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Understanding Remittances through the Evidence Lens: A Global to Local Perspective

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Working Paper Series

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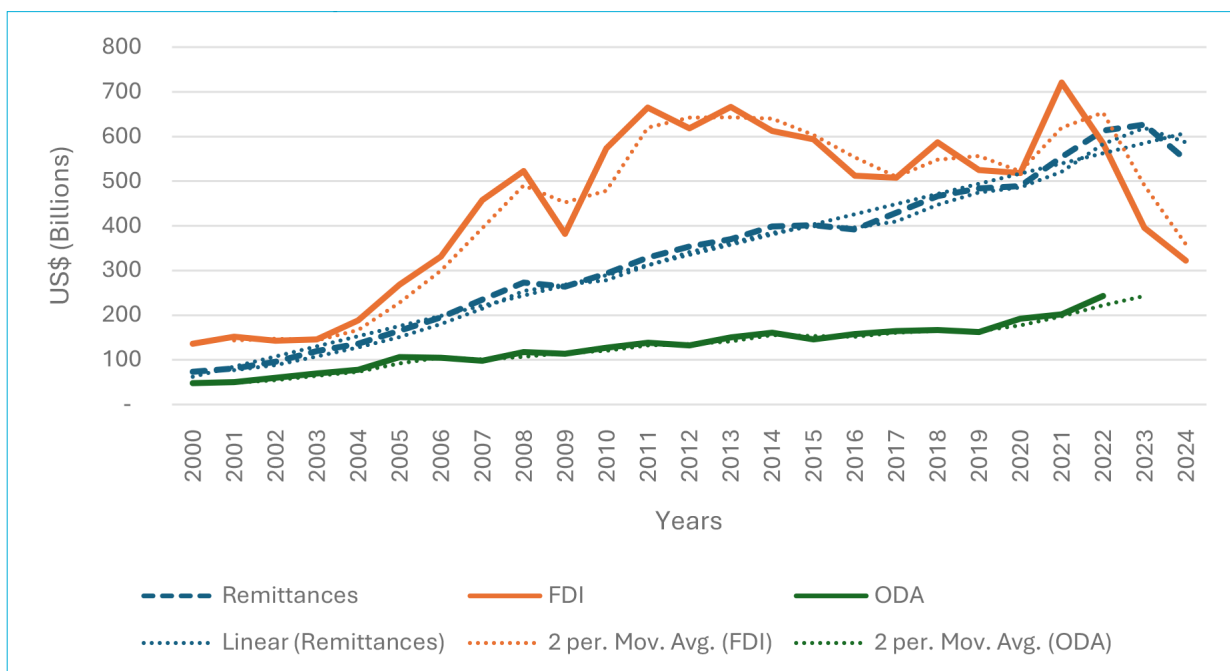
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1.0 Global Context

Over the past two decades, financial flows to low- and middle-income countries (LMICs) have undergone significant changes, particularly in the areas of remittances, foreign direct investment (FDI), and official development assistance (ODA). In the early 2000s, FDI was the leading source of external finance, with remittances and ODA trailing. However, remittances steadily grew and, by 2022, surpassed FDI for the first time, reaching \$612 billion compared to FDI's \$585 billion. This trend has continued into 2023 and 2024, underscoring the growing significance of remittances as a vital source of stability for developing economies. They support families in achieving Sustainable Development Goals (SDGs) by contributing to poverty alleviation, education, healthcare, entrepreneurship, gender equality, and rural economic development.

Chart 1: Remittances, FDI & ODA Flows to Low & Middle-Income Countries



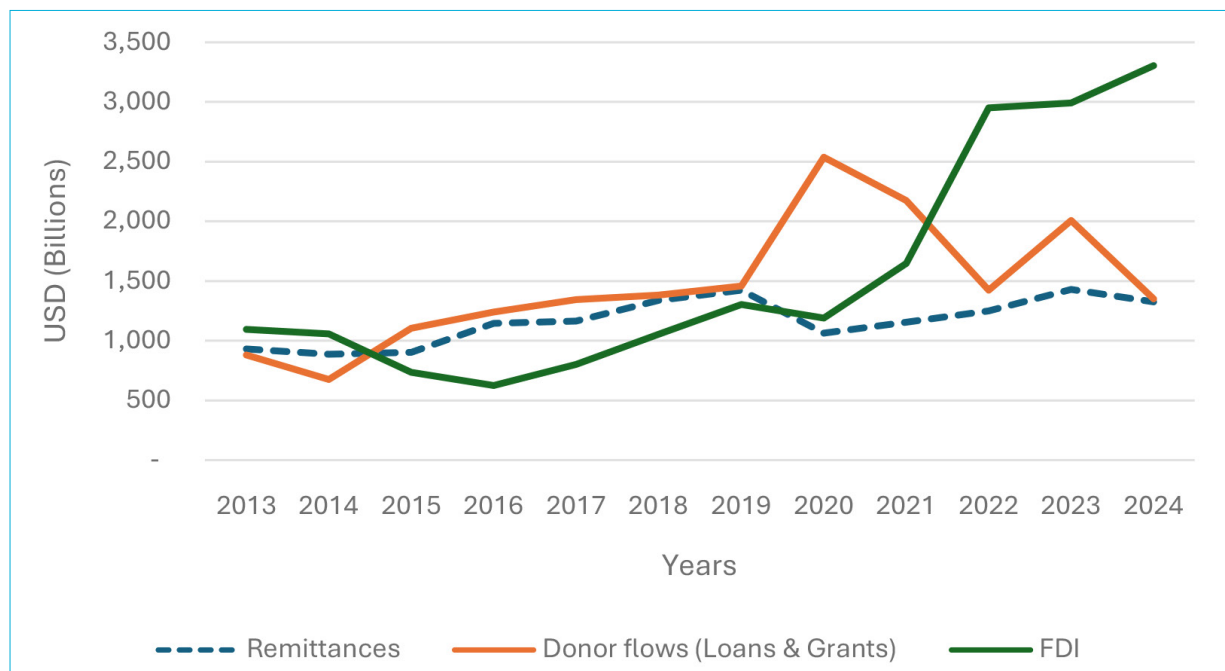
Source: Authors' construction using data from the World Bank Development Indicators

