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THE GLOBAL ORDERING OF REMITTANCE FLOWS:

FORMALISATION, FACILITATION, FUNNELLING AND FINANCIALISATION[1]

Anna Lindley A.Lindley@soas.ac.uk

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Around the world, people use diverse mechanisms to relay income across borders, supporting family members, personal economic projects and community initiatives in their countries of birth/heritage/dispersal. In turn, many origin country governments attempt to shape these flows in some way. But a wide range of other actors also have a stake in how remittances flow around the world. Businesses seek profit through money transfer and other financial services; international financial bodies seek policing of remittance channels to combat criminality and terrorism; and international organisations, development banks, NGOs and migrant associations seek to leverage remittances to promote their visions of development. While these actors vary in their perceptions of problems and progress, considerable networking and cooperation has emerged among them. Thus, as a counterpart to a global migration management agenda 'seeking safe, orderly, and regular migration for the benefit of all' (UN 2018), we also have a busy arena of 'remittance management' policies and practices, shaped by a multiplicity of global actors and agenda.

The global governance of migration in general has been described as 'a complex and fragmented tapestry of overlapping, parallel, and nested institutions' (Betts 2011). How are global remittance flows governed? To explore this question, I reviewed landmark reports published by international organisations and relevant academic research and the 133 'Policies and Practices' relating to remittances that have been logged in the Global Forum on Migration and Development database. The analysis explores how governance unfolds via particular ways of understanding and framing issues, concrete interventions of different kinds, and their (un)intended outcomes; particular attention is paid to the power dynamics underpinning remittance policy formulation and implementation and roles of different stakeholders (Foucault 1991; Ferguson 1990; Dean 2010).

This chapter identifies four distinct but intersecting agenda that have emerged around remittances in the last two decades. This analysis focuses on material resource transfers, rather transmission of ideas, practices, social capital and identities between migrants and origin communities, which are often described as social remittances (Levitt, 1998). First, after 9/11, remittances were targeted by financial regulators as part of counter-terrorist finance efforts, with a global push to formalize remittance flows coming from the intergovernmental Financial Action Task Force. Second, in the context of a global search for new forms of development finance, the World Bank has led efforts to facilitate remittance flows and reduce transfer fees. Third, a range of actors have engaged in efforts to funnel remittances into origin community income generation and infrastructure initiatives. Fourth, the global financialisation trend has also embraced remittances as an entry point to financial inclusion and deepening.

The analysis reveals a global policy assemblage of logics and practices that display some elements of coordination and coherence, alongside elements of difference and friction. Some impacts can be

[1] I am grateful to Femi Bolaji, Kavita Datta, Thomas Marois and Araby Smyth for their comments on a draft version of this chapter.

traced in migrants' life experiences, remittance processes and origin communities. Policy efforts directed at the movement of migrants' money seem to have caused less contestation and generated more fluid cooperation between actors than policy efforts directed at the movement of migrants themselves. This is made possible by disembedding remittances as a policy object from the complex and contested migration dynamics in which they are embedded, and by accepting a selection and hierarchy of priorities regarding remittances that reflect or do not work against the interests of richer destination states.

FORMALISATION

Global-level efforts to police remittances have emerged against a particular historical backdrop. States have long imposed regulations on financial activity, determining the types of business and the parameters of their dealings, as a matter of economic policy, and to prevent criminal activity and maintain public confidence in the financial sector. Neoliberal reforms since the 1970s deregulated financial markets, arguing that the free flow of capital will lead to the efficient, welfare-maximising allocation of resources within and between societies (Mader 2018). However, with this opening up, concerns about the criminal use of financial services increased, with US pressuring for international cooperation with the war on drugs money laundering, leading to the establishment in 1989 of the Financial Action Task Force. This intergovernmental body became 'the focal institution of a powerful financial governance regime', engaging in international standard-setting, development of anti-crime measures, and implementation monitoring.' (Nance 2017, 131). But the focus was on Anti-Money Laundering (AML) measures targeting large international transfers, rather than smaller-scale forms of money transmission, such as remittances (de Goede 2018).

At the start of the 2000s, there was a variegated global landscape of financial intermediaries involved in facilitating the transfer of remittances to migrants' countries of origin (Pieke, Van Hear, and Lindley 2007). For centuries business people with ties to specific geographical regions or ethnic communities have arranged for transfer and receipt of funds, settling debts between agents later on, often via reverse transactions or trade import finance – in many parts of the world they are known as hawala operators (FATF 2013). Other actors include couriers and taxi/bus drivers, commercial retail banks, specialised large scale corporate money transmitters, post offices, microfinance institutions and pre-paid card companies (more recently mobile / digital financial services have become an important element). National regulatory frameworks around the world varied in the extent to which and ways in which they sought to shape the activities of remittance intermediaries, with very large informal financial sphere in some countries.

