



# Remittances and Development

Systematic Review for USAID

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Project Course / Smith Experience

*Maryland School of Public Policy*

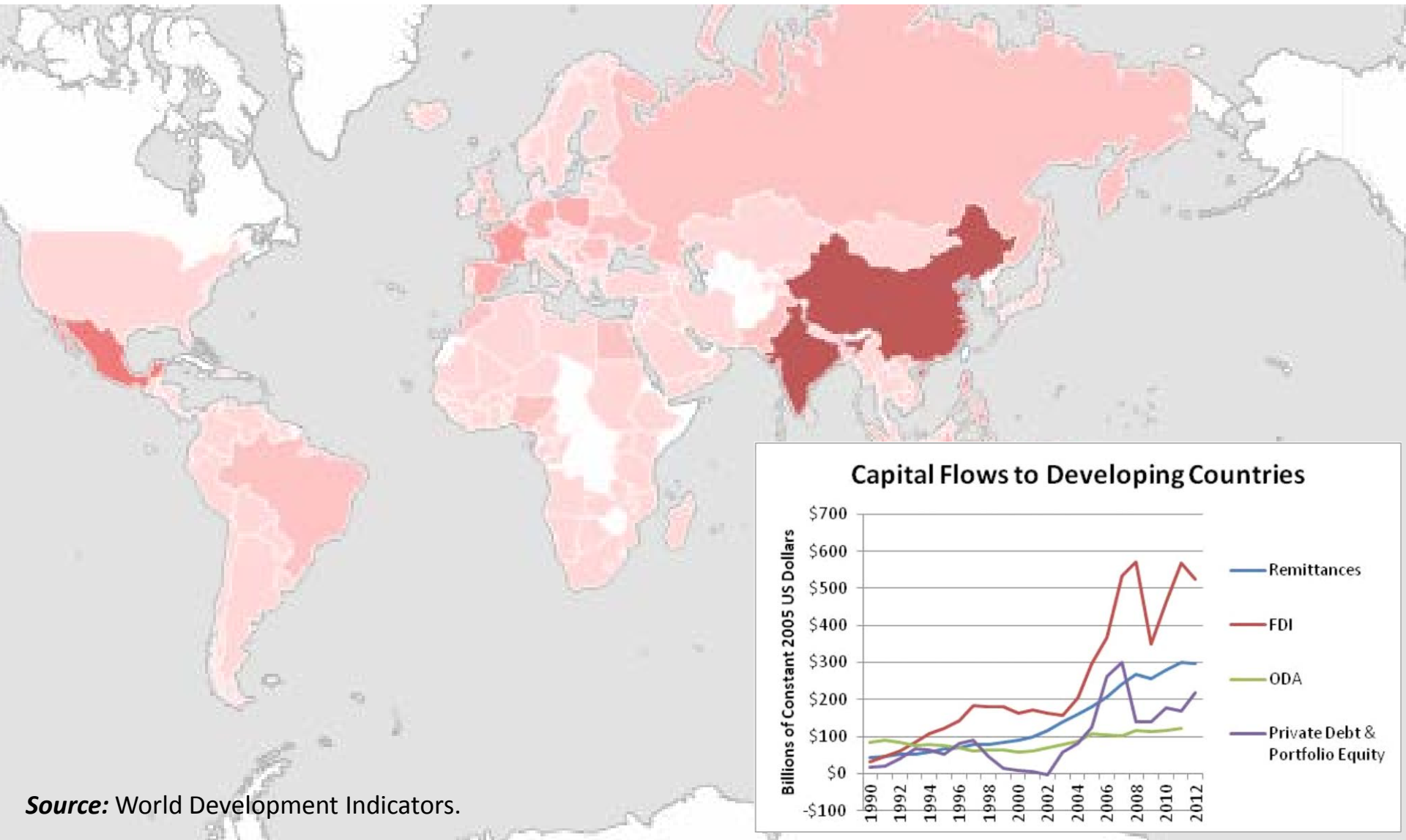
*Robert H. Smith School of Business*

# Remittances and Development

- Issue
- Methodology
- Findings
- Recommendations



# Volume, Growth, Stability



Source: World Development Indicators.

