

# Leveraging Remittances for Development

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# Development implications of migration and remittances

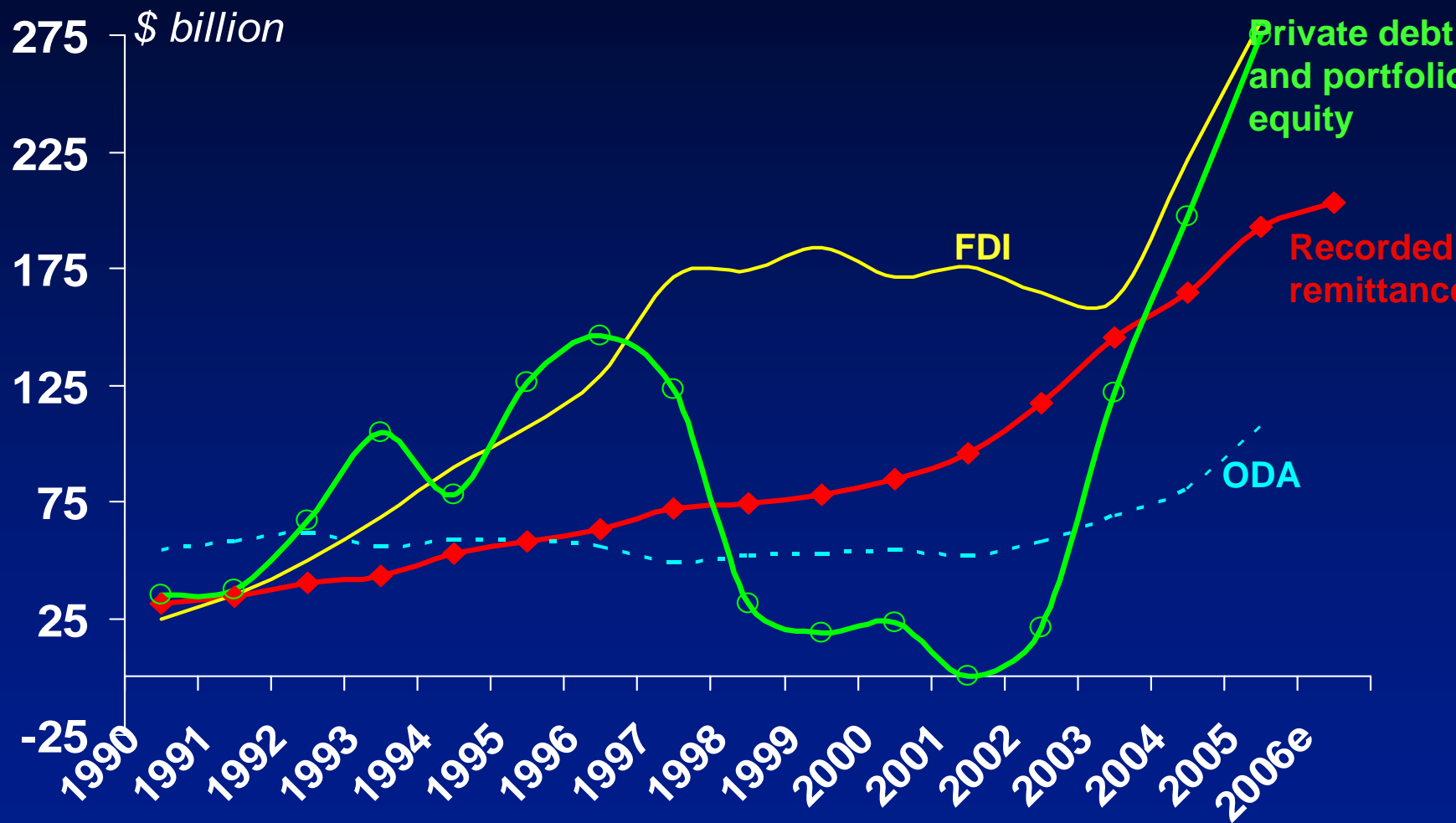
- Migration and remittances continue to increase.
- Remittances reduce poverty
- There is considerable scope for reducing remittance costs faced by poor migrants
- There is scope for leveraging remittances for financial access of households, and capital market access of financial intermediaries

# Remittances are large, have continued to increase

<i>(\$ billion)</i>	<u>1995</u>	<u>2005</u>
Remittances*	58	193
ODA	59	107
FDI	107	281
Private debt & portfolio equity	126	275

