

UN agency calls for cheap transfer costs for migrants sending money home



Migrant workers send home money to their families

17 February 2011 – The United Nations agency that promotes the integration of developing countries into the world economy is calling for cheaper ways for migrant workers to send money back home so as to maximize the economic impact.

The costs of sending money from overseas can be high, with the current average fee at some 8.7 per cent, and there is “still a lack of safe, reliable, accessible transfer systems for remittances,” UN Conference on Trade and Development (**UNCTAD**) Deputy Secretary-General Petko Draganov **told** a two-day meeting in Geneva this week. “For some countries, excessive margins are charged.”

To lower costs, speakers at the meeting called for expanding access to banks for both sending and recipient families, since many, particularly in rural areas, do not have accounts, and offering a variety of options for money transfers such as through post offices, microfinance institutions, banks, the Internet, and mobile phones.

Mr. Draganov noted that remittances account for about 2 per cent of the gross domestic product (GDP) of all developing countries, and for higher percentages in many, such Lesotho, Nepal, Samoa, Haiti and Bangladesh where they make up 8 per cent.

“Although the effects across countries are varied, remittances have reduced poverty at the household level in many developing countries,” he said, citing a recent UNCTAD study that found that in countries where remittances make up 5 per cent or more of GDP, on average a 10 per cent rise in remittances leads to a reduction of 3.9 per cent in the poverty headcount ratio.

A significant amount of remittance transfers is spent on household consumption and human capital, such as food, education, housing, health and related purchases, which can ripple outwards through the domestic economies of poor nations and, if managed well, can create jobs and business opportunities that raise living standards and keep future potential migrants at home, he stressed.

UN Population Fund (**UNFPA**) Deputy Executive Director Purnima Mane said women now outnumber men among economic migrants in the wealthy nations of Western Europe and North America. Although they tend to earn less than their male counterparts, evidence shows that they send a higher proportion of their incomes home, and do so more dependably and more often.

“Often they are the only contributors to family income,” she told the meeting, entitled Maximizing the Development Impact of Remittances. “There has been too little analysis of the relation between gender and remittances. Because of the frequency of these financial transfers, women migrants – and their children back home – are especially hurt by high transaction costs.”

Assane Diop, Executive Director for Social Protection at the UN International Labour Organization (**ILO**), said remittances were a much better way to distribute wealth in developing countries than foreign direct investment (FDI) – although flows of FDI were much greater in monetary terms – since it goes to housing, food, education, health needs and children’s needs, thus having “a very direct impact on poverty reduction.”

For her part, UN Deputy High Commissioner for Human Rights Kyung-wha Kang warned that the rights of migrant workers should not be neglected in any discussion of remittances, since "development cannot be defined solely in economic terms."

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