The Ethics of Remitting:
Building a Normative Framework for the Inclusion of Remittances in Policy Discussions on Migration and Development

Word count: 7,442

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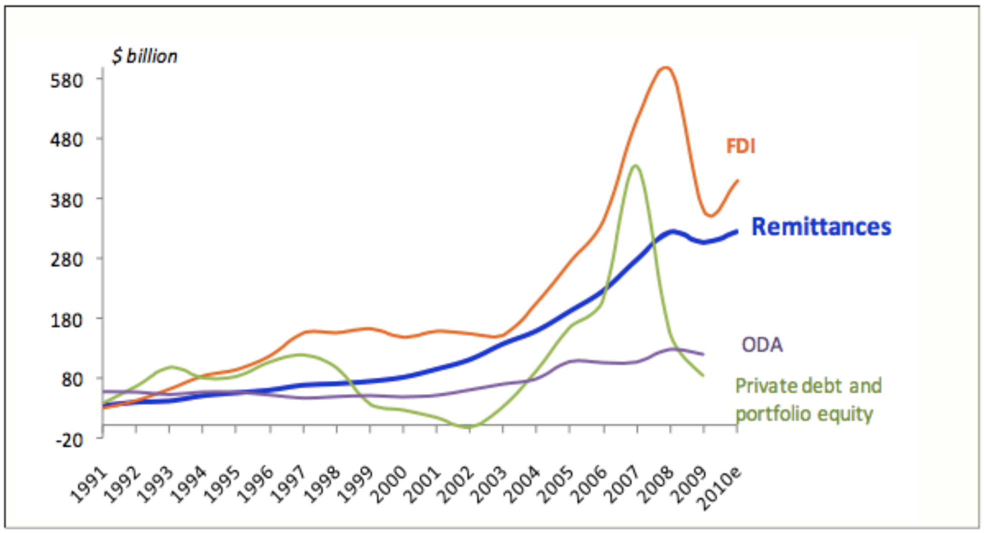
I. Introduction

The evidence is clear: Migration can be a significant driver of international development. International labor migrants, who make up 3% of the world's population, send more than $400 billion annually in remittances to their countries of origin (World Bank, 2015). This number is three times the size of official development assistance worldwide, making it the largest source of aid (see Figure 1.1).

Figure 1.1: The increasing size of remittances



FDI: foreign direct investment; ODA: official development aid.
Source: World Bank, Migration and Development Brief 13, Nov. 2010.

In addition, remittances are steadier and more reliable than both official development assistance (ODA) and foreign direct investments (FDI) (Collier et al 2011; see Figure 1.1): While ODA and FDIs dropped significantly during the global financial recess, remittances remained steady. This resilience can be partly explained by their counter-cyclical nature: in times of political crises or economic downturns, migrants tend to send more remittances home – cushioning any consequences of negative events in the domestic environments and acting as a buffer against productivity shocks.

Compared to other types of development assistance, remittances do not cost taxpayers anything. Yet, remitting is very expensive for migrants; in addition to paying tax on their income like anyone else, labor migrants are subject to high fees on the sending of their remittances – resulting in up to 20% of the remittances sent being lost to the intermediary. In addition, they are often subject to double-taxation, the amounts they send are often taxed in that country (Barry and Øverland 2009).

The magnitude and effects of remittances present strong arguments in favor of easing labor migration. Due to their potential as a tool for driving development, we argue for the inclusion of remittances in the ethical discussion on migration. We will not attempt to engage in the technical or empirical debate on whether or not remittances have positive effects once transferred. Instead, we will promote a strengthened normative framework based on the principles of justice and individual autonomy, which in turns argues for the establishment of a more favorable treatment regime for these transfers.

We will begin by examining ethical arguments centered on the principles of justice and liberty. Next, we will outline the current legal framework relevant for migrants and the transfer of their remittances. Through an assessment of the normative value of the current taxation system for migrants' remittances, we will then propose amending The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW)[1]. Finally, we will address challenges of implementation and possible solutions.

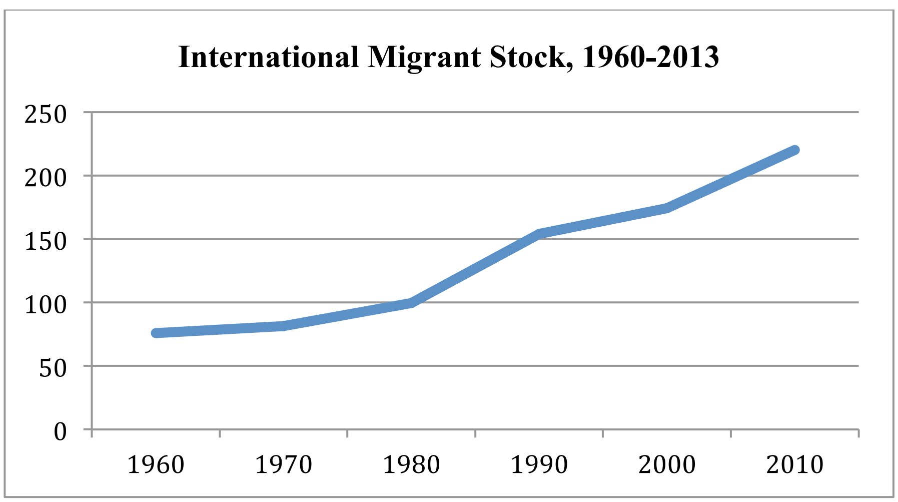
Overall, the aim of our proposal is for (1) creating a more favorable tax-regime for remittances in the country where the income is earned and argue for (2) the implementation of measures that will ease and reduce the cost of transferring remittances.

[1] The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families

II. Empirical Evidence

In order to truly comprehend the impact of migration and remittance money in today's world, it is crucial to understand the size of the phenomenon. During the past five decades, worldwide migration flows experienced a constant and exponential expansion (see Figure 1.2). The United Nations estimates that the number of people living in a country where they were not born has grown more than threefold since 1960 – rising from 75.9 million, to 154.1 million in 1990 (United Nations, 2006), to 220 million in 2010 (United Nations, 2013). According to the latest available data, the international migrant stock reached 247 million in 2013, and the figure is expected to surpass 250 million by the end of this year (World Bank, 2015a). Putting this into perspective if all migrants lived in a single country, it would have the fifth largest population in the world, after China, India, the United States, and Indonesia (Provost, 2013).

