
Migration, Remittances and Economic Development:

The World Bank Program

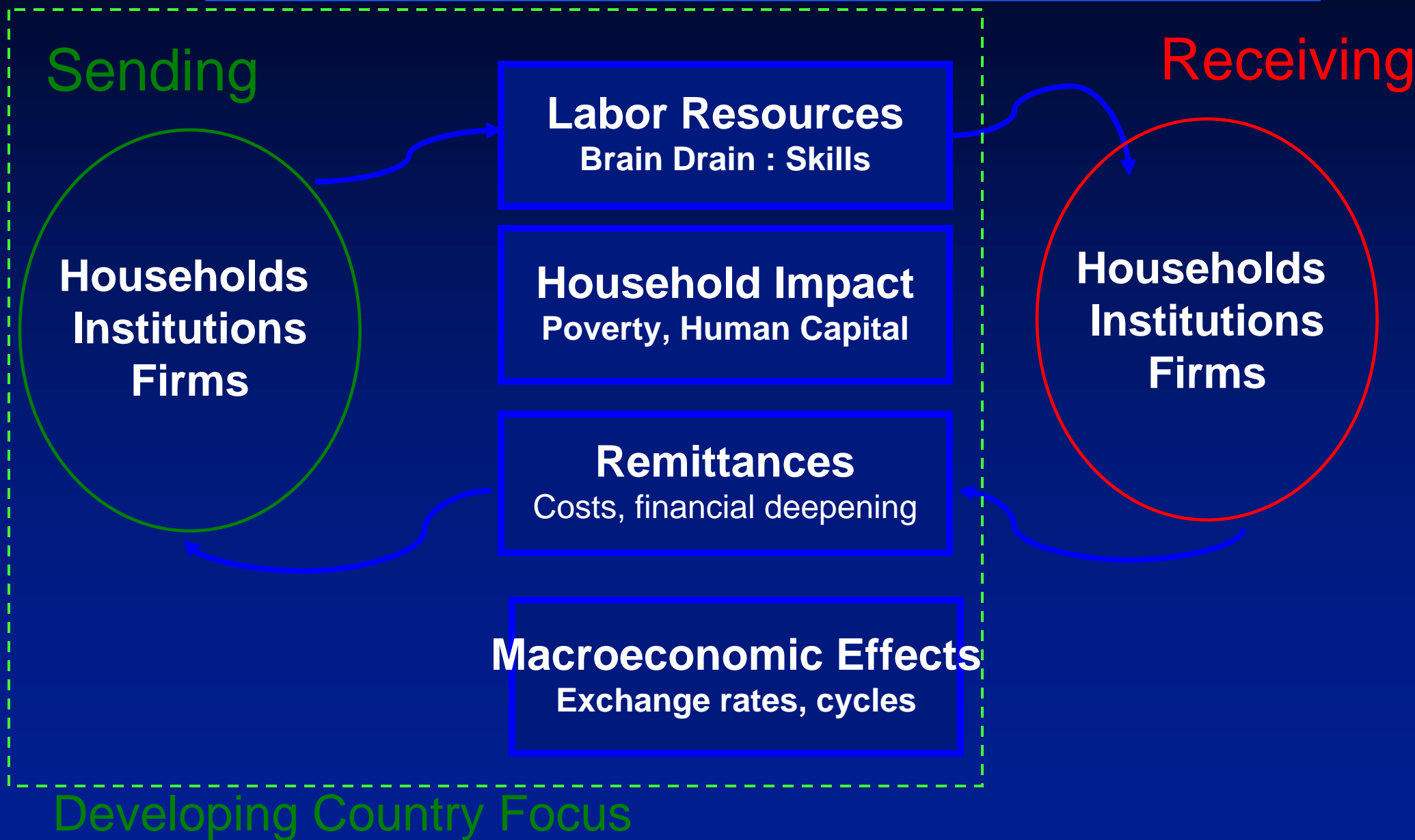
**International Symposium on
International Migration and Development
Turin, June 28-30, 2006**

