



#### 4<sup>th</sup> Thematic Session on the Global Compact for Migration

Contributions of migrants and diaspora to all dimensions of sustainable development, including remittances and portability of earned benefits

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Intervention by the UNITED ARAB EMIRATES

#### Panel 3: Remittances and portability of earned benefits

With nearly one million temporary migrant workers coming every year to the UAE, we have a particular story to share in the field of remittances. In 2014, workers residing in the UAE remitted \$19.2 billion US Dollars. Remittances from the Gulf region accounted for approximately \$98 billion USD, representing 16% of global remittances. We recognize that remittances by migrant workers represent a significant source of external resource flows for developing countries and therefore have worked on ensuring that transaction costs do not cut significantly into those savings.

The average cost of remitting money from the UAE is among the lowest globally at 3.1% as compared to the global average of 7.4%. This means that we have essentially already met the goal set out in the Addis Ababa Action Agenda and in the SDGs to reduce the average transaction costs of remittances to 3% of the amount transferred. For the purposes of best-practice sharing and mutual learning in the context of the preparations for the GCM, allow me to share with you some of the reasons why transfer costs are so low in the UAE.

**First, innovative payment system infrastructure.** More than 90% of remittances from the UAE are sent home electronically. One of the basic policies of the Central Bank of the UAE is to drive innovation in digital payments market and finding ways to promote high quality of service while decreasing costs.

**Second, transparent regulatory framework.** The UAE Central Bank - that is in charge of regulating payment service providers – is focused on creating a regulatory system that promotes financial inclusion, and encourages competitive costs. To this end, the regulatory system of digital payments is characterized by competition among payment service providers (PSPs) and very limited regulation on the establishment and licensing of service providers.



**Third, competitive market conditions.** As of 2014, there have been close to 140 licensed foreign exchange companies in the UAE operating more than 800 branches across the country. Given that a large majority of the population is remitting money on a regular basis, the market is characterized by fierce competition. Furthermore, the amounts of remittances being sent home is often small – averaging around \$300 per transfer – meaning that competition is focused on driving down the transfer cost of remittances.

We realize that some of the factors accounting for the low transaction costs of remittances in the UAE are particular to our country and might not be easy to replicate in migration corridors characterized by a low volume of remittances. But based on our national experiences, we would like the Global Compact for Migration to emphasize the importance of:

- Creating a regulatory environment conducive to faster, cheaper and safer transfer of remittances
- Fostering competitive and transparent market conditions among payment service providers
- And creating an enabling environment for fostering innovation in the digital payment market.

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