



OXFAM MEDIA BRIEFING

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For communities already in crisis, a drop in remittances during COVID-19 can mean life or death

Introduction:

In 2018, people living in low- and middle-income countries received \$529 billion dollars in remittances from relatives and others living and working abroad. In 2019, remittances reached a record \$554 billion,ⁱ and were expected to be the largest source of international financial support, exceeding both international development assistance and foreign direct investment. Remittances have exceeded official development assistance three-fold since the mid-1990s.ⁱⁱ But COVID-19 threatens this lifeline, with the estimated 20% drop in these flows as a result of the pandemic threatening to push already vulnerable families further into poverty.

Remittances provide a vital resource for hundreds of millions of families to escape poverty and meet basic needs during humanitarian crises. For many, remittances are a primary income source that people rely on for everyday necessities like food, shelter, medicine, and school fees.ⁱⁱⁱ In many cases, direct recipients of remittances also use a part of the money they receive from abroad to support friends and relatives within their own countries.

But in the COVID-19 health and economic crisis, millions of migrants now face lost wages and unemployment, and many have no safety net to fall back on. Many of these workers have less to send back home as they struggle to pay their own bills.

"I have two sons working in Saudi Arabia since 2014 and their transfers were significant in improving the quality of our life... I receive 80 percent less remittances from them for two months now since they told me both have lost their jobs and are barely able cover their own expenses during lockdown. I live in constant worry about how we'll cope with this and I fear for my sons' well-being, as well."

-Shaheerah, a mother living in Sana'a, Yemen

This new economic pressure is only exacerbating longstanding challenges, including banks' reluctance to facilitate remittances and other cross-border payments. This is due largely to financial regulation and is deepening the impact of an already severe global economic crisis. This is being felt acutely by families who are already reeling from the health consequences

and threats of the pandemic itself, on top of the impacts of conflict, the risk of increasing natural disasters, and other humanitarian challenges.

There are steps governments and banks should take now and in the longer term to support these families and ensure this key economic link continues to be viable.

Economic Pressures for Remitters

Migrants play a variety of roles in the global economy as they move within their own countries, regions, or farther afield for reasons like education and employment. They do not fit a single stereotype: some are wealthy CEOs, some are middle-class merchants, and others work in poverty-level jobs with no legal protections or social safety net. Migrants are engines of economic growth: although they account for just 3.4% of the population, they were responsible for 9.4% of global GDP as of 2015.^{iv} Many members of the diaspora working in all corners of the economy send remittances abroad, and nearly all will be hit hard by the COVID-19 crisis.

But this health and economic crisis is not hitting everyone equally.

As the global economy contracts, 37.5% of the formal global workforce is being impacted.^v The sectors hardest hit are food and accommodation, retail and wholesale, business services and administration, and manufacturing, all of which are sectors in which many migrants work. And, in low- and middle-income countries, those hardest hit are people in low-wage and informal jobs – many of whom already enjoy limited access to health services and other support.^{vi}

“The issue of sending remittances worries us. Before the pandemic things didn’t go well in our country of Honduras, and now with the pandemic the situation is even more complicated... Our families are waiting for our help. Our concern is doubled: for the economy here in Spain and for the situation of our relatives in Honduras since we can’t help them for the time being because the only way we can help them is to start working.”
- J.A. *living in Madrid, Spain*

Many governments’ exclusion of migrants from their social protection and economic relief schemes compound the hardship, pushing working migrants into poverty and their families abroad into even more dire circumstances.^{vii}

Barriers in the Bank Sector

Existing restrictions on transfers

Global remittances have grown steadily in recent years in spite of significant pressure and limitations on the money transfer operators (MTOs) that facilitate them. Financial regulators have become more aggressive in their oversight and enforcement of banking rules over the last two decades. This was in response to concerns about money laundering and terrorist financing following the 9/11 attacks in 2001 and about the stability of the global financial system following the 2008 financial crisis.

