

UN agency calls for harnessing of untapped potential of remittances



Korotoumou Troaré weeds groundnut field in Foro-Foro village, then sell to the local market which helps feed her family

20 October 2009 – A new United Nations report calls for the lifting of restrictions and costly fees imposed on the \$40 billion that migrant workers send home to Africa each year, the world body’s agency tasked with eradicating rural poverty said today.

“Supporting this people-to-people money flow to rural areas of Africa is especially vital now because of the recession,” said International Fund for Agricultural Development (IFAD) Assistant President, Kevin Cleaver.

“The power of remittances can be catalyzed by easing restrictions and making it less costly for African families to collect this money,” added Mr. Cleaver ahead of the two-day Global Forum on Remittances 2009 in Tunis, Tunisia, organized by IFAD and the African Development Bank (AfDB).

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Global remittances top \$300 billion per year, outstripping foreign direct investment (FDI) and development assistance combined, but high fees and logistical difficulties are hampering the power of remittances to lift people out of poverty, according to IFAD’s report, entitled *Sending Money Home to Africa*.

The report, which will be presented at the 22-23 October Tunis gathering, noted that although transfer costs have declined significantly in Latin America and in Asia, sending money home to Africa is still expensive, with fees within the continent reaching 25 per cent of the sum.

In addition, some 30 to 40 per cent of all remittances to Africa head to rural areas where many recipients have to travel great distances to collect their cash as the number of collection points across the entire continent is the same as for Mexico, which has a tenth of the population.

The report finds that simply by expanding the kinds of institutions able to conduct remittance services to include microfinance institutions and post offices, the number of payment points would more than double.

World leaders attending the G8 group of industrialized countries summit in July also recognized the development impact of remittance flows and set a goal of reducing the cost of remittances by 50 per cent over the next five years, by promoting a competitive environment and removing barriers.

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