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IOM AND REMITTANCES

The importance of remittances for the development of many countries of origin is unquestionable. Remittances are defined as monies earned or acquired by non-nationals that are transferred back to their country of origin. IOM recognizes that remittances are private funds, and the manner in which they are used is under the full discretion of the sender and the recipient. This premise is fundamental to the conceptualization of all IOM activities in the area of remittances.

In 2011, migrant workers generated more than USD 440 billion in officially recorded remittances transferred internationally and according to the World Bank, more than 350 billion of this transferred to developing countries, outstripping official development assistance (ODA) by more than threefold.

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 all remittance payments made through informal and unrecorded channels were to be included in the estimated total amount of remittances, it is believed that this figure could be as much as 50 per cent larger. At such extraordinary levels remittances constitute an essential source of income for many developing countries and in some cases represent a very significant percentage of the national gross domestic product.

In this context, labour migration generates a relatively stable source of income that contributes to the support of migrant workers' family members back home, enabling them to invest in education, health and housing, thus improving household living conditions and reducing vulnerability of family members, especially women and children. Remittances can therefore constitute a steady source of poverty reduction.

Importance of remittances for development and poverty alleviation

Despite the fact that remittances represent the most visible and direct link between migration and development, it remains a challenge to maximize their potential development impact for countries of origin and destination and for the individual migrant.

As the leading inter-governmental organization in the field of migration, IOM activities aim to build capacity and facilitate the development of policies and mechanisms that improve remittance services for migrants. The large volume of remittances channelled to countries of origin, and the potential role these remittances play in the development of communities that migrant workers come from, encourages more and more countries to streamline the productive use of remittances in their development plans and initiatives. Although remittances alone cannot alleviate poverty, fully address the needs of developing countries nor act as a substitute for official development assistance, they ensure that migrants have a central role to play in the development in their countries of origin.

IOM recognizes the particular significant role and behaviour of women sending and receiving remittances and includes a gender focus in all remittances-related projects.

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OUR OBJECTIVE

TO FACILITATE THE
DEVELOPMENT OF POLICIES
AND MECHANISMS THAT
IMPROVE REMITTANCE
SERVICES TO MIGRANTS

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IOM International Organization for Migration



Migrant workers send remittances to their country of origin in the hope that they will help develop prospects for them and their families back home.
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A significant portion of migrants' remittances are spent on education for their children and young dependents.
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IOM remittance-linked initiatives

IOM, together with governments, migrants, migrants' associations and financial institutions, seeks to maximize the potential impact of remittances on development through:

- Research of remittance activities of diaspora communities, temporary workers and remittances receiving households;
- Partnering with financial institutions to lower transfer costs and advise governments on best practices;
- Improving developmental impact with community-based micro finance programmes; and
- Empowering 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.

Research

IOM has undertaken studies on the use of remittances and their impact on development at local and national levels. The research analyzes the different ways recipient households use remittances. This research provides policymakers and financial institutions with recent and comprehensive data to develop new labour migration strategies. Finally, national or regional research projects can contribute to improving remittance services, as well as encourage the productive use of remittances for initiatives aimed at reducing poverty.

Partnerships to lowering remittance transfer costs and increase developmental impact

IOM implements projects aimed at improving access to remittances for migrant-sending families by diversifying remittance transfer services for migrant workers abroad. IOM, in partnership with national governments, financial institutions, NGOs and social partners, implements projects aimed at promoting the expansion of remittance-related services offered by financial institutions – such as savings and investment opportunities.

Improving development potential

IOM and governments collaborate on joint initiatives aimed at enhancing the development impact of migration and remittances and assisting the reintegration of labour migrants through microcredit initiatives in rural areas. IOM, in partnership with national governments, carries out projects aimed at improving the implementation of policies that seek to maximize the economic gains of migrants' remittances for small and medium enterprises (SMEs). For example, by establishing community-based associations to facilitate the pooling of migrant remittances for local community development projects, and matching migrants' remittances with international funds to develop small-scale businesses.

Financial literacy

Empowering migrants and their families by improving financial literacy is also essential to maximizing the benefits of remittances. To assist migrants to reduce their transfer costs, IOM promotes innovative solutions such as the creation of websites intended to compare costs and services of sending remittances. These websites also aim to improve migrants' financial literacy by providing basic information on financial terms and products available to migrants, and include a wide range of information on migration and development initiatives and remittance channelling mechanisms.

For further information, please contact:

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