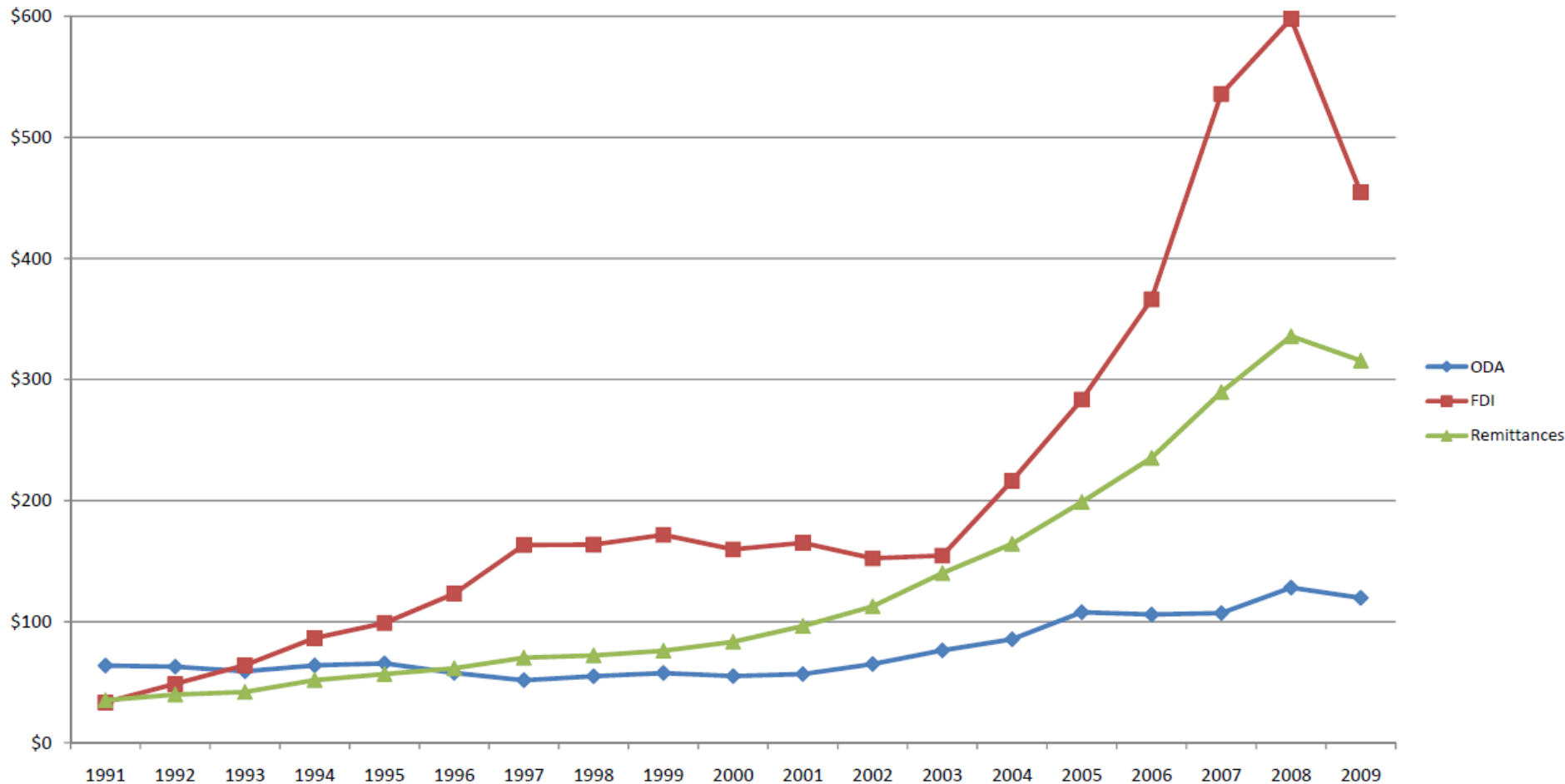


Promoting Development via Migration and Remittances: How Do We Know What Policies Work?

