

Migration, Remittances, and Development

Richard Newfarmer
Special Representative to the UN and WTO
World Bank, Geneva

Universal Postal Union Congress/General Debate
Geneva
July 25, 2008

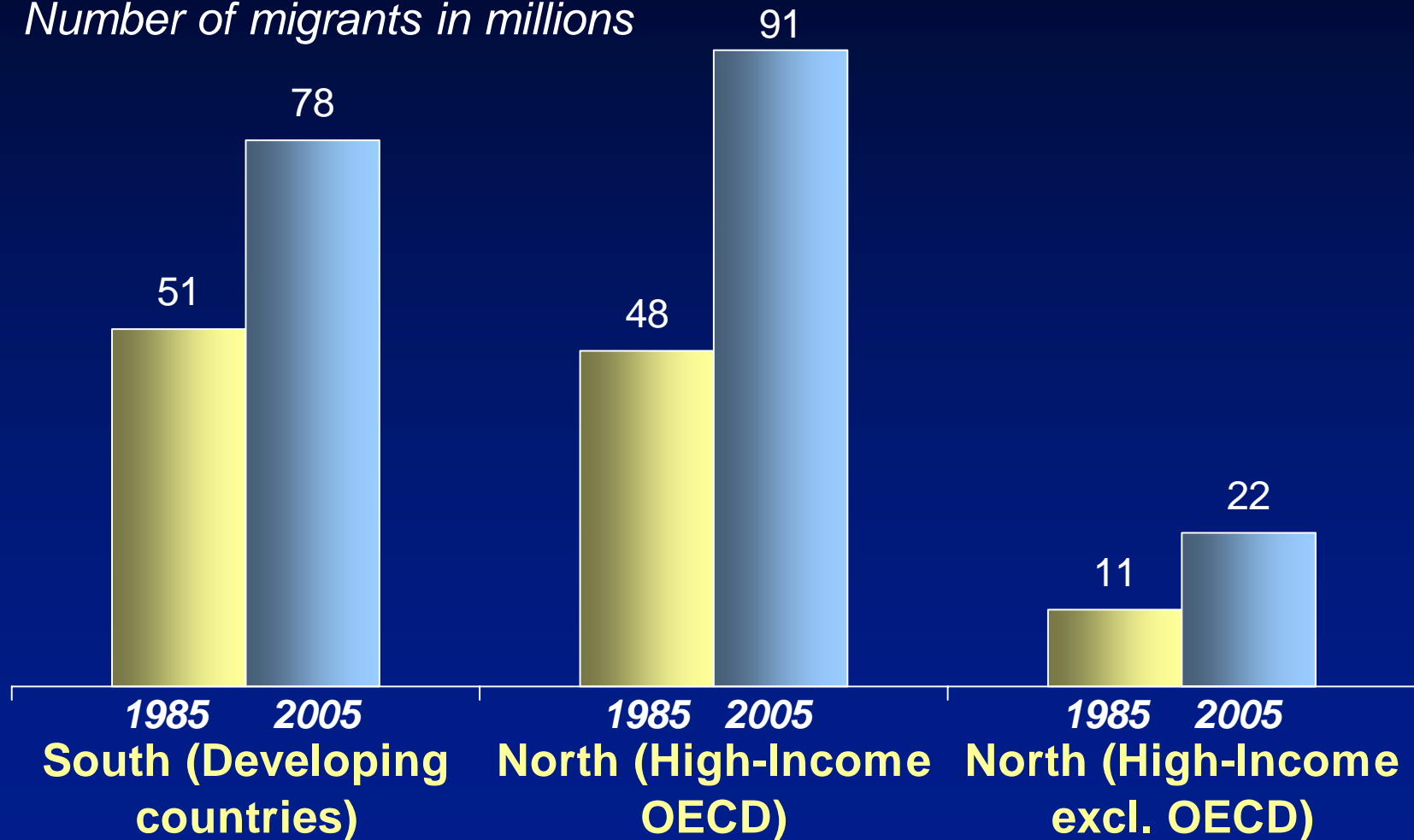
This presentation was prepared by Dilip Ratha and Sanket Mohapatra, World Bank