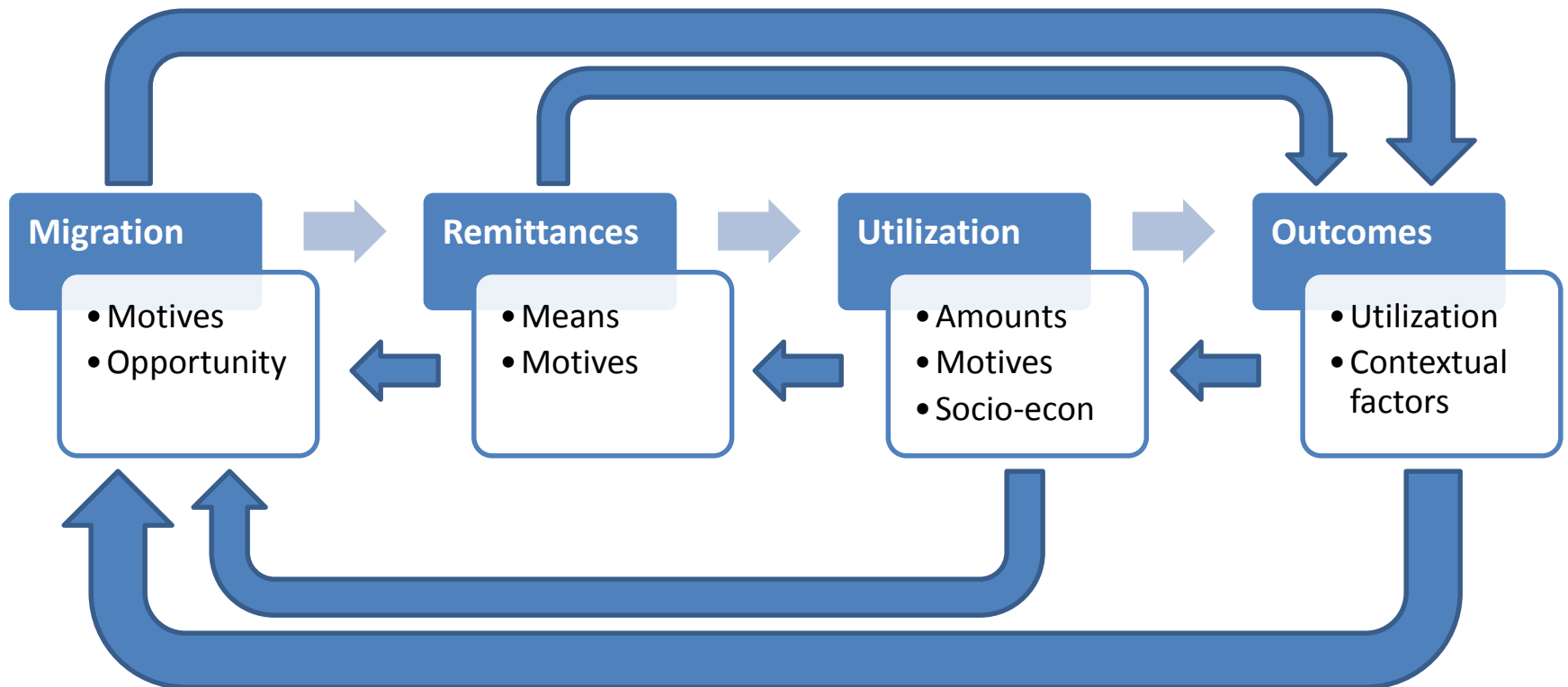


# USG Approaches to Remittances

- Minimal Attention for Development
  - Development Agencies: USAID, MCC, OPIC
  - Other Departments: DOS, DOT
- Challenges
  - Risks and rules
  - No direct control
  - Interventions and impact

# Remittance Development Impact

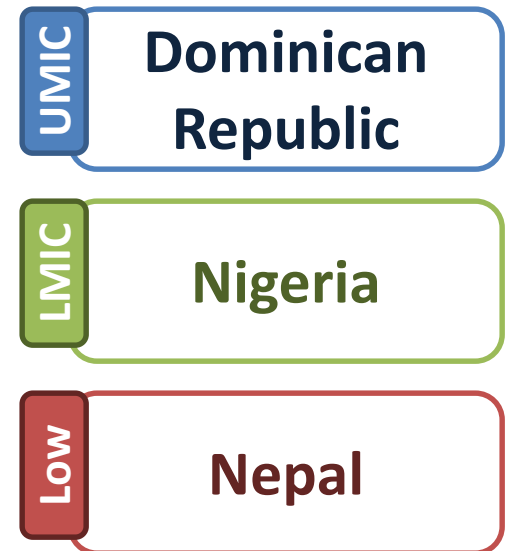
- Issues with Measuring Development Impact
  - Conflicting findings
  - Unclear causal effects
  - Results not generalizable



# Remittance Process Mapping

- Process Mapping
    - Migration to outcomes
    - Compare and contrast trends across countries
- 

- Country Selection
  - “Developing Countries”
  - 2010 data available
- Metrics and Categories
  - GNI per capita
  - Remittances as % of GDP
  - USAID priorities
  - Geographic diversity





# CROSS-COUNTRY FINDINGS

**Poverty Reduction**

**Disparity across Countries**

**Income Inequality within Countries**

**Others: Fees, Gender, Education**



# Poverty Reduction

- Nepal
  - Contributed to 11 percent decrease in poverty (1996-2004)
  - Contribution estimated between 1/5 and 1/2
- Nigeria
  - 10% increase → 0.9% reduction (north-central)
  - Nearly eliminates poverty among recipients
- Dominican Republic
  - 10% increase in remittances
    - 1.3% poverty reduction
    - 7% increase of extreme poverty

**Sources:**

Bontch-Osmolovski et al, 2010; World Bank, 2011; NDIS, 2011; Wagle, 2012; Awoyemi et al, 2010; Amaechina et al, 2012; Close to Home, World Bank, 2007.



# Disparity across Countries

- Remittances disproportionately advantage households in higher-income countries

	DR (UMIC)	Nigeria (LMIC)	Nepal (LIC)
Emigrants in OECD Countries	95%	54-70%	11%
Informal transfers	5%	9%	41%
HHs receiving remittances	23%	19%	18%
HH remittances per year	\$3,752	\$2,656	\$2,261
Share of HH income	N/A	44%	31%