According to the World Bank, from Q4 2020 to Q3 2024, the global average cost of sending remittances remained around 6%, more than double the SDG target. Although there was a slight decrease to 6.04% in Q4 2021, costs later rose again to 6.39% by the end of 2023 and 6.65% in Q2 2024, marking a four-year high. This persistent gap underscores structural inefficiencies in the global remittance system, such as limited competition and regulatory challenges. Reducing these costs is crucial for enhancing their developmental impact and promoting financial inclusion in low- and middle-income countries.

2.0 Uganda's Context

Over the past decade, remittances have become a stable and growing source of external finance for Uganda, surpassing donor flows and rivalling foreign direct investment (FDI). From 2013 to 2019, remittances increased from US\$932 million to US\$1.42 billion. Although the COVID-19 pandemic in 2020 caused a surge in donor assistance to US\$2.54 billion, remittances only experienced a modest decline before recovering. FDI rebounded sharply, surpassing remittances by 2022 and reaching US\$3.3 billion in 2024. Nonetheless, remittances remained above US\$1.1 billion, highlighting their stability and significance as a key element of development finance for countries with large diasporas. They typically reach households faster and more directly than other financial flows.

Chart 2: External Financial Flows in Uganda

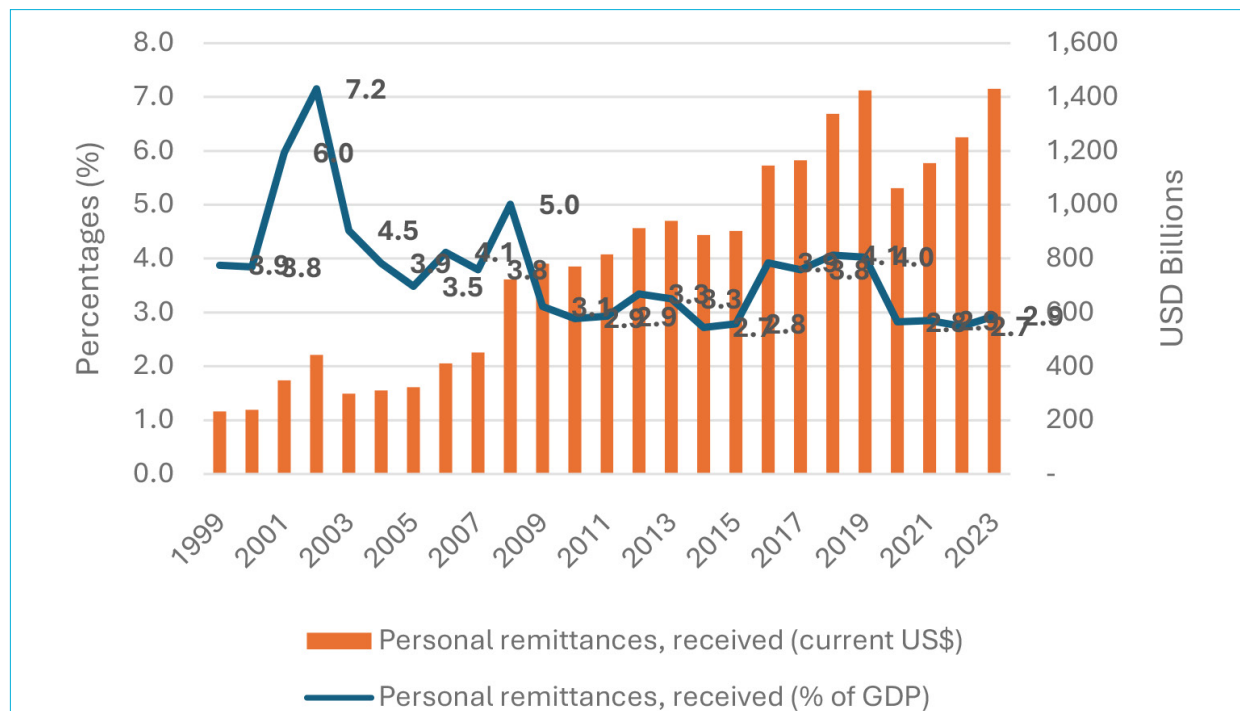


Source: Bank of Uganda

In Chart 3, over the 25 years from 1999 to 2023, personal remittances have grown more than sixfold—from \$233 million to \$1.43 billion. This steady increase in absolute value signals the expanding role of migrant labour and diaspora ties in sustaining household incomes and national foreign exchange reserves. Moreover, when viewed as a percentage of GDP, the picture is more nuanced. Over the years, the growth in the value and contribution of remittance inflows to Uganda's economy has been nothing short of remarkable. For instance, in 2023, remittance inflows surpassed an impressive US\$1.4 billion, which accounted for nearly 3% of the country's Gross Domestic Product (GDP). This suggests that while remittances remain a vital lifeline, overall GDP growth has outpaced remittance growth, thereby diluting their proportional weight in the economy.

In Table 1, Ugandan emigrant outflows to countries like Saudi Arabia, UAE, Qatar, and others from 2016–2023 directly ties into Uganda’s growing remittance inflows. Countries such as Saudi Arabia (**217,105 migrants**), the UAE (**23,576**), and Qatar (**13,239**) host large populations of Ugandan migrant workers, especially in domestic work, construction, and service sectors. These migrants form a significant part of the diaspora that sends money back home, contributing to the US\$1.4 billion Uganda receives annually in remittances. With about 35% of total remittances coming from the Middle East, the high outflow to Gulf states helps explain Uganda’s strong remittance performance, despite challenges such as high transaction fees and limited financial inclusion among recipients. These migration trends highlight the importance of protecting migrant rights abroad while optimizing remittance flows through better policy and financial innovation at home.

