

**Consequences of Labour Migration  
for the Developing Countries**

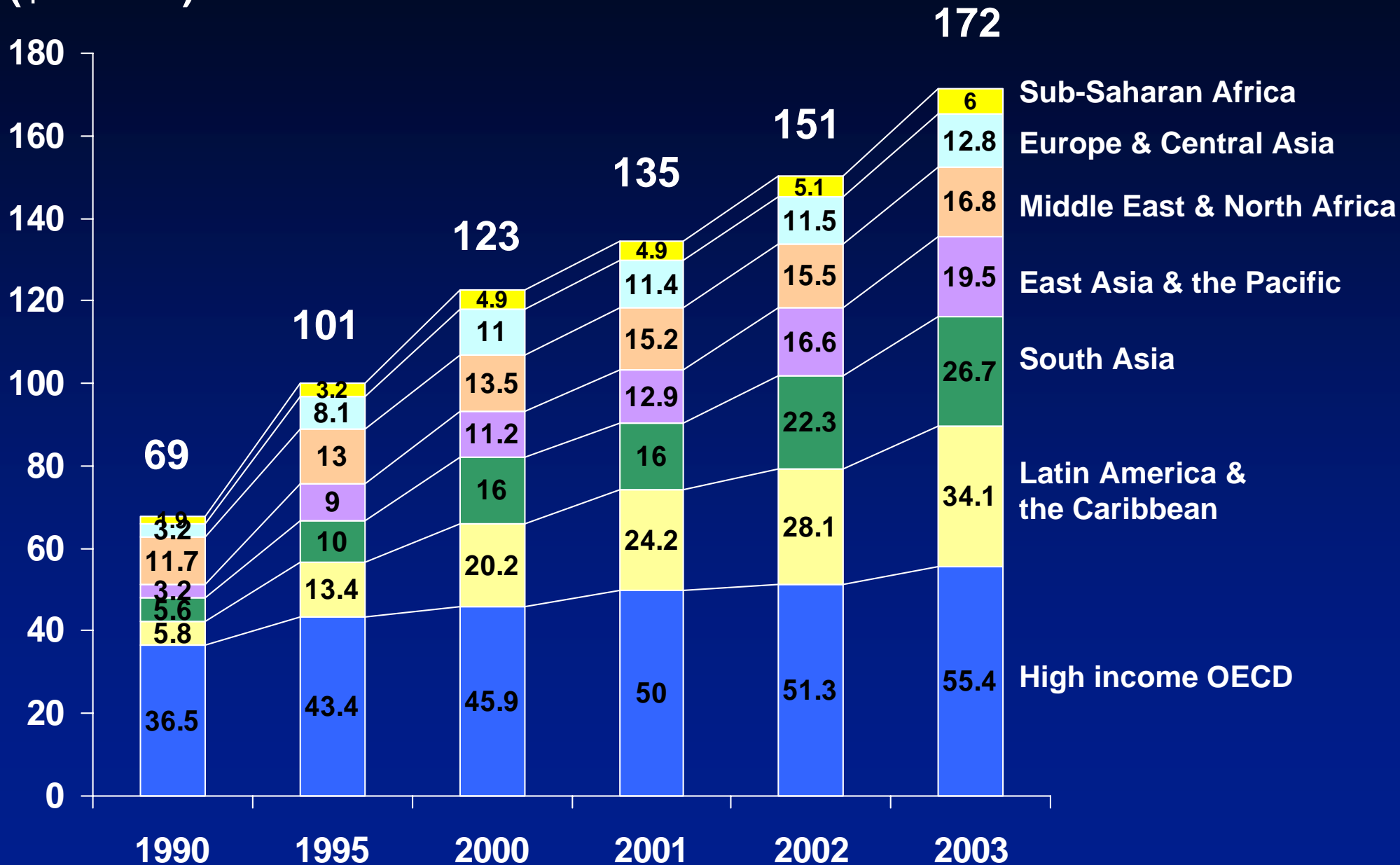
**Management of Remittances**

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World Bank Brussels Office**

Conference on labour migration  
Saturday, 26 February 2005

# Rising global flow of migrant remittances

(\$ Billion)