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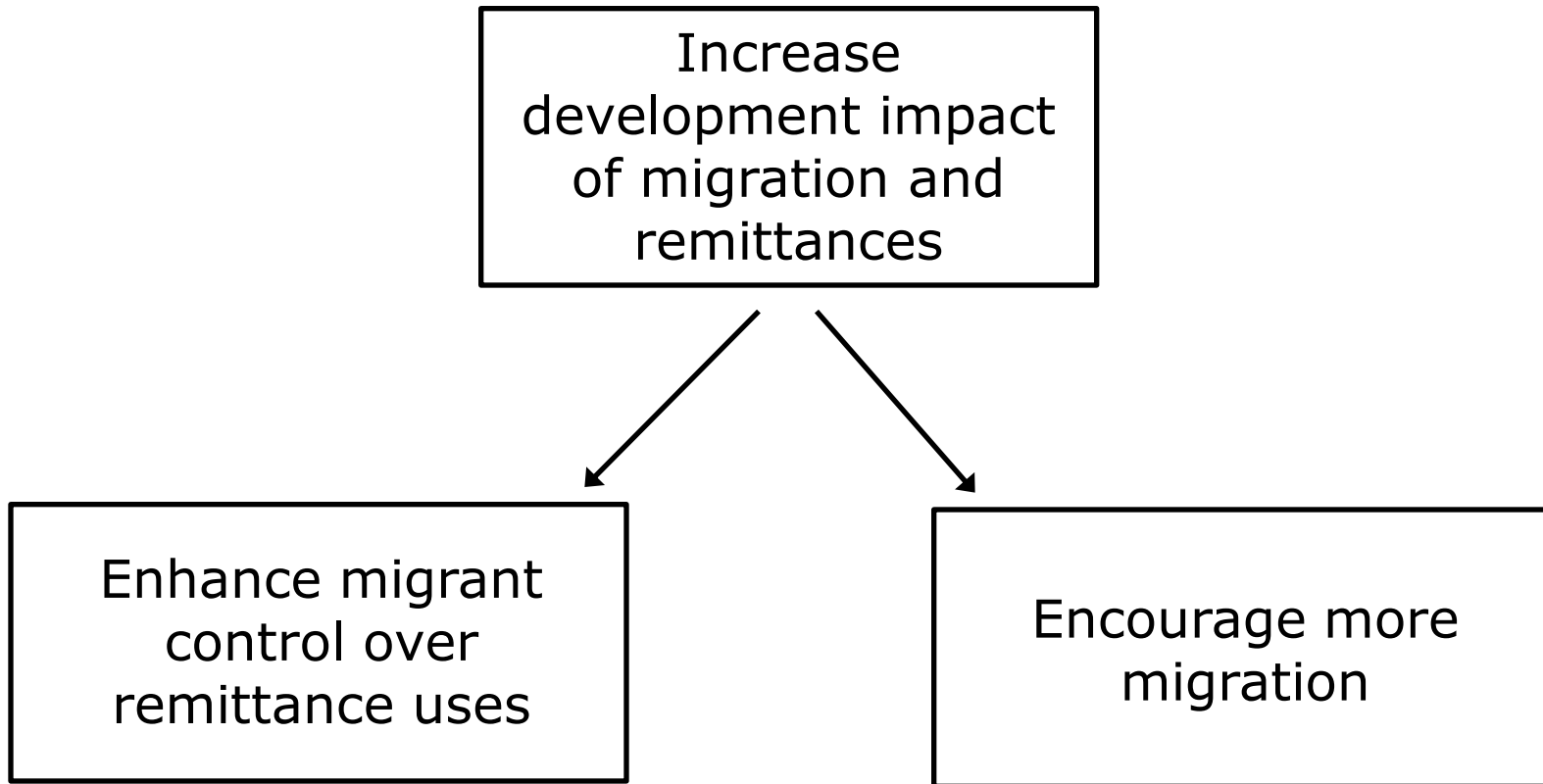
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Remittances vs. ODA, FDI (Billions of US\$, 1991-2009)



Source: Data up to 2008 are from World Development Indicators 2010. Data are in billions of current US\$, in total across developing countries (low & middle income as classified by World Bank). Variables displayed are: "Net official development assistance and official aid received (current US\$)", "Foreign direct investment, net inflows (BoP, current US\$)", and "Workers' remittances and compensation of employees, received (current US\$)". 2009 data compiled from World Bank Migration and Remittances Factbook, OECD, and UNCTAD.

Potential policies to evaluate



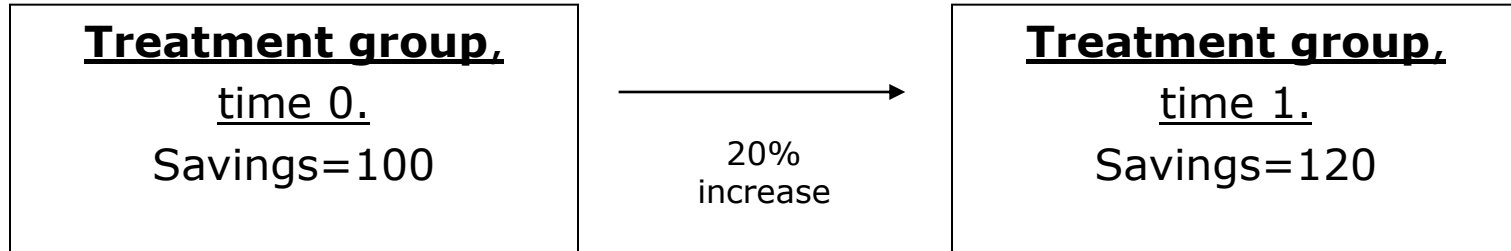
- Randomized experiment on control over savings

- Randomized experiment on reducing migration barriers

Randomized control trials (RCTs)

- RCTs are not just before-and-after comparisons
- Before-and-after comparisons: treated individuals are simply followed over time
- Example:
 - Provide PDOS to some migrants
 - Savings of migrants attending PDOS rises by 20% over 12 months
 - But this is not the *treatment effect*
- Problems with interpretation
 - What is the counterfactual? How would savings have changed *without* the treatment?
 - What else happened over the 12 month study period that would have affected savings?
 - Changes in economic conditions at destination
 - Other programs migrants might have been exposed to

