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POLICY RESEARCH INSTITUTE  
*sustainable solutions for ending hunger and poverty*

# Remittances, poverty, inequality and welfare

Evidence from the Central Plateau of Burkina Faso

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Fleur Wouterse, post-doctoral fellow

# Data

223 households in 4 villages  
on the Central Plateau



Boussouma & Korsimoro

Niaogho & Beguedo

# Data

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## CENTRAL PLATEAU

- Central region of Burkina Faso
- High intensity of soil use
- High population density & saturation of space
- Lands overexploited and degraded
- Agriculture primary activity

# Data

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## INCENTIVES TO DIVERSIFY INCOME-GENERATING ACTIVITIES:

- Poor display a greater demand for diversification
- Continental and intercontinental migration (Italy)
- Remittances from intercontinental migration 10 x larger than from continental migration
- Entry barriers to intercontinental migration (transport)

# Hypotheses

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## MIGRATION:

- Income source uncorrelated with household income (agriculture)
- Risk insurance
- Investment in other activities
- But costs and risks in lucrative migration
- Lucrative migration - wealthy households
- Wealthy households become wealthier - inequality

# Methodology

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## ANALYSIS OF THE RELATION BETWEEN REMITTANCES, INEQUALITY, POVERTY AND WELFARE:

### Main approaches

1. Remittances as a substitute for home earnings
  - Estimates take full opportunity cost of migration into account - requires addressing self-selection-need instruments
2. Remittances as an exogenous transfer
  - Direct measure of their contribution to the observed inter household income distribution

# Methodology

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- **Migrant's net remittances are likely not to represent the full effect of migration on inequality, poverty and welfare**

**BUT**

- **Remittances are easily measured, logical and useful starting point for understanding the distributional consequences of migration**

# Methodology

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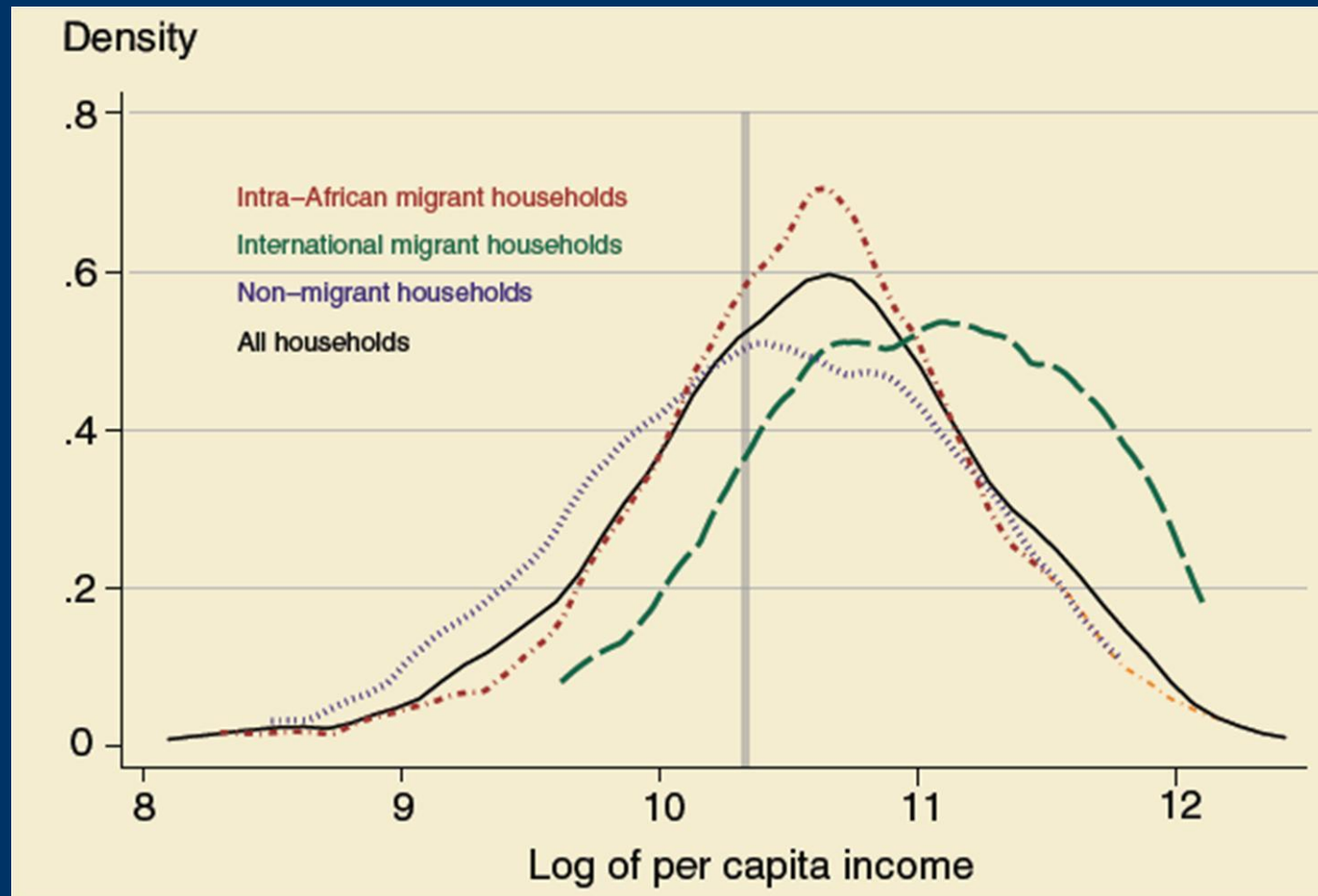
- **ANALYSIS OF THE RELATION BETWEEN REMITTANCES, INEQUALITY, POVERTY AND WELFARE:**

