Highlight 1. Improvement Possibilities of Remittances' Economic Potential in Serbia

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Introduction

There are numerous positive effects of inflow of remittances on economic growth. Emigrants' remittances reduce the poverty rate in developing countries. By increasing the income of individuals and families, aside from more current spending, these cash flows affect the development of human capital through higher allocation to education. Remittances also increase the level of healthcare in host countries. Due to countercyclical nature, inflows from remittances grow in the time of crises, helping the affected households to amortize external shocks, and are therefore a particular form of insurance. Additionally, remittances can have a positive impact on long-term economic growth and development if those receiving them, even partially, channel them into investments.

Remittances in Serbia now mainly affect economic growth as a source of financing domestic demand, and so there is a potential of using them to a greater extent as investments, i.e. to increase domestic supply. As inflows of remittances in Serbia are on a relatively high level, this paper discusses several factors that could lead to a higher impact of these funds on economic growth: a) improving awareness / education of remittance recipients in using available financial services and creating new financial products, b) lower costs of sending remittances through formal channels, which would increase the availability of funds in the financial system and state's resilience to exogenous shocks, c) increasing the quality of institutions, which would affect directing remittances to investments, to human as well as physical capital, which would realise a wider spectrum of possibilities and, therefore, a higher gain to the citizens, d) using inflow of remittances as an incentive for the development of capital market, e) including remittances in the country's credit rating assessments and its ability for further borrowing. We feel there is a potential in Serbia for investing more of these funds into investments, which could contribute to a faster and longer-term economic and social progress.

1. Inflow of Remittances to Serbia and Other Western Balkan Countries

In order to assess and stress the macroeconomic significance of remittances in Serbia and other Western Balkan Countries (WBC), we will first compare the annual inflow of these funds to Gross Domestic Product (GDP), exports, imports, Foreign Direct Investment (FDI), as well as foreign trade deficit of the observed countries. In addition, the importance of remittances to the standard of living for Serbian citizens will be estimated by comparing personal transfers and remittances of workers to net earnings, as well as to the personal expenditures.

According to NBS data, annual net inflow of personal transfer[3] is around 2.6 billion euro, out of which the net inflow of workers' remittances[4] is around two billion euro (Graph 1). Observed in relative terms (compared to the GDP value), personal transfers on average make 7.8% of GDP, and workers' remittances make 6.1% of GDP (Graph 2). A series of inflows of these funds indicate their three important characteristics: a) stable level, b) higher level than inflow of FDI, c) countercyclical character. The first trait is a general characteristic of remittance inflow, which was pointed out many times and confirmed in papers dealing with this topic, for various countries in the world (Chami et al. 2009, Ratha and Mohapatra 2007), as well as for Serbia (Janković and Gligorić 2012, Gligorić and Janković, 2013). In the period 2007-2015, inflow of personal transfers and workers' remittances was relatively stable (no trends), with somewhat higher deviations upwards in 2009 and 2010 (which we assign to the characteristic of remittances stated under c). The fact that remittance funds are higher than the funds coming to the country through FDI (1.3 billion euro is an average net inflow of FDI for the period 2012-2015, i.e. 3.8% of GDP, see Graph 1 and Graph 2), speaks to their importance and need to analyse possibilities of better directing them. Observed from 2007, cumulative net value of inflows from workers' remittances and personal transfers is by 14% and 42% respectively above the cumulative net FDI value (even though net FDI was higher than personal transfers in 2011, and higher than workers' remittances in 2007, 2008 and 2011). Despite the higher inflow of remittances than FDI, national economic literature often points

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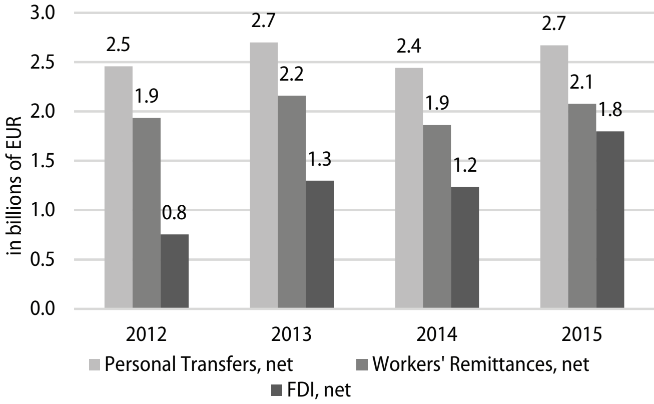
3 Personal transfers represent current transfers between resident and non-resident households. Personal transfers include workers' remittances, which encompass transfers of migrants working abroad, who have a resident status in the country where they work, and send funds to residents of other countries, see IMF BPM6.

