

CHAPTER

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**United Nations  
Conference on Trade  
and Development**



UNITED NATIONS  
UNCTAD



## United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development (UNCTAD)<sup>1</sup> is the focal point in the United Nations for the integrated treatment of trade and development, and interrelated issues in the areas of finance, technology, investment and sustainable development. The Organization has many years of experience in research, policy analysis and intergovernmental consensus-building on migration and remittances from the development perspective. A growing preoccupation for UNCTAD is the impact on least developed countries (LDCs) of migration patterns that create diasporas in different parts of the world, and the potential for utilizing the remittances, knowledge and experience gained by diasporas for the development of their home countries.

UNCTAD has provided a unique platform for public and private sector actors to meet in dialogue and intergovernmental consensus-building supported by solid secretariat research and policy analysis. The Organization has brought forward recommendations from its intergovernmental and expert meetings to guide policymakers and practitioners in understanding the linkages between trade, development and migration, as well as the importance of remittances and other migrant and diaspora assets for development, and the appropriate migration, economic and other policies to leverage these for development.

### 1. Migration and development activities since the 2006 High-level Dialogue

#### Intergovernmental expert meetings and consensus-building

In 2009 and 2011, UNCTAD held intergovernmental expert meetings on harnessing the potential of migrants and remittances for development. These meetings actively involved GMG members, including many heads of agencies.

In July 2009 UNCTAD held an ad hoc expert meeting in Geneva on the contribution of migrants to development, through trade, investment and development linkages.<sup>2</sup> Experts from 55 countries and 16 international agencies engaged in active discussions

<sup>1</sup> UNCTAD was established in 1964 as a permanent intergovernmental body that serves as the principal organ of the United Nations General Assembly which deals with trade, investment and development issues, and promotes the development-friendly integration of developing countries into the world economy. UNCTAD has 194 Member States and is headquartered in Geneva. For details about the Conference's mandate, visit these webpages: <http://unctad.org/en/Pages/Home.aspx> and [http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=79&Sitemap\\_x0020\\_Taxonomy=UNCTAD%20Home](http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=79&Sitemap_x0020_Taxonomy=UNCTAD%20Home).

<sup>2</sup> For a background note and report see: UNCTAD, "Contribution of migrants to development: trade, investment and development linkages," note by the UNCTAD Secretariat at the ad hoc expert meeting on the contribution of migrants to development: trade, investment and development linkages (UNCTAD/DITC/TNCD/2009/2), Geneva, 29 July 2009; and UNCTAD "Report of the ad hoc expert meeting on the contribution of migrants to development: trade, investment and development linkages," Geneva, 29 July 2009. See also: GMG–UNCTAD, "Fact-sheet on the contribution of migrants to development: trade, investment and development linkages," available at [www.globalmigrationgroup.org/en/gmg-documents](http://www.globalmigrationgroup.org/en/gmg-documents).

on: (a) migration trends and the impact of the economic crisis; (b) trade, investment and development linkages; and (c) policy frameworks to enhance migrants' contributions to development. They highlighted the positive impact of migration on host countries, and emphasized that temporary and circular migration offer the greatest potential benefits to both sending and receiving countries. For instance, host countries can meet short-term labour supply shortfalls while home countries benefit from the transfer of skills, experience and technology. Addressing the policy, regulatory and other bottlenecks at the three essential stages of temporary migration – the “three Rs” of recruitment, remittances and return can help generate win–win outcomes for all involved.

The UNCTAD Expert Meeting on Maximizing the Development Impact of Remittances was held in Geneva in February 2011.<sup>3</sup> Experts from 50 countries and 11 international or intergovernmental agencies discussed: (a) migration and remittances trends, (b) the development impact of remittance flows, (c) facilitating the flow of remittances, and (d) addressing barriers to remittance flows by facilitating temporary migration. They noted that South–South migration had become larger than South–North migration. Formalization of remittance flows can facilitate their productive uses. Experts shared country case studies and identified good policies and practices to maximize the development benefits while minimizing the costs. The meeting's conclusions and recommendations are included in the section in this chapter on good practices.

## Research and publications

Much research and policy analysis by the UNCTAD Secretariat and experts is contained in the documentation for aforementioned expert meetings, including background documents prepared by the secretariat and the outcomes of the meeting prepared by the Chair with support of the secretariat.