Figure 1.2: International Migrant Stock 1960-2013

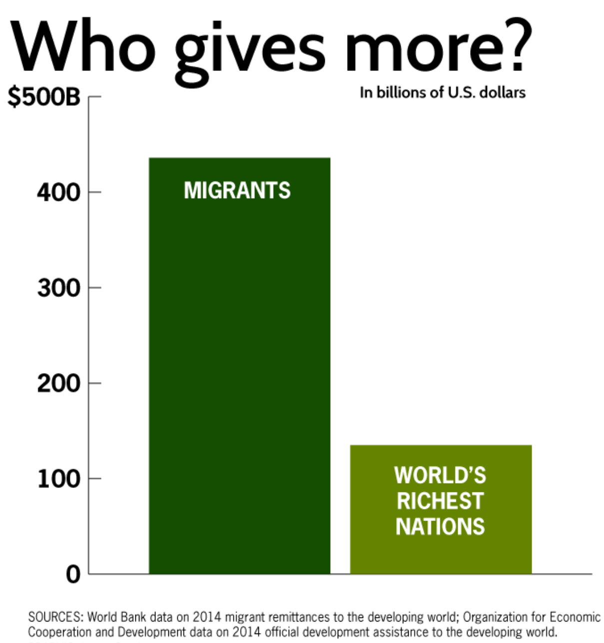


Source: The United Nations – Trends in Total Migrant Stock: The 2013 Revision

The phenomenon of remittances has grown exponentially in the past decades. In 2014 alone, migrants have sent over $436 billion in remittances (World Bank, 2015). That is more than six times the amount registered in 1990 – when such transfers amounted to $68.9 billion worldwide (Page & Plaza, 2005).

The scope of these flows is tremendous. If remittances were a single economy, it would be the 28th largest in the world – approximately on the same level as Austria, and larger than the GDP of countries like Iran and Thailand. Yet what is even more remarkable is that the total amount of remittance money transferred in 2014 accounts for more than three times the amount of development aid that the world's wealthiest nations sent to developing countries (Santhanam, 2015; see Figure 1.3). For some of these nations, remittance money literally becomes one of the main engines of their entire economy – representing up to one-fourth, or even one third of their Gross Domestic Product (World Bank, 2015b). In 2013, that was the case for Kyrzyzstan (31.5%), Nepal (28.8%), and Moldova (24.9%).

Figure 1.3: Contributions to developing nations



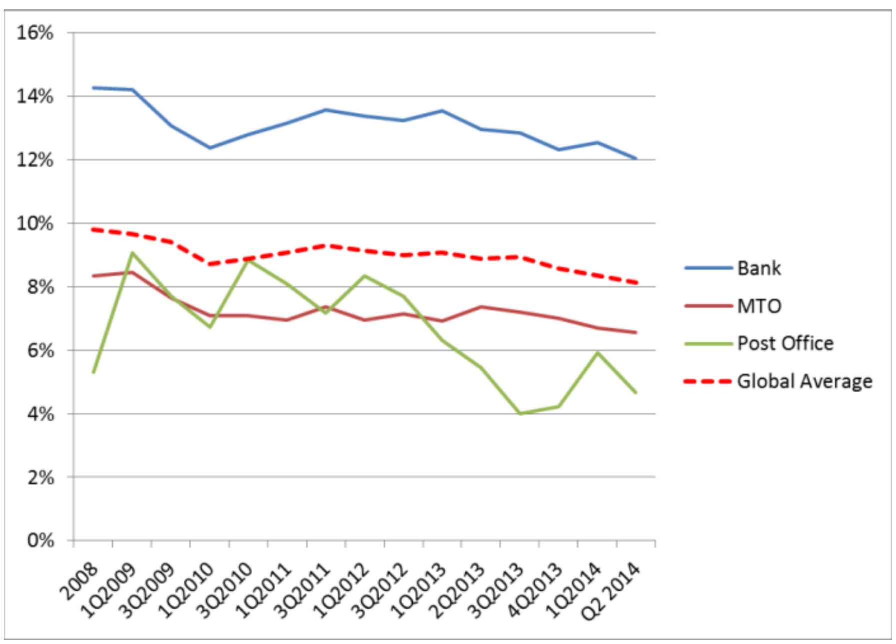
Source: World Bank data on 2014 migrant remittances to the developing world; Organization for Economic Cooperation and Development data on 2014 official development assistance to the developing world. Graphic: Laura Santhanam

One of the main challenges in calling remittances a tool for international development today is the inefficiency of their transfer and thus loss of potential benefits. Overall, as of June 2014, the global average cost of sending remittances from a country to another is at an historical low of 8.14% of the amount transferred (World Bank, 2014). However, these fees are highly variable, and are usually affected by a number of factors.

One factor is the channel through which the remittances are sent. Historically, banks have been the most expensive service providers (The Economist, 2010). As of 2014, they charge on average 12.05% in fees, against 6.56% and 4.66% of money-transfer operators and post offices charge respectively (World Bank, 2014; see Figure 1.4).

Figure 1.4: Total average costs of transferring remittances by Remittance Service Provider (RSP)

Source: World Bank – Remittances Prices Worldwide (2014)

