

Contents

Foreword	vii
Acknowledgments	ix
Overview	xi
Abbreviations	xvii
Chapter 1 Prospects for the Global Economy	1
Global growth	3
Long-term prospects and poverty forecast	8
International finance	10
Commodity markets	14
World trade	16
Risks and uncertainties	18
Notes	22
References	23
Chapter 2 The Potential Gains from International Migration	25
International migration trends	26
The demographic challenge	29
Migration and its development impact	31
Returns to households	34
Returns to factors of production	41
Caveats—what the model leaves out	48
Notes	51
References	53
Chapter 3 The Policy Challenges of Migration: The Origin Countries' Perspective	57
The migration decision and its impact on migrants and their families	59
Low-skilled migration	64
High-skilled emigration	66
Diasporas	70
The return of expatriates can benefit development	70
Temporary migration and international agreements	72
Notes	76
References	78

Chapter 4 Trends, Determinants, and Macroeconomic Effects of Remittances	85
Remittance data and trends	86
Factors affecting remittance flows	92
Macroeconomic effects of remittances	99
Annex 4A.1 World Bank data on remittances	105
Annex 4A.2 A model-based estimation of informal remittance flows	108
Notes	110
References	112
Chapter 5 Remittances, Households, and Poverty	117
Remittances, poverty, and inequality	118
Remittances and household consumption smoothing	122
Remittances and indirect effects on household income	123
Remittances, savings, and investment	125
Annex 5A.1 Poverty simulation model: description and results	127
Notes	129
References	131
Chapter 6 Reducing Remittance Fees	135
Remittance fees and costs	136
Factors underpinning high remittance fees	144
Policies to reduce remittance costs	147
Remittances and financial institutions	149
Annex 6A.1 A stylized remittance transaction—structure, players, instruments	151
Annex 6A.2 Licensing and registration requirements for remittance service providers	152
Annex 6A.3 A brief history of some remittance service providers	153
Notes	154
References	156

Figures

1.1	Industrial production	3
1.2	A sharp slowdown	5
1.3	Regional growth	6
1.4	Dollar-euro interest rate differentials	10
1.5	Financing of the U.S. current account deficit	11
1.6	Emerging market spreads	11
1.7	Real long-term interest rates in G-7 countries	12
1.8	World savings rate	12
1.9	Inflation rates	13
1.10	Cumulative real increase in housing prices, 2005	14
1.11	Commodity prices	14
1.12	Levels of spare oil capacity	15
1.13	World trade volumes	16
1.14	Change in textile exports to the developed world, first half of 2005	17
1.15	Estimated change in textile exports as share of total merchandise exports	18
1.16	Some countries are particularly at risk	20
2.1	International migrants as a share of destination countries' population	27

2.2	Share of females in international migration	28
2.3	Immigration to selected countries, reasons for admittance, 2001	28
2.4	Labor force and dependency rates	30
2.5	Factor returns and migration	42
2.6	Source of gains for native workers	45
2.7	Factor returns and migration in high-income countries, 2005	46
3.1	Median wage levels for workers in the same occupation, relative to high-income economies, 1988–92	59
3.2	Major developing country diasporas in developed countries	62
3.3	Estimates of stock of irregular migration	62
3.4	Emigration rates for low-skilled workers	64
3.5	Emigration rates for those with a tertiary education, 2000	67
3.6	Number of temporary workers admitted under skill-based programs	72
4.1	Top 20 remittance-recipient countries, 2004	90
4.2	Estimated remittance payment, by country group, 2004	91
4.3	Remittances as percent of private consumption, two years before and two years after natural disasters	100
4.4	Remittances as a share of personal consumption, two years before and two years after conflict	100
4.5	Remittances as a share of personal consumption, two years before and two years after financial crises	101
4.6	Indebtedness classification including and excluding remittances, 2003	101
4.7	Remittance securitization structure	102
4.8	Securitization of remittances, 1994–2004	103
5.1	Sri Lankan migration	122
6.1	Remittance costs are high and regressive	138
6.2	Remittance fees in the United States–Mexico corridor	138
6.3	Fees and foreign exchange spreads for \$200 in Western Union transfers from New York City	144
6.4	Exclusive arrangements with post offices skew competition	145
6.5	Barriers perceived by remittance service providers	146

Tables

1.1	The global outlook in summary	4
1.2	Long-term prospects	8
1.3	Regional breakdown of poverty in developing countries	9
1.4	Terms-of-trade impacts of commodity price changes	16
1.5	Impact of a 2 million bpd negative supply shock	19
1.6	Interest rate scenarios	20
2.1	Growth in international migration by destination, 1970–2000	27
2.2	Labor force structure in the base case and after increases in migrants	33
2.3	Change in real income across households in 2025 relative to baseline	34
2.4	Real income impacts across developing regions	38
2.5	Impact of different assumptions on the consumption of public goods and services by selected groups in 2025	39
3.1	Fees charged by recruitment agencies	60
3.2	Emigration rates of skilled workers, 2000	68
4.1	Workers' remittances to developing countries, 1990–2005	88

4.2	Recorded remittances have grown faster than private capital flows and ODA	88
4.3	Choice of remittance channel in selected countries	91
4.4	Estimated increase in formal remittances if transaction costs were reduced to 2 to 5 percent and dual exchange rates were eliminated	92
4.5	Impact of remittances on country credit rating and sovereign spread	102
4A.1.1	Countries with alternative estimates in 2004	106
4A.2.1	Regression results: determinants of worker remittances	109
4A.2.2	Regression results: determinants of transaction costs	109
4A.2.3	Panel regression results: determinants of remittances	110
5.1	Simulated impact of eliminating remittances on poverty rate	120
5A.1	Effect of removing remittances on the poverty headcount rate	128
6.1	Approximate cost of remitting \$200	137
6.2	Operating profits of major MTOs	140
6.3	Estimating the cost of a remittance transaction	140
6.4	Remittances are more cost-elastic when costs are higher	143
6.5	Policies to reduce costs, regulate informal providers, and provide remittance-linked financial services	148

Boxes

2.1	The model used in this study	32
2.2	Calculating and interpreting global welfare gains from migration	36
2.3	The impact of immigrants on fiscal balances	40
2.4	Empirical studies of the impact of immigration on wages	43
2.5	Increased migration and its impact on wages	47
3.1	Internal versus international migration	65
3.2	Mode 4 and international migration	75
4.1	International working group on improving data on remittances	87
4.2	The recent surge in remittance flows to India	89
4.3	Collective remittances through hometown associations and matching schemes	95
4.4	Forced remittances	97
4.5	Unlike oil windfalls, remittance inflows do not weaken institutional capacity	105
5.1	Estimating a cross-country poverty change model	119
6.1	Decline in remittance costs in the United States–Mexico corridor	139
6.2	Estimating remittance industry costs	141
6.3	Even charitable donations are sensitive to cost	142
6.4	United States–Mexico FedACH	148
6.5	The World Bank/CPSS task force on general principles for international remittance systems	149
6.6	Smart's phone-based remittance system in the Philippines	150