Source: IMF Balance of Payments Yearbook 2004

# Remittances have become a key source of global development finance

<i>\$ billion</i>	<u>1995</u>	<u>2003</u>
Net FDI flows	105	135
Net debt flows	151	44
ODA	59	68
<b>Workers' remittances</b>	<b>51</b>	<b>172</b>

## Remittances are larger than...

...official flows in 58 countries

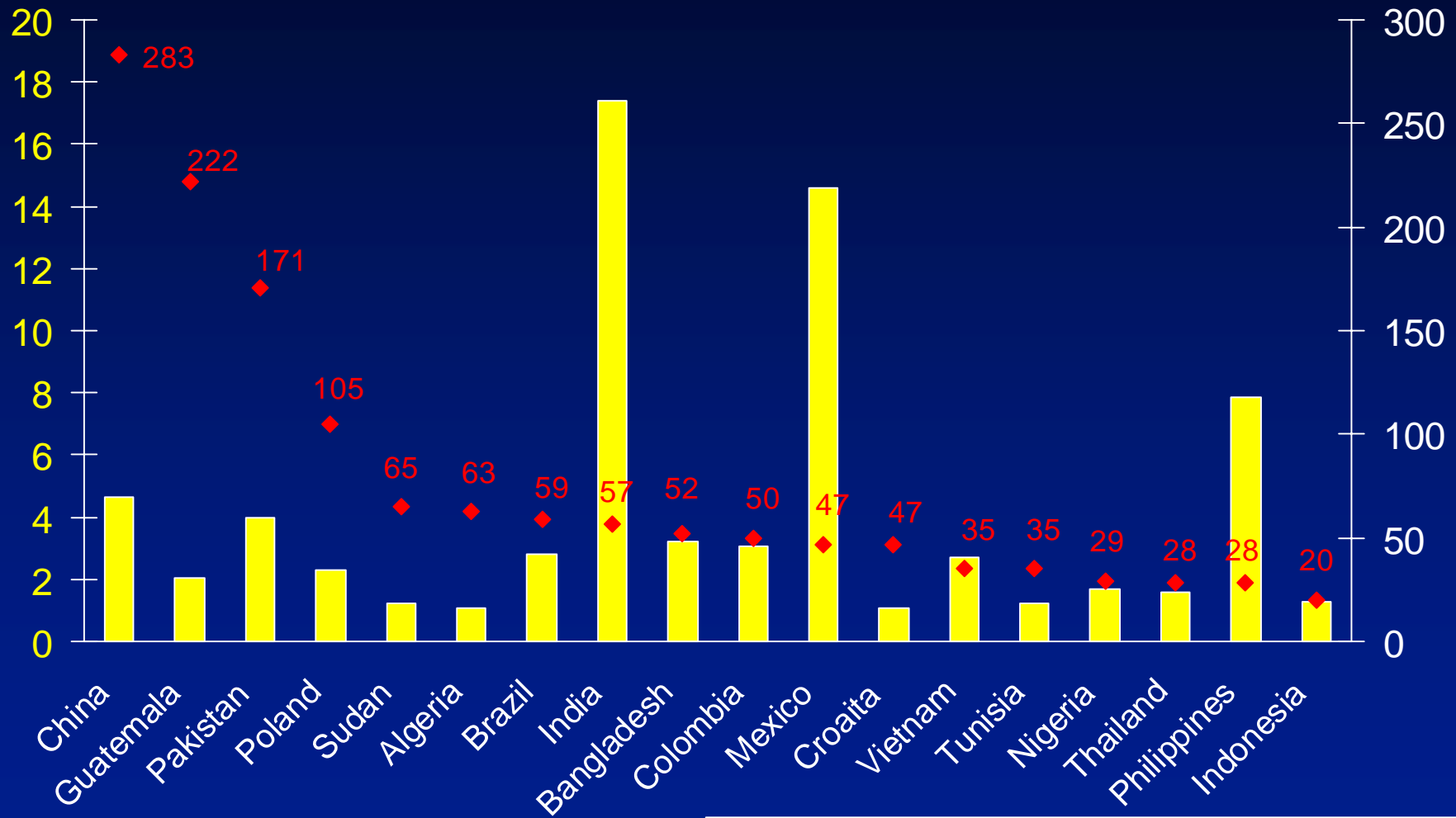
...private flows in 52 countries

...both official and private flows in 36 countries

# 18 developing countries receiving over \$1 billion registered over 20 % growth during 2001-2003

(\$ million)