While these changes have brought about welcome oversight of the banking sector, they have also had severe unintended consequences for families who depend on remittances. By increasing the costs of compliance with new regulations, they have altered banks’ risk-benefit calculations. The relatively small amount of profit they can earn by facilitating remittance payments is outweighed by these costs, as well as the fear of legal and reputational risks. This has also had a disproportionate effect on nonprofit organizations that

by definition work in fragile countries considered high risk, and cash-intensive businesses like MTOs. In addition to putting critical remittances and aid programs at risk, this trend also forces funds to move outside the formal banking system – making them more difficult and less transparent to both customers and regulators seeking to prevent money laundering and terrorist financing.^{viii}

"I moved to the United States shortly after the conflict erupted in Syria, and I now work to support my family in the US and those who we left behind. My mother doesn't have the resources to support herself on her own, and I often struggle to send her money because of sanctions that prevent a bank transfer.

"I try to use the international money wiring companies, but we lose over 60% of what I send because of the official exchange rate, all while the costs of food and other things she needs have gone up. I know some restrictions are important, but there must be a better way for me to support my family who have been through so much."

-Ali, a Syrian refugee in Massachusetts, United States

Many banks have made the calculated decision that the small revenues they would earn from serving MTOs that send remittances are not worth the costs and consequences. This is especially true for small MTOs or diaspora-run aid organizations that serve countries viewed by banks as high-risk.

Countries can be viewed as "high-risk" for a variety of reasons, including the presence of listed terrorist organizations, sanctions against the state or against designated persons in the state, or weak financial governance. For them, the inability to open a bank account or send money abroad are an existential threat to operations, and therefore to the people they serve. Account closures as well as delayed, denied, or limited money transfers are endangering the lives and livelihoods of those relying on remittance and community aid payments. Further closures or obstacles could have disastrous consequences. Unfortunately, after years of discussions and advocacy to address this, these barriers remain.^{ix}

New challenges from COVID-19

The lockdown measures that governments have mandated to control the spread of COVID-19 have exacerbated the challenges facing remittance companies. Restrictions on passenger air travel – which is sometimes used as a legal channel for carrying cash when banking services are unavailable – have compounded existing pressures to close accounts and block transfers – known as 'de-risking' in at least one extremely remittance dependent country, Somalia.

Some governments' lockdowns have forced MTOs to shutter their offices and limit or end services, leaving diaspora populations whose home countries are not well-served by online or mobile banking platforms without a vital lifeline to send money home to those who need it now more than ever. Governments should follow the example of the United Kingdom, which reclassified MTOs as essential businesses, allowing them to remain open even as most businesses were forced to close.^x

Remittance Recipients Particularly Vulnerable to Shocks, Including COVID-19

Many people who rely on remittance payments are often more vulnerable to COVID-19, as they already face food insecurity, limited access to water and sanitation, and are unable to practice social distancing due to inadequate housing in crowded communities. For poor people living in low-income countries or humanitarian crises, remittances may be the only social safety net and the only means through which to access basic healthcare or other necessities during this global pandemic. Families are experiencing a severe interruption to their household income just when they need these resources the most.

“We relied on two of my children who live abroad. I worry about my children. Whenever I call them, I don’t hear good news. They say they are locked up in the house. - *Hawa, living in Putland, Somalia*

Remittances also impact, and are impacted by, gender dynamics. Women are more likely to send remittances home in smaller amounts but, more frequently, and despite their own economic hardships. On the other end of the transaction, access to remittances is linked to women’s self-reliance and empowerment. Women globally have less access to the formal banking sector, and receiving remittances helps women accrue savings, enabling them to become more financially independent and less vulnerable to shocks. And when women receive remittances, families are likely to benefit through spending on basic needs or investments in social assets.^{xi}

Given predictions of an impending COVID-19-driven global recession,^{xii} the extent to which remittances and community aid flows decline could determine just how far the world’s most vulnerable communities will be pushed into deeper poverty. Oxfam has warned that the COVID-19 crisis could push an additional 500 million people into poverty without urgent action.^{xiii} Accordingly, governments where remittances originate and arrive must urgently partner with banks, remittance companies, and nonprofit organizations to blunt these potentially devastating impacts.

