IN-DEPTH ANALYSIS

Requested by the DEVE committee

European Parliament

The role of remittances in promoting sustainable development

Authors:

Iliana OLIVIÉ, María SANTILLÁN O'SHEA

European Parliament coordinator:

Policy Department for External Relations

Directorate General for External Policies of the Union

PE 702.563 - June 2022

EN

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES

POLICY DEPARTMENT

European Parliament

IN-DEPTH ANALYSIS

The role of remittances in promoting sustainable development

ABSTRACT

International remittance flows have proven their resilience through the COVID-19 pandemic-induced economic crisis in spite of initial expectations forecasting their decline and associated devastating consequences for development in recipient communities and countries. This calls for some reflection on the nature and behaviour of these flows, with a particular focus on aspects that might explain their countercyclical behaviour and distinctive patterns. Context-appropriate policies are required to leverage the development impact of each remittance corridor, in terms of: location; transfer channels; sender and recipient profiles; and use by recipients. Thought should also be given to the impact of: poverty reduction; protection against shocks; and increased ability to invest in human and physical capital. Above all, a holistic vision must be maintained to allow for a complete understanding of this complex phenomenon. Political actions for strengthening the role of remittances on development have so far mostly focused on reducing the costs of sending remittances through formal channels, but the overall landscape of responses is still fragmented, insufficiently developed and facing significant challenges.

EP/EXPO/DEVE/FWC/2019-01/LOT3/1/C/07

EN

June 2022 - PE702.563

AUTHOR(S)

- Iliana OLIVIÉ, Senior Analyst, Elcano Royal Institute, Spain
- María SANTILLÁN O'SHEA, Research Assistant, Elcano Royal Institute, Spain

With the assistance of Carlos MOLTÓ, Intern, Elcano Royal Institute, Spain

PROJECT COORDINATOR (CONTRACTOR)

- Trans European Policy Studies Association (TEPSA)

This paper was requested by the European Parliament's Committee on Development.

CONTACTS IN THE EUROPEAN PARLIAMENT

Coordination: Andrea MAIER, Policy Department for External Relations

Editorial assistant: Grégory DEFOSSEZ

Feedback is welcome. Please write to poldep-expo@europarl.europa.eu

To obtain copies, please send a request to poldep-expo@europarl.europa.eu

VERSION

English-language manuscript completed on 23 June 2022.

Table of contents

List of abbreviations iv

Executive summary v

1 Introduction 1

2 Understanding international remittances 2

2.1 Mapping international remittances 2

2.2 How are remittances transferred? 4

2.3 Who remits and why? 6

2.4 Who receives remittances and how are they used? 8

2.5 Remittances and sustainable development 11

3 Policy responses for strengthening the remittances-development nexus 14

3.1 Towards a more productive use of remittances 14

3.2 Reducing the cost of transferring remittances 16

3.2.1 Recent evolution of transfer costs 16

3.2.2 Initiatives for reducing transfer costs 18

3.2.3 Transfer costs during the COVID-19 pandemic 20

4 Challenges and lessons learnt 21

4.1 Challenges related to remittance flows 21

4.2 Challenges in lowering the cost of sending remittances 22

4.3 Political responses: trade-offs and challenges 23

5 Recommendations 25

5.1 Recommendations for the European Parliament 25

5.2 Recommendations for the European Commission and Member States 27

Bibliography 30

Appendix - Main remittance corridors by corridor groups and recipient region 37

List of abbreviations

ACP	African, Caribbean and Pacific
AIR	African Institute on Remittances
AFD	Agence Française de Développement
CDP	Cassa Depositi e Prestiti
DEVE	Committee on Development
EC	European Commission
ECON	Committee on Economic Affairs
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
FFR	Financing Facility for Remittances
FX	Foreign exchange
GCC	Gulf Cooperation Council
GPFI	G20 Global Partnership for Financial Inclusion
IFAD	International Fund for Agricultural Development
ODA	Official Development Assistance
PCD	Policy Coherence for Development
PCSD	Policy Coherence for Sustainable Development
PRIME	Platform for Remittances, Investments and Migrants' Entrepreneurship
RSP	Remittance Service Provider
SDG	Sustainable Development Goal
UN	United Nations
USA	United States of America

Executive summary

The state of international remittance flows

Contrary to initial predictions, tracked international remittances flows have shown great resilience during the COVID-19 pandemic, surpassing the total aggregate volume of official development assistance and foreign direct investment in 2020.

The total volume of international remittances sent in 2020 was USD 701 billion, as a result of consistent upward trends for decades. According to World Bank data, in 2020 the distribution of international remittance flows received by each region was as follows: 21.5 % East Asia and Pacific, 20.85 % South Asia, 14.76 % Latin America and the Caribbean, 12.55 % Eastern Europe and Central Asia, 9.03 % the Middle East and North Africa and 6.01 % Sub-Saharan Africa.

International remittance transfer methods

Formal transfer methods – such as banks, financial institutions, money transfer operators or post offices – offer safe and regulated means of transferring remittances. Informal channels, while less secure, are often favoured by remitters due to their availability to people with no bank accounts or access to adequate banking services, their often lower costs and their ability to deliver in remote areas.

It is estimated that 35 to 90 % of international remittance transfers, depending on the corridors, were sent informally before the pandemic. The lockdowns and movement restrictions brought upon by the pandemic have forced a significant formalisation and digitalisation of remittance transfers.

Remittance senders

The reasons why migrants remit are often related to the reasons for their migration decision, and can include altruistic, insurance or investment motives, among others. Several factors influence migrants' likelihood of remitting: the migration timeframe (temporary, short-term or long-term), age, gender or education levels. However, the concrete impact of these elements on the decision to remit varies across contexts.

Remittance recipients and use

The distribution of remittance recipients across the income spectrum, educational levels, age and having a bank account (or not) varies greatly from one context/country to another and often does not follow a clear pattern. One of the few consistent findings is that most remittance recipients in developing countries are women.

In developing contexts, remittances represent a significant share of the recipient households' income. The majority of remittances are used for consumption, but a share of them is also used for investing in human and physical capital and for business creation. In any case, using remittances for consumption can also be beneficial for development.

In all cases, remittances cannot and should not be regarded as a potential replacement to sound development policies.

The impact of international remittances on sustainable development

A significant part of the debate on the impact of remittances on sustainable development has focused on specific development indicators measuring poverty and inequality. Remittances tend to reduce poverty, albeit modestly, but their impact on inequality is uneven and sometimes negative.

The increased investment in human capital associated with the receipt of remittances leads to improved health and educational outcomes in certain conditions. Financial inclusion has also recently been highlighted as a key tool for maximising the development impact of remittances.

Overall, the ability of remittances to advance sustainable development is necessarily linked to the policy and investment environment.

Policy responses for strengthening the remittances-development nexus

The Sustainable Development Goals aim at reducing the cost of transferring remittances to less than 3 % in 2030.

Political initiatives for moulding the use of remittances once received are rather scarce compared to those that aim at reducing the sending costs. The most relevant in the European Union (MEETAfrica, PASPED, PAISD, WIDU, DIASDEV) focus on Africa and go beyond the mere use of remittances by engaging diasporas, in a larger sense, in the economic development of their home countries through business initiatives. Such projects tend to assume that remittances spur development through savings and productive investment, without considering the positive impact on development of consumption (including for health and education).

The cost of transferring remittances has been decreasing for several years. The decline accelerated during the COVID-19 pandemic due to the sudden digitalisation of a great share of remittances. The main obstacles to further reductions are the lack of transparency on transfers' costs; the shortage of competition in this financial market; and recipients' low level of both financial inclusion and digitalisation (as a result of the lack of digital infrastructure and/or capacities).

Initiatives for decreasing the cost of sending remittances include the implementation of national remittance plans in the framework of the G20 Global Partnership for Financial Inclusion, the approval (at EU level) of the Revised Payment Service Directive, and the Financing Facility for Remittances implemented by the International Fund for Agricultural Development (including the Platform for Remittances, Investments and Migrants' Entrepreneurship - PRIME).

Challenges and lessons learnt

Previous studies on the remittance-development nexus, official documents and interviews conducted for this study point out to a series of challenges and lessons learnt.

Some of these challenges refer to the remittances' flows themselves.

- The relevance of addressing the remittance-development nexus needs to be contemplated first, given that remittances are private and mostly individual flows.
- More knowledge is needed on remittances so as to address the remittance-development nexus correctly.
- Remittances are heterogeneous flows that need heterogeneous political responses.
- Challenges are not the same for all stakeholders. For instance, migrants' priorities are to have their savings transferred cheaply and safely, while macro authorities in recipient countries may want to cultivate a positive balance of payments.
- Lowering the costs of transferring and receiving remittances is a challenge for both senders and recipients.
- Improving the impact of remittances on development is a major challenge for donors.
- Remittances might not have a substantial impact on poverty and inequality.

Other challenges refer specifically to lowering the cost of sending remittances, a major target for the donors' community, as stated above. These can be summarised as:

- the high level of informality in the transfer business;
- financial exclusion of migrants and, particularly, recipients;
- digital exclusion of senders and recipients, that may be associated with financial exclusion;
- inadequate digital and financial regulatory environments;
- inadequate infrastructure for formal remittances;
- lack of trust in the banking system on the part of recipients;
- lack of competition and transparency in the transfer market;
- Foreign exchange margins that limit additional decreases in transfer costs.

Box I. Recommendations

For the European Parliament (EP):

- The Committee on Development (DEVE) could launch a debate on the link between remittances and development, while recognising that remittances are individual flows, resulting from a migration process, and can spur development through consumption. The margin for further decreasing transfer costs has decreased.
- Adopt a Policy Coherence for Development approach to remittances, migration management, financial stability and counterterrorism.
- DEVE, together with the Committee on Economic Affairs, the European Commission (EC) and Member States could collaborate to increase competition in the market of remittances operators.
- The EC, Member States and EP could propose and implement obligatory information for migrants about financial options for transferring remittances.

For the European Commission and EU Member States:

- Create a database on homogeneous and comparable remittances flows (World Bank and/or Eurostat).
- Plan projects based on detailed and specific information about the features of specific flows and priorities and incentives of stakeholders involved.
- Launch projects on financial inclusion (including infrastructure and building trust on the financial system).
- Promote digital inclusion.
- Ensure an adequate macroeconomic environment in collaboration with the World Bank and with regional banks.
- Ensure the institutional setting (in both EC and Member States) is fit for purpose.

1 Introduction

International remittance flows have been following an upward trend for decades now, to the extent that for many developing countries they currently surpass combined flows from Official Development Assistance (ODA) and Foreign Direct Investment (FDI) (Ratha *et al.*, 2021). Volumes have proven to be highly resilient, remaining steady or increasing, even in times of economic crises when other international flows stagnate, thus highlighting their central role as anticyclical financers for the millions of individuals, households and communities who receive remittances around the world.

The magnitude of these international flows inevitably prompts the question of their impact on sustainable development in recipient households, communities and countries. This explains the numerous efforts that have been made over recent decades not only to measure international remittance flows but also to quantify and maximise their effect on different development indicators.

The sending, receiving and use of international remittances is a complex phenomenon – or rather a combination of complex phenomena – because it emanates from individual decisions firstly to migrate and then to remit. Migrants' decisions are in turn intrinsically linked to: existing environment; reasons for choosing to migrate; place of destination; reasons for destination choice; and many other factors. Gaining a full grasp of these complex circumstances is essential if we are to understand what the international community – *inter alia* multilateral organisations, bilateral donors and local authorities – can do in order to leverage remittances' potential for producing positive impacts on sustainable development[1] in recipient countries and communities.

Hence, this In-depth Analysis aims at reviewing current knowledge, specifically gaps that exist, on international remittance flows, their volume, main corridors, transfer methods, sender and recipient profiles as well as development impact. It will then look at past and current initiatives together with policies that have been adopted in attempts to maximise remittances' development impact, in order to outline their reach and limitations. A number of conclusions and reflections will be drawn to inspire future policy and action. The analysis will be completed on the basis of a comprehensive literature review, coupled with a series of semi-structured interviews involving 16 key informants. Respondents interviewed for this study include relevant authorities on the sending side, namely officials representing: the European Commission (EC); the French Ministry of Foreign Affairs; the French Ministry of Finance; the French Central Bank; the Spanish Ministry of Foreign Affairs, European Union and Cooperation; as well as the Spanish Central Bank. We also spoke to implementers of remittance-related development initiatives in a recipient context, such as World Bank representatives working in Morocco, together with representatives of the main international organisation implementing related projects around the world, for instance the International Fund for Agricultural Development (IFAD). Comments were also received from other international experts representing leading entities, such as DMA Global.

This In-Depth Analysis will begin by providing a general account on remittance flows and main corridors before diving into the analysis of transfer methods, remittance senders, remittance recipients and their use and their impact on sustainable development. It will then explore the type of policy initiatives that have so far tried to maximise the development impact of remittances. This will allow for the identification of key challenges, from which a series of recommendations for the European Parliament as well as for the European Commission and Member States, will be drawn.

[1] Given the policy orientation of this study, sustainable development is here understood as the underlying concept of the 2030 Agenda and the Sustainable Development Goals (SDGs): the combination of political-institutional, social, economic and environmental well-being.

2 Understanding international remittances

The volume of international remittance flows worldwide exceeded USD 701 billion in 2020[2], almost two and a half times the amount remitted just 15 years earlier, in spite of the worldwide economic recession of 2008 and the more recent economic crisis associated with the COVID-19 pandemic (World Bank, 2021a, Lubambu, 2014). The World Bank's conclusions in 2006 as to why this upward trend continues to be so robust (Ratha and Shaw, 2006; Ratha, 2020) remain largely relevant today. They include: the expansion of remittance service providers' networks and lowering of costs; improvements in data collection on migration and remittances; as well as increases in migrant income and stock. Moreover, the improved monitoring of international flows – undertaken in order to prevent the financing of illicit activities – has also improved remittance tracking. This means that remittances that were not counted previously are counted today, contributing to the appearance of an upward trend.

The resilience of tracked international remittance flows during the COVID-19 pandemic has defied initial pessimistic predictions. Explanatory factors include: the introduction of stimulus packages in sender countries that have alleviated the pandemic's impact on remitting migrants' income; macroeconomic factors such as exchange rates; recipients' growing needs; and a corresponding greater eagerness to provide for those in need back at home (Ratha *et al.*, 2021; Michbal, 2021; Zelizer, 2022). Another contributory factor may have been the fact that a significant share of migrants to the EU work in what have been considered 'key professions' – essential services (such as care or agricultural workers), which have persisted in spite of lockdown measures – during the pandemic (Fasani and Mazza, 2020). However, one of the most repeatedly highlighted reasons behind this resilience is the fact that travel and movement restrictions during the pandemic forced migrants who were previously remitting through informal – unrecorded – channels to shift to formal (digital) methods (*ibid.*, Ratha *et al.*, 2021; Hernández de Cos, 2021). This resulted in a 'forced formalisation and digitalisation' of remittances.

