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.

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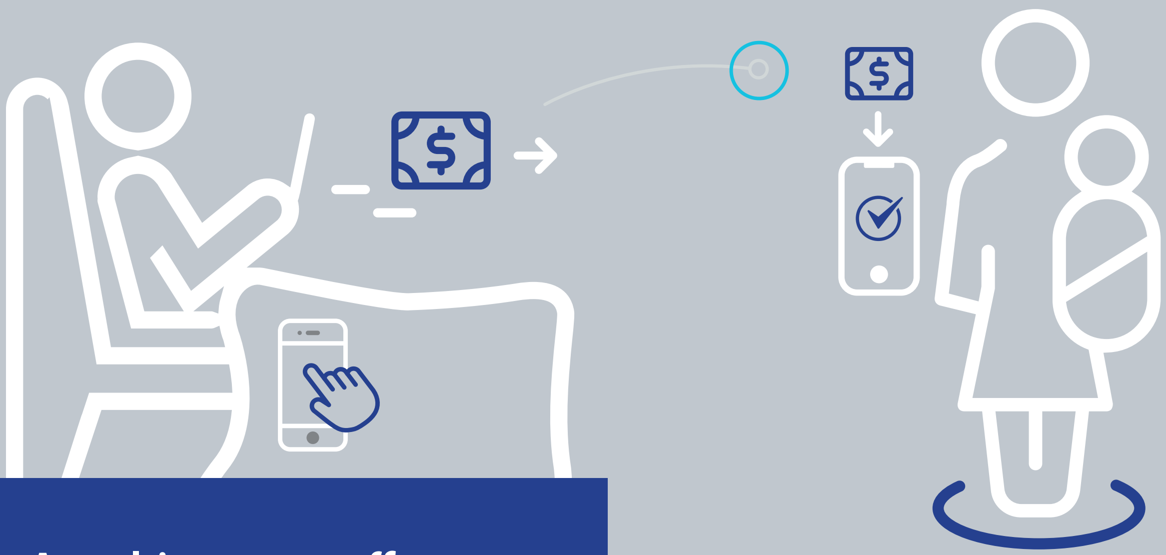

A multi-country effort to find what works and scale it up

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.

Generous funding for the Migration & Remittances Programme has been provided by the Swiss Agency for Development and Cooperation and Sida