The recently published UNCTAD book, *Maximizing the Development Impact of Remittances*, summarizes information contained in the background documentation and outcomes of 2011 meetings. It also includes 19 papers submitted by participating experts, including heads of international organizations such as IOM and UPU, as well as national experts. The lead article integrates information from all these inputs.<sup>4</sup>

Often altruistic in nature, remittance flows remain more stable during economic crises and can be counter-cyclical to the home country's economy.<sup>5</sup> UNCTAD has evidence that remittances directly reduce poverty in recipient countries, as they provide direct

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<sup>3</sup> For a background note and report see: UNCTAD, “Maximizing the development impact of remittances,” note by the UNCTAD Secretariat on the UNCTAD Expert Meeting on Maximizing the Development Impact of Remittances (TD/B/C.I/EM.4/2), Geneva, 14–15 February 2011; and UNCTAD, “Report of the Expert Meeting on Maximizing the Development Impact of Remittances” (TD/B/C.1/EM.4/3), Geneva, 14–15 February 2011.

<sup>4</sup> UNCTAD, *Maximizing the Development Impact of Remittances* (New York and Geneva, United Nations).

<sup>5</sup> In 2008 global remittances were double the amount of official development assistance (ODA) and 60 per cent of foreign direct investment (FDI). Remittances remained relatively resilient during the financial crisis compared to FDI, which dropped dramatically in 2009; ODA was more stable, but much lower. Remittances to LDCs continued to increase during the crisis.

income for the poor and stimulate their consumption of food, education and health care. The UNCTAD publication, *Impact of Remittances on Poverty in Developing Countries*,<sup>6</sup> analysed data from 77 developing countries, and the results indicate that for a given level of the gross domestic product (GDP), a 10 per cent average increase in remittances reduces the poverty headcount ratio by about 3.1 per cent and the poverty gap by 3 to 5 per cent. The effect is most pronounced in countries where remittances account for larger shares of the GDP.

UNCTAD has produced studies on the least developed countries (LDCs), that is, the world's 48 poorest countries, located mainly in Africa, the Pacific and Asia. The publication, "Making Trade More Development-transmitting, Multiplying and Inclusive for LDCs,"<sup>7</sup> notes that tourism and the movement of service suppliers (GATS Mode 4) have exhibited high growth potential for these countries. Uganda, for example, with its large pool of medium- and high-skilled workers, has a central economic policy objective to further boost its gains from services and the services trade.

*The Least Developed Countries Report 2012: Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities* notes that some 80 per cent of LDC migrants go to other developing countries, compared to 50 per cent for all developing country emigrants. They migrate, often informally, mainly to neighbouring countries along established migration corridors, for example, from Bangladesh and Nepal to India, or from Uganda and the United Republic of Tanzania to Kenya. Most African LDC migration takes place within Africa, with Côte d'Ivoire, Kenya and South Africa being the major poles of attraction. LDC emigrants and remittance recipients face much higher-than-average remittance costs, in part due to lesser-developed financial sectors in the LDCs. Remittance costs are particularly high among African LDCs. Some recent facts and findings from the above-mentioned reports include:

- Remittances to LDCs grew almost eightfold between 1990 and 2011, from USD 3.5 billion to USD 27 billion. Since 2008, they have continued rising despite the world financial crisis.
- In 2011 remittances to LDCs were almost double the value of foreign direct investment (USD 15 billion) inflows to these countries and were only exceeded by official development assistance (USD 42 billion in 2010) as a source of foreign financing.
- Remittance receipts per LDC inhabitant tripled between 2000 and 2010 from USD 10 to USD 30.
- Remittances are much more important for LDCs than for other country groups. In LDCs, remittances amount to 4.4 per cent of the GDP and 15 per cent of exports. These shares are three times higher than in non-LDC developing countries.

<sup>6</sup> UNCTAD, *Impact of Remittances on Poverty in Developing Countries* (New York and Geneva, United Nations, 2011).

<sup>7</sup> UNCTAD, *Making Trade More Development-transmitting, Multiplying and Inclusive for LDCs* (UNCTAD/DITC/TNCD/2011/1) (New York and Geneva, United Nations, 2011).