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Overview

1. The Development Perspective on Migration
2. The Remittances Channel
3. Poverty and Human Capital
4. Brain drain and skill mobility
5. Macroeconomic effects
6. Looking forward

1. The Development perspective on Migration



1. The Development Perspective on Migration

- Strong emphasis on developing country perspective
- Comprehensive but selective approach
- Systematic engagement on policy dialogue
- Addressing key areas for development:
 - Remittances
 - Poverty, Human Capital
 - Brain drain and skill mobility
 - Macroeconomic effects

3. Poverty, Entrepreneurship & Human Capital

- Evidence from household surveys shows that remittances reduce poverty level, depth and severity of 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
 - According to household surveys in the Philippines, 10% increase in remittances reduces poverty rate by 2.8% by increasing the income level of the receiving family but also via spillovers to the overall economy.

3. Poverty, Entrepreneurship & Human Capital

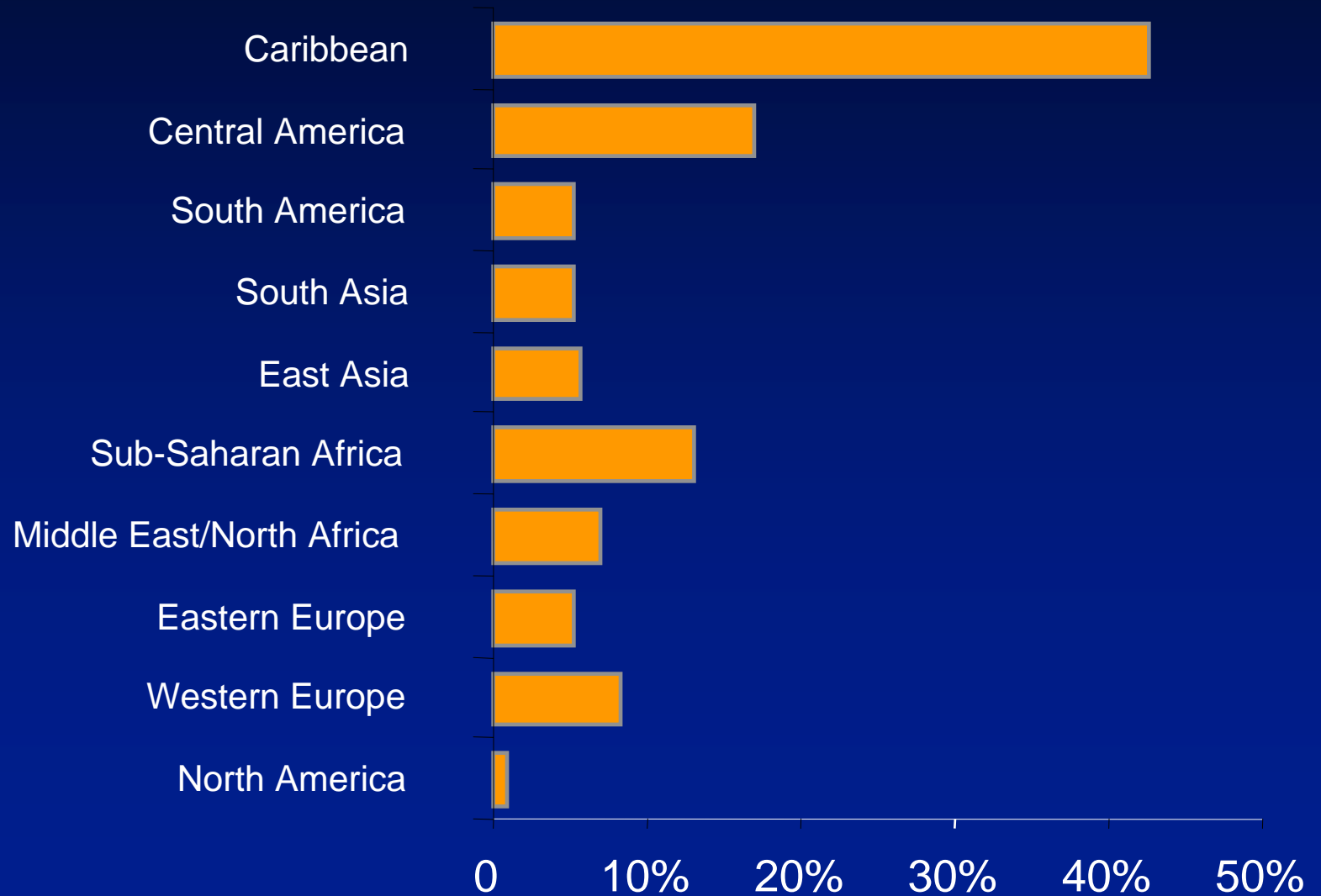
- Families with migrants invest more in physical assets, have higher levels of entrepreneurial activities, spend more on health care and have children more likely attend school and work fewer hours.
- Evidence from existing household surveys in Mexico, Ghana, the Philippines, Central American countries.
- For example, in the Philippines, 10% increase in remittances leads 1.7% increase in school attendance, 0.35 hour decline in child labor per household per week, 2% increase in new entrepreneurial activities.
- These are all higher than the impact of other sources of income, indicating remittances are more likely to be used for these purposes.

