



IOM AND REMITTANCES

DEFINITION, SCALE AND IMPORTANCE OF REMITTANCES

Three streams of monetary transfers flowing into countries are included in remittances and published annually by the IMF in its Balance of Payments Statistics Yearbook. These are workers' remittances, compensation of employees and migrant transfers. The term "remittances" has however come to include more than the above in the eyes of a number of states, institutions and experts. For IOM purposes, migrant remittances is defined broadly as monetary transfers that a migrant makes to the country of origin. In other words, financial flows associated with migration. Most of the time, remittances are personal, cash transfers from a migrant worker or immigrant to a relative in the country of origin. They can also be funds invested, deposited or donated by the migrant to the country of origin. The definition could possibly be further broadened to include in-kind personal transfers and donations.

International remittances received by developing countries are expected to reach US\$ 167 billion in 2005 and have doubled in the last five years (World Bank, 2005). Migrant remittances constitute an important source of foreign exchange, enabling countries to acquire vital imports or pay off external debts. Remittances also play an important role in reducing poverty. There is growing awareness and evidence of the potential that remittances have to contribute to economic development in migrant-sending countries at the local, regional and national levels.



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IOM'S AIMS AND COMPETENCIES

Recognizing that remittances are, above all, private funds, but which also offer development possibilities for entire communities and countries, IOM's aim in the area of migrant remittances is to facilitate the development of policies and mechanisms that:

- improve remittance services to migrants.
- enhance the development impact of remittances.

In partnership with governments, migrants, migrant associations, financial institutions and donors, IOM seeks to implement its aims through generating research to support policy and programme development, policy dialogue and the sharing of good practices, capacity building and pilot projects.

IOM's distinctive competence in the area of remittances and development includes:

- a global presence and vast migration experience – IOM has 116 member states and over 200 offices worldwide.
- strong partnerships with governments responsible for migration and remittance policy frameworks.
- direct contact with migrants in both sending and receiving contexts.
- growing involvement in remittance-development research, policy dialogue and pilot projects in different countries and regions around the world.

IOM STRATEGIES

IMPROVING REMITTANCE SERVICES

Provide Information

Provide information to migrants about the real costs of remitting and the various transfer options available in their host countries.

Lower Costs, Expand Access and Banking Services

Partner with banks and financial institutions to make remittance services more cost-effective and accessible for migrants engaged in IOM programmes and elsewhere. Reach out to migrants and their families to improve access to basic banking services in both sending and receiving countries, thus helping to lower costs and improve reliability. Support the capacity to increase remittances distribution to currently under-served areas.

Improve Consular Services

Help build capacity for increasing consular services for migrants, including a database and issuing of ID documents, allowing irregular migrants to access available formal remittance channels where possible.

ENHANCING THE DEVELOPMENT IMPACT

Encourage Philanthropic Remittances

Enhance contributions made by migrant associations to development projects in countries of origin. Additionally, help strengthen relations between migrant communities/associations and government officials in countries of origin in order to facilitate better collaboration among these parties and multiply the resources available for development initiatives.

Spread Knowledge

Disseminate information to migrants via common Migrant Resource Centres on savings and investment options for remittances.

Help Generate Development Opportunities

Partner with banks, micro-lending organizations and other financial institutions to provide remittance investment and housing opportunities.

While promoting the above remittances specific initiatives, IOM will support good governance and sound economic policy initiatives, which are essential if the development potential of remittances are to be realized.

RESEARCH AND THE SHARING OF GOOD PRACTICES FOR POLICY AND PROGRAMME DEVELOPMENT

Improve and Expand Current Research

The use of remittances as a resource for development in migrant-sending countries requires better information and data on remittance flows, usage patterns, transfer mechanisms and attitudes and preferences regarding savings and investment schemes. Data currently available on remittances in many countries is limited. IOM is working together with governments, academics, banks, international organizations and the private sector to fill these research gaps by putting in place mechanisms for improved and expanded data collection and sharing.

Workshops and Consultations

- To share best practices and technical expertise among governments and migrants' associations, expand access to information and know-how and broaden access to public and private sector technical expertise.
- To share results of surveys and define priorities and action plans.

Link Research to Policy and Programme Development

To define policies and programmes for increasing official remittance flows, reducing transfer fees and enhancing development impact by investigating the following areas:

- *Data* – such as volume, main source countries, channels for remitting; including cost overview of main channels and capacity to reach rural areas.

- *Constraints and impediments faced by migrants and remittance service providers* – including policy constraints (policy on exchange rate controls and banking supervisions) and practical impediments (hindering speed of transfer and streamlined procedures).
- *Opportunities for linking remittances flow to development initiatives* – such as housing or micro credit, as well as existing or planned policies to attract remittances. As it could be difficult to convert successful migrant workers/savers with no prior business experience into successful entrepreneurs, often a more viable strategy is to facilitate credible financial intermediaries in attracting migrant savings and for onward lending to existing small and micro businesses.

IOM REMITTANCE RESEARCH, POLICY DIALOGUE AND PILOT PROJECTS

RESEARCH AND DATA COLLECTION

IOM Worldwide

To encourage IOM missions to undertake project activities on remittances and ensure production of valuable, policy oriented and comparable data, IOM is developing sample research tools to simplify remittance research done by IOM missions around the world.