In the last two decades this landscape has been reshaped in important ways. Following 9/11, the US President George Bush declared a 'financial war on terror' with the closure of a Somali money transfer operator Al-Barakaat, alleged to have links to the 9/11 attacks, increasing domestic financial surveillance, and urging other states and global financial institutions to cooperate (Bush 2001). The FATF stepped up, issuing *Special Recommendations on Terrorist Financing*, which included recommendations relevant to 'alternative' (i.e. non-bank) remittance service providers. These providers were seen as open to abuse because they were handling a lot of cash, not necessarily within the context of a long-term relationship with their clients, with varying levels of regulatory supervision, some utilizing non-bank settlement methods harder for police to track. In particular, hawala-type service providers connected with Muslim communities were presented in the media and the financial and law enforcement worlds as, at best, particularly *vulnerable* to use for illegitimate purposes, and at worst, expressly *designed for* illegitimate purposes (de Goede 2003; Passas 2006b).

Concretely, the *Special Recommendations* required that 'alternative' remittance intermediaries were licensed or registered by the state; follow particular practices as regards customer identification

(allowing for extremist watch list and suspicious transfer pattern screening); and that these practices are monitored and enforced by regulators. While prior interest had been primarily in monitoring large money transfers used to launder money, terrorist operations did not require large amounts of finance, so Countering the Financing of Terrorism (CFT) efforts focused on smaller transactions, governing ' mundane money flows and the transactions of everyday life in new ways.' (de Goede 2018, 9)

Although soft law, the FATF recommendations exert considerable clout. FATF membership criteria emphasise the strategic importance of the member country, indicated by the size of GDP and the financial sector, as well as size of population, AML/CFT risks faced and commitment/efforts in combating these. Most of the 37 current members are high-income OECD countries, with membership expanded through the 2000s to include several other major countries (including Brazil, China, India and Mexico): there is significant political and economic muscle behind this agenda. The FATF also operates as a wider transnational public policy network, via 'FATF-Style Regional Bodies' including non-member states, which 'effectively extend FATF's purview to over 180 jurisdictions including almost every country in the world' (CGD 2015, 3; Nance 2017). The FATF developed processes for monitoring compliance and for grey/black-listing non-compliant jurisdictions, i.e. signaling to market actors that transactions involving institutions in those countries are subject to heightened scrutiny by regulators. While it is undeniable that 'a securitization process initiated in the United States has been reproduced globally' (Vlcek 2015, 413), some argue that the US (and EU) basically call the shots and other countries act out of fear of economic punishment; others suggest that the compliance process is less hierarchical, more reflexive, and shaped by social learning (Nance 2017; Passas 2006a).

It is hard to evaluate how effective these measures have been at achieving their stated objective of preventing criminal and terrorist use of non-bank remittance service providers. The FATF has enjoyed considerable success in encouraging harmonization, with many countries taking on board the new international standards, for instance many now requiring hawala-type providers to complete a registration/licensing process, or stipulating that these forms of money transmission are illegal (FATF 2013, Nance 2017). The current peer review system and grey/blacklisting process is thought to function fairly effectively (CGDEV 2015). The rapid growth in recorded remittance volumes (see next section) in part reflects successful formalization. Yet at the same time, informal mechanisms continue to be very significant in some remittance 'corridors' (Datta 2012).

However, arguably this has not been the most effective use of resources. In the context of a wider securitisation and criminalisation of migration, smaller ethnic niche remittance intermediaries were easily framed as a finance 'folk devil' (Cohen 2002). The FATF response to 9/11 was characterised by criminologist Nikos Passas as a hurried and 'fact-free policy making process' (Passas 2006b, 45). Later analyses of hawala-type operators found that while some operate in ways that infringed regulations in particular jurisdictions, there was little concrete evidence linking them to terrorist activity (Passas 2006b; FATF 2013). Arguably in many developing countries, 'the money could be better used for something advancing local welfare as opposed to being used to satisfy the fears of Americans and Europeans about criminal money and terrorist finance.' (Vlcek 2015, 417).

Meanwhile, concerns were raised about counterproductive effects. In many 'corridors' niche transmitters with varying degrees of formality offered the cheapest service, with fees of less than 5% on small transfers. The costs of compliance with new AML/CFT measures could be passed onto customers, raising fees, and potentially driving transactions underground (FATF 2013; CGD 2015; Passas 2006b). Moreover, while most money transmitters require the cooperation of a bank in the course of their operations, banks became increasingly cautious about providing accounts to money service businesses, seeing them as 'risky clients'. By the mid 2000s it was clear that 'Banks, MSBs,

immigrant workers, traders, regulators, law enforcement, the wider public and the international community are unhappy about the current regulatory regime' (Passas 2006a, 335).

There was also considerable scope for collateral damage. In some countries, like Somalia and Afghanistan, 'alternative' money transfer systems were in fact mainstream and interference could have significant economic consequences (Passas 2006b). Targeting popular financial mechanisms risked fomenting mistrust between affected minority communities and governments (Passas 2006b, de Goede 2003). Tensions emerged between stiffer financial regulation and financial inclusion: for example in South Africa initially legislation adhering to international standards on identification made it impossible for a third of the population, living in informal settlements, to get a bank account (de Koker 2006).

