Remittances and Development
Systematic Review for USAID

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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

Migration
  - Motives
  - Opportunity

Remittances
  - Means
  - Motives

Utilization
  - Amounts
  - Motives
  - Socio-econ

Outcomes
  - Utilization
  - Contextual factors
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:
Disparity across Countries

- Remittances disproportionately advantage households in higher-income countries

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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

**Sources**: Household Surveys; Close to Home, World Bank, 2007; Olowa & Shittu, 2012; Wagle, 2012.
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

Sources: Household Surveys; Amuedo-Dorantes & Pozo, 2010; Bhadra, 2008; Korinek & Vogel, 2012.
Remittance Policy Levers

**PROCESS**
1. **Gen Pop** → **Migrate** → **Remit** → **Spend** → **Develop**

**LEVERS**
- **Immigration Policy & Ed.**
  - Bilateral Agreements
  - Education
- **Market Formation**
  - 5x5 Objective
  - Regulation Barriers
  - Innovation
- **Productive Investments**
  - UNCTAD
  - Remit-linked fin’l services
  - EduPay
- **Complementary Activities**
  - VHTAs
  - PPP-Impact Investing

**CHALLENGES**
- Beyond scope
- More ≠ Better
- Evidence
- Private
- Miniscule

Needs vary on country-by-country basis
Recommendations

- 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

<table>
<thead>
<tr>
<th>Topic</th>
<th>Justification</th>
<th>Primary Purpose</th>
<th>Responsible Party</th>
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<tbody>
<tr>
<td>Country Income-Group Disparity</td>
<td>Generalize Results</td>
<td>Target Country</td>
<td>USAID</td>
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<td>USAID</td>
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<td>Insufficient Evidence</td>
<td>Target Group</td>
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<td>Resolve Conflict</td>
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<td>External</td>
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<td>Diminishing Returns</td>
<td>Insufficient Evidence</td>
<td>Target Country</td>
<td>External</td>
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<tr>
<td>Existing Programs</td>
<td>Further Research</td>
<td>Target Activities</td>
<td>USAID</td>
</tr>
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</table>
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

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

<table>
<thead>
<tr>
<th>Income Group</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income</td>
<td>8.0%</td>
</tr>
<tr>
<td>Lower Middle</td>
<td>4.5%</td>
</tr>
<tr>
<td>Upper Middle</td>
<td>0.7%</td>
</tr>
<tr>
<td>High Income</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**Top Ten Paying Countries**

1. U.S.
2. Russia
3. Saudi Arabia
4. Switzerland
5. Kuwait
6. Germany
7. France
8. Luxembourg
9. Qatar
10. Italy

**Top Ten Receiving Countries**

1. India
2. China
3. Philippines
4. Mexico
5. France
6. Nigeria
7. Egypt
8. Bangladesh
9. Pakistan
10. Germany

**Share Paid by Income Group**

- High Non-OECD, $102
- Lower Middle, $13
- High OECD, $208
- Low, $2

**Top Ten Remittance Corridors**

- U.S.-Mexico
- Hong Kong-China
- UAE-India
- U.S.-Philippines
- Saudi Arabia-India
- India-Bangladesh
- U.S.-Nigeria
- U.S.-Vietnam
- U.S.-South Korea
- Saudi Arabia-Egypt
## Country Selection

