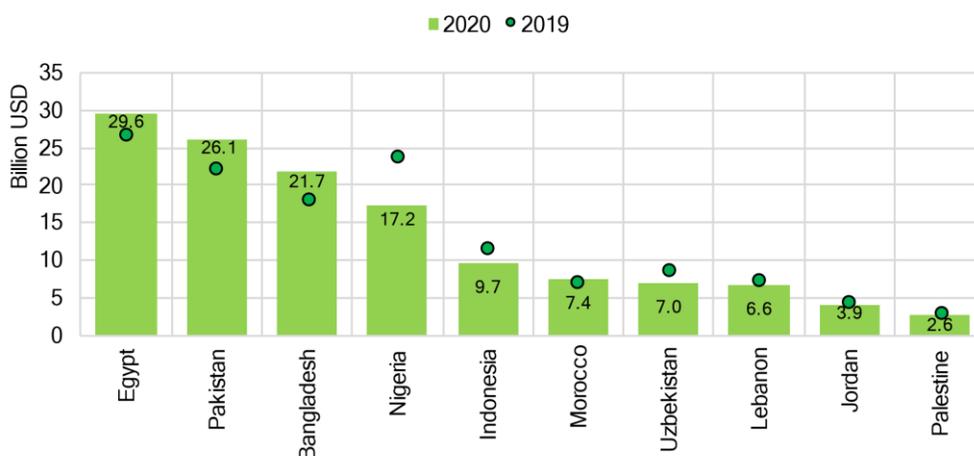
Figure 1: Inflows of Remittances, FDI and ODA to OIC Countries Group, 2005-2020



**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database, United Nations Conference on Trade and Development (UNCTAD), UNCTADSTAT Database, and Organisation for Economic Co-operation and Development (OECD), Query Wizard for International Development Statistics (QWIDS) Database.

At the individual member country level, top 10 OIC countries in terms of remittances received accounted for 83% of the total inflows of remittances to the OIC countries group in 2020. Egypt came first with 29.6 billion USD, followed by Pakistan (26.1 billion USD), Bangladesh (21.7 billion USD), Nigeria (17.2 billion USD), Indonesia (9.7 billion USD), Morocco (7.4 billion USD), Uzbekistan (7 billion USD), Lebanon (6.6 billion USD), Jordan (3.9 billion USD), and Palestine (2.6 billion USD) (Figure 2). Despite the COVID-19 pandemic, 20 OIC countries were observed to increase their inward remittances flows from 2019 to 2020.

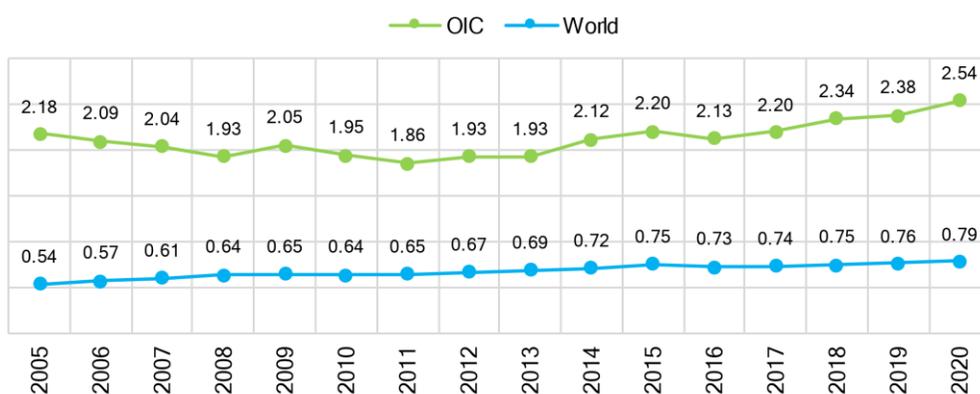
Figure 2: Top 10 OIC Countries in Terms of Remittances Received, Billion USD, 2019 vs. 2020



**Source:** Data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database.

Since 2005, the importance of remittances in the world and OIC countries group economies has increased. In 2005, the global value of personal remittances received as a percentage of GDP was estimated as 0.54% which then increased to 0.79% in 2020. In comparison, the value of personal remittances received as a percentage of GDP of the OIC countries group increased from 2.18% in 2005 to 2.54 % in 2020 (Figure 3).