Switzerland and Serbia and Montenegro

IOM together with the Swiss Forum for Migration and Population Studies (SFM) and the European Bank for Reconstruction and Development (EBRD) are carrying out a remittances-for-development, action-research and planning initiative funded by the Government of Switzerland's State Secretariat for Economic Affairs (SECO). The aim is to collect, analyse and present information about remittance transfers by the Serbian Diaspora in Switzerland, their impacts and use in migrant-sending households, as well as documenting other policies and practices affecting remittance flows between these two countries. Research results will be used to develop concrete, feasible investment strategies to enhance the development impact of remittances in Serbia and Montenegro, including new forms of collaborative investment involving SECO, Serbians in Switzerland and other strategic partners. The ultimate aim is to enhance economic growth and reduce poverty in Serbia and Montenegro.

Albania

IOM has recently completed a study, including a household survey, on remittances to Albania. The purpose of the study is to feed into the National Strategy on Migration and the related National Action Plan.

Moldova

A recent study by IOM, based on focus group and key informant interviews, has looked at remittances to Moldova includ-

ing access and obstacles to use of formal remittance channels and patterns of remittance use.

Costa Rica and El Salvador

The IOM Statistical Information System on Migration in Central America (SIEMCA) project, designed to provide adequate, timely and compatible migration data from various sources through an Information System on Migration for the Central America region, has compiled existing household data on remittances in Costa Rica and El Salvador.

Guatemala

IOM has conducted both a national household survey on family remittances in Guatemala, as well as a national survey on the impact of remittances.

Colombia

IOM Colombia has conducted a study on remittances to Colombia, titled: "Remesas en Colombia, Desarrollo y Marco Legal." (Remittances to Colombia, Development and Legal Framework). This included household surveys and focus groups in the metropolitan area of Pereira, as well as a quantitative survey administered to remittance beneficiaries in money exchange bureaus (through which 80% of remittances flow to Colombia).

POLICY DIALOGUE

Least-Developed Countries

A Ministerial Conference of the Least-Developed Countries (LDC), planned for 2006, will bring together representatives of government, international and regional financial and banking institutions, the UN system and international organizations, money transfer organizations, micro-finance institutions, migrant associations, NGOs, researchers, bilateral donors and foundations, in order to:

- share experiences, lessons learned and good practices on enhancing the development impact of remittances.
- consult on issues faced by migrant remitters and recipients and propose practical solutions to optimize development benefits.
- develop an action plan for enhancing the development impact of remittances and mobilize support for its implementation in LDCs.
- In preparation for the conference, information is being collected from LDC governments, on the basis of a questionnaire, on remittance data, policies in place that may facilitate or impede the productive flow and use of remittance

Asia

The Ministerial Consultations on Overseas Employment in Asia organized by IOM since 2003 has examined the flow and use of remittances in Asian labour-sending countries and made recommendations for enhancing accessibility, expanding

infrastructural capabilities and widening outreach of formal financial institutions, as well as enhancing the development impact of remittances. The recommendations were made on the basis of studies carried out with respect to Bangladesh, India and the Philippines.

Kenya, Tanzania and Uganda

In 2004 IOM and the East African Community (EAC) co-hosted a workshop which focused, among other topics, on an identification of policy guidelines and regulatory frameworks including incentives, constraints and existing structures and gaps, in order to improve remittance services and enhance its development impact. Country studies by national consultants were prepared.

PILOT PROJECTS

El Salvador

IOM Washington DC and IOM El Salvador are working together with the Government of El Salvador's Ministry of External Affairs to design and deliver a project management training course for leaders of El Salvadoran migrant associations in the United States as well as a select number of their partner organizations in El Salvador. The aim of this capacity-building course is to enhance the ability of these migrant organizations to design, fund and execute transnational human and economic development projects on the regional level in El Salvador, working in partnership with the El Salvadoran government and other strategic partners.

Guatemala

The Government and IOM Guatemala are developing an innovative project to finance low-cost housing for migrant families from remittances and a housing subsidy.

Tajikistan

Through micro-credit initiatives building on UNDP community programme, IOM is enhancing the capacity of migrant households, local communities and civil society actors to promote the investment of migrant remittances in viable livelihoods for migrant families affected by emigration. In coordination with local development committees, IOM will also provide participative financing facilities for community initiatives, telecommunications infrastructure and provide counseling services for potential labour migrants and their families.

Africa-Italy

The Migration for Development in Africa (MIDA) Italy pilot project is sponsored by the Italian government. The initiative will define a strategy for resource mobilization (human, technical, financial) to benefit target sectors in the country of origin, by enhancing the possible active engagement and role as development agents of African nationals residing in Italy. Information on community and individual skills, investment capacities and plans to support their origin countries will be collected and registered into a database. The project will address in particular those migrants willing to set up micro

enterprises and job-generating activities in their areas of origin. The project will also entail research-work intended to:

- identify viable synergies with development projects initiated/sponsored by Italian institutions, in order to foster a direct participation of sub-Saharan nationals living in Italy.
- explore possible alternative mechanisms of money/remittance transfer from Diaspora to respective countries, possibly highlighting viable financial products that will attract migrants' remittances.

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