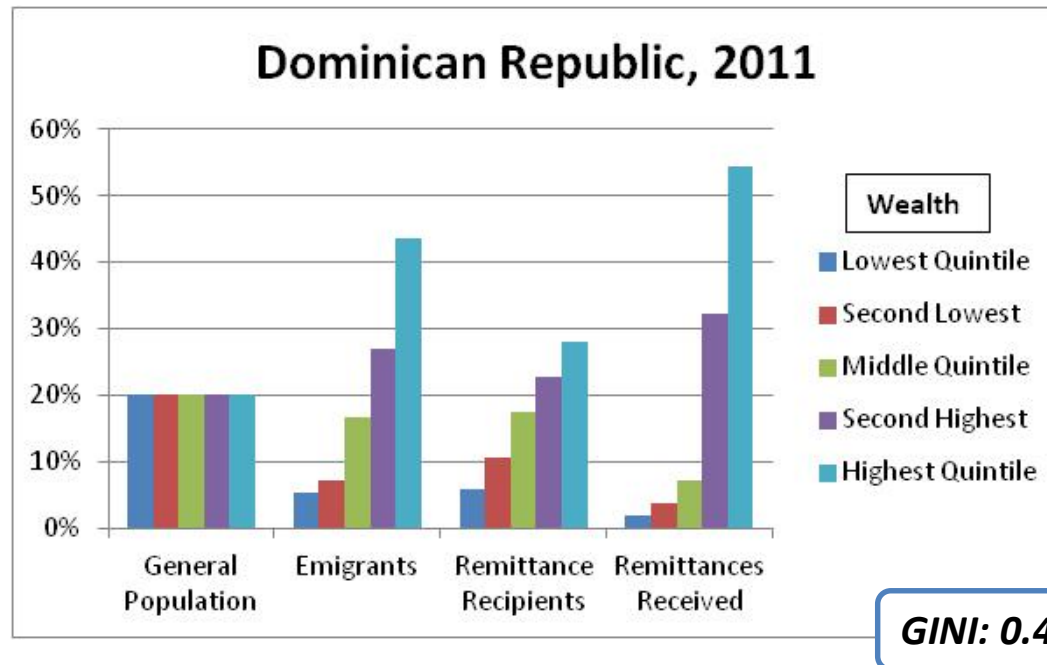
# Income Disparity within Countries

## Wealthier Households

- Emigrate more
- Are more likely to receive
- Receive more

## Greater Inequality

- *Dom. Rep.*: 0.3% GINI increase
- *(Rural) Nigeria*: 1% GINI increase
- *Nepal*: Insufficient evidence

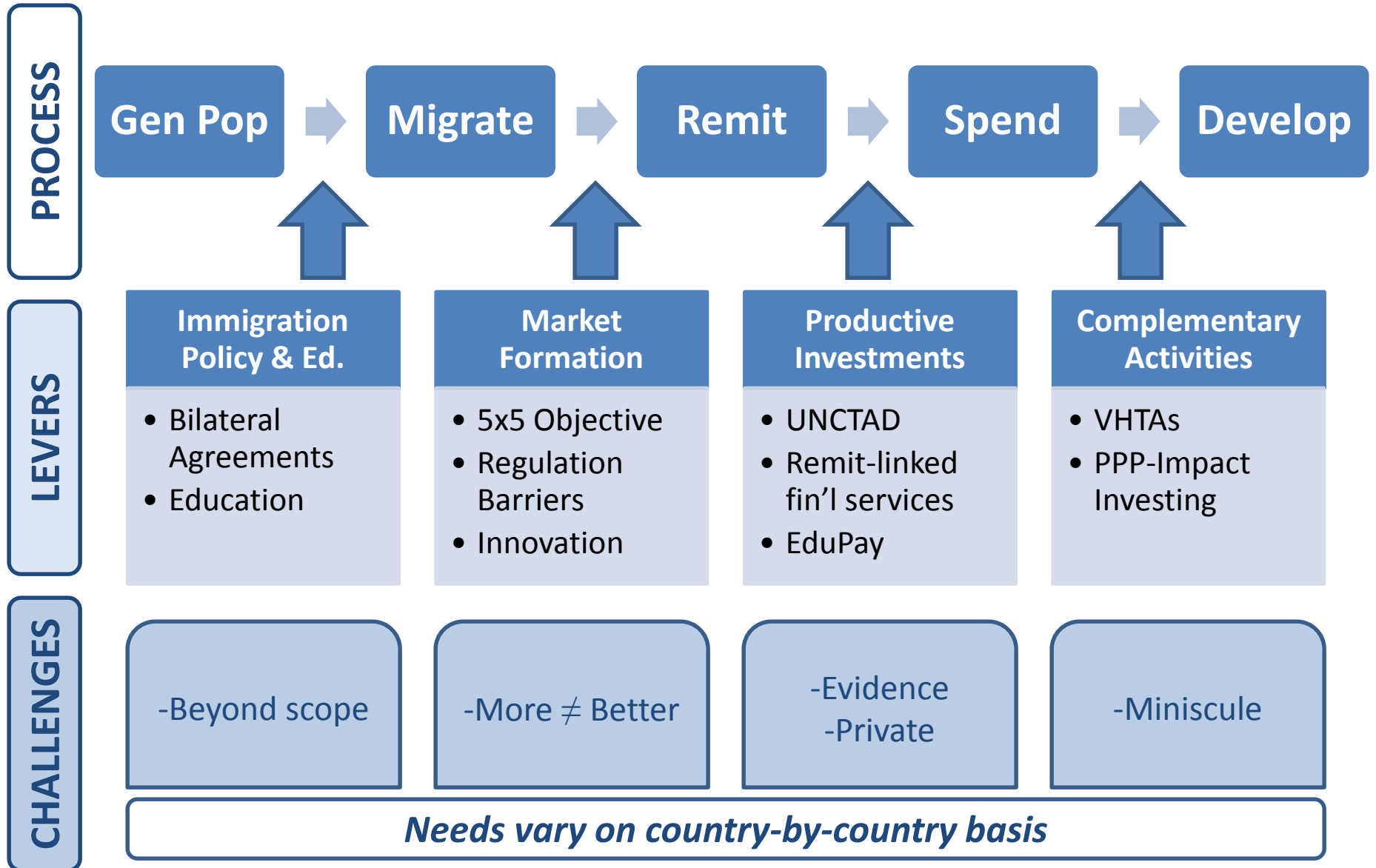




# Other Findings

- Transfer Fees
  - Below average
  - Higher informal costs
- Women's Empowerment
  - Increases bargaining power
  - Reduces gender-based violence
- Gains in Education
  - Higher expenditures
  - Better attendance