The UNCTAD Information Economy Reports 2011 and 2012<sup>8</sup> and UNCTAD Mobile Money publication<sup>9</sup> show the rise in youth mobile subscriptions and new opportunities offered for developing country populations in previously underserved areas. In LDCs, there are twice as many mobile phone subscriptions per inhabitant than bank accounts (368 compared to 171 per 1,000 inhabitants). East Africa is a mobile money growth pole, with Kenya's M-PESA<sup>10</sup> mobile telephone-based banking service leading the charge. For example, some 70 per cent of Kenyans now receive money through mobile payments. Overall, international remittance costs have been falling and remittances from abroad are rising rapidly.

## 2. Support provided to the Global Forum on Migration and Development

UNCTAD has supported the Global Forum on Migration and Development (GFMD) since its inception by providing analytical inputs and comments for GFMD round table meetings and participating in GFMD meetings. The recommendations of UNCTAD expert meetings on migration-related issues were submitted to the GFMD meetings. UNCTAD has also supported the GFMD through the GMG.

UNCTAD served as the first chair of the GMG from January to June 2006; with the first meeting of the GMG on 9 May 2006 also chaired by the UNCTAD Secretary General. UNCTAD served a second time as chair of the GMG from July to December 2008. Its ongoing engagement in the GMG includes joint working-level and principals' meetings, joint publications, expert meetings and symposia, as well as participation in meetings organized by other GMG members and contributions to the preparations for the High-level Dialogues on International Migration and Development (HLDs) in 2006 and 2013.

The large body of research, policy analysis and intergovernmental consensus-building and expert recommendations produced by UNCTAD could be of particular value to GFMD 2013–14, with its theme “Unlocking the potential of migration for inclusive development.” The UNCTAD Secretariat has offered its assistance to the current GFMD Chair (Sweden).

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<sup>8</sup> UNCTAD, *Information Economy Report 2010: ICTs, Enterprises and Poverty Alleviation* (Geneva and New York, United Nations, 2010); and UNCTAD, *Information Economy Report 2011: ICTs as an Enabler for private sector development*. (Geneva and New York, United Nations, 2011).

<sup>9</sup> UNCTAD, *Mobile Money for Business Development in the East African Community: A Comparative Study of Existing Platforms and Regulations* (New York and Geneva, United Nations, 2012).

<sup>10</sup> For more information about the M-PESA mobile phone-based banking service, visit [www.safaricom.co.ke/business/solutions-by-business-size/large-corporate/m-pesa](http://www.safaricom.co.ke/business/solutions-by-business-size/large-corporate/m-pesa).

### 3. Identified good practices

The UNCTAD Expert Meeting on Maximizing the Development Impact of Remittances (Geneva, 14–15 February 2011) resulted in the following conclusions and recommendations regarding good practices in this field:

- (a) Migration is a win–win, pro-development opportunity for all countries in the context of globalization. It should be mainstreamed and integrated into national development strategies.
- (b) Managing migration issues is a shared responsibility between the countries of origin, transit and destination. Bilateral agreements on temporary and circular migration can help maintain secure, legal and orderly migratory movements between countries.
- (c) Remittances are intrinsically linked with migration and have become a particular driver of the economies of many developing countries. Remittances must be integrated into the overall migration management policy and national development strategy. The gender and youth dimensions should be integrated into the management of migration and remittances.
- (d) Remittances have made positive contributions to poverty reduction, economic growth and social development in recipient countries by meeting basic needs, enabling investment in housing, health and education, and enabling transfers of knowledge and skills from returned migrants and diasporas. Nevertheless, it must be emphasized that remittances are not a substitute for coherent economic development strategies .
- (e) Proactive and targeted policies and measures could enhance the development impact of remittances. These may include: (i) financial education and financial inclusion, both for migrants and for recipients of remittances; (ii) the design and marketing of financial products (for example, savings and insurance); (iii) technical training in money transfer and financial services; (iv) migrant entrepreneurship training; (v) assistance to small and medium enterprises; and (vi) the securitization of remittances (for example, through diaspora bonds).
- (f) While keeping in mind that remittances are private flows, four steps in the process can be identified as maximizing the development impacts of remittances, namely: (i) formalizing remittance flows; (ii) establishing and enabling a competitive environment and conducive regulatory framework; (iii) promoting access to financial services (that is, linking remittances with other financial products such as scaled savings products, credit, insurance and mortgages, among others); and (iv) developing the range of financial products, including in rural areas, and promoting the use of new technologies.