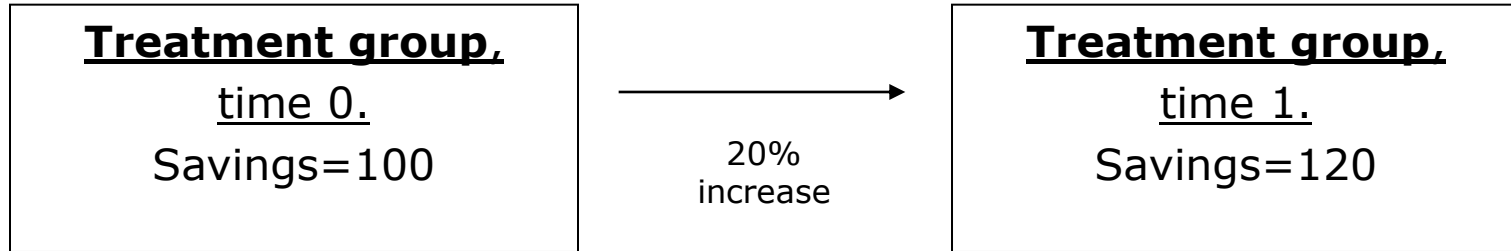
Simple before-and-after comparison



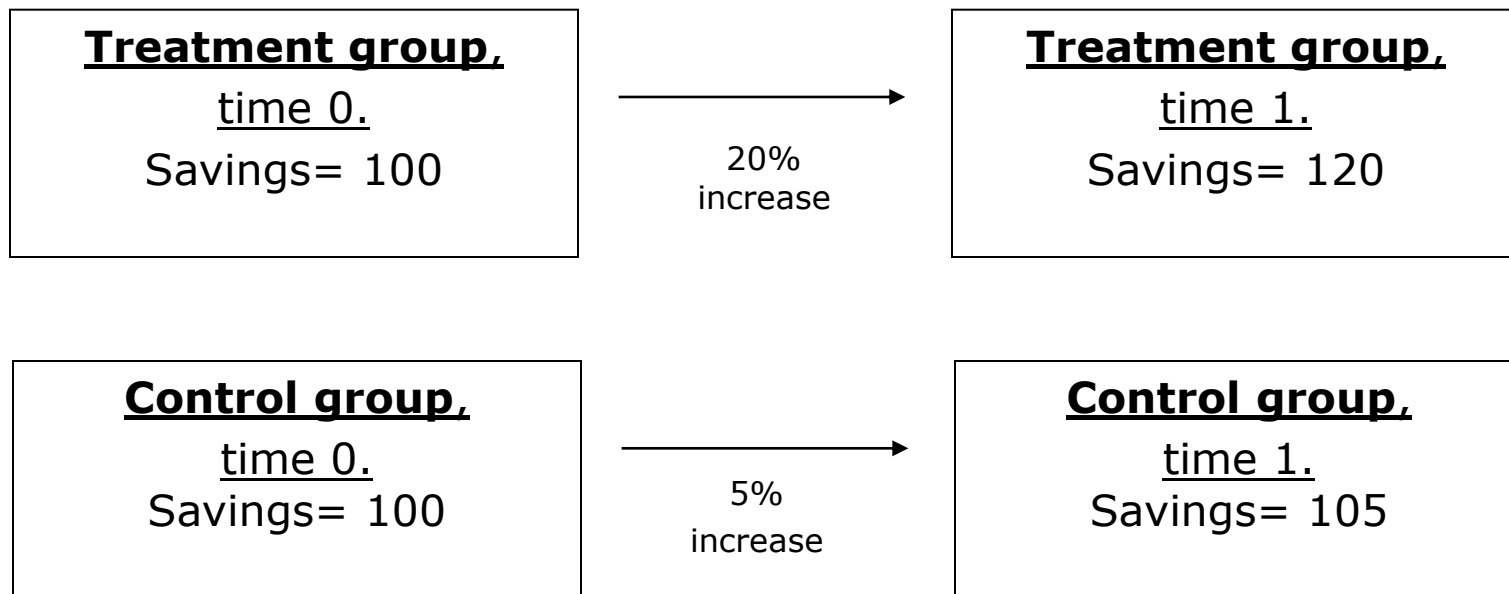
Randomized control trials (RCTs)

- Start with a group of eligible participants
 - Survey to establish baseline conditions
- Randomize into *treatment* and *control* groups
- Only the treatment group experiences the intervention
- Re-survey both treatment and control groups at some later date
- Treatment effect: the change for the treatment group *minus* the change for the control group
- Key benefit: control group serves as counterfactual
 - Represents what would have happened to treatment group *in absence* of treatment