# Remittance Policy Levers





# Recommendations

## Research

- Generalize findings
- Investigate conflicting and unclear results

## Target

- Support initiatives
- Prioritize populations

## Develop & Test

- Review country portfolios
- Identify country-level approaches



Garner Support

# QUESTIONS

# **SUPPLEMENTAL SLIDES**

# Recommendations: Research Plan

Topic	Justification	Primary Purpose	Responsible Party
Country Income-Group Disparity	Generalize Results	Target Country	USAID
Income Inequality	Generalize Results	Target Group	USAID
Extreme Poverty	Resolve Conflict	Target Group	USAID, then External
Education	Insufficient Evidence	Target Group	USAID, then External
Gender	Resolve Conflict	Target Group	USAID
Informal Costs	Insufficient Evidence	Target Activities	External
Productive Inv.	Insufficient Evidence	Target Activities	External
Diminishing Returns	Insufficient Evidence	Target Country	External
Existing Programs	Further Research	Target Activities	USAID





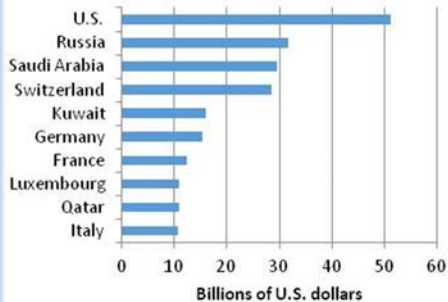
# Defining Migration & Remittances

- Migration
  - International, not internal
  - Migrants, not only work migrants
  - Short- vs. long-term, defined by surveys
- Remittances
  - Financial capital, not in-kind
  - International, not internal
  - Inflows, not outflows

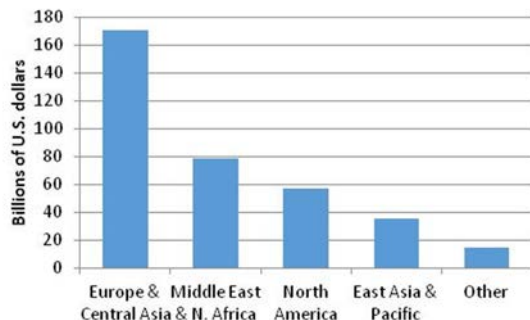
# Remittance Flows in 2012

PAID

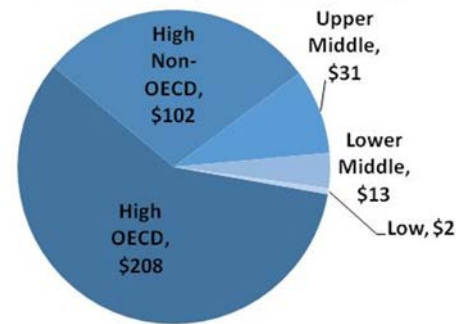
### Top Ten Paying Countries



### Remittances Paid, by Region

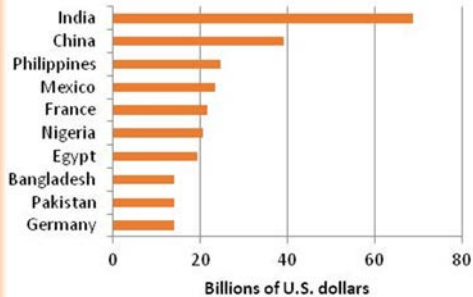


### Share Paid by Income Group

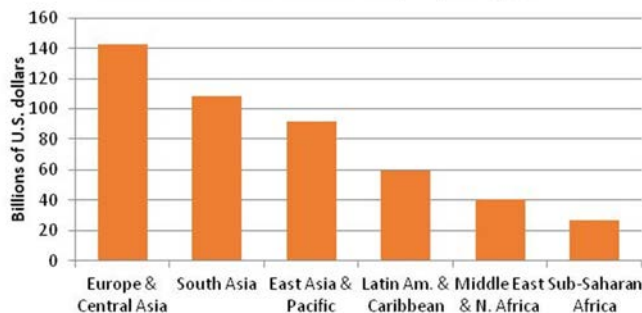


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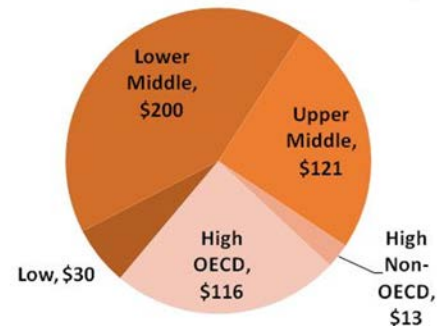
### Top Ten Receiving Countries



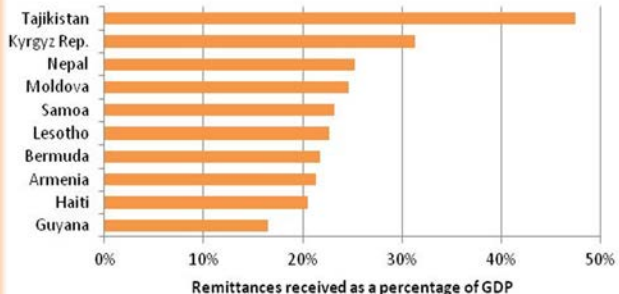
### Remittances Received, by Region



### Share Received by Income Group



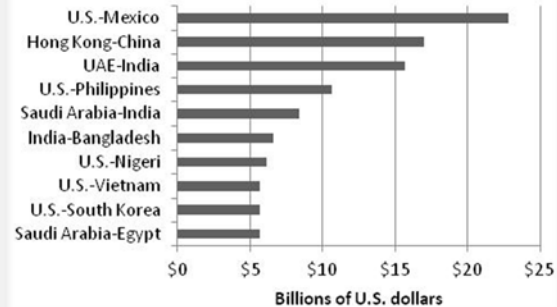
### Top Ten Receiving Countries (% of GDP)



