



Photo: IOM/Amanda Nero

Remittances contribute to poverty reduction and play an important development role for countries of origin, migrants and their families, which is why we celebrate International Day of Family Remittances every year.

IOM understands remittances as multidirectional, voluntary, and private international monetary transfers that migrants make, individually or collectively, to people with whom they maintain close links. Remittances are often conflated with diaspora investment, savings and other financial transactions. Remittances are essentially private funds, and the way they are used is under the full discretion of the sender and the recipient.

In 2017, USD 613 billion in remittances was generated worldwide, out of which USD 466 billion was transferred to developing countries, as per World Bank estimates. Remittances can be sent in various ways, ranging from funds transferred through formal channels (such as money transfer operators, banks or other financial institutions) or informal channels (such as cash carried in person). If remittance payments made through informal channels were to be included in overall estimates, their total amount could be as much as 50 per cent higher.

At such extraordinary levels, remittances constitute an essential source of income for many developing countries representing in some cases a very significant percentage of national gross domestic product. At the household level, remittances are a relatively stable source of finance that supports migrant families back home, enabling them to pay for basic needs, but also invest in education, health and housing, thus improving household living conditions and reducing vulnerability of family members. Remittances therefore serve to meet several SDGs related to health, education and poverty reduction. It is for this reason that the 16th of June is celebrated every year as the International Day of Family Remittances.

IOM'S REMITTANCES PROGRAMMING:

IOM engages in concrete initiatives on remittances and financial empowerment relating to:

- Improving knowledge of remittance usage, remittance corridors and reducing transfer costs
- Studies on the impact of remittances on families/communities
- Enhancing the development impact of remittances
- Financial inclusion and empowerment.

EXAMPLES:

IOM collaborates with the Universal Postal Union and the National Postal Authority (RNP) in Burundi to reduce remittance transfer costs, reach rural communities and enhance financial literacy.

IOM has partnered with private sector actors such as Monito to develop a cost comparison tool in the MigApp helping to increase transparency regarding costs of international money transfer services along specific corridors.



Photo: IOM/Amanda Nero

For more information on these activities please contact the Labour Mobility and Human Development Division at lhd@iom.int or the Department of Migration Management at dmm@iom.int

IMPORTANCE OF REMITTANCES FOR DEVELOPMENT AND POVERTY ALLEVIATION

The international community has consistently emphasized the importance of remittance flows - whether by way of the SDGs, the Financing for Development process or most recently during the discussions around the Global Compact for Safe, Orderly, and Regular Migration.

While remittances have a positive contribution for sustainable development, *the conditions under which remittances are earned, sent and used are important*. With regards to how remittances are earned, the implementation of and adherence to fair recruitment practices and decent work conditions, as well as the full participation of migrants and their families in the societies where they live and where they come from, is crucial.

Concerning remittance *transactions*, it is necessary to improve the transparency in service provision, to lower the costs of remittances and to improve data related to transaction costs, so that a greater proportion of funds go to migrants and their families.

Regarding *utilization*, on the one hand, remittances can improve recipients' living conditions and fulfill social and economic rights. On the other hand, remittance flows can be counterproductive to development if governments are not fully engaged into the provision of basic services and functional social security, health and education systems.

Although remittances represent the most visible and direct link between migration and development, it remains a challenge to maximize the development impact for countries of origin and destination and for migrants themselves.

IOM REMITTANCE-LINKED INITIATIVES

RESEARCH

IOM has undertaken studies on the use of remittances and their impact on development at local and national levels. The research analyzes different ways people use remittances, remittance corridors and transfer costs, the impact of remittances on families and communities, and the larger development impact of remittances on national economies. This research provides policymakers and financial institutions with up-to-date and comprehensive data to develop new migration strategies. Finally, national or regional research projects can contribute to improving remittance services, as well as encourage the productive use of remittances in economic and financial sectors.

PARTNERSHIPS TO LOWER REMITTANCE TRANSFER COSTS AND INCREASE DEVELOPMENT IMPACT

High remittance transfer costs cut into availability of funds at an individual level. Currently, the remittance transfer market is in a state of flux due to the massive increase of remittance services providers, greater usage of technology and new platforms such as mobile phones and digital wallets instead of traditional banking services. IOM disseminates accurate information on remittance services and their respective costs by engaging in strategic partnerships (private sector, post offices, NGOs, governments) that allow for development of methodologies and datasets on real-time remittance costs. IOM implements projects such as MigApp and iDiaspora aimed at reducing financial transfer costs of remittances, creating competition in remittance transfer markets and expanding remittance related services to include savings and investment products.



“At an individual and community level, remittance flows for migrant families can be an economic lifeline. In fact, it is estimated that 800 million people worldwide - or one in 7 people - are directly supported by remittances.”

Ambassador William Lacy Swing, IOM Director General

IMPROVING THE DEVELOPMENT POTENTIAL OF REMITTANCES

Governments can create a stable environment which encourages remittance flows to productive sectors of the economy. This can be achieved through tax breaks, financial products, financial literacy and access, savings products, entrepreneurship opportunities amongst others. IOM and governments collaborate on joint initiatives aimed at enhancing the development impact of migration and remittances, for instance community based microfinance initiatives, entrepreneurship initiatives, savings and investment products.

FINANCIAL LITERACY AND INCLUSION

Empowering migrants and their families by improving financial literacy is essential to maximizing the benefits of remittances. IOM advocates the improvement of access to duly regulated, reliable and efficient financial services and products and for financial literacy opportunities for remittance senders and recipients. IOM empowers migrants and their families by providing financial literacy training to remittance senders and recipients and raising awareness of transfer channels, financial services and investment opportunities. IOM's MigApp and iDiaspora websites provide basic information on financial terms and products and include a wide range of information on migration and development initiatives.

ETHICAL RECRUITMENT AND DECENT WORK

In order to improve the conditions under which remittances are earned, IOM engages with labour migration stakeholders to promote ethical recruitment practices. IOM supports the 'employer pays' principle to ensure that fees and costs associated with recruitment are not borne by migrant workers. IOM also supports migrants through comprehensive and tailored pre-departure, pre-employment and post-arrival orientation programs to facilitate integration into communities and the workplace.