4. Brain Drain, brain gains and brain waste

- **Most Comprehensive Database to Date
(Docquier & Marfouk, 2005)**
 - Data from 190+ countries
 - 3 Education levels
 - Both 1990 & 2000

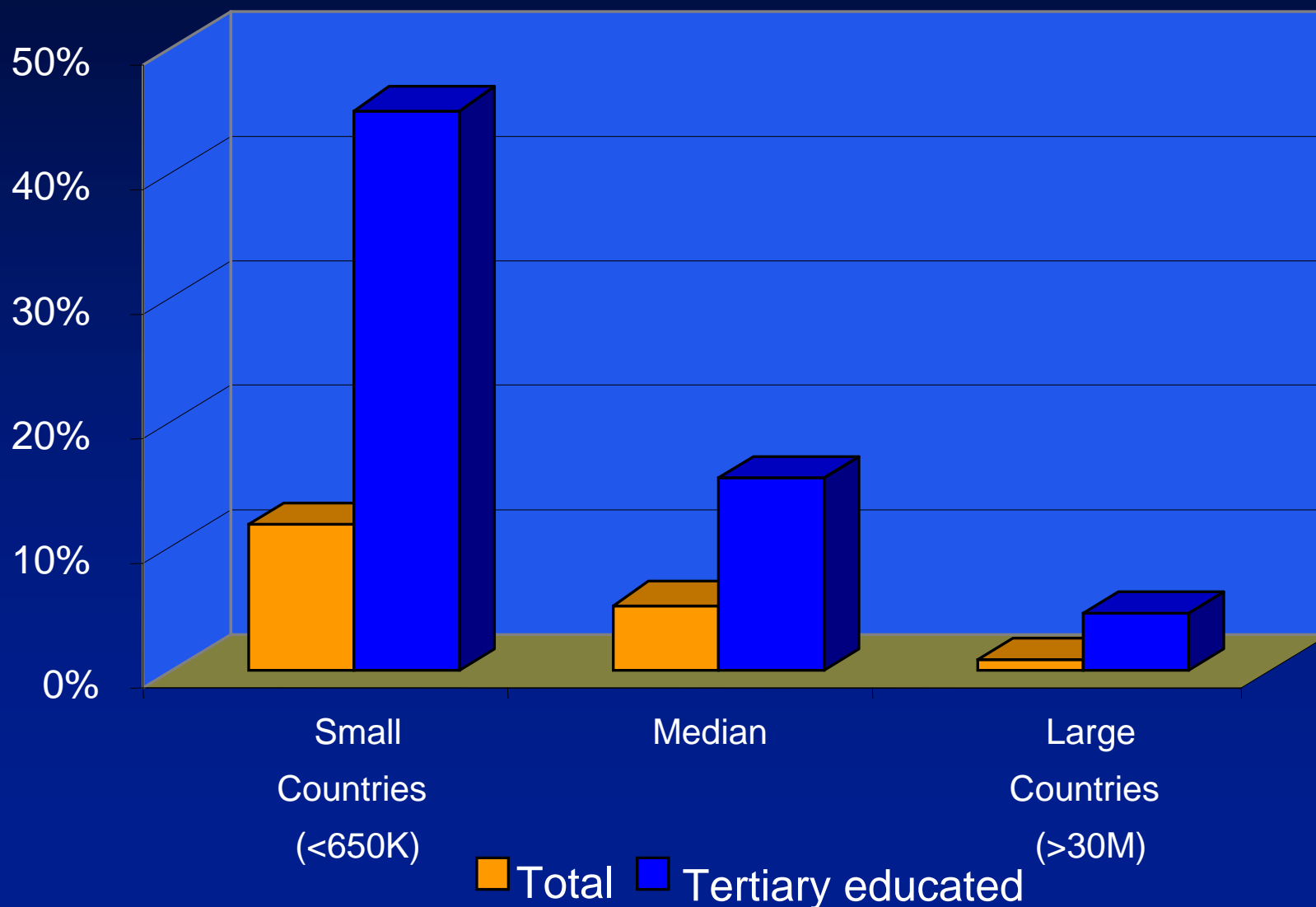
Brain Drain shows regional variation