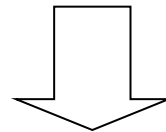
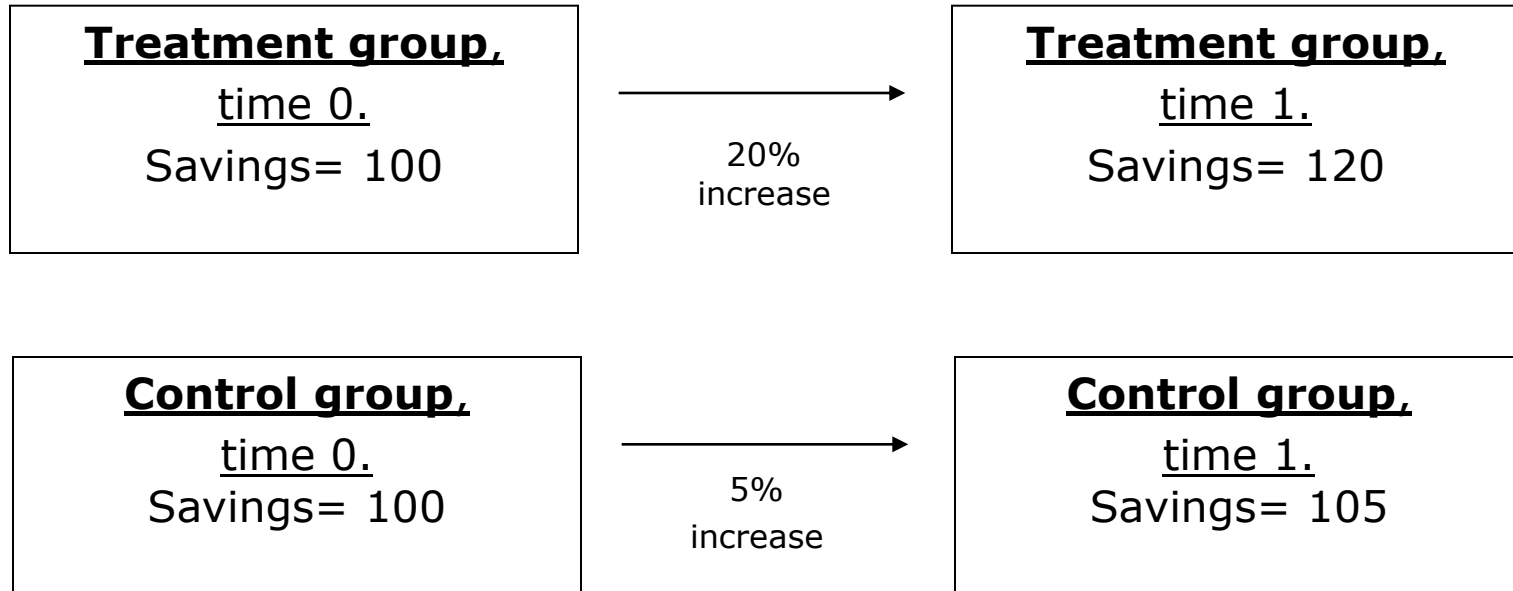
Simple before-and-after comparison



Treatment and control groups

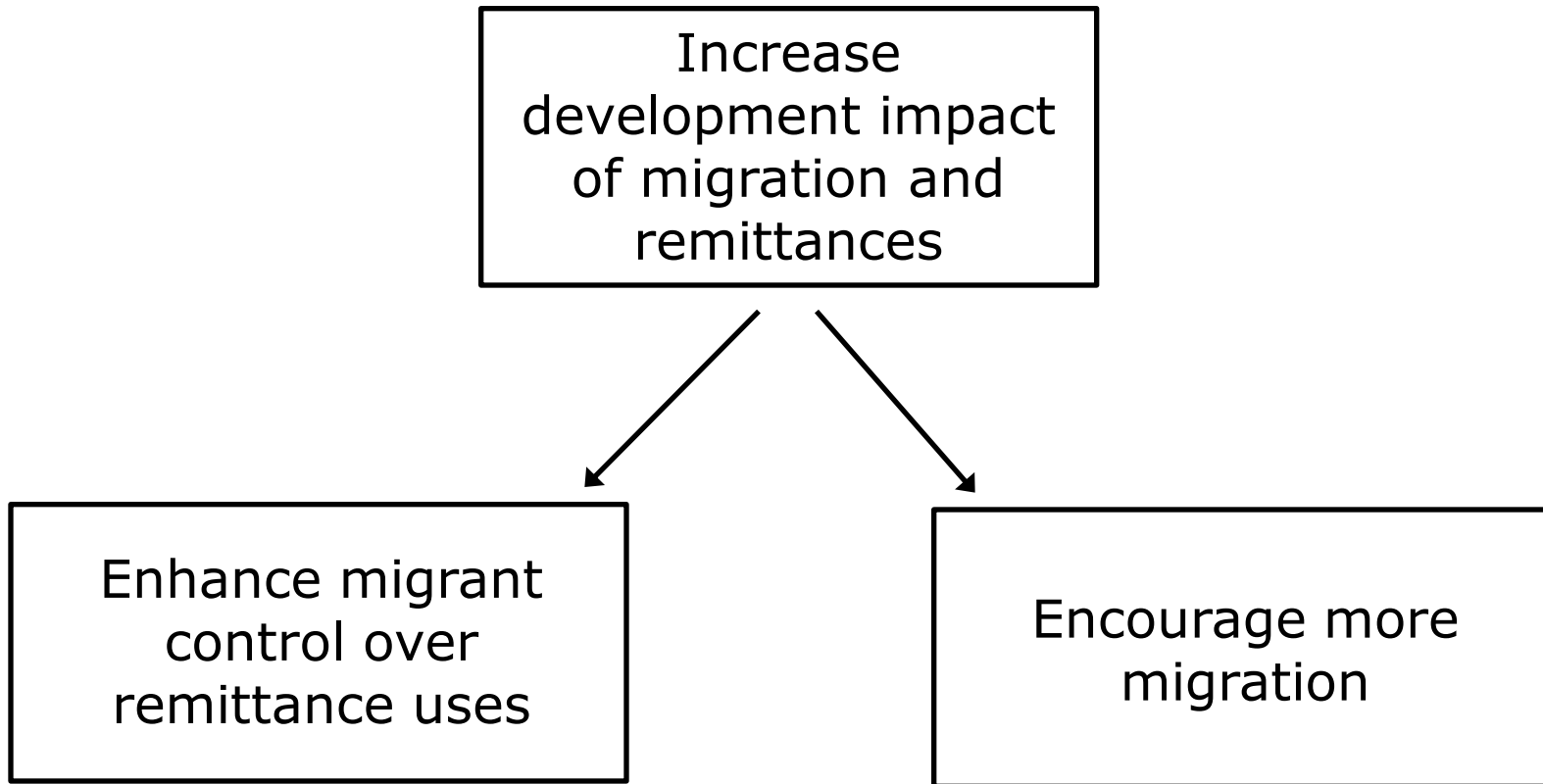


Treatment effect



Treatment effect: 20% - 5%
= 15% improvement

Potential policies to evaluate



- Randomized experiment on control over savings

- Randomized experiment on reducing migration barriers

Migrants in Washington, D.C.