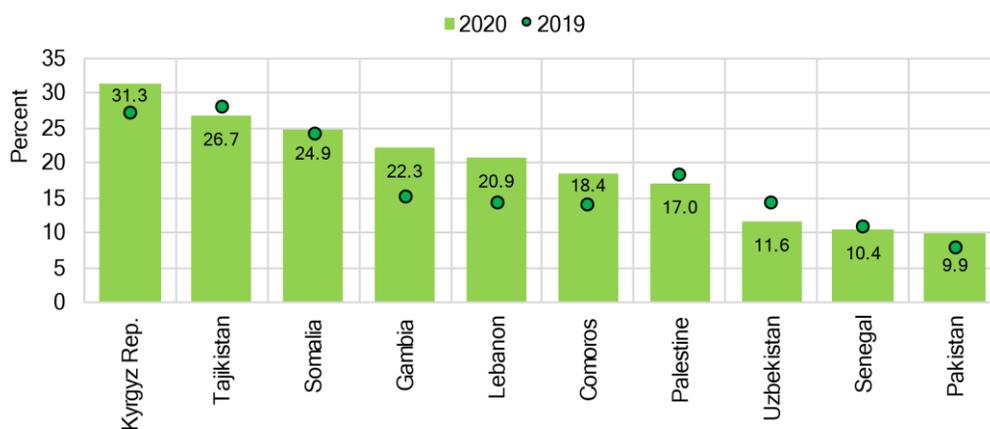
**Figure 3: Remittances Received as % of GDP, OIC vs. World, Percent, 2005-2020**



**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database and United Nations Statistics Division (UNSD), National Accounts Main Aggregates Database.

At the individual member country level, the remittances received as a % of GDP in 20 OIC countries were over 5% in 2020. Particularly, two OIC countries, namely Kyrgyz Republic (31.3%) and Tajikistan (26.7%) were also among the top three countries globally in terms of the share of remittances received as % of GDP in 2020. They were followed by Somalia (24.9%), Gambia (22.3%), Lebanon (20.9%), Comoros (18.4%), Palestine (17%), Uzbekistan (11.6%), Senegal (10.4%) and Pakistan (9.9%) (Figure 4).

**Figure 4: Top 10 OIC Countries in Terms of Remittances Received as % of GDP, Percent, 2019 vs. 2020**

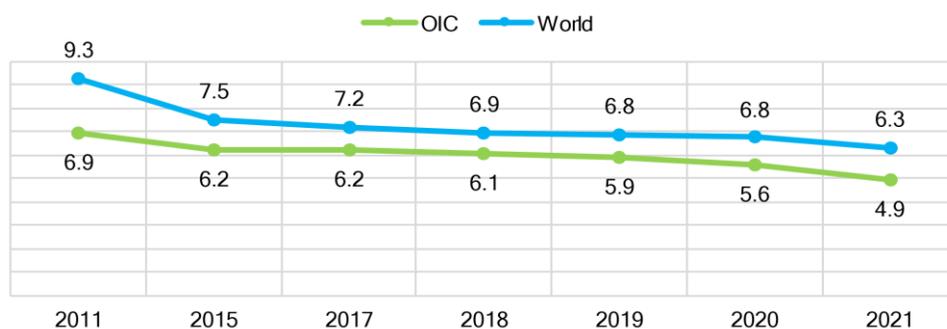


**Source:** Data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database.

## Costs Associated with Remittance Transfers to OIC Countries

Over the last decade, the global average cost of sending remittances to a receiving country as a proportion of total amount remitted has decreased by 3 percentage points, from 9.3% in 2011 to 6.3% in 2021 which shows that the world average is still off-track to meet the target set in SDG 10.c. On the other hand, the average cost of sending remittances to the OIC countries group has been below the global average throughout the 2011-2021 period and decreased from 6.9% in 2011 to 4.9% in 2021 (Figure 5).