### Remittances as a % of GDP, by Income Group

Income Group	% of GDP
Low Income	8.0%
Lower Middle	4.5%
Upper Middle	0.7%
High Income	0.3%

### Top Ten Remittance Corridors



CORRIDORS

# Country Selection

## Remittance Metrics & Categories

<u>Metric</u>	<u>Category</u>	<u>Middle Category Range</u>
<b>GNI Per Capita</b>	<ul style="list-style-type: none"><li>• Low</li><li>• Lower Middle</li><li>• Upper Middle</li></ul>	\$1,036 - \$4,085
<b>Stock of Emigrants as a percentage of country population</b>	<ul style="list-style-type: none"><li>• Low Emigration</li><li>• Moderate Emigration</li><li>• High Emigration</li></ul>	3.4% - 10.5%
<b>Emigration Rate of Tertiary Educated</b>	<ul style="list-style-type: none"><li>• Low</li><li>• Moderate</li><li>• High</li></ul>	7.4% - 22.6%
<b>Personal Remittances Received (millions)</b>	<ul style="list-style-type: none"><li>• Low Volume</li><li>• Moderate Volume</li><li>• High Volume</li></ul>	\$133 - \$1,351
<b>Remittances as a percentage of GDP</b>	<ul style="list-style-type: none"><li>• Low Importance</li><li>• Moderate Importance</li><li>• High Importance</li></ul>	1.5% - 5.5%

# Country Selection

*Count of Countries Per Group*

**Income Group**

**Remittances as % of GDP**

	Low	Lower Middle	Upper Middle
Low Importance	11	9	19
Moderate Importance	11	14	13
High Importance	8	23	7

## Low Income, High Importance

Bangladesh  
Gambia  
Guinea Bissau  
Haiti  
Kyrgyz Republic  
Nepal  
Tajikistan  
Togo

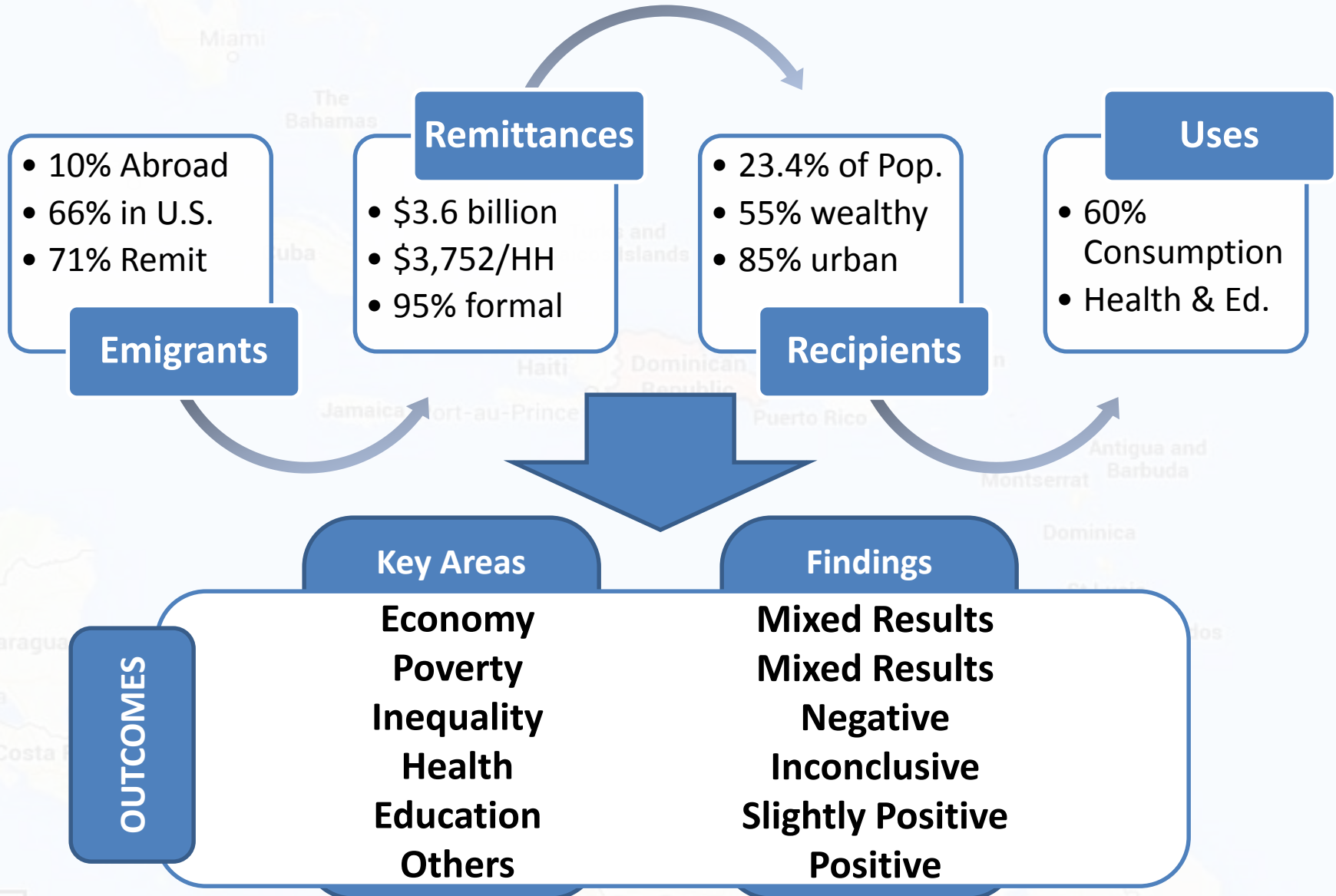
## Moderate Income, High Importance

China	Jordan	Thailand
Ecuador	Morocco	Tunisia
Egypt	Nigeria	Ukraine
El Salvador	Pakistan	Vietnam
Guatemala	Philippines	Yemen
Honduras	Senegal	
India	Sri Lanka	
Indonesia	Syria	