Remittance recipient in El Salvador



DC-area Salvadorans on control over remittance uses

“I have many uncles and they get drunk, so I just send money when needed, or I send to someone like my sister who I trust.”

Male, 34 years old, 8 months in the U.S., works as a roofer

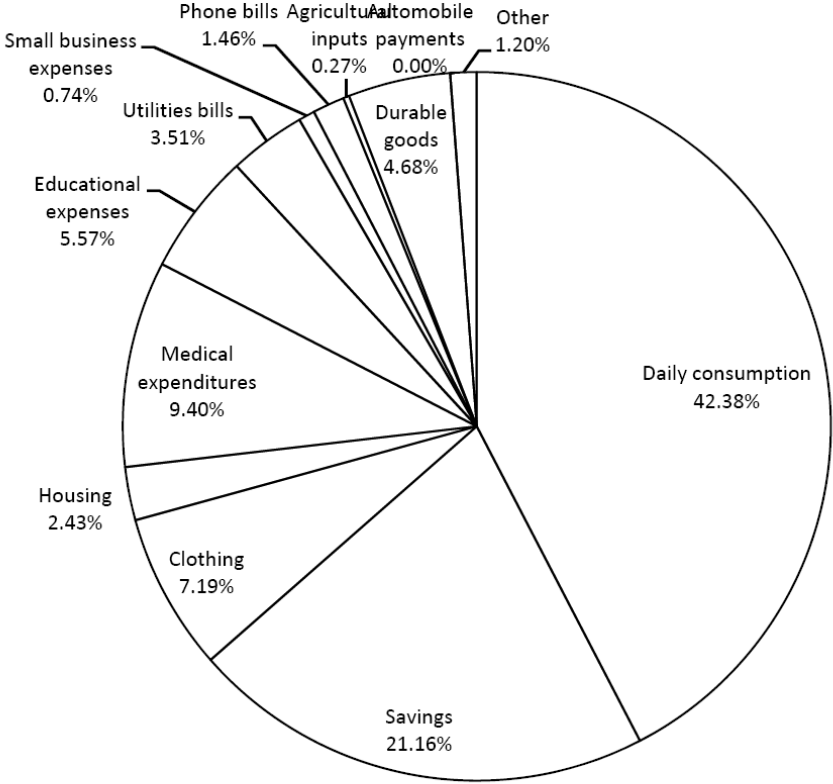
“The brother of my boss sent around \$50,000 to his mother over the years. When he thought he had enough money to build a house, he asked his mom for the money. She said she didn't have it. She had lent it to an uncle. When he asked for the money back, the uncle threatened to kill him if he came back to El Salvador for the money.”

Male, 30 years old, 1 year in the U.S., works as a carpenter

The issue of migrant control

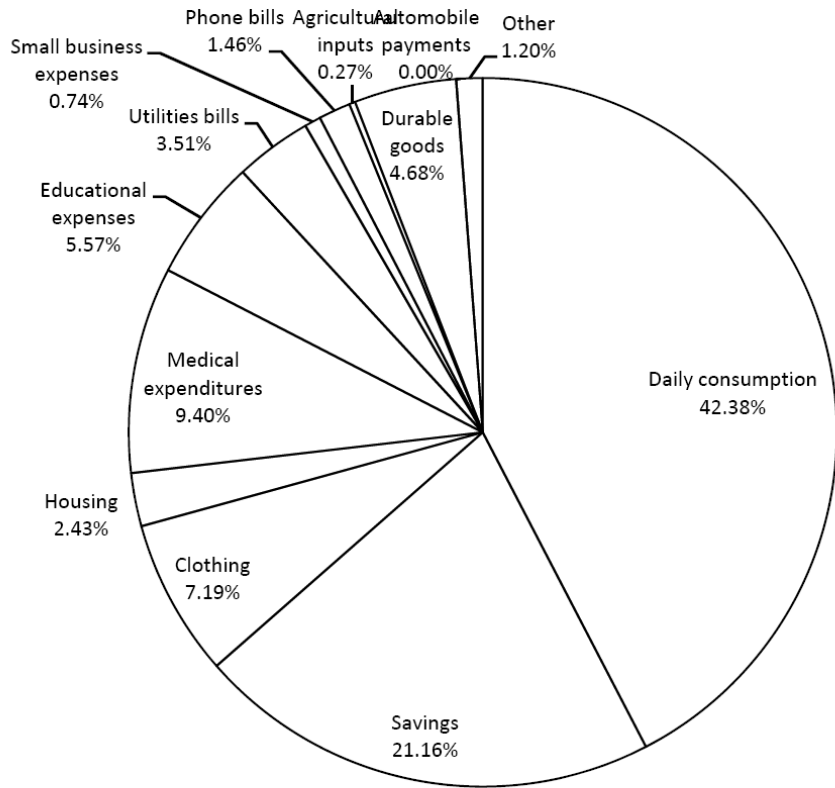
- Migrants currently have limited ability to monitor or control how remittances are used by recipients
- Migrants and recipients have different preferences as to how remittances should be used
- In particular, compared to remittance recipients back home, migrants often have stronger preferences that remittances be saved rather than spent immediately
- If migrants are given more control over remittance uses...
 - Remittance flows may rise
 - And a higher fraction of remittances may be channeled to uses that have long-term development impacts
- Focus here on migrant control over *savings*