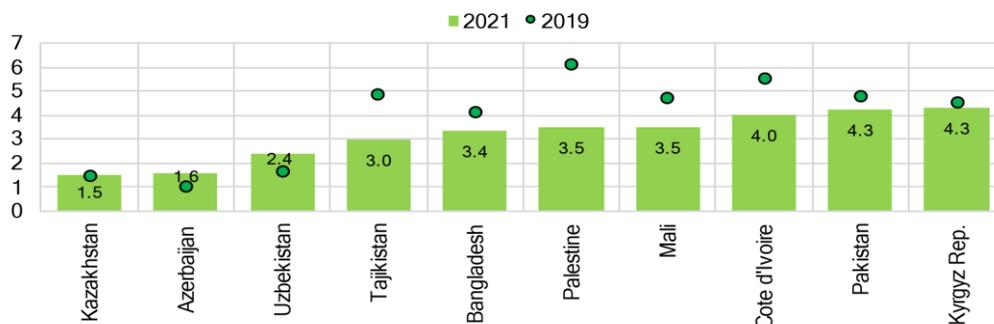
**Figure 5: Average Remittance Costs to a Receiving Country as a Proportion of the Amount Remitted, OIC vs. World, Percent, 2011-2021**



**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the United Nations Statistics Division (UNSD), Global SDG Indicators Database and World Bank, World Development Indicators (WDI) Database.

At the individual member country level, the costs of sending remittances to a receiving OIC country as a proportion of the amount remitted were lowest for Kazakhstan (1.5%), Azerbaijan (1.6%), Uzbekistan (2.4%) and Tajikistan (3%) which shows the SDG 10.c has been achieved for them in 2021. They were followed by Bangladesh (3.4%), Palestine (3.5%), Mali (3.5%), Cote d'Ivoire (4%), Pakistan (4.3%) and Kyrgyz Republic (4.3%) (Figure 6). However, the average cost of sending remittances to 21 OIC countries were above 5% of the amount remitted in 2021.

**Figure 6: Top 10 OIC Countries with the Lowest Costs for Receiving Remittances as a Proportion of the Amount Remitted, Percent, 2019 vs 2021**



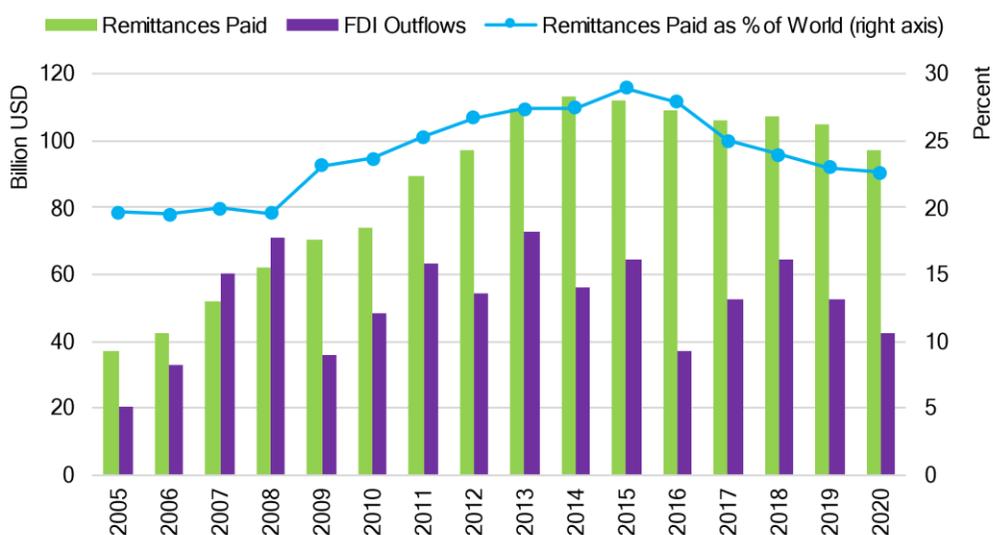
**Source:** Data extracted on 26/04/2022 from the United Nations Statistics Division (UNSD), Global SDG Indicators Database.

## Trends in Remittance Outflows from OIC Countries

This section provides an analysis on the outflows of remittances sent back home by expatriates working in the OIC countries. Remittances paid by the OIC countries to abroad including also other OIC countries showed a rapid increase from 37.4 billion USD in 2005 to 113 billion USD in 2014 which then decreased to 97.4 billion USD in 2020 due to the COVID-19 pandemic. In 2015, the OIC countries group as providers of remittances reached the highest point in terms of their share with 28.9% of the total global remittances paid. The share of the OIC countries group in the remittances paid globally then showed a downwards trend subsequently and fell to 22.7% by 2020.