(%)

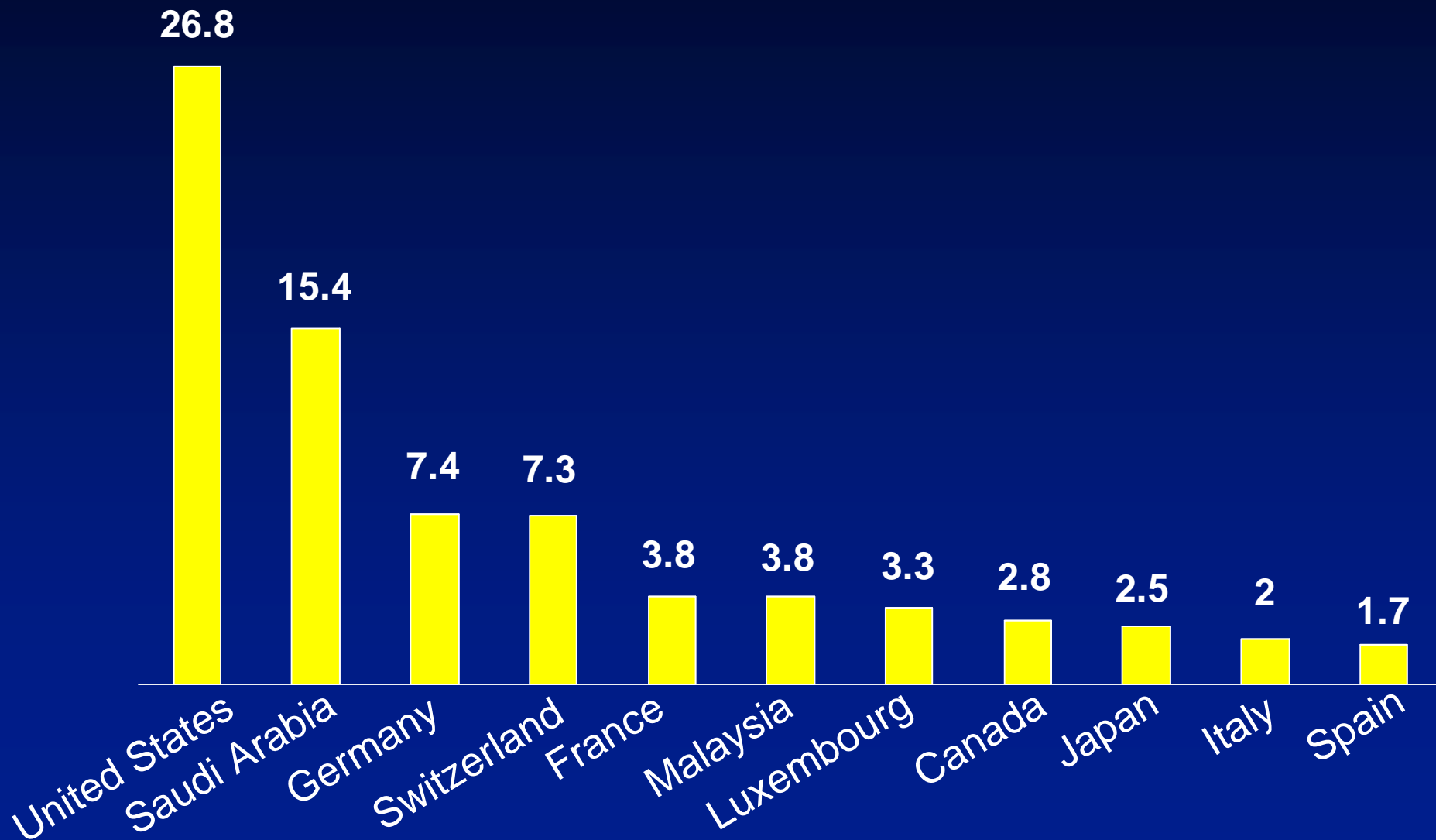


■ Remittance flows (\$million)

◆ Growth during 2001-2003 (%)

# Where do remittances come from?

Largest providers of remittances outflows 2000 (\$ billion)



Source: OECD

# Destinations of remittances from Europe

Regional breakdown of remittance destination in 2000 (\$ billion)