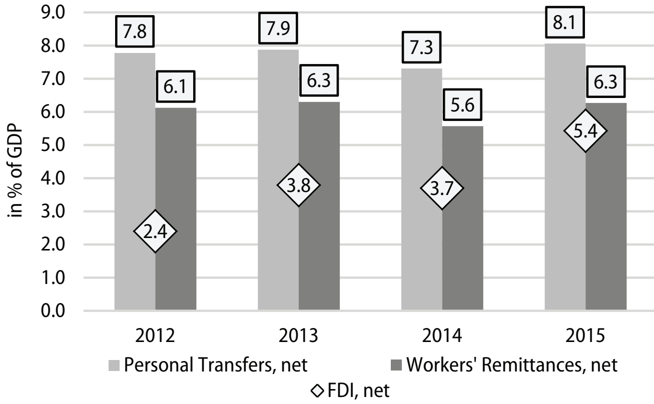
4 In line with the International Monetary Fund methodology, personal transfers in the latest Balance of Payments Manual (IMF BPM6), compared to the previous issue of the Manual (IMF BPM5), replaced item workers' remittances "in the standard presentation". Still, according to BPM6, item workers' remittances have been kept and are published as an additional item within personal transfers. Personal transfer, unlike workers' remittances, are "defined independently of the source of income of the households sending funds, connects/relations that exist between households sending and receiving funds, as wella s the purpose of sending transfers", IMF BPM6, p. 273

Graph 1 Net Inflow of Personal Transfers, Workers' Remittances and Foreign Direct Investments into Serbia, 2012-2015



Source: Presentation by the authors based on NBS data

Graph 2 Share of Net Inflow of Personal Transfers, Workers' Remittances and Foreign Direct Investments in Serbia's GDP, 2012-2015



Source: Presentation by the authors based on NBS data

out the importance of FDI inflows for Serbia's economy, while remittances are to a lesser extent a subject of research. Partial explanation is that FDI by definition go to investments and, therefore, increase the production potential of the country, while remittances do that to a far lesser extent. Also, through FDI new technology comes in, new methods of management, production organisation, etc. Additional explanation can be found in the very character of remittances, i.e. their size, as they are by definition "cross-border transfer of monetary amounts of smaller volume (value)"[5]. Also, the purpose of sending remittances is such that they are often recognised as support of migrants to their relatives back in country of origin"[6]. Proof of this purpose of remittances is also the so-called "insurance hypothesis" according to which remittances have a countercyclical character in relation to the production in the recipient country (see, e.g. research of authors Bettin et al. 2015), which could also explain a slightly higher inflow of remittances in Serbia in the period of "severe" recession in the country in 2009 and 2010 (see Graph 3). So, remittances are characterised by the the so-called lifeline effect, i.e. especially important growth during crisis – unlike other inflows that are of pro-cyclical nature. Remittances are funds held by individuals/families, scattered and smaller amounts, mostly arriving through informal channels[7], which makes harder the possibility to redirect them to investments and realise a longer-term benefit, both micro and macroeconomic.

From the standard of living perspective, remittances present an important source of income for households and individuals. Many researches indicate that remittances decrease poverty in the recipient country (see e.g. Acosta et al. 2008, Adams et al. 2008), because they increase its citizens' income. In Serbia, annual inflow of remittances per capita is equal to one average monthly salary. That means that each citizen in Serbia on average receives one additional salary a year for free (Table 1). Table 1 also shows percentage share of net inflow of personal transfers and remittances in total net earnings. Share of personal transfers and remittances in previous years in total net earnings on average was at the level of 35% and 28%, and in personal expenditures around 9% and 7% respectively.

