Remittances and Resilience

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KNOMAD

Global Knowledge Partnership on Migration and Development

Remittances

- Household income from foreign economies arising from movement of people to those economies (IMF).
- Remittance flows to low and middle income countries (LMCs) increased in 2017 by 8.5 percent, rising to $466 billion.

Remittances vs. aid to LMCs

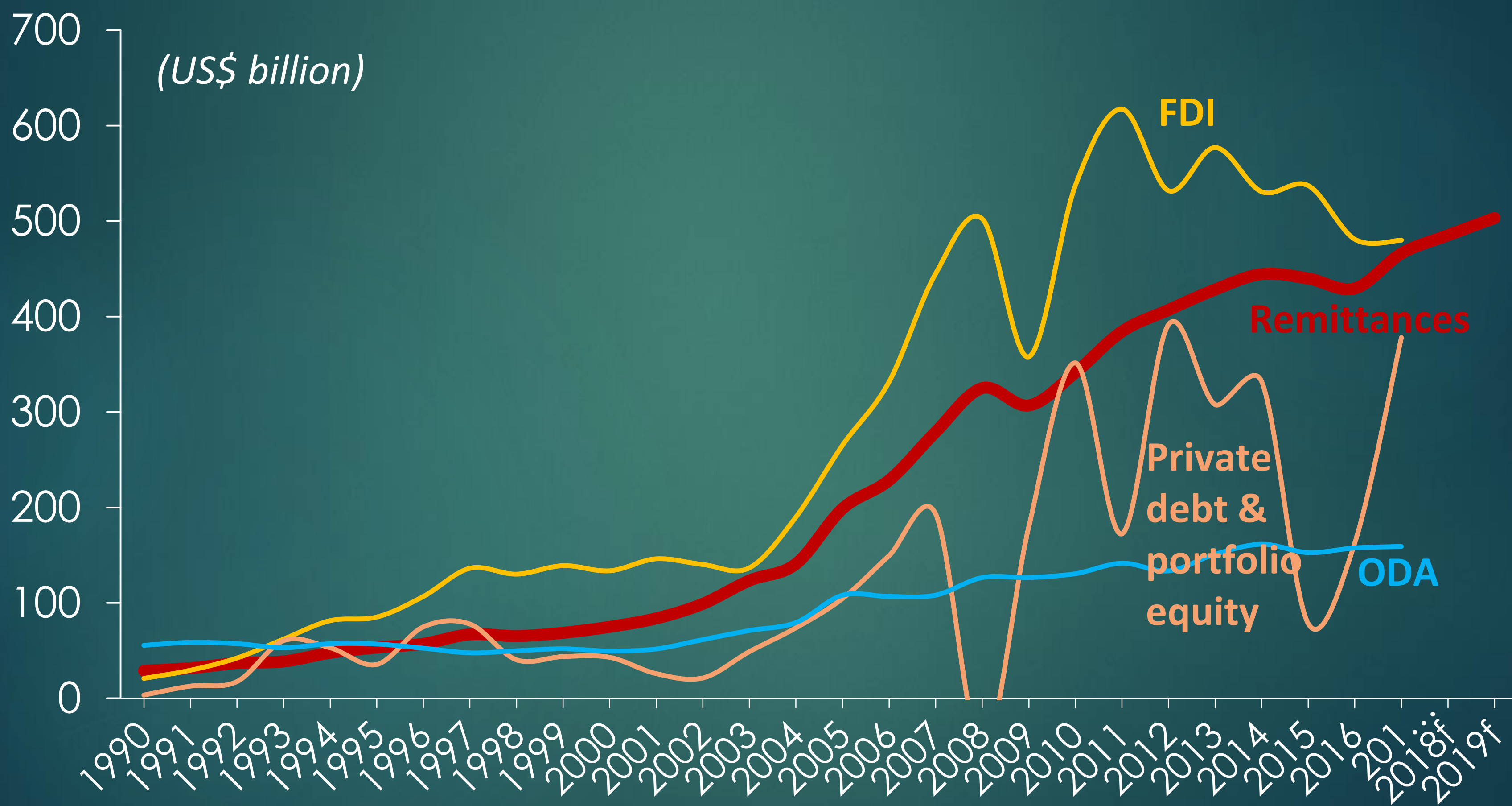
a) Remittances are larger than aid, but aid is less volatile
b) Remittances are smaller than aid, but aid is more volatile
c) Remittances are larger than aid, and aid is more volatile
d) Remittances are smaller than aid, and aid is less volatile