As another source of foreign exchange outflow, the FDI outflows from the OIC countries as a group have been even more fluctuating in the period 2005-2020. The largest FDI outflow amount from the OIC countries group during this period was in 2013 with 72.6 billion USD. However, the FDI outflows receded to 42.3 billion USD by 2020 as of which total remittances outflows from the OIC countries as a group were more than 2.3 folds compared to their FDI outflows (Figure 7).

**Figure 7: Outflows of Remittances and FDI from OIC Countries Group, 2005-2020**

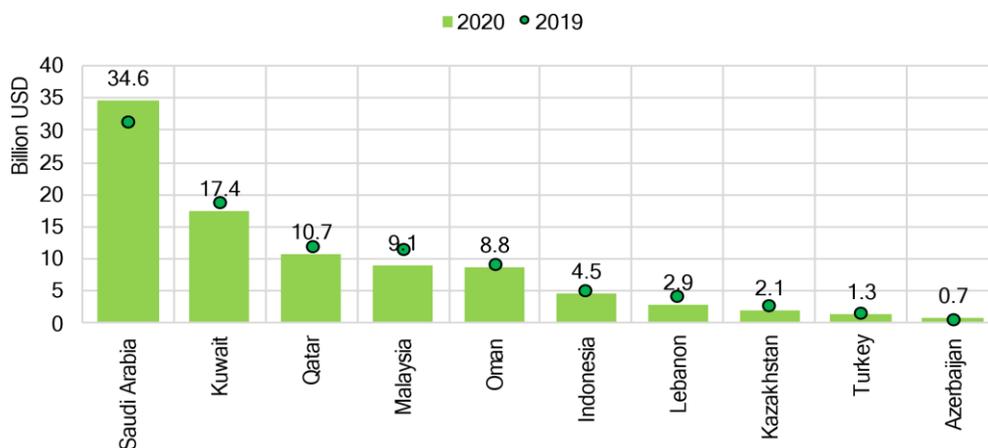


**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database, United Nations Conference on Trade and Development (UNCTAD), UNCTADSTAT Database.

When the performances of individual OIC countries are considered, Saudi Arabia and Kuwait were among the ten largest remittance provider countries globally. Specifically, in 2020, 34.6 billion USD worth of remittances originated from Saudi Arabia which came just after the USA (70 billion USD). Moreover, Kuwait was ranked sixth globally with 17.4 billion USD remittance payments and came after China (18.1 billion USD). These two OIC member countries were followed by Qatar, Malaysia, Oman, Indonesia, Lebanon,

Kazakhstan, Türkiye, and Azerbaijan in 2020. Overall, the remittances paid by these top 10 OIC countries constituted around 95% of the total remittances paid by the OIC countries group in 2020 (Figure 8).

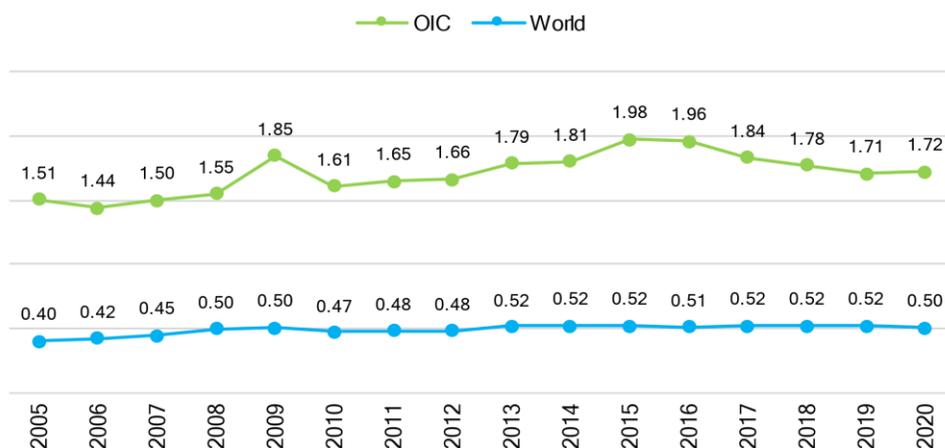
**Figure 8: Top 10 OIC Countries in Terms of Remittances Paid, Billion USD, 2019 vs 2020**



**Source:** Data extracted on 26/04/2022 from the United Nations Statistics Division (UNSD), Global SDG Indicators Database.