- (h) Remittance flows need to be improved further, specifically by: (i) reducing transaction costs; (ii) ensuring safety and security; (iii) providing accessible and affordable transfer channels; (iv) eliminating tax on transactions; (v) improving transparency, information and competition in the money transfer markets; and (vi) offering innovative products. The postal network could be an important modality in rural areas, especially where other financial service providers are absent.
- (i) In order to increase remittance flows, measures – especially those that may act as barriers to temporary migration – should be dealt with at the national, bilateral, regional and multilateral levels, including at the Doha Round service negotiations. Facilitating temporary and circular migration, including through bilateral agreements, leads to useful solutions, and requires cooperation among the countries involved in migration.
- (j) Policy coherence and integrated approaches are particularly important. Despite the existing policies, experiences and mechanisms available to facilitate migration and remittances, there is still room for strengthening and improving cooperation and coordination nationally and internationally – including among migrant origin, transit and destination countries – as well as for experience-sharing and providing an enabling environment for temporary and circular migration.
- (k) A comprehensive approach should seek, inter alia, to: (i) set clear and aligned policy goals and priorities; (ii) establish and strengthen coherent regulations and institutions; (iii) assess labour market needs in destination countries; (iv) provide migrants with pre-departure and return reintegration training; and (v) hold multi-stakeholder consultations to facilitate flows of remittances for development and rights-based managed migration.

#### **4. Challenges identified in carrying out UNCTAD work**

Data on migration and remittances, as well as communication of information to migrants and recipient households, could be improved. Gender- and age-differentiated data would also facilitate gender and age analysis of migration. Limited secretariat staff time is also a constraint.

#### **5. Gaps evident within the migration and development sphere**

Work is needed to develop national and international strategic policies that would rest on five pillars:

- (a) Provide support to migrants, including in the context of facilitating temporary and circular migration;



- (b) Ensure financial inclusion of migrants;
- (c) Reduce transaction costs of remittances;
- (d) Develop supportive policy frameworks for temporary and circular migration;
- (e) Build capacities in key support services.

## 6. Recommendations for the 2013 High-level Dialogue

UNCTAD proposes that international public private partnerships are needed to:

- (a) *Facilitate the orderly flow of migrants with pre- and post-migration support programmes.* “Know thy migrant” by collecting information on migrants’ profiles, motivations and destinations. Temporary movement and circular migration, which have particular developmental benefits for youth, can be liberalized at the international level, including through GATS Mode 4, as well as at the regional, bilateral and unilateral levels. Young migrants can be incentivized to return home through training, skills development and low-interest loans. In addition, loans should be made available both pre-migration, to enable migrants to pay for recruitment fees and travel costs and post-migration, to enable them to start enterprises (when combined with entrepreneurship training, financial advice and business support) or to pay for education and training.

Liberalization and regulatory cooperation can take place at many levels: international (for example, through the World Trade Organization and GATS Mode 4), regional (for example, the East African Community and ASEAN) and bilateral or even unilateral (for example, the Singapore economic cooperation agreements with various partner countries).

- (b) *Reduce remittance costs.* The burden of remittance costs falls most heavily upon the poorest. Hence, there is a need to expand access to and ensure interoperability of remittance transfer services, and promote financial inclusiveness. Partnerships in these areas could involve financial, microfinance and money transfer organizations such as Western Union, postal unions, telecommunications operators, and, particularly, Safaricom’s M-PESA. Policymakers can discuss best regulatory practices, taking lessons from East Africa, with support from UNCTAD and other international agencies. Each country has its own unique policy and regulatory frameworks that can be tailored for the “best fit.”
- (c) *Develop capacities in affordable and accessible support services (finance, telecommunications, energy and ICT).* This may involve careful opening of key service sectors with large development dividends. These include the provision of finance (including remittance transfer, savings, investment and credit),

telecommunications, mobile money, infrastructure, transportation and energy services. A policy of competition across all sectors is important, as is allowing for links across sectors, as we see with M-PESA linking banking with mobile phones in Kenya and other African countries.

- (d) *Use dialogue and comprehensive integrated approaches to strengthen policy coherence and coordination.* This should be carried out at the national level, as well as internationally, that is, among countries of migrant origin, transit and destination, including through institution-building and better regulation.

The work of UNCTAD on migration and remittances will continue, in line with its mandate. In 2014 UNCTAD will hold an expert meeting on the impact of access to financial services on development, remittances and the economic empowerment of women and youth. This meeting will look at ways of improving access for both migrants and remittance recipients to financial advice and services, and reducing remittance costs.