Authors Adams and Page (2005) have proven that the growth of inflow from remittances per capita by 10% through official channels leads to a reduction of poverty by 3.5%, assessing the model on a sample of 71 developing countries. Insurance hypothesis also points to the validity of the conclusion that remittances contribute to poverty reduction – whether the sending of remittances is determined by altruistic motives or that individuals migrated in order to diversify the risk of shocks in the income of the country of origin[8]. Experiences of many countries confirm this hypothesis, because the inflow of remittances increased when the recipient country had a slowdown in economic activity or periods of recession, political or civil crisis, as well as natural disasters[9]. Still, as remittances are received by certain households, they

5 Vasiljević (2009), p. 202
6 IMF BPM6, p. 273
7 Considerable share of inflows from remittances is conducted through informal channels, so many countries, including Serbia, estimate the amount of unregistered inflow of these funds and publish the total inflow as a sum of the formal inflow and the estimate of the unregistered amount. Certain past researches state that remittances coming into Serbia through informal channels make as much as 50-80% of total inflow of these funds. See e.g. Donovan (2013) and Suki (2006).

8 Bettin (2015), p. 2
9 Ratha (2013), p. 5

are not distributed according to the needs of the citizens for additional funds, i.e. they don't represent funds intended for the poorest or those who are at risk the most – as is the case with social welfare, but are the result of personal connections of the recipient to the sender of the remittance. Having that in mind, the effect of remittances on inequality in the recipient country is not straightforward, as indicated by many researches where the results are still "mixed" - some indicate a reduction of inequality (see Acosta et al. 2008), while others indicate an increase of inequality (Adams et al. 2008).

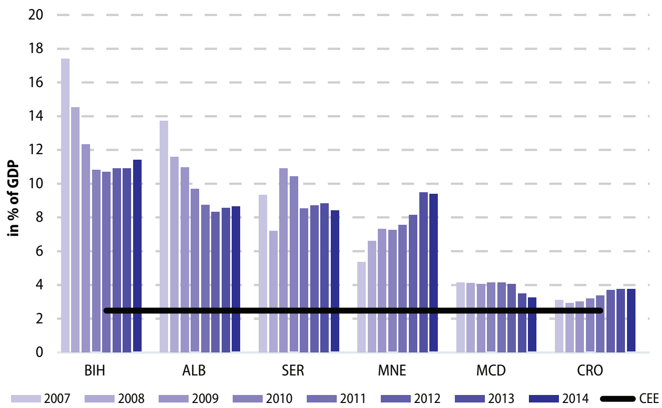
Table 1 Personal Transfers and Workers' Remittances Compared to Net Earnings in Serbia, 2009-2014

Year	Average monthly inflow of personal transfers per capita	Average monthly inflow of workers' remittances per capita	Average monthly net earnings per employee	Personal Transfers/ Net Earnings	Workers' Remittances/ Net Earnings
		in EUR		in %	
2009	35.2	29.8	337.5	40.2	34.0
2010	32.9	27.2	331.6	40.1	33.2
2011	29.7	23.8	372.7	33.0	26.4
2012	28.5	22.4	366.1	32.4	25.5
2013	31.4	25.1	387.2	33.9	27.1
2014	28.5	21.8	379.7	31.5	24.0

Source: For average monthly inflow of personal transfers and remittances per capita, calculation by the authors based on SORS and NBS data, for earnings FREN
Note: The last two columns show the quotient of personal transfers/remittances and mass net earnings – in the numerator is the total annual net inflow of personal transfers/remittances, and in the denominator the sum of net earnings calculated as the product of net earnings per employee and total number of registered employees.

Migrant remittances[10] make a considerable share of inflow of foreign capital in the Western Balkan Countries (WBC). According to World Bank data[11] WBC (Bosnia and Herzegovina, Albania, Serbia, Montenegro, Macedonia, and Croatia) have a share of inflow of remittances in GDP above the average of other Central Eastern European countries (CEE[12]). Data for the six WBC indicate that in four countries this share is especially high. In the period 2007-2014, annual inflow of remittances in Bosnia and Herzegovina (BIH) was on average 12.4% of GDP, in Albania it was 10.0% of GDP, in Serbia 9.0% of GDP, and in Montenegro (MNE) 7.6% of GDP (Graph 3). At the same time, average inflow of remittances in ten countries of CEE was 2.5% of GDP. Although the inflow of remittances in Macedonia and Croatia is at a lower level compared to BIH, Albania, Serbia and MNE – it is on average 4.0% and 3.3% of GDP, respectively – it is still above the CIE average. Therefore, the data on annual inflow of remittances indicate a considerable volume of these foreign funds that trickle annually in WBC, which puts them at the top of the list of world countries ranked according to the quotient of inflow of remittances and GDP (BIH, Albania, Serbia, and MNE are among the first 35, according to available data for 2013, on the World Bank internet page[13]). According to the latest World Bank data, Serbia was ranked as the second country among 20 developing countries of the region of Europe and Central Asia by the inflow of remittances, with 3.6 billion dollars in 2015[14].