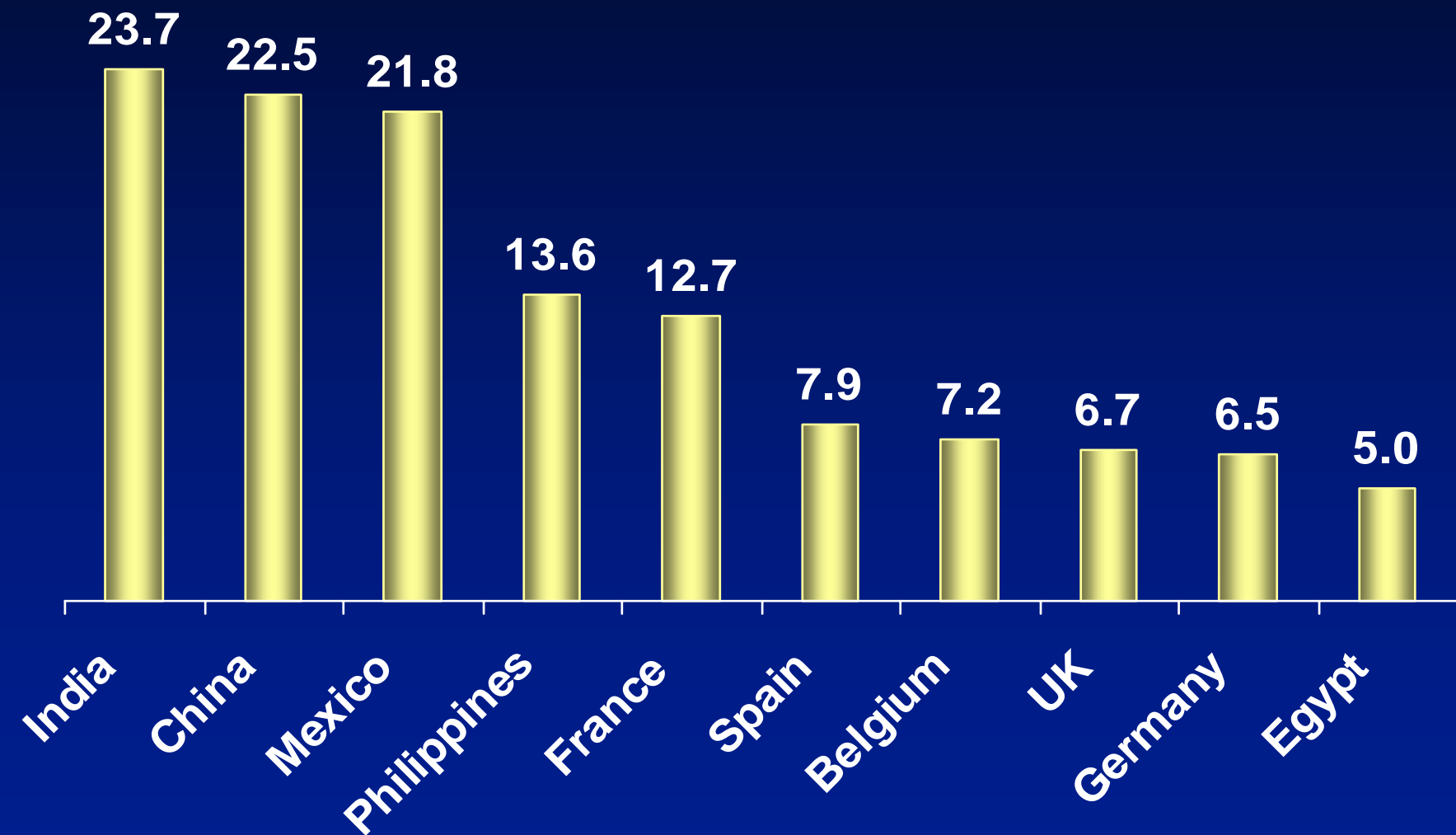
*\* Recorded remittances only*

# Remittances are large, have