IOM Position Paper on Remittances

Introduction

This paper provides the IOM position regarding migrant remittances and development and IOM remittance-related operational focus. It is justified on the basis of the recent attention remittances attracted among the international community and that migrant remittances are now factored into the Sustainable Development Goals (SDG). The Target 10.c. requires a number of aspects to be taken into consideration to understand the links between these private funds and development.

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. This paper limits the discussion to remittances as defined above and considers that remittance senders and recipients are free to decide on the use of these private funds including whether they should be involved in development initiatives.

IOM recognizes the positive contribution of remittances for sustainable development. Concurrently the Organization also recognizes that international migration is a complex, multi-dimensional reality, which requires coherent and comprehensive responses. This implies that IOM recognizes the mutual effects of migration on development and of development (policies and practices) on migration. Indeed, migration is seen as the outcome of enhanced development (e.g. increased freedoms), as a driver of development (when people acquire skills, knowledge, financial capital through migration and have the opportunity to develop their full potential), but also as an inherent consequence of development-related initiatives, such as the effects of trade, evolution of agriculture, urbanization or other trends and policies that lead to migration or displacement.

A rights-based approach to remittances

IOM acknowledges both the social and economic opportunities and challenges that remittances represent for senders and recipients. Along these lines, IOM calls on governments and other stakeholders to embed a broad understanding of remittances and related operations within a framework that puts individual migrants and their families at the core. IOM is attentive to the conditions under which remittances are earned, sent and used.

With regards to how remittances are earned, certain conditions are critical, such as the implementation of and adherence to fair recruitment practices and decent work conditions, in accordance with international standards, and promoting the full participation of migrants and their families in the societies where they live and where they come from.

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

Regarding utilization, remittances have a great potential to improve recipients’ living conditions and fulfilment of 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. IOM thus understands that remittances have the potential to contribute to beneficiaries’ wellbeing when they are an additional, rather than the sole or primary source of income.

Finally, the cost of sending remittances should not be narrowed down to the technical issue transaction costs, as a comprehensive approach should consider related factors such as recruitment fees and other costs related to migration.

**IOM and remittance-related operations**

**Promoting the wellbeing of migrant workers**

- Acknowledging the link between promoting fair recruitment and lowering the costs of migration, IOM is actively engaged with labour migration stakeholders through the Public-Private Alliance for Fair and Ethical Recruitment in the promotion of ethical recruitment practices.
- IOM upholds the full participation of migrants in societies through building the capacity of both migrants and receiving communities. IOM promotes social cohesion working by closely with municipalities and local authorities, carrying out capacity-building activities and research designed to improve integration policies and identify best practices at both local and national levels.
- IOM supports migrants through tailored pre-departure orientation training, including financial literacy, aimed at improving their knowledge about the destination country, as well as their rights and obligations.

**Reducing remittance costs**

- IOM seeks to disseminate more accurate information on remittance services available and their respective costs by engaging in strategic partnerships that allow for the development of more complex methodologies and datasets on real-time remittance costs.
- IOM seeks to combine its knowledge of migration and remittances with the different but complementary expertise of other organizations including the private sector, to enable improved money transfer service provision including through mobile technologies or postal services.

**Improving access to remittance services as a part of financial inclusion**

- IOM acknowledges that financial inclusion requires making financial systems more inclusive and responsive to the needs of different groups.
- IOM advocates for the improvement of access to duly regulated, reliable and efficient financial services and products, for improved financial infrastructure and for financial literacy opportunities for remittance senders and recipients.