Graph 3 Share of Inflow of Remittances in GDP in the Western Balkan Countries, 2007-2014



Source: Presentation by the authors based on the World Bank data
Note: BIH – Bosnia and Herzegovina, ALB – Albania, SER – Serbia, MNE – Montenegro, MCD – FYR Macedonia, CRO – Croatia, CEE – other countries of Central and Eastern Europe (Bulgaria, Romania, Estonia, Latvia, Lithuania, Czech Republic, Poland, Hungary, Slovenia, Slovakia).

Also, remittances are important for WBC from a macroeconomic perspective, because they present a high percentage of the value of export and import of goods and services of these countries, as well as their differences – foreign trade deficit. Remittances covered 80% of the foreign trade deficit in Serbia in 2014, which ranks Serbia as number one among WBC. In 2014, this percentage was at a level of 47% in BIH, 45% in Albania, and 18% in Macedonia (see Table 2)[15].

Table 2 Share of Remittances in the Value of Foreign Trade Deficit in Western Balkan Countries, 2008-2014

10 Migrant remittances, according to the definition of the International Monetary Fund, include: personal transfers, compensation for employees and migrant transfers, see IMF's Balance of Payments and International Investment Position Manual (IMF BPM6, 2010).

11 Data for migrant remittances in this paper, source of which are the World Bank and United Nations Conference on Trade and Development (UNCTAD), present a sum of personal transfers and compensations for employees, see
http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS and
http://unctadstat.unctad.org/wds/TableViewer/summary.aspx

12 Bulgaria, Romania, Estonia, Latvia, Lithuania, Czech Republic, Poland, Hungary, Slovenia, Slovakia.

13 http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?order=wbapi_data_value_2013+wbapi_data_value&sort=desc

14 The World Bank (2016).

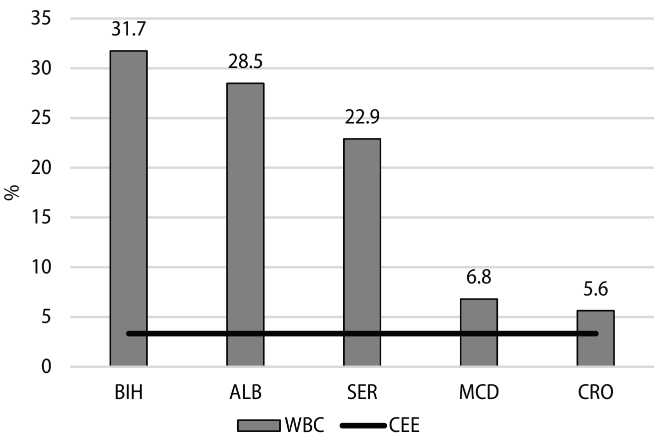
15 Data for import of goods and services is not available for Montenegro in the UNCTAD database. Therefore, we couldn't calculate the share of remittances in imports and foreign trade deficit. Data is available for the level of remittances in the exports of MNE, which is very high and was on average 70% in the period 2008-2014. The highest share (92%) was recorded in 2014 (Source: UNCTAD).

	2008	2009	2010	2011	2012	2013	2014
				in %			
SER	25	55	53	65	69	110	79
BIH	44	51	49	44	45	51	47
ALB	43	44	47	38	45	47	45
MCD	16	18	21	20	18	19	18

Source: Presentation of the authors based on UNCTAD data
Note: BIH – Bosnia and Herzegovina, ALB – Albania, SER – Serbia, MCD – FYR Macedonia.