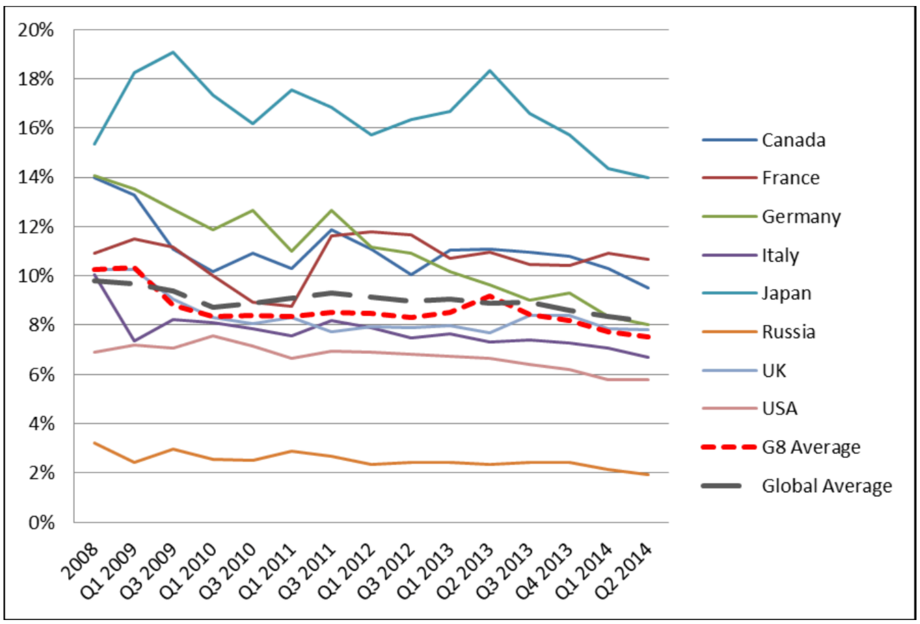


A second factor is the political will in the country from which the remittances are sent to regulate remittances more favorably for migrants. On the occasion of the 2009 G8 summit in

L'Aquila, Italy, world powers pledged to reduce "the global average cost of transferring remittances from the present 10% to 5%" by 2014 (G8, 2009). Although they failed to achieve their ambitious goal, the cost of remittances from both G8 and G20 countries has been declining over the past few years (see Figure 1.5, and Figure 1.6). As of June 2014, the average fee for transfers was 7.54% for a G8 country, and 8.12% for a G20 country[2].

Figure 1.5: Total average cost of transferring remittances in G8 countries

Source: World Bank – Remittances Prices Worldwide (2014)



Finally, the third variable is the specific bilateral corridor – namely the flow of remittance money between two given countries. The higher the demand for sending remittances, the lower its cost will be – showing an inverse correlation between the number of migrants in a host community and the prices of transfers. More migrants means a significantly more substantial demand for remittances services; and this is usually an incentive that results in lower prices (Anderson, 2014).

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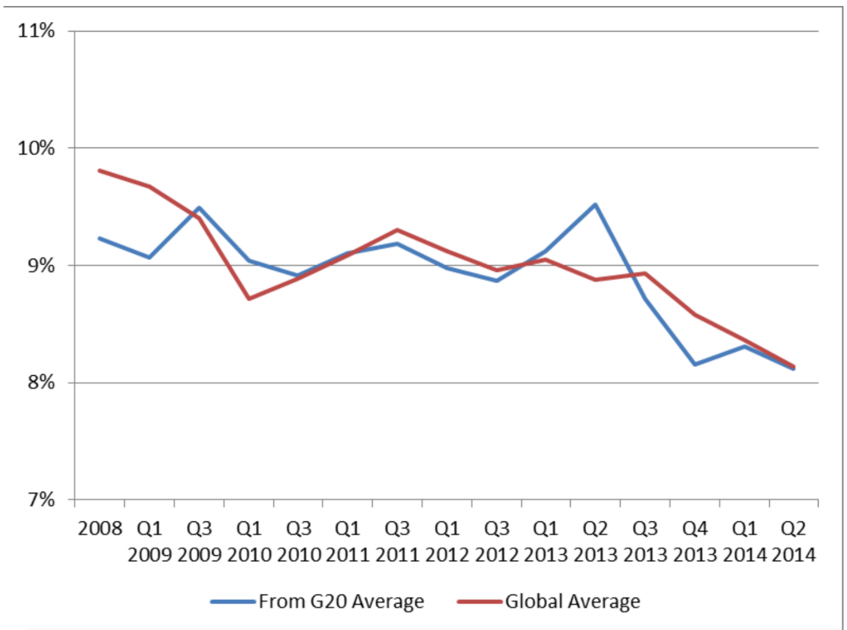
[2] Among the world's richest nations, Japan remains the most expensive country to send money from, while Russia is the cheapest (Anderson, 2014; see Figure 1.5). However, contrarily to the members of the G8 and G20, African countries tend to have much higher remittance costs – with fees that in some instances exceed 22%.

Through different channels, the cost of remitting thus remains at absorbent levels for migrants. This reduces the potential of individuals to contribute to the development of their countries of origin. As we will show in the next section, this can be argued to be morally unethical, in particular when discussing remittances sent by migrants from developed countries to developing ones.

Figure 1.6: Average cost of sending USD 200 from G20 countries
Source: World Bank – Remittances Prices Worldwide (2014)



III. Ethical Framework: Why Remittances?

Normative discussions on the topic of migration largely center on the principles of state sovereignty and the extent to which national borders should remain open. We argue that discussions on remittances, and thus international migration, should also be discussed in the context of global redistribution. As we have shown, the large volume of remittances transferred by labor migrants every year has immense potential to impact the development of those countries receiving them. This highlights the role international migration can play within the framework of international development. Normative arguments within this realm ought to be based on the principles of justice and individual autonomy.

A. Justice-based arguments

Based on the principle of equal liberty, a foundational principle of human rights, justice based arguments assert that all human beings have the same moral dignity (United Nations General Assembly 1948) and should thus have the same chance at leading a decent life (Risse 2010), regardless of nationality or place of birth. John Rawls' "veil of ignorance" (Rawls 2009) can be applied as a moral thought-experiment, behind which talents and natural capabilities are unknown and unaccounted for in determining the principles of a just society. From behind such a veil, rational persons would govern domestic societies on the principles of equality of opportunity and the difference principle. Cosmopolitants Charles Beitz (2000) and Thomas Pogge (2006) contend that Rawls' theory of justice should extend to international society as well, where an individuals' place of birth is as arbitrary as the talents or capabilities with which they are born. Building on this understanding of the concepts Rawls developed in "Law of Peoples", it can be argued that affluent states (or developed countries) have a *substantial* duty to assist what Rawls calls "burdened societies" (or developing countries) in becoming equal and autonomous members of the international society[3].

Remittances are individual-to-individual transactions, thus challenging the conception of states as the sole actors of international development. By including remittances as an element in the normative framework of labor migration, the focus is shifted from states as the primary actors in international development - to include individuals as actors. In such a case, Rawls' treatment of the domestic and global situation no longer applies – when individuals become the focus of international development, and not states, the same principles that apply to the domestic sphere, must apply to the international sphere. From this follows the conclusion that the duty of affluent states to assist burdened societies goes beyond achieving a minimum level of subsistence and redistribution (Rawls 1999), rather it extends until economic equality across all borders is restored.

