

# Forced Migration Review

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## Financing displacement response



# Forced Migration Review

**Forced Migration Review (FMR)** brings together diverse, knowledgeable authors – especially those with lived experience – to foster practical learning and discussion that can improve outcomes for forcibly displaced people. Our free flagship magazine is accessible to a global audience in Arabic, English, French and Spanish, online and in print. Related audio and visual content is available online.

## Forced Migration Review

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*Cover photo: A Syrian refugee in Jordan counts his monthly cash assistance from UNHCR, December 2021.  
Credit: UNHCR/Lilly Carlisle*

# From the Editors

From humanitarian aid by wealthy governments to remittances from diaspora communities, responses to forced displacement are shaped by funding from an array of actors, in ways that express those actors' interests and priorities. In recent years, new actors and new financing approaches have emerged. At the same time, traditional government-led and community mutual aid financing sources are evolving, and there is a growing movement towards the localisation of funding that has generated vital discussions about the relationship between funding and power.

What do these shifts mean for forcibly displaced people and displacement response strategies? How does displacement response financing interact with the choices of forcibly displaced people and their communities, with local and global economies, and with broader geopolitical events and trends? This issue advances understanding of these questions and others.

We would like to thank the Conrad N. Hilton Foundation for their partnership on this issue and their foreword, highlighting their dynamic approach to investing in refugee-led organisations and in the emerging markets where refugees live. We'd also like to thank our reviewers, Bahati Kanyamanza, Helidah Ogude-Chambert, Lauren Post Thomas, Barri Shorey, Andhira Yousif Kara and Leah Zamore, and our author mentor Kinan Alajak, for contributing their knowledge and expertise to the process of choosing and refining articles.

The authors in this issue discuss sources of displacement response financing, and how

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# Reverse remittances as a new normal for Ukraine: evidence from Germany and Austria

Taras Romashchenko

**The Russian invasion has prompted a new phenomenon: significant reverse remittances from within Ukraine to displaced Ukrainians in other countries. This has implications for the individual recipients, for host countries and for Ukraine itself.**

A few years ago, it was difficult to imagine Ukrainians spending billions of dollars abroad every month. Ukraine, with its large population of migrant workers around the world, was traditionally a recipient country for remittances. However, Russia's unprovoked attack in February 2022 has radically changed the situation. During the war, millions of Ukrainians, predominantly women and children, were forced to flee their homes to escape Russian aggression. They have been actively spending money initially earned at home, which was sent to them by relatives and friends.

According to the National Bank of Ukraine (NBU), in 2022 Ukrainian migrants spent at least USD 2 billion abroad every month.<sup>1</sup> The estimated amount of reverse remittances annually – USD 24 billion – dramatically exceeds traditional remittances that continue to flow into Ukraine, which stood at USD 11.4 billion in 2023.<sup>2</sup>

## **Restrictions on transfer of funds abroad**

The scale of money from Ukraine being spent abroad by displaced Ukrainians remains high despite the NBU imposing significant restrictions on currency transfers from the country following the invasion. The NBU immediately adopted new legislation<sup>3</sup> governing the operation of the banking system during a period of martial law with the aim of guaranteeing the stability of the

national currency market, reducing the risk of speculation on it and preventing capital outflows from Ukraine.

Despite some easing of restrictions on the operation of the banking system since the war began, limitations for individuals still remain. For instance, SWIFT transfers abroad from Ukraine are practically prohibited. The only exceptions are for the purpose of paying for education in foreign educational institutions and for medical treatment abroad. Special restrictions also apply to cash withdrawals using Ukrainian bank cards abroad. From accounts denominated in hryvnia (the national currency of Ukraine), the limit is the equivalent of 12,500 hryvnias per calendar week (currently approximately 275 euros). The limit for cash withdrawals from Ukrainian card accounts denominated in foreign currency is much higher – the equivalent of 100,000 hryvnias per day (approximately 2,200 euros).

The regulator's restrictions have not significantly impacted the scale of reverse remittances from Ukraine. On the contrary, they grew at least three times year-on-year in 2022 alone. It is clear that the main recipients of these funds from Ukraine were Ukrainian forced migrants.

## **Field research in Germany and Austria**

Given the novelty of this phenomenon and its possible impact on all stakeholders, I decided to conduct a series of qualitative

interviews with Ukrainian forced migrants in Germany and Austria, aiming to answer topical questions, including:

- Which channels for financial assistance from home are most often used by Ukrainian refugees (bank transfers, online payments, cryptocurrency, cash, etc.)?
- How significant is this support for displaced Ukrainians abroad and what are the funds received usually spent on?
- What challenges do refugees face when it comes to reverse remittances (restrictions on the amount of money that can be transferred or withdrawn from the card, high foreign exchange conversion fees, etc.)?
- Does the gender of the displaced Ukrainians influence the dynamics and specifications of reverse remittances?

Finally, the survey findings aimed to clarify the implications of reverse remittances for both Ukraine and the host countries, with the aim of making recommendations to enhance the positive, and mitigate the negative, effects of such transfers for all stakeholders.

### **Accessing financial support from home**

Almost all of the Ukrainian forced migrants interviewed confirmed that they either had received remittances from Ukraine or were continuing to receive them. The frequency of these reverse remittances was higher immediately upon arrival in the host country. In most cases the regularity of these transfers from Ukraine began to decrease over time. Some no longer received any funds from Ukraine, mainly due to their integration into the host society and, in particular, into the local labour market.

However, there are other reasons why the flow of reverse remittances has become smaller. For example, one Ukrainian woman said:

“Circumstances have changed in Ukraine. My husband used to be able to transfer more money to us, but now he can’t any more as his expenses at home have increased significantly, while his salary has remained the same.”