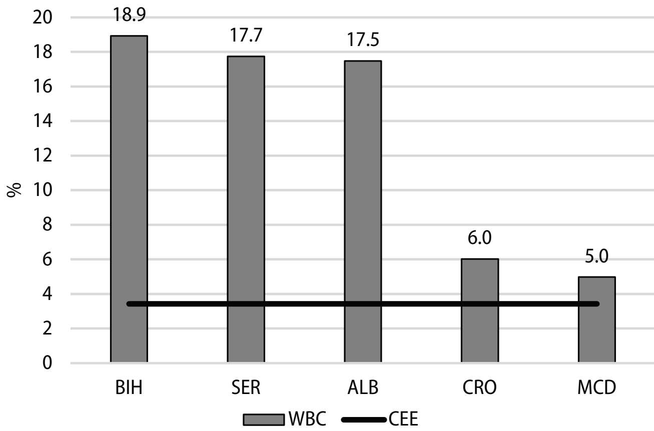
Compared to the average of CEE countries, all WBC have a higher level of remittances compared to the value of exports of goods and services. Countries where this indicator for 2014 is especially high (Graph 4) are: BIH (32%), Albania (29%) and Serbia (23%). Although this indicator is partly high due to relatively low denominator in the quotient (of exports of these countries), it still indicates that one fifth to one third of foreign currency inflow that these countries get through exports of products and services arrives to the country through remittances. If remittance funds are compared to the value of imported goods and services during 2014, this percentage is between 5% in Macedonia to almost 18% in Albania and Serbia, and 19% in BIH (Graph 5). This means that in Albania, Serbia and BIH, these funds are approximately equivalent to the two-month value of import of goods and services. Quotient of remittances and imports in CEE countries is at the level of 3.4%.

Graph 4 Share of Inflow of Remittances in the Exports of Goods and Services in the Western Balkan Countries, 2014



Source: Presentation of the authors based on UNCTAD data
Note: BIH – Bosnia and Herzegovina, ALB – Albania, SER – Serbia, MCD – FYR Macedonia, CRO – Croatia, CEE – other countries of Central and Eastern Europe (Bulgaria, Romania, Estonia, Latvia, Lithuania, Czech Republic, Poland, Hungary, Slovenia, Slovakia).

Graph 5 Share of Inflow of Remittances in the Imports of Goods and Services in the Western Balkan Countries, 2014



Source: Calculation and presentation of the authors based on UNCTAD data
Note: BIH – Bosnia and Herzegovina, ALB – Albania, SER – Serbia, MCD – FYR Macedonia, CRO – Croatia, CEE – other countries of Central and Eastern Europe (Bulgaria, Romania, Estonia, Latvia, Lithuania, Czech Republic, Poland, Hungary, Slovenia, Slovakia).

2. Effect of Remittances on Economic Growth

From a macroeconomic aspect, the research points to different, even contradictory conclusions regarding the effect of remittances on economic growth.

On the one hand, there are numerous positive effects of the inflow of remittances on economic growth. Remittances can contribute to macroeconomic stability of the country, because they represent very stable foreign inflow. This could have a broader positive effects on the readiness of investors to increase their investments (FDI, portfolio investments) in the country. In addition to increasing available income in many countries and reducing poverty, remittances can be a source of savings and investments for individuals/households. Remittances impact economic growth through aggregated demand (recipients of remittances buy domestic products, build houses, etc.). If remittances are used for investments into physical as well as human capital, they lead to accelerated economic growth, which can affect the growth of income and wellbeing in the longer term. Research conducted by Catrinescu et al. (2009) confirms that remittances have a positive effect on economic growth. These authors especially point out and prove the importance of the quality of institutions in the recipient country. Better quality institutions "contribute to a more efficient use"[16] of remittances, which increases the positive contribution of these funds to economic growth.

On the other hand, certain papers point out that the

16 Catrinescu et al. (2009), p. 90.

inflow of remittances slow down the economic growth of the recipient country, which could be the result of reduced motivation of individuals receiving remittances to work, as well as the negative effects of inflow of these funds on the foreign trade balance – due to the effects of strengthening of that country's currency (the so-called "Dutch disease"). Still, in case of remittances this effect is significantly less expressed than in the case of revealing natural resources. This is explained by the fact that remittances represent a relatively stable inflow of funds, and are therefore predictable, which further enables easier control of their impact on the economic growth of the recipient country[17]. In addition, remittances could lead to an increase in prices (inflation), as they usually have a "spending effect", i.e. they often contribute to a higher demand. On the other hand, many surveys of households in the development countries show that the increase of available income based on remittances is often useful in the area of increasing human capital (education, healthcare) compared to other forms of spending income.[18] Empirical proof confirms that households receiving remittances are financially better off in several dimensions. Remittances are countercyclical in nature and their inflow increases in the periods of economic crises, social and political unrests, crash of financial markets and natural disasters. Their role is not solely microeconomic. Considering the stability and reliability of these funds, they reduce the panic among investors and shocks in balance of payments due to the withdrawal of capital during the times of crisis.[19]

Recipients of remittances, on average, have higher savings compared to other households, which is a form of insurance against loss of income or reduction of wealth. The effects of stabilising spending through remittances enables the households to focus more on profitable economic activities. Countries that are considerable recipients of remittances have recorded a higher number of entrepreneurial activities, as well as establishment of micro and small enterprises (especially in agriculture – investments in agricultural land and equipment).