In light of concerns about over-zestful and blunt, one-size-fits-all regulatory approaches, the FATF produced 'risk-based guidance' stipulating that the level of regulatory attention paid to FATF recommendations should be commensurate to the risks posed in particular jurisdictions, market sectors and products – and that sometimes simplified measures may be adequate (Nance 2017; FATF 2007). Yet regulators still often send mixed signals to banks and other providers, generating concerns about what constitutes appropriately rigorous risk assessment; combined with the chilling effect of hefty fines, and substantial discretion often given to banks on how to address risk, this has led banks to 'derisk' entire client groups, including many ethnic niche money transmitters whose accounts are 'denied, downgraded, or made more expensive' forcing them to close, join bigger networks, disguise their business or utilize non-electronic transfer methods harder to track (Passas 2006a; de Goede 2018; CGD 2015, viii; Nance 2017; FATF 2017).

The history of the Somali money transfer sector illustrates several issues with the AML/CFT agenda. After the collapse of the state and the limited formal banking system, so-called 'alternative' money transfer operators in fact functioned as the mainstream financial sector, facilitating domestic and international trade, aid and investment, as well as remittances (Lindley 2009). But this system has been periodically brought into crisis by regulatory intervention. Days after 9/11 the US government claimed that the largest Somali money transmitter Al Barakaat was used to finance terrorism: key countries where Al Barakaat operated froze its bank accounts and it was added to lists of various terror-supporting organisations. Yet no solid evidence emerged to substantiate the claim and the 9/11 Commission concluded that the designation was driven by the need 'to show the world community and our allies that the United States was serious about pursuing the financial targets' (Roth 2004, 79). Recognising the importance of these services to the Somali economy, and fearing the disruption of the remittance 'lifeline', UNDP started a programme supporting the development of the remittance sector and regulatory compliance. After some disruption, the sector adapted: some companies floundered, others consolidated, expanded and professionalized (Lindley 2009). But regulation continued to cause issues. The money transfer operators needed bank accounts to aggregate and relay settlement funds to their international clearing houses in UAE, but banks were increasingly withdrawing their services (Lindley and Mosley 2014; Orozco and Yansura 2013). In the UK, Barclays Bank announced the closure of many money transfer businesses in 2013, affecting four large Somali operators, because of the perceived costs of due diligence, rather than actual compliance failures; indeed one of the largest, Dahabshiil, was described as a model customer.[2] Outrage and advocacy by the Somali community and successful legal challenge by Dahabshiil resulted in a postponement, allowing alternative mechanisms to be put in place (Lindley and Mosley 2014; Datta 2016). Over recent years other actors such as the World Bank have stepped in to work with the re-established Somali Central Bank on strengthening financial regulation in Somalia, but de-risking remains a major challenge (Majid et al. 2020; World Bank 2016). Apart from the issues with

[2] Dahabshiil Transfer Services Ltd v Barclays Bank Plc [2013] EWHC 3379, para.36.

AML/CFT regulation, this example also shows how remittances have increasingly attracted the attention of civil society and the international development industry; the next sections explore their roles in the global ordering of remittance flows.

FACILITATION

While remittances were long seen as an economic irrelevance, or symptomatic of underdevelopment, by the 1990s, research and political attitudes had begun to shift. International policy interest grew gradually following the 1994 Cairo International Conference on Population and Development and in the early 2000s, remittances assumed a central position in a growing debate about how migration might be a 'tool for development'. Statistical work by the World Bank highlighted notable growth in recorded remittances to developing countries, their relative stability, and significance compared with other financial flows, in particular outstripping Overseas Development Assistance (Ratha 2003; World Bank 2006). These findings were heavily cited in a mounting body of academic work and landmark publications by international organisations, and resonated particularly strongly in the wake of the 2002 Monterrey Consensus, highlighting shortfalls in progress towards the Millenium Development Goals and fuelling a search for alternative sources of development finance (Pécoud 2015; Carling 2008; Hudson 2008). The image of hard-working migrants supporting families and communities back home appealed to policy-makers of different political bents. International financial institutions tended to view remittances through a neoliberal economic lens, as a transfer of resources to poorer economies in the spirit of comparative advantage, which could foster self-reliance and risk management. At the same time, other segments of the international community welcomed the human development – welfare, education, health, housing and so on – contributions of remittances. For advocates of autonomous, grassroots-driven development, remittances represented economies of solidarity and a way of coping in response with the upheavals of structural adjustment. Suddenly private sector actors also found that their remittance transfer business gave them a stake in wider development policy discussions. Remittances were catapulted to the status of a 'new development mantra' (Kapur 2005, 331), a 'buzzword' (Cornwall 2007, 471) with sufficiently ambiguous conceptual resonances to allow the convergence of very diverse actors around a broad consensus that these flows matter.