At the global level, remittances paid as a percentage of GDP has increased from 0.40% in 2005 to 0.50% in 2020. In comparison, remittances paid as percentage of GDP of the OIC countries as a group increased from 1.51% in 2005 to 1.72% in 2020, which was more than 3.4 folds of the 2020 global average (Figure 9).

**Figure 9: Remittances Paid as % of GDP, OIC vs. World, Percent, 2005-2020**

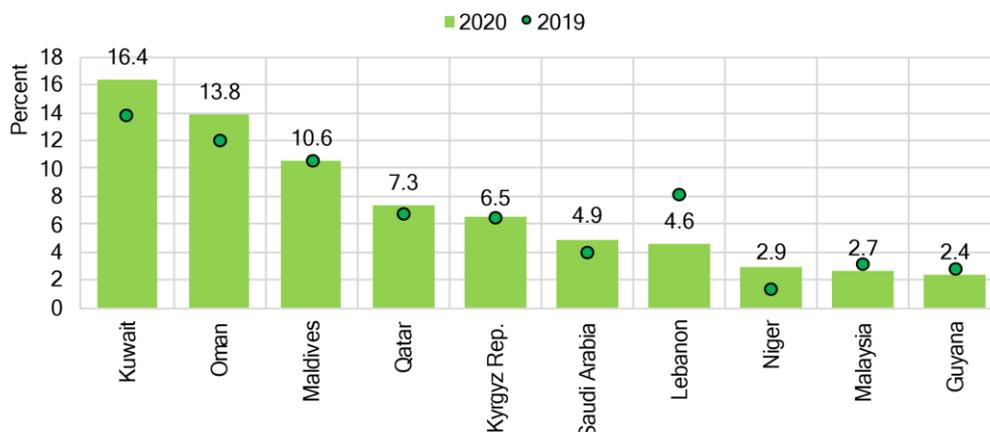


**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Database and United Nations Statistics Division (UNSD), National Accounts Main Aggregates Database.

As to the top 10 OIC countries in terms of remittances paid as % of GDP in 2020, Kuwait took the lead with 16.4% and was followed by Oman (13.8%), Maldives (10.6%), Qatar

(7.3%), Kyrgyz Republic (6.5%), Saudi Arabia (4.9%), Lebanon (4.6%), Niger (2.9%), Malaysia (2.7%), and Guyana (2.4%) (Figure 10).

**Figure 10: Top 10 OIC Countries in Terms of Remittances Paid as % of GDP, Percent, 2019 vs. 2020**

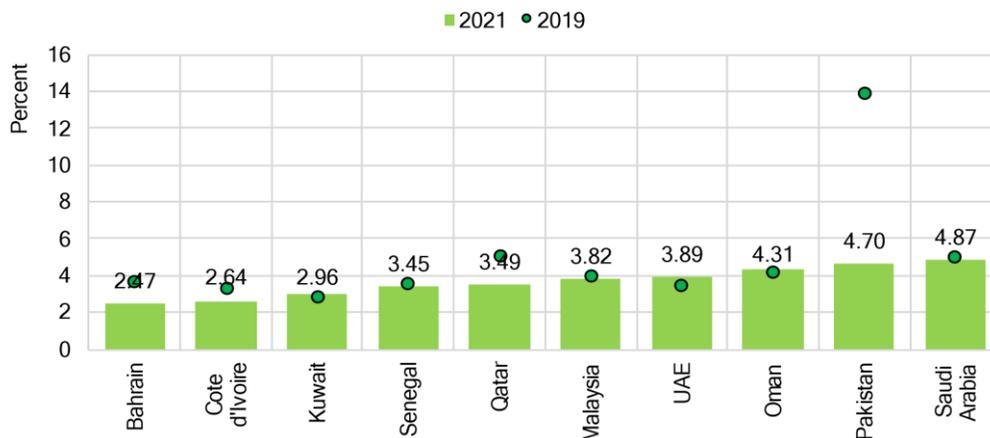


**Source:** SESRIC staff calculations based on data extracted on 26/04/2022 from the World Bank, World Development Indicators (WDI) Online Database.