The importance of remittances and the threat posed by this disruption is felt by families in countries across the globe. To follow is a short list of countries whose communities have been hit hard by this drop in remittances:

Somalia:

Though sufficient data for the total amount of remittances to Somalia is not available, the US government has estimated that remittances account for roughly one-third of the country’s GDP – making it one of the most remittance-dependent countries in the world. Nearly half of all Somali households rely on remittances to cover basic needs, but as their family members and organizations abroad struggle to earn and send money in the midst of the COVID-19 economic downturn, this vital lifeline is now being cut. Somali MTOs report that remittances have already dropped substantially since the onset of COVID-19, due to economic pressures on members of the Somali diaspora.^{xiv} Bank de-risking pressures have uniquely affected remittances to Somalia, given the country’s minimal links to the global financial system and since only Somali-owned MTOs deliver remittances there.

The Northern Triangle:

In the Northern Triangle of Central America, both families and governments depend heavily on remittances sent home from migrants living in the United States and abroad. In 2018, Central America received more than \$22 billion in remittances, 30 times more than foreign assistance from the US government in 2017. For example, Guatemala received \$8.2 billion in remittances versus \$257 million in US foreign aid - remittances make up 12% of its GDP.^{xiv} Already experiencing weak economic growth, the plunge in remittances will be devastating to families and to governments that no longer can use migration out of the region as an escape. As a result, there will be even greater food insecurity and the possibility of forced migration closer to home, as desperate people flee in search of a means to survive.

Yemen:

After over five years of conflict, Yemen’s health care system and economy have been decimated. Millions have been forced from their homes, facing war, hunger and diseases like cholera - and now COVID-19. Yemen received approximately \$3.8 billion in remittances in

2019 - 13% its GDP. This is more than total humanitarian aid to Yemen, which has been lacking throughout the conflict and humanitarian response. Approximately 9% of Yemenis receive remittances from abroad and these payments are then divided and sent onward to millions more who have no reliable income. The World Bank estimates that one in ten people in Yemen wholly rely on money transfers to meet their basic needs.^{xv} The vast majority of remittance payments are made by Yemeni migrant workers in the Gulf region. Lockdowns have severely reduced their incomes and periodic threats of expulsion leave them, and their families in Yemen, perpetually insecure.

Outside of the Gulf, there is an active Yemeni diaspora, particularly concentrated in places like the US and the UK who continue to attempt to send money back as personal remittances or to fund aid projects, but who face substantial barriers.

Haiti:

Haiti has one of the highest remittances to GDP ratios in the world at more than 36% in 2019.^{xvi} Development Initiatives estimates that losses of remittances due to COVID-19 could cost Haiti as much as 5% of GDP this year.^{xvii} Haitians rely heavily on remittances sent from family members abroad and the loss of income will be particularly devastating. Free trade policies in place since the 1980s have made the country more reliant on imported food, eroding its agricultural sector and causing higher unemployment. Reduced remittances are hitting communities already facing persistent natural disasters along with political unrest.

Syria:

Syria received \$530 million in remittances in 2010^{xviii} but since then, data on remittances has been unreliable due to economic sanctions on the country. As direct bank transfers to Syrian banks remain illegal in many countries, the principal way for most people to transfer money to Syria officially is an international money wiring service.

Unfortunately, some Syrians report being unable to access this service, and those who can use it find that, because the money wiring service uses the government's official transfer rate to Syrian pounds (which is much lower than the unofficial market rate that affects the prices of basic everyday items), they would lose a huge amount of value in the transfer. Some Syrians find that informal and unregulated money transfers are more reliable for serving their families' needs in terms the total amount of money their families receive, but the calculated risk comes with a different threat of third-party interference, including from those profiting from the war. COVID-19 travel restrictions and border closures have now heavily limited these direct cash remittances carried by travelers and channeled through relatives and local networks inside Syria, putting up yet another barrier.

Across the region, many Syrians who have sought asylum in neighboring countries, who are facing another set of economic challenges, have not been able to obtain the official documents and identification required to receive remittances.

There is a well-established Syrian diaspora aid community, and many are not able to transfer funds to support their own staff and programming due to de-risking-related restrictions. Challenges can also vary based on different areas of control in Syria.

Recommendations:

Governments should:

- **Designate remittance businesses as essential**
MTOs and individuals who facilitate remittance and community aid payments should be categorized as essential in all nations. These are truly lifelines that provide people with the means to buy food to feed their families, safe shelter, and basic healthcare, which are inarguably essential needs.

