



PRESS RELEASE



UN OFFICE OF THE HIGH REPRESENTATIVE FOR THE LEAST DEVELOPED COUNTRIES,
LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES

Landmark Conference spotlights impact of remittances on Least Developed Countries

New York: 8 February 2006: Representatives of the world's 50 Least Developed Countries (LDCs) meet in Cotonou, Benin this week for a two-day conference to discuss practices and policies governing remittances, a critical source of development finance.

The Ministerial conference of the Least Developed Countries on Enhancing the Development Impact of Remittances' (9-10 February) is organized by the Government of Benin, in collaboration with the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing Countries (OHRLLS) and the International Organization for Migration.

Over the past decade remittances have become increasingly important. According to official statistics, in 2005 remittance flows were 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 to the recorded flows, implying that the true size of remittances received by developing countries was in excess of US \$250 billion.

Remittances were larger than Foreign Direct Investment, and amounted to more than twice the size of Official Development Aid received by 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 8th and 13th among the top 20 recipient developing countries in terms of remittance flows.

“Whereas migration experts have long been aware of remittances, for many macro economists, financial analysts, and stakeholders in development finance and investment, this constitutes a new topic that can no longer be ignored. Research shows that workers’ remittances provide much-needed assistance to impoverished households and communities in LDCs who face high levels of poverty,” UN Envoy for Least Developed Countries, Anwarul K. Chowdhury, said on Wednesday.

“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,” he continued.

On a macro economic level, by generating a steady stream of foreign exchange earnings, remittances can improve a country’s creditworthiness and enhance its access to international capital markets. Financial institutions in several countries have raised over \$10 billion during the last decade using securitization of future remittance flows.

Chowdhury recommended that representatives of governments, financial institutions, money transfer organizations and migrants’ associations attending the upcoming conference address some of the shortcomings in current policies governing remittances flows to LDCs.

“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,” UN High Representative Chowdhury said.

He added that although there is no universal formulae that could be applied to remittances across the globe, “there exists plenty of good practices that could be applied in LDCs”.

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