Share of Educated Population Living Abroad



Brain Drain impacts small & isolated developing countries

Share of Population Living Abroad



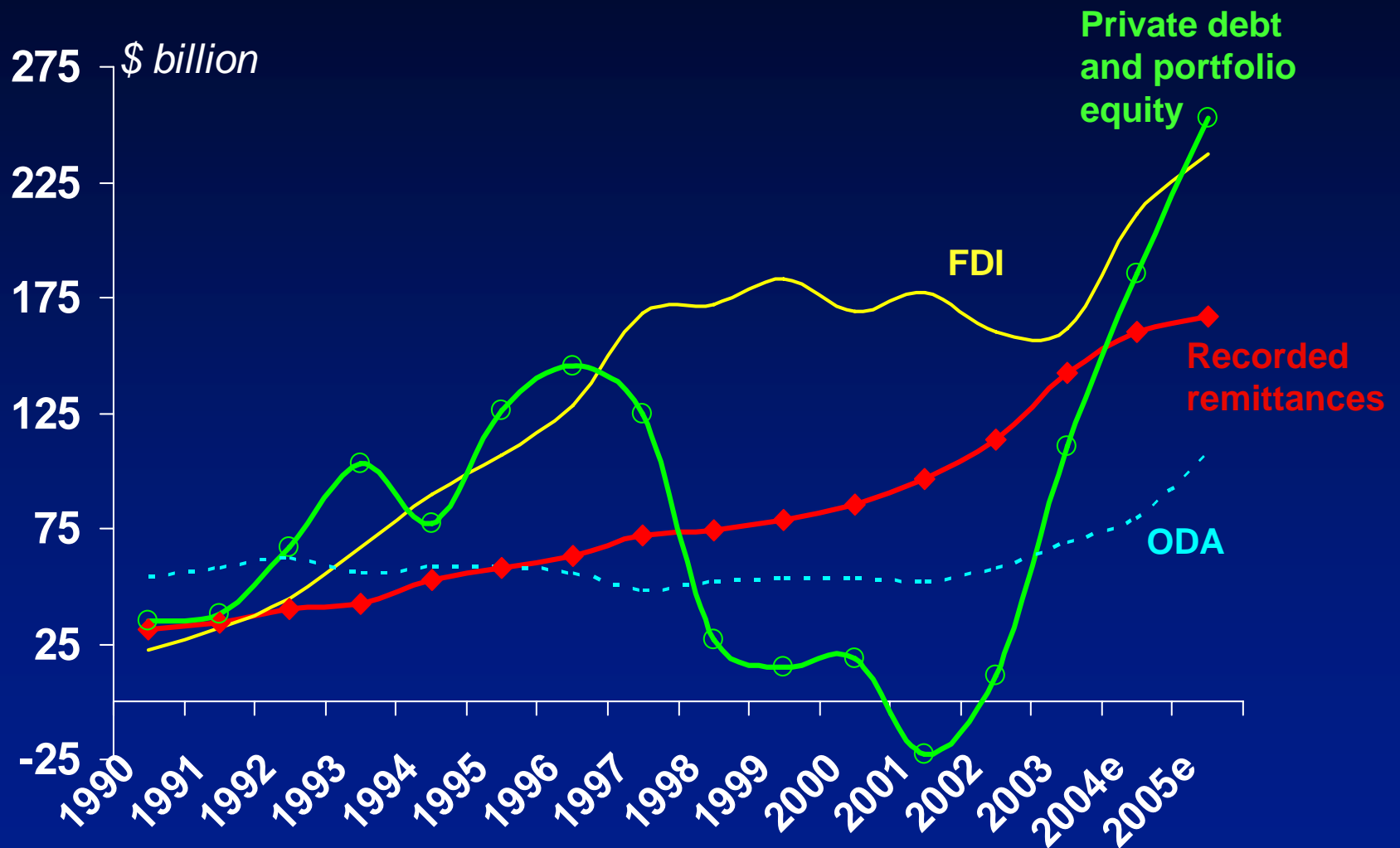
What is Next on Brain and Skill Migration?