Hence, two considerations must be borne in mind when analysing remittance volumes: behaviour and impact. Firstly, these flows respond to migrants' motivations for sending money home, be it to support their families and communities or to invest in their own future upon return, thus differentiating them greatly from other types of international cash flows, which are mainly driven by commercial or diplomatic purposes. Secondly, the high proportion of remittances that are sent via informal channels (up to 90 % in some areas prior to the pandemic according to Khan and Merritt (2020)) coupled with the lack of a systematic, globally agreed definition and measurement methodology (Gelb *et al.*, 2021) make data-based analyses, albeit necessary, uncertain and subject to potential biases.

2.1 Mapping international remittances

There are countless bilateral remittance corridors between developed and developing countries, with their corridor-specific characteristics pertaining to volumes, sending costs, transfer methods, sender and receiver profiles as well as the development impact of remittances received. The following table depicts the most relevant groups of corridors by recipient regions, painting a general picture of current remittance flows worldwide. It should be noted that, although many relevant corridors flow within regions (as is the case, for instance, for intra-EU remittances), the focus here is placed on corridors flowing from developed to developing countries, with a view to facilitating the formulation of relevant recommendations for the European Parliament Committee on Development. A more comprehensive table including the main bilateral corridors within each corridor group can be found in the Annex.

[2] Final data for 2021 is not yet available (World Bank, 2021a).

Table 1: Main corridor groups by recipient region

Recipient region	Share of global remittances received in 2020 (%)	Share of global remittances received in 2019 (%)	Main corridor groups Sender(s) - Recipient(s)
East Asia and Pacific	21.50	22.61	USA - East Asia and Pacific Hong Kong and China - East Asia and Pacific GCC countries - East Asia and Pacific
South Asia	20.85	19.36	USA - South Asia GCC* countries - India UK - South Asia
Latin America and the Caribbean	14.76	13.58	USA - LAC EU - LAC
Eastern Europe and Central Asia	12.55	13.36	Russia - Former USSR republics Central Europe - Eastern Europe USA - Eastern Europe
Middle East and North Africa	9.03	8.62	EU - North Africa GCC countries - Egypt EU - Middle East
Sub-Saharan Africa	6.01	6.84	EU and UK - Sub-Saharan Africa USA - Sub-Saharan Africa Africa - Sub-Saharan Africa**

** Gulf cooperation countries (GCC)*

*** Intra-African remittances are one of the main sources of remittance inflows for Sub-Saharan African countries*

Source: Authors' own elaboration based on World Bank data. Note that the shares of global remittances received by region do not add up to 100 % because only remittances received by developing countries are included.

Within this diverse landscape, certain countries or group of countries stand out as main senders or recipients of international remittances. The United States (USA), the European Union, the United Arab Emirates and Saudi Arabia are the largest remittance senders, whereas India, China, Mexico, the Philippines and Egypt receive the highest volumes of remittance inflows (World Bank, 2021a). In more relative terms, World Bank estimates indicate that remittances represented over 30 % of GDP for Tonga, South Sudan, Lebanon, Gambia, Somalia and the Kyrgyz Republic in 2021, and over 20 % of GDP for Tajikistan, Honduras, El Salvador, Nepal, Jamaica, Lesotho and Samoa.

A significant share of previous research on international remittances and their – potential – impact on development focuses on Latin American recipients, especially Mexico, followed by studies on specific Asian (Philippines, Indonesia, Nepal) and African (Nigeria, Uganda) countries. Due to the large number of relevant corridors and countries involved as well as differences among them, the following analysis will refer to specific corridors or groups of corridors when relevant, so as to match pre-existing knowledge on international remittances to the corresponding context(s). To this end, analyses focusing on African or Latin American recipient countries will be favoured, albeit not exclusively, due to their strategic relevance for the EU, in the case of Africa, and the high concentration of available literature in the area, in the case of Latin America.

Furthermore, the following sub-sections will outline the main characteristics of the EU/France/Spain – Morocco corridor, so as to observe how different debates on the topic translate into a specific context. This corridor is pertinent for four reasons. Firstly, the remittances Morocco receives from the EU represent more than 70 % of the total received (USD 7.4 billion in 2020) (IFAD and DMA Global, 2021). Secondly, the EU's involvement makes it a case worth exploring with a view to extracting conclusions that are relevant and applicable to the EU as a remitter. Thirdly, the unanticipated increase in remittance flows to Morocco during the COVID-19 pandemic, due in part to the forced formalisation of remittance sending (namely through its digitalisation), has recently increased the analytical attention directed towards remittances in this country. Lastly, the recent inclusion of Morocco into the European Commission's main programme for remittances (PRIME Africa, detailed below) is likely to make it an important case for observing the impact and evolution of this initiative in the coming years.

Box 1

Remittances between the EU/France/Spain and Morocco

Morocco received USD 7.4 billion in remittances in 2020, which accounted for 6.5 % of its GDP (World Bank, 2021b) and positioned it as the second largest remittance-recipient in the Arab region (Kasraoui, 2021). Over 70 % of these remittances came from EU countries, mainly France, Spain and Italy, although it also receives remittances from Belgium, Germany and the Netherlands (IFAD and DMA Global, 2021; Kalantaryan and McMahon, 2021).

Moroccan external flows are highly reliant on international remittances from France, which provided 36 % of Morocco's international remittances in 2019 (IFAD and DMA Global, 2021). Interestingly, in the same year, it received the same share of remittances from Spain and Italy (9 % from each), in spite of there being significantly more Moroccan migrants in Spain (IFAD and DMA Global, 2021). This could be explained by the high levels of informality in remittance flows from Spain due to geographical proximity, which makes it easier to transport remittances in periodic trips back to Morocco. Intra-African remittances also represent an important source of international flows to Morocco (World Bank, 2021a).

2.2 How are remittances transferred?

Understanding how remittances travel from sender to recipient – and why – can contribute to a more complete view on this phenomenon. Migrant senders' choice of remittance channel will inevitably depend on options available, accessible and affordable to them, their awareness regarding those options and the extent to which they trust them.

Formal transfer methods are those based on a contract, regulated and registered, which thus will be reflected on balances of payments; whereas informal channels are unregulated and unrecorded. The most common formal channels used to be limited to banks, financial institutions, money transfer operators such as MoneyGram or Western Union, and post offices (Freund and Spatafora, 2005). In recent years, different Fintech options have also become available and more widely used, opening up new options such as the use of cryptocurrency and easier mobile transfers (Bersch *et al.*, 2021; Kpodar *et al.*, 2021).

By contrast, informal channels include physical personal travel as well as remittance being sent through networks of trusted third persons – businesspeople, postal services or informal transfer services (called *Hawala* in the Middle East and North Africa and *Hundi* in India) (Freund and Spatafora, 2005; Rahman and Yeoh, 2008; Bersch *et al.*, 2021).

Different estimates on the share of international remittances that are transferred informally range from 35 % in certain corridors to 90 % in others, although many also refer to a roughly even distribution between formal and informal transfers (Freund and Spatafora, 2005; Khan and Merritt, 2020). However, continued efforts to reduce the costs associated with formal transfers have resulted in a gradual shift back towards formal channels in recent years, thus partially explaining the constant upward trend in remittance volumes (Bersch *et al*., 2021; Gelb *et al*., 2021). In particular, this seems to have been the case for Latin American and Asian remitters, but less so for those in Africa (Freund and Spatafora, 2008). More recently, this trend has been accelerated by the COVID-19 pandemic with its associated movement and travel restrictions, which resulted in a forced formalisation – and digitalisation – of many remittance transfers (Ratha *et al*., 2021; Dinarte *et al*., 2021).

In any case, various characteristics of formal and informal channels make them preferable and/or more accessible to migrants who wish to remit. While formal channels provide a more secure and transparent platform for remittance sending, migrants often turn to informal channels for a number of different reasons: a lack of access to bank accounts; the absence of suitable banking services; the low value of remittances they sometimes send; lower costs; the higher speed of transfer; and the ability of informal services to deliver in more remote areas (Ahmed *et al*., 2021; Orozco, 2003; Freund and Spatafora, 2005; De Bruyn, 2017).

Informal transfer methods are often the preferred or possibly the only available option for many remittance senders, who trade off the security of their transfers and rely solely on intermediaries' goodwill in exchange for cheaper and more familiar methods (Moré Martínez *et al*., 2009). This use of informal channels not only hinders countries' ability to measure the true volume of remittances, but also their ability to leverage these transfers to promote financial development and ensure that they are not used for money laundering or the financing of illicit activity (Nyamongo *et al*., 2012).

In this context, the emergence of Fintech options brings with it the potential for tackling a number of the most prominent disadvantages connected with formal transfer methods: costs are reduced; competition can be improved; physical movement is not required and those without bank accounts but with mobile phones can access this transfer method (Ratha *et al*., 2020a; Bersch *et al*., 2021) without having to compromise the safety of their transfers (Rühmann *et al*., 2020). Nonetheless, this is not yet a widespread choice for remitters due to certain limitations, including the lack of internet access and inadequate financial literacy (Bersch *et al*., 2021). In the case of cryptocurrency, another barrier is the lack of encashment locations in remote areas to convert cryptocurrency into cash (Rühmann *et al*., 2020).

Overall, if formal transfer methods are to be promoted to ensure safer and better regulated transactions, the determinants behind migrants' channel choices need to be considered. Previous research points towards some of the main factors that influence remitters' decisions across corridors in this regard, such as: the costs; the speed of transactions; the volatility of exchange rates; the levels of financial development in their origin countries; the amounts they are transferring; access to bank accounts and general convenience (Freund and Spatafora, 2008; Freund and Spatafora, 2005; Ahmed *et al*., 2021; Siegel and Lücke, 2013; Cervantes González, 2018; De Vasconcelos *et al*., 2015).

Box 2

Transfer methods to Morocco

The volume of Moroccan inward remittance flows tracked during the pandemic has defied all original expectations. Far from declining, international remittances from Europe have instead increased (Michbal, 2021; World Bank 2021a; Trincado, 2021; Kasraoui, 2021). Analyses of this situation consistently point towards one primary explanation: the forced formalisation and digitalisation of remittance transfers resulting from movement and travel restrictions, especially in the case of remittances from Spain (Michbal, 2021; Trincado, 2021). Migrants' inability to transfer remittances back to Morocco physically has probably facilitated the identification of remittance flows that were going undetected prior to the pandemic.

Recent efforts to understand the transfer behaviour of Moroccan remitters have found that most (up to 97 %) relied on cash-based services before the pandemic (World Bank, 2021b). This was due to their being deemed convenient, fast and reliable, coupled with unawareness of other available financial services (World Bank, 2021b). The transfer of money through mobile phones is still far from being widely used in Morocco, either because Moroccan remitters tend to favour transfer services with which they are already familiar or because there are much fewer mobile phones services offering the option to transfer international remittances than traditional operators (IFAD and DMA Global, 2021).

It remains to be seen whether and if so to what extent the forced shift towards digital transfer channels will be maintained in future.

2.3 Who remits and why?

Another important aspect in understanding the phenomenon of remittances, especially with a view to implementing well-targeted development-oriented initiatives, is knowing who is sending these international remittances and why. The profiles of remittance senders vary across: place of origin; destination country; reasons for migrating; reasons for remitting; demographic and financial characteristics; as well as individual traits (Carling, 2008; Hagen-Zanker and Siegel, 2007). Hence, in attempting to gain a full understanding of the processes, all these factors must be taken into account.

An important part of the literature on international remittance senders' profiles thus looks into the reasons for remitting. The range of motives identified so far include: altruism (to cover family needs); exchange (to repay loans or cover specific services); personal insurance (to provide savings to guard against potential shocks); as well as investment and inheritance (López Cordova and Olmedo, 2006; Rapoport and Docquier, 2006). These are not mutually exclusive and hence decisions to remit are usually derived from a combination of such motives (Ruiz and Vargas-Silva, 2009)[3].

However, regardless of the reasons for remittances, they inevitably link to the original motivations to migrate. Migration decisions determine not only the profiles of remittance senders, but also the amount and frequency of their transfers. For instance, those who migrate only temporarily or circularly tend to remit a higher share of their income than those who move indefinitely, as remittances are then not viewed as a transitory resource (Canales, 2008). Another example, illustrated by Osili (2007) for the case of Nigeria, is the predominance of altruism amongst migrants coming from households with low assets; it is likely that

[3] It should be noted that, while the academic literature on the reasons for remitting is vast, the list included here summarises the main agreed upon and most commonly referred to motives for remitting. For a more granulated analysis on the reasons to remit, see Stark (2009).

such migrants from poorer households migrated to search for additional sources of income in the first place, which in turn determines their reasons for remitting.

A number of analyses break down remittance senders' profiles into demographic characteristics, the exploration of which can help further in building an understanding of migration and remitting decisions. We will present here our key findings concerning the distribution of remitters across age, gender, education, length of stay and intent to return, as well as their income levels and occupations.

Studies focusing on the different contexts of Mexico, Latin America, Tonga and Samoa as recipients consistently find an inverted U relationship between the age of migrants and likelihood of their remitting. It seems that this probability increases with age until a turning point is reached (usually around 45-49 years of age), when this probability begins its descent (Cervantes González, 2018; Grande, 2011; Brown and Poirine, 2005). This could be because migrants in the 45-49 age group are often likelier to have more dependants and to have migrated recently precisely to be able to support them (Grande, 2011). However, in a different context, younger migrants from Hungary were found to be the main remitters, as their aim was to support their parents and/or elderly relatives (Kajdi, 2018). Conversely, multiple studies set in very different geographical and cultural contexts – such as the Dominican Republic, Mexico, El Salvador and Thailand – consistently conclude that women tend to remit a larger share of their income and with more frequency (Porst and Sakdapolrak, 2020; De la Brière *et al*., 2002; Cervantes González, 2021; Abrego, 2009; Osaki, 1999). Explanations often pertain to culturally inspired (family) expectations (Porst and Sakdapolrak, 2020).

In terms of education levels, migrants with a higher level of education – mostly tertiary – have repeatedly demonstrated that they remit less than those with a basic level of education. This has been observed for migrants from Tonga, Samoa, Mexico and South Africa, as well as more generally across African migrants in Canada and Latin American migrants in Spain (Brown and Poirine, 2005; Amuedo-Dorantes, 2006; Ramírez García, 2010; Makina, 2012; Loxley *et al*., 2015; Grande, 2011). Once again, it could be argued that those with a higher level of education did not migrate mainly to send remittances home, as their family needs might be smaller than that of those who could not afford higher education. However, this assumption would have to be contrasted against the remitter's other characteristics – such as the length of stay in the destination country or whether they obtained their tertiary education before or after migrating – in order to be confirmed.