RESULTS: https://api.cvent.com/polling/v1/api/polls/sp-yq0x7j

How remittances help cope with shocks

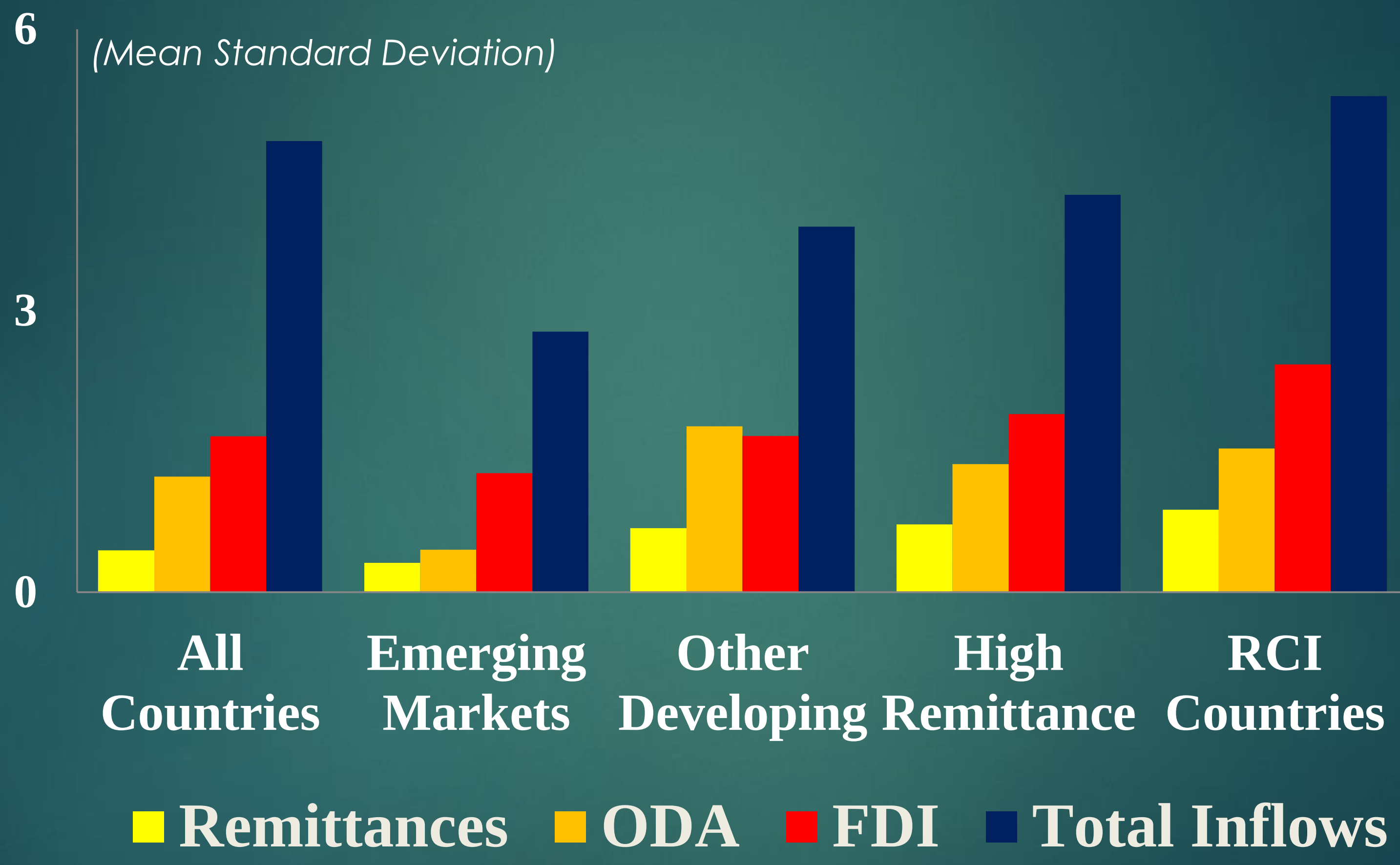
- Macroeconomic stability
- Household income and consumption smoothing
- Increased investments for preparedness(financial and material)