Migrant vs. recipient remittance allocation (US\$)

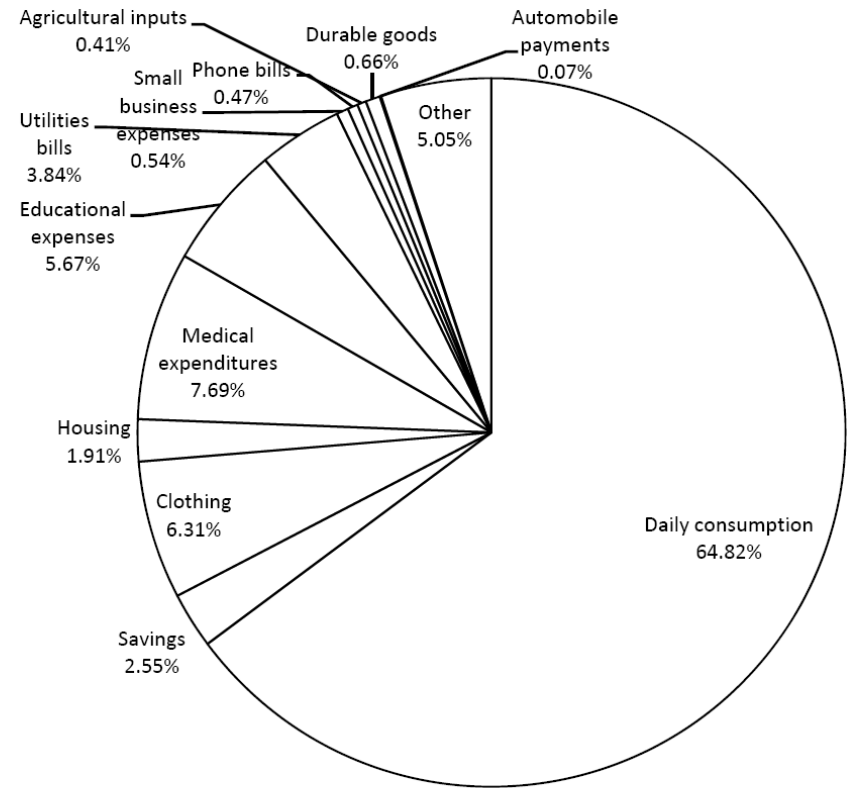


Migrant

Migrant vs. recipient remittance allocation (US\$)