Furthermore, in 1970 the General Assembly agreed that affluent states have a responsibility to contribute to the development of developing countries (UNGA 1970). In 2015, all but five states[4] are failing to meet their obligations to provide 0.7% of their GNI in official development assistance (UN Millennium Project 2015), which provides a strong case for claiming that the current structure of development aid is largely inefficient in reaching its goals. In light of the large and weakly regulated fees imposed on the financial transaction of remittances, it could be argued that developed countries are "double-failing" in their responsibility to aid developing countries: not only are they failing to provide sufficient development aid, but they are impeding the bottom-up source of development that remittances provide (Cheneval 2012).

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[3] Thus, affluent states' duties should move beyond the benevolence – limited assistance, that Rawls argues for (1999), towards a global system of justice – a system Rawls argues is only applicable to the domestic sphere (1999).

[4] Denmark (0.84%), Luxembourg (0.81%), Netherlands (0.80%), Norway (0.92%), Sweden (0.79%).

Since affluent countries have failed in their duty to assist developing countries and improve the conditions of the global poor, they should be under the obligation to permit alternatives to assist people in need, and facilitate the ease of doing so. Thus, it may be argued that remittances, which can be seen as such an alternative to alleviate poverty in developing countries, need to be treated in a more favorable manner: Either in creating a more favorable tax-regime in the host-country, or in creating restrictions for double-taxation in the recipient country. However, following the argument of viewing the facilitation of remittances as an indirect way for affluent countries to fulfill their duty of assistance, it can be argued that the argument is stronger for the first of these options, which in practice is also easier to implement. Assuming that developed countries do have the duty of assistance to peoples living in underdevelopment, to whom should this assistance (in this case, in the form of facilitated remittances) be channeled? To managing governments or directly to individuals themselves? The dilemma of good governance arises from this question. Rawls would argue that it would be unjust to dispense resources to developing countries, since it could further empower corrupt and extractive regimes (Rawls 1999). Poor governance cannot be solved with resources alone, just as development cannot be achieved through economic growth alone. Therefore, in the case of poorly administrated countries, investment in political culture change is fundamental. Such a change is possible by empowering the population, which is more likely to be achieved if individuals have full autonomy on the remittances they receive.

Thus, remittances can be viewed as an indirect approach for developed countries to fulfill the conditions of this duty to assist. Creating a more favorable taxation regime for migrants remittances, which reduces the exorbitant transfer fees currently in place, can provide more opportunities for labor migrants to send remittances home, thus increasing the size of funds transferred from developed to developing countries. Further, if a larger percentage of remittances sent home can be put into direct use towards development, this may ease reintegration of migrants returning to their countries of origin, and thus prompt return migration – counteracting the negative factors often associated with increased labor migration in host countries.

B. Liberty-based arguments

While justice-based arguments are largely consequentialist, a deontological view in favor of easing remittances can be applied by grounding them in the fundamental principle of liberty. A powerful ethical argument with respect to remittances deals with the ownership and autonomy that individuals should have over their lives. Autonomy is understood as "[the] possibility every human being should enjoy in freely deciding upon their own life plans and shaping their existence with others accordingly" (Cheneval & Rochel 2012, p. 24). This perception of autonomy is central to both the Kantian moral ethics as well as to the Millian version of utilitarian libertarianism (Stanford University, 2015).

An individual's essential guarantee of autonomy is part of numerous international agreements. The 1948 Universal Declaration of Human Rights (UDHR) enjoys a high moral standard in providing a comprehensive international bill of rights (United Nations General Assembly, 1948), within which liberty is enshrined as a fundamental principle. Specifically, article 13 (2) establishes a provision for the freedom of every citizen to **leave** any country and **come back** whenever necessary. The UDHR article 1 reads: "All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood." Article 13 (2) further establishes that "Everyone has the right to leave any country, including his own, and to return to his country." (United Nations General Assembly, 1948). Therefore, modern international law provides grounds for an individuals' freedom of movement.

The moral grounds for individual autonomy also influence the rights of people to determine how to use their earned resources and whether or not to directly influence the development of their countries of origin. Therefore, autonomy can only be achieved once individuals not only have opportunities to better their lives, but also are entirely able to decide how to invest the results of their work. Following the Nozickian argument on the foundation of property rights, if migrants have earned their resources through consensual transactions with their employers or customers, they are entitled to the full enjoyment of their work's result (Carens, 1987, pp. 213-214). The natural right to acquire and use property entails the autonomy in deciding whether or not sending the results of their earnings as a gift to family in the country of origin. Consequently, it is morally inconceivable that migrant's remittances are impeded by legislation or other imposed unfavorable conditions.

Fostering remittances can thus be understood as a path for the recognition of individual autonomy and empowerment of migrants. An enhanced global remittances regime would contribute to granting migrants the right to freely decide how to live their lives and enjoy their resources. Furthermore, it would enable these individuals to have ownership on the development and future of their home countries. However, this begs the question of who should manage these resources in the country of origin.

While this paper argues that the resources produced by remittance flows could be used for development, if such a quest produces impeding conditions to the full enjoyment of resources by individuals who are recipients of remittances it would fail the test of morality under the autonomy principle in receiving country. Development realized to the expense of individual autonomy in the country of origin would be considered immoral and unsustainable. A way out of this imbroglio is for governments to provide initiatives, which would incentivize recipients of remittances to invest in national development (see section VI).

C. Application of Ethical Arguments: Should remittances be taxed?

As earlier mentioned, one of the disadvantages of sending remittances is the dilemma of double-taxation: First taxing on migrants' income in the host-country, and again once it reaches the recipient country. But who has the right to tax? The justification for collecting a fraction of the income of earners is that the society in which the work was performed has a moral entitlement to this money to be used towards the collective benefit of the society as a whole. It can be argued that redistributive taxes are a requirement for a just order in society[5]. However, if one argues that the society does not have a right to the money of the earner – it can no longer be argued that it is justified to tax their income. It's within this logic that Christian Barry and Gerhard Øverland (2009) argue that affluent countries no longer have the moral right to tax the remittances migrant workers send home.

