MINISTERIAL CONFERENCE
OF THE LEAST DEVELOPED COUNTRIES
ON ENHANCING THE DEVELOPMENT IMPACT
OF REMITTANCES

COTONOU, REPUBLIC OF BENIN

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CONFERENCE REPORT

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(UN-OHRLLS)

IOM International Organization for Migration
OIM Organisation Internationale pour les Migrations

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FOREWORD

For the 740 million people living in the world's fifty least developed countries (LDCs), the stakes in the quest for new avenues of financing for development are high. Despite repeated commitments at the highest levels of the international community, development assistance to LDCs has been much below the agreed levels. There is therefore increasing recognition by these countries of the need to access additional sources of finance to generate the much needed momentum in their development efforts. The International Organization for Migration (IOM) and the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS), recognize the importance of the international community's support to the LDCs, and of the determined action by the LDCs themselves to eradicate extreme poverty and break out of the vicious circle of economic stagnation and social stress. With that in mind, we hosted in collaboration with the Government of Benin, the country that chairs the group of LDCs, the Ministerial Conference of the Least Developed Countries on Enhancing the Development Impact of Remittances in February 2006 in Cotonou. This was the very first ministerial meeting on the linkages between remittances and development.

Today, one in ten persons around the world is involved in either sending or receiving remittances. It is estimated that approximately 125 million migrant workers send money to support 500 million family members in their home countries. The total of officially recorded remittances exceeded USD 232 billion in 2005, of which developing countries received USD 167 billion, more than twice the level of development aid from all sources. Remittances constitute an important source of external finance, especially for many LDCs, and hence represent the most direct link between migration and development.

The year 2006 marks the mid-term comprehensive global review by the United Nations of the Brussels Programme of Action of the Least Developed Countries for the Decade 2001 to 2010, a document that aims at accelerating sustainable economic growth and development in LDCs. The Brussels Programme is a milestone document as it not only incorporates and builds on the outcomes of previous UN conferences and summits within the specific context of LDCs, but also, and more importantly, provides an effective mechanism for implementation, follow-up, review and monitoring through the Office of the High Representatives for the LDCs. The year 2006 should therefore provide us with an excellent opportunity to evaluate and further reinforce our important engagement to end the continued marginalization of LDCs and foster their beneficial integration into the global economy.

This report reflects the deliberations and the outcome of the Ministerial Conference, held on 9 and 10 February 2006. The Conference was a follow-up to the outcome of the 2004 High-Level Segment of ECOSOC, which called for exploring the development potential of remittances and providing concrete and practical recommendations to the LDCs and their development partners, based on sound global policies and best practices. The Conference adopted a declaration to optimize the development benefits of remittances and mobilize support for the implementation of the declaration. This publication presents different perspectives from governments, international organizations, migrants, NGOs and others working in the field of remittances, and an overview on the approaches, innovative tools applied and lessons learned in different contexts and regions of the world. We hope that this publication will further stimulate the dialogue on remittances and development in LDCs, and thereby contribute to the advancement of the poorest and weakest segment of the international community.

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INTRODUCTION

DEFINITION, SCALE AND IMPORTANCE OF REMITTANCES

International migrant remittances received by developing countries reached US$ 167 billion in 2005 and have doubled in the last five years.[1] Remittances are defined broadly as monetary transfers that a migrant makes to his or her country of origin, most often cash transfers sent to a relative. Remittances can also be funds invested, deposited or donated by the migrant to his or her country of origin. The definition can be further broadened to include personal transfers and donations in kind.

In recent years, there has been a tremendous rise in global remittance flows which is linked to huge growth in international and internal migration flows as well as to improved data collection. Nevertheless, it remains difficult to accurately measure the real size of these flows, both because data collection methods are still insufficient and because a significant portion of remittances are transferred informally, leading to chronic underestimates. In fact, conservative estimates commonly suggest adding 50 per cent, or more, to recorded flows to account for informal, unrecorded transfers.

While remittances are eminently private in nature, evidence shows their positive impact on poverty alleviation and the contribution to economic development in migrant-sending countries at the local, regional and national level. Remittances help individual households diversify their sources of income while providing a source of savings and capital for investment. When remittances are bundled and channelled towards community-based projects, they benefit a broader range of people. At the macro-economic level, remittances constitute an essential source of foreign exchange, and enable countries to acquire vital imports or to pay off external debts.

