



Global Migration Group

Acting together in a world on the move

Briefing Note on Remittances

Today over one billion people are either sending or receiving remittances: one out of seven people in the world. The sum of the US\$ 200 - 300 amounts sent home regularly by migrants to family members residing in another country adds up to more than three times all the net official development assistance (ODA) to developing countries. These individual remittances that a father or a mother, son or daughter, sister or brother sends home, are the measure of their devotion and commitment to the future of their families in their home countries.

The Global Compact for Safe, Orderly, and Regular Migration (GCM), as the first overarching international agreement of its kind, presents a unique opportunity for UN Member States to agree on a common vision on how to make migration work for the benefit of all nations and populations, and in particular to recognize the tremendous contribution of remittances to the development of migrants' countries of origin.

In this context, the Global Migration Group (GMG) welcomes Objective 20 of the current GCM draft, to “promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants”. This objective provides an inclusive set of actionable commitments which will not only contribute to reduce the costs, but also leverage the development impact of remittances.

The 2030 Agenda for Sustainable Development highlights the significance of migrant contributions to inclusive growth and sustainable development in countries of origin, transit and destination.

In 2017 alone, migrants sent over US\$466 billion in remittances to their families in developing countries. In particular migrant women are responsible for sending roughly half of those global remittances and, despite lower earnings, the remittances sent by women are often considered to be more resilient, owing to these women's stronger links to family members left behind and self-insurance motives. These private flows deliver large benefits, by lifting families out of poverty, allowing for better health and nutrition, increasing education opportunities for

children, improving housing and sanitation, promoting entrepreneurship, financial inclusion, and reducing inequalities.

In other words, remittances allow migrants' families back home to reach "their own Sustainable Development Goals", enhancing their capacities to deal with uncertainty in their lives by increasing their savings and building assets to ensure a more stable future for themselves and their communities.

There is, therefore, a clear convergence among the goals of remittance recipient families, government development objectives, private sector strategies to tap underserved markets, and the traditional role of civil society to promote positive economic and societal change. In this regard, the GCM can build on the growing recognition that leveraging remittances for sustainable development - including agricultural and rural development - is fundamental for governments, international organizations and other partners in realizing several Sustainable Development Goals.

Estimated total remittance flows are impressive, yet they are likely to underestimate the actual flows, and this is particularly true for remittances directed towards rural areas. Accurate measurement of remittance flows in many markets is hampered by lack of data - included sex-disaggregated data - underreporting, and faulty estimation methods, particularly of informal flows.

Without robust, disaggregated remittance data, policymakers will be hard pressed to design effective policies to reduce informality of part of these flows and promote financial inclusion. Private actors, including money transfer operators (MTOs) and financial institutions, are hampered by a lack of actionable, disaggregated data on remittance markets, thereby reducing the expansion of access points for remittance services and exacerbating the lack of access to financial services, particularly in rural areas.

The GCM provides the opportunity to improve the current situation: the capacity of public authorities to implement standardized measurement and reporting protocols for remittance flows and related data should be strengthened. Strategic national remittance plans should be developed to determine priority areas for the improvement of remittance formalization and financial inclusion. Such plans are particularly needed in countries and areas where remittances received constitute a relevant share of the economy.

Broad dissemination of national remittance data that highlights key variables, including remittance flows, costs, access points, sex and migratory status of sender and recipient at household level, and other data related to market competition, non-cash alternatives, would greatly improve the inclusiveness, transparency and fair competition in the market.

Strong, inclusive and long-term partnerships between the public and private sector should also be encouraged. In fact, the private sector is a natural ally for governments in their efforts towards achieving the objectives of the GCM, and particularly its objective and actions on remittances.

New partnerships should be promoted between institutions from both sending and receiving countries that currently operate under different regulatory frameworks and in different regions of the world. In this way, opportunities to deliver remittance services at lower costs could be opened through enabling competitive market environments, new and more efficient technologies and innovative business models applied to payment systems and instruments, expanding the range of services linked to remittances and offering savings products to a large underserved population. This also develops financial services and inclusion by increasing demand.

The opening of new distribution channels for underserved populations should also be facilitated, with particular focus on creating an enabling environment for remittance transfers and the promotion of their productive use. This would require improving the access to safe, reliable and affordable remittances' services in rural areas, and increasing financial literacy and financial inclusion among rural people. Improving transparency and information on remittances costs will facilitate identifying the most cost-efficient options.

Often both migrants and their relatives back home lack access to regulated remittance services and are unaware of complementary products and newcomers in the market. Government and the private sector should investigate innovative ways to reach these communities.

Remittances are the most visible act of migrants' contribution to the development of their home countries. Only with full recognition and awareness of their development impact, the international community will help them strengthening even more the economic development of the families, communities and countries back home.