

## **Hawala and other Informal Payments Systems: An Economic Perspective.**

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It's a pleasure to speak at this occasion, and I should start by expressing gratitude that this paper wasn't scheduled for one of the money laundering and terrorism sessions. My topic is Hawala and Other Informal Payments Systems as seen from an economic perspective. In the past several years, the word "hawala" has appeared frequently in the press and commentary on current events. Until the events of September 11, 2001, this was generally in the context of money laundering and underground banking activities. For instance, hawala has been commonly mentioned in the periodic typologies of money laundering systems prepared by the Financial Action Task Force (FATF), by FATF-affiliates such as the Asia Pacific Group on Money Laundering.

In the months since September, 2001, hawala has been in the news with greater frequency, often in alleged connection with terrorist activities or as some mysterious system for "moving money" without money moving at all, and without leaving traces or records. Such accounts leave impressions of some mysterious financial system that is both dangerous and beyond ordinary analysis. For better or worse, "hawala" has gotten a bad name and it has become an issue. In this context, Fund and Bank staff are presently working on a study of hawala, with primary emphasis on its economic context and mechanisms, which seem to be widely misunderstood.

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The word “hawala” simply means “transfer” in Arabic. Almost any kind of transfer, especially a financial one, therefore, might be described with this word or one of its variants. In some accounts the word “hawala” is rendered as “trust,” usually to express the personal connection between participants and the informal nature of transactions that are not documented in common ways. Hawala is one of several Informal Funds Transfer Systems, or IFTS (sometimes called Alternative Remittance Systems or Informal Value Transfer Systems), that are used in different countries in many parts of the world. Hawala is generally associated with the Middle East and the Indian Subcontinent (where it is called Hundi). References to “hawala” have become freighted with a great deal of baggage; the word now conjures up a mix of images that are often confusing, and sometimes refer to financial transactions that are not hawala at all. This is especially problematic in discussions about regulation of money remittances and so-called underground banking systems. We have therefore found it useful to adhere to--a definitional framework for hawala that enables sensible development of the subject and intelligible comparisons with other kinds of transactions that are, or in some cases are not, in the same family.

Hawala in the standard definitions is just a transfer or remittance from one party to another, without use of a formal financial institution such as a bank or money exchange, and is in this sense an “informal” transaction. There are several other common aspects: First, in most cases hawala transactions go across international lines, such as with “workers remittances” to their home countries. Second, usually hawala involves, at least implicitly, more than one currency, although again this is not absolutely required. Third, a hawala transaction usually entails “principals” and “intermediaries.” To accommodate requests of the principals, the intermediaries usually take financial positions that have to be cleared

among themselves later to balance their books and restore the status quo ante. These intermediaries are sometimes called “brokers,” but they are not just brokers; they are sometimes called “bankers,” but they are not really bankers, either. They do, however, take financial positions. In our work we have tended to adopt local terminology and call these individuals, or entities, hawaladars. In its simplest form, hawala is represented by two individuals, one of whom asks the other to pay a bill (or send funds) on his behalf on the promise he will settle up later. Indeed, this occurred during our recent mission to study this subject. One member of our group desired to make a purchase but discovered he had left his credit card behind. Another member covered the bill, and balances were settled later by means of an internet transfer between their credit union accounts. That’s Hawala.

Why would Hawala be widely used? Here there is some consensus on the motivations. Hawala-type informal transfers are often faster, more reliable, reach more destinations, sometimes benefit from a better exchange rate, and can be much cheaper than transfers through established, licensed financial institutions. Hawala-type transactions will be especially popular in countries where there are large ethnic or expatriate worker populations who often make transfers or remittances to their families in home. Obviously, this implies a broad range of both “remitting” and “recipient” countries in the world. One could infer that Hawala is everywhere, or at least potentially so, and indeed it might be.

Balance sheets are useful to illustrate the economic aspects of hawala transactions and their settlement. I will go light on them today, but the Working Paper we propose for later this year will go into more detail. So, Figure 1 shows a prototype Hawala transaction. An expatriate worker uses an intermediary, the hawaladar, to arrange a remittance to his home country. He makes payment in dollars or other convertible currency. The hawaladar in A

contacts a counterpart in the receiving country, B, who makes payment in local currency to the remitter's family or other beneficiary. Obviously, some network of family or connections among hawaladars is required to make such a system work on a large-scale and ongoing basis. Small scale hawaladars seem to be concentrated in certain shops and businesses in the relevant communities: travel agencies are a favorite candidate; sometimes laundries and food stores. Money exchanges are reported to sometimes have back-room hawala operations.