Europe	9.5
Asia	3.2
Africa	2.6
Latin America and Caribbean	0.4
North America	0.4
Oceania	0.1
<b>Total</b>	<b>16.2</b>

*Source: UN Population Division*

# Destinations of remittances from Europe to non-European Union states in 2000

<i>Country</i>	<i>Remittances (\$ million)</i>
<b>Turkey</b>	<b>1,979</b>
<b>Morocco</b>	<b>1,202</b>
<b>Algeria</b>	<b>593</b>
<b>United States</b>	<b>399</b>
<b>Russia</b>	<b>292</b>
<b>Ukraine</b>	<b>291</b>
<b>India</b>	<b>154</b>
<b>China</b>	<b>138</b>
<b>Pakistan</b>	<b>116</b>
<b>Vietnam</b>	<b>107</b>

<i>Country</i>	<i>Remittances (\$ million)</i>
<b>Philippines</b>	<b>83</b>
<b>Bangladesh</b>	<b>61</b>
<b>Peru</b>	<b>60</b>
<b>South Africa</b>	<b>59</b>
<b>Australia</b>	<b>58</b>
<b>Iran</b>	<b>53</b>
<b>Columbia</b>	<b>37</b>
<b>Argentina</b>	<b>25</b>
<b>Egypt</b>	<b>21</b>
<b>Brazil</b>	<b>19</b>

*Source: UN Population Division*

# Five main policy issues

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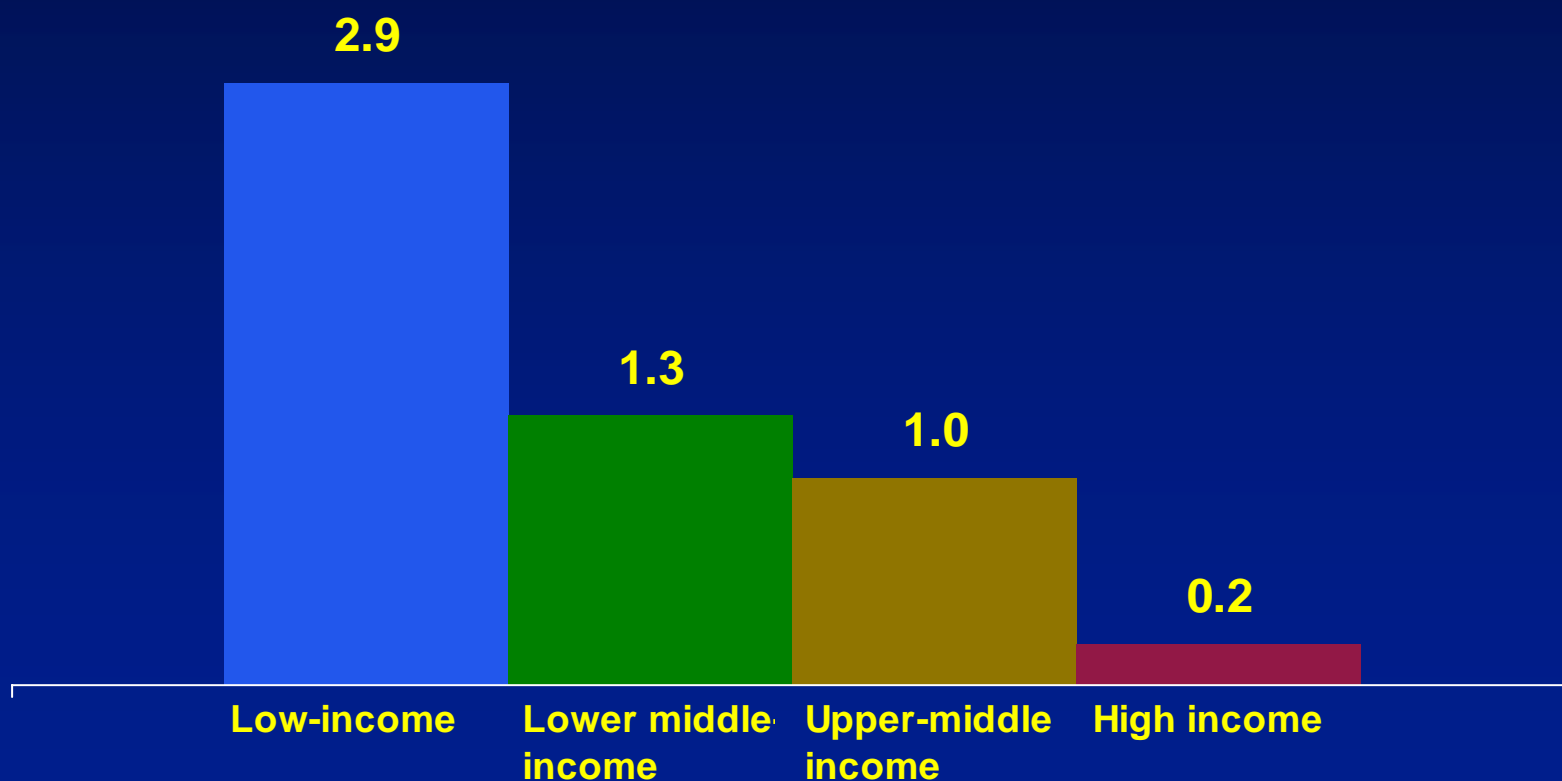
1. What is the **development impact** of remittances, and how can this be enhanced?
2. How to strengthen the **financial infrastructure** supporting remittances?
3. How to balance policy between **anti-money laundering** and **facilitating remittances**?
4. How to improve **data** on remittances and migration?
5. Should governments use **fiscal incentives** to attract remittances?

