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## RemitAid™ FAQ Sheet

### What are remittances?

Remittances are moneys which diasporic communities and migrant workers send to their countries of origin. According to the World Bank, \$330 billion was remitted to developing countries in 2008. This figure relates only to money sent through formal financial channels. The conservative estimate is that in 2006 about £5 billion was remitted from the UK.

### Why are remittances considered self-help international development finance?

Unlike Official Development Assistance (ODA) and Foreign Direct Investments (FDI), remittance funds are:

- Provided by developing country citizens and descendants - not foreign benefactors
- Significantly higher than the volume of ODA and FDI and 10-15% of national income of some poor countries
- Tend to remain in the country rather than being repatriated through expatriate salaries and dividend payments
- Paid directly to households without undue need for government, corporate and other intermediaries
- Spent on subsistence, education, health and activities relevant to the Millennium Development Goals (MDGs)
- Significant factor in reducing poverty and promoting economic development through grassroots interventions

### Are remittances the perfect form of development finance?

Despite the many direct and indirect economic impacts, remittances as a form of international development finance currently suffers from a number of structural and inherent imperfections, which RemitAid™ seeks to mitigate. The problems include:

- Non-receipt of remittances has become a new indicator of poverty
- Contribution to dysfunctional migration patterns and practices
- Household dependency on external remittances
- Limited investment in income-generating and regenerative economic production
- Contribution to inflationary pressures in the receiving countries
- Increase in the divide between the rich and the poor in developing countries

### What is RemitAid™ ?

RemitAid™ is a diaspora initiative focusing on practical ways of optimising the positive and mitigating the negative impacts of remittances through effective collaboration and genuine Diaspora Public Private Partnership (DPPP). The first major RemitAid™ programme is the UK consultation and campaign for 'Remittance Tax Relief for International Development'.

### How would Remittance Tax Relief work?

RemitAid™/Remittance Tax Relief (RTR) would be claimed on all or some of the remittances sent from the UK to developing countries (as defined by the OECD) by UK tax payers – through formal money transfer channels regulated by the Financial Services Authority. The scheme would be similar to existing tax incentives such as Gift Aid, Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS). However, RemitAid™ would be the first comprehensive 'community tax relief' scheme because unlike Gift Aid, VCT and EIS, the tax rebate is collected and pooled together in a common fund – instead of it being paid directly to individual remitters. This 'common pooling of rebates' eliminates motive, means and opportunity for fraudulent scams. It also creates resources substantial enough to fund effective and innovative development activities missed out by remittances, ODA and FDI, whilst strengthening DPPP in both sending and receiving countries.

### How would the tax rebate funds be managed?

The RemitAid™ Agency shall collate verifiable and auditable money transfer/remittance evidence and claim the 'community tax rebates' from Inland Revenue. The pool of rebates shall be treated as 'endowment funds', invested so as to create an enduring financial asset as well as a substantial annual income. The income shall be disbursed in the form of loans, grants and investment capital to fund poverty reduction, enterprise, community, diaspora and other productive schemes and activities in poor countries. The pool of rebates (which generates the disbursable income) shall be invested in UK ethical funds and in developing country managed funds, thereby stimulating these sectors of the UK financial markets. The funds shall be managed professionally (similar to charitable trust funds), but governance and control shall remain with the primary stakeholders, including representatives of the diaspora and migrant workers (i.e. the remitters), government, development agencies, international partners and independent experts – again an opportunity to foster DPPP.



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## Who benefits from the Remittance Tax Relief Scheme?

Apart from the emergence of a new independent development fund, RemitAid™ offers an innovative and practical approach to promoting genuine Diaspora Public Private Partnership in sending and receiving countries.

### *Developing countries benefit through:*

- Support for non-recipients of remittances and investment in community and capacity-building resources
- New income generating opportunities created by the economic multiplier effect of remittance inflows
- Opportunities for gainful employment and engagement acting as alternatives to dysfunctional migration
- Opportunities for expansion and diversification of the money transfer and financial services sector
- Wider availability of appropriate enterprise development and business support services
- Emergence and development of health insurance, managed funds and other investment products
- Increase in remittances spent on economically productive and regenerative activities
- Greater opportunity for citizens to become self-employed and non-dependent on state help
- Opportunity for countries to factor remittance inflows in assessment of sovereign creditworthiness

### *Host countries benefit through:*

- Better Anti-Money Laundering (AML) and Countering Terrorist Finance (CFT) regulation
- Diversifying approach and public policy tools used to address international development issues
- Using more innovative and effective schemes to implement international development policies
- Stimulation and boosting of the UK ethical and international development finance sectors
- Growth and diversity of the money transfer sector including small, independent and social enterprise operators
- New international business and investment opportunities and partnerships with diasporic communities
- Better financial inclusion and literacy for some of the most disadvantaged members of the society
- Improving the rewards of self-help and integrating diasporic communities within mainstream national activities
- Increased recognition of the development contribution made by UK's diasporic communities

### *Diaspora and migrant communities benefit through:*

- Tax relief parity between remitters, Gift Aid donors and other tax incentive beneficiaries
- Improved regulation of remittance agencies and better customer protection and security
- New independent development fund directly linked to the community's financial contributions
- Reduction in the problem of misapplication of remitted funds in receiving countries
- Wider range of remittance options for strategic, regenerative and investments purposes
- Opportunity to transform remittances into capacity-building funds, leading to less dependency

## What are the wider RemitAid™ Goals and Purpose?

**Vision:** To optimise the financial and economic benefits of international migration

**Mission:** To mitigate the structural imperfections and improve the economic and development impacts of remittances

**Approach:** To work through partnerships to transform remittances into a more sustainable form of international development finance

**RemitAid™ Strategic Goals:** The strategic goals are as follows:

- **Remittance Tax Relief:** Implementation of 'Remittance Tax Relief' schemes in the UK, EU and other OECD countries
- **Collective Remittances:** Leverage collective remittances to improve the developmental outcomes of international migration
- **Sovereign Credit Rating:** Leverage remittances to improve sovereign creditworthiness of developing countries
- **Social Enterprise:** Promote participation of social enterprise Money Transfer Operators (MTOs) in the remittance service sector
- **International Regulation:** Campaign internationally for fair, proportionate and appropriate regulation of the remittance sector

To help RemitAid™ pursue Diaspora Public Private Partnerships, contact us on:

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