- Where do migrants obtain their education?
 - Half of the Caribbean migrants w/ tertiary education actually received it in the host country
- Are there differences in migration patterns between different professions and what is the impact?
 - Healthcare professionals in Ghana – what incentives will keep them at home?

2. The Remittances Channel

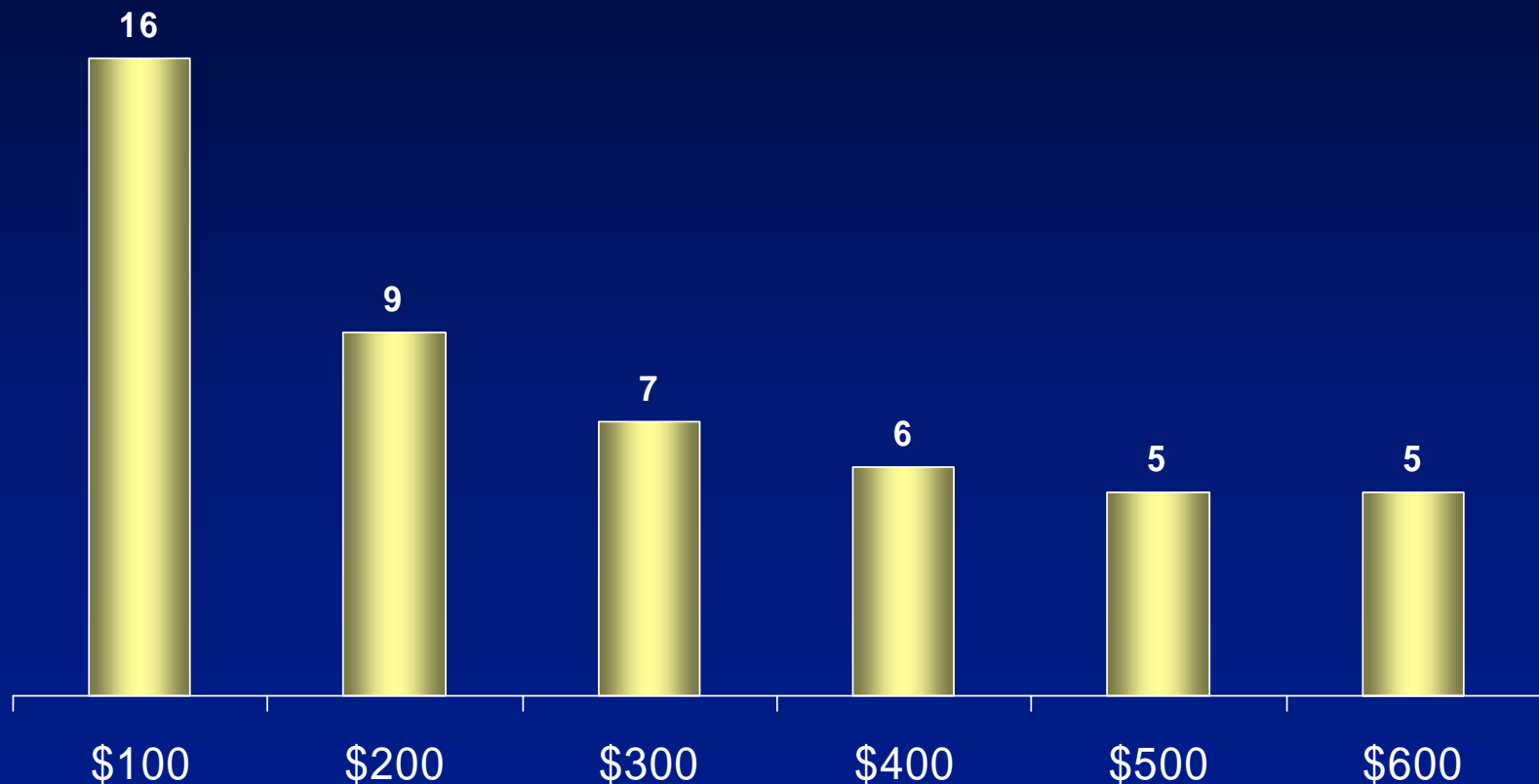
- Migration and remittances continue to increase
- Benefits to countries of origin are clearly observed through remittances flows.
- There is considerable scope for reducing remittance costs faced by poor migrants, and important challenges to expand the outreach of remittances and financial benefits.