continued to increase



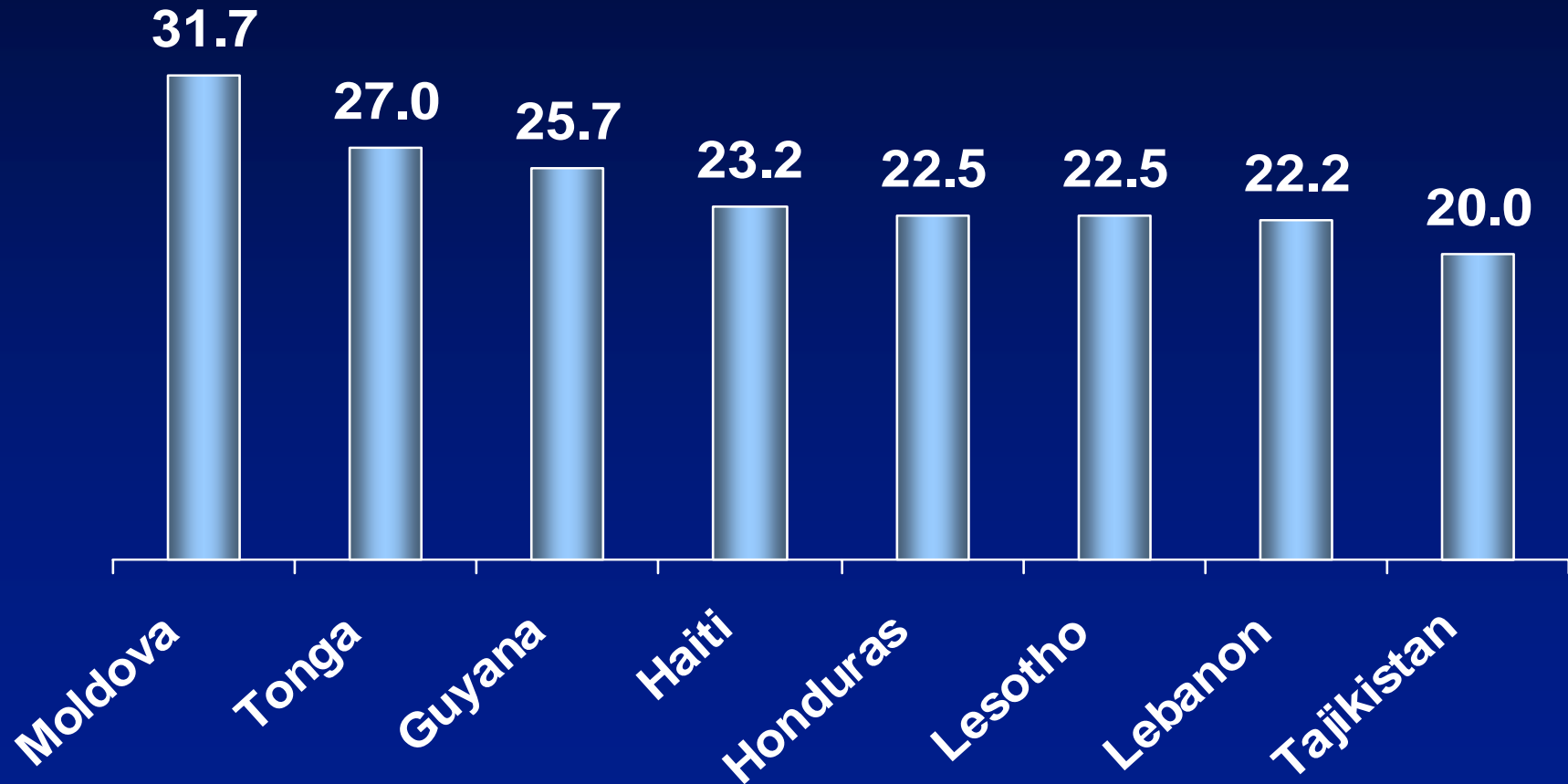
# Top recipients of remittances, 