- Combat Xenophobia and respect migrant rights**
 With xenophobia on the rise in many countries, some governments have blamed foreigners for the spread of COVID-19 and used the pretext of the pandemic to undermine their rights. These attitudes and the policies they lead to are unacceptable. Governments can and should protect public health without violating international legal obligations including the principle of non-refoulement of people fleeing persecution. The right to health must be respected without discrimination including on the basis of migratory status. Countries should not exclude migrants from access to healthcare or other basic services including testing, treatment, and an eventual vaccine for COVID-19. Ongoing deportations have the potential to place communities with weak, resource-limited health care systems and fragile economies at further risk. Governments should therefore suspend deportations for the duration of the pandemic and refrain from unduly inhibiting migrants' ability to work, move, access healthcare, or live in safety.
- Guarantee migrants are included in assistance programs**
 Migrant workers are vital to the economies – and will be vital to the post-Coronavirus recoveries- of many middle-income and wealthy countries. Their contributions and needs should be accounted for in any assistance programs during COVID-19, regardless of their immigration status. Migrants should be able to access these programs without fear of arrest, detention, deportation or other repercussions.
- Support the transition of remittance services to mobile and online platforms**
 Online and mobile transfer platforms can be more cost-effective, accessible, transparent, accountable to both their customers and regulators. As a result, they may be more resilient to de-risking pressures and therefore better able to facilitate critical money transfers. And during the COVID-19 pandemic, using these platforms allows customers and MTO workers to facilitate remittances from home, reducing unnecessary exposure to the virus.
- Reform and nuance de-risking policies**
 Governments should stop skirting responsibility for the unwillingness of banks to facilitate international payments for remittance companies and nonprofit organizations. They should begin to create an enabling environment for banks to work with MTOs and nonprofit customers and expeditiously settle payments on their behalf. In the immediate term, they should take extraordinary measures to ensure remittance and other vital financial flows continue. These could include using central banks or public financial institutions to wire money or issuing comfort letters to private banks that are willing to offer services to financially excluded MTOs and nonprofit organizations.

NOTES

- i <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>
- ii <http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf>
- iii <https://www.oxfamamerica.org/explore/research-publications/keeping-the-lifeline-open-remittances-and-markets-in-somalia/>
- iv <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Employment%20and%20Growth/Global%20migrations%20impact%20and%20opportunity/MGI-People-on-the-Move-Full-report.ashx>
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- vii <https://www.ilo.org/global/topics/labour-migration/policy-areas/social-protection/lang--en/index.htm>
- viii <https://www.oxfam.org/en/research/understanding-bank-de-risking-and-its-effects-financial-inclusion>
- ix <https://www.oxfamamerica.org/explore/research-publications/keeping-the-lifeline-open-remittances-and-markets-in-somalia/>
- x Schedule 2, Paragraph 33, Health Protection (Coronavirus, Restrictions) (England) (Amendment) Regulations 2020
<http://www.legislation.gov.uk/ukxi/2020/447/regulation/2/made>
- xi <https://www.unfpa.org/press/highlighting-importance-women-migrants-remittances>
- xii <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>
- xiii <https://www.oxfam.org/en/press-releases/half-billion-people-could-be-pushed-poverty-coronavirus-warns-oxfam> xiv nexusom.org/wp-content/uploads/2020/04/Warning-Remittances-Lifeline_final.pdf
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- xv <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=YE>
- xvi Manuel Orozco. (2020). Remittances to Latin America and the Caribbean in 2019: Emerging challenges. Washington, DC: Inter-American Dialogue, p. 20.
- xvii Harpinder Collacott, 'Implications of Coronavirus on Financing for Sustainable Development', presentation at UN Foundation-Development Initiatives-Oxfam webinar, 'Financing for Sustainable Development: ODA in the Context of COVID-19.'
https://unfoundation.zoom.us/rec/play/uJc9f-utpmg3G9OWtQSDVvV7W9S_LP2sgyAYq_Jbmhm0AiYBMQGkMrUQYbR3Yioaoml9yT7LSEnMi2eX?startTime=1588772482000&xzm_rtaid=biV6ckVBRAYFe0dm2o9u4g.1589911984117.ee1cd381154a134c03904290ae6e747c&xzm_rtaid=495
- xviii <https://blogs.worldbank.org/peoplemove/covid-19-through-migration-lens-policy-responses-should-be-inclusive-migrants>

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