Remittances are large, have continued to increase



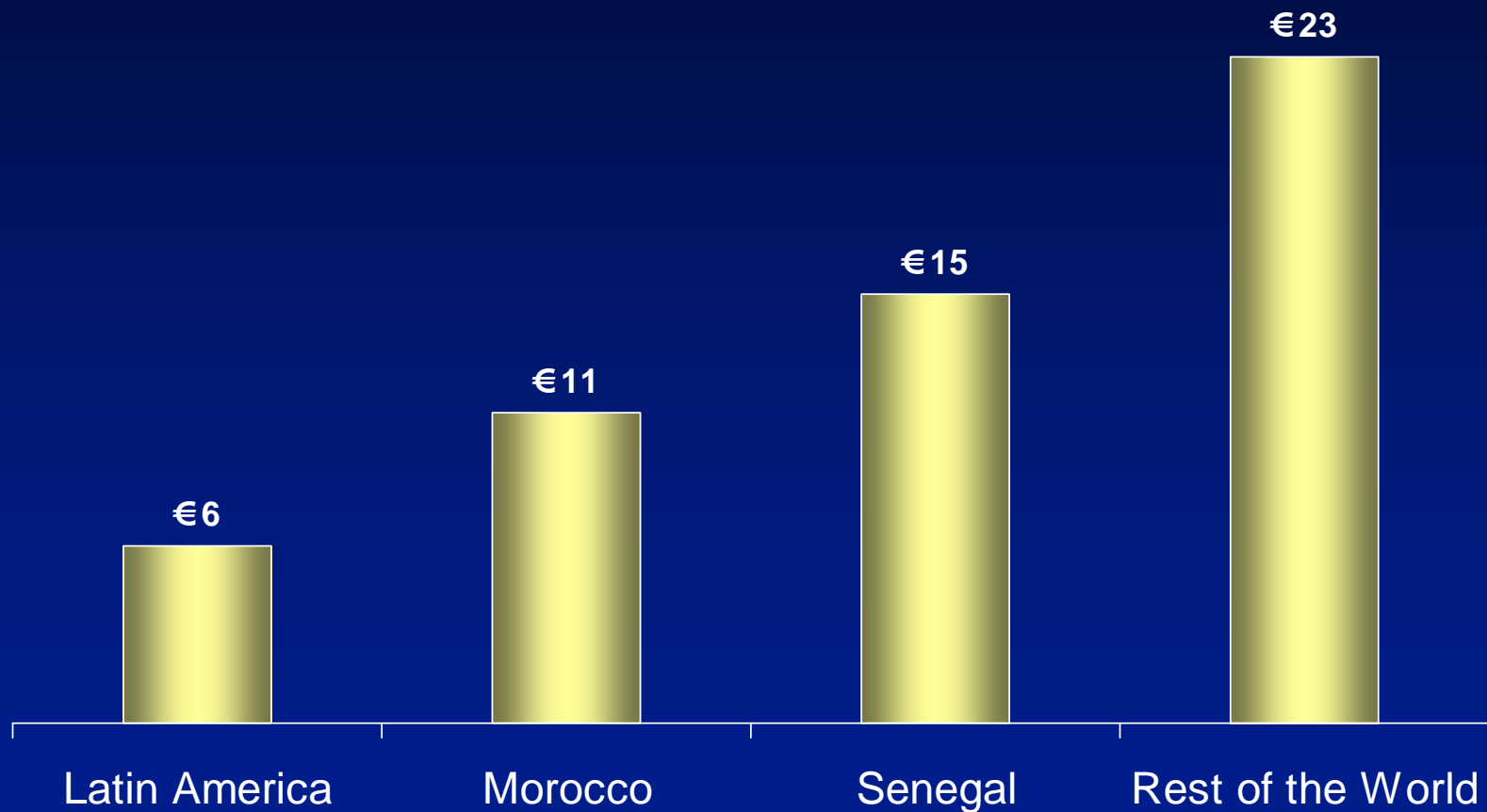
Remittance fees are high, and regressive

Fee and foreign exchange commission as % of principal



Weighted average of fees of four largest money transfer operators in the U.S.-Mexico corridor

Remittance fees for sending 200 euros from Turin, June 26, 2006, through a major MTO



Priorities on Remittances Policy

- High remittance costs faced by poor migrants can be reduced by increasing access to banking and strengthening competition in the remittance industry
- Governments should not tax remittances or direct the allocation of expenditures financed by remittances

5. Macroeconomic Effects

Aggregate effects occur through

- Development of the Financial Sector
- Impact on exchange rate markets
- Linkages with domestic business cycles

5. Macroeconomic Effects

Development of the Financial Sector

- Latin America: improving financial development indicators, such as Deposits/GDP
- Still, not improving Credit/GDP, leading to issues of domestic policies and regulations