Main messages

- International migration and remittance flows will continue to increase
- Migration generates substantial gains for the migrant, the destination country, and the origin country – and remittances are a key benefit
- Developing countries could leverage remittances further, and postal networks can play an important role in facilitating this process

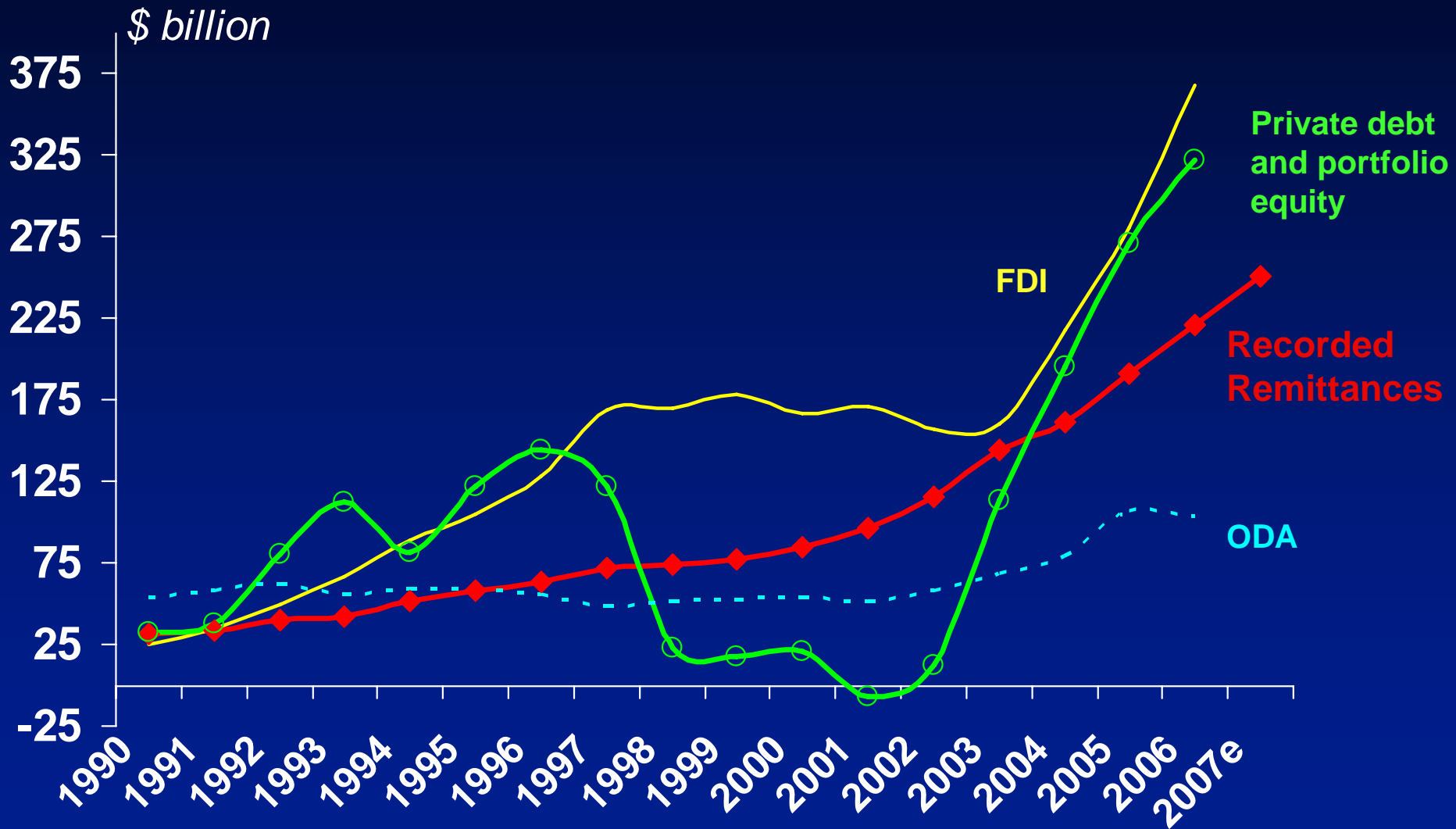
Global migrant stock is rising

Number of migrants in millions



Source: United Nations

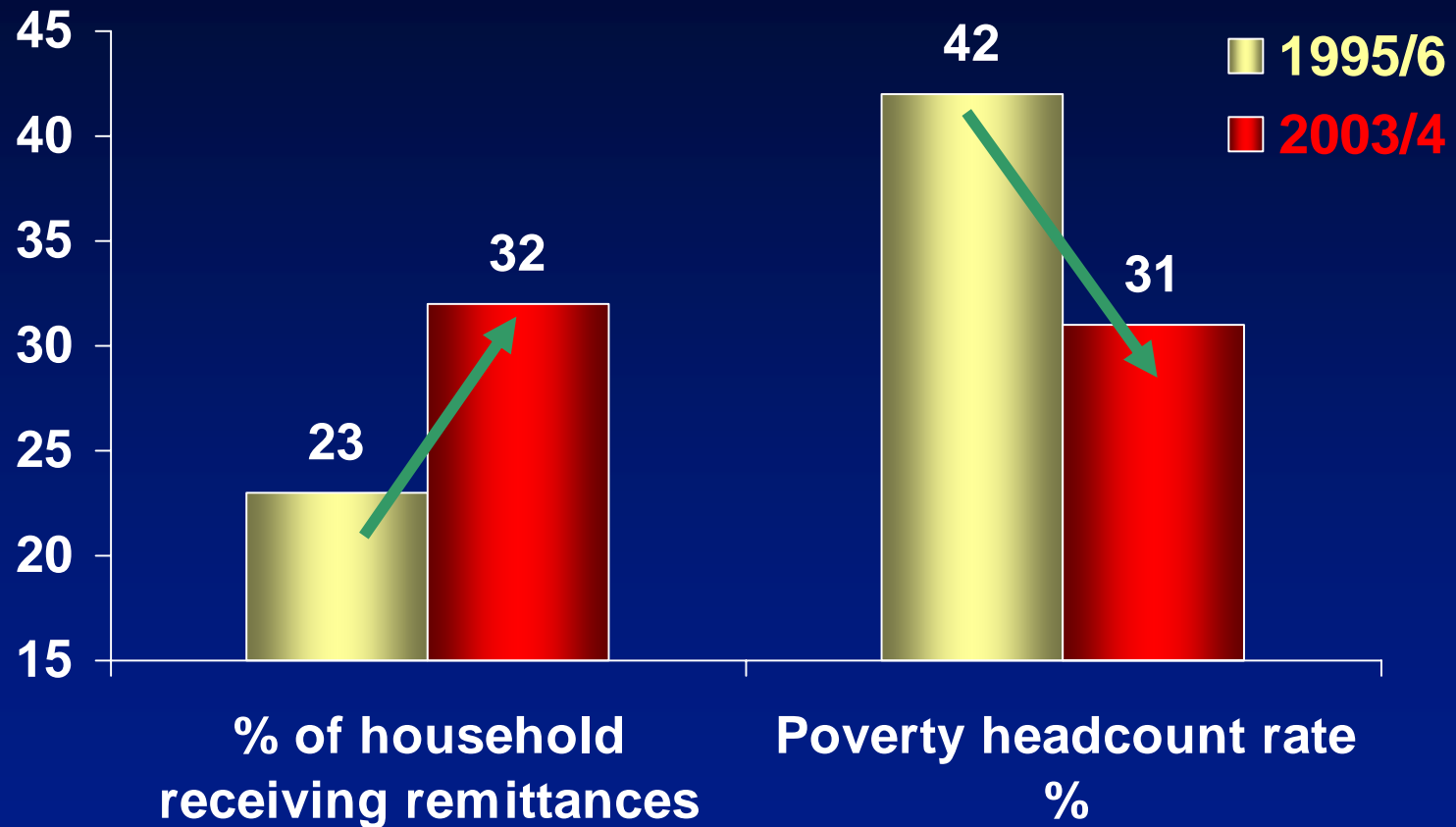
Remittances are large, have continued to increase