The expenditure patterns of Ukrainians in the two countries where the research took place look quite similar and limited. Spending is mostly on food, clothing, education and entertainment. The latter includes visits to museums and exhibitions, children’s entertainment centres, cinemas and the like.

When asked who they received reverse remittances from, respondents often mentioned husbands and other relatives. Most respondents were female as women and children account for over 80% of all forced migrants from Ukraine.<sup>4</sup> Salaries paid in Ukraine and the respondents’ own savings were also often cited as sources of funds.

The results of the survey indicate that the NBU’s severe restrictions on the withdrawal of funds abroad have left Ukrainians with one main option for accessing their funds outside Ukraine – using bank cards issued by Ukrainian banks. The card is used in two ways: either to pay directly at a cash desk or to withdraw the required amount of cash from an ATM. Of course, in both cases there is an automatic conversion of hryvnia into the local currency (in this case, the euro). Respondents commented that this method, albeit the only choice, has a number of clear advantages including convenience, speed and access to online banking where they can monitor transactions and balances.

Isolated answers pointed to people physically carrying cash (either for themselves or for others) out of Ukraine. Interestingly, none of the respondents mentioned international online payment systems or cryptocurrency as a way to transfer money from Ukraine.

## Continued reliance

There are two main trends related to the ongoing importance of the funds received from Ukraine. For a large portion of the respondents transfers from home continue to be a significant source of support in the host country, particularly when respondents either do not have paid work at all or their salary is low. Often social payments from host governments do not allow refugees to satisfy their basic needs in full, especially for families with children or disabled persons. In such situations, reverse remittances help people to cope with various financial challenges and emergency needs. Some interviewees also indicated that regular financial assistance from Ukraine is vital to maintain the high standards of living they had in their home country before the war.

A smaller group reported that reverse remittances no longer mean much to them. While they were initially highly reliant, this is no longer the case as they have gained employment in the host country. For one female respondent in Austria, the source of her money from Ukraine is in some sense a burden:

“I continue to work remotely in Ukraine, but the time and efforts required of me by my employer are excessive and unjustified. Yes, I will earn something back home that I can spend here. However, it is a very small amount that I am virtually no longer dependent on.”

Without exception, all forced migrants from Ukraine we interviewed stated that they do not experience any challenges associated with transferring funds or spending their money in the host country. Ukrainians are quite sympathetic to the fees charged by banking institutions for converting hryvnias into euros. Since the amounts they usually withdraw from ATMs or spend at cash

desks are quite modest, such fees are not too significant for them. The same can be said about the restrictions imposed by the NBU. All respondents very rarely exceed the limits set by it.

## Gender differences in responses

Men were much less represented among the respondents and their answers somewhat differed from the overall findings. Firstly, some of them did not receive any reverse remittances from Ukraine at all. They reported supporting themselves purely through employment in the host country and not depending on financial assistance from home. Secondly, those who do use funds from Ukraine rely solely on their salaries, their paid-for remote work or savings. Assistance from relatives was not mentioned, except in one specific case:

“I don’t need any material assistance from my relatives in Ukraine. It’s me who has to help them. Nevertheless, on rare occasions, I do receive modest sums of money from them. For instance, it could be a financial gift from my parents on the occasion of their grandchildren’s birthdays. This is the only reason why I allow them to remit funds to me.”

## Key findings and recommendations

The research confirmed the significant dependence of Ukrainian refugees on reverse remittances, especially in the first period after moving abroad. It also showed that the existing legal limitations and fees do not impede the transfer, conversion and utilisation of funds received from Ukraine. The interviews did not reveal any critical differences between the responses in Germany and Austria. Consequently, it is reasonable to assume that similar survey findings might also be found in other countries, primarily within the European Union, which have hosted forced migrants

from Ukraine over the past two years. In fact, an even greater reliance on reverse remittances by Ukrainians might be observed in countries that do not provide the same level of social protection, financial assistance and job opportunities as Germany and Austria. Should such discrepancies exist, they may be revealed through further research.

The survey findings enable the formulation of recommendations for all relevant stakeholders and policymakers:

- **For forced migrants**

The desire voiced by the majority of respondents to end dependence on such transfers as soon as possible can be realised through more active integration into host societies. Language acquisition and legal employment in the host country will certainly reduce and eventually stop the flow of reverse remittances.

- **For host countries**

The fact that Ukrainian refugees still depend on financial assistance from Ukraine highlights the need to continue to offer various forms of support including affordable integration courses, social and financial benefits, and assistance in finding employment. A reduction or cessation of such assistance would have a significant negative impact on the socio-economic situation of these displaced people.

- **For Ukraine**

The Ukrainian authorities should intensify

dialogue with their foreign partners on the continuation of socio-economic support for Ukrainians abroad. Any suggestions by Ukrainian politicians that this support should be discontinued in order to encourage refugees to return home would be counterproductive.<sup>5</sup> As long as the war goes on, the majority of forced migrants will not return, but if support by host countries decreases then their dependence on reverse remittances will increase. This, in turn, will exacerbate the challenges currently facing Ukraine's monetary and financial system.<sup>6</sup>

### **Taras Romashchenko**

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2. *National Bank of Ukraine 'External sector statistics'*  
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3. *National Bank of Ukraine (2022) Resolution on the working of the banking system in the period of martial law*  
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4. [reporting.unhcr.org/operational/situations/ukraine-situation](https://reporting.unhcr.org/operational/situations/ukraine-situation)
5. See 'Advisor in Kyiv: Ukrainian refugees should return to their homeland' (in German), *Tages Anzeiger*, 20th January, 2024  
[bit.ly/ukraine-refugees-should-return](https://bit.ly/ukraine-refugees-should-return)
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