Remittances larger than aid and more stable than other flows



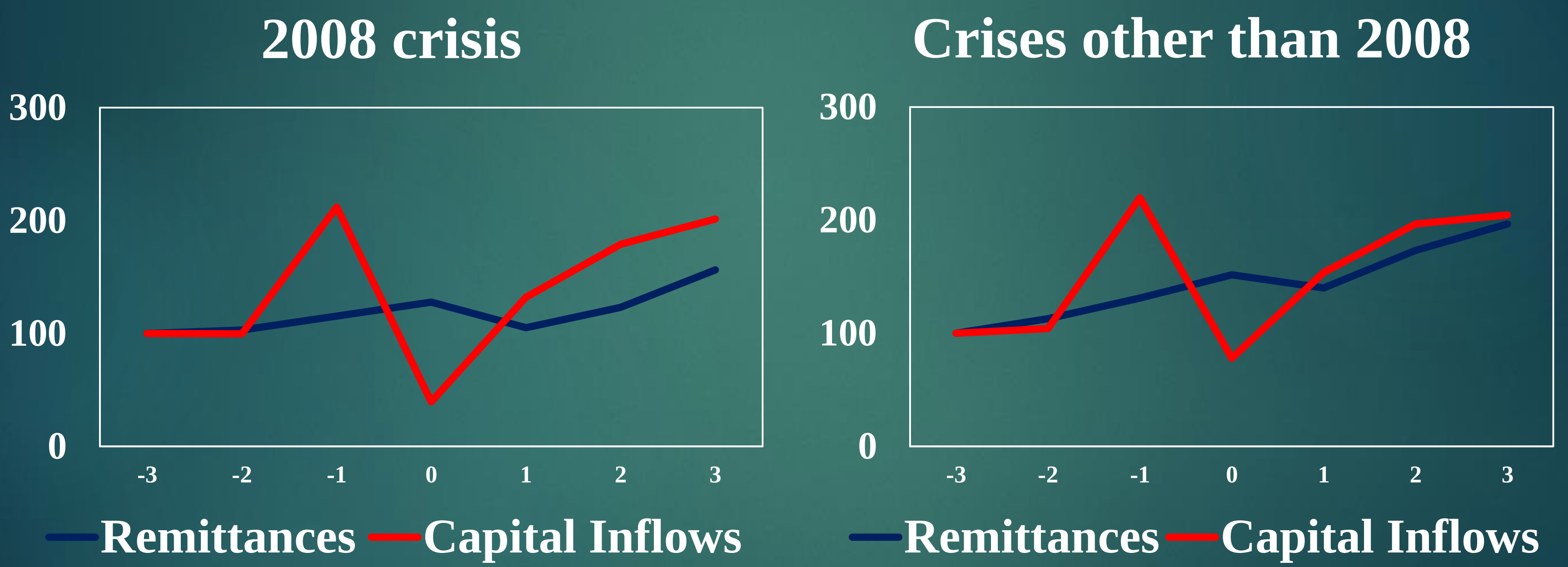
Source: World Bank, Migration and Development Brief 29, April 2018

Remittances less volatile than other flows



Note: RCI=Remittance and Capital Intensive
Source: Remittances over the Business Cycle: Theory and Evidence. *KNOMAD Working Paper*. No. 11.