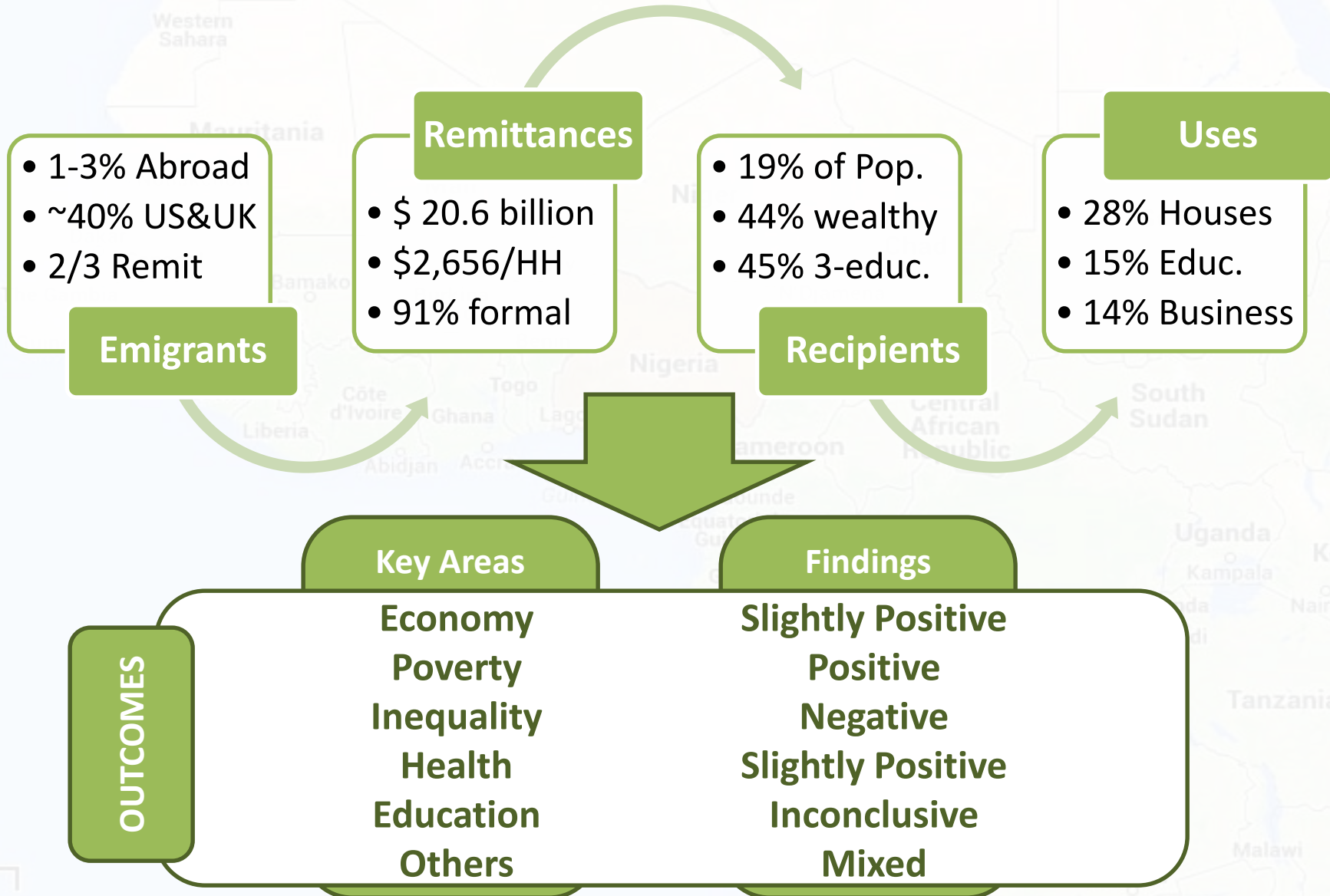
## High Income, High Importance

Albania  
Bosnia  
Dom. Republic  
Jamaica  
Lebanon  
Serbia  
St. Kitts & Nevis