The length of migrants' stays in their destination countries and whether or not they intend to return also influence their remitting behaviour. Some studies find that migrants remit more the longer they stay in their destination countries, as in the cases of migrants from Egypt, Tonga and Samoa (Adams, 1991; Brown and Poirine, 2005), whereas others find that Mexican migrants remit more when they migrate only temporarily/circularly (mostly to the USA) or when they have been abroad only for five years or less (Canales, 2008; Cervantes González, 2018). Latin American migrants in Spain tend to remit more the longer they stay in Spain, but then begin to reduce their remittances once they have been there for ten years or more (Grande, 2011). This inverted U shape pattern of remittances sent over time, also observed in other cases (Suro, 2003), is explained by migrants' integration within the destination countries, their possible preference for investing/acquiring properties there and the fact that, over time, they might have been able to bring their families with them and thus have fewer dependants back home (Grande, 2011; Canales, 2008; Kurien, 2008). These cases reveal a lower or even non-existent intent to return to their countries of origin. Conversely, remittances are higher when migrants intend to return home, as they are seen as investments in their not-so-distant future (Brown and Poirine, 2005).

As regards income levels and occupations, migrants' household income have been found to be inversely related to their sending of remittances in analyses focusing on Latin American as well as Nigerian migrants in the USA (Suro, 2003; Osili, 2007). That is, migrants coming from poorer households are more likely to remit, which is possibly explained by the reason why they decided to migrate in the first place, although additional research matching senders with recipients would be needed to corroborate this. Lastly, the occupation of remitting migrants varies greatly across different contexts. For example, while Ugandan migrants to the United Arab Emirates are often temporary workers (Nova, 2020), migrants in the EU, as mentioned above, often work in essential services, such as agricultural or care work, which continued during lockdown (Fasani and Mazza, 2020).

Box 3

Moroccan remitters

Bouoiyour and Miftah (2015) found that altruistic reasons form one of the main drivers behind Moroccans' decisions to migrate, while De Haas (2006) points towards the attempts to overcome local economic obstacles and developmental constraints whilst Kusunose and Rignall (2018) mention job opportunities. Moroccan international migrants are mostly male (over 70 %) and over half of them are either in France or Spain (Bouoiyour and Miftah, 2015). The reasons for migrating are different for men and women; while the large majority of Moroccan male migrants are motivated by economic reasons, women are more likely to migrate in order to join their husbands in the destination countries. Education levels do not seem to have a significant effect on the migration decision or the profile of migrants (Bouoiyour and Miftah, 2015).

Bouoiyour and Miftah (2015) also observed that, once abroad, two-thirds of Moroccan international migrants send remittances back home. Men are the main remitters, possibly explained by the different reasons for men and women migrating, as highlighted above. Other features that seem to affect the likelihood of remitting are young age and employment status. Those that are employed are more likely to remit, whereas the level of education of migrants does not affect their propensity to remit. The majority of Moroccan remitters send money home quite regularly (about once a month).

2.4 Who receives remittances and how are they used?

At the other end of various remittance corridors are the recipients, usually family members or other members of the originators' home community. Once again, they respond to a wide range of different demographic characteristics along with personal traits and priorities that make their profiling possible only on a general level, always accounting for geographical and other peculiarities. One of the main debates concerning international remittances concentrates on whether or not they can indeed foster sustainable development (explored below), a debate which in turn derives from the question of whether recipients use remittances for productive investment or immediate consumption of goods and services. Accordingly, following an outline of remittance recipients' key characteristics, their use of remittances will now be analysed.

Research on the profile of remittance receivers in Latin America tries to compare recipient with non-recipient households or individuals in terms of income distribution, gender, education level and other demographic indicators, such as rural/urban dispersal or whether or not they have bank accounts. Fajnzylber and López (2007) found that while in some countries recipient households are mostly concentrated in the upper income quintiles (Peru, Nicaragua), in others they often belong to the lower quintiles (Ecuador, El Salvador, Guatemala, Mexico, Paraguay). Elsewhere, their distribution across the income spectrum does not necessarily follow a clear pattern (Bolivia, Haiti, Honduras, Dominican Republic). More recent research, though, finds that the income distribution of households in Mexico shows no significant differences when separating recipient and non-recipient households, whereas in other countries such as Ecuador most recipients are lower down the economic ladder (Cervantes González, 2018).

One of the few consistent findings is that most remittance recipients in the region are women (Cervantes González, 2018; Cervantes González, 2021; Inter-American Dialogue, 2007; Suro, 2003). Most recipients in Central America have lower levels of education (primary or less), while in Ecuador recipients are rather evenly distributed across educational levels. In Mexico they are slightly more concentrated among the higher educated (post-secondary) (Suro, 2003; Cervantes González, 2018). Other research has found that around half of recipient households in most Latin American countries live in rural areas (Inter-American Dialogue, 2007) and that, in some countries such as Ecuador or Colombia, most have bank accounts. However, this is not the case in Mexico, for instance (Inter-American Dialogue, 2007; Suro, 2003). The absence of a clear pattern emerging for the whole region in general terms suggests that yet more information is needed to gain a full understanding of the phenomenon.

In the case of **North African** countries, data from the Arab Barometer shows that remittance recipients are mostly aged over 35 in Algeria, Egypt and Tunisia, whereas in Morocco around half are under this age (Kalantaryan and McMahon, 2021). In economic terms, most Algerian and Moroccan recipients have sufficiently high levels of income (once remittances are factored in) to cover their costs, whereas in Egypt this is not the case. In Tunisia many recipients' level of income of is low enough that recipients face economic hardship even with remittances (Kalantaryan and McMahon, 2021). Lastly, remittance recipients are often more likely to be unemployed or inactive than non-recipients, albeit only to a slight extent. Hence, the possibility that this motivated migration and remitting in the first place should be investigated.

Despite that, remittance income tends to represent a significant share of household income across regions. For instance, it is estimated that remittances to non-EU Eastern European countries from the rest of Europe – often destined for reliant agricultural rural households – make up 50 % or more of household income (De Vasconcelos *et al.*, 2015). This figure exceeds 70 % for recipient households in the Sub-Saharan African context of Uganda (Nova, 2020).

Findings are scarce regarding the use of remittances for consumption, human or physical capital as well as investment and savings (Adams, 2011). One of the few consensuses on this topic is that remittances are often used as countercyclical insurance to diversify income sources and smooth consumption in the event of natural (disaster, health) or economic shocks, including COVID-19 (Ponce *et al.*, 2011; Azam and Gubert, 2006; Yang, 2008; Yand and Choi, 2007; Ratha and Shaw, 2006; Ratha, 2006; Shimizutani and Yamada, 2021; De Haas, 2007). Beyond that, estimates indicate that on average around 75 % of remittances cover immediate needs, leaving 25 % available for other purposes (De Vasconcelos *et al.*, 2017).

Indeed, evidence of remittance use for investing in human or physical capital – education, health, housing, living conditions – either by recipient members of households or migrants upon return has been found in different contexts. Mexican, Guatemalan and Nigerian migration to the USA has been connected with a higher likelihood of home ownership and housing investment (Parrado, 2004; Adams, 2005; Osili, 2004; Adams and Cuecuecha, 2010a; Acosta, Faknzylber and López, 2008; Rubenstain, 1992) and the same is true of Egyptian migrants upon return (Adams, 1991). For instance, evidence of remittances resulting in higher spending on education and schooling comes from the Philippines (Yang, 2008).

Similarly, reduced credit constraints and increased capital availability that derive from remittances can facilitate entrepreneurship and saving, given a favourable economic climate (Ratha, 2006; López Cordova and Olmedo, 2006). The impact of remittances on business ownership in Mexico has been observed over time (Taylor, 1992; Massey and Parrado, 1998). The inability of most methodological approaches to account for effects that are lagged in time or for other biases (such as selection and omitted variable bias) should be borne in mind, as it might explain sometimes opposing results (Adams, 2011). For instance, these factors – coupled with context-specific considerations – might explain why remittances were found not to impact business ownership positively in the Dominican Republic (Amuedo-Dorantes and Pozo, 2006), but they did increase savings and investment in Nigeria and Europe (Osili, 2007; De Vasconcelos *et al.*, 2015).

A more holistic view of this phenomenon might help construct a narrative to explain the fragmented and even contradictory findings presented here. Remittances are used for consumption when those needs are not already covered, as food and clothing needs come before investment; moreover, any lack of basic needs is likely to have fuelled migration initially. Whenever possible, households do seem to invest in human and physical capital, as the above examples show. However, this should also be understood in connection with supply – whether the option to invest in housing exists and is an attractive one, for instance – and individual priorities that might result in a higher or lower investment in education. Finally, mixed evidence concerning entrepreneurial activity and business investment could also be partly explained by the policy environment and investment conditions: favourable local policies along with investment opportunities and regulations support entrepreneurial activity, while unfavourable policies hinder entrepreneurship. Individual traits – such as the willingness and necessary specialist knowledge to start a business – also make a difference.

Accordingly, a number of authors insist that the focus should be placed on building sound social protection systems and favouring investing conditions if productive use of remittances is to be incentivised (De Haas, 2007; De Vasconcelos *et al.*, 2017; Lubambu, 2014; Mashayekhi, 2013). In essence, remittances are often used for protection against shocks, both because households use the remittances to save money as a form of 'personal insurance', and because senders remit more when needs are greater, as in the event of a crisis. These shocks can be external – economic crisis and income loss – or lifestyle related – unemployment or health issues. This is therefore an appropriate place to begin if the goal is for remittances to be available for other uses. Nevertheless, this goal is also widely debated, as it could be argued that spending on nutrition, health, education and consumption smoothing in times of crisis is in itself a productive use of remittances from a development and Sustainable Development Goals (SDG) perspective. This will be further explored in the following section.

Box 4

Use of remittances and remittance recipients in Morocco

In the same comprehensive study mentioned above, Bouoiyour and Miftah (2015) find that Moroccan households receiving remittances tend to spend more than those that do not. This is the case for food and health expenditure, but the most prominent difference is found in education expenditure. However, they found no significant differences between recipient and non-recipient households in terms of educational levels and interestingly non-recipient households even seemed slightly more likely to own land.

On the other hand, De Haas (2006) concludes that international migrant households in Morocco tend to invest more generally, but particularly in housing. In any case, the policy, investment and information environments are all worth considering when analysing this situation.

In terms of the recipients' profiles, according to data collected by the Arab Barometer and analysed by Kalantaryan and McMahon (2021), Moroccan recipients are, on average, young (over 50 % of recipients are aged 18 to 35), economically inactive or unemployed, non-poor and able to save money. These last features indicate that remittances received by Moroccans might be acting as a potential replacement for salaries.

2.5 Remittances and sustainable development

Our analysis of how remittances are used, outlined above, prompts the question of their impact on sustainable development at local, regional and national levels. In this regard, there seems to be more agreement on remittances' ability to impact development favourably in recipient contexts than on the specific shape of that impact. During the 1990s and 2000s, significant international research efforts aimed at measuring the impact of remittances on traditional development indicators, namely poverty headcount, poverty severity, inequality and health as well as education outcomes. These efforts faced numerous methodological challenges due to the number and complexity of factors affecting this phenomenon (Adams, 2011; De Bruyn, 2017)[4]. These challenges often made it difficult to ascertain a particular theory of change and were overcome by different studies with varying levels of success.

Remittances have been shown to reduce poverty by raising income per capita, improving living standards, having a multiplier effect and contributing to macroeconomic conditions such as growth, greater FDI and debt sustainability (Nova, 2020; De Haas, 2017; Ratha, 2006; Azam *et al*., 2016; Ncube and Brixiova, 2013; Janetsky, 2022). Indeed, poverty reduction following international remittances has been observed repeatedly across Latin American and Sub-Saharan African countries, as well as elsewhere such as Nepal, the Philippines and Bangladesh[5]. Adams and Page's (2005) finding that, on average, a 10 % increase in remittances per capita resulted in a 3.5 % decrease in poverty ratios across more than 70 developing countries is still one of the most referenced conclusions in this regard. Yet, this impact is consistently modest and a number of factors condition its reach. These include: migration selection (only certain people migrate because migrating requires certain economic and knowledge resources that are not affordable to all); time and location; political and social considerations; income distribution prior to migration; level of local (financial) development; and importantly policy environment (that is, the set of local policies and infrastructure in recipient countries/communities that may or may not facilitate the use of remittances for so-called productive investment, for instance) (De Haas, 2007; Ratha and Shaw, 2006; Taylor, 1999; Ajayi *et al*., 2009).

Inequality, by contrast, has increased with international remittances *inter alia* in Ecuador, Nicaragua, Egypt, Philippines and Indonesia (Olivié *et al*., 2008; Barham and Boucher, 1998; Adams, 1991; Rodríguez, 1998; Adams and Cuecuecha, 2010b). However, several studies argue that remittances initially foster inequality when only those with higher income can afford to migrate, but then inequality is reduced as migration costs decrease (López-Cordova and Olmedo, 2006; Koechlin and León, 2006; McKenzie and Rapoport, 2007). In fact, financial development and education are said to accelerate attainment of this tipping point (Koechlin and León, 2006). Other factors such as the economic environment, development context, income distribution prior to migration and migration selection can also influence the impact of international remittances on inequality (Fajnzylber and López, 2007; Taylor, 1992).

International remittances can have a positive effect on education and health outcomes, stemming from the increased investment in education and health and the knowledge transfer that result from the receipt of remittances, as discussed above[6]. However, these positive outcomes should be weighed against household disruptions that accompany the absence of family members, which affect children particularly (Ratha and Shaw, 2006; Hanson and Woodruff, 2003; Acosta, Fajnzylber and López, 2008).

[4] The most pressing methodological challenges faced by this type of studies are selectivity bias (which can emanate, for instance, from factors affecting different individual's distinct ability to migrate in the first place), and endogeneity (mainly potential problems linked to reverse causality omitted variable biases).

[5] See for example: Acosta, Fajnzylber *et al*., 2007; Acosta, Calderón *et al*., 2007; Acosta, Fajnzylber *et al*., 2008; Fajnzylber and López, 2007; Adams and Page, 2005; López Cordova and Olmedo, 2006; Lokshin *et al*., 2010; Adams, 2006; Taylor *et al*., 2005; Yang and Martínez, 2006; Kumar, 2019; Ebadi *et al*., 2020; Nova, 2020; Williams, 2017.