1. Gini coefficient;
2. Concentration coefficient decomposition;
3. A modification of the Foster-Greer-Thorbecke poverty index; and
4. Stark-Yitzhaki welfare index

- **REMITTANCES AS AN EXOGENOUS TRANSFER**

# Findings

Figure 1 Kernel density estimation of household income



# Findings

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- Density function for intra-African migrant households similar to general density function
- Distribution of income of intercontinental migrant households is shifted toward the right - higher incomes
- Density function of non-migrant households shifted towards the left - lower incomes
- Half of non-migrant households live in absolute poverty
- Poverty prevalence much lower for intercontinental migrant households

# Findings

## Table 1

### Gini decompositions of income

Income	Income share	Gini coefficient for income source	Gini correlation with total income rank	Share in Gini of total income	Percentage change in Gini coefficient
Staple cropping	0.52	0.38	0.73	0.41	-0.11 (-0.20, -0.03) <sup>a</sup>
Cash cropping	0.10	0.69	0.42	0.08	-0.02 (-0.04, 0.01)
Livestock	0.06	0.88	0.64	0.09	0.04 (0.01, 0.06)
Nonfarm activities	0.20	0.68	0.60	0.23	0.03 (-0.01, 0.08)
Remittances (intra-African)	0.05	0.86	0.37	0.05	-0.01 (-0.02, 0.02)
Remittances (intercontinental)	0.08	0.94	0.57	0.10	0.04 (-0.01, 0.06)
Total income	1.00	0.35		1.00	0

Notes: <sup>a</sup> Bootstrapped percentile confidence intervals in parentheses

- Intra-African remittances equalizing effect on the distribution of rural income
- Intercontinental remittances increase income inequality

# Findings

Table 2

## Decomposition of the concentration coefficient for income

Income	Income share	Concentration coefficient		Elasticities	
		Income	Land	Income	Land
Total income	1.00	0.33	0.10	0	0
Staple cropping	0.52	0.27	0.11	-0.10	0.03
Cash cropping	0.10	0.29	0.14	-0.01	0.03
Livestock	0.06	0.55	0.15	0.04	0.02
Nonfarm activities	0.20	0.40	-0.02	0.04	-0.23
Remittances (intra-African)	0.05	0.33	-0.04	-0.01	-0.07
Remittances (intercontinental)	0.08	0.51	0.43	0.04	0.22

- More land - less income obtained from non-farm activities and intra-African migration
- More land - more income from intercontinental migration