And converge they did, in a proliferation of policy conferences over the course of the 2000s (Kunz 2011). Remittance research, policy and practice were shared in global-level platforms around migration and development mentioned elsewhere in this book as well as number of platforms focused specifically on remittances (e.g. the Global Forum on Remittances, Investment and Development biannually since 2007, and the Global Remittances Working Group 2009 onwards). Much of this activity originated 'in the work of remittances experts and policy entrepreneurs within a handful of international institutions dedicated to the design, application and spread of a market-based model of development…. [who had] little trouble finding partners with other international organizations, national government agencies, think tanks and the like. The confluence of these various actors generated a relatively cohesive policy consensus.' (Bakker 2015, 201; see also Pécoud 2015; Kunz 2011). The major themes in international policy commitments have been: facilitating remittance flows, funnelling remittances into local development and leveraging remittances for financial inclusion (G8 2004; BIS and World Bank 2007; World Bank 2014b; UN 2018).

'Facilitation' here refers broadly to efforts to smooth the (formal) passage and increase the volumes of remittances. This agenda has been embraced vigorously by the World Bank, in a particular way: focusing on reducing 'wastage' via transfer fees, particularly on small amounts, to allow more money to reach migrants' families in developing countries (World Bank 2006; CGD 2015). This approach was also broadly supported by government development aid donors, regional development banks, and migrants' umbrella organisations (Kunz 2011). Reviewing the 'policies and practices' logged in the

Global Forum on Migration and Development information-sharing database that reference remittances, it is clear that costs reduction measures have been a very popular focus for intervention.[3] A prominent example of relevant cooperation was the work of the World Bank and Bank for International Settlements with other IFIs and central banks to formulate the *General Principles for International Remittance Services*, setting out roles for remittance service providers and public authorities, endorsed by G8, G20 and the Financial Stability Forum (Datta 2016; BIS and World Bank 2007). Lack of market transparency has been a major theme, prompting calls for industry actors to provide migrants with clear information on amount to be received, fees and exchange rates, time and location for delivery, and a proliferation of donor-sponsored price comparison websites. Other ways of fostering cost reduction included tackling weaknesses in payment system infrastructure and encouraging 'sound, predictable, nondiscriminatory and proportionate' regulation that complied with AML/CFT requirements but also reduced barriers to entry and countered monopolistic business practices in some corridors (BIS and World Bank 2007, 4). In 2009 the G8 (later joined by the G20) committed to the '5x5 Objective', i.e. reducing the global average cost of remittances from 10% to 5% by 2014; in 2015 the UN Sustainable Development Goals (and later the Global Compact on Migration) included the target of reducing the global average cost of remittances to less than 3%, and eliminating corridors with average costs higher then 5% by 2030.

How effective have these interventions been? Costs have come down considerably: in 2008 the global average cost was estimated at nearly 10%; by 2019, it had dropped to around 7% (World Bank 2010; 2019). But progress has fallen short of the 5% target, and there is considerable variation between regions (hitting 5% in South Asia, but over 9% in Sub-Saharan Africa) and provider types (banks remaining the costliest channel at nearly 10%) (World Bank 2019). The World Bank notes de-risking and regulators' failure to address competition issues as obstacles to cost reduction (World Bank 2019).

Note that action to facilitate remittances took a very particular form. The focus has been on *market-based encouragements* to reduce costs: price controls were eschewed in favour of voluntary targets and transparency initiatives. The focus has been on decreasing *formal* transfer costs: despite the fact that informal mechanisms are sometimes cheaper, and facilitators often critique AML/CFT measures, the goal of formalization agenda is not contested, indeed cost reduction is noted to 'reduce dependence on the shadier world of informal remittances services' (World Bank 2005, 7; see also Cross 2015). The focus has also been on making the most of *existing remittances:* while an obvious way to increase remittances would be to promote migration opportunities, in the face of political sensitivities around migration, the World Bank initially strategically doubled down on knowledge production and cost reduction, avoiding potentially antagonising state sponsors - although later became more involved in promoting circular migration programmes (Boucher 2008; Geiger and Pécoud 2010).

Calls to facilitate remittances framed them as a growing, stable form of 'new development finance', a notion which deserves closer scrutiny (Wimaladharma, Pearce, and Stanton 2004, 1). The statistical *growth* is somewhat misleading - one study suggests that changes in the migration fundamentals (migrant stocks and incomes) only account for 20% of the growth registered in remittances between 2000 and 2010 – suggesting that most of the remarkable climb was due to formalization and data collection improvements (Clemens and McKenzie 2014). The much-vaunted *resilience* of remittances is premised on stability in destination countries, something COVID-19 will test, with a predicted 20% decrease of remittances in 2020; meanwhile any counter-cyclical dynamic

[3] There are 133 'Policies and Practices' logged that relate to remittances, with cost reduction featuring as part of the goal in more than half.

has a human cost, as presumably sustained by more people migrating, or migrants squeezing themselves to increase support to dependent families (Kunz 2011; Lindley 2010; World Bank 2020). Framed via discursive and accounting practices as *development finance*, indeed 'Remittances also appear to be the least controversial aspect of the overheated debate on international migration.' (Maimbo and Ratha 2005, 2). But this misleadingly abstracts remittances from the contested migration landscapes and complex socioeconomic rationalities in which they are embedded, and which shape their susceptibility to policy intervention; it also tends to optimistically imply *intrinsic* development benefits, but in the absence of convincing evidence for this, international discourse has moderated over time to more circumspect language emphasizing significant *potential* benefits, i.e. calling not just to facilitate remittances but also to optimize their onward journey after they reach recipients (Kunz 2011; Datta 2016; Guermond 2019; Lindley 2011). The final two sections turn to the policy agendas around this onward journey: funneling and financialisation.