[6] See for example: Ratha and Shaw, 2006; Rubenstein 1992; Acosta, Fajnzylber and López, 2008; Adams, 2005; Adams and Cuecuecha, 2010a, Yang, 2008; Ponce *et al*., 2011; Hildebrandt and McKenzie, 2005; Mashayekhi, 2013; Nepal, 2016.

Education-related evidence in this regard is mixed. While international remittances do reduce school dropout and increase enrolment as well as literacy (most studies on this focus on Latin American countries), this is often restricted to certain groups with specific age, gender, parent levels of schooling and location (Cox and Ureta, 2003; Acosta, Fajnzylber *et al*., 2007; Hanson and Woodruff, 2003; Acosta, Fajnzylber and López, 2008; Calero *et al*., 2008; López-Cordova and Olmedo, 2006; López-Cordova, 2005). At the same time, research shows that remittances have reduced infant mortality and improved health knowledge in Mexico (*ibid*., Hildebrandt and McKenzie, 2005). They have also improved health expenditure and health knowledge in Ecuador (Ponce *et al*., 2011). In Nicaragua and Guatemala, though, advances in children's health were mostly concentrated among the lower income quintiles (Acosta, Fajnzylber and López, 2008). In any case, the impact of remittances on health is often indirect, through the improvement of living conditions (López Cordova and Olmedo, 2006).

Of course, these positive effects ought to be considered in conjunction with some of the negative development-related aspects associated with international migration and remittances. These include: psychological, economic and social individual costs; the possible reduction of labour force supply in origin countries; the protracted dependency upon international remittance flows; the appreciation of local currencies; and possible deterioration of remittance-reliant countries' competitiveness in world markets (Ratha and Shaw, 2006; Amuedo-Dorantes, 2014).

In light of such fragmented findings that rely on multiple contextual conditions, in recent years the debate has shifted focus towards financial inclusion – increasing individuals' access to financial services – as a tool for leveraging the development potential of remittances. Financial inclusion is seen as a way of developing the kind of policy environment that is needed for remittance flows to have an impact on development that is maximised, sustainable and inclusive (Adams *et al*., 2012; Lubambu, 2014; De Vasconcelos *et al*., 2015).

Efforts to improve financial inclusion aim to encourage the channelling of remittances through formal financial services. Despite the potential costs associated implied here (discussed further below), formalisation serves a number of purposes. For instance, it generates more accurate data on these flows as well as their uses and impact (IFAD, n. d.; Adams *et al*., 2012). Furthermore, there seems to be a positive interaction between the sending and receiving of remittances through formal channels and the financial development of the recipient communities, as formal remitting is facilitated by and requires stronger local financial services. This has been shown to be the case in Nigeria, as well as across dozens of other African countries and other contexts (Olaniyan, 2019; Karikari *et al*., 2016; Aggarwal *et al*., 2006).

The recent focus on creating enabling environments for development through formalisation and greater financial inclusion assumes that remittances continue to be private funds, for use as remitters see fit. In that sense, the push for financial inclusion and formalisation is in line with the argument that remittances cannot and should not be expected to replace sound and coherent development policies (De Vasconcelos *et al*., 2017; De Haas, 2007; Mashayekhi, 2013), especially considering that migration decisions often result from a lack or insufficiency of them in the first place (De Haas, 2007).

Three main conclusions can be drawn from the above.

1. Firstly, **remittances have a positive impact on poverty reduction and other development indicators contained in the SDGs**. However, this complex phenomenon also depends on other factors, including the reasons for migrating, the amount and frequency of remittances sent, income levels, and other sociological aspects such as how the family decides to use the money. (The relevance that a household assigns to education will affect their likelihood of using the money received to invest in greater schooling, for instance.)

2. Secondly, **remittances alone are not enough to create sustainable and inclusive development**. Efforts to formalise remittances and foster financial inclusion may contribute to development, but development policies and programmes remain essential both to leverage the potential development

impact of those remittances (through the reduction of costs or the incentivisation of investment, for instance) and, importantly, to address the root causes of migration.

3. Thirdly, our **understanding on this subject is limited** because good, comprehensive data is difficult to obtain. This is due to the high levels of informality in remittance transfers and the phenomenon's complex nature, including the fact that its true impact is often observable only over time.

Box 5

Remittances and development in Morocco

The ability of international remittances in contributing to the raising of living standards in Morocco and fostering its economic development has been highlighted (De Haas, 2006; Lochery, 2008). What is more, by combining quantitative and qualitative analysis, Kusunose and Rignall (2018) observe that migrant-sending households are more likely to invest in secondary and vocational education as well as business ownership. This impact is spread across the income spectrum, thus contributing to equalising the Moroccan economy.

Moreover, international remittances have the potential to influence the political, cultural and social spheres in Morocco through the transfer of ideas and social capital (Sorensen, 2004). In any case, the consensus seems to be that structural conditions still need to be addressed in order to construct an enabling environment to maximise their sustainable development potential.

3 Policy responses for strengthening the remittances-development nexus

Remittances are seen by the international community as part of the funds, social processes and tools that have (or can have) development potential. As a result, this topic has also been part of the development cooperation agenda for some years now. At global level, the SDGs include a specific target on remittances. Goal 10 ('Reduce inequality within and among countries') includes a specific target (10c) to reduce of migrant remittance transaction costs to less than 3 % and eliminate remittance corridors with costs higher than 5 % by 2030. To these goals, the Addis Ababa Action Agenda – the agenda for global development finance – adds the need to support national authorities in addressing other obstacles to remittances (withdrawal of services from banks, limited access to transfer services), so as to: increase coordination among financial regulators in removing constraints on non-bank remittance services; promote competition and transparency in this market; exploit new technologies; promote financial literacy and inclusion; and improve data collection (United Nations, 2015). More recently, the Global Compact for Safe, Orderly and Regular Migration – the first inter-governmentally negotiated agreement aiming to cover all dimensions of international migration – has included remittances among its 23 objectives. Objective 20 aims at promoting faster, safer and cheaper transfer of remittances and fostering the financial inclusion of migrants (United Nations, 2018).

At EU level, political commitments on remittances are framed within the wider political domain of migration and migration control. At the L'Aquila Summit in 2009, it was agreed that transparency and competition would be enhanced in the remittance transfer market with resultant cost reduction. Similarly, the Valletta Summit Action Plan lists a series of measures not only for promoting cheaper, safer, legally-compliant and faster transfers of remittances, but also for facilitating their use in productive domestic investments (e.g. country programmes for maximising the impact of remittances in rural areas, promoting financial education, reducing transfers' costs), as well as operationalising the African Institute on Remittances (AIR) to serve as focal point for all stakeholders in African remittances (European Council, 2015).

In short, the international and European agenda on remittances and development is targeting two main sets of goals regarding remittances, which are on the one hand reducing transfer costs (partly through better information) and on the other, albeit with lower emphasis, setting incentives for the productive use of remittances. In this regard, over recent years significant efforts have been made to foster financial inclusion as a means of contributing to both the lowering of costs and maximising remittances' productive impact. The following sections address the main initiatives in these two fields as well as more recent developments resulting from the COVID-19 pandemic.

3.1 Towards a more productive use of remittances

Development cooperation initiatives targeting the use of remittances generally aim at encouraging people to save. Such savings can then form the basis of investment for productive purposes, which will in turn contribute to a country's development. Probably one of the most emblematic projects of this sort is the Mexican 3x1, a programme whereby the Mexican Government matched each dollar sent by the diaspora with three dollars, thus promoting the building of public infrastructure (De Bruyn, 2017).

European development cooperation includes similar projects. These share two main features. On the one hand, they go beyond the mere use of remittances and rather aim at engaging diasporas in the economic development of their home countries through business initiatives and, on the other hand, they focus on African countries and diasporas. The European Commission, the Agence Française de Développement (AFD) and Expertise France have together implemented MEETAfrica, which is aimed at supporting migrants building businesses in their countries of origin by providing information and financing facilities. This programme has more recently led to MEETAfrica 2, with the participation of Expertise France, the German Cooperation Agency and ANIMA Investment Network, as well as co-funding from the EC and AFD. This project targets the diasporas of Cameroon, Ivory Coast, Mali, Morocco, Senegal and Tunisia, aiming to foster the creation of economic and employment activities in Africa. In a similar vein, the EU Trust Fund PASPED (*Programme de contraste à la migration illégale à travers l'appui au Secteur Privé et à la création d'emplois au Sénégal*) implemented by the Italian Cassa Depositi e Prestiti (CDP) also seeks economic engagement by the diaspora via micro enterprises. PAISD (*Programme d'Appui aux Initiatives de Solidarité pour le Développement*), with the participation of French cooperation and the EC, shares very similar goals, targeting the Senegalese diaspora in Belgium, France, Italy and Spain. German cooperation has launched an online platform (WIDU) to promote diaspora saving which supports entrepreneurial projects in African countries[7].

Box 6

EC, France and Spain promoting the use of Moroccan remittances for development uses

MEETAfrica 2: a scheme targeting Morocco and other African countries, with EC and AFD funding, as well as participation from *inter alia* Expertise France.

DIASDEV: a joint initiative of the French Development Agency together with the Moroccan, Tunisian, Senegalese, French agencies as well as Italian CDP whose objectives are to facilitate and secure the financial flows of the diaspora (remittances, savings and investments), settled in Europe or in the African continent. This project also aims at fostering local development through the productive use of these financial flows.

There are no recorded projects featuring Spanish cooperation.

Another way to use remittances for economically productive ends is by means of taxation. This way, a share of migrants' income can be used for fiscal expenses in migrants' home countries. However, as described by De Bruyn (2017), there is consensus among officials, academics and civil society organisations that such a measure should be avoided, given that it may imply double taxation (wages are already taxed in the host country) and divert formal remittances to informal (sometimes not so secure) channels. Indeed, this same author explores the possibility that remittances could be tax deductible.

Another way that states could harness migrant's contributions is through 'diaspora bonds'. These are debt instruments issued by a state, a sub-sovereign entity or private corporation (Kektar and Ratha (2007) cited in De Bruyn, 2017).

It could be argued that the prevailing approach to remittances and development (both in official documents and approaches adopted by several interviewees) depends on a view of economic development that is deeply rooted in mid-century, Neoclassical economic thinking: development must be achieved through investment; investment needs to be funded; funds must come from savings; and migrants have opportunities to provide such savings. However, as documented in the previous section of this study, a large share of remittances is likely to be used for consumption; in many cases, there is no 'extra' money but rather the replacement of wages previously earned in home countries. From a more Keynesian approach, consumption can indeed trigger development, since it can, for instance, be achieved by spending on health, nutrition or education, all of which strengthen human capital in the Global South.

A second, separate argument against programmes attempting to channel remittances into investments (such as those described above) concerns the underlying assumptions about migrants' financial choices. By expecting migrants to invest in their home countries – where savings and investment rates are at very

[7] Other similar projects have been or are being implemented by the Danish, French, German, Italian, US and EU cooperation, as documented by Shayan (2021).

low levels – these programmes are in essence asking migrants to fund initiatives that have not attracted other investors, who have instead chosen either to outsource their savings or consume their earnings. In this sense, these projects assume that migrants, or at least many of them, are entrepreneurs, in that they would be willing to build businesses, instead of securing jobs as employees in host countries (which is probably the case in general terms).

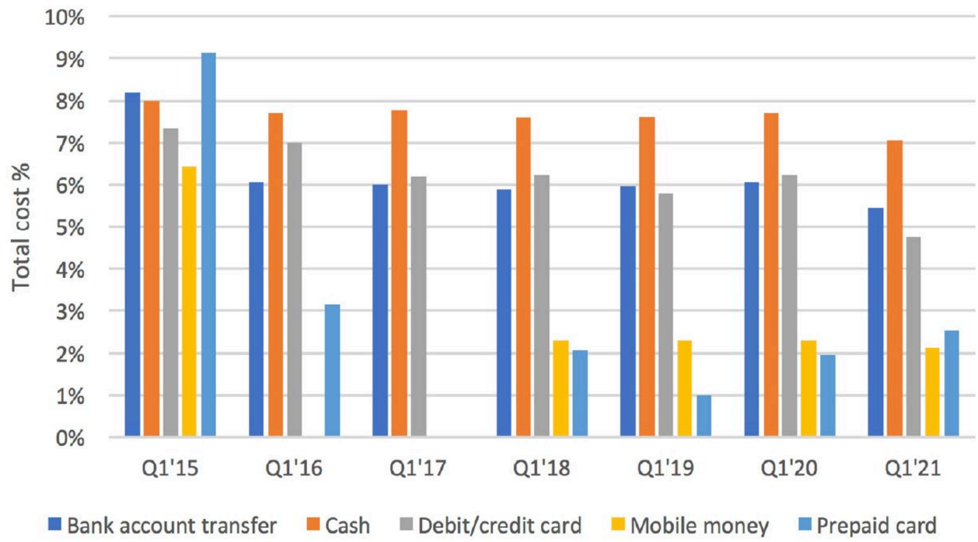
3.2 Reducing the cost of transferring remittances

3.2.1 Recent evolution of transfer costs

As detailed in Section 2 of this report, there are many transfer modalities, each with pros and cons. Sometimes there is a trade-off between access and cost, a fact that explains why transfer channels with very different costs can co-exist in one single corridor. Given that both reducing transfers' transaction costs and improving their tracking have become major goals for donors regarding remittances, a number of platforms now gather complete and updated information on costs. At global level, we should mention the World Bank website on remittances, which includes a section on the cost of sending remittances through different channels (covering different types of operators) for most corridors.

Focusing on the cost of sending remittances from the EU to Africa (which is the most important extra-regional destination for European remittances), the most up-to-date information is provided by Isaacs and Watson (2021). As shown in Figure 1, costs vary according to the channel, from slightly more than 2 % through mobile money to over 7 % when transferring cash. That is, although some methods aim at meeting the SDG objective by keeping sending costs below 3 %, many channels extensively used by migrants carry costs above 5 % and hence should be addressed by 2030.

Figure 1. Average total percentage cost of sending USD 200 from EU to African Union countries using different sending methods



Sources: Isaacs and Watson (2021).