The studies that analyse in detail the remittances sent to Serbia by emigrants in Austria (Becker et al. 2009) and Switzerland (Petree and Baruah, 2007), state very similar conclusions concerning the way of using these fund in domestic economy. Primarily, recipients of remittances in Serbia use these funds for satisfying their basic needs and current expenditures. The remittances are directed to spending and then medical treatments, utilities, phone services, car fuels, as well as furniture and household appliances, while investments are primarily for building houses and apartments, and sometimes agricultural activities[20]. The report on remittances from Austria points out that the way of spending remittances depends on the age of the recipient, as well as their economic situation, so the role of investors is usually taken up by young people and those who have a higher than average income in Serbia[21]. This research also notes that "remittances are very rarely used for paying things that are not essential", and as an explanation for the reluctance to make higher or more significant investments, the research states "that the environment in Serbia offers very few possibilities to the people to invest in anything other than houses, apartments or land"[22]. The limitation also stems from lack of information, knowledge and readiness of the people to use financial services and possibilities offered to them by the national financial system.

3. Financial Sector in the Service of Improving Economic Potential of Remittances

For a large number of developing countries, remittances in absolute amounts exceed the inflows from official aid and foreign direct investments. Remittances increase the recipient country's credit rating and could provide better conditions of borrowing. According to the analyses of the World Bank, by reducing the risk of default, countries with high inflow of remittances can borrow more.[23]

Creators of economic policy should therefore make an effort in this field in order to maximise positive effects of remittances inflow and direct these funds into productive purposes on the micro as well as the macro level. One of the ways is to reduce the cost of transfer through formal channels. The advantages of such a move are two-fold – official inflows of remittances would increase, and part of the informally sent funds would be transferred to formal channels.[24]

Table 3 Global Average Total Costs of Transferring 200 USD, annual averages

2008	2009	2010	2011	2012	2013	2014	2015
9.81%	9.54%	8.81%	9.16%	9.06%	8.69%	8.10%	7.57%

Source: https://remittanceprices.worldbank.org

Even though the average cost of transfers of remittances in the world has been declining in the past few years (Table 3), the situation is not the same in all developing countries. While channels with high volume of sent remittances have recorded a decrease of transfer costs,

17 Ratha (2013), p. 7.
18 See e.g. Valero-Gil (2008).
19 Ratha (2013), p. 5-6.
20 Becker et al. 2009, p. 45.
21 Becker et al. 2009, p. 45.
22 According to Donovan (2013), p. 119.
23 The World Bank (2013).
24 Ratha (2013).

the costs remain high in channels with lower volumes of sent funds. Some countries additionally face a significant resistance toward reducing the cost of transfers from agencies specialising in money transfers and banks that operate in their financial markets.[25]

Aside from the necessity to decrease the cost of transfers of remittances, it is necessary to form a separate framework and measures facilitating the access to other financial services for the recipients of remittances, such as financing education and health insurance. Governments certainly should not impose ways in which they would have to spend their funds, but they should offer enough incentives and financial products to enable an easier investment of these funds into human and physical capital, as well as into projects that are beneficial to the entire economy.

In some countries, remittances reach as much as 20% of GDP. And that is just the registered amount of these funds. Total inflow is estimated to be much higher due to the presence of informally sent and unregistered funds. This means that the potential of possible investment of these funds could be even higher if these cash flows would be formalised and adequately directed.

The extent to which a country will use the inflow of remittances depends on the strength of its institutions and macroeconomic environment. Some studies show that the financial growth of the recipient country could be under negative influence of remittances' inflows, since they are mostly directed to consumption.[26] However, if necessary attention is given to these funds by the creators of economic policy, remittances have a potential to increase domestic savings and further develop financial intermediation.