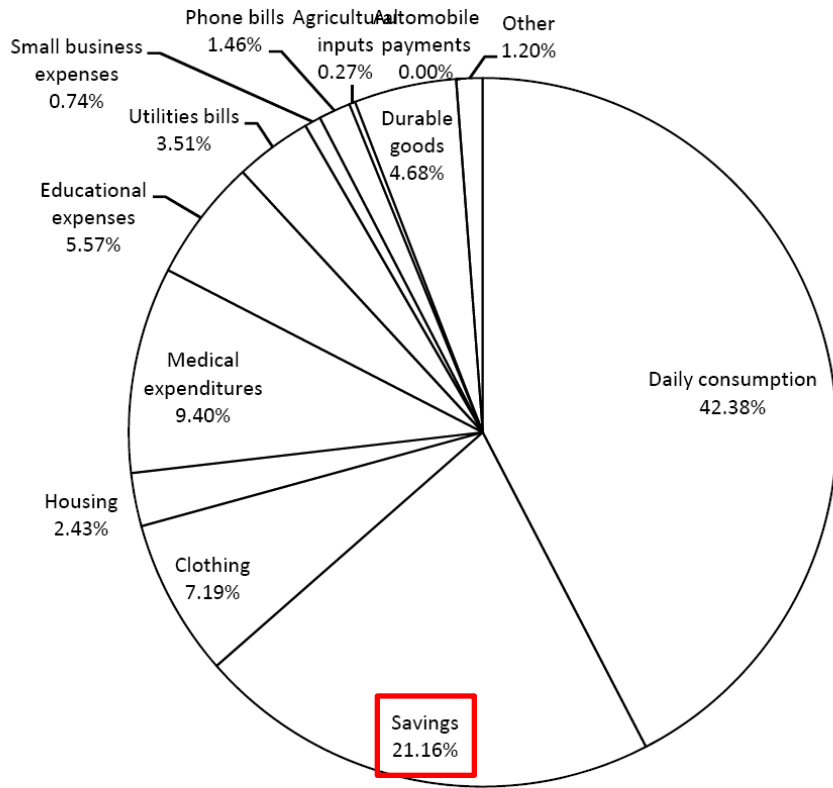


Migrant

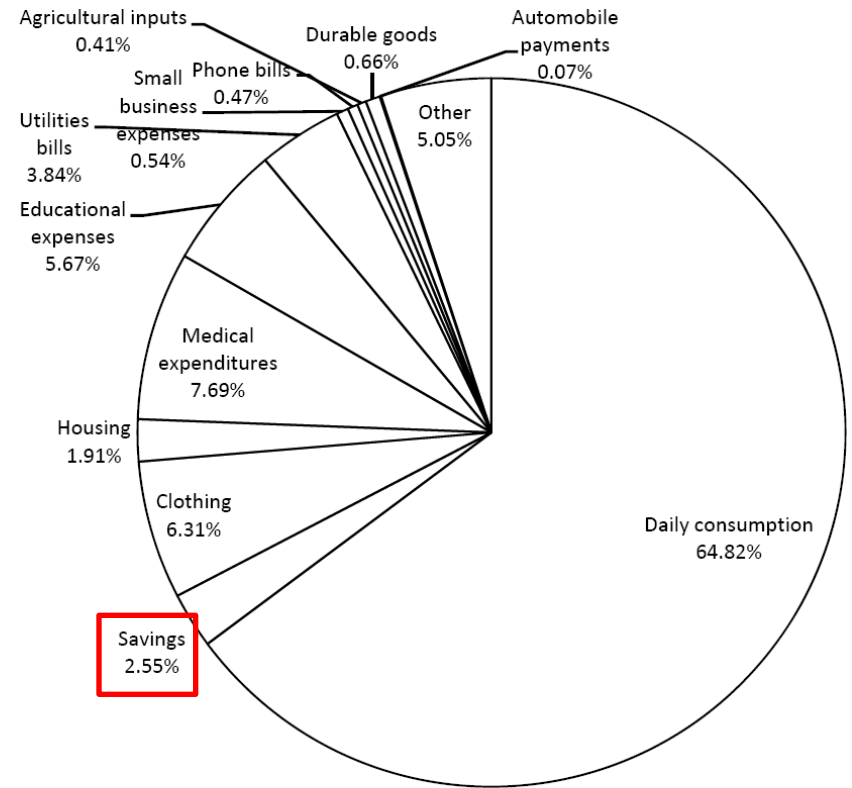


Remittance recipient

Migrant vs. recipient remittance allocation (US\$)



Migrant



Remittance recipient

Intervention: savings accounts for migrants

- Sample: migrants from El Salvador in Washington, DC, randomly assigned to a control group or (1 of 3) treatment groups
- Control group offered no savings accounts
- Treatment groups all offered savings accounts in El Salvador into which they could remit:
 - Treatment group 1: Account for remittance recipient in El Salvador
 - Treatment group 2: Joint account for migrant and remittance recipient
 - Treatment group 3: Joint account *plus* individual migrant account
- Outcome of interest: savings of remittance recipient household + migrant in El Salvador