# 1. Development impact of remittances

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Remittances are relatively larger in poorer countries

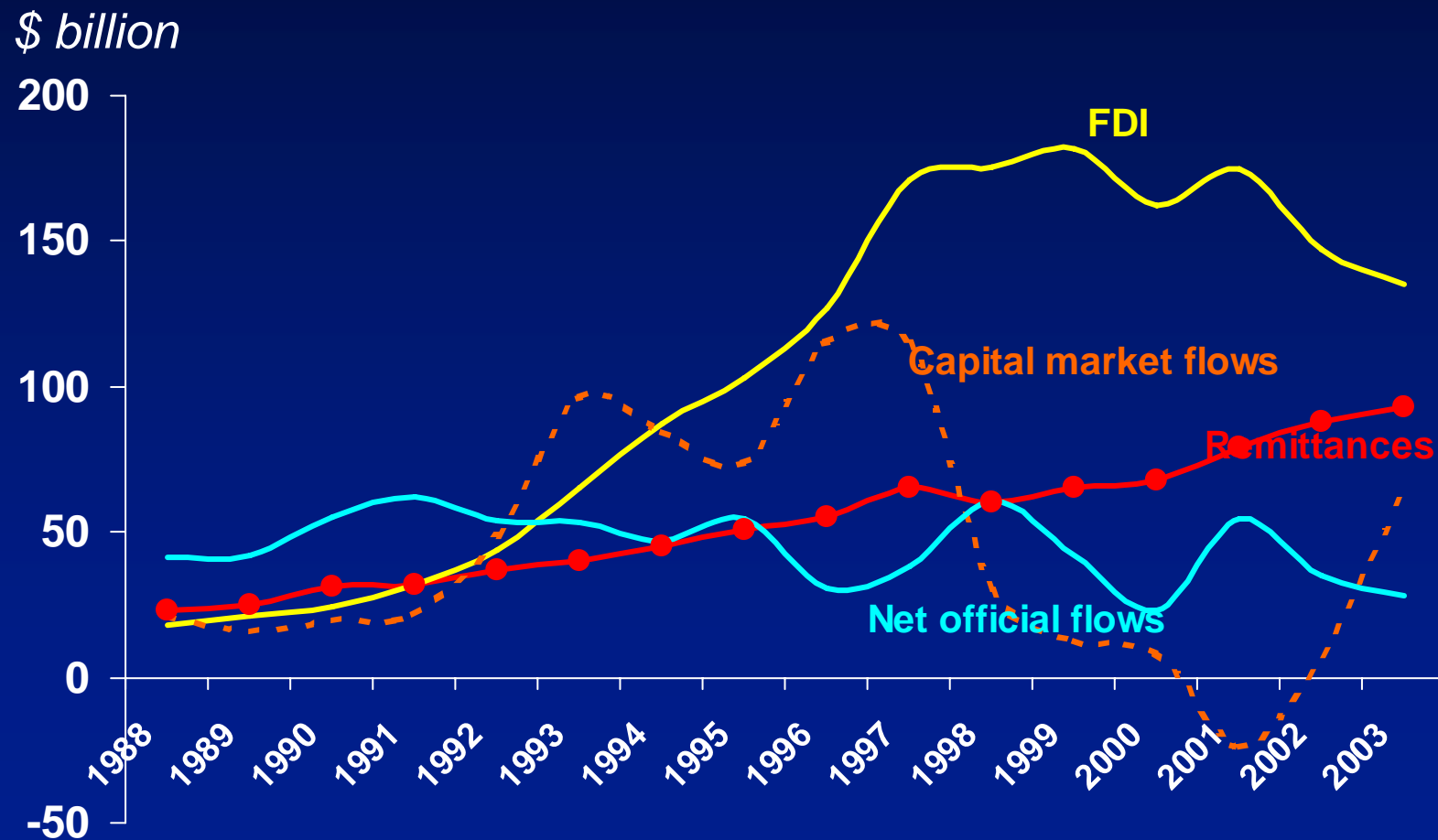
Remittances as % of GDP



# 1. Development impact of remittances

Pros: Remittances are stable

Capital flows to developing countries



# 1. Development impact of remittances

## Pros

- stable resource without liabilities
- finance education, and public infrastructure