In order to develop a stronger positive connection between the inflow of remittances and financial development of the country, it is recommended to create new financial products that are linked to remittances. They would help the increased directing of remittances into formal channels and increased access to other banking products and instruments of the money and capital markets, for the senders as well as the recipients.

By the issuance of specific financial instruments, so-called diaspora bonds or financial instruments linked to remittances, the country can reduce the existing financial constraint. During crises, a higher degree of loyalty to local market is expected and keeping of the capital by emigrants compared to other foreign investors who usually withdraw the capital from the market in crisis. Issuance of these specific debt instruments enables the country to launch projects in the area of infrastructure, real-estate construction, healthcare and education.[27]

In addition, future inflows of remittances could be used as a form of collateral for state or private sector borrowing in international market. Adequate macroeconomic framework for directing remittances could increase the recipient country's credit rating and the sustainability of its foreign debt. As of 2009, the new framework for estimating debt sustainability by the World Bank and International Monetary Fund allows countries that are considerable recipients of remittances – above 10% of GDP and 20% of the value of the export of goods and services – to have the possibility of higher level of borrowing.[28]

4. Recommendations for Improving the Economic Potential of Remittances in Serbia

To a large extent, remittances are already very beneficial to Serbia. By stabilising and increasing the income of recipients, they also increase domestic demand, improve the standard of living and reduce poverty. High absolute amounts of remittances' inflows cover part of the balance of payments imbalance. Part of the received funds is directed to investments, too.

The main tasks for the creators of economic policy in Serbia, which would additionally increase the positive effects of the inflow of remittances on financial development and stimulate economic growth, making these funds more secure, cheaper and more productive, include among others:

- Better international cooperation of relevant institutions in recording formal and informal inflow of remittances,
- Further reduction of transfer costs of the officially sent money and transfer to calculation of fixed transfer costs rather than the percentage ones, which is especially supported by electronic transfers which have almost zero cost,
- Better linkages between remittances and a wider range of financial services for local recipients through offering basic and developing specialised financial instruments with remittance funds as the basis (transaction and savings deposits, savings accounts and education loans, health insurance services, etc.),
- Improved awareness and education of the senders and the recipients of the possibilities of investing the sent money,

25 Costs of transferring 200 USD via Western Union in Serbia reach 13.6% of the sent amount (taking into account the cost of converting the money into local currency, RSD).
26 Bettin et al. (2015).
27 Ratha et al. (2008).
28 The World Bank (2013).

- Using the inflow of remittances as an incentive for the development of capital market – relevant institutions in the countries of senders and recipients of the remittances and international financial institutions should develop new channels for a productive use of remittance funds on a micro, as well as a macro level,
- Creating a diaspora bank and debt instruments linked to remittances, diaspora bonds, and securitisation of remittance funds could help the financial and wider economic development,
- Including remittances in credit rating assessments of the country and its capacity for further borrowing.[29]

Conclusion

In Serbia and other Western Balkan Countries, the inflow of emigrant remittances is on a relatively high level. Annual inflow of personal transfers in Serbia is around 2.5 billion euro (7-8% of GDP), out of which workers' remittances are around two billion euro (6-7% of GDP). Although remittance are an important source of income for households and individuals, reducing in addition poverty and increasing spending and wellbeing, there is a great potential in directing these funds to production purposes and human capital, which would contribute to the economic growth and the development of local economy in the long term.

There is a need for relevant national institutions of the countries that are recipients and senders of remittances, together with international and local financial institutions, to create a framework for directing remittances, which would make these funds more secure, cheaper and would enable their more efficient use in productive activities. It could incite a further financial development of developing countries, including Serbia, with a positive impact on their economic growth and development.

Finally, we feel that a more comprehensive research by surveying recipients of remittances could yield important information in the coming period on the number of recipients of remittances, their age and education structure, amount of remittances, and the amount received through informal channels, as well as many other information that would provide data and enable a much more in-depth research on the effects of remittances on poverty, inequality and economic growth in Serbia. It would identify the flow of remittances, their usage, but it would also define a space for this considerable inflow of funds from abroad to be directed more productively.

29 Remittances are included in the estimate of debt sustainability of the following countries:
- Countries with an inflow of remittances below 10% of GDP and 20% of exports of goods and services: Bolivia, Vietnam, Zimbabwe.
- Countries with an inflow of remittances above 10% of GDP and 20% of exports of goods and services: Armenia, Lesotho, Nepal, Senegal.
See: The World Bank (2013).

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