Chart 3: Remittances: Value vs. Share of GDP (1999–2023)



Source: World Bank Development Indicators

Table 1: Externalised migrant workers by destination (2016 – 2023)

Year	Saudi Arabia	UAE	Qatar	Iraq	Jordan	Somalia	Afghanistan	Bahrain	Kuwait
2016	175	383	487	646	–	96	342	410	–
2017	1,621	303	520	217	1,427	162	416	451	–
2018	12,366	2,556	923	2,189	2,582	745	228	23	–
2019	13,537	10,182	256	485	306	139	414	6	38
2020	4,538	2,585	1,148	36	205	172	50	183	109
2021	79,742	3,110	4,136	677	–	832	–	24	21
2022	85,928	2,076	3,695	885	–	700	–	6	95
2023	19,198	2,381	2,074	28	–	81	–	–	84
Total	217,105	23,576	13,239	5,163	4,520	2,927	1,450	1,103	347

Sources: *Ministry of Gender, Labour, and Social Development & Ministry of Internal Affairs*

According to the World Bank remittances statistics, the average cost of sending GBP 200 in remittances from the United Kingdom to Uganda has shown a gradual but inconsistent decline, moving from a high of 9.4% in early 2017 to around 4.94% by the third quarter of 2024. While this reflects significant progress, the cost has remained persistently above the Sustainable Development Goal (SDG) target of 3%, which aims to make remittances more affordable for migrants and their families. The most notable improvement occurred in 2022, with the cost dipping to a low of 3.57% in Q3 — the closest it came to the target. However, this progress was not sustained, as costs have risen slightly since then, indicating that while global efforts are yielding results, more consistent policy interventions and market reforms are needed to achieve and maintain the SDG benchmark.

3.0 Conclusion

Remittances have become a stable, resilient, and increasingly important source of external finance, often surpassing traditional flows such as foreign aid and competing with FDI, while offering a vital safety net for households in both stable and fragile economies. Over the past twenty years, data indicate that remittance volumes have grown consistently, even during global crises like COVID-19. They have regularly outperformed or matched donor aid and FDI in several years. For many countries, especially Uganda, remittances surpass export revenues (for example, from coffee) and remain a crucial factor in household welfare. The contribution of remittances to Uganda's economy is highly significant. This emphasises the need for better integration of remittances into national development strategies, enhanced financial access for migrants (particularly refugees), and reduced remittance costs to maximise their potential for inclusive growth.

Policy Recommendations:

- Integrate remittances into national development frameworks.
- Reduce remittance costs through competition, innovation, and digital infrastructure.
- Protect migrant workers, especially women, in key host countries.
- Expand financial access for recipients, especially in rural and refugee communities.
- Leverage diaspora capital through investment platforms and community development initiatives.



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