Migration & Remittances

A Brief Introduction

Globally, an estimated 270 million people, or roughly four percent of the total population, live and work outside their countries of origin. They need safe, affordable, and convenient remittance services—ways to send money home to the people who depend on them.

How migrants send money now...
Most formal remittances move “over the counter.” A migrant goes to a money transfer shop and pays in an amount, over the counter, to be sent to the family back home. The family then travels to a local outlet in the home country to retrieve the funds. Along with the inconvenience of getting to the shops during business hours—which became impossible when the pandemic shut down businesses all over the world—there are service fees for sending, receiving, and converting funds from one country’s currency to another. As a result, many remittances move through informal channels—as physical cash or goods that the migrants carry with them on visits home, or through grassroots networks of unregulated agents.

...and how it could be better
Migrants could receive wages digitally, and send money back home digitally to their families—who in turn could also keep and use that money in digital form. Along with making remittances themselves safer, more convenient, faster, and less expensive, digitization is the key to delivering other vital financial services: insurance, credit, savings, investments. Those could be layered on and linked to digital remittances.
A multi-country effort
to find what works and
close it up

With generous support from the
Swiss Agency for Development and
Cooperation and Sida, the Swedish
International Development Cooperation
Agency, UNCDF is pursuing an ambitious
programme to leverage remittances’ full
potential to contribute to sustainable
development. We are engaging at every
level. With national governments, we’re
identifying which policies and regulations
will allow remittance service providers
to digitize and expand their outreach
without exposing countries to illicit
money flows or other financial risk. With
the regional economic communities,
we’re working to harmonize cross-border
strategies. With remittance service
providers, we’re building the capacity to
understand migrants’ financial priorities,
and design products accordingly. For
providers of other financial services,
we’re encouraging design and delivery
of value-added products (insurance,
savings, credit) that could be layered onto
digitized remittances. And for migrants
themselves, we’re encouraging greater
financial and digital literacy—for them
and their families back home—to move
beyond cash and embrace the benefits
that digitized remittances can deliver.

Remittances: A key to
sustainable development

Families who receive remittances spend
more on nutrition, health, education, and
housing, all of which decreases poverty.
But remittances also have macroeconomic
significance. In more than 60 developing
countries, remittances exceed 5 percent
of gross domestic product. In some
countries (e.g., Nepal), that figure is 25
percent. For low- and middle-income countries
as a whole, remittances have exceeded foreign
direct investment every year since 2015. The
persistence of informal remittances distorts the
true picture, making the balance of payments—
the difference between money flowing into a
country versus that flowing out—appear less
favorable than it may actually be in remittance-
receiving countries. If all the remittances flowing
in got counted, developing countries could
improve their sovereign credit rating, secure lines
of credit on more favorable terms, and make
more of the investments their countries need to
develop sustainably.