### Remittance Metrics & Categories

<table>
<thead>
<tr>
<th>Metric</th>
<th>Category</th>
<th>Middle Category Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI Per Capita</td>
<td>• Low</td>
<td>$1,036 - $4,085</td>
</tr>
<tr>
<td></td>
<td>• Lower Middle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Upper Middle</td>
<td></td>
</tr>
<tr>
<td>Stock of Emigrants as a percentage of country population</td>
<td>• Low Emigration</td>
<td>3.4% - 10.5%</td>
</tr>
<tr>
<td></td>
<td>• Moderate Emigration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High Emigration</td>
<td></td>
</tr>
<tr>
<td>Emigration Rate of Tertiary Educated</td>
<td>• Low</td>
<td>7.4% - 22.6%</td>
</tr>
<tr>
<td></td>
<td>• Moderate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High</td>
<td></td>
</tr>
<tr>
<td>Personal Remittances Received (millions)</td>
<td>• Low Volume</td>
<td>$133 - $1,351</td>
</tr>
<tr>
<td></td>
<td>• Moderate Volume</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High Volume</td>
<td></td>
</tr>
<tr>
<td>Remittances as a percentage of GDP</td>
<td>• Low Importance</td>
<td>1.5% - 5.5%</td>
</tr>
<tr>
<td></td>
<td>• Moderate Importance</td>
<td></td>
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Country Selection

Count of Countries Per Group

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<th>Low</th>
<th>Lower Middle</th>
<th>Upper Middle</th>
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<tr>
<td>Low Importance</td>
<td>11</td>
<td>9</td>
<td>19</td>
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<td>Moderate Importance</td>
<td>11</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>High Importance</td>
<td>8</td>
<td>23</td>
<td>7</td>
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Remittances as % of GDP

Low Income, High Importance
Bangladesh
Gambia
Guinea Bissau
Haiti
Kyrgyz Republic
Nepal
Tajikistan
Togo

Moderate Income, High Importance
China
Ecuador
Egypt
El Salvador
Guatemala
Honduras
India
Indonesia
Jordan
Morocco
Nigeria
Pakistan
Philippines
Senegal
Sri Lanka
Syria

High Income, High Importance
Albania
Bosnia
Dom. Republic
Jamaica
Lebanon
Serbia
St. Kitts & Nevis
Vietnam
Yemen

Count of Countries Per Group
Low Lower Middle Upper Middle
Low Importance 11 9 19
Moderate Importance 11 14 13
High Importance 8 23 7
Dominican Republic

Key Areas
- Economy
- Poverty
- Inequality
- Health
- Education
- Others

Findings
- Mixed Results
- Mixed Results
- Inconclusive
- Negative
- Slightly Positive
- Positive

Emigrants
- 10% Abroad
- 66% in U.S.
- 71% Remit

Remittances
- $3.6 billion
- $3,752/HH
- 95% formal

Recipients
- 23.4% of Pop.
- 55% wealthy
- 85% urban

Uses
- 60% Consumption
- Health & Ed.

OUTCOMES
- Mixed Results
- Mixed Results
- Negative
- Inconclusive
- Slightly Positive
- Positive
Nigeria

Key Areas
- Economy
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- Others

Findings
- Slightly Positive
- Positive
- Negative
- Slightly Positive
- Inconclusive
- Mixed

Emigrants
- 1-3% Abroad
- ~40% US&UK
- 2/3 Remit

Remittances
- $20.6 billion
- $2,656/HH
- 91% formal

Recipients
- 19% of Pop.
- 44% wealthy
- 45% 3-educ.

Uses
- 28% Houses
- 15% Educ.
- 14% Business

OUTCOMES
- Economy
- Poverty
- Inequality
- Health
- Education
- Others
Nepal

Key Areas

- 3-9% Abroad
- 57% in India
- 3/4 Male

Findings

- Mixed Results
- Positive
- Inconclusive/Negative
- Inconclusive
- Slightly Positive
- Mixed Results

Remittances

- $ 4.8 billion
- $2,261/HH
- 59% formal

Recipients

- 18% of HHs
- 63% wealthy
- 61% rural

Uses

- Consumption
- Loan Re-pmt
- Education

Emigrants

- 3-9% Abroad
- 57% in India
- 3/4 Male

Outcomes

- Economy
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Income Disparity within Countries

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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, breadwinners, 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

**Sources:**
*Map: Migration Policy Institute;*
*Table: World Bank Bilateral Migration Matrix, 2010; Household Surveys; LAPOP, 2012; Orozco, 2008.*

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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