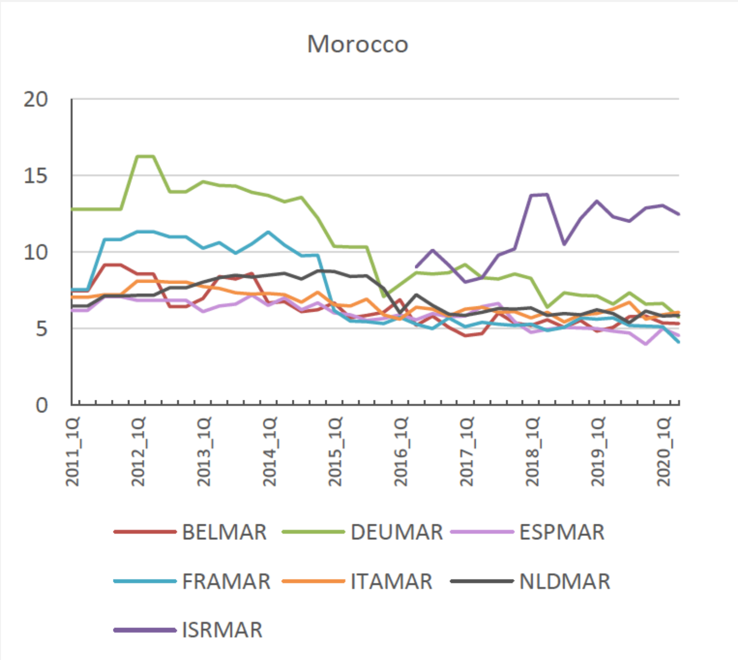
The reasons why transfer costs are still high in some modalities have been well documented in previous studies (De Bruyn, 2017; Isaacs and Watson, 2021; Kalantaryan and MacMahon, 2021) and addressed during the interviews for this study. These are: (i) a lack of transparency and information on the different methods (despite efforts invested by donors), which means that that migrants do not always have perfect information on all alternative channels and their cost; (ii) a shortage of competition in the market (due to the regulatory burden and existence of monopolies) that may open the door to monopolistic and oligopolistic behaviours on prices; (iii) the low level of financial inclusion, since some migrants and many recipients of remittances have limited access to financial services; and (iv) low levels of digitalisation in remittances' flows.

However, Figure 1 also shows that transfer costs in all modalities have been decreasing at least since 2015, something that to some extent can be explained by progress made in regard to the challenges mentioned earlier. These include: (i) increased competition (partly due to the EU's Revised Payment Service Directive that deepened the single market of payments by levelling the playing field with respect to payments by mobile phones or IT devices, an increase in the number of operators, the use of aggregators); (ii) regulatory reforms in African countries that facilitate mobile money international transfers; (iii) improved infrastructure (of physical mobile networks, for instance); (iv) increasing mobile penetration and digital financial inclusion; (v) donor countries' initiatives for decreasing sending costs; and (vi) forced digitalisation of non-digital formal transfers in the context of the COVID-19 pandemic (Isaacs and Watson, 2021; Opening of the AU-EU webinar, 2021).

Box 7

Transfer costs in the Spain-Morocco and France-Morocco corridors

Figure 2. Cost of transferring remittances to Morocco from different origins



Source: Kalantaryan and MacMahon (2021)

The cost of sending remittances is includes transfers fees and, when currency exchanges are involved, foreign-exchange (FX) costs.

For recipients using the same currency as the remitter, costs are lowest. The lowest cost EU-African Union corridor in 2021 was France-Gambia (3.5 % of the total amount sent).

The lowest average fee was that of Spain-Morocco (2.4 %). Adding the average FX costs of 2.2 %, the total cost was 4.6 % in 2021 (down from 5.56 % in 2016).

The average cost of sending remittances from France to Morocco has also decreased from 5.29 % in 2016 to 4.8 % in 2021 (Isaacs and Watson, 2021).

To the extent that some remittances to Morocco from Spain and France were transferred physically (with no transfer fees), lockdowns and travel restrictions may have increased this transfer cost, depending on the channel used during the pandemic.

3.2.2 Initiatives for reducing transfer costs

As mentioned above, international commitments on remittances and development focus strongly on lowering transfer costs, maybe partly because this is regarded as the 'low hanging fruit' in the complex domain of remittances and development, since intervening in the personal decisions on how remittances are used is a much more complex issue, economically, politically and socially. Moreover, for a number of officials interviewed, this comes as the natural priority when compared with setting incentives for directing the use of remittances once they have arrived in the migrants' countries of origin; lowering costs is often viewed as a necessary preparatory step for maximising the productive impact of remittances thereafter. Logically, if costs are lower this will lead not only to higher flows of remittances, but also more accurate accompanying data (as the use of formal and thus registered transfer methods will be encouraged). With increased flows and better information, it will be easier establish appropriate incentives to channel remittances so they have greater impact on sustainable development.

As identified by previous reports, academic literature and respondents, the main obstacles to achieving this aim are: the lack of transparency on transfer costs; the shortage of competition in this financial market; together with a low level of both financial inclusion and digitalisation of recipients. Hence, it is only natural that initiatives aimed at facilitating the impact of remittances on development have strongly focused on these targets.

At a global level, in 2014 the G20 Global Partnership for Financial Inclusion (GPFI) agreed to facilitate remittance flows via the implementation of National Remittance Plans outlining country-led actions supporting effective remittance flows and reducing remittance transfer costs (Isaacs and Watson, 2021). By 2021, 14 countries (including Spain) plus the European Commission had delivered their plans to the platform.

At EU level, a key measure according to Isaacs and Watson (2021) is the approval of the Revised Payment Service Directive. This has contributed to levelling, at least partially, the playing field between bank and non-bank operators in the market of international remittances.

However, most initiatives are naturally framed in the political domain of development cooperation. In general terms, these are again part of wider migration programmes and are particularly oriented to the African continent, which is both the main regional recipient of European remittances and the priority area for EU development cooperation policy, at least until outbreak of the war in Ukraine.

The ACP-EU Migration Action was implemented between 2015-2019 and included a series of technical assistance projects on remittances that were mostly oriented towards data collection on sending costs. Similar projects are being or have been implemented by other donors such as the World Bank (see the previous section), Germany, Italy and France[8], as documented by Isaacs and Watson (2021). In a similar vein, according to EC sources, the AIR mentioned above has primarily focused on data collection and the provision of information, which depends on the African Union and is aimed at the wide goal of developing the capacity of all stakeholders to implement concrete strategies for the use of remittances as development tools.

The IFAD, a specialised United Nations agency devoted to rural development, has become a key partner for the EC in implementing political actions for the remittances-development nexus. This organisation is responsible for introducing a multi-donor Financing Facility for Remittances (FFR) that is financed by the EC, Luxembourg, Spain and Sweden, sponsoring over 70 projects in more than 40 countries. One flagship FFR project is PRIME Africa, a Platform for Remittances, Investments and Migrant Entrepreneurship in Africa, financed with EUR 15 million for the 2019-2024 period and aimed at improving the management of

[8] It should be noted that, in the case of France, a representative of French authorities, interviewed for this study, specified that the platform is not in use at the moment (since it has not been updated for several years now) but will soon be re-launched.

remittances and their use for development outcomes on the continent. It is oriented towards seven African countries, namely Senegal, Gambia, Ghana, Kenya, Uganda, South Africa and Morocco. The latest call for proposals, published in 2021 and focusing strictly on Morocco, combines a number of measures for: reduction of transfer costs; financial inclusion; digitalisation; and greater use of formal channels. Moreover, IFAD is also a platform for policy dialogue, regularly hosting the Global Forum on Remittances, Investment and Development since 2007.

Other development cooperation initiatives implemented by the FFR that were mentioned a number of times during our interviews are the following:

- The African Postal Financial Services Initiative (EUR 5 million, 2012-2017) facilitated a greater capillarity of remittance distributors by providing support to postal operators in Benin, Ghana, Madagascar and Senegal. All four countries reduced their remittance costs through postal operators to levels below the global average.
- MIGGRA (Maximising the Impact of Global Remittances in Rural Areas) had a total budget of EUR 5.4 million for the 2015-2021 period and has for instance helped to create a low-cost remittance mobile channel along the Kenya-Uganda corridor.
- Lastly, the EC, the Italian CDP and the Spanish Agencia Española de Cooperación Internacional para el Desarrollo are jointly working on InclusiFI, a programme using the European Fund for Sustainable Development Guarantee to foster: inclusive and sustainable entrepreneurship via increased remittance savings; more digital transfers; and the promotion of regulatory changes in migrants' home countries.

Recipient countries have also implemented specific actions that can ultimately reduce transfer costs by increasing market competition (De Bruyn, 2017; Isaacs and Watson, 2021). This has been achieved through regulatory changes. These are tracked by the GSMA Mobile Money Regulatory Index which shows a worldwide trend towards regulatory frameworks enabling mobile operators to transfer international remittances via specific measures in the fields of: authorisations; consumer protection; know-your-customer requirements; agent networks; and transaction limits.

Box 8

EC, France and Spain promoting lower costs of transferring remittances to Morocco

Morocco

- Participates in PRIME Africa
- Greenback is being developed by the Central Bank of Morocco with the support of the World Bank.

Spain

- Donor of the FFR
- Has submitted a National Remittance Plan to the GPFI (that includes updates for 2022-2023)
- Will participate in InclusiFI

France

- Price comparison website
- Participates in DIASDEV
- *Bi-bancarisation*: Two Moroccan financial institutions (Attijariwafa and Banque Centrale Populaire) are allowed to operate in French soil with the diaspora.
- Participates in FORIM
- Key stakeholders in the G20 Roadmap for enhancing cross-border payments
- Payment Service Providers are legally required to provide users with complete information regarding total costs

3.2.3 Transfer costs during the COVID-19 pandemic

While the COVID-19 pandemic has had a dramatic impact on global development generally and led to the interruption of many development cooperation initiatives (such as those aiming to tailor the use of remittances to the specific needs in migrants' countries of origin), it had a positive effect on the remittance-development nexus to the extent that it accelerated the downward trend of transfer costs.

This resulted from the combined behaviour of migrants, remittance recipients, the industry of cross-border transfers and specific activities conducted by the public sector. A recent collaborative report published by IFAD, the World Bank and the GPFI documents all these initiatives, extracting a series of lessons learnt and recommendations (De Vasconcelos and Natarajan, 2021).

For instance, during lockdowns, many migrants and remittance recipients needing to send/receive remittances switched to formal channels, including many digital options (hence, in a way they were forced into financial inclusion), the costs of which have generally decreased. Moreover, a number of remittance service providers (RSPs) that had not already done so, felt obliged to go digital. Similarly, given the decreased costs, some RSPs were able to eliminate their fees altogether, limiting the cost of sending remittances to the FX costs.

Public authorities also reacted to the emergency situation, thereby facilitating an environment that would keep remittances flowing by transitioning to digital channels. De Vasconcelos and Natarajan (2021) observe, on the one hand, a changing attitude on the part of regulators who, following the pandemic outbreak, became more inclined to adopt greater flexibility in financial rules, so as to simplify the international transfer process (norms that often prioritise the goals of financial security as well as the prevention of terrorist activities and money laundering). On the other hand, remittances transfers (both by banks and non-banks) were soon declared an essential activity, not subject to lockdowns, in several sending and receiving countries (including Spain).

All in all, the understanding of and, importantly, the actions to be taken in promoting the sustainable development impact of international remittances need to reflect on them as part of a **wider process**. That is, it is important to take into account various steps in the process, factors determining the decisions taken as well as the involvement and priorities of all stakeholders involved. This comprehensive approach would help provide a more realistic narrative of this phenomenon and the many differentiating features it has in different contexts.

On the one hand, with this **holistic vision** in mind, efforts are needed primarily to improve the existing **data and knowledge** on the volumes and corridors of international remittances (through *inter alia* a standardised set of principles guiding their measurement). On the other hand, it is essential to create or boost an **adequate enabling environment** for remittances to flow safely and for their positive impact to be ensured and maximised through: the incentivisation of formal transfers; financial and digital inclusion; context-adequate regulatory frameworks; improved competition; and trust building at the core. Above all, additional policy actions should **address the development issues** that are pushing many people to migrate just to cover their families' basic needs.

4 Challenges and lessons learnt

Our study reveals that creating or strengthening the nexus between remittances and development poses a series of challenges. In part these have been addressed by previous studies on the topic and/or by policy responses on the part of donors, recipient countries and multilateral organisations, all illustrating important lessons learnt for future political action, that were discussed during our interviews.

Such challenges and lessons learnt are many and varied. They can be classified into three main groups: (i) those that refer to remittance flows themselves; (ii) those related to the obstacles of further reductions in the cost of sending remittances from the diaspora to relatives in their home countries; and (iii) challenges posed to public policies related to this particular domain.

4.1 Challenges related to remittance flows

- **The relevance of addressing the remittance-development nexus needs to be contemplated first**

As shown in this study and previous research, remittances are the result of individual or household decisions on personal income that are largely derived from diaspora work in a foreign country. Regardless of the development side-effects in terms of balance of payments, savings, investment and consumption, any political action in this domain must take into account that this is a private and mostly individual / household source of funding. Hence, this is of a very different nature to that of ODA (public and collective), external debt (public or private and collective) or FDI (private / sometimes public and collective). Accordingly, these actions need to be different from those implemented for channelling ODA or directing FDI. Some voices have even questioned the relevance of intervening on these flows altogether, for instance DeBruyn (2017: 30) arguing that 'it's their money'.

- **More knowledge is needed on remittances so as to address the remittance-development nexus correctly**

Despite the enormous amount of literature on this topic (as reviewed for this study) and efforts made on the part of donors and multilateral organisations, there are still important unknowns on the very basic features of these flows: their total volume; the amounts by corridors (in comparable figures); as well as the main features of senders and recipients. Although efforts are being made to apply homogeneous methodologies for capturing data on the exact volume of remittances sent yearly worldwide, there are still important information gaps that are relevant for the designing of public policies.

- **Remittances are heterogeneous flows that need heterogeneous political responses**

In relation to the above-mentioned challenges, the main features of remittances (who sends money, to whom, why, how often and through which channels, in what amounts) vary widely from one community and corridor to another, largely being the result of features from the previous migration process. Hence, any political response must avoid a one-size-fits-all approach and be able to respond to the very particular challenges posed to the remittance-development link in very specific communities as well as economic and fiscal cycle positions in both sending and recipient countries.

- **Challenges are not the same for all stakeholders**

Successfully addressing the challenges posed to the remittances-development nexus requires a deep understanding of the needs and aspirations of different stakeholders. In most cases, the priorities will be: for migrants to have their savings transferred cheaply and safely; for recipients to receive them at the lowest cost; for macro authorities in recipient countries to cultivate a positive balance-of-payments from this source of external financing; and for donors to seek eventual synergies between development cooperation and remittances in order to enhance the remittances-development nexus.

- **Lowering the costs of transferring and receiving remittances is a challenge for both senders and recipients**

One of the main challenges of the remittances-development nexus is the high cost borne by migrants for sending remittances back home. This has been extensively addressed by academic literature and is not only the top item on political agendas (including SDGs) but also the main target of development cooperation programmes in this domain.