The economic attraction of hawala to the remitter usually is the speed, low cost, and reliability of the system compared to use of an established financial institution. It has been argued (and mission discussions tended to confirm) that this system often has advantages compared to banks, money exchanges, Western Union, MoneyGram, and other providers of this service. Hawala-type transactions also provide special advantages in situations where the remitting country has a convertible currency and no capital controls, and the receiving country has inconvertible currency and/or a black market exchange rate. Such transactions often can be carried out at better rate than the official rate, also to the benefit of the remitter and recipient. Three points are illustrated by Figure 1. First, once the remitter has paid his cash, he is finished and out of the picture. Second, the hawaladar intermediaries acquire balance sheet positions against each other. And third, the whole transaction likely involves two currencies, but no-one has bought or sold any foreign exchange.

Press comments on informal systems often note, confusingly, that "hawala can be used to send money without sending money." In fact, the economic technicalities of hawala transmission are similar to other kinds of international payments, including those that go directly through banking systems. The principal difference is that hawala transactions go

through informal channels, and the funds involved may not find their way through a banking channel until later in the process. Sometimes they never get into the banking channel.

Press discussions of Hawala often give the impression that the hawala form of funds transfer, is something fundamentally different than more institutionalized means of making international payments. Indeed, some sources put emphasis on this supposed distinction.<sup>2</sup> It is as if in hawala transactions “money” simply submerges on one side of a border and pops up in a village on the other side, with no further complications, and in a fashion that is unlike other kinds of financial transaction.

In fact, as Figure 2 illustrates, hawala is very much like other kinds of payments transactions, international remittances in particular, so the impression it is really different should be dispelled. If one reviews the common remittance channels, such as banks and exchange houses, including specialized facilities such as Western Union and MoneyGram, the mechanics of such transactions is much the same across all of them. Except in the case where hard cash is actually sent or carried across a border, pretty much all remittance and payments systems rely on transmission of a payments order. Payment is made out of balances at the receiving end, with settlement to follow or, in cases where there are no exchange control issues, institutional accounts can be debited/credited congruently. Figure 2 just shows a selection of both formal and informal money remittance channels. The footnote on Chits and Chops merely underscores the fundamental similarity of another oft-cited informal system to Hawala. In other words, economically speaking, there is not a confusing variety of payments modalities in the world; there are really very few, and the main

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<sup>2</sup> E.g., Jost and Sandhu, “The Hawala Alternative Remittance System,” April, 2000.

difference among them is institutional or informal channels. Economically, and accounting-wise, they are much the same. I will return to the memo item, Black Market Peso Exchange.

Figure 3 turns to the financial consolidation aspects of Hawala transactions, and here things become more complicated. The top portion just verbalizes the balance sheet adjustments covered in Figure 1, in which the hawaladars—on different sides of international borders—now have uncleared positions. It should be intuitively clear that it will be difficult and costly to settle, bilaterally, scads of positions among small operators on different continents. Thus, it is fairly well agreed that small balances are “consolidated” at one or more higher levels of the hawala network; there are other intermediaries in the system. Hawaladar A settles his dollar balance due with a payment to some intermediary, probably but not necessarily one located in country A. Hawaladar B may collect his local currency claim from an intermediary, probably in country B. These intermediaries consolidate small positions into larger subtotals in fewer hands. Such entities also certainly are not “brokers,” and it becomes a semantic question whether they should be called “bankers,” but certainly they are larger scale operators than the small scale hawaladar. (I would argue, parenthetically, these operators also should not be called hawaladars.) Where are such entities concentrated? We can’t tell for sure but, for various reasons Dubai, in the United Arab Emirates, has often been singled out as a location where many hawala transactions are consolidated and cleared. There are also 105 exchange houses in the U.A.E., and for some reason even as we speak the U.A.E. authorities are holding an International Conference on Hawala, with one of my mission colleagues as a featured speaker.