All of this is particularly true for the world's least developed countries, or LDCs, which represent the poorest and weakest segment of the international community. LDCs are considered highly disadvantaged in their development process and have a particularly high risk of failing to overcome poverty.[2] In 2002, LDCs accounted for 11 per cent of the world's population, but only for 0.6 per cent of the world's GDP.[3] The globalization process has further deepened their vulnerability and marginalization. It is within this context that the Programme of Action of the Least Developed Countries for the Decade 2001-2010 was adopted at the Third United Nations Conference in Brussels, on 20 May 2001, and endorsed by the General Assembly resolution 55/279 on 12 July 2001. The programme articulates policies and measures by LDCs and their development partners which aim at promoting sustained growth and sustainable development in LDCs. To achieve this aim, it calls on the LDCs to increase domestic resource mobilization and create an enabling environment for foreign direct investment and other private external flows, while recognizing the critical role of official development assistance and comprehensive external debt solution for these countries, trapped in extreme poverty.

For LDCs such as Haiti, Kiribati, Nepal, Samoa and Yemen, remittances add up to more than 10 per cent of their GDP. This illustrates that migration and its corresponding remittance flows are particularly critical to LDCs, and that they have an important potential to reduce poverty and enhance their development. Cross-country evidence shows that a 10 per cent increase in per capita remittances leads to a 3.5 per cent decline in the share of poor people.[4] Despite this potential, most LDCs have not given remittances a prominent role in their national development agendas. LDCs are diverse and their development level also depends on the different geographical, political and socio-economic contexts. As a fact, more than 60 per cent of the LDCs are located in sub-Saharan Africa, a region where in 2002, 46.4 per cent of the total population lived on less than US$1 a day.[5] Unlike other regions, sub-Saharan Africa is not expected to achieve the Millennium Development Goal (MDG) of reducing poverty by 50 per cent from its 1990 level.

The improvement of remittance policies requires better data collection on remittances, whereas in most LDCs data on remittance flows is of poor quality, or does not exist at all. Often, national legislation prevents accessible, cost-effective and safe remittance services and drives remitters towards informal channels. A number of LDCs impose taxes on remittance income, and do not allow repatriable foreign currency accounts to be held by their own nationals. Several countries do not permit unrestricted access to foreign exchange. But there are also positive examples such as in the case of Bangladesh, a country which has successfully introduced measures to attract formal remittance flows and improve services for migrant remitters.

LDCs total debts in 2001 accounted for 82 per cent of the gross national income, in the case of sub-Saharan Africa (South Africa excluded) it goes as high as 94.4 per cent.[6] Even though several LDCs benefited from debt relief agreed on at the G-8 Summit in Gleaneagles, Scotland, in 2005, LDCs urgently need to effectively utilize the development potential of remittances to reduce poverty and achieve sustainable growth and development.

CONFERENCE BACKGROUND AND CONTEXT

In response to the growing importance of remittances and their development potential for LDCs, the International Organization for Migration (IOM), in collaboration with the Government of Benin and the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) organized a two-day ministerial conference on remittances to LDCs on 9 and 10 February 2006 in Cotonou, Benin, entitled *"Ministerial Conference of the Least Developed Countries on Enhancing the Development Impact of Remittances"*.

This conference grew out of a series of earlier meetings and initiatives linked to LDCs. The 2004 high-level segment of the Economic and Social Council (ECOSOC) of the United Nations undertook an in-depth and comprehensive review of the theme "Resources mobilization and enabling environment for poverty eradication in the context of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010", and concluded that micro-finance intermediation (savings, credits and remittances) could have a significant impact on poverty eradication and stimulate growth in LDCs. The importance of migrants' remittances as a source of development finance has further been recognized at the G-8 Summit in June 2004, Sea Island, Georgia, United States.

Furthermore, the Ministerial Breakfast Roundtable "Towards Enhancing the Development Impact of Migrant Remittances in the Least Developed Countries", co-hosted by the Government of Benin and IOM within the framework of the ECOSOC High-Level segment, has recognized six priority areas for action by governments and other actors that could enhance the development impact of remittances in LDCs and improve remittance services to migrants while also addressing data collection; lowering remittance transfer costs; improving access to remittance services; better information provision; support to migrant associations; improving knowledge base and creating a conducive policy and institutional framework for remittance transfers and investment. It is against this background that Rogatien Biaou, Foreign Minister of Benin and Chair of the LDC Group, initiated the Ministerial Conference of the Least Developed Countries on Enhancing the Development Impact of Remittances.