Remittances increase during crises, when capital inflows fall



Source: Remittances over the Business Cycle: Theory and Evidence. *KNOMAD Working Paper*. No. 11.

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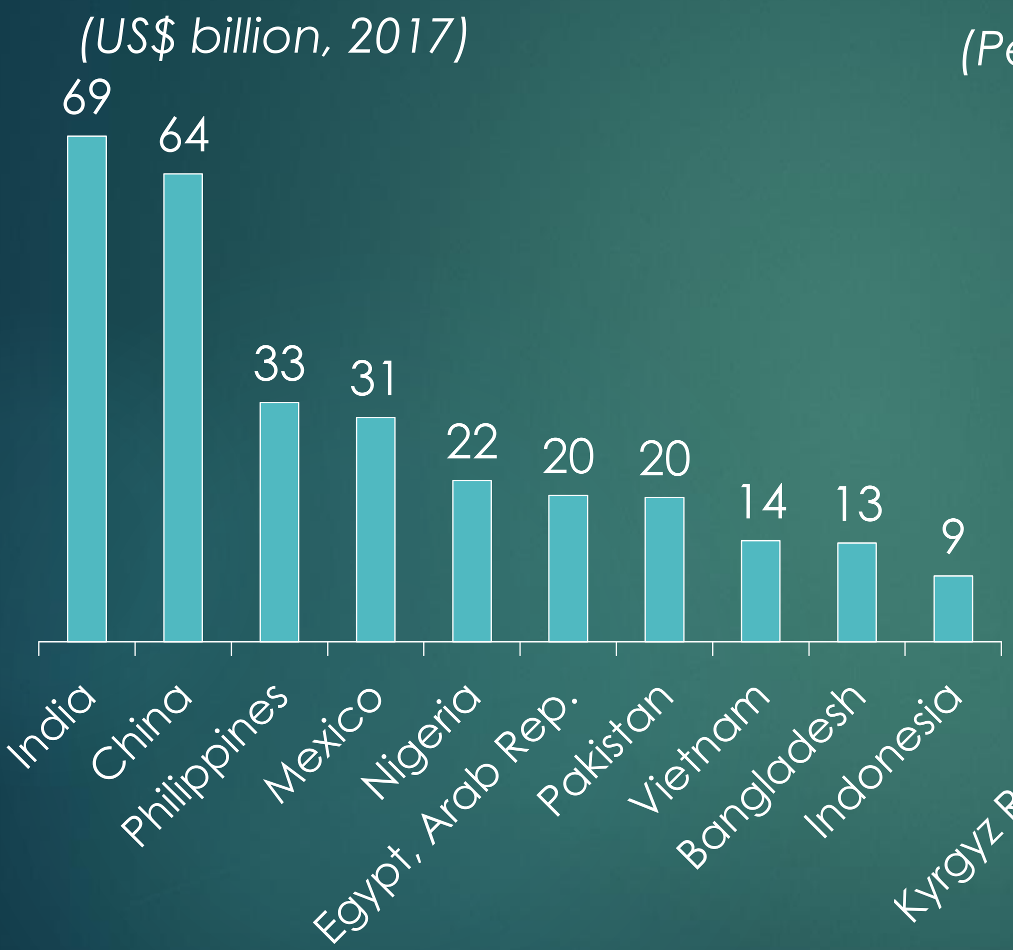
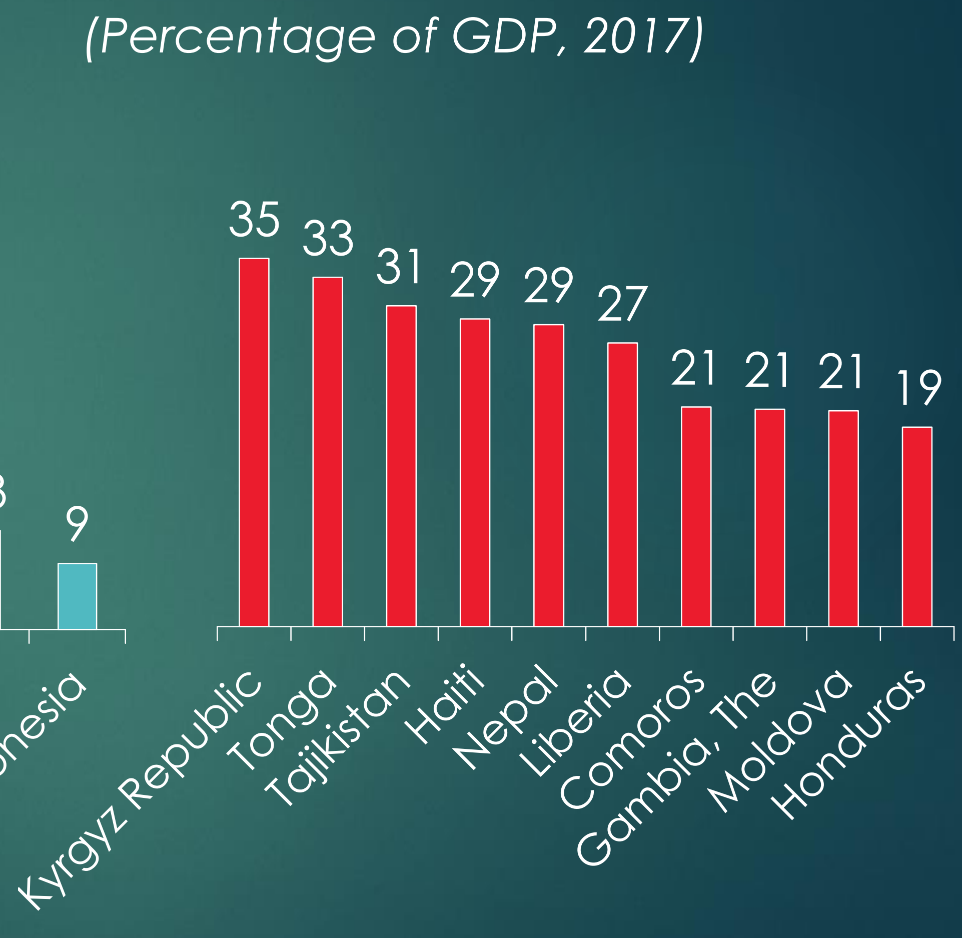
Driven by remittance motivations