2005

*\$ billion*

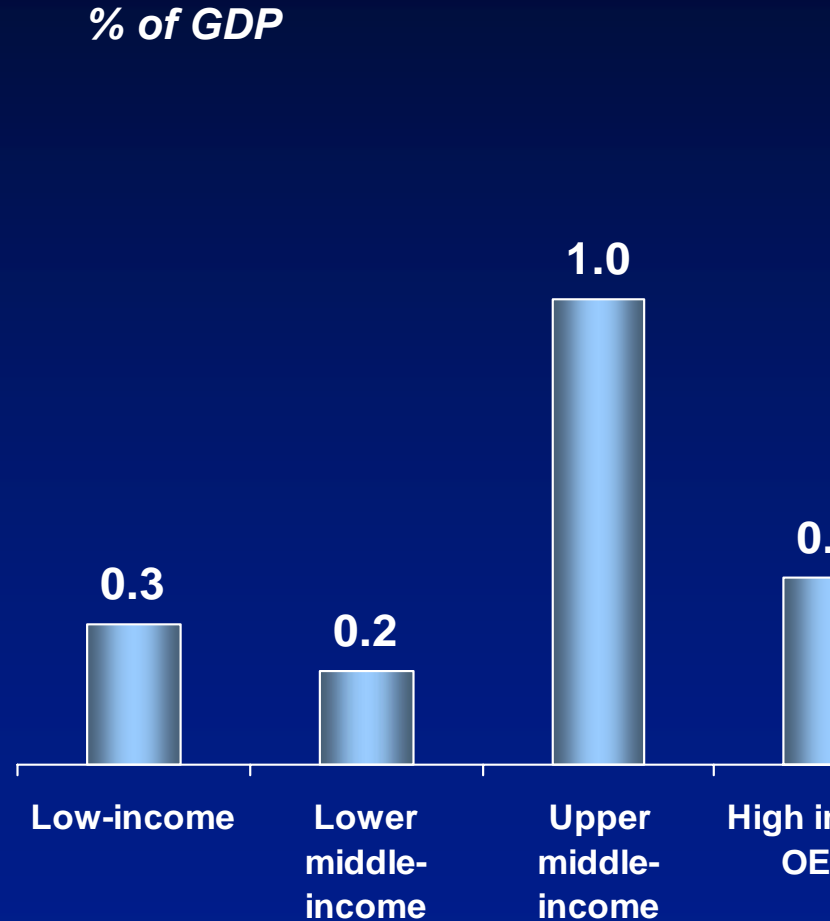
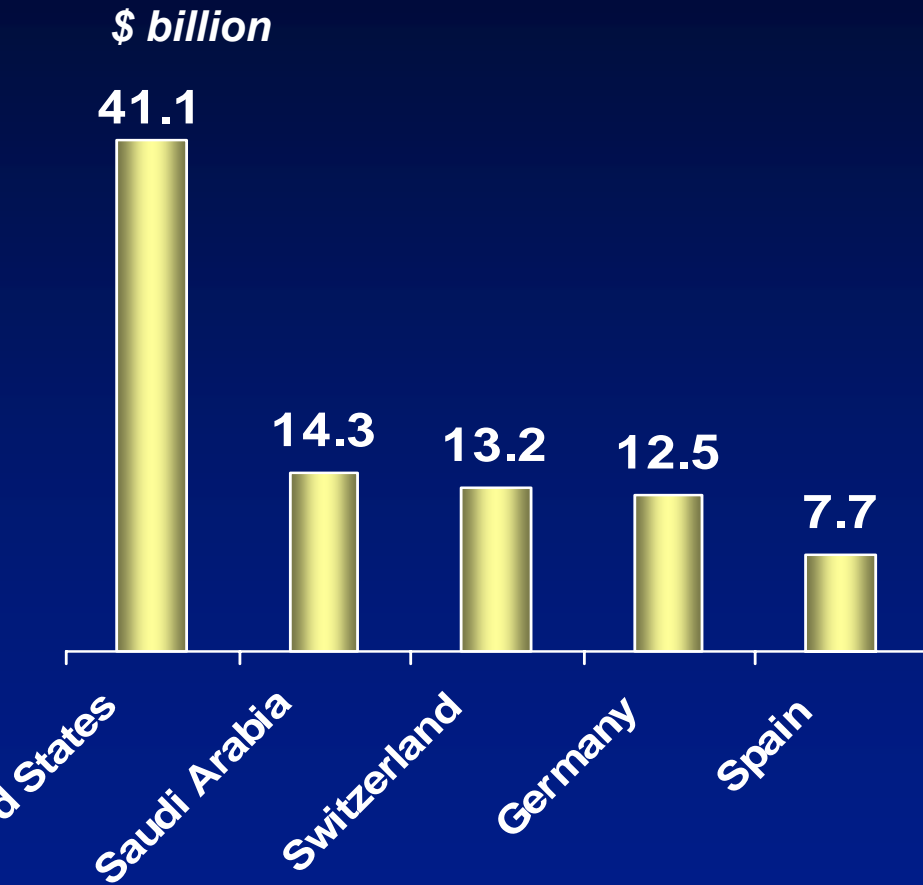