Remittances as a gift

The normative framework of not taxing remittances should be met with realistic implementation, for example through the treatment of remittances as gifts. Legal frameworks of most countries today have some kind of exemption for taxing gifts. For example, in the United States, any gift under $13,000 is not subject to tax (26 U.S.C. § 102). On average, remittances sent to developing countries fall below this threshold, and thus within national frameworks on limitations of tax-breaks towards individual gifts (IFAD 2014, see Figure 1.7). It can thus be argued that amounts remitted by migrants should be eligible for tax-break. It would further be an indirect fulfillment of the duty of assistance of developed countries towards developing ones. However, keeping it in coherence with the current system on national taxation on gifts, the limit that is imposed on gifts between individuals within a country can be applied to gifts sent by migrants to their home countries.

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[5] Following Rawls' "difference-principle", which states that a national economic order with economic inequalities can only be claimed to be just when the inequalities benefit society's poorest

Figure 1.7: Annual average remittances per migrant

Figure 1.7: Annual average remittances per migrant (source: IFAD 2014)	
Region	**Average amount sent**
Africa	$1,177
Europe	$1,619
Latin America and the Caribbean	$2,233
Asia and Oceania	$2,224

Bearing the abovementioned ethical arguments in mind, the next step forward is to enable a normative legal framework that fosters a taxation regime to better manage remittance flows. As mentioned before, this supports autonomy ethics, as it provides for the enabling environment for individuals to invest their resources the way they deem fit, including remitting to their countries of origin. Remittances have the potential to become a powerful tool for development, based on the resources freely provided by individuals for the investment in their countries of origin.

IV. International legal framework

Migrant workers enjoy the full spectrum of rights as prescribed by the United Nations human rights conventions. In addition, the International Labor Organization, a UN special agency mandated to protect workers rights, has passed numerous ILO conventions and recommendations that further define rights of workers. In particular to migrant laborers as a specific group, there are two ILO conventions that are legally binding upon ratifying states- Migration for Employment Convention, 1940 (97) and ILO Migrant Workers (supplementary provisions) Convention, 1975 (143). Each of the aforementioned ILO conventions is supplemented by an ILO recommendation, which serves as a non-binding guideline - Recommendation 86 and Recommendation 151. To further strengthen the ILO Conventions, the United Nations passed The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW) in 1990.

Around 1975, it became evident that there was need to strengthen the rights of migrant workers beyond the existing ILO Conventions (Hune, 1985). In 1979 the General Assembly passed resolution 34/172, thus forming a working group (WG) tasked with addressing the gaps in protections of migrant rights through a United Nations convention (Hune, 1985). It was thought that a "…UNGA Convention would have wider acceptability than ILO Conventions and, therefore, broader implications (Hune, 1985). The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW) was finalized in 1990 and entered into force in 2003 once ratified by 20 member states (ICRMW, 1990). To date, 47 states have ratified the convention, of which, are mainly sending and not recipient countries ("United Nations Treaty Collection," 2015).

Under its Article 72, the ICRMW created a treaty body to monitor the implementation of the convention- the Committee on the Protection of the Rights of All Migrant Workers and Members of their Families (CMW) (ICRMW, 1990). The committee has two main functions. First, it makes recommendations in response to State Party reports, submitted every five years. A second function of the CMV is its ability to organize “days of general discussion and can publish statements on themes related to its work and interpretations of the content of the provisions in the Convention (general comments)” (“United Nations Human Rights, OHCHR,” 2015). The Committee has issued two general comments since its institution in 2004. A third function of the Committee is not yet exercised. In accordance with Article 77 of the ICRMW, the CMW can receive individual complaints following recognition by a minimum of ten State Parties. To date, only El Salvador, Mexico and Uruguay have recognized the committee in this function (“United Nations Treaty Collection,” 2015).

With regard to remittances, Article 47 of the ICRMW protects migrants “right to transfer their earnings and savings, in particular those funds necessary for the support of their families…” - however, this is constrained by subsequent text, “transfers shall be made in conformity with procedures established by applicable legislation of the State concerned and in conformity with applicable international agreements” (ICRMW, 1990). Also relevant to remittances is Article 48 of the ICRMW that protects migrant workers against double taxation. It puts a duty on states to “adopt appropriate measures to avoid double taxation of the earnings and savings of migrant workers and members of their families” (ICRMW, 1990). While the legal text of these two Articles specifies the right to transfer remittances and protects against double taxation, it fails to provide a policy framework whereby parameters are set regarding what is an “appropriate measure”. The result is incoherent domestic legislation, creating barriers for migrant workers in the realization of their rights (see Appendix 1).

V. Proposal

Current practice is not aligned with the ethical debate. Normative arguments that emphasize justice provide the basis for looking at remittances as an indirect tool for developed countries to fulfill their duty of assistance. Normative arguments emphasizing individual autonomy provide a powerful framework to protect labor migrants against the regime of double-taxation to which their income is currently subjected. Migrants are a marginalized group and their rights are not widely recognized, as is evidenced in the lack of ratification of the migrant conventions. In application of Articles 47 and 48, the regional systems vary widely in existing remittance policies. International law has yet to define what "appropriate measures" were envisaged with the drafting of these articles.

Our proposal aims to strengthen the normative arguments for the favorable treatment of remittances through the creation of a favorable tax regime in the host country of the migrant, as well as easing the process and cost of the transfer of remittances. Our recommendation is twofold: First, we propose to amend text of Article 47 and Article 48 of the ICRMW to define more explicitly the protection of remittances and "appropriate measures"; Secondly, we recommend that the Committee on the Protection of the Rights of all Migrant Workers and Members of their families (CMW) issue a general comment interpreting the functional meaning of remittances and "appropriate measures", referencing text within Articles 47 and 48 of the ICRMW. The policy goal of our proposal is that states would standardize their remittance policies to comply with the guidelines outlined by the general comment, thus lessening the transaction cost and easing labor migration.

A. Amending Article 47 and 48 of the ICRMW

Our decision to focus on the ICRMW was based on three factors. First, ratification of the ICRMW is relevant to the three migrant specific conventions. As has already been noted above, very few states have ratified the three legally binding, migrant specific conventions. The ILO conventions have either comparable or fewer ratifications than the ICRMW ("NORMLEX," 2012). Second, the ICRMW was adopted by the General Assembly. Any amendment to the text would require submission to the GA for approval, whereby the ICRMW would garner attention. And finally, the ICRMW is the most contemporary and comprehensive of the three conventions.