According to one key informant who we interviewed, this might have biased the political focus, leaving aside other important problems such as the recipients' cost of accessing remittances.

- **Improving the impact of remittances on development is a major challenge for donors**

The broad goal for donors is to maximise the development impact of remittances. This can be achieved not just by helping to lower the cost of transfer and receipt but also by tailoring its use, since some uses might have a deeper developmental effect than others. Efforts have been made to incentivise the use of remittances for productive uses and divert remittances from their extensive use for consumption. However, this goal might conflict with the natural aim of remittances (particularly when these are replacing previous local wages), which is to cater for the basic needs of families in home countries. In this sense, the share of remittances that can be devoted to savings and ultimately investment might be rather low.

- **Remittances might not have a substantial impact on poverty and inequality**

As mentioned above, the nature of remittances is extremely context-specific, having resulted from a previous migration process. Very often, remitters do not come from the poorest countries nor from the lowest income quintiles in their home countries, given that migration is in itself an expensive process. In those cases, remittance recipients are not necessarily poor and thus remittances might have a negative impact on inequality and barely any impact on poverty reduction.

4.2 Challenges in lowering the cost of sending remittances

As detailed in section 3, despite the wide variety of challenges, political efforts focus on lowering the cost of transferring remittances to countries of origin. Therefore, this issue – already mentioned in the previous sub-section – requires a particular focus.

This is a main target of the development agenda (SDGs, Addis Ababa Action Agenda, Migration Global Compact, EU objectives stated in Valletta), as seen in most of the projects and initiatives detailed in Section 3 of this report. Significant steps have been taken and achieved towards reaching the 2030 goal of reducing sending costs to below 3 % for remittances transferred, particularly bearing in mind the recent process of massive formalisation and digitalisation of remittances during the pandemic. According to academic literature and as confirmed by our interviewees, even after decreasing the cost of sending remittances, there are still further obstacles to be confronted:

- **Informality**

Many remittances are sent through informal channels, avoiding standard banking, financial and, often, digital services. This has led to a lack of competition in the formal transfers' market and consequently the average cost of sending remittances, for example, is at a high level, well above the political target.

- **Financial exclusion**

The reasons why migrants would opt for informal channels are varied. For instance, the very limited financial inclusion on the part of migrants and recipients, or both, is a widespread feature in the Global South. Financial inclusion might lead to lower costs since sending remittances becomes one of many financial services provided to the migrant (in addition to a bank account or a personal loan) and hence the margin for lowering commission rates in that particular service increases.

- **Digital exclusion**

Similarly, recipients financially excluded are often also digitally excluded – that is, lack the infrastructure and/or the capacity to replace physical transfers with digital ones. In these cases, formal (and sometimes even cheaper) sending services are simply not an option.

- **Inadequate digital and financial regulatory environments**

There are a number of reasons behind digital and financial exclusion, one being inadequate regulatory frameworks in recipient countries. As documented in this study, both the international community (including multilateral organisations and donors) and authorities in the Global South have implemented several initiatives for greater financial and digital inclusion that may have ultimately led to lower transaction costs.

- **Inadequate infrastructures for formal remittances**

Another reason behind the slow progress towards digitalisation and financial inclusion is the fact that infrastructures for formal, financial and digital operations (such as ICT infrastructure) are not up to date. Here too the margin of manoeuvre for donors and local authorities is important.

- **Lack of trust**

A number of reports and studies have concluded that initiatives aimed at fostering financial and digital inclusion do not always yield the expected results due to the lack of confidence on the part of users who may favour informal channels due to their familiarity.

- **Lack of competition and transparency**

Particularly in some corridors, the number of financial operators is rather scarce, facilitating monopolistic behaviour such as high financial costs and imperfect information.

- **The inevitable FX margins**

The cost of sending remittances has two components: the FX margin and the financial commission. Most initiatives for lowering the sending cost lower the financial commission. However, the FX margin stands, according to previous studies and for some corridors, only slightly below the SDG target of 3 %.

4.3 Political responses: trade-offs and challenges

All the above-mentioned challenges are key for the sensible design of political actions oriented towards multiplying the effect of remittances on development. Moreover, there are additional institutional and political elements which must be taken into account for a well oriented remittances-development agenda.

- **Trade-off between security and financial access**

One common claim is that the regulatory financial framework on the part of donors hinders additional decreases in transferring costs, given the cost of compliance for operators. However, it is argued by financial authorities that measures put in place for preventing the financing of terrorist activities, money laundering and other illicit financial flows cannot be supressed.

- **Challenges of de-risking**

Similarly, the widespread goal of financial de-risking after the Great Recession provoked by the 2008 global financial crisis prevents financial authorities worldwide from relaxing requirements on financial operators. Clearly this has a significant impact on high-risk environments in the Global South, as the requirements disincentivise potential investments (financed with any source, including remittances).

- **Trade-off between migration control and facilitating cheap, safe transfer of remittances**

To some extent, political targets specific to remittances might be in conflict with goals, particularly those of the EU, on North-South migration control. Many EU activities on remittances are framed in wider migration programmes aimed at controlling irregular migration flows and fixing populations in their countries of origin by providing economic and labour opportunities. In this context, facilitating the transfer of remittances is a secondary priority or even a contradictory goal that poses a great challenge in terms of policy coherence for sustainable development.

- **A politically sensitive topic**

In some countries or contexts, migration and remittances have become a complex political issue. For instance, in France representatives from one of the political parties regularly participating in general elections have expressed their wish to block the transfer of remittances to countries of origin, thereby demonstrating reluctance to make substantial progress in migration control.

- **Fragmented institutional setting**

Since the remittance-development nexus is not among the global development community's top priorities, it lacks a fit-for-purpose institutional setting. In the case of most donors, including EU institutions, there is no specific unit devoted to this topic. Rather, specific initiatives are implemented at a geographical level. Furthermore, actions for enhancing the effects of remittances on development depend on different areas of development cooperation, such as: rural development; financial inclusion; and digitalisation. As a result, this cross-cutting topic is scattered across different institutional and political divisions with other priorities, hence without a strategy of its own.

- **No holistic vision**

In relation to the above, there is both a lack of and a need for a more holistic vision on the nexus between remittances and development. Efforts have been focused on reducing the financial cost of sending remittances. However, to exploit their leverage for development fully, attention should also be paid to: the cost of receiving remittances; the possibilities of facilitating their use for development purposes (and not exclusively through the very specific way of savings and investments); and improving the understanding of recipient profiles (who they are and what they aim for).

5 Recommendations

Various recommendations can be extracted from our analysis. Some of them can be defined as 'macro' or general since they deal with the overall political approach to remittances or the narrative on remittances and development. Other suggestions are more specific ('micro') and target, for, instance, the way development cooperation projects and remittances are designed or implemented. Moreover, while there is some interesting room for action by the European Parliament regarding this topic, given that programmes and projects on remittances and development are being implemented by both EU institutions (more specifically, the EC) and individual Member States, many of the following recommendations are oriented to the latter. In addition, as documented in section 3, most policy actions implemented by donors aim to increase the impact of remittances on development by reducing its transfer costs and, to a lesser extent, by supporting its productive investment. Since remittances can have a positive impact on development also via consumption (e.g. in health or education services) – a fact usually ignored –, a deeper reflection, debate and understanding of this phenomenon is also needed.

5.1 Recommendations for the European Parliament

That is, as documented throughout this analysis, there are a series of 'clichés' or even common misunderstandings on the role of remittances in development that **call not only for deeper debate and understanding but also a new narrative** on remittances that could be launched by the Committee on Development (DEVE) of the European Parliament. This would allow political initiatives on remittances to consider the following four points:

- Remittances should be understood within the broader, intrinsically complex migration process. This requires considering all factors together, ranging from: the context-specific conditions that push people to migrate; their migration and remitting experiences; and their reasons for choosing a particular transfer method; to the conditions affecting remittance recipients.
- International remittances being part of the wider and complex phenomenon of migration, they are private flows that derive from individual or household decisions to migrate.
- Besides the effects on development of channelling remittances to savings and then to productive investments, it is important to acknowledge that the use of remittances for consumption can also be (and is) beneficial for development, as it can contribute to improving nutrition, wellbeing and living standards.
- However, political actions on remittances should not be based on the assumption that remittances automatically trigger development. In this sense, the development impact of remittances in key SDGs, such as poverty or inequality, should not be assumed under all conditions.
- As underlined in previous sections, main political agendas and the bulk of political efforts on strengthening the link between remittances and development have concentrated on actions towards reducing the cost of transferring remittances. However, such measures must acknowledge the limited potential (in some corridors) for further decreasing sending costs, given the FX margin.

Recommendation 1: DEVE could launch a debate on the links between remittances and development. A few important facts should frame this debate: (i) remittances are the result of individual decisions and (ii) part of a wider migratory process; (iii) remittances can support development through private consumption; (iv) remittances do not necessarily reduce poverty or inequality; and (v) the margin of manoeuvre for further decreasing sending costs may be narrow for some corridors.

The agenda of **policy coherence for sustainable development (PCSD)** is built on the fact that political actors, EU institutions and Member States target diverse and sometimes conflicting political objectives. Acknowledging and addressing such conflicts is the strategic objective of this agenda. When it comes to remittances, and the ways to maximize their impact on development, conflicts and incoherencies may arise with at least three other political domains:

- One of the main targets of migration management on the part of EU institutions and Member States is to reduce and control irregular migration flows. However, irregular migrants can also be very active in sending remittances back home.
- Further reducing the costs of remittances transfers requires flexibility on the part of financial regulators and supervisors, so that the burden of compliance on financial operators is alleviated. Nevertheless, such flexibility might conflict with the general objective of de-risking the banking and financial system.
- Risk control is also associated with the counterterrorist agenda, since it aims at preventing the financing of terrorist activities, money laundering and other illicit financial flows.

Hence, a PCSD approach should be adopted not only by the European Parliament, but also the European Commission and Member States when addressing remittances and development. More specifically, the European Parliament should consider adopting the following actions:

Recommendation 2: With a Policy Coherence for Development (PCD) approach, and in coordination with the Committee on Foreign Affairs (AFET) of the European Parliament, DEVE could address a common understanding of migration and remittances policies, where trade-offs and conflicting objectives are dealt with.

Recommendation 3: DEVE could reinforce its coordination with the Committee on Economic and Monetary Affairs (ECON) so that initiatives focusing on regulatory and supervisory frameworks consider the impact on remittances.

Recommendation 4: Similarly, DEVE could also consider an initiative with the Committee on Civil Liberties, Justice and Home Affairs (LIBE) and the Subcommittee on Security and Defence (SEDE), on the trade-offs between anti-terrorist and development objectives.

DEVE could collaborate with ECON with the aim of **fostering competition between remittances operators**. This would improve security and help reduce costs, as mentioned, while simultaneously allowing for better monitoring – to avoid their use for illicit purposes – and for more accurate measuring of flows (a major challenge regarding remittances). This, in turn, would contribute to the aforementioned goal of gaining a more complete understanding of the phenomenon.

Recommendation 5: DEVE and ECON should collaborate closely to foster competition in the formal market that would reduce the costs of remittances and encourage informal remitters to send money through formal channels. The Parliament could make recommendations to shape the EU Central Bank's rules.

Lastly, the European Parliament could also play a role in filling the **information gap on the cost of transferring remittances**. Ensuring that the information regarding available formal transfer services and the associated costs reaches the right population can help build trust and understanding, thereby creating a higher likelihood of remitters opting for these channels.

Recommendation 6: In coordination with the EC and Member States, the EP could launch recommendations on mandatory provision of financial information for migrants and diasporas, similarly to the French initiative that legally requires Payment Service Providers to ensure that users have all the information they need concerning total sending costs and options. The EP could pass a resolution calling on (or recommending that) Member States to make the provision of information mandatory, or calling on the EC to prepare a formal recommendation to Member States on introducing mandatory provision of information.

5.2 Recommendations for the European Commission and Member States

Both the EC and MS should cooperate with the European Parliament in launching a more complete and accurate narrative on remittances and developments (recommendation 1), not only in taking a PCSD perspective when addressing remittances, migration, financial stability and counter-terrorism political actions (recommendations 2 to 4), but also working for more competition in the transfers' market (recommendation 5) as well as producing comprehensive and 'easy to understand' financial information for diasporas based on the French model (recommendation 6).

Moreover, since the EC and many Member States implement development cooperation projects on the remittances-development link, a number of recommendations can be suggested at the 'micro' level.

Information and knowledge for policy planning. In order to formulate rigorous evidence-based policies, a set of common and coherent principles is needed to measure and understand international remittance flows. At the same time, projects and programmes on remittances must fully account for the heterogeneity and context-specificity of different migration processes as well as the diversity of stakeholders with varied incentives and priorities.

Recommendation 7: Because greater knowledge about remittances would inform better policymaking, the EC and Member States could support an improved database on remittances flows that includes comparable information. This would entail collaborating with the World Bank in this complex task and/or creating statistical capacities at Eurostat.

Recommendation 8: When designing actions on remittances, these need to be knowledge-based and adapted to the specific characteristics of each remitting context. All measures need to be context-appropriate and context-realistic in order to be effective.

Recommendation 9: When designing political actions on remittances and development, all stakeholders' priorities are to be understood and considered to ensure the acceptability, efficiency and sustainability of policy initiatives.

Financial and digital inclusion. Academic works, official documents and interviewees have identified these two issues as key for further reducing transfer costs. Financial inclusion should be promoted as a means of incentivising and facilitating the formalisation of remittance transfers. This can be achieved with a context-appropriate regulatory framework, by encouraging the competition needed to bring about fair, secure and cheap services and by ensuring that the information pertaining to available services reaches the right population. Digital inclusion (obtaining the digital infrastructure and/or knowledge to replace physical processes by digital ones) can also contribute to incentivising the formalisation of transfers while allowing for better monitoring and reducing transfer costs. This can be achieved through similar channels to financial inclusion.

Recommendation 10: Policy initiatives on remittances should be made in coordination with pre-existing programmes on financial inclusion, creating synergies between these two sectors of European aid. These should pay attention to: (i) providing adequate infrastructure – physical and digital – needed for formal channels to be accessible and affordable to all and (ii) building trust in the financial sector for senders and recipients.

Recommendation 11: Coordination and synergies should also be ensured in programmes on digital inclusion. Both financial and digital inclusion programmes should leverage the expertise of organisations that already work on these issues, including the IFAD.

Recommendation 12: Similarly, coordination and synergies should be sought in conjunction with projects and programmes addressing the macroeconomic environment; this also implies a closer collaboration with financial institutions such as the World Bank and regional development banks.