# Top recipients of remittances, 2005

*% of GDP*



# Top sources of remittances 2005

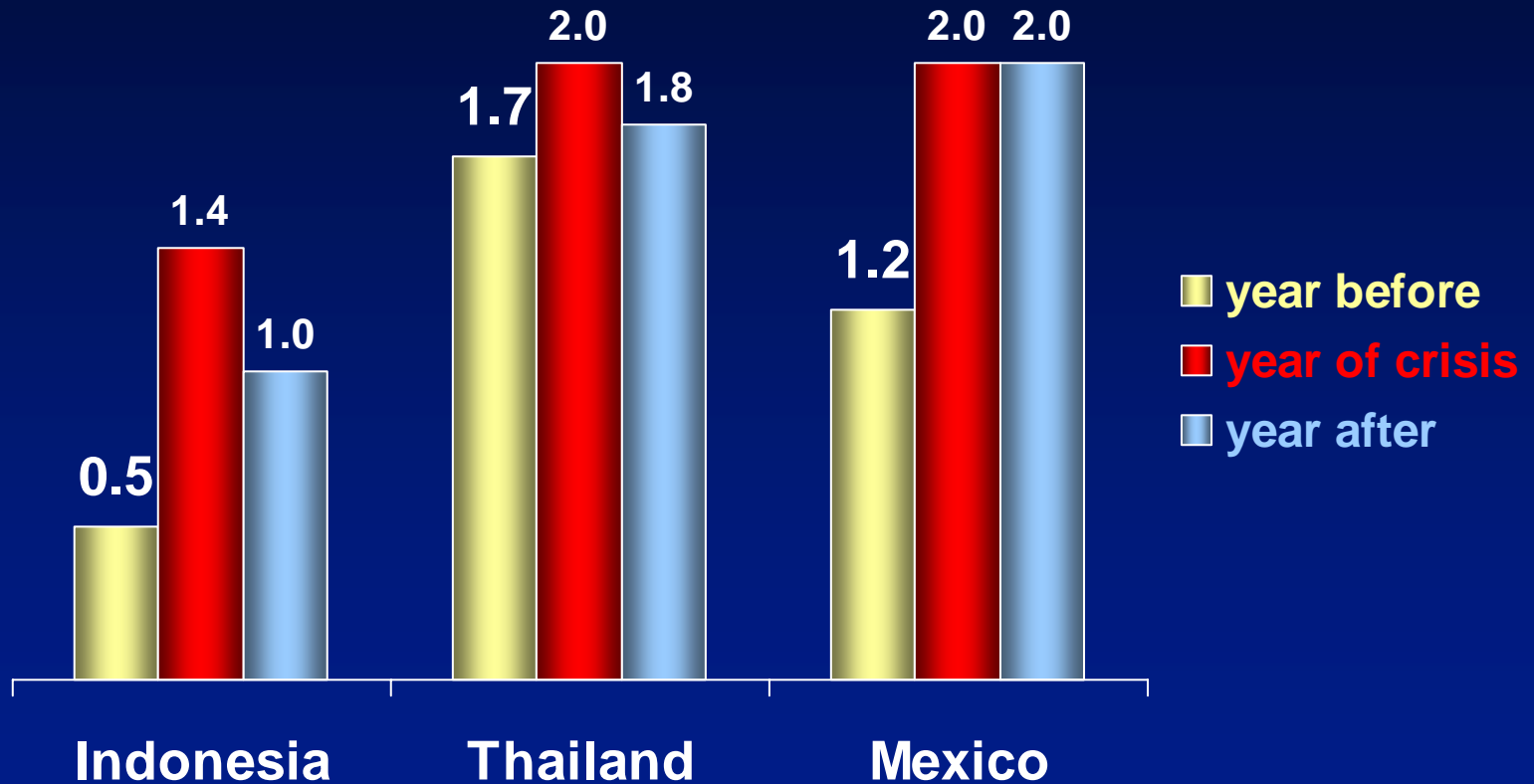


# Remittances reduce poverty

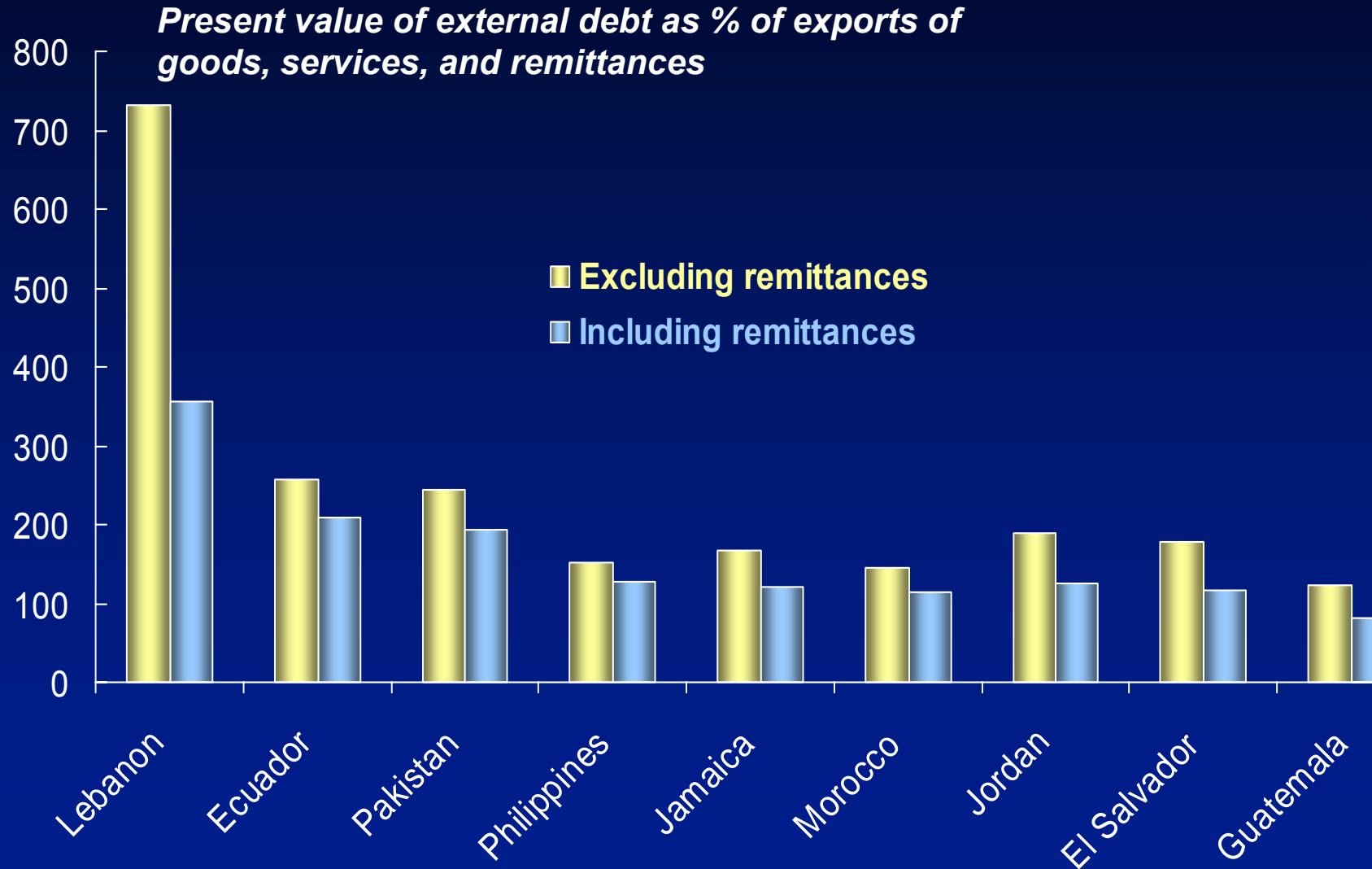
- Evidence from a few household surveys shows that remittances reduce poverty
- Cross-country evidence shows that a 10% increase in per capita remittances leads to a 3.5% decline in the share of poor people
- Remittances also finance education and health expenditures, and ease credit constraints on small businesses

