



Statement

by

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and
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at the Opening Session of
the Ministerial Conference of the Least Developed Countries
on

“Enhancing the Development Impact of Remittances”

Cotonou, Benin

10 February 2006

Mr. Minister of State,
Mr. Foreign Minister,
Deputy Director-General of International Organization for Migration, Mme. Ndioro Ndiaye,
Distinguished Ministers,
Distinguished Members of the Diplomatic Corps,
Dear Colleagues from the United Nations System and other Multilateral Institutions,
Distinguished Delegates,
Ladies and Gentlemen,

Let me begin by saying that I take special pride in addressing this Conference for three primary reasons; first, it is a conference of the Least Developed Countries (LDCs) at the Ministerial level; second, the purpose of the conference is to focus on an issue of emerging importance, that is, how to enhance the development impact of workers' remittances; and third, it is being organized and hosted by the Government of Benin, Chair of the Group of the Least Developed Countries, as a follow-up to the outcome of the High-level Segment of the 2004 Economic and Social Council on resource mobilization for the LDCs.

This is a landmark conference, more so in the context of our preparations for the mid-term comprehensive global review of the implementation of the Brussels Programme of Action for the LDCs for the Decade 2001-2010 at the High-Level Meeting convened by the UN General Assembly in September this year.

The Brussels Programme is a results-oriented comprehensive poverty reduction strategy, tailored to the special needs of the LDCs, and designed as a framework for partnership between the LDCs and their development partners. It has set as its overarching objective to halve the number of people living in poverty and hunger by 2015 by fostering a people-centered policy framework, ensuring good governance at national and international levels, building human and institutional capacities, enhancing the role of trade in development, reducing vulnerability and protecting the environment and mobilizing financial resources.

The Programme of Action of the LDCs underscores the crucial role of resource mobilization for achieving its objectives, goals and targets. While recognizing the critical role of Official Development Assistance (ODA) and the need for debt cancellation, the Programme also calls for the promotion of innovative financial mechanisms. The remittances by the LDC diaspora and its contribution to the development in their respective countries of origin could very well be one such mechanism.

Over the past decade, remittances have become increasingly prominent.

According to official statistics, in 2005 remittance flows are estimated to have exceeded US \$232 billion worldwide, of which developing countries received US \$167 billion. Unrecorded flows through informal channels are estimated to conservatively add 50

percent or more of the recorded flows, implying that the true size of remittances received by developing countries was in excess of US\$ 250 billion in 2005.

That way, remittances were larger than foreign direct investment and amounted to more than twice the size of official aid received by developing countries. Remittances are the largest source of external financing in many developing countries. In LDCs like Cape Verde and Kiribati, remittances account for 39 and 20 percent of GDP respectively. For Lesotho and Samoa, the figures are 17 and 16.5 percent respectively. Bangladesh and Yemen rank the 8th and 13th among top 20 recipient developing countries in terms of remittances flows.

Recent research also shows and our colleague from the World Bank reiterated yesterday that contrary to conventional belief that migration is largely South-North and remittance flows North-South, South-South migration is estimated to be over half of the migrant stock, and South-South remittances account for 30-45% of the remittances flows in the South.

Remittances directly augment the income of the recipient households as these are private money transfer meant for individual and family needs. They also indirectly affect poverty and welfare through their macroeconomic effects. Remittances are associated with increased household investments in education, entrepreneurship, and health – all of which have a high social return. In addition to bringing the direct benefit of higher wages earned abroad, migration, therefore, helps households diversify their sources of income and thus reduce their vulnerability to risks.

By generating a steady stream of foreign exchange earnings, remittances can improve a country's creditworthiness and enhance its access to international capital markets. The ratio of debt to exports, a key indebtedness indicator, increases significantly when remittances are excluded. Financial institutions in several countries have raised over \$10 billion during the last decade using securitization of future remittance flows. All these provide considerable support to development efforts at the national level.

Here, I would like to echo the Ministerial Declaration of the UN Economic and Social Council in 2004 on the issue of remittances to LDCs. It said, “we recognize the importance of workers’ remittances in mobilizing resources for development in the Least Developed Countries, and in that regard, we encourage all Governments to remove obstacles that might prevent the safe, unrestricted and expeditious transfer of earnings, assets and pensions” of migrant workers from the LDCs to their country of origin, and to consider measures to solve other problems that might impede such transfers. In that regard, the Ministerial Declaration took note of the G8 action plan entitled “Applying the power of entrepreneurship to the eradication of poverty”.

One area that I would draw your particular attention to is the high costs of remittances.

The fees charged by remittance service providers are often as high as 10 to 15 percent for small transfers typically made by poor migrants. These costs are unnecessarily high.

Reducing remittance fees would increase the disposable income of poor migrants, as well as the incentive to send more money home. Reducing remittance costs would also encourage the use of formal remittance channels.

High remittance costs faced by poor migrants can be reduced by increasing access to banking and strengthening competition in the remittance industry. Banks tend to provide cheaper remittance services than money transfer operators. Encouraging account-to-account transfers is likely to increase saving from remittances, and contribute to financial development of remittance recipient countries.

Both ‘sending’ and ‘receiving’ countries can increase banking access of migrants by allowing origin country banks to operate overseas, providing identification cards which are accepted by banks to open accounts, and facilitating the participation of microfinance institutions and credit unions in the remittance market.

Although there is no single and universal formula that could be applied to remittances across the globe, there exists plenty of good practices that could be applied elsewhere.

This conference provides a unique multistakeholder forum to share lessons learned and identify good practices in the area of remittances in the LDCs. I am sure this conference will provide a very valuable input both to the High-Level Dialogue on International Migration and Development to be held in New York on 14 and 15 September this year, and the High-Level Meeting on the mid-term comprehensive global review of the implementation of the Programme of Action of the Least Developed Countries at the sixty first session of the UN General Assembly in New York on 19 and 20 September.

Before concluding, let me thank again whole-heartedly our host, the government and people of beautiful Benin, for the warmth of their hospitality and all the arrangements made for the success of this first-ever ministerial conference on remittances. My special thanks go to Madame Ndioro Ndiaye, Deputy Director-General of the International Organization for Migration and her team for this support to and close collaboration with the United Nations to that end. I would also like to thank IOM, UNDP and its South-South Cooperation Unit, the World Bank, the governments of Norway and Ireland for their financial contribution.

I would like to conclude by quoting Secretary-General Kofi Annan. On international support to LDCs, he emphasized that **“the development of the least developed countries is an ethical imperative for the international community. It requires painstaking effort, commitment, resolve and forbearance on both sides. I renew this pledge on behalf of the United Nations: we will continue to walk beside you on your journey”**.