Partner remittance branch, Falls Church, VA



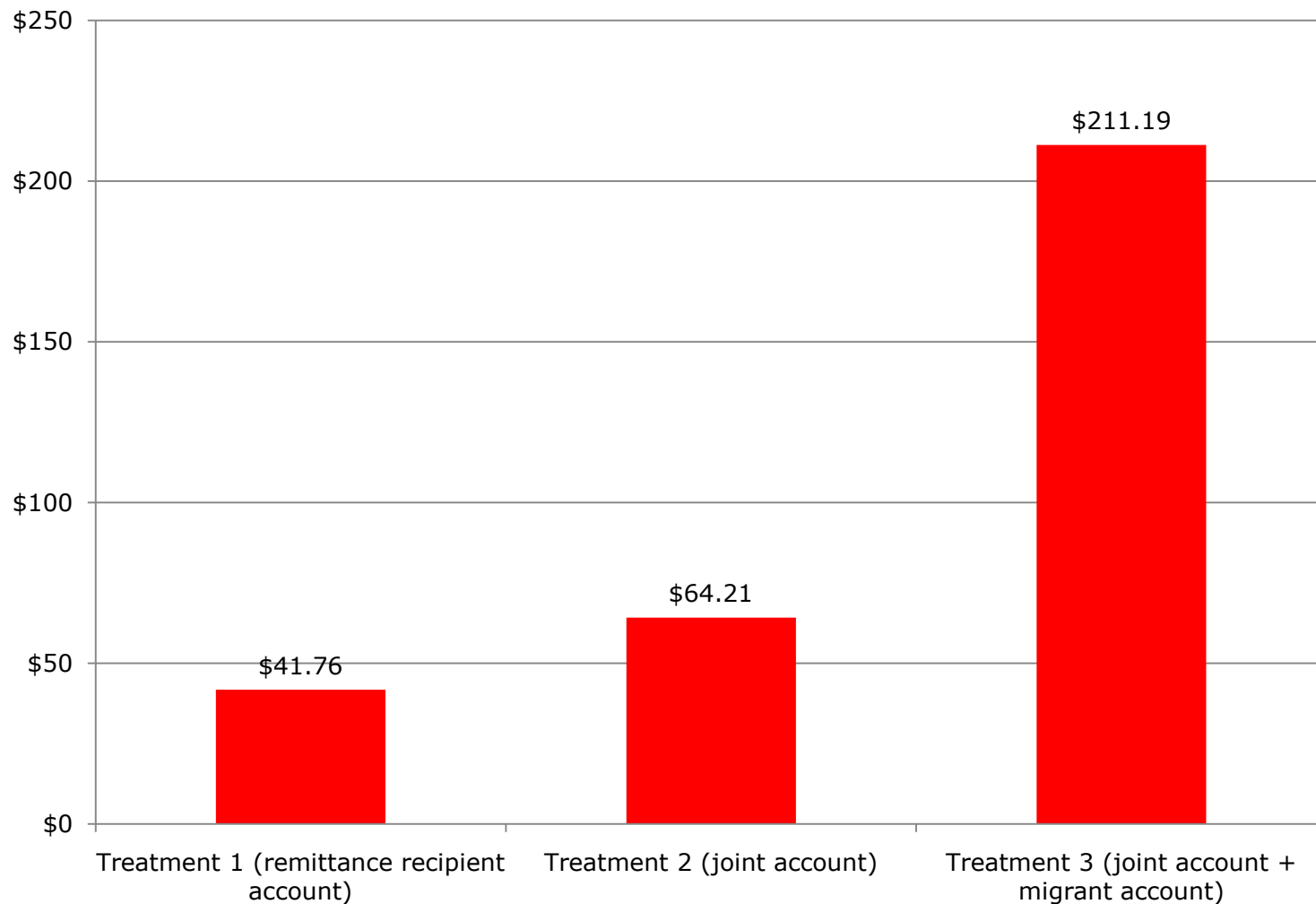
Initial intervention in DC



Partner bank branch, El Salvador

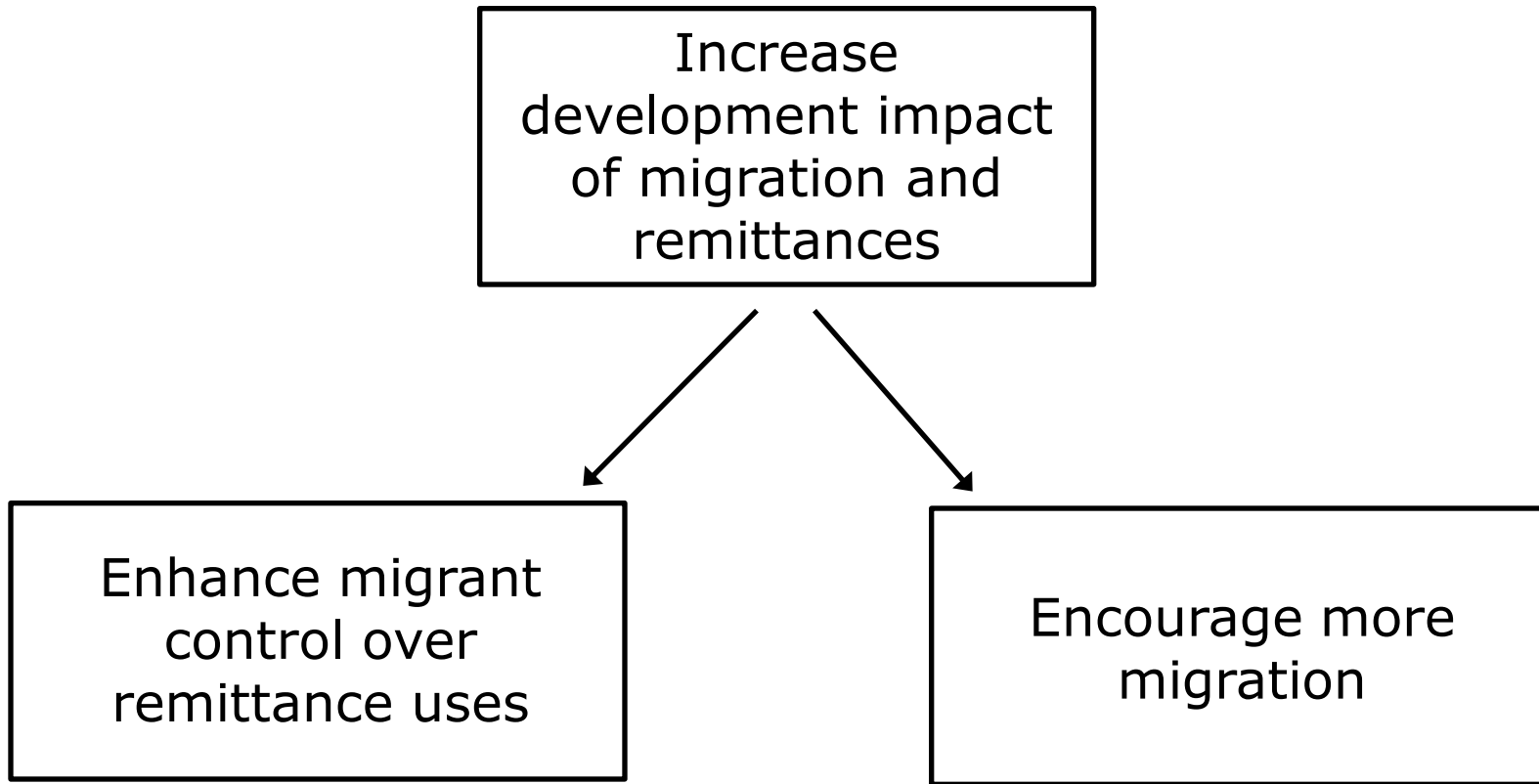


Impact on savings at partner bank



- Savings are at partner bank 6 months post-treatment
- Mean savings in comparison group (Treatment 0) is \$13.70.

Potential policies to evaluate



- Randomized experiment on control over savings

- **Randomized experiment on reducing migration barriers**

Facilitating migration in the Philippines

- Sample: 5,000 households in Sorsogon province, randomly allocated to control group or one of several treatments
- Control group is surveyed but not offered anything else
- Treatment groups:
 - Information on how to find a job overseas
 - Information on how to finance migration
 - Information on job-finding and financing
 - Help with uploading biodata and photo to job-finding website
 - Help with procedures in applying for a passport
 - Help with financing fees for a passport
- Outcomes of interest:
 - Whether individual takes steps to look for work overseas
 - Eventual migration for work overseas

In sum

- Recent experimental findings point the way towards promising remittance-related development policies
 - Increases in migrant control lead to higher savings in remittance-recipient households
 - New work underway on impact of reducing barriers to migration
- Needed:
 - Studies to confirm these findings in other contexts
 - Other migrant populations
 - Control over other remittance uses
 - Evidence on other policies/interventions yet to be tested