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

*Remittances as % of private consumption*



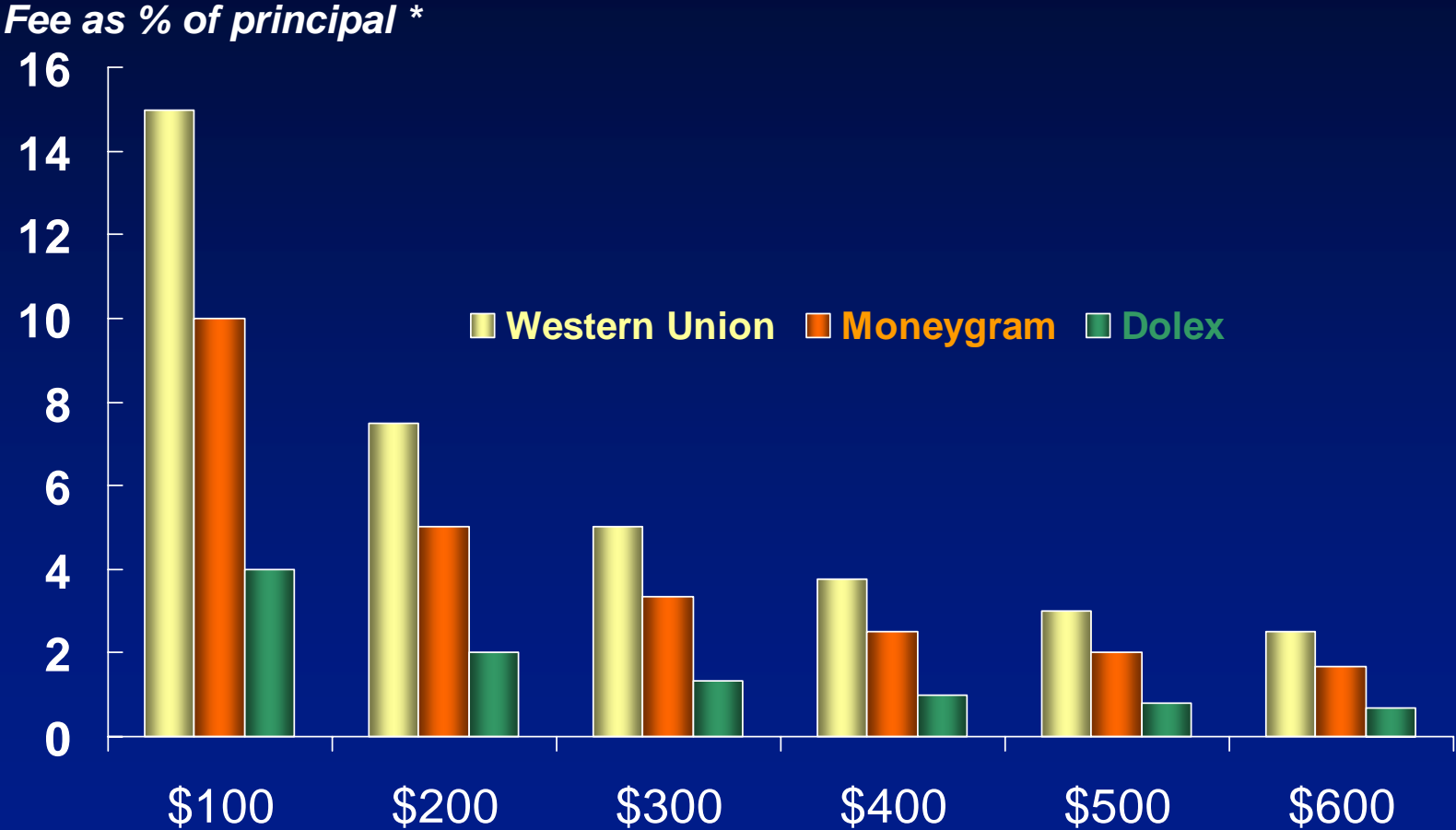
# Remittances improve countries' access to capital