Remittances reduce poverty

- Evidence from a few household surveys shows that remittances reduce poverty
- Cross-country evidence shows that a 10% increase in per capita remittances leads to a 3.5% decline in the share of poor people
- Remittances also finance education and health expenditures, and ease credit constraints on small businesses

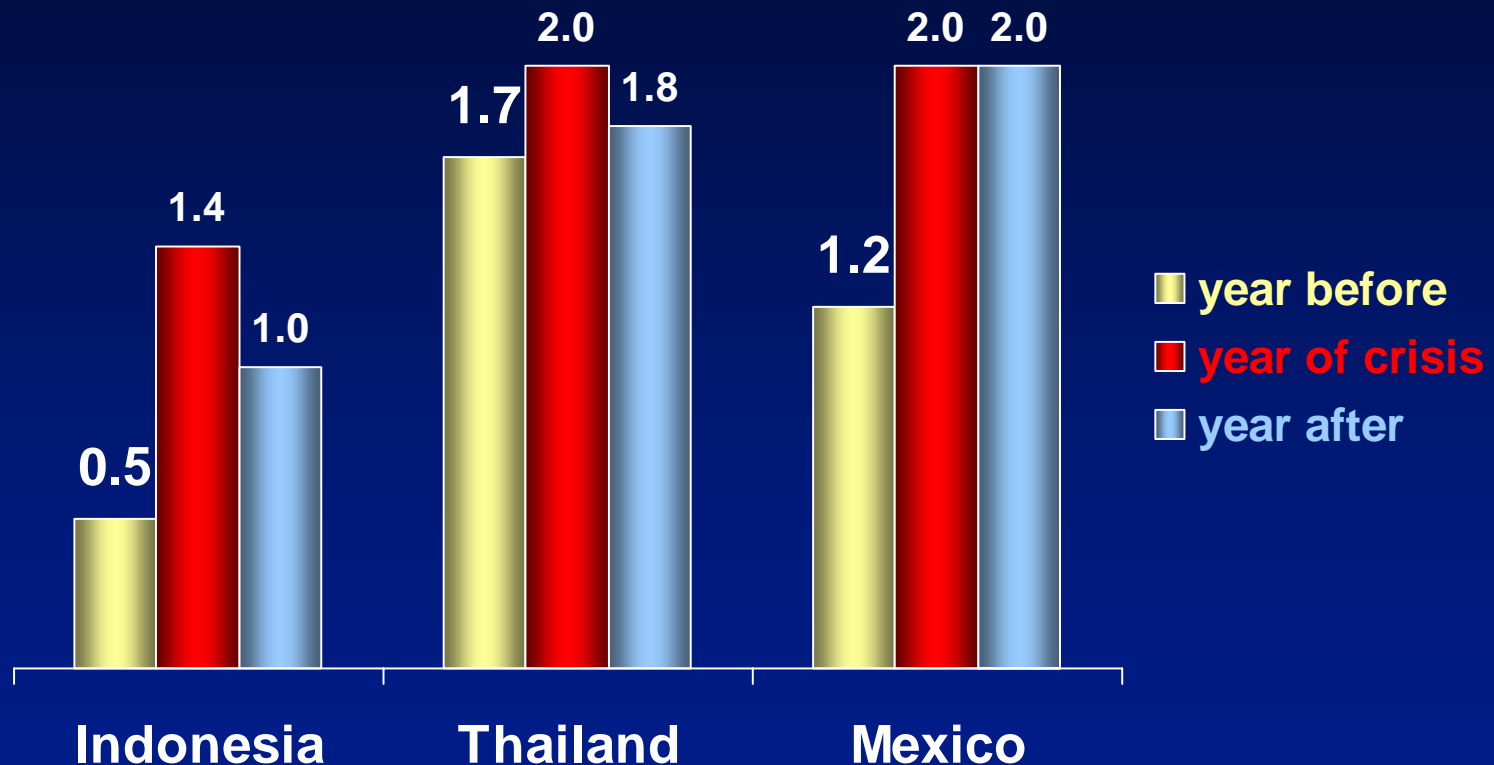
Remittances have reduced poverty in Nepal