Figure 3 illustrates consolidation, but how many levels of consolidation exist is an open question on which little evidence known to us. What is clear is that, after the original

remittance, there opens a broad range of permutations and alternatives by which the downstream rebalancing can be settled. Eventually, as the figure suggests, some kind of settlement is inevitable; this can take place either through the goods markets (as with international trade) or, in some cases, financial markets. The number of possibilities is quite large, and depends on specific countries and institutional rules, including how the rules can be evaded/avoided, too. Just yesterday the State Bank of Pakistan jiggered some rules concerning dealings with the kerb market in that country; Pakistan is a country in which hawala reportedly is quite common.

Moving on, Figure 4 displays some of the clearing and settlement alternatives that lie downstream from hawala remittances. This is, by the way, an area in which common press reports about hawala tend to dissolve into verbal fog or they reach for implausible resolutions. For instance, alternative 1. This is simple, bilateral, reverse hawala—that is a symmetric set of remittances sent in the opposite direction through the same intermediaries. We hold this to be highly unlikely in the real world. Aggregate international remittance flows are, by their nature, very asymmetric. For instance, millions of Subcontinent workers in the Gulf countries clearly send large amounts home, but there is no obvious reverse flow to balance hawala markets. Other clearing mechanisms surely are more important.

In some cases bilateral settlement through bank or financial accounts, shown as item 2, may be possible, but often this is not feasible, owing to exchange controls or other restrictions, usually in the recipient country B. In other words, Hawaladar A cannot simply pay into Hawaladar B's account at home, not least because one side of the transaction is in dollars, and the other in B's local currency. From the B side, it has to be acknowledged, one of the attractions of Hawala (at least at the consolidated level) seems to be evading currency

control regulations. “Currency control,” in quotes, usually means that if you get your hands on hard currency, the authorities will take it away from you and give you local currency instead, often at an unfavorable rate compared to out there on the street. Hawaladar B and his/her consolidator associates behind them will not be excited at this prospect.

A third alternative for settlement runs through the goods market: exports from country A (or elsewhere) to country B, which can be paid for by the Hawala balances due between the parties. This can be a bilateral deal between the Hawaladars or, more likely, at a higher level of consolidation. In other words, the Hawala remittance from country A to B enables and finances exports from A to B. In balance of payments terms, a current account remittance finances a current account export. It bears noting again that no foreign exchange transaction needs take place in such a scenario. Here the connection of a simple Hawala transaction to international trade and balance of payments begins to come into profile, but I will not discuss this in detail today. As to trade settlement, of course, smuggling may easily be involved, as for instance with the historical gold trade between Dubai and India. Bearing in mind, of course, that from Dubai’s perspective, gold exports to India has been interpreted as commerce, not smuggling; it was smuggling mainly from the Indian perspective. Problems involving interpretation of such “dual criminality” occur at various places in Hawala analysis, but these will also be left aside for present purposes.

Items 4 and 5 in Figure 4 address other kinds of international transactions that our prototype Hawala remittance could eventually finance. It is often said—and we do not dispute—that Hawala remittances help finance purchases of international services, such as education, medical treatment, and so forth, by residents of country B. This can be in country A or elsewhere. Recall that a common feature in Hawala is that the currency of country A



usually is convertible; so a deal done in Kuwaiti dinars in Kuwait through to rupees in India gives rise to balances that are eminently translatable into U.K. pounds sterling or U.S. dollars. Since the money is so fungible, little wonder that the so-called “audit trail” of all the possible variants becomes most elusive. Example 5 is similar to 4, except that now the Hawala balances serve to finance asset purchases, ranging from real estate to financial instruments, outside of country B. This is the classic example of “capital flight,” usually supposed to occur in contravention of local exchange control regulations and sometimes branded as “economic sabotage” by national authorities. Note, however, the other economic and interpretative complexities that arise in such transactions sequences. It is possible in such cases that the ultimate purchaser of services or assets never actually purchases foreign exchange. Payment in country B can be made in local currency; the exchange rate against, say, the U.S. dollar remains entirely implicit in such transactions, and nothing goes, necessarily at least, through any financial institution. Pursuing this analysis goes beyond present purposes, into issues such as where these balances came from in the first place, predicate offenses, and the like, so we will leave them for the moment.

Finally, sometimes policy changes in a hawala country affect settlement choices. India has shifted course on foreign exchange regulations several times in the last decade. In the mid 1990s the authorities went over to a “no questions” policy concerning residents foreign exchange holdings and deposits made into their local bank accounts. Obviously, such a change immediately opens the possibility for simple financial settlement of hawala balances, and there is some evidence this indeed occurred.

