



story

Migrant Remittances to Families Ease Poverty in Poor Countries

January 9, 2008—In 2007, migrants from developing countries sent some US\$240 billion in remittances to families back home.

Remittances are earnings that those working abroad send to their families.

But since the money flows through many formal and informal channels, the real size of remittances isn't known.

For example, Nepalese migrants working abroad send 69% of remittances through informal channels. don't provide any benefits (health and pension) to their employees.

Based on available data, developing countries get two times more money through remittances than through official aid, said Dilip Ratha, a World Bank economist. Remittances also make up almost 2/3 of FDI (foreign direct investment) that developing countries get.

Because remittances have become so important, development experts are studying more closely how they help people in the home countries climb out of poverty. Unlike official development aid—money that rich (donor) country governments give to the governments of poor countries—remittances go directly to families who decide how to spend the money.

Which Region Receives Most Remittances?

The Latin American and the Caribbean region receives most remittances. As a share of GDP, remittances are the highest in the Middle East and North Africa region. Remittance flows to Sub-Saharan Africa are grossly underestimated, with wide gaps in data reporting in many countries.

Which Country Receives Most Remittances?

In 2007, India, Mexico, and China were the top three recipients of remittances, accounting for nearly one-third of remittances that developing countries received.

Which Country Receives Most Remittances? (cont.)

In some countries remittances make up more than 25% of the country's GDP. Some of these countries are Tajikistan, Moldova, Tonga, Kyrgyz Republic, and Honduras.

In many countries, the size of remittances has grown significantly over the years. Between 1996 and 2004, remittance inflows to Nepal soared from 3% of GDP (US\$203 million) to 12% of GDP (US\$794 million). This main reason was Nepalese started migrating to the Persian Gulf or East Asia, where they earned more than in India, their previous major destination. Nepalese also increased how much they sent home from 24% to 32%.

What Are the Destinations?

There are regional preferences that encourage migrants to go to the most accessible countries. This means easy to get to, cultural and language ties, etc.

Over the last 15 years, Western Europe received 42% of migrants from Central and Eastern Europe as well as growing numbers of migrants from the Former Soviet Union.

Most Mexican and Latin American migrants go to the United States. But people in many South American countries also look toward Europe. Caribbean migrants prefer the United Kingdom as a destination, and many South American migrants choose Spain.

Migrants from the Middle East and North Africa migrate to the resource-rich, labor-seeking Gulf countries or Europe.

Maghreb workers have sought opportunities in Northern Europe and increasingly in Italy and Spain. Egypt and Arab Mashreq countries have gravitated toward the rich Gulf states.

Migration can also create a ripple effect. In the Middle East and North Africa, for example, as Lebanese and Jordanian workers leave for the Gulf countries, Syrians migrate to Lebanon and Egyptians go to Jordan to work on farms.

In South Asia for example, Nepalese migrants gravitate toward India, the Gulf states, and Saudi Arabia.

IT'S A FACT

In Mexico, remittances have helped reduce extreme poverty by 35% in migrant households. In Pakistan, girls in migrant households stay in school almost two years longer than those in non-migrant households. Children in migrant households are less likely to work.

It's not just people from poor countries who migrate to rich countries. Residents of developed countries also migrate in search of better opportunities abroad. **France, Spain, and UK** are among the top 10 remittances-receiving countries. They receive remittances mostly from the other high-income European countries.

The **top 10 migrant-receiving countries**, in order, are: United States, Russia, Germany, Ukraine, France, Saudi Arabia, Canada, India, United Kingdom and Spain.
(Source: *Migration and Remittances Factbook 2008*.)

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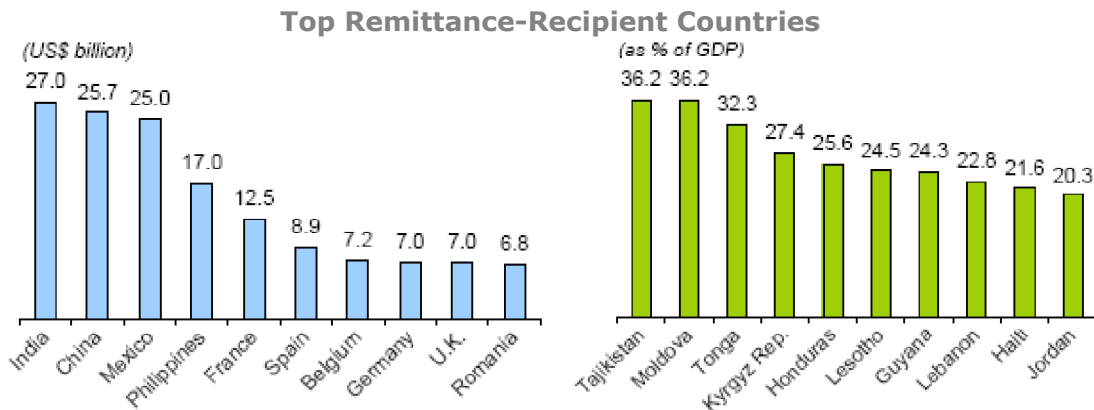
Test your knowledge! Take the **Youthink! Migration quiz** (youthink.worldbank.org/issues/employment/migration/quiz/).

Who Migrates? Who Sends Remittances?

It varies from country to country. Here's an example from Latin America and the Caribbean:

In Mexico and Paraguay, poor and uneducated households are more likely to receive remittances from family members living abroad. But, Peru and Nicaragua have the opposite pattern.

Mexican and other Central American migrants going to the United States tend to be less educated than those who stay behind, while for migrants from the Caribbean and South America the opposite is true.



Source: Migration and Development Brief 3. Remittance Trends 2007

Remittances v. Brain Drain Migration

What's better for a poor country—for its families to receive plenty of remittances (which implies that many of its people have migrated abroad) or for its workforce to remain at home?

As research shows, remittances can help poor families climb out of poverty faster. But what happens if a developing country's educated people migrate in great numbers? For example, more than half of college graduates from Central America and the Caribbean live abroad.

Such massive migration of educated people has become known as brain drain, and it can become a serious obstacle for the development of small, poor countries.