# Downside

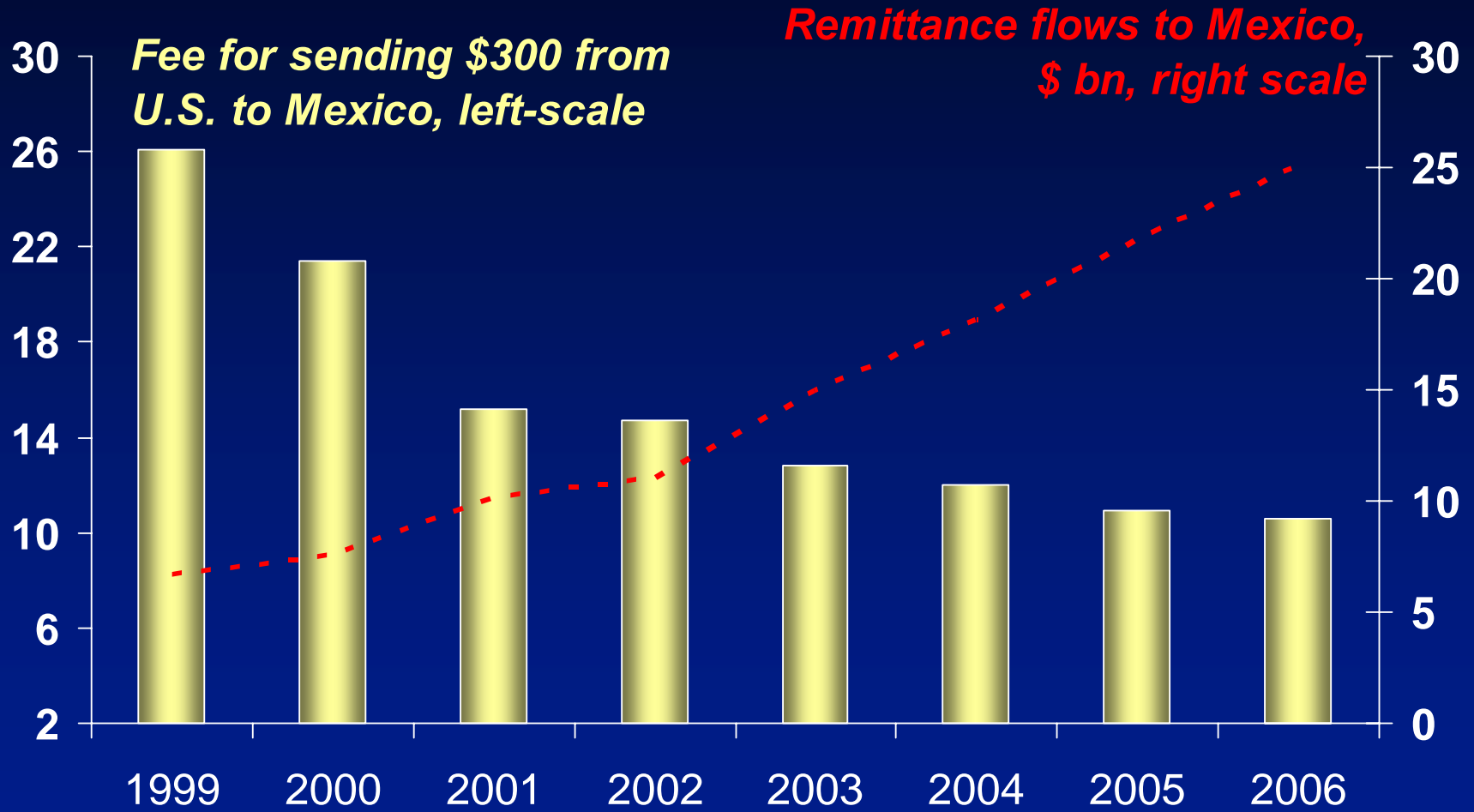
- Large remittance flows may lead to currency appreciation and adverse effects on exports
- Remittances may create dependency
- Remittance channels may be misused for money laundering and financing of terror