Figure 5 turns briefly to the Black Market Peso Exchange (BMPE), which is often mentioned in the same context as Hawala, as if it were similar in operation and purpose. I

won't prolong the balance sheet descriptions here, but the main point is that BMPE is vastly different, not least that it begins with the sale of a large hoard of cash for explicit laundering purposes in the established financial system, and the transactions are basically asset exchanges. The steps and sequence are much different than hawala transactions set in motion by workers' remittances, and the channels and consolidation features are quite different. As with any kind of financial transactions, of course, there are aspects and levels of hawala that intersect with illicit purposes, but in the case of such remittances this appears to be mainly with exchange control regulations. The form and sequence of transactions is not obviously connected to activities such as the drug trade. Keeping to the definitional framework for hawala is useful, not least because of the very large scale of bona fide international remittance transactions and, if regulation is considered, of the need to sensibly distinguish one set of economic and accounting aspects from another.

By its nature an Informal Funds Transfer System such as Hawala cannot be easily measured. The number and scale and final magnitude of Hawala transactions simply are not captured in any country's compilation systems, for example, in balance of payments statistics, monetary accounts, or national income statistics. I don't propose to go into technical aspects of these topics, but it is worth mentioning that the substantial literature on underground economic activity is not likely to be helpful in assessing the scale of Hawala. That is, if nothing else, because Hawala remittances little to do with underground or illicit economic activity; they are generally an informal, alternative channel to send remittances that could also be sent via licensed channels, but at greater cost and inconvenience.

Our forthcoming Working Paper will make some attempt to "quantify" Hawala based on a simple model and indicators that do exist. For today's purposes, I will just refer to

Figure 6, which displays some of the many countries potentially involved in Hawala—from both the sending and receiving sides—and published numbers that may correlate with possible scale of activity. The top portion gives a selected list of countries known to have large numbers of people living as non-residents, or working, overseas, and in the bottom portion are some countries that are hosts of these migrants. Official statistics—which are data compiled by each country, itself, and are subject to many flaws—on inward and outward current transfers (which include workers remittances) are shown for each of these countries. This gives, at least, some rough measure of the scale of measured flows which by definition, do not include flows through the Hawala channel. The challenge is to use such numbers (and other information, such as exchange rate systems and legal developments) to fashion estimates of whether Hawala is important or trivial in international transactions.

Quantification effort will not be undertaken today. However, rumor, hearsay, the literature, and conversations on our recent mission do suggest that some countries fall into certain categories in this regard. There is remarkable consensus that the “degree of Hawala” for inward remittances to Pakistan is very high, and likely is also high for several other South Asian countries. At the other end of the spectrum, discussions and evidence for the Philippines (which has millions of well-tracked expatriate workers and migrants) suggests informal channels for that country are now of low significance. This is mainly as a result of improvements and cost reductions for banking channels, and also unification of the exchange rate some time ago. However our estimates develop, it will need to be kept in mind that all such quantifications of elusive phenomenon will be, at best, educated guesses. In an area such as Hawala, we hope at least that educated guesses find more credibility than the kinds of blue sky numbers that circulate in press accounts.

In summary, an economic approach to Hawala shows it to be a rational choice for transfer and remittance services in many countries, and that Hawala is comparable in mechanics and economic structure to most other remittance alternatives, including those that run through licensed channels. Considering the sheer scale of measured international transfers, it is possible that the amount of unmeasured hawala is also substantial. The most obvious “legal” problems with Hawala in remitting countries appear to be lack of registration or licensing, although the operations themselves are inoffensive. In receiving countries there is, in addition, a potential clash between Hawala operations and exchange control regimes which, at the outer edge, can segue into other considerations about the black market and the underground economy. Reliable quantification of Hawala is not possible, but we will give it a try nonetheless in our forthcoming paper. Finally, I have tried to emphasize that hawala is an economic phenomenon, and would remain so even if there were no drugs trade or money laundering on the international scene. From an economic view, if the desire of the authorities is to stamp out Hawala, this means reducing the economic incentives to do Hawala, and there is probably no better way to accomplish this than to facilitate cheap, fast remittances across international borders, and to do away with dual and parallel exchange markets, which are always an incentive to keep transactions underground.