The process for amending the ICRMW is outlined in Article 90 of the ICRMW. Any State Party may request revision of the text by writing the Secretary-General (SG), who then forwards the recommended amendment(s) to State Parties. If one-third of State Parties are in favor of convening to discuss the proposed amendments, a conference is organized and the amendment is voted on. If majority of those in attendance and voting favor the amendment, the SG submits the text to the General Assembly for two-thirds majority approval. Should the amendment come into force, it is binding on those State Parties who voted in favor. All other State Parties to the convention who did not vote in favor are bound by the original text of the convention. (ICRMW, 1990).

More specifically, we suggest that the textual amendments encourage tax-breaks on remittances within a certain scope, as this is viewed as the transfer of ownership of property. As previously discussed, national legislations provide similar treatment as we are suggesting towards gifts between private individuals. The argument can thus be made for applying a similar treatment to remittances to a certain extent. For instance, Article 47 of ICRMW could be amended to include: "transfers shall be made in conformity with procedures established by applicable legislation of the State concerned **on private transfers sent from a detached and disinterested generosity** [(26 U.S.C. § 102)] and in conformity with applicable international agreements". These transfers are thus to be understood as transfers "either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return" (U.S. IRS 2014). Further research is encouraged to develop language that could be suitable across and in line with different national legislations.

B. CMW TO DRAFT GENERAL COMMENT

Our second proposal to draft a general comment serves two purposes. First, it aims to fill an existing gap in international discourse that currently fails to define what "appropriate measures" protect migrant workers to remit. It is for this reason we recommend that the CMW issue a general comment that will serve as an international guideline and promote policies favorable to remittance flows, which we argue should include the creation of a favorable tax regime.

Second, actions to amend the text of the ICRMW primarily take place at the level of State Parties, thus a failed opportunity to include relevant actors and innovative advances. Efforts are already taking place on the ground by international agencies, civil society, and migrant workers themselves to respond to the current barriers around remittance policies. Drafting a general comment will incorporates the vital role of relevant actors, providing space for an inclusive and consultative dialogue necessary for the creation of guidelines that are sustainable and that will lead to the realization of migrant workers rights.

It is further recommended that the conference to draft a general comment address "appropriate measures" for the transferring of remittances by linking the normative framework to the right to development. As of April 2015, member states of the United Nations are negotiating an unprecedented bold framework for global development, as a follow up for the Millennium Development Goals. Remittances are mentioned in the heart of the agenda, the Sustainable Development Goals[6], which were agreed upon by the Open Working Group on Sustainable Development Goals. Target 10.c, which is under the umbrella of the goal on tackling inequalities, has explicit language on remittances, specifically on reducing its transaction costs.

[6] Full text available here: https://sustainabledevelopment.un.org/sdgsproposal (accessed May 1, 2015)

The general comment could thus build on this target, which provides that "by 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%" (United Nations Open Working Group on Sustainable Development Goals, 2014).

C. Incorporating remittances into the global framework for development

Furthermore, Goal 17 of the SDGs, on Means of Implementation, includes targets enhancing global partnership to sustainable development, incorporating new public-private partnerships[7]. One could argue that enhancing remittances is central to such an effort. However promising, the Post-2015 framework is not yet satisfactory. Remittances may play a much more important role in the Post-2015 Development Agenda, if the framework allows it to. For instance, remittances may be an important tool to enable an ambitious and effective framework of Financing for Development, which is one of the pillars of the agenda[8].

This track, which is being increasingly integrated with the negotiations in New York, is crucial for the realization of the 2015-2030 Global Development Agenda[9]. The ambition and scope of the Post-2015 Development Agenda requires for funds, which cannot be provided only by results of the 0.7% GNI contribution established at Goal 17. Including remittances in the strategy planning for post-2015 development agenda implementation is necessary for the success of the framework.

According to World Bank figures, well-designed policies could help raise as much as US$ 100 billions annually by mobilizing diaspora savings; reducing remittance costs; reducing migrant recruitment costs; mobilizing philanthropic contributions from the diaspora (World Bank - Migration

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[7] Goal 17, whose language is "Strengthen the means of implementation and revitalize the global partnership for sustainable development", establishes provisions on finance and resource mobilization and multi-stakeholder partnerships, which entail (United Nations Open Working Group on Sustainable Development Goals, 2014) public-private partnerships for development.

[8] Financing for Development has been integrated to the post-2015 negotiations, when a joint session of FfD and post-2015 processes replaced the 4th intergovernmental negotiations on Means of Implementation. More information available at https://sustainabledevelopment.un.org/post2015/moiandglobalpartnership, (Accessed May 1, 2015).

and Remittances team, 2015, p. 12). Least Developed Countries could especially benefit from these initiatives and have special remittance funds for strategic areas. For instance, Liberia is a Least Develop Country and a top remittances receiver. In light of their recent national crisis related to the Ebola epidemics, Liberia could establish a strategic health fund to be invested on by the diaspora. Such a fund could be targeted at structural improvements in health services, such as building reference hospitals and training professionals in strategic areas for the country (nurses, tropical diseases, family health).

As mentioned in the introduction, remittances represent a larger and more reliable flow of resources than traditional foreign assistance. The intentions established by target 10.c are a promising first step, but not satisfactory to fulfill the potential of development represented by remittances. While the Open Working Group outcome is likely to remain as the language of the SDGs, the Financing for Development Conference[10] is still a chance to elaborate more specific language on remittances and development beyond target 10.c. Remittances did have a role to play in realizing the Millennium Development Goals. Although it is not the panacea and should not be faced as the only means of implementation for the new agenda, it should certainly be put in the center of priorities as reliable and underexplored source of funding (Schlapbach, 2014).

[10] The Third International Conference on Financing for Development will be held in Addis Ababa in July 2015. More info can be found at the *Financing for Development* Conference website, http://www.un.org/esa/ffd/ffd3/conference.html (accessed May, 2015).

VI. Implementation challenges

Many challenges arise from a bolder approach to the global management of remittance flows. Despite its vocation to influence international development, a reform on remittances policy can suffer from important pushbacks. While they do not represent a substantive reason for denouncing the ambition of adopting an international normative framework for remittance flows, they should be taken into account when designing and implementing innovative policies.