# Findings

Table 3

## Poverty measures

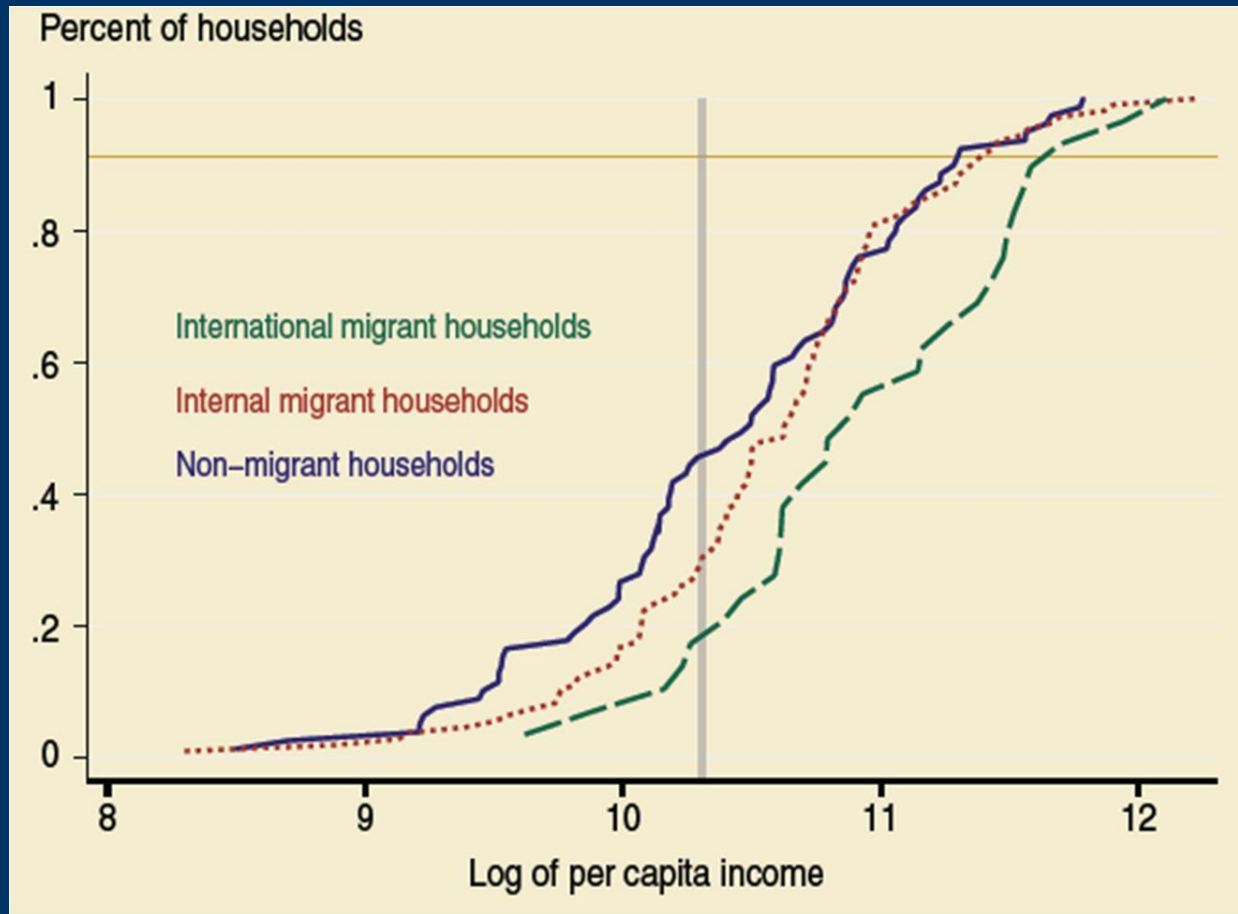
Type of Household	Headcount ratio	Poverty gap	Squared poverty gap
All households	0.3318 (0.03) <sup>a</sup>	0.1150 (0.01)	0.0560 (0.01)
Non-migrant households	0.4557 (0.06)	0.1686 (0.03)	0.0850 (0.02)
Intra-African migrant households	0.2946 (0.04)	0.0993 (0.02)	0.0479 (0.01)
Intercontinental migrant households	0.1563 (0.07)	0.0371 (0.02)	0.0134 (0.01)

Notes: <sup>a</sup> Robust standard errors in parentheses

- Poverty line of \$0.50 a day (ultra-poor)
- Households with intercontinental migrants are less poor by all three variants of FGT poverty measure

# Findings

Figure 2 Cumulative distribution function of household income



# Findings

## Table 4

**Welfare effects of a 1 percent increase in household income from respective sources**

Household Income source	Percent of change in welfare index			
	All households	Non-migrant	Intra-African migrant	Inter-continental migrant
Staple cropping	0.58	0.67	0.56	0.34
Cash cropping	0.11	0.12	0.09	0.12
Livestock	0.04	0.03	0.04	0.05
Nonfarm activities	0.18	0.17	0.20	0.11
Remittances				
(intra-African)	0.05		0.10	
Remittances				
(intercontinental)	0.04			0.38

- Limited impact of an increase in intercontinental remittances on village welfare - small distributional effect

# Conclusions

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- Households participating in intercontinental migration strongly benefit from resulting remittances
- Beneficiaries do not include the rural poor, resulting in increasing inter-household inequality and limited improvements in social welfare

# Conclusions

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- The distribution and poverty impacts of remittances from intercontinental migration depend on the diffusion of migration opportunities
- Broader analysis of the impacts of migration requires addressing the endogeneity issues due to self-selection in the migration regimes, e.g. IV techniques