**Figure 1. Balance Sheet Effects of Prototype Hawala Transaction**  
(Dollar (\$) and local currency (LC) components, as indicated)

**1. Hawala Customers: remittances sent home (\$ assumed)**

Remitter, Country A		Recipient, Country B	
Assets	Liabilities and NW	Assets	Liabilities and NW
- \$ (cash)		+ LC (cash)	
	- \$ (net worth)		+ LC (net worth)

Notes:                    Net worth of remitter declines.        Net worth of recipient increases.  
Such transactions usually across international borders.

**2. Hawaladar intermediaries**

Hawaladar A (HA)		Hawaladar B (HB)	
Assets	Liabilities and NW	Assets	Liabilities and NW
+ \$ (cash)	+ \$ (HB)	- LC (cash)	
		+ \$ (HA)	

Notes:                    HB Pays out cash and acquires claim on HA.  
Both HA and HB: Change in balance sheet composition. Net worth unchanged;  
Settlement necessary to restore status quo ante.  
No actual foreign exchange transaction by any participant.

**Figure 2. "Types" of International Funds Transfer Systems"**

<u>Type</u>	<u>Transfer Mechanism</u>	<u>"Money" Sent?</u>
<i>Formal Channels</i>		
Cash	Cash carried across border 2/ 3/	Yes
Exchange Houses	Payment instruction transmitted 1/	No
Money remitters (e.g. Western Union, MoneyGram)	Payment instruction transmitted 1/	No
Commercial banks (drafts; wire transfers)	Payment instruction transmitted 1/	No
<i>Selected Informal Channels 3/</i>		
Hawala	"Transfer"; Payment instruction transmitted	No
Hundi 4/	"Collect": Payment instruction transmitted	No
Fei ch'ien	"Flying money": Payment instruction transmitted.	No
Chits and chops	"Notes, seals": Payment instruction transmitted 5/	No
Memo: Black Market Peso Exchange (BMPE)	Asset sale/exchange; not remittance payment	

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1/ Licenses of formal institutions usually require them to deal only with licensed institutions (e.g., banks) in counterpart countries. Ensuing balances are usually settled through correspondent banking connections.

2/ Legitimate in some cases; not usually accounted for as "remittances" in BOP accounts.

3/ Unlikely to be captured in balance of payments accounts; unlikely to have noticeable effect in monetary accounts.

4/ South Asian name for hawala; roughly same mechanism.

5/ "A client who wants to send funds overseas contacts someone at a store...who will take the cash, make an entry in a ledger book, and then telephone another business in the city of the recipient. The client will at the same time contact the recipients to let them know where to go and collect the money in local currency. The recipients may have to show a chit or token...." (Passas, p. 17.)

### Figure 3. Hawala: Specimen Levels of Financial Consolidation

**Initial Transaction**                      Remittance payment made from A to B.  
Remitter and beneficiary transactions finished  
Hawaladars A and B have unsettled balance sheet positions.

Notes:

Likelihood of "offsetting" reverse transactions is small  
Country A likely has open capital markets and no currency controls.  
Country B often has restricted capital markets and foreign exchange controls.

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**Consolidation/Aggregation I.**        Hawaladar A pays amount due to intermediary in A.  
Hawaladar B receives amount due from intermediary in B.

Notes:

Higher level "financial" intermediaries assume balances, and amounts are consolidated.  
Some empirical evidence of such consolidation.  
Intermediaries likely residents/entities in countries A and B, but not necessarily.

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**Consolidation/Aggregation II.**    Higher level(s) of financial consolidation?

Note: No empirical evidence on number of "consolidation" levels.

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**Final Settlement**                      Various permutations in real and financial markets.  
Goods market: e.g., exports/imports; smuggling  
Financial market: Accounts with financial institutions  
Misc. International Transactions: e.g., capital flight; foreign property purchase, etc.

Notes:

At this point, all parties are cleared and settled.  
Likelihood of interaction with formal financial system increases, but motivating background obscure.  
Chance of "exchange control" violations in recipient countries.

## Figure 4. Clearing and Settlement of Hawala Transactions

### 1. SIMPLE REVERSE HAWALA REMITTANCES (HIGHLY IMPROBABLE)

Note: International remittance flows are highly asymmetric

### 2. BILATERAL FINANCIAL SETTLEMENT THROUGH BANK (UNLIKELY)

Note: Not possible or unlikely in presence of exchange controls.