FUNNELLING

Prior to the 1990s, migration optimists emphasised the idea that the free movement of labour would eventually lead to balanced growth, paying limited attention to remittances; meanwhile 'migration sceptics' emphasised ways that migration compounded uneven development, raising concerns that remittances 'fuel wasteful consumption, exacerbate inequalities, fund violent conflict, and diminish over time' (Gamlen 2014, 585). During the 1990s, research led to a growing acknowledgement of the human development value and multiplier effects of the large proportions of remittances spent on consumption, and also showed that 'Remittances contribute to savings and asset accumulation more, and decay over time less, than previously thought.' (Gamlen 2014, 585). But there was still a perception that opportunities were being missed to funnel these flows in ways that promoted greater self-reliance among individuals and communities. Thus, a part of the international policy discussion moved beyond facilitating flows, to how to funnel remittances into sustainable local development.

'Funneling' here refers to efforts to enhance the impact of remittances in home communities, by providing incentives to mobilise and channel individual or collective transfers towards 'productive activity' and infrastructure improvement, often with the explicit or implicit aim that people in future should not feel the need to migrate. Intervention can take a variety of forms (Carling 2008; Orozco and Rouse 2007). Examples of ways political authorities may try to extract value from the diaspora include: foreign currency controls, requirements to repatriate earnings, taxation on repatriated earnings, removal of tax requirements or red tape for would-be individual migrant investors, or launch of diaspora bonds to fund infrastructure development. Development projects also sought to connect migrants or returnees and their communities with asset-enhancing project supports (training, SME technical assistance, credit) to encourage enterprise. The matched funding programme became a prominent model, whereby contributions from migrants to specific improvement projects are matched by other development actors. The mode of action in these funneling initiatives is about offering incentives, education and support to nudge behaviours.

A range of actors have been active in this space. For origin country governments, funneling remittances offers possibilities to supplement state budgets and augment service provision and development activity in emigration areas. For migrant associations, funneling projects offered the possibility of securing additional backing for the improvements they sought in their home communities and a modicum of political clout. For donor governments and international organisations, funneling projects appeared to offer opportunities to experiment with new civil society partners, engage constructively with migrant associations on their doorstep and a potential model to replicate in other regions. For example, the UK government development agency UKAid and Comic Relief fund a Diaspora Finance Initiative coordinated by the African Foundation for

Diaspora and Development, aiming to stimulate diaspora investment in job creation via a social enterprise accelerator grant competition and business development information and support.[4] The Danish government development agency Danida funds a Diaspora Programme via Danish Refugee Council which offers project support for diaspora-led relief and recovery activities in Somalia and Afghanistan, with minimum 15% cash/kind contribution required from the supported organisation.[5]

Some actors are less keen on this mode of intervention, however. The World Bank has preferred to focus on cost reduction and access to financial services, skeptical of planning particular incentives for diaspora engagement: 'because they pose clear risks [and may] encourage tax evasion… [or] divert funds from other local funding priorities…. Efforts to increase savings and improve the allocation of expenditures should be accomplished through improvements in the overall investment climate, rather than by targeting remittances.' (World Bank 2006, xvi). Others raise social justice issues – questioning the equality implications of directing additional state funding to organized emigration communities which may or may not be the poorest; and also questioning whether it is appropriate to target migrants often enduring in-work poverty and hostile immigration regimes with requests to remedy basic service and infrastructure deficits which are arguably the responsibility of the origin state (Carling 2008, Datta 2012).

Mexico is a key case study: in the late twentieth century, in the context of domestic political upheaval, the Mexican state shifted towards a national narrative of the migrant as a development hero and has led the way on funneling initiatives, generating a wealth of research explores the benefits and pitfalls of these interventions (Iskander 2010). The Programa 3x1 (whereby collective donations from Home Town Associations of Mexicans in the USA to infrastructure, sociocultural and employment-generating projects were matched by contributions from municipal, state and federal government in Mexico) was developed piecemeal in high emigration states seeking to mobilise migrant support to offset budget cuts and rural discontent, and in the early 2000s took shape as a major national programme which continued on a significant scale until recently and was much emulated around the world (Iskander 2010; Bada 2016).