# Remittance fees are high, and regressive



\* As of November 2006

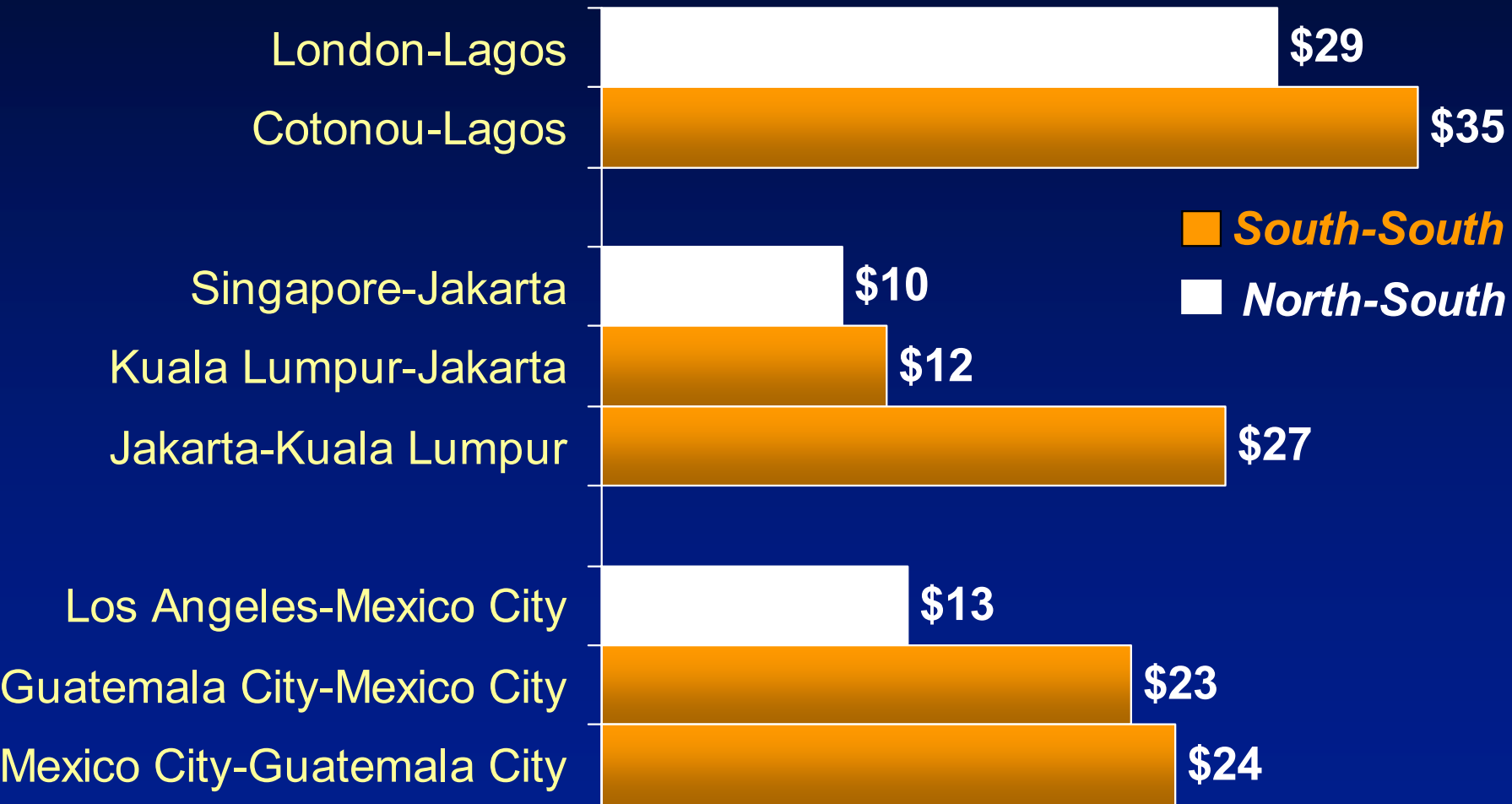
# Remittance fees are falling, but not fast enough



Source: Condusef, Mexico

# South-South remittance costs tend to be higher than North-South costs

*Fee and FX commission \$*



# 1. Monitoring, analysis, projection

- Size, corridors, channels
- Counter-cyclical
- Effects on poverty, education, health, investment
- Policy (costs, competition, exchange controls)

# 3. Financial access

- Deposit and saving products
- Loan products (mortgages, consumer loans, microfinance)
- Credit history for MFI clients
- Insurance products

# International Remittances Agenda

# 4. Capital market access

- Private banks and corporations (securitization)
- Governments (diaspora bonds)
- Sovereign credit rating

# 2. Retail payment systems

- Payment platforms/instruments
- Regulation (clearing and settlement, capital adequacy, exchange controls, disclosure, cross-border arbitration)
- AML/CFT