Source: World Bank, DFID, ADB Study 2006, Glinskaya and others 2006

Remittances tend to rise following crisis, natural disaster, or conflict

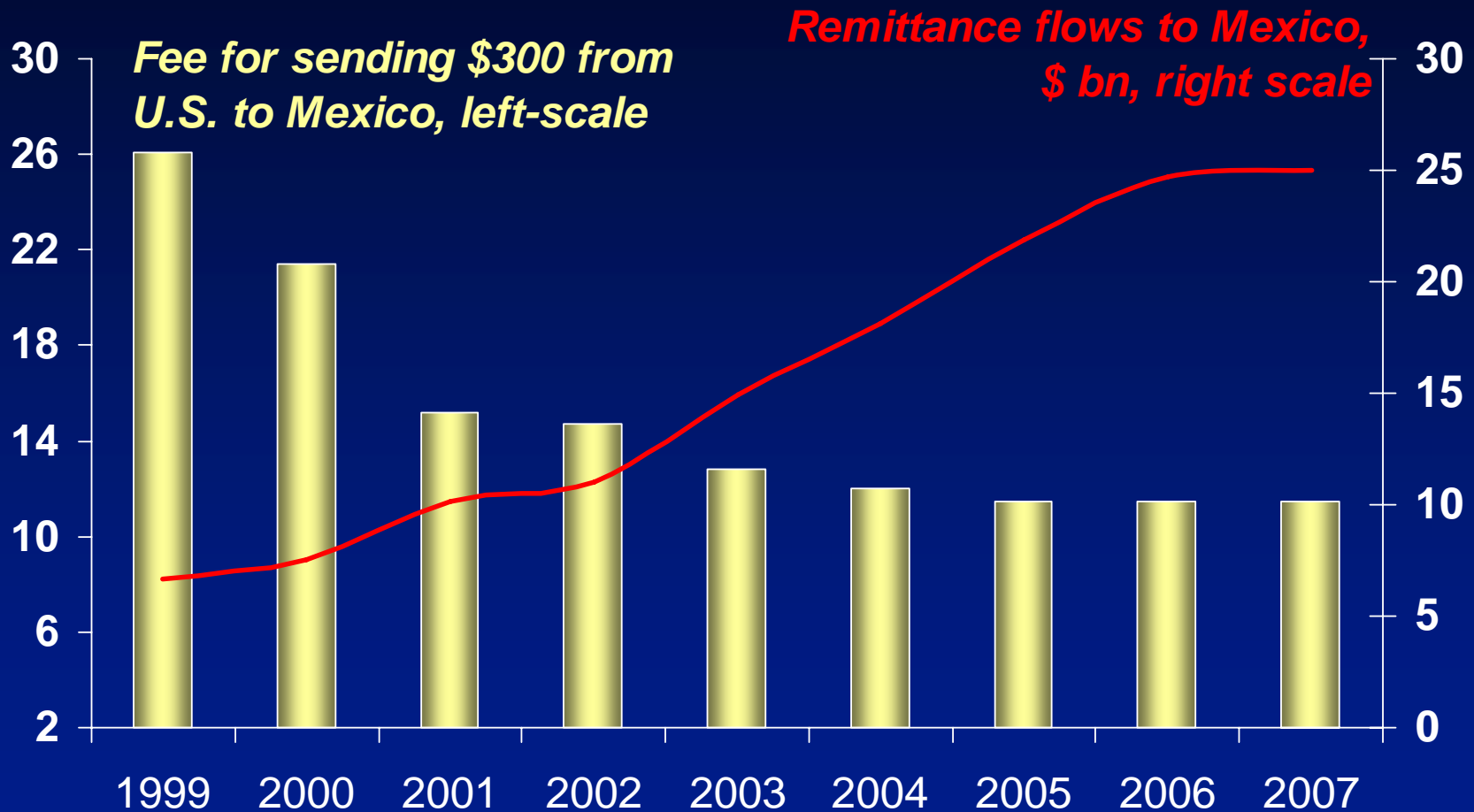
Remittances as % of private consumption



Downside of remittances

- Large remittance flows may lead to currency appreciation