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Remittances

How do you analyze the present status of remittances?

Remittances are commonly defined as the money that individual migrants send back to their families (individual remittances) or that a group of migrants sends to their community of origin (collective remittances). Remittances are not new: migrants have been sending money home for a long time. Yet, since the turn of the Millennium, remittances have become a hot topic within the international community. In what I have called the Global Remittance Trend, government institutions, international (financial) organisations, NGOs and private sector actors have become interested in remittances and their development potential, and have started to create institutions and policies to regulate remittances and harness this potential (Kunz 2011). This includes attempts to bring remittance transfers into the formal financial sector, to capture them for (co-)financing development projects, to encourage saving and investment in the countries of origin of migrants, and to harness them as a source of foreign currency for the countries of origin. Among the most prominent examples of an attempt to channel remittances into development is the Mexican-born Programa 3x1. This programme works as a matching-funds system, whereby Mexican diaspora organisations in the US send collective remittances and apply for additional funding from the three levels of the Mexican government to co-finance development projects in their community of origin. Despite ongoing debates regarding its success, the Programme has gained international prominence and is replicated around the world. In a move to involve private actors and establish public-private partnerships, the Programme was broadened. The 5x1 launched in 2005 involved the First Data Corporation and its subsidiary Western Union as the first corporate entities to collaborate in a matching-fund programme in Mexico.

The Global Remittance Trend is situated against the backdrop of the increase in international migration and remittances over the last decade, the crisis in development financing to achieve the Millennium Development Goals, and processes of global restructuring. The ‘discovery’ of remittances goes hand in hand with increased efforts to measure these funds. According to World Bank estimates, remittance flows to developing countries totalled around US$ 372 billion in 2011 (World Bank 2012), exceeding total development aid. Yet, such numbers need to be viewed with caution given the difficulties associated with measuring remittance flows.

The predominant narrative tells us that remittances are good for development, if harnessed effectively. They are supposedly stable (compared to FDI flows); counter-cyclical (i.e. they increase in times of economic downturn); evenly distributed among development countries; and received by low-income countries and even by so-called failed states. Remittances are supposedly resilient even in the face of the current global crisis (Sirkeci, Cohen and Ratha 2012). In short, remittances have gained popularity as an instrument to finance development.

Yet, a number of issues have been left out or misrepresented in this narrative on remittances. First, remittances are private money, which makes attempts to appropriate them problematic. Moreover, the initial costs of emigrating, such as debts incurred to pay for emigration, are not factored in when measuring remittances. Another element that is not taken into account when praising the resilience of remittances is that since the beginning of the financial crisis in some contexts such as Mexico, remittances flows have reversed, i.e. households in Mexico have sent money to migrants in the US so that they could weather the crisis instead of returning home. Second, many studies have shown that remittances do not necessarily deliver on the promise to bring development. Instead, the remittance-based development model has been shown to be unsustainable and problematic in a number of ways (Delgado Wise and Márquez Covarrubias 2007). It is associated with growing socio-economic inequalities and conflict in communities of origin, labour precarisation, deepening regional asymmetries, productive disarticulation and dependence on remittances. Third, counting on their solidarity, migrants are expected to invest remittances in their home communities under conditions where 'normal' investors would not necessarily invest, due to a lack of infrastructure for example, which often results in business failure. Finally, the Global Remittance Trend contributes to a certain de-responsibilisation of the state in terms of welfare and infrastructure provision through delegating responsibility for development to migrants. This is associated with an increasing tendency towards the privatisation of development.

In your opinion, how will the situation likely evolve over the next five years?

The growing interest in remittances by financial institutions leads to a deepening financialisation of remittances. Thereby, numerous financial instruments have been developed, aimed at channelling remittances into savings and insurance services, providing investment opportunities for remittance senders and receivers, and linking remittances to microcredit and microbusiness initiatives. This contributes to increase and extend the finance-led accumulation regime to new clients and regions and provides new raw material for speculation (Hudson 2008). This financialisation of remittances is likely to increase over the next few years. Thereby, the underlying root causes of global inequalities and poverty are sidelined and might be deepened.

Another recent tendency is the emphasis placed on the increasing number of female migrants and the development contributions of their remittances. Women migrants are applauded for remitting for longer periods of time, sending a higher percentage of their income than men and channelling remittances into health and education purposes rather than consumption. However, such claims are often based on large-scale generalisations or stereotypes regarding women's behaviour, rather than on serious research. As such, they mobilise women's remittance in instrumentalist ways, portraying women migrants and their remittances as part of the solution to the current financial crisis. As the global crisis continues, women's remittances are likely to gain even further popularity, despite the fact that this is highly problematic.

Yet, critical voices warning about the unsustainable nature and problematic socio-economic consequences of the remittance-based development model are getting louder. Second and third generation migrants tend to send fewer remittances than first generation migrants. Given the consistently high transfer costs and the growing controls and restrictions on financial flows, migrants might increasingly send their remittances through informal channels. Increasing regulation of remittances might push migrants towards refusing to cooperate in the capturing of their earnings. Dissident migrants might also refuse to play the role of development agents and start using their political capital to organise and make demands, as some examples from Mexico illustrate. Critical research on remittances should focus increasingly on alternative forms of understanding and dealing with remittances.

What are the structural long-term perspectives?

In 2011, Overseas Development Assistance fell by nearly 3% to USD 133.5 billion (OECD 2012). Given the declining ODA contributions combined with the ongoing global financial crisis, the crisis of development financing is not likely to improve in the near future, which means that one of the underlying rationales of the attempts to capture remittances for development is not likely to change fundamentally. Thus, despite renewed research demonstrating the unsustainable nature of the remittance-based development model, attempts by the international community to capture remittances are likely to continue and even increase.

Given the pioneer role of the Philippines in managing emigration and harnessing remittances, Filipino experts have recently been contracted as consultants by other countries to assist them in establishing policies and institutions for the management of migration and the harnessing of remittances. This expression of the ongoing Global Remittance Trend broadens the 'remittance industry', turning it into a field of expertise. This is also a sign that more countries might move towards a remittance-based development model and the hype about remittances is likely to continue in the foreseeable future, despite its unsustainability and highly problematic consequences.

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