

HEALTH FROM WEALTH

Remittances

I first heard the word "remittance" about a year after I started sending money to Africa by Western Union. I do all my banking through my online bank's web-site which means not only do I never write a check (I no longer own a check book) but I also rarely handle cash. Remittances are all about cash: when I sent my money as a loan to set up the BAV audio and video studios in Surulere, Nigeria (Nollywood) when we were making a movie on malaria, I had to first withdraw cash from a bank and drive to a shop which was an agent for Western Union (<http://www.mjota.org/images/mjota5Diabetes115-6movie.pdf>). I then filled in a form with the recipient's name, city and country, my contact information, and a secret question and answer that I had to tell the recipient when I called to tell him the remittance number and amount transmitted.

These transactions occur millions of times each year, probably billions of times. And in some countries, the remittances substantially increase the wealth of the countries. Citizens are leaving their own countries to work, and send money back home.

I first heard the word "remittance" and the word "transnational" at the same time. I was part of an audience in a Philadelphia public radio station and was watching a video made by Alex Rivera about Mexicans working in Massachusetts, *The Sixth Section*, who sent enough money home to build a baseball stadium.

Sending remittances is expensive. This month MJoTA heard that sending USD1,000 to India by Western Union (<http://www.westernunion.com>) cost USD15, which is 1.5%. However, sending the same amount 100 miles across the United States cost USD80, which is 8%.

The World Bank (<http://www.worldbank.org>) knows

"This paper uses a new, 2005/06 nationally-representative household survey to analyze the impact of internal remittances (from Ghana) and international remittances (from African and other countries) on poverty and inequality in Ghana. To control for selection and endogeneity, it uses a 2-stage multinomial logit model with instrumental variables focusing on variations in migration networks and remittances among various ethno-religious groups in Ghana.

The paper finds that both internal and international remittances reduce the level, depth, and severity of poverty in Ghana. However, the size of the poverty reduction depends on the type of remittances received. In general, poverty in Ghana is reduced more by international than internal remittances.

For households receiving international remittances, the level of poverty falls by 88.1% with the inclusion of remittances; for households receiving internal remittances, poverty falls by 69.4% with the inclusion of remittances.

The paper also finds that both types of remittances increase income inequality in Ghana. For households with internal remittances, the inclusion of remittances causes the Gini coefficient to rise by 4%, and for households with international remittances, the inclusion of remittances causes the Gini to increase by 17.4%."

The Impact of Remittances on Poverty and Inequality in Ghana by Richard H Adams, Jr, Alfredo Cuecuecha, John Page. The World Bank Development Prospects Group, Development Economics Department & Africa Region, September 2008 Policy ReseaRch WoRking PaPeR 4732N



World Bank convened the African Diaspora, 2008.



Manhattan, New York City.

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that remittances are being sent home, and MJoTA heard from World Bank officials that they would like to collect the money from all Africans outside Africa, and put it in a big pot, and work out more efficient ways of sending money home. The most efficient way, MJoTA Publisher believes, may well be sending money from the person who earns it directly to the business, relative or friend who needs it.

The World Bank has published a number of reports on the total amount of money that is sent home in countries in Africa. One report, on Ghana, can be downloaded from <http://www-wds.worldbank.org/external>. Its abstract is reproduced on page 76.

Outlook for Remittance Flows 2008-2010: Growth expected to moderate significantly, but flows to remain resilient by Dilip Ratha, Sanket Mohapatra and Zhimei Xu was published in the 11 November 2008 *Migration Brief*. The authors assess trends in transmitting remittances until 2008, and give a pessimistic forecast for the next years because the global financial markets collapsed. The report gives estimates of the total amounts of the remittances for individual countries: during 2007, USD18billion was sent to Nigeria; and the remittances sent to Tonga and Lesotho were respectively 35% and 20% of their gross domestic products.

Their forecast: "After several years of strong growth, remittance flows to developing countries began to slow down in the third quarter of 2008. This slowdown is expected to deepen further in 2009 in response to the global financial crisis, although the exact magnitude of the growth moderation (or outright decline in some cases) is hard to predict given the uncertainties about global growth, commodity prices, and exchange rates. In nominal dollar terms, officially recorded remittance flows to developing countries are estimated to reach USD283 billion in 2008, up 6.7% from USD265 billion in 2007; but in real terms, remittances are expected to fall from 2% of GDP in 2007 to 1.8 % in 2008. This decline, however, is smaller than that of private or official capital flows, implying that remittances are expected to remain resilient relative to many other categories of resource flows to developing countries. In 2009, remittances are expected to fall by 0.9% (or at the worst case, no more than 6%). Migration flows from developing countries may slow as a result of the global growth slowdown, but the stock of international migrants from developing countries is unlikely to decrease. Remittance flows from the GCC countries are likely to fall more than those from the US and Europe, affecting recipient countries in the Middle East and North Africa and South Asia."

By MJoTA Publisher, Professor Wanjiru Akinyi Waruingi BSc(Hons), PhD



Government building in one of America's poorest cities, Camden New Jersey. Inscribed in stone near the top of the building is "Knowledge is power."



The 52nd anniversary celebrations of Ghanaian independence at the New York City house of the Ghanaian Ambassador to the United Nations, 06 March 2009. Below, MJoTA Publisher, Chief Lookman Sulaimon, and the Ghanaian Deputy Ambassador.