and adverse effects on exports; but sterilization of inflows may not be an appropriate policy response
- Remittances may create dependency
- Remittance channels may be misused for money laundering and financing of terror

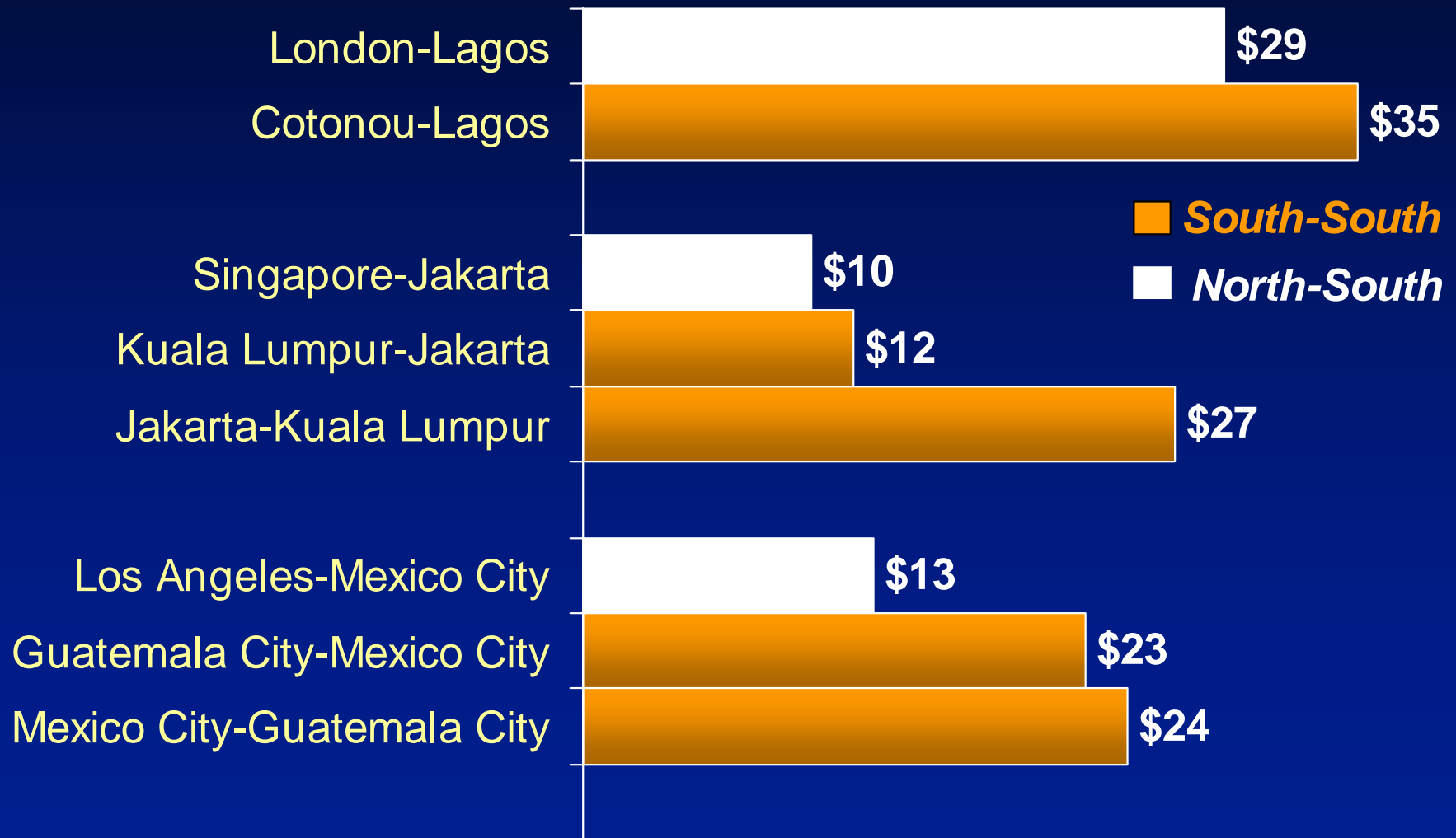
Remittance fees are falling, but not fast enough