- funds consumption or investment which generate multiplier effects
- can promote FDI and bond issuance

## Cons

- finance “unproductive” spending
- promote idleness among recipients
- raise inequality in the middle-income range
- lead to currency appreciation and Dutch disease

# 1. Development impact of remittances

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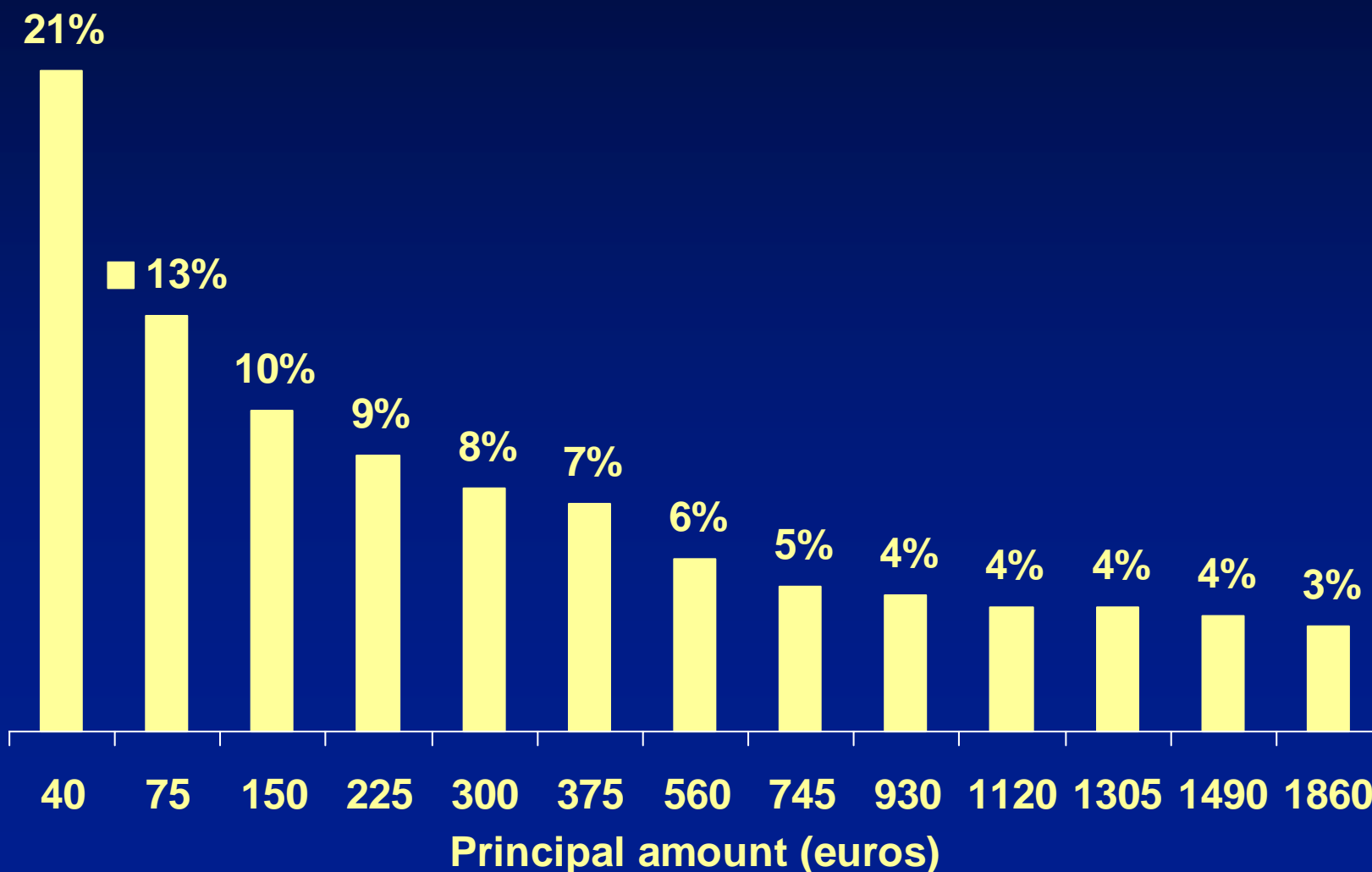
## How do we enhance the development impact of remittances?