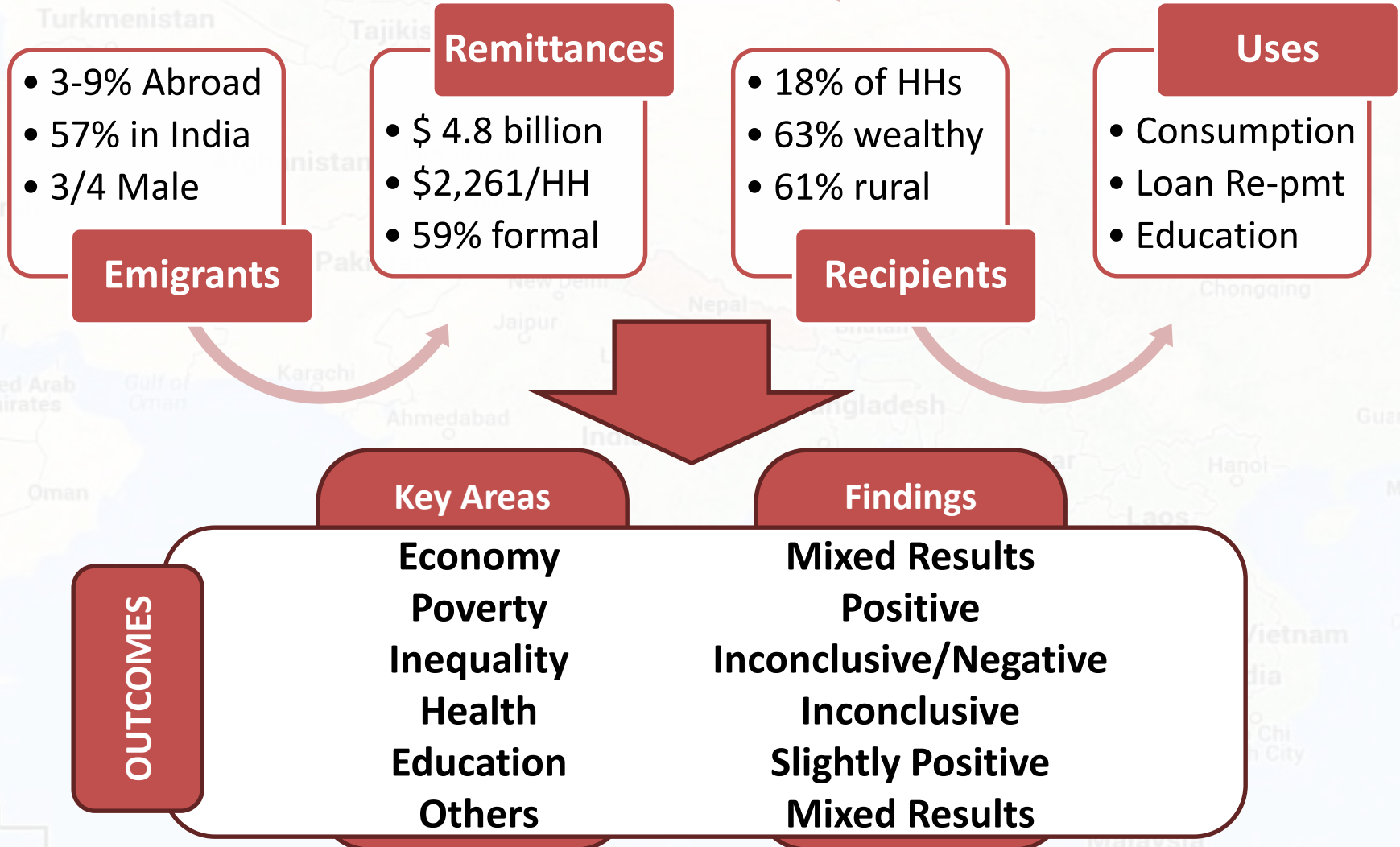
# Dominican Republic



# Nigeria



# Nepal



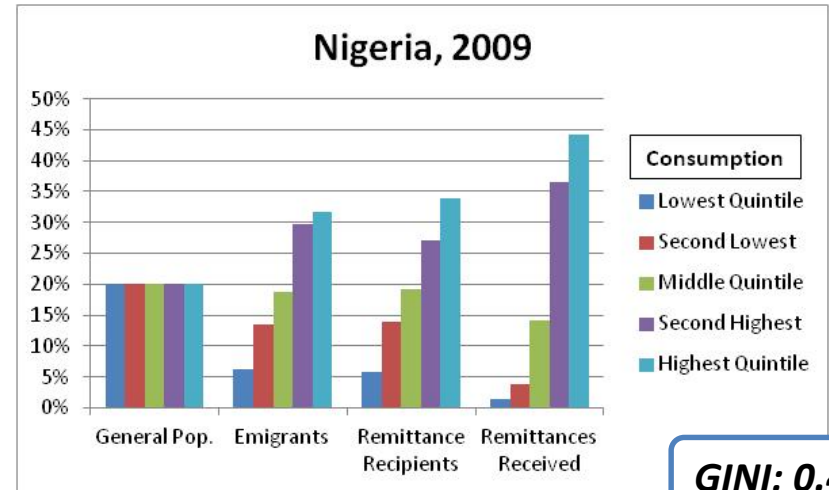
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## Wealthier Households

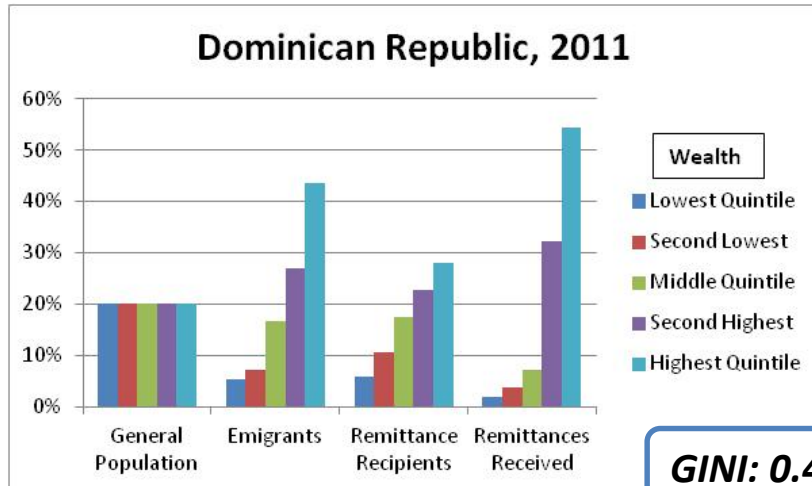
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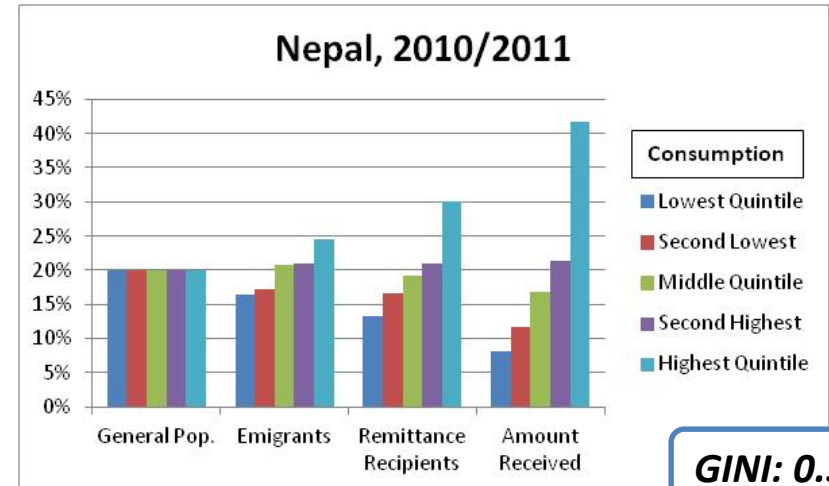
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**GINI: 0.49**



