Remittances for Development

In recent years, as politicians and other stakeholders have been quarrelling over the level of foreign development aid, a little-known group has elevated itself to the position of the world’s greatest donor: individuals who are not living in their home countries (Diaspora) and regularly sending part of their wages to their families back home in Africa, Asia, Latin America or Eastern Europe. The annual transfers - so called remittances - have been estimated at US$250 billion (total foreign development aid sent by the OECD countries: US$103 billion).

Just sending small amounts of money back home – that does not have the ring of sustainable development aid. And yet, the economic effect of these remittances must not be underestimated. The vast majority of this money is spent on daily needs rather than being invested. Nevertheless, even in this way, they can have the effect of stimulating demand in the destination countries. For many families they are a form of insurance on which they can fall back if the harvest fails, whenever they fall sick or when other emergencies strike. In many countries in the south and east such transfers constitute an important proportion of the GDP and they are also a vital source of foreign exchange.

There is, however, a distinct shortage of safe and inexpensive methods of transfer. Only a small proportion of people who remit money are using international banking connections, because traditional banks typically offer too expensive ways and only a few families have accounts in banks that are participating in cross-border transactions. Instead they send their money through an expensive cash transfer service (for small sums a 20–30 per cent fee is not unusual) or they use the informal channel when they send it by regular mail, hand it over to a relative/friend or take it with them when they go back home on holiday. As to how the money is spent, they will, at least in a technical sense, have no control over this at all.

‘Remit & Develop’ concept

Swisscontact’s aim is to develop more affordable transfer options for the Diaspora building on existing financial structures and to install a link to value adding remittance services that increase the impact of remittances for the economic development and the poverty reduction in developing countries.

Holistic, end-to-end remittances process