These interventions have made a difference in the communities affected, by providing financial and social incentives to mobilise migrants to support wider community improvement, in collaboration with government. In terms of impact, they have supported the incubation of a multitude of small businesses in emigration communities around the world, and funded wide-ranging infrastructure improvements, from drainage to schools to market facilities to town beautification. This has occurred on considerable scale: in 2014, for instance, the Programa 3x1 supported 2,901 projects in 611 municipalities (Delgado Wise 2018). There have also been less direct benefits, for example, the Programa 3x1 has been credited with fuelling a culture of accountability among the actors involved; giving migrants, as a long-neglected constituency, greater political voice and providing 'a transnational forum for participatory community development planning'; giving an impetus for community organisation in the US which supported immigrants as well as home communities; and bestowing prestige as Mexico became a much-cited and emulated source of 'best practice' (Iskander 2010, 297; Bada 2016; García Zamora 2007).

At the same time, the Mexican experience also highlights some problems that can arise with these kinds of programmes. Funneling projects were often accompanied with a 'public relations blitz' infused with problematic gendered neoliberal subjectivities, opposing the active, heroic, economically rational male migrant, with the passive, dependent female recipient who needs to be

[4] http://www.afford-diasporafinance.org/about-dfi/

[5] https://drc.ngo/relief-work/diaspora-programme/what-we-do/diaspora-project-support/how-to-apply

made more productive (Iskander 2010, 281; Kunz 2011). Yet there are limits to how much project supports can nudge recipients to engage in more 'enterpreneurial' behaviours in real life contexts where remittances may be unreliable, recipients are shouldering reproductive labour and community responsibilities as well as existing income-generating activities, and face challenging investment climates (Kunz 2011; Bada 2016). HTA leaders estimated that over half of the projects funded via the Programa 3x1 between 2002 and 2010 failed after a few years (Bada 2016). Income-generation initiatives have often focused on export agriculture, maquila production or nostalgia markets: while bringing improvements for some, this has not transformed rural livelihoods made precarious by trade liberalization, created new domestic markets or promoted local food sovereignty (Bada 2016, 352; Iskander 2010; Delgado Wise and Gaspar Olvera 2018). While Mexican migration to the US decreased to near zero net levels, it is not clear that this is because of remittances improving development in poor emigrant communities - indeed there are still striking levels of dependency on remittances among poor families - rather than factors on the US-side (Delgado Wise and Gaspar Olvera 2018; Alba 2013). There are problems with political and economic bias: strongholds of the ruling party were rewarded with Programa 3x1 projects and the poorest municipalities had fewer projects than wealthier municipalities with similar levels of migration (García Zamora 2007; Aparicio and Meseguer 2012). Finally, the responsibilisation of migrants for hometown development, including often basic infrastructure needs, consistent with an relinquishing of responsibility by the state under neoliberal reform, makes many uncomfortable (Smyth 2017; Kunz 2011; Bada 2016).

The Mexican experience illustrates some of possibilities and the challenges of remittance funneling efforts, and the relevance of the wider development context (de Haas 2010). An account of remittance policy development would not be complete, however, without exploring the financialisation of remittances, which rather than funneling remittances directly into developmental activities, sought to secure development benefits via increasingly complex financial intermediation of these funds.

FINANCIALISATION

Global economic policy has been heavily shaped since the 1970s by the neoliberal claim that markets are the foundation for a stable social order and economic progress, with finance – the management of money, its accumulation and flow – central in this agenda. Financialisation denotes 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies.' (Epstein 2005, 3). Financial inclusion, i.e. increasing people's access to and use of financial services,[6] has been widely promoted as pro-poor, pro-growth development strategy (World Bank 2014a). This is premised on the perceived benefits of financial service access for individuals (allowing intertemporal intermediation and individual responsibilisation for self-reliance and risk management) and society at large (assuming that finance drives growth by lowering transaction costs and distributing capital and risk across space and class) (Mader 2018; Cross 2015).

As remittance statistics hit the headlines in the 2000s, financial commentators took note, remarking that these flows - small amounts, often sent via informal mechanisms, by workers on the margins of society - had been 'hidden in plain sight for decades' (Multilateral Investment Fund quoted in Kunz 2011, 50). Remittances were framed as an unexploited opportunity for financial inclusion, which in turn was a way to support the formalization, facilitation and funneling of flows. The thinking is this: rather than going under recipients' beds or into an informal savings mechanism, the remittance

[6] Embracing a wide range of providers (including banks, mobile finance, credit cards, cashless payment cards, payday lenders as well as microfinance providers) (Mader 2018)

transaction can create a moment of contact with the formal financial system, of particular significance for people in poor rural communities who may have little access to formal financial services. This moment increases awareness of financial services and may induce recipients to open a savings account, and build up a financial history, enabling them to take out loans and insurance (what Brown, Carmignani, and Fayad 2013 term the 'induced financial literacy' hypothesis). All this can help migrants' families to accumulate, invest, and manage risks more effectively. Meanwhile, remittance transfers and migrants ' savings may encourage banks and other financial service providers to expand their networks, and extend more credit, stimulating entrepreneurship, and insurance, supporting resilience (Brown, Carmignani, and Fayad 2013). The business case for banks and microfinance institutions went beyond capturing a share of the remittance payment market itself, to opportunities to cross- and up-sell other products to migrants and their (upwardly mobile) families (Toxopeus and Lensink 2007).