## Costs Associated with Remittance Transfers from OIC Countries

Concerning the costs for sending remittances as a proportion of the amount remitted from OIC countries, Bahrain had the lowest rate (2.47%) and followed by Cote d'Ivoire (2.64%), Kuwait (2.96%), Senegal (3.45%), Qatar (3.49%), Malaysia (3.82%), UAE (3.89%), Oman (4.31%), Pakistan (4.7%), and Saudi Arabia (4.87%) in 2021. Among them, Bahrain, Cote d'Ivoire and Kuwait were below 3%, targeted value in SDG 10.c by 2030 (Figure 11).

**Figure 11: Top 10 OIC Countries with the Lowest Costs for Sending Remittances as a Proportion of the Amount Remitted, Percent, 2019 vs. 2021**



**Source:** Data extracted on 26/04/2022 from the United Nations Statistics Division (UNSD), Global SDG Indicators Database

## Conclusion

The focus of this study is the flows and cost of receiving/sending remittances in the OIC countries as a group. The study found out that remittances, as one of the primary sources of foreign exchange, have a significant impact on socio-economic well-being of the citizens of the OIC countries by contributing to the member countries' economic stability and development.

The inflow of remittances to the OIC countries group increased from 60.1 billion USD in 2005 to 161 billion USD in 2020. On the other hand, total remittances paid by the OIC countries to abroad including other OIC countries showed an increase from 37.4 billion USD in 2005 to 97.4 billion USD in 2020. Accordingly, the OIC countries group accounted for nearly a quarter of the global inward and outward remittances flows as of 2020.

SDG 10.c calls for reducing to less than 3 % the transaction costs of migrants' remittances as remittances, when compared to ODA and FDI, have a more direct impact on the socio-economic prosperity of individuals. Over the last decade, global average cost of sending remittances to a receiving country as a proportion of the amount remitted substantially decreased from 9.3% in 2011 to 6.3% to 2021. The OIC countries group followed the same favourable trend where the costs in proportion to the amount remitted fell from 6.9% in 2011 to 4.9% in 2021.

As some OIC countries are among the largest beneficiaries of remittances received as well the largest providers of remittances sent globally, there is indeed more room for collective efforts to reduce the transaction costs of sending and receiving remittances. In this connection, the OIC countries may consider introducing alternative transaction methods, particularly by encouraging private and public sector to invest more in fintech applications and blockchain technologies for sending and receiving remittances with affordable costs and favourable terms.

Accordingly, the Communique of the 16<sup>th</sup> Meeting of the OIC Central Banks and Monetary Authorities in 2018 highlights enhancing technical cooperation between the central banks and monetary authorities of the OIC countries with an objective to strengthen the institutional capacities. From this end, building integrated messaging and information exchange system similar to SWIFT and SPFS among the banks of the OIC countries should be prioritised as a strategic long-term goal.

## Technical Notes

Aggregate data for the OIC countries group are either weighted averages or sum of individual member states. Aggregates are calculated if data are available for 28 out of the 57 OIC countries. The world aggregate values are accessed from the relevant databases to preserve the consistency. More technical information is as follows:

**Figure 3:** “Personal Remittances, Received (% of GDP)” data were accessed from the World Bank, World Development Indicators (WDI) Database and the OIC averages were estimated using “GDP, Current Prices (USD)” as the weight accessed from the United Nations Statistics Division (UNSD), National Accounts Main Aggregates Database.

**Figure 5:** “Average Remittance Costs to a Receiving Country as a Proportion of the Amount Remitted (%)” data were accessed from the United Nations Statistics Division (UNSD), Global SDG Indicators Database and the OIC averages were estimated using “Personal remittances, received (current USD)” as the weight accessed from the World Bank, World Development Indicators (WDI) Database. Weight data for 2020 was used as an estimate of the year 2021 for calculating OIC average for 2021.

**Figure 9:** “Personal Remittances, Paid (% of GDP)” data were accessed from the World Bank, World Development Indicators (WDI) Database and the OIC averages were estimated using “GDP, Current Prices (USD)” as the weight accessed from the United Nations Statistics Division (UNSD), National Accounts Main Aggregates Database.

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