First and foremost, easing the transfer of remittances might increase incentives for return migration, but can also increase incentives for migration itself. While a broader discussion on the easing of labor migration is outside the scope of this paper, it must be acknowledged that this possible consequence is likely to come up as a serious pushback from states towards implementing our proposal. National sovereignty is the cornerstone of modern international affairs. While one can make the case for more liberalized border as means of increasing remittances, pragmatically, no country can be coerced to receive any more migrants than what they already do. The supremacy over borders is a basic attribute of the state and nothing points in a different direction. However, such an argument is challenged when referencing the duty of assistance of developed countries towards developing countries and through emphasizing the freedom of liberty (and movement) of individuals.

A. Political considerations

Political considerations largely focus on issues within the migrants' country of origin. These critiques usually center on the need for accountability and the lack of effective institutions in the receiving countries to assure this.

Development does not mean the simple growth in GDP, but also has to do with investments that produce results in the general welfare and that result in decreased inequality[11]. Therefore, the relationship between remittances and development poses a fundamental dilemma between public and private, between general welfare and individual freedom in the remittances receiving country. Issues of poor governance deepen the questions on whether remittances resources should be utilized by governments for development programs.

Currently, domestic laws and policies govern remittances. While laws and policies vary significantly from one country to another, it is possible to identify a number of regional trends – whereas nations with similar interests or socio-economic structures may present similar rules. Above all, countries with stronger economies – or net remittance senders – usually present more stringent laws compared to net remittance recipients (for further information on such trends, see Annex 1).

The cause for strict regulations gained momentum in the aftermath of 9/11, especially in the Western world. Yet, terrorism is not the only concern of many nations. The fear is that other criminal activities could be disguised behind a seemingly innocuous flow of remittances, such as drug and arms trade, money laundering, human trafficking, etc (Orozco, 2007). However, funding directed to terrorist groups is usually large amounts of money. Thus, while it can be justified to argue that some financial transfers should be put under stricter restrictions, it should be emphasized that this should only be applicable to larger amounts of money, and not small sums that are usually sent by individuals for their private consumption.

Enhanced security measures may also have a downside. Migrants transfer remittances using one of three types of service providers: banks, post offices, and money-transfer operators (The

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[11] Development has increasingly been understood to go beyond economic growth only. After the Rio+20 Conference, United Nations member states have once embraced a comprehensive notion of development which entails social, economic and environmental pillars. (United Nations PGA, n.d.)

Economist, 2010; see also World Bank, 2014). When rules are too strict, or transaction costs too high, migrants may opt for informal networks – such as illegal financial businesses, informal couriers, or even friends or family members physically moving cash from country to country (Orozco, 2007). This may not only hinder efforts to regulate the flow of remittances; it may ultimately have a negative impact on the development of the receiving country.

B. Potential solutions

Addressing concerns with accountability and weak infrastructure can be dealt with on the receiving side of the remittances, as well as with the transfer-process itself.

I. Using communities to increase accountability

One innovative way to counter these barriers could be the creation of community-pooling systems for sending remittances to countries of origin. The main aim of collective remittances has been to support development projects in migrants' home communities. Successful examples have included Mexico's 3x1 Citizens' Initiative ("Labor Migration Branch," 2014) and the Philippines LINKAPIL and PHILNEED programs (Economist Intelligence Unit, 2008). While the intent of these programs has been on development projects, they serve as useful models for how states of origin could design infrastructure for migrant's remittance flows. Some of the characteristics of the models that make them successful, or that have been recognized as important to the success of the program, include: professional management, capacity building in money management and organizational capabilities, stability and reliability of program and transparency (Economist Intelligence Unit, 2008). Currently, collective systems are as ad hoc as the regional tax framework. In some ways, this could be seen in a positive light, as it allows for context specific solutions that can be shared as best practices in the future.

II. TOWARDS CONSTRUCTING SUPRANATIONAL ARRANGEMENTS FOR THE TRANSFER OF REMITTANCES

The immense fees imposed on remittances today are often argued to be a consequence of the lack of infrastructure and oversight. This can be countered with an initiative to govern remittances by supranational, or intergovernmental organizations. Creating a whole new system of remittances transfer might represent the duplication of existing structures[12]. Furthermore, the funding source for a comprehensive mechanism is uncertain. Much value can be found in the role that international public-private partnerships can play in facilitating strategic remittance flows (see Appendix 9). Given this environment of cooperation, the governments of countries of origin could engage and elaborate policies that internally incentivize remittances as investments (e.g. mortgage based on remittances) (Rannveig & Newland, 2012, p. 123) [13]. It is important to highlight that the international community can and should fill gaps in the current system for sending remittances, while being strategic and avoiding duplication. A suitable way to do this would be to support net sending countries in the provision of quality information on remittances services and how to access them. For example, the World Bank portal of **Remittances Prices Worldwide[14]** not only provides the average cost of sending remittances from one country to the other, but a detailed overview of companies providing these services and for what price. This portal ensures transparency and comparability, which is crucial for remittances-senders to make informed decisions.

The governments of Germany and The Netherlands have also adopted similar initiatives (Agunias & Newland 2012, 116-117) in order to provide transparency and information to migrants wishing to send funds back to their countries. However, the two countries faced a challenge, which is

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[12] Such as banks, post offices and other institutions which already operate remittances transactions. See appendix 5 for more information on the existing structures for remittances –sending.

[13] A system that would include remittances resources to establish credits for purchasing real state in the countries of origin is an innovative way to provide incentives to remittances transfer through official channels and well as to promote investment by the remittances senders. Initiatives like that have been developed in Colombia, Philippines and Burkina Faso (Rannveig & Newland, 2012, p. 123).

[14] The portal can be found at https://remittanceprices.worldbank.org/en (Accessed May 1, 2015)

shared by the World Bank platform: outreach. An information platform is as good as the level of its impact on the decisions of the targeted population. In an interview, the Dutch Minister of Foreign Affairs, Sander Werrie declared that "We don't have the capacity to let people know that they can compare the costs" (Agunias & Newland 2012, 117). Both in the national and global level, the platforms would greatly benefit from greater visibility. The most important product of that would be engaging the remittances senders in the process of actually evaluating what is their best option.

While information-sharing per se does not affect the fee prices, the active engagement of customer does. By reaching out to communities that most use remittances and empowering them, one can motivate the customers to be pickier and more exigent when using these services, providing a race to the top of services and which in turn leads to a decrease in prices.