Prominent in this arena are the World Bank, IFAD, the Consultative Group to Assist the Poor, USAID and private sector financial services, including the fintech industry. It is an arena of extensive private sector innovation, public-private partnerships, global cooperation and networking. For example, IFAD, an international financial institution and UN agency focusing on rural investing in rural people, poverty reduction, food security and resilience, hosts a US$35 million 'Financing Facility for Remittances' (ACCESS Advisory 2019). This is financed mainly by the European Commission, the Luxembourg and Spanish governments, and the UN Capital Development Fund, and strategic partners include the World Bank, CGAP and the IDB. The aim of FFR is 'to increase economic opportunities for poor rural people by supporting and developing innovative, scalable, cost-effective, and easily accessible remittance services that promote financial inclusion and productive investment in rural areas.' (ACCESS Advisory 2019, 13) It currently supports over 60 projects in over 40 countries around the world.

Greater financial inclusion of remitters and recipients could also support remittance securitisation.[7] Developing country entities often find it difficult to access low-cost, long-term loans, particularly in turbulent economic and political times. To borrow against future remittance flows, a bank pledges its future remittance receivables to an offshore entity, known as a Special Purpose Vehicle, which issues a loan to the bank: thereafter remittance flows destined for the bank are channeled into an offshore collection account, from which SPV investors are paid and any remainder is sent on to the bank (Ketkar and Ratha 2009). Due to the offshore nature of the process, rating agencies are less concerned about sovereign risk and the securities issued typically obtain an investment grade rating, allowing banks in developing countries to access credit at lower interest rates for longer duration, and lend these on to their client base (Hudson 2008). First used in the wake of the Mexican currency crisis in 1994-5, as of 2008, developing country banks had used this mechanism to raise over $20 billion, particularly in Mexico, Brazil, and Turkey (Ketkar and Ratha 2009). According to the World Bank, which has promoted remittance securitisation, regulatory frameworks and concerns about securitization post-GFC have slowed take-up (World Bank 2015). Meanwhile, international actors is also increasingly moving beyond remittances to explore the potential of diaspora bonds and investment funds, although there is still quite a gap between enthusiastic discussion and actual implementation (World Bank 2015; Faal 2019).

The financialisation of remittances prompts some questions and concerns. First does financial inclusion really transform lives? Where recipients are encouraged to utilize formal financial services,

[7] Securitisation emerged as a means of anchoring the global cash pools of speculative investors, and is the process by which new financial assets are generated from 'passive' illiquid assets with a cash flow attached (the best-known example being mortgages secured on residential properties), by pooling and commodifying them into tradable securities (Storm 2018).

this may provide 'improved money management, a diffuse sense of inclusion, and expanded financial choices', but there is limited evidence of financial inclusion having transformative effects on poor people's living standards, or clearly driving economic growth, belying some of the grander claims made (Mader 2018, 478).

Second, these processes have potential downsides. Research on financial inclusion efforts (from banks to microfinance to fintech companies) has highlighted: the regressive fees charged for some services and punitive black-listing for defaults on tiny debts; a lending focus on unsustainable quick-turnover, informal service and retail microenterprises that suit short-term high-interest loans; the nudging of poor clients into behaviours (borrowing, gambling) that may compound poverty with spirals of indebtedness; indebtedness functioning as labour discipline with workers afraid to strike or change job; and complex gendered effects which belie simplistic pro-women claims (Bateman 2019; Storm 2018; Ghosh 2013; Kabeer 2005; Bateman, Duvendack, and Loubere 2019; Guermond 2019). There is little research as yet on these questions in relation to transnational communities. Securitization of ever-increasing range of things means that financial markets deeply penetrate social space and miscalculations can have big consequences, as demonstrated in the Global Financial Crisis of 2008: while remittance securitization originally emerged as a response to a liquidity crisis in Mexico, in some senses 'issuing remittance-backed securities is generating and putting new risk into the financial system.' (Hudson 2008, 328; Storm 2018).

Third, neoliberal financialisation increasingly seems to be moving finance beyond being a tool serving and intermediating economic activity, towards working 'to restructure economies to the advantage of financial investors' (Cross 2015, 309; Hudson 2008; Storm 2018). Despite the rhetoric around financial inclusion/democracy/citizenship, with finance increasingly globally connected and governed by international norms and expectations (often strongly shaped by the US), there is limited democratic accountability (World Bank 2014a; Datta 2012; Storm 2018). Meanwhile, while it was hoped that banks would see a 'business case' for offering attractive remittance services, as we have seen, in many contexts they have not stepped up: indeed financially literate remitters may actually *avoid* banks because of high cost, inconvenience, fear of scrutiny, corruption or collapse – for example, in one UK study, only 5% of remitters utilized banks, the majority preferring smaller niche money transfer operators (Datta 2012; see also Brown, Carmignani, and Fayad 2013). As in the broader financial inclusion arena, philanthropic, donor and public sector support is often sought to 'make inclusive remittances work' (ACCESS Advisory 2019, 44; Mader 2018). Arguably this gives financial capital more influence on policy and practice, and, to borrow from work on microcredit, risks promoting 'mission drift from poverty alleviation to profit maximization'. (Roy 2010: 386 cited in Cross 2015, 307; see also Bateman, Duvendack, and Loubere 2019).

