Global Forum on MIGRATION & DEVELOPMENT

GFMD Belgium 2007

First Meeting, Brussels 9-11 July 2007
Roundtable 2 : Remittances and Other Diaspora Resources
Increasing Their Net Volume and Development Impact
Basic Fact Sheet on Remittances [*]

Three sessions of Roundtable 2 will address the development impact of migrant remittances to developing countries. On Tuesday afternoon 10 July, the first session (2.1) will discuss reduction of cost, formalization of transfers and the role new technologies can play in this perspective. On Wednesday morning 11 July, two sessions (2.2 and 2.3), will explore options to leverage the development impact of remittances at the micro and macro levels and how to respond their possible negative impacts. This note presents basic figures, definitions and principles related to remittances to developing countries in order to complement their respective background papers.

Remittances have progressively attracted increasing interest in economic and development research and policy during the last decade, even though precise data are lacking- notably due to the existence of large informal transfers. Migrants originating from developing countries transfer money worldwide, North-South but also South-South. Due to their very nature, these transfers, are private flows, which cannot be appropriated by governments, but whose development impact can be leveraged by providing senders and recipients with options, incentives and tools designed and implemented by governments in partnership with other stakeholders. Remittances therefore do not diminish the need for ODA nor are they an alternative to the development efforts by governments.

Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers (World Bank 2006). Even thought remittances can also be understood as covering in kind gifts, the three roundtable sessions will focus on financial transfers. The three sessions will mainly focus on remittances to developing countries.

In practice, these transfers can be seen as "a cross-border person-to-person payment of relatively low value [which] are typically recurrent payments by migrant workers (eg. who send money to their families in their home country every month)" (CPSS- WB 2007). This differentiates them from individual or collective philanthropic support to development projects and from investment.

The distinction between formal and informal transfer will be made on the basis of "whether or not a regulatory framework is applied to the remittance provider" (IMF 2005).

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[*] The note has been produced by the Task Force set up by the Belgian Government for the preparation of the first meeting of the Global Forum on Migration and Development (GFMD based on input provided by the coordinators of sessions 2.1 (Government of the Philippines), 2.2 (UNDP) and 2.3 (World Bank). The sole objective of this document is to inform and facilitate the discussion of Roundtable sessions 2.1, 2.2 and 2.3 during this first GFMD meeting. It is based on open sources and does not aim to be exhaustive. The organizers do not accept any liability or give any guarantee for the validity, accuracy and completeness of the information in this document. The document does not necessarily reflect the views of the GFMD organizers or the governments or organizations involved in the Roundtable sessions. As the GFMD is an informal process, the document also does not involve any commitment from any of the parties using it in the GFMD discussions. Any reproduction, partial or whole, of this document should cite the source.

Remittances received from migrants abroad are one of the largest sources of external finance for developing countries. According to World Bank estimates, recorded remittances to developing countries, in 2006, were estimated to have reached $206 billion. They amounted to two thirds of foreign direct investment ($325 billion), and were almost twice as large as official aid ($104 billion), received by developing countries. The true size of remittances, including unrecorded flows through of formal and informal channels, is significantly larger. Remittances tend to be more stable than private capital flows, and may even be countercyclical relative to the recipient economy (World Bank- see annex).

Remittances' potential links with development are numerous, and their impact is not just economic but also social and cultural as they are also associated with increased household investments in education and health and may also have an impact on gender relations. The benefits of remittances for development are, however, conditional upon the broader economic and political context.

As the three background papers will explain in more detail, reducing remittance cost could not only create incentives for migrants to send more money home but also encourage the use of formal remittance channels. Further, improving the formalization of transfers offers opportunities to leverage the development impact of remittances by providing options for individual savings, investment opportunities or support to local development projects. Also, improving formal transfers of remittances enables better policy planning for development and for responding to the possible negative impact of these flows.

Additional Sources

Committee on Payment and Settlement System, The World Bank, *General Principles for International Remittance Services*, CPSS Publications No 76, January 2007, 61 pp

International Monetary Fund, *Approaches to a Regulatory Framework for Formal and Informal Remittance Systems: Experiences and Lessons*, IMF, 2005, 39 pp

World Bank, *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, The International Bank for Reconstruction and Development / The World Bank, 2005, 182 pp

Annex

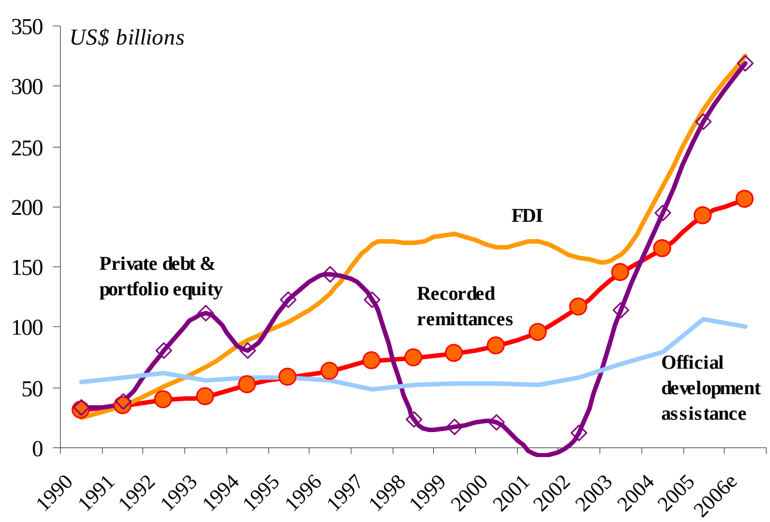
Global flows of international migrant remittances (US$ billion)

INFLOWS	2000	2001	2002	2003	2004	2005	2006 (esti-mated)	*Change 2005-06*	*Change 2001-06*
All developing countries	**85**	**96**	**117**	**145**	**165**	**193**	**206**	*7%*	*115%*
Low-income countries	22	26	32	40	42	48	55	*15%*	*112%*
Middle-income	63	70	85	105	123	145	152	*5%*	*117%*
Lower MICs	43	48	61	75	86	98	102	*4%*	*113%*
Upper MICs	20	22	24	30	37	47	50	*6%*	*127%*
East Asia and the Pacific	17	20	29	35	39	45	47	4%	135%
Europe and Central Asia	13	13	14	17	23	31	32	3%	146%
Latin America and the Caribbean	20	24	28	35	41	48	53	10%	121%
Middle-East and North Africa	13	15	16	20	23	24	25	4%	67%
South Asia	17	19	24	31	31	36	41	14%	116%
Sub-Saharan Africa	5	5	5	6	8	9	9	0%	80%
High income OECD	46	50	52	59	66	68	68	0%	36%
World	**132**	**147**	**170**	**205**	**233**	**262**	**276**	5%	88%

OUTFLOWS	2000	2001	2002	2003	2004	2005	*Change 2004-05*	*Change 2001-05*
All developing countries	12	14	21	25	32	38	*19%*	*171%*
High income OECD	76	83	88	98	111	119	*7%*	*43%*
High income non-OECD	22	22	22	21	20	22	*10%*	*0%*
World	110	118	131	144	163	179	*10%*	*52%*

Source: World Bank staff calculations based on IMF Balance of Payments Statistics Yearbook 2007. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers. The complete dataset including country specific information is available at www.worldbank.org/prospects/migrationandremittances.

Remittances and capital flows to developing countries



Sources: Dilip Ratha's calculation based on Global Development Finance 2007 and IMF Balance of Payments Statistics Yearbook 2006.