Source: Condusef, Mexico

South-South remittance costs tend to be higher than North-South costs

Fee and FX commission for \$200 sent



Source: Ratha and Shaw (2007)

Policy implications

- Reduce remittance costs
- Prudential banking regulations and AML/CFT regulations may need rebalancing
- Leverage for financial access of households
- Leverage for foreign borrowing and reducing country risk

1. Monitoring,
analysis, projection

3. Financial
access

4. Capital
market access

International
Remittances
Agenda

2. Retail payment
systems



1. Monitoring, analysis, projection

- Size, corridors, channels
- Counter-cyclicality
- Effects on poverty, education, health, investment
- Policy (costs, competition, exchange controls)

3. Financial access

- Deposit and saving products
- Loan products (mortgages, consumer loans, microfinance)
- Credit history for MFI clients
- Insurance products

International Remittances Agenda

4. Capital market access

- Private banks and corporations (securitization)
- Governments (diaspora bonds)
- Sovereign credit rating

2. Retail payment systems

- Payment platforms/instruments
- Regulation (clearing and settlement, capital adequacy, exchange controls, disclosure, cross-border arbitration)
- Anti-money laundering/Countering financing of terrorism (AML/CFT)

Postal networks should be a key player in international and domestic remittances

1. Post offices are often the only link with the formal financial/money transfer system for the poorest.
2. Post offices and postal savings banks are leveraging on new technologies to improve domestic remittance services.
3. However, many postal networks continue to have exclusive partnerships for international remittances
- Policy inconsistency?

World Bank work program

- Research and publications
- Global advocacy
- Country analytic work/Operations
- Africa migration project

Research, resources and publications

Databases

- Remittances data
- Bilateral migration data
- Brain drain database

Publications

- Global Economic Prospects 2006: Economic Implications of Remittances and Migration (DECPCG)
- Migration and Remittances Factbook 2008 (DECPCG)
- The International Migration of Women (DECRCG)
- International Migration, Economic Development and Policy (DECRCG)
- Bilateral remittance corridor studies (FPD)
- Policy Research Working Papers (on poverty impacts, uses of remittances, diaspora bonds, remittance securitization)

World Bank websites on migration

Development Prospects Group

worldbank.org/prospects/migrationandremittances

Development Research Group

econ.worldbank.org/programs/migration

Poverty Reduction Group

worldbank.org/migration

Payment Systems and Remittances

worldbank.org/remittances