Meanwhile, critical voices point out that while banking finance is not *automatically* socially efficient, as market aficionados might suggest, it *can* be governed in ways that 'structure accumulation and distribution in socially useful directions' so was to contribute to equitable development – which may imply greater democratic control and public/community ownership of finance with a greater role for local development banks, credit cooperatives, and public banks with a focus on investment in productive, formal, technology driven, scalable enterprises that need patient capital (Mader 2018, 322; Bateman 2019; Marois 2019; Ghosh 2013).

CONCLUDING DISCUSSION

This chapter has reviewed the four major policy approaches to remittances in the last two decades, looking at how actors have framed the issue, intervened, and the outcomes and power dynamics of these interventions. The first framing of remittances is as potential dirty money to be policed, which has prompted a growing global harmonization of AML/CFT regulation of remittances, leading to

greater levels of formalization, alongside collateral damage in poorer countries obliged to impose requirements that ill-fit their financial systems and population's needs. The second framing is of remittances as a beneficial financial flow to be facilitated, which prompted a flurry of initiatives bearing down on formal transfer costs, with considerable success in some 'corridors', but tending celebrate volume, fading out both the contested migration processes underpinning these flows and onward journey of remittances in the home economy. The third framing is of remittances as potential investment capital to be funneled into development, via a range of programmes and projects which have contributed to income-generation and infrastructure in many target communities, with varying degrees of success and sustainability, while raising concerns about the responsibilisation of migrants in the context of failures by the state and other development actors. The fourth framing of remittances is as a transaction to leverage for financial inclusion, with a proliferation of private sector activity, often backed by philanthropists, international organisations and public sector actors, succeeding in some contexts to expand financial inclusion of migrants and families, while also opening people and countries up to risks as well as opportunities, and fuelling the profits and influence of private businesses.

Two key points stand out. First, remittance-related policies do not constitute a single coherent 'regime' in the classic International Relations sense of 'sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations' (Krasner 1983: 2). In the case of the formalisation agenda, there is something that resembles a coherent regime and hard power mechanisms in the form of standard-setting, supervision and sanctions. By contrast, efforts to facilitate, funnel and financialise remittances for development are characterised by 'facilitative multilateralism' (Betts 2011, 12) – informal, non-binding forms of multilateral cooperation engaging a range of actors - focusing on information-sharing, technical assistance, voluntary standards, transparency initiatives, development programming and sponsoring private sector initiatives. Yet the lack of obvious enforcement measures does not mean lack of impact: considerable resources have been invested in efforts to facilitate, funnel and financialise remittances over the last two decades. The global policy landscape around remittances resonates with concept of global 'assemblages': i.e. institutional arrangements in which power is exercised at multiple sites through a multiplicity of actors and elements, and diverse logics and practices, but 'more or less hold together' (Allen 2011, 154), with a certain level of provisional unity and strategic functionality in terms of constituting or constraining the behaviour of states, while also featuring tensions and friction (Anderson and McFarlane 2011; de Goede 2018).

Second, it is notable that these policy efforts directed at the movement of migrants' money seem to have caused less contestation and generated more ready and fluid cooperation between actors than policy efforts directed at the movement of migrants themselves. The popularity of focused remittance forums seems to be in part the result of stakeholders engaging in 'issue/venue-shopping' (Betts 2011). Destination states jealously guard their ability to control immigration, approaching multilateral forums on migration matters with some caution. For origin countries too, promoting emigration opportunities and emigrants' rights can be a politically loaded affair at home and abroad. International organisations tread a delicate path between their universal mission and retaining cooperation of donor states (Geiger and Pécoud 2010). Hence a tendency to abstract global policy discussions of remittances somewhat from the migration situations in which they are embedded - which raise difficult questions about the problematic drivers of migration, its opportunity costs, and challenges around legal pathways and status, exploitation, and rights (Pécoud 2015; Boucher 2008; Kunz 2011; Lindley 2010). While nested within a wider arena of more politically thorny migration policy discussions, the remittance debate focuses on 'improving' existing remittance practices, a more 'money-focused' than 'rights-focused' agenda, generating interventions consistent with the wider 'hegemony of market-based solutions' to development problems (Kunz 2011; Bakker 2015, 214; Pécoud 2015). This strategic focus also chimes with the wider observation that global migration-development platforms have tended to eschew 'vigorous and frontal criticism of today's

politics’ in favour of ‘a catalogue of seemingly technical, simple, or common-sense recommendations’ presented ‘as if minor changes in policymaking could bring solutions to the deep imbalances that underlie the cross-border mobility of people’ (Pécoud 2015, 96, 125).

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