



8 July 2014 - Every day, millions of migrant workers around the world line up in money transfer offices to wire home whatever sums they've been able to save. A large part of the money finds its way deep into the rural areas of developing countries. There, even a small amount may send a child to school, build a house or buy food to sustain those remaining at home.

Remittances are playing an increasingly large role in the economies of many countries. World Bank's [Migration and Development Brief](#) states that international migrant remittances to developing countries are estimated to have reached \$404 billion in 2013. This is three times more than the net global official aid (ODA), which was \$134.8 billion in 2013, according to [OECD](#)

. The global remittances growth may accelerate in 2014-2016, bringing remittances to developing countries to \$516 billion in 2016, the brief says.



However, the use of informal, trust based remittance systems as for instance the one known as [Hawala](#), means a large amount of remittances do not appear in any official statistics.

Very often these portions of cross-border earnings play a vital role in supporting health, education, food security and productive investment in agriculture in migrants' home countries. They provide a lifeline to fragile and conflict-affected countries, and in some states, remittances

are equivalent to more than three times the official development assistance and can have profound implications for human welfare and economic development, according to the World Bank report.

Yet, an alarmingly big chunk of current remittance transfers are lost to intermediaries as a result of high charges. According to the Overseas Development Institute's (ODI) [Remittances Report](#) released in April 2014, two money transfer operators – Western Union and MoneyGram – account for two-thirds of the money transfers to Africa. An average of 12% of the amounts sent back to relatives in sub-Saharan Africa is lost to transfer fees. The amount would be enough to pay for primary school education for 14 million children in the region, says the ODI report.

The burden of the high fees pushes migrants constantly to look for alternative ways to send money to their home countries. Transfer of remittances using mobile phone technology is becoming a cheaper official means of transferring money: last year Orange started an international money transfer service that allows people to send funds between Mali, Senegal, and Cote D'Ivoire using only their mobile phones, and in Sierra Leone, Splash Mobile has been doing the same. The Hawala method, where the transfer is based on trust or personal relationships, has grown in popularity, too, especially among communities originating from the Horn of Africa and the Middle East.

Most remittances are done outside the "traditional" banking system: banks are rarely found in the poorer suburbs ;most families do not have bank accounts to which the money could be wired or illiteracy prevents them from opening one;and undocumented migrants cannot open an account in the countries in which they reside. Also, in many countries general mistrust towards the banks prevails. But first and foremost the main reason is speed. While an overseas bank transfer from the EU to Africa would take at least 3 working days, money sent with Western Union can be collected within minutes of sending.

But informal channels also come with dangers of losing the money, possibilities of money laundering and indirect support for organized crime. Therefore, according to Nurse, migrant-friendly, safe and trustworthy channels for remittances transfers must be further developed, says Doctor Keith Nurse, Director of the Shridath Ramphal Centre for International Trade Law, Policy and Services at the University of the West Indies, Barbados, during a conference in Brussels.

"The remittances are too valuable to end up in the pockets of others than those they are meant for", says Dr. Nurse.

With nearly 1 out of 7 persons in the world being either an international or an internal migrant, there is a growing need for reducing migration costs and improving the rights of migrants.

At the moment, the highest fees are charged of those who have the least to give.

Official Development assistance (ODA) in 2012 and remittances flow in 2013:

ODA (2013)

From

Remittances flow (2012)

\$17,88 billion **UNITED KINGDOM**

\$23,6 billion

\$15,79 billion

THE NORDIC COUNTRIES

\$5,96 billion

\$71,2 billion*

EU –COUNTRIES**

\$38,8 billion*

\$134.8 billion***

GLOBAL

\$404 billion***

*The total outflow of remittances includes intra-EU flows and extra-EU flows

**there were 27 EU member states in 2012 and 28 member states in 2013

***this is the remittance flow to developing countries, excluding the higher income countries

Statistic sources: [Pew Reseach Center](#) , [OECD](#) , [Eurostats](#)

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