**GINI: 0.47**



**GINI: 0.33**



# Other Findings

- Below average transfer fees – but higher informal costs
- Labor market effects
- Women's Empowerment
  - Increases bargaining power, reduces gender-based violence
- Improvements in Education
  - Higher expenditures and attendance
- Productive Investments → Economic Performance?
- Diminishing Returns?



# Gender Effects

## Dominican Republic

- Girls Education
  - Increased school attendance
- Women: Vicente Noble
  - Spanish labor migration caps
  - Domestic work, bread-winners, traditional role

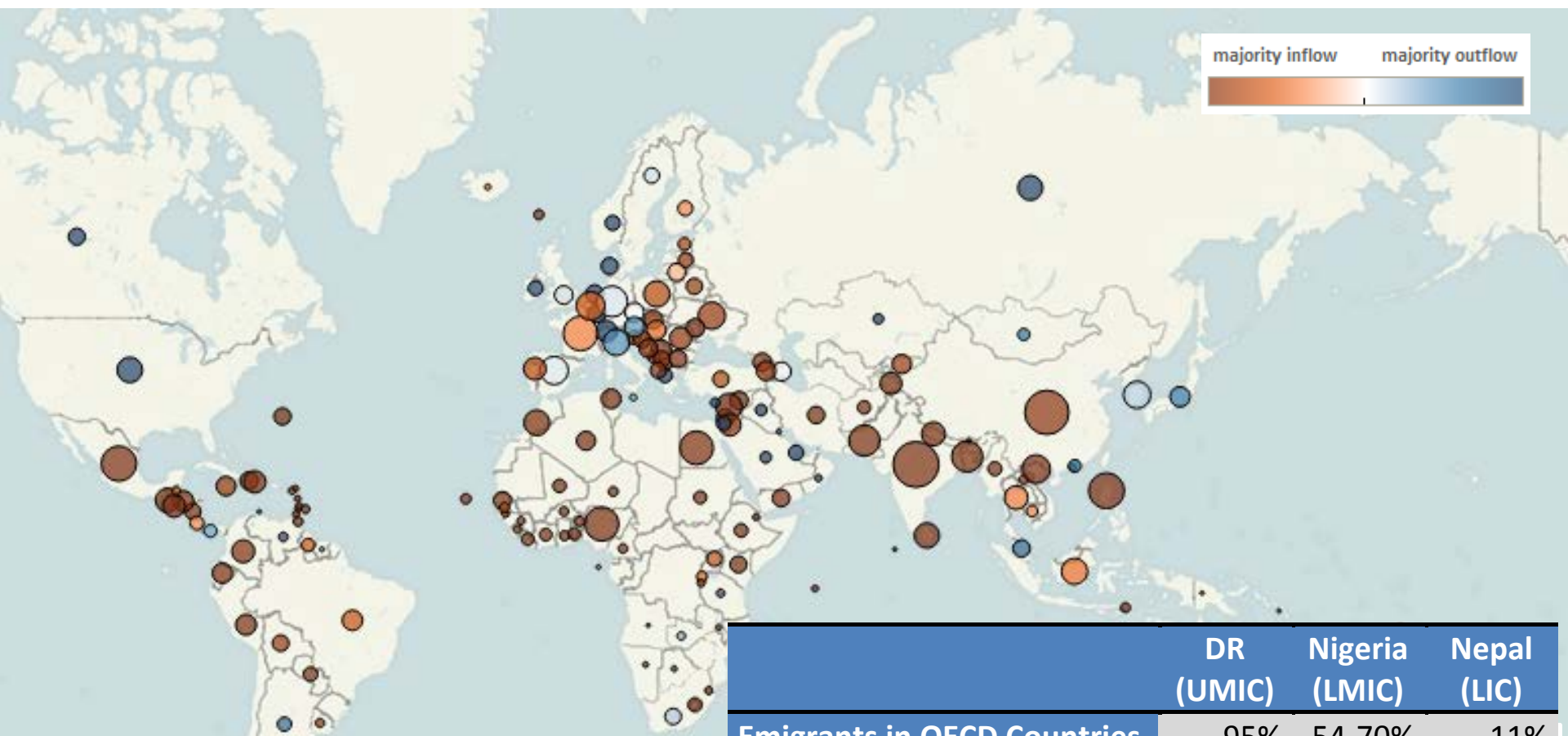
**Upon return, women reassume traditional roles as stay-at-home caretakers.**

*- Patti Petesch (2014)*

## Nepal

- Education
  - Higher expenditures for boys
  - Quality for boys, access for girls
- Women
  - Female emigrants empowered
    - Reduced abuse upon return
    - Greater confidence
  - Female-headed emigrants HHs

# Disparity across Countries



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**Sources:**

Map: Migration Policy Institute;

Table: World Bank Bilateral Migration Matrix, 2010; Household Surveys; LAPOP, 2012; Orozco, 2008.



# Recommendations

## Generalize Findings

- Disparity across countries
- Inequality within countries

## Target Countries

- Traditionally disadvantaged, high inequality
- High importance, fees and informality

## Research

- Gender and education outcomes
- Effect of investments on economic outcomes

## Develop Activities

- Review country portfolios for remittances
- Identify most appropriate approaches
  - Stand-alone projects
  - Leveraged resources for existing projects