The conference was the first event to explicitly address the linkage between LDCs and the potential development impact of remittances and gave prominence to the fact that NGOs, civil society as well as the private sector played an important role as development partners in LDCs. The event brought together over 90 participants from 32 LDCs and two observer countries,[7] as well as several ministers and high-level experts from international organizations, regional banks, micro-finance institutions and civil society/diaspora organizations.[8] Financial support was provided by the governments of Ireland and Norway, the South-South Cooperation Unit of UNDP, World Bank and IOM's 1035 Facility.

The overall objective of the conference was to explore avenues to enhance and improve the development impact of remittances in LDCs. The conference provided a platform for participants to share experiences and lessons learned, consult on issues faced by migrant remitters and propose practical solutions to optimize the development benefits of remittances. Activities began with a one-day preparatory session of senior officials and experts. The second day was dedicated to ministerial consultations followed by the adoption of a declaration to optimize the development benefits of remittances and mobilize support for its implementation.

OVERVIEW AND OUTLINE

This report is organized as follows: following the Introduction, Chapter one presents the main IOM conference paper entitled "Remittances to Least Developed Countries (LDCs) – Issues, Policies, Practices and Enhancing Development Impact", written and presented for this conference by Nilim Baruah, Head, Labour Migration Division at the IOM. The paper presents an overview of remittances to LDCs and addresses issues, policies and practices in those countries with a view to enhancing the development impact of remittances.

Chapter two is a Compendium of the policies and practices concerning remittance flows and use in 13 LDCs. The information for the Compendium was collected through an IOM survey of selected LDCs, and was designed to provide an information overview on key remittance issues, policies and practices in LDCs for this conference.

Chapter three reflects the proceedings of the first day of the conference and includes an overview and presentation of the documents presented at the conference, focusing on:

(1) improving remittance services and (2) enhancing their development impact. These presentations give an overview of promising remittance-linked initiatives and allow the cross-cultural sharing of experiences, both at the government level and within civil society and diaspora organizations.

Chapter four focuses on the proceedings of the second day of the conference, dedicated to ministerial consultations on the Ministerial Declaration, a document adopted by the Ministers and Heads of Delegation on 10 February 2006 in Cotonou, Benin. It highlights conclusions and recommendations from the deliberations amongst the experts and government officials at the conference. The chapter concludes with prospects and follow-up activities on the implementation of the Declaration, followed by the original text.

The report concludes with an Annex containing the original documents presented at the Conference, as well as the list of LDCs, a list of conference participants and the conference agenda.

UN Secretary General Kofi Annan reminded the world community in his address to the Fifty-seventh Session of the General Assembly in September 2002: “Only by multilateral action can we give people in the least developed countries the chance to escape the ugly misery of poverty, ignorance and disease”. The organizers and participants of the Conference hope to have marked a starting point for such multilateral action in the area of remittances and wish to consolidate the process in the following years. It is also hoped that this publication shall contribute towards a better knowledge base for policymakers, practitioners as well as migrant and civil society organizations to improve remittance services and enhance their development impact.

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[1] World Bank, Global Economic Prospect, Washington, 2005.

[2] LDCs are listed according to criteria such low income, human resource weakness and economic vulnerability. The current list of LDCs as published by the United Nations High Representative for the Least Developed Countries, Land-locked Developing Countries and Small Island Developing States (UN-OHRLLS) includes 50 countries (see list in the annex).

[3] UNCTAD, Development and Globalisation: Facts and Figures, New York and Geneva, 2004.

[4] World Bank, Global Economic Prospect, Washington, 2005.

[5] Ibid.

[6] UNCTAD, Development and Globalisation: Facts and Figures, New York and Geneva, 2004.

[7] Participating LDCs were Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Comoros, Democratic Republic of Congo, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Laos, Madagascar, Mali, Mauritania, Mozambique, Nepal, Solomon Islands, Samoa, Senegal, Sierra-Leone Timor-Leste, Togo, Uganda, Tanzania, Yemen and Zambia. Observer states were Ghana and Nigeria.

[8] Financial Institutions: African Development Bank, Central Bank of West African States, World Bank; Civil Society and Diaspora Organizations: AFFORD UK, Avenir NEPAD International, Fonkoze, Foundation for Democracy in Africa, Foundation for Education, Research and Development, High Council of Beninese Abroad, International Conference Volunteers, Uganda Micro-Finance Union; International Organizations: IOM, UN-OHRLLS, UNDP, UNCDF, OECD.