### 3. BILATERAL SETTLEMENT: FINANCING EXPORTS TO COUNTRY B (POSSIBLE)

Note: Various possibilities; smuggling is a distinct option.  
Export/import clearing can also operate at consolidated level.

### 4. CLEARING BY MEANS OF INTERNATIONAL SERVICES FOR RESIDENT OF B, PAID FOR BY HA (POSSIBLE)

Note: Resident of B presumably pays HB in local currency.  
HB him/herself could purchase the services, e.g., medical, educational.  
Likely to take place at the consolidated level.

### 5. CLEARING BY MEANS OF ASSET PURCHASES IN COUNTRY A (POSSIBLE)

Note: Could be real property or financial assets.  
Likely to take place at the consolidated level.

### 6. FINANCIAL CLEARING AFTER POLICY CHANGE IN INDIA, c. 1995.

**Note:** Government adopts "no questions" policy concerning foreign exchange holdings/deposits.  
HA remits dollars to authorized bank in Country B.  
Bank in B sells forex to Central Bank at official rate, and credits HB's account in LC.

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**Figure 5. Balance Sheet Effects of Black Market Peso Exchange Transactions**

1. Trafficker deal with BMPE broker (in dollar equivalents)

Trafficker		Broker	
Assets	Liabilities and NW	Assets	Liabilities and NW
-\$1 cash		-.7 Pesos	
+ .7 Pesos		+\$1 cash	
	-.3 (NW)		+.3 (NW)

Notes:

Trafficker starts with illicit cash

Transaction entails supposed 30% discount on dollars sold, so net worth is affected for both.

Pesos presumably paid into Colombian local account

2. Broker deposits dollars into bank(s)

Broker		Bank(s)	
Assets	Liabilities and NW	Assets	Liabilities and NW
-\$ cash		+\$ cash	+\$ dep.
+\$ dep.			

Note: Bank(s) residence depends on circumstances.

3. Broker sells dollar balances to Colombian Importer

Broker		Importer	
Assets	Liabilities and NW	Assets	Liabilities and NW
-\$ dep.		- Pesos	
+ P dep.		+\$ dep.	

Note: Bank liabilities switch from broker to importer.

4. Importer imports and pays for merchandise

Importer		Exporter	
Assets	Liabilities and NW	Assets	Liabilities and NW
-\$ dep.		+\$	
+ Goods		- Goods	

Sources: Modeled on descriptions given by, *inter alia*:

U.S.. Customs Service, Black Market Peso Exchange: A Trade Based Money Laundering System, June, 1999.

Nikos Passas, "Informal Value Transfer Systems and Crininal Organizational: a Study into so-called Underground Banking Networks," for Netherlands Ministry of Justice, 1999.

Alvin James, Hearings on the Administration's National Money Laundering Strategy, Sept. 26, 2001.

### Figure 6. Recorded Current Transfers in 2000: Selected Countries 1/

(Amounts in millions of U.S. dollars)

#### Countries Reporting Net Receipts (+) 2/

<u>Country</u>	<u>Recorded Amounts</u>		<u>Possible Scale of Informal Transfers 3/</u>
	Debits	Credits	
India	-51	13,503	Moderate
Pakistan	-38	4,188	Very high
Bangladesh	-7	2,426	High
Sri Lanka	-183	1,166	High
Philippines	-118	551	Low 4/
Indonesia	0	1,816	Moderate
Sudan	-453	651	Moderate
Turkey	-92	5,317	Moderate
Mexico	-30	7,023	Unknown
El Salvador	-1	1,830	Unknown

#### Countries Reporting Net Payments (-) 2/

United States	-64,390	10,240	Unknown
United Kingdom	-33,830	19,800	Unknown
Germany	-40,690	15,810	Unknown
France	-30,870	17,350	Unknown
Italy	-20,118	15,790	Unknown
Saudi Arabia	-15,510	0	Moderate
Kuwait	-1,988	104	Moderate
United Arab Emirates	n.a.	n.a.	Moderate

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Source: IMF, *International Financial Statistics*

1/ Current transfers include workers remittances. Note: the quality of data compilation varies widely, and is especially deficient in some developing countries, including Gulf countries.

2/ Net of credits (receipts) and debits (payments) in balance of payments statistics reported to the IMF.

3/ Preliminary and informal appraisals based on research and discussions.

4/ Conclusion based on good payment facilities and low costs of transfers through the banking system.