III. Public-Private Partnerships

The World Bank and the International Organization for Migration work on identifying and executing innovating alternatives to facilitate remittances. For example, a project executed by a partnership between the government of New Zealand, the World Bank and Visa created in 2008 the Westpac Express VISA Card[15]. The mechanism of a low-cost pre-paid card decreased the fees from 20 to 4% to individuals trying to send money from New Zealand to their home island countries in the Pacific (Ernst, 2008).

Some factors suggest the importance of keeping the private sector on board when seeking solutions for facilitating these financial flows. Firstly, as mentioned, partnering up with the private sector avoids duplication. International organizations already have to deal with a significant amount of

[15] Further information on the initiative can found here: http://blogs.worldbank.org/peoplemove/public-private-partnership-reduces-remittance-fees (Accessed April 10, 2015).

budget-related challenges. Any new initiative should be financially sound and feasible. Therefore, they should tap on the existing structures and adapt them to better cater to the new strategies.

Secondly, the private sector remains a central locus of innovation. It is in the best interest of companies to produce new technologies and in scale, which also decreases the costs of implementation. Thus, by partnering with the private sector (banks, start-ups, cooperatives), international organizations could provide guidance on where to improve. Private companies would benefit by making their learning curves steeper and providing an enhanced quality of services to their customers.

Thirdly, keeping the private sector as a stakeholder in an inclusive way would foster competition among service providers. Considering the economic potential provided by the growth of remittances flows going through official channels, companies would stage a “race to the top”, aiming at decreasing costs and improving transparency. This would create an enabling environment to fulfill the true transformative effect that an improved remittances could have on the lives of individuals in developing countries.

Moving towards utilizing partnerships between the public and private sector when it comes to regulating remittances may thus increase efficiency, in particular through market incentives and by making use of the current private infrastructure. Such an approach also encourages dynamic and learning across different sectors, leading the way for mutually beneficent solutions and the creative environments for new ideas with increased capacity and funds.

VII. Conclusion

Since the drafting of the ICRMW in 1990, the picture of migration has changed drastically as is evidenced in the empirical data presented in the paper. Much has been learned and yet many challenges remain. While migrant workers' transfer of remittances has the potential to assist in the development of receiving countries, we argue any legal or policy objective must foremost be grounded in the principles of justice and individual autonomy. Therefore, remittances should be included in the ethical discussion of migration and international development. The current tax regimes of remittances in countries of employment, as well as the cost of transferring remittances, need to be alleviated. As we have argued throughout this paper, the current legal infrastructure fails to align practice with the ethical debate. Our proposal would address this misalignment by strengthening international law to clarify and provide guidelines that protect the rights of migrant workers to remit, as well as strengthening the role of remittances in the global framework for development, which ultimately acts to ease migration in line with upholding the ethical principles of justice and individual liberty in international relations.

APPENDIX

1. Regional trends of national law

When it comes to regulatory frameworks, national laws and policies govern the remittance marketplace. This leads to one of the main obstacles concerning remittances today, which is a lack of coherence in the regulations of sending vis-à-vis receiving countries. Even though such rules tend to vary from country to country, it is still possible to identify a number of regional trends.

Before looking at regional trends, it is important to first outline the different methods used by migrant workers in sending remittances. There are three types of services that migrants use to transfer their money abroad:

- Banks;
- Non-bank financial intermediaries (NBFIs) – privately-owned companies providing financial services;
- Informal intermediaries – which include, for instance, friends or family members physically moving cash from one country to another, illegal financial businesses, informal couriers etc.

Businesses operating in the remittance marketplace are usually subject to local, national, and international regulations. However, when rules are too strict or transaction costs are too high, migrants might choose to transfer their money through informal networks. And this may impact the development of receiving countries (Orozco, 2007).

The European Union

The European Union presents a fragmented system, with each member of the confederation having its own standards. The overall trend though is to enforce strict rules containing provisions aimed at preventing illegal money flows – money laundering, drug trade, terrorism etc. Such provisions may include, for example, requirements of money-transfer operators to acquire actual banking licenses, and customers' ID verification.

The exceptions to the rule are the United Kingdom and Sweden. These countries not only present more flexible regulations, but they also advocate for a higher degree of flexibility within the Union itself. Therefore, on the contrary of other member states, in the UK non-banking financial institutions do not need a banking license in order to operate, and identification procedures are not legally bound to specific conditions.

The Americas

In the Americas, control systems monitoring money transfers occur primarily in the United States – with both banks and money-transfer operators having to abide by both state and federal regulations. Similarly to the European Union, also the US is concerned about the potential use of money transfers for criminal purposes. However, contrarily to the EU, money-transfer operators are required to abide by even stricter procedures – such as staff training programs, maintaining records with customers' information, and special monitoring of transactions exceeding $10,000. Moreover, migrants wiring money abroad should provide full ID and contact information of both themselves and the receiving party.

As for Latin America regulation is more basic, but rules are in large part tailored in order to avoid conflicts with US standards. Most countries require all legitimate money-transfer businesses – including banks and post offices – to hold an official license. Yet even though most transactions occur through these institutions, there are places where up to 1/3 of remittances are transferred via informal intermediaries.

Africa

Regulations in Africa tend to differ a lot from country to country. Overall, however, international rules that began emerging after 9/11 imposed a number of standards that in many cases made money-transfer businesses either less accessible, or more expensive to use. For this reason, a large part of remittance flows between developed countries and Africa still take place through informal intermediaries.

ASIA

While, similarly to Africa, also Asia presents significant differences, in this case the overall regulatory environment is more developed and sophisticated. A feature shared by many Asian states, for example, is a strong presence of that country's Finance Minister and central bank as central regulators overseeing international transactions. Specifically, central banks have complete jurisdiction over money-transfer operators. Moreover, there are widely accepted rules that reflect the approach taken by the United States and the European Union. Among them there are requirements regarding the sender's identification, and special controls on transaction over a certain amount.

2. GLOSSARY

Burdened society = The notion John Rawls uses in his book "Law of the Peoples" to describe developing countries, to which developed countries have a duty of assistance

Country of origin/Recipient country = Country that receives remittances, where labor migrant is originally from

Host country/Sending country = Country that receives a labor migrant

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