- Remittances are person-to-person flows – it is counter productive for policy makers to force people to save more and consume less of the remittances
- Encourage flows through formal sector e.g, account-to-account remittance flows rather than cash transactions

## 2. Strengthen the financial infrastructure

### Remittance costs are high, and regressive

Cost of sending money from Brussels using a major money transfer operator, excluding foreign exchange commission



## 2. Strengthen the financial infrastructure

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Reducing remittance fees would increase annual remittance flows to developing countries

- Increase transparency and competition
- Harmonize electronic transfer systems
- International cooperation may be needed
- Improve transfers to rural areas – tie up with Post Office Saving Banks

## 2. Strengthen the financial infrastructure

### Improve migrants' access to banks



## Festival of Finances!

Saturday, August 17, 2002, 9am – 2pm

El Centro Macías-Flores  
290 S. 10<sup>th</sup> Street, Kansas City, KS 66101

An opportunity to:

\$\$ Open **bank accounts**

\$\$ Sign up for matched savings accounts (IDAs)

\$\$ Get a **Matrícula Consular** from the Mexican Consulate

\$\$ Request your **Individual Taxpayer Identification Number** from the IRS

\$\$ Attend Spanish Money Smart financial education classes

All in one place!

Food and prizes too!

*Bring your Mexican Consulate ID and Individual Taxpayer Identification Number to open an account. If you don't have these documents, come to the fair and we can help you sign up for them.*

*For list of other acceptable documents, including drivers licenses, Social Security numbers, etc., please contact Melinda Lewis at 913.677.0100 or Liz Kelderhouse at 816.234.8151*

Offered by: • El Centro, Inc. • Federal Deposit Insurance Corporation • Consulado de Mexico •  
• Bank of America • Central Bank of Kansas City • Commerce Bank • The First National Bank of Olathe •  
• Heart of America Family Services • Industrial State Bank • Internal Revenue Service •  
• Money Skill Foundation • U. S. Bank •

### **3. Balance policy between anti-money laundering and facilitating remittances**

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- It is not entirely clear that personal remittances (which are typically small in size) are an efficient way of laundering or illegally transferring sizeable amounts of funds
- Informal channels are popular because they offer speed, low cost, language, anonymity; but they also result from poor investment climate in recipient countries

**Both sender and recipient countries should support migrants' access to banking by providing them with identification tools**

## **4. Improve data on remittances and migration**

Further study required on:

- the relationship between migration stock and remittance flows
- remittance behavior of migrant workers in major remittance-source countries
- how remittances respond to changes in the source and destination economies

**Major international coordination is necessary for improving the data on remittances**

## 5. Fiscal incentives to attract remittances

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- Many developing countries offer tax incentives to attract remittances
- Some governments offer matching funds for remittance-backed projects
- Home town associations (HTAs) could promote community financing of infrastructure or other community priorities
- Unify exchange rates
- Improve the investment climate