Institutional setting. If remittances are indeed to be contemplated as a complex and multifaceted phenomenon that touches upon several different thematic (migration, security, finance, development) as well as geographic areas of action, efforts by donors to leverage their development impact institutions need to be re-designed accordingly.

Recommendation 13: A holistic approach to remittances and development requires a different institutional setting, with policy and administrative units devoted to the very different angles of this complex socio-economic phenomenon and/or with improved mechanisms of coordination, integration and communication across actors, for instance, between the Commission's Directorate-Generals for International Partnerships (INTPA) and for Neighbourhood and Enlargement Negotiations (NEAR), which are both involved in the Commission's current main remittance-related project, PRIME Africa. Furthermore, regarding recommendations for a PCSD approach, strong institutional coordination is advised between the European Parliament's efforts to launch a deeper debate on remittances (Recommendation 1) and the European Commission and Member States, who design and implement the remittance-related projects.

Box 9. Recommendations

For the European Parliament:

- **R1**: DEVE could launch a debate on the link between remittances and development, while recognising that remittances are individual flows, resulting from a migration process, and can spur development through consumption. The margin for further decreasing transfer costs has decreased.
- **R2 – R3 – R4**: Adopt a PCSD approach to remittances, migration management, financial stability and counterterrorism.
- **R5**: DEVE, ECON, EC and Member States could collaborate to increase competition in the market of remittances operators.
- **R6**: EC, Member States and EP could propose and implement obligatory information for migrants about financial options for transferring remittances.

For the European Commission and EU Member States:

- **R7**: Create a database on homogeneous and comparable remittances flows (World Bank and/or Eurostat).
- **R8 – R9**: Plan projects based on detailed and specific information about the features of specific flows and priorities and incentives of stakeholders involved.
- **R10**: Launch projects on financial inclusion (including infrastructure and building trust on the financial system).
- **R11**: Promote digital inclusion.
- **R12**: Ensure an adequate macroeconomic environment in collaboration with the World Bank and with regional banks.
- **R13**: Ensure the institutional setting (in both EC and MS) is fit for purpose.

In sum, the understanding of and, importantly, the actions to be taken in promoting a sustainable development impact of international remittances warrant serious reflection as part of a **wider process**. In other words, it is important to take into account the steps in the process, factors determining the decisions taken as well as the involvement and priorities of all stakeholders. This comprehensive approach would help develop a more realistic narrative of this phenomenon and its many differentiating features in different contexts.

On the one hand, with this **holistic vision** in mind, efforts are needed primarily to improve existing **data and knowledge** in regard to the volumes and corridors of international remittances, *inter alia* through a standardised set of principles guiding their measurement. On the other hand, it is essential to create or boost the **adequate enabling environment** not only for remittances to flow safely but also for their positive impact to be ensured and maximised through the incentivisation of formal transfers, financial and digital inclusion, context-adequate regulatory frameworks, improved competition and trust building at the core. Finally, additional policy actions should **address the development issues** that are pushing many people to migrate just to cover their families' basic needs in the first place.

Bibliography

Abrego, L., 'Economic wellbeing in Salvadoran transnational families: How gender affects remittance practices', *Journal of Marriage and Family*, Vol 71, No 4, 2009, pp. 1070-1085.

Acosta, P., Calderón, C., Fajnzylber, P. and López, H., 'What is the impact of international remittances on poverty and inequality in Latin America?', World Bank Policy Research Working Paper 4249, 2007.

Acosta, P., Fajnzylber, P. and López, J. H., 'The impact of remittances on poverty and human capital: evidence from Latin American household surveys', World Bank Policy Research Working Papers 4247, 2007.

Acosta, P., Fajnzylber, P., Calderón, C. and López, H., 'Do remittances lower poverty levels in Latin America?', In. P. Fajnzylber and J. H. López (eds.), *Remittances and development: Lessons from Latin America*, World Bank, Washington D. C., 2008, pp. 87-132.

Acosta, P., Fanzylber, P. and López, J. H., 'Remittances and household behaviour: Evidence for Latin America', In. P. Fajnzylber and J. H. López (eds.), *Remittances and development: Lessons from Latin America*, World Bank, Washington D. C., 2008, pp. 133-170.

Adams, R. H. and Cuecuecha, A., 'Remittances, household expenditure and investment in Guatemala', *World Development*, Vol 38, No 11, 2010a, pp. 1626-1641.

Adams, R. H. and Cuecuecha, A., 'The economic impact of international remittances on poverty and household consumption and investment in Indonesia', World Bank Policy Research Working Paper 5433, 2010b.

Adams, R. H. and Page, J., 'Do international migration and remittances reduce poverty in developing countries?', *World Development*, Vol 33, No 10, 2005, pp. 1645-1669.

Adams, R. H., 'Evaluating the economic impact of international remittances on developing countries using household surveys: A literature review', *The Journal of Development Studies*, Vol 47, No 6, 2011, pp. 809-828.

Adams, R. H., 'Remittances and poverty in Ghana', World Bank Policy Research Working Paper 3838, 2006.

Adams, R. H., 'Remittances, household expenditure and investment in Guatemala', Policy Research Working Paper 3532, World Bank, Washington, D. C., 2005.

Adams, R. H., 'The effect of international remittances on poverty, inequality, and development in rural Egypt', Research Report 86, International Food Policy Research Institute, 1991.

Adams. R. H., De Haas, H., Jones, R. and Osili, U. (eds.), Migrant remittances and development: Research perspectives, SSRC Web Anthology 2nd Edition, Social Science Research Council, New York, 2012.

African Institute for Remittances and European Commission, 'Opening of the AU-EU webinar: Reducing remittance costs: Consolidating trends and harnessing gains', AIR-EU webinar, 25 November 2021.

Aggarwal, R., Demirguc-Kunt, A. and Martínez Peria, M. S., 'Do workers' remittances promote financial development?, World Bank Policy Research Working Paper 3957, 2006.

Ahmed, J., Mughal, M. and Martínez-Zarzoso, I., 'Sending money home: Transaction costs and remittances to developing countries', *The World Economy*, Vol 44, No 8, 2021, pp. 2433-2459.

Ajayi, M. A., Ijaiya, M. A., Ijaiya, G. T., Bello, R. A., Ijaiya, M. A. and Adeyemi, S. L., 'International remittances and wellbeing in Sub-Saharan Africa', *Journal of Economics and International Finance,* Vol 1, No 3, 2009, pp. 78-84.

Amuedo-Dorantes, C. and Pozo, S., 'Remittance receipt and business ownership in the Dominican Republic', *World Economy,* Vol 29, No 7, 2006, pp. 939-956.

Amuedo-Dorantes, C., 'Remittances and their microeconomic impacts: Evidence from Latin America', In. J. F. Hollifield, P. M. Orrenius and T. Osang (eds.), *Migration, Trade and Development: Proceedings of the 2006 conference on migration, trade and development*, Federal Reserve Bank of Dallas, Texas, 2006, pp. 187-198.

Amuedo-Dorantes, C., 'The good and the bad in remittance flows', *IZA World of Labor* 97, San Diego State University and IZA, 2014.

Azam, J. P. and Gubert, F., 'Migrants' remittances and the household in Africa: A review of evidence', *Journal of African Economies*, Vol 15, No 2, 2006, pp. 426-462.

Azam, M., Shahbaz, M., Kyophilavong, P. and Abbas, Q., 'External sources and economic growth – the role of foreign remittances: Evidence from Europe and Central Asia', *The Journal of Developing Areas*, Vol 50, No 2, 2016, pp. 367-387.

Barham, B. and Boucher, S., 'Migration, remittances, and inequality: estimating the net effects of migration on income distribution', *Journal of Development Economics*, Vol 55, No 2, 1998, pp. 307-331.

Bersch, J., Clevy, J. F., Muhammad, N., Pérez Ruiz, E. and Yakhshilikov, Y., 'Fintech potential for remittance transfers: A Central American perspective', IMF Working Papers No 175, International Monetary Fund, 2021.

Bouoiyour, J. and Miftah, A., 'Why do migrants remit? Testing hypotheses for the case of Morocco', *IZA Journal of Migration,* Vol 4, No 2, 2015.

Brown, R. and Poirine, B., 'A model of migrants' remittances with human capital investment and intrafamilial transfers', *International Migration Review,* Vol 39, No 2, 2005, pp. 407-438.

Calero, C., Bedi, A. S. and Sparrow, R., 'Remittances, liquidity constraints and human capital investments in Ecuador', IZA Discussion Paper 3358, Institute for the Study of Labor, 2008.

Canales, A., *Vivir del Norte: Remesas, desarrollo y pobreza en México,* Consejo Nacional de Población, México, 2008.

Carling, J., 'The determinants of migrants remittances', *Oxford Review of Economic Policy*, Vol 24, No 3, 2008, pp. 581-598.

Cervantes González, J. A., 'La emigración mexicana de género femenino y el ingreso por remesas', Notas de Remesas 7, Foro Remesas América Latina y el Caribe-CEMLA, 2021.

Cervantes González, J. A., 'Migración mexicana, remesas e inclusión financiera', Notas de Remesas 2, Foro Remesas América Latina y el Caribe – CEMLA, 2018.

Cox, A. and Ureta, M., 'International migration, remittances, and schooling: Evidence from El Salvador', Working Paper 9766, National Bureau of Economic Research, 2003.

De Bruyn, T., Remittances from Belgium as a lever for development, KU Leuven HIVA Research Institute for Work and Society, 2017.

De Haas, H., 'Migration, remittances and regional development in Southern Morocco', *Geoforum,* Vol 37, No 4, 2006, pp. 565-580.

De Haas, H., 'Remittances, migration and social development: A conceptual review of the literature', *Programme Paper Number* 34, Social Policy and Development-United Nations Research Institute for Social Development, 2007.

De la Briere, B., Sadoulet, E., Janvry, A. and Lambert, S., 'The roles of destination, gender and household composition in explaining remittances: An analysis for the Dominican Sierra', *Journal of Development Economics,* Vol 68, No 2, 2002, pp. 309-328.

De Vasconcelos, P. and Natarajan, H., Resilience in the market for international remittances during the Covid-19 crisis, International Fund for Agricultural Development and World Bank, 2021.

De Vasconcelos, P., Orozco, M., Ponsot, F., Terry, D. F. and Vásquez, B., Sending money home: European flows and markets, International Fund for Agricultural Development, 2015.

De Vasconcelos, P., Ponsot, F., Terry, D. F. and Vásquez, B., Sending money home: Contributing to the SDGs, one family at a time, International Fund for Agricultural Development, 2017.

Dinarte, L., Jaume, D., Medina-Cortina, E. and Winkler, H., Neither by land nor by sea: The rise of electronic remittances during Covid-19, World Bank, 2021.

Ebadi, N., Ahmadi, D. and Melgar-Quiñonez, H., 'Domestic and international remittances and food security in Sub-Saharan Africa', *Remittances Review,* Vol 5, No 1, 2020, pp. 37-54.

European Council, 'Action Plan', Valletta Summit on Migration, 11-12 November 2015.

Fajnzylber, P. and López, J. H., Close to home: The development impact of remittances in Latin America, The International Bank for Reconstruction and Development and The World Bank, Washington, D. C., 2007.

Fasani, F. and Mazza, J., 'Immigrant key workers: Their contribution to Europe's Covid-19 response', Discussion Paper 13178, IZA Institute of Labor Economics, 2020.

Freund, C. and Spatafora, N., 'Remittances, transaction costs, and informality', *Journal of Development Economics*, Vol 86, No 2,2008, pp. 356-366.

Freund, C. and Spatafora, N., 'Remittances: Transaction Costs, Determinants, And Informal Flows', *Policy Research Working Papers*, World Bank, 2005.

Gelb, S., Kalantaryan, S., McMahon, S. and Pérez Fernández, M., Diaspora finance for development: from remittances to investment, Joint Research Centre (European Commission), Publications Office of the European Union, Luxembourg, 2021.

Grande, R., 'Determinantes del envío de remesas de los inmigrantes latinoamericanos en España', *Seminario de investigación 2011/2012*, Instituto de Iberoamérica-Universidad de Salamanca, 2011.

Hagen-Zanker, J. and Siegel, M., 'The determinants of remittances: A review of the literature', Maastricht Graduate School of Governance Working Paper 3, Social Science Research Network, 2007.

Hanson, G. H. and Woodruff, C., Emigration and educational attainment in Mexico, University of California, San Diego, 2003.

Hernández de Cos, P., 'Palabras introductorias al seminario virtual sobre "Los flujos de remesas y sus efectos para la estabilidad macroeconómica y financiera en América Latina durante la crisis del COVID-19"', Webinar, Latin American Reserve Fund (FLAR) and Bank from Spain, 27 July 2021.

Hildebrandt, N. and McKenzie, D., 'The effects of migration on child health in Mexico', Policy Research Working Paper 3573, World Bank, 2005.

Inter-American Dialogue, Making the most of family remittances, Inter-American Development Bank, 2007.

International Fund for Agricultural Development and DMA Global, 'Maroc: Diagnostic pays', *RemitScope Africa*, International Fund for Agricultural Development and DMA Global, March 2021.

International Fund for Agricultural Development, Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa), n.d.

Isaacs, L. and Watson, K., 'Reducing remittance costs: Consolidating trends and harnessing gains, Background paper for the EU-AIR webinar', AU-EU Continent-to-Continent Migration and Mobility Dialogue (C2CMMD*)*, African Institute for Remittances-African Union and International Centre for Migration Policy Development-European Commission, November 2021.

Janetsky, M., 'For Central Americans, Biden's spending could spark a boom', *Foreign Policy*, 13 February 2022.

Kajdi, L., 'Remittances – First results of a new survey', *Financial and Economic Review*, Vol 17, No 3, 2018, pp. 85-108.

Kalantaryan, S. and McMahon, S., Remittances in North Africa: Sources, scale and significance, JRC Technical Report, Publications Office of the European Union, Luxembourg, 2021.

Karikari, N. K., Mensah, S. and Harvey, S. K., 'Do remittances promote financial development in Africa?', *Springerplus,* Vol 1, No 1011, 2016.

Kasraoui, S., 'Morocco 2nd country to receive remittances in Arab region in 2020', *Morocco World News*, 28 September 2021.

Kektar, S. & D. Ratha (2007), 'Development Finance via Diaspora Bonds Track Record and Potential' Paper presented at the Migration and Development Conference at the World Bank, Washington, D.C., 23 May.

Khan, S. and Merritt, D. M., *Remittances and international development: The invisible forces shaping community*, Routledge, Oxford and New York, 2020.

