

Global Economic Prospects

Economic Implications of
Remittances and Migration



2006

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Foreword

For millennia people have migrated in search of economic opportunity. In the nineteenth and early twentieth centuries, technological advances and untapped natural resources drove movements of population from Europe and Asia to the Americas. International migration generated enormous improvements in people's lives. Immigrants enjoyed higher wages, countries of destination profited from increased supply of labor, and countries of origin saw labor market pressures ease.

Current trends indicate that pressures for migration from the south to the north are set to rise again. This movement is driven largely by income gaps and the rising number of young adults in developing countries seeking better opportunities abroad. The economic, social, and political implications that come with the movement of people differ from the movement of goods or money. As a result, the topic of international migration has prompted much political debate in the international community today.

The prospects for migration flows are critical for development. Developing countries benefit through the money that migrants send home to their families (remittances), through reduced labor market pressures, and through contacts with international markets and access to technology.

But migration is not always beneficial. Migrants can be subject to exploitation and abuse, and the loss of highly skilled personnel through migration has hindered development in some countries.

The World Bank's research department, in partnership with others, has launched a program to expand knowledge in an area that deserves greater attention. The program addresses the issues surrounding remittances; migration of high-skilled workers; the determinants of migration; temporary movements of persons; social protection and governance; and the links among trade, foreign direct investment, and migration.

An integral part of this program, *Global Economic Prospects 2006* focuses on policies to improve the developmental impact of remittances. It documents the high level of transactions costs facing migrants sending small remittances to their families, and it outlines the regulatory issues and market imperfections that keep costs high.

Fewer barriers to remittance flows and greater competition among remittance service providers could substantially reduce costs and boost remittance flows to developing countries. *Global Economic Prospects 2006* shows how sound domestic policies and an investment-friendly climate can significantly increase the contribution of remittances and migration to improved living conditions back home.

Migration remains an important force for fighting poverty, the key mission of the World Bank, and it is our hope that this report will contribute to this important debate.

Paul Wolfowitz
President
World Bank
November 2005

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