

Understanding the various aspects of remittances and its links with migration, through bilateral corridor analysis. Bilateral corridor studies have been used with a view to analyzing what are the major micro and macro determinants of remittances being channeled through informal or formal funds transfer systems, and identifying policy recommendations that may induce the shift to the formal sector.

In response to specific requests of member countries, since 2003 FSE has initiated eleven remittance corridor studies described in Table 1.

Table 1: Bilateral Remittance Corridor Analysis (as of February 2006)

Published	Completed / Under Review	Underway
US – Mexico Canada - Vietnam	Germany – Serbia USA - Guatemala UK - Nigeria Netherlands - Suriname*	Italy – Albania*** Italy - Morocco*** UK - Uganda** Qatar - Nepal Malaysia - Indonesia

* Conducted by the Ministry of Finance of the Netherlands

** Partnership with DFID

*** Partnership with Ufficio Italiano di Cambi

The USA-Mexico, UK-Nigeria and Italy-Morocco can be characterized as mature corridors in which money flows mostly through financial institutions, statistics on remittances are reliable, and there is an active policy dialogue between financial sector authorities of the countries of the corridor. Other corridors analyzed can be characterized as incipient or informal due to, among other things, the large share of remittances that flow outside the financial system, and the lack of an articulated policy for remittances.

Corridor studies have shown that competition especially in the high volume corridors have led to a decline in the cost of remittances. But overall, the studies have also revealed that in most countries migrants and their families still prefer to send or receive money through friends and relatives traveling to their home country, bus drivers or other informal means. The share of remittances channeled through non-financial institutions is therefore large in some cases.

These studies have tried to understand the incentives behind this. Some of the preliminary findings of the studies include: i) the lack of trust of migrants in the financial institutions in their home country; ii) the lack of competitiveness of the banking sector versus other remittance service providers, including the limited number of bank branches and ATMs in most developing countries; iii) the existence of black markets for foreign currency; iv) the absence of pre-departure programs for migrants; and, v) a set of legal issues faced by undocumented migrants to open bank accounts in their host countries.

Going forward, the conclusions of the studies so far suggest a broader policy and institutional agenda for financial systems to improve the efficiency and outreach of financial service providers in recipient countries. But it also suggests the need for migration policies that touch on financial literacy and migrant identification. Finally, the collaboration with other units that will conduct bilateral corridor analysis that will focus on migration will clearly enrich the analysis.