Koechlin, V. and León, G., 'International remittances and income inequality: An empirical investigation', Working Paper 571, Inter-American Development Bank, 2006.

Kpodar, K. R., Mlachila, M., Quayyum, S. N. and Gammadigbe, V., 'Defying the odds: Remittances during the Covid-19 pandemic', IMF Working Papers No 186, International Monetary Fund, 2021.

Kumar, B., 'The impact of international remittances on poverty alleviation in Bangladesh', *Remittances Review,* Vol 4, No 1, 2019, pp. 67-86

Kurien, P., *A socio-cultural perspective on migration and economic development: Middle Eastern migration from Kerala, India,* International Organization for Migration, 2008.

Kusunose, Y. and Rignall, K., 'The long-term development impacts of international migration remittances for sending households: Evidence from Morocco', *Migration and Development,* Vol 7, No 3, 2018.

Lochery, T., *Development in Morocco: Re-examining the effect of remittance flows*, School for International Training Study Abroad, 2008.

Lokshin, M., Bontch-Osmolovski, M. and Glinskava, E., 'World-related migration and poverty reduction in Nepal', *Review of Development Economics,* Vol 14, No 2, 2010, pp. 323-332.

López-Cordova, E., 'Globalization, migration and development: The role of Mexican migrant remittances', *Economia*, Vol 6, No 1, 2005, pp. 217-256.

López Cordova, E. and Olmedo, A., 'International remittances and development: Existing evidence, policies and recommendations', Occasional Paper 41, Institute for the Integration of Latin America and the Caribbean and Integration (INTAL) - Trade and Hemispheric Issues Division (ITD) and Inter-American Development Bank, 2006.

Loxley, J., Sackey, H. A. and Khan, S., 'African immigrants in Canada: A profile of human capital, income and remittance behaviour', *Canadian Journal of Development Studies,* Vol 36, No 1, 2015, pp. 3-23.

Lubambu, K. M. K., The impacts of remittances on developing countries, Directorate General for External Policies, European Parliament, PE 433.786, 2014.

Makina, D, 'Migration and characteristics of remittance senders in South Africa', *International Migration*, Vol 51, No S1, 2012, pp. e148-e158.

Mashayekhi, M., 'Maximizing the development impact of remittances', In. M. Mashayekhi (ed.), *Maximizing the development impact of remittances*, United Nations Conference on Trade and Development, New York and Geneva, 2013, pp. 2-24.

Massey, D. and Parrado, E., 'International migration and business formation in Mexico', *Social Science Quarterly,* Vol 79, No 1, 1998, pp. 1-20.

McKenzie, D. and Rapoport, H., 'Network effects and the dynamics of migration and inequality: Theory and evidence from Mexico', *Journal of Development Economics,* Vol 84, No 1, 2007, pp. 1-24.

Michbal, M., 'Le mystère de la très forte progression des transferts des MRE en 2021', *Medias24*, 14 September 2021.

Moré Martínez, I., Godenau, D., González, D. Y., Kurzawinska, E. and Moreno Alberto, I., 'Inmigración y remesas informales en España', *Documentos del observatorio permanente de la inmigración,* No 22, Ministerio de Trabajo e Inmigración, Madrid, 2009.

Ncube, M. and Brixiova, Z., 'Remittances and their macroeconomic impact: Evidence from Africa', Working Paper Series 188, African Development Bank Group, Tunisia, 2013.

Nepal, A. K., 'The impact of international remittances on child outcomes and household expenditures in Nepal', *The Journal of Development Studies*, Vol 52, No 6, 2016, pp. 838-853.

Nova, M., 'Role of remittances in fighting poverty', *Journal of International Business Research and Marketing*, Vol 5, No 2, 2020, pp. 12-15.

Nyamongo, E. M., Misati, R. N., Kipyegon, L. and Ndirangu, L., 'Remittances, financial development economic growth in Africa', *Journal of Economics and Business,* Vol 64, No 3, 2012, pp. 240-260.

Olaniyan, T. O., 'Interactive effects of remittances and financial sector development on economic growth in Nigeria', *Remittances Review*, Vol 4, No 1, 2019, pp. 19-39.

Olivié, I., Ponce, J. and Onofa, M., 'Remesas, pobreza y desigualdad: El caso de Ecuador', *Estudio Elcano* 1, Real Instituto Elcano, Madrid, 2008.

Orozco, M., 'Worker remittances: An international comparison', Inter-American Dialogue, Inter-American Development Bank, 28 February 2003.

Osaki, K., 'Economic interactions of migrants and their households of origin: Are women more reliable supporters', *Asian and Pacific Migration Journal,* Vol 8, No 4, 1999, pp. 447-471.

Osili, U., 'Remittances and savings from international migration: Theory and evidence using a matched sample', *Journal of Development Economics*, Vol 83, No 2, 2007, pp. 446-465.

Osili, U., 'Migrants and housing investments: theory and evidence from Nigeria', *Economic Development and Cultural Change,* Vol 52, No 4, 2004, pp. 821-849.

Parrado, E. A., 'US migration, home ownership, and housing quality', In. J. Durand and D. S. Massey (eds.), *Crossing the border: Research from the Mexican Migration Project*, Russell Sage Foundation, 2004, pp. 63-85.

Ponce, J., Olivié, I. and Onofa, M., 'The role of international remittances in health outcomes in Ecuador: Prevention and response to shocks', *International Migration Review*, Vol 45, No 3, 2011, pp. 727-745.

Porst, L. and Sakdapolrak, P., 'Gendered translocal connectedness: Rural-urban migration, remittances, and social resilience in Thailand', *Population, Space and Place,* Vol 26, No 4, 2020.

Rahmna, M. M. and Yeoh, B. S. A., 'Social Organization of Hundi: Informal Remittance Transfer in South Asia', *Asian Population Studies,* Vol 4, No 1, 2008, pp. 5-29.

Ramírez García, T., 'Factores determinantes del envío de remesas: El caso de los inmigrantes mexicanos en la zona metropolitana de Chicago', *Revista Latinoamericana de Población,* Vol 4, No 7, 2010, pp. 125-148.

Rapoport, H. and Docquier, F., 'The economics of migrants' remittances', In. Kolm and J. Mercier-Ythier (eds.), *Handbook on the economics of giving, altruism and reciprocity*, Elsevier-North Holland, New York, 2006, pp. 1138-1195.

Ratha, D. and Shaw, W., Global economic prospects: Economic implications of remittances and migration, The International Bank for Reconstruction and Development and the World Bank, Washington, D. C., 2006.

Ratha, D., 'Leveraging remittances for development', in Hollifield, J. F., Orrenius P. M., and Osang, T. (eds), *Migration, Trade and Development: Proceedings of the 2006 conference on migration, trade and development*, Federal Reserve Bank of Dallas, 2006, pp. 173-185.

Ratha, D., 'Remittances: Funds for the folks back home', *Finance and Development*, 24 February 2020.

Ratha, D., De, S., Kim, E. J., Plaza, S., Seshan, G. and Yameogo, N. D., 'Covid-19 crisis through a migration lens', *Migration and Development Brief* 32, Knomad-World Bank Group, Washinton, D. C., April 2020a.

Ratha, D., De. S., Kim, E. J., Plaza, S., Seshan, G. and Yameogo, N. D., 'Phase II: Covid-19 crisis through a migration lens', *Migration and Development Brief* 33, Knomad-World Bank Group, Washinton, D. C., October 2020b.

Ratha, D., Kim, E. J., Plaza, S. and Seshan, G., 'Resilience: Covid-19 crisis through a migration lens', *Migration and Development Brief* 34, KNOMAD-World Bank Group, Washington, D. C., May 2021.

Rodríguez, E. R., 'International migration and income distribution in the Philippines', *Economic Development and Cultural Change,* Vol 46, No 2, January 1998.

Rubenstein, H., 'Migration, development and remittances in rural Mexico', *International Migration,* Vol 30, No 2, June 1992, pp. 127-153.

Rühmann, F., Konda, A. A., Horrocks, P. and Taka, N., 'Can blockchain technology reduce the cost of remittances?', *OECD Development Cooperation Working Paper* 73, Éditions OCDE, Paris, 2020.

Ruiz, I. and Vargas-Silva, C., 'To send, or not to send: that is the question. A review of the literature on workers' remittances', *Journal of Business Strategies*, Vol 26, No 1, 2009, pp. 73-98.

Shayan, Z., Diaspora support programmes in development cooperation: Examples from Denmark, France, Germany, Italy, Switzerland and from the European level, Vienna Institute for International Dialogue and Cooperation – Global Dialogue, Vienna, 2021.

Shimizutani, S. and Yamada, E., 'Resilience against the pandemic: The impact of Covid-19 on migration and household welfare in Tajikistan', *Plos One,* Vol 16, No 9, September 2021.

Siegel, M. and Lücke, M., 'Migrant transnationalism and the choice of transfer channels for remittances: The case of Moldova', *Global Networks,* vol 13, No 1, January 2013, pp. 120-141.

Sorensen, N. N., 'Migrant remittances as a development tool: The case of Morocco', *Migration Policy Research Working Paper* 2, June 2004, International Organization for Migration.

Stark, O., 'Reasons for remitting', *ZEF – Discussion Papers on Development Policy* 134, Center for Development Research (ZEF), Bonn, 2009.

Suro, R., Remittance senders and receivers: Tracking the transnational channels, Multilateral Investment Fund and Pew Hispanic Center, Washington, D. C., 2003.

Taylor, J. E., 'Remittances and inequality reconsidered: Direct, indirect, and intertemporal effects', *Journal of Policy Modeling*, Vol 14, No 2, April 1992, pp. 187-208.

Taylor, J. E., 'The new economics of labour migration and the role of remittances in the migration process', *International Migration*, Vol 37, No 1, March 1999, pp. 63-88.

Taylor, J. E., Mora, J., Adams, R. H. and López-Feldman, A., 'Remittances, inequality and poverty: evidence from rural Mexico', *Working Paper* 05-003, Department of Agricultural Economics-University of California, Davis, California, July 2005.

Trincado, B., 'España dispara un 33% el envío de remesas a Marruecos en la pandemia', *Cinco Días*, El País, 21 September 2021.

United Nations, 'Addis Ababa Action Agenda', Third International Conference on Financing for Development (FfD3), 13-16 July 2015.

United Nations, Global compact for safe, orderly and regular migration, Global Compact for Migration-United Nations, 2018.

Williams, K., 'Do remittances improve political institutions? Evidence from Sub-Saharan Africa', *Economic Modelling,* Vol 61, February 2017, pp. 65-75.

World Bank, 'Annual Remittances Data: Inflows', *Migration and Remittances Data*, May 2021a.

World Bank, 'Remittance recipients: Findings on the Greenback Initiative in Morocco', *Feature story*, 02 July 2021b.

Yang, D. and Choi, H., 'Are remittances insurance? Evidence from rainfall shocks in the Philippines', *World Bank Economic Review,* Vol 21, No 2, 2007, pp. 219-248.

Yang, D. and Martínez, C., 'Remittances and poverty in migrants home areas: Evidence from the Philippines', *International Migration, Remittances and the Brain Drain* (edited by C. Ozden and M. Schiff), World Bank, Washington, D. C., 2006, pp. 81-121.

Yang, D., 'International migration, remittances and investment: Evidence from Philippine migrants' exchange rate shocks', *Economic Journal,* Vol 118, No 528, 2008, pp. 591-630.

Zelizer, V. A., 'When we were socially distant, money brought us closer', *The New York Times,* 19 February 2022.

Appendix - Main remittance corridors by corridor groups and recipient region

Recipient region	Main corridor groups		Main bilateral corridors	
	Sender	Recipient	Sender	Recipient
East Asia and Pacific	USA	East Asia and Pacific	USA	China
				Philippines
				Vietnam
				Indonesia
				Thailand
				Tonga
				Samoa
	Hong Kong and China	East Asia and Pacific	Hong Kong and China	South Korea
				Philippines
				Japan
				Indonesia
	GCC countries	East Asia and Pacific	UAE	Bangladesh
			Saudi Arabia	Philippines
				Sri Lanka
				Nepal
				Myanmar
South Asia	USA	South Asia	USA	India
				Pakistan
				Bangladesh
				Nepal
				Afghanistan
	GCC countries	India	UAE	India
				Bangladesh
				Pakistan
			Saudi Arabia	India
				Indonesia
				Pakistan
				Bangladesh
				Sri Lanka
				Nepal
	UK	South Asia	UK	India

				Pakistan
				Bangladesh
Latin America and the Caribbean	USA	Latin America and the Caribbean	USA	Mexico
				Puerto Rico
				El Salvador
				Cuba
				Dominican Republic
				Guatemala
				Colombia
				Honduras
				Ecuador
				Peru
				Brazil
	EU countries	Latin America and the Caribbean	Spain	Ecuador
				Colombia
				Argentina
				Peru
				Venezuela
				Bolivia
			Italy	Brazil
				Argentina
				Venezuela
Eastern Europe and Central Asia	Russia	Former USSR republics	Russia	Ukraine
				Kyrgyz Republic
				Tajikistan
				Uzbekistan
	Central Europe	Eastern Europe	Poland	Ukraine
			Czech Republic	Ukraine
			UK	Ukraine
				Albania
			Switzerland	Albania
	USA	Eastern Europe	USA	Poland
				Russia
				Germany
				Ukraine
	EU	North Africa	France	Argelia
				Tunisia
				Morocco

Middle East and North Africa			Belgium	Argelia
				Morocco
			Italy	Tunisia
				Morocco
				Egypt
			Spain	Morocco
			The Netherlands	Morocco
	GCC countries	Egypt	UAE	Egypt
			Saudi Arabia	Egypt
			Kuwait	Egypt
			Qatar	Egypt
			Jordan	Egypt
	EU	Middle East	Germany	Turkey
				Syria
				Iraq
Sub-Saharan Africa	EU and UK	Sub-Saharan Africa	UK	South Africa
				Nigeria
				Kenya
				Zimbabwe
				Somalia
			France	Cameroon
				DRC
				Republic of Congo
	USA	Sub-Saharan Africa	USA	Nigeria
				Ethiopia
				Kenya
	Africa	Sub-Saharan Africa	Uganda	DRC
				South Sudan
			South Africa	Mozambique
				Namibia
				Zambia
			Nigeria	Togo
			Ghana	Togo

Source: Authors' own elaboration, based on World Bank data.

PE 702.563
EP/EXPO/DEVE/FWC/2019-01/LOT3/1/C/07

Print ISBN 978-92-846-9615-4 | doi: 10.2861/940318 | QA-08-22-191-EN-C
PDF ISBN 978-92-846-9616-1 | doi: 10.2861/63638 | QA-08-22-191-EN-N