5. Macroeconomic Effects

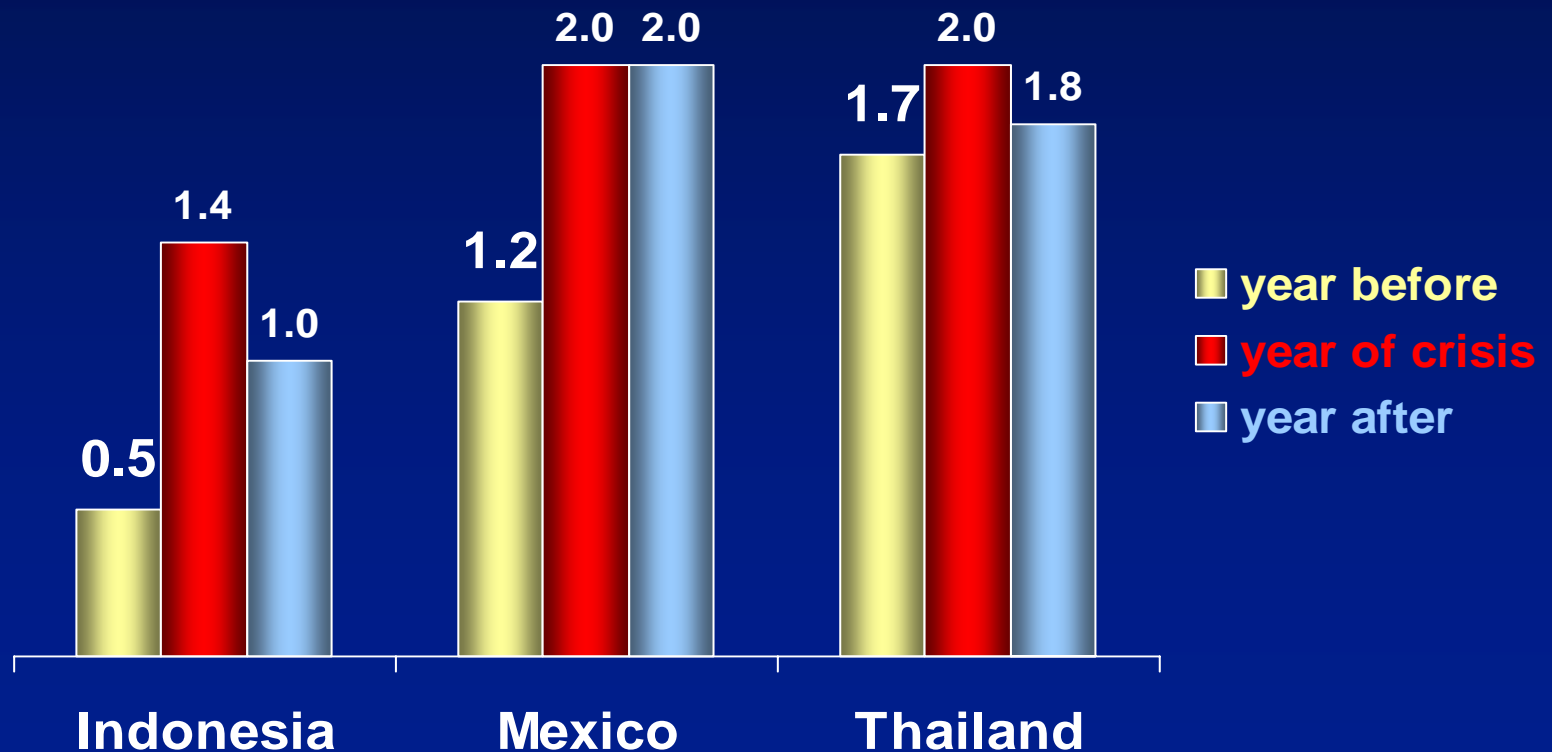
Impact on exchange rate markets

- Large remittance flows may lead to currency appreciation and adverse effects on exports
- Sterilization is not the appropriate policy response

5. Macroeconomic Effects

Linkages with domestic business cycles

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



6. Looking Forward

- South-South Migration
 - As important in volume as South-North migration
 - Developing countries as destination countries
- Temporary and Circular Migration
 - Labor arrangements and manpower agencies
 - Mode 4 (Doha Agenda)

6. Looking Forward

- Access to international capital markets
 - Impact on sovereign rating
 - Securitization of future remittances
- Strengthening data collection and analyses
 - Building local capacity (Statistical Offices)

6. Looking Forward

Many of the messages hinge on the existing policies in the sending country, need to address national policies strategies

- Poverty Reduction Strategies
- National Development Strategies
- Sectoral Strategies

Migration and remittances can be used to fuel development, but should not be seen as a substitute for development