- *Altruism:* Unrequited transfers prioritize consumption of recipient family. Negatively related to home country income (GDP).
- *Portfolio approach:* Migrants allocate savings between home country and host country. Investment motive and remittances may be positively related to home country income (GDP).

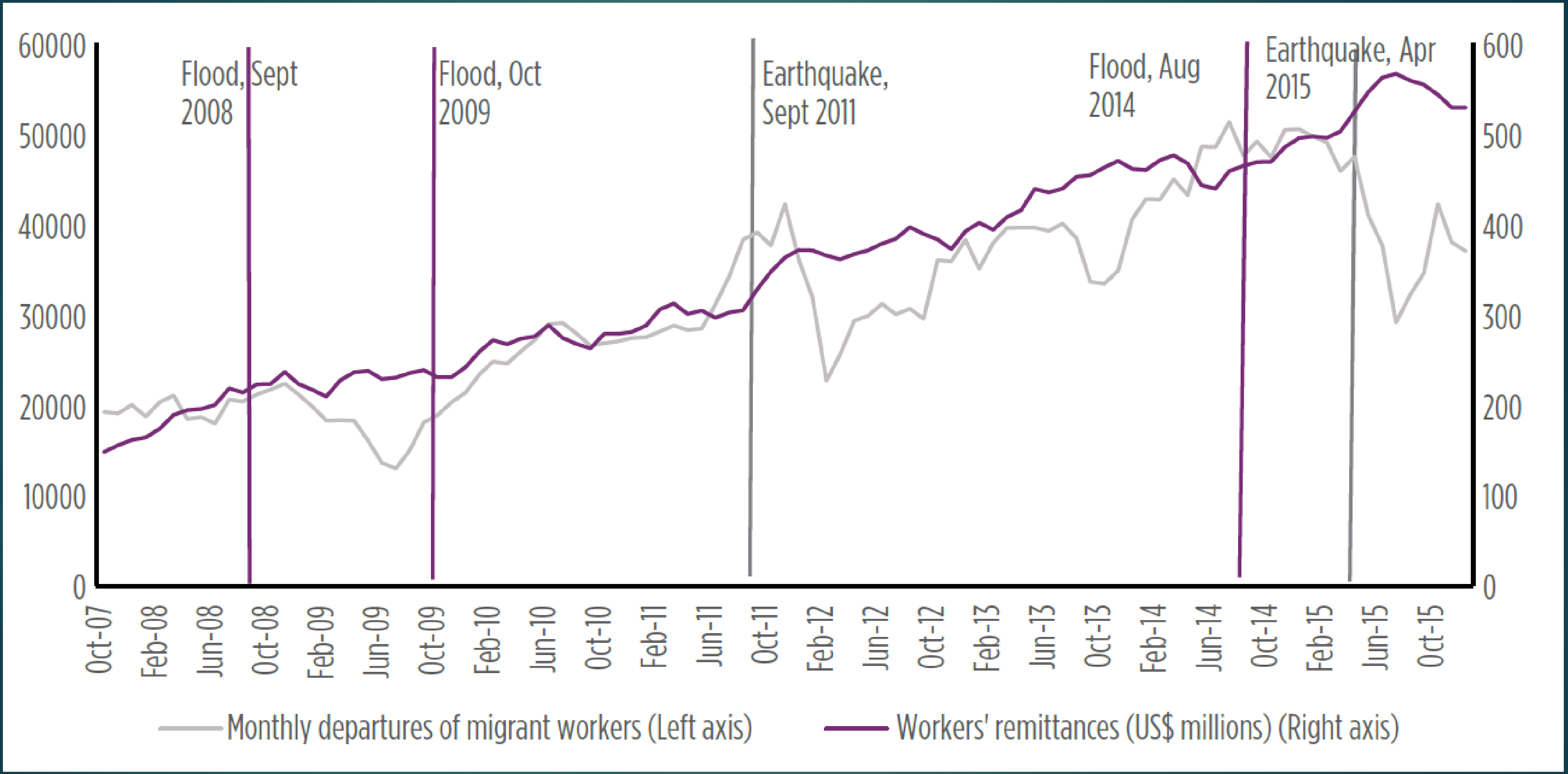
Top recipients of remittances





Source: World Bank, Migration and Development Brief 29, April 2018

Remittances, migration trends and natural disasters in Nepal



Source: World Bank, Migration and Development Brief 26

To improve resilience impact of remittances

a) Have migrants concentrated in a few host countries and impose exchange rate controls.

b) Have migrants dispersed across many host countries and impose exchange rate controls.

c) Have migrants concentrated in a few host countries and not impose exchange rate controls.

d) Have migrants dispersed across many host countries and not impose exchange rate controls.

RESULTS: https://api.cvent.com/polling/v1/api/polls/sp-xkxk9y

Policies implications

- Economic opportunities for migrants and migrant destination diversity.
- Avoid exchange rate restrictions and black market premiums.
- High inflation and exchange rate overvaluation postpone decision to send money.
- Financial sector development and lowering remittance costs.

How we can help

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- Improving migration and remittance data, especially estimating informal remittances
- Migration-related SDGs (Dilip and Ganesh)
- Diaspora bonds (Dilip)
- Migration and the Law (Ganesh)
- Work on migration policy

Thanks – Questions and Discussions