November 2017 — Moving for Prosperity

Alternative transit routes may reduce the effectiveness of unilateral migration policies

Migrants will overcome significant barriers to achieve large wage gains, no matter how circuitous that route may be. For example, 9 percent of recent immigrants to the United States arrived from a transit country as opposed to the country where they were born. Among those arriving from many high-income countries, the transit migration ratio exceeds 30 percent. The availability of such transit routes significantly reduces the effectiveness of migration policies. A model of transit migration based on bilateral mobility barriers and relative wages is used to simulate the spillovers between alternative destinations. The analysis focuses on the United States. For example, when people cannot move to the US directly, both permanent and transit migration to Canada increases. The analysis suggests unilateral migration policies become ineffective in the presence of such spillovers.


Unilateral policies did not boost labor emigration in the Philippines

The Philippines is a useful setting to study the impact of unilateral approaches to emigration. The country’s per capita GDP (around US$2,000) is less than one-tenth of that in developed countries, there is strong demand for international labor, but most Filipinos do not migrate, and five in six families do not receive remittances from workers abroad. A large-scale randomized experiment tested possible barriers to international labor migration: (1) information (about job search,
migrating abroad, financing migration, and passport processing), (2) frictions in the job search, and (3) documentation barriers. Even the highest overseas job-search rate of 22 percent falls short of the initial interest in migrating (34 percent). This suggests that even with source country efforts to provide information, assist in job-seeking, and make it easier to get a passport, additional emigration will be limited due to destination country policies such as border restrictions.


Rapidly increasing high-skilled migration is shaping global migration patterns

The percentage of the world’s population that lives in a country different from the one of their birth is same as it was in 1960—around 3 percent. However, there are shifting patterns beneath this number. The number of tertiary educated migrants rose nearly 130 percent since 1990. These high-skilled migrants are departing from a broad range of countries but are heading to a narrow set of countries. The United States, the United Kingdom, Canada, and Australia account for 3/4th of these flows. A variety of factors, including differences in wages, productivity complementarities among the high-skilled and the welcoming immigration policies of the destination countries are driving these patterns. The most successful individuals, employers, firms and destination countries will be, as they always have always been, those that best navigate the global labor markets and government policies.


Encouraging the return of high-skilled emigrants with tax incentives

The Malaysian Returning Expert Program, initiated in 2011, offers tax incentives to high-skilled Malaysians living abroad to return home. The program is quite successful in attracting those applicants who already have a job offer in hand. Three-quarters of returnees are in the top 1 percent of the Malaysian income distribution, showing success of the program in attracting applicants from the top-end of the skill distribution. A cost-benefit analysis of the program finds an almost neutral fiscal effect, suggesting that the program roughly pays for itself. Among the most notable eligibility requirements of the program is the three years of continued employment abroad, and recently introduced income levels. It is conceivable that such a program could encourage both successful outward and return migration, which may be particularly relevant to countries that hope to benefit from "brain circulation.”


Economic preferences and beliefs unchanged among Tongan migrants to New Zealand

Migration from a poor to a rich country provides a large and permanent positive shock to income, a large change in economic institutions, and a reduction in interactions with household members who stay behind. Despite all these changes, economic preferences and beliefs remained stable among Tongans moving to New Zealand through a migration lottery program. The follow-up survey 10 years later finds no significant impacts of migration on risk and time preferences, pro-market beliefs, or the decision-making efficiency of transnational households. Such stability in the face of large and life-changing events supports economic models of migration that treat determinants of decision-making as time-invariant, which contrasts with more recent evidence that preferences change after negative shocks.
State borders in India restrict internal labor mobility

Internal mobility is vital to economic growth and development, as it reallocates labor to more productive opportunities across sectors and regions. According to detailed district migration data from the 2001 Census of India, state borders present significant impediments to internal mobility. Average migration between neighboring districts in the same state is at least 50 percent larger than neighboring districts on different sides of a state border, even after accounting for linguistic differences. Although the impact of state borders differs by education, age, and reason for migration, it is always large and significant. Inter-state mobility is inhibited by state-level entitlement schemes, such as access to subsidized goods through the public distribution system and the bias for states’ own residents in access to tertiary education and public sector employment.

Migrant opportunity has a negative effect on high school enrollment in rural China

As it becomes easier for migrants from a rural village to find employment in occupations requiring less education, children and parents may perceive a lower return to high school education. This finding comes from a study on the effects of migration on high school enrollment decisions in source communities in rural China from the 1990s through the mid-2000s. There is a strong negative effect on the high school enrollment for children from families in which parents are cadres, small-scale enterprise owners or managers, have some high school education, or had significant off-farm work experience. This disincentive for further education contributes to permanent inequality between residents of urban and rural origins. The ability of future migrants to shift to more skill-intensive occupations may involve reducing the costs of high school education for rural students capable of continuing their education beyond middle school.

Access to telecommunications powers out-migration in rural China

This result comes from a study using data on the installation of landline phones in a set of Chinese villages. Access to landline phones boosts the out-migrant ratio by 2 percentage points, or about 51 percent of the sample mean in China. The out-migration effect works primarily through two channels: access to information on job opportunities and timely contact with family members at home. Expanding telecommunications access in rural areas where migration potential is large may aid the movement of labor.
NEW RESEARCH

Successful international integration has underpinned most experiences of rapid growth, shared prosperity, and reduced poverty. Perhaps no sector of the economy better illustrates the potential benefits—but also the risks—of deeper integration than banking. Global Financial Development Report 2017/2018: Bankers without Borders presents new evidence on the benefits and costs of international banks, particularly for developing countries. Countries that are open to international banking can benefit from global flows of funds, knowledge, and opportunity, but the regulatory challenges are complex and, at times, daunting.

Report | Video

New Role for Development Banks?
Facundo Abraham and Sergio L. Schmukler
This brief asks whether development banks have a useful role to play in providing finance. A new view sheds some light on this question and argues that, under certain circumstances, development banks can add value and play an important role in fostering access to finance.

Brief | Blog

Financing for SMEs in Sustainable Global Value Chains
Increasing access to financing for small and medium enterprises (SMEs) has been a long-standing G20 priority under the Global Partnership for Financial Inclusion. Under its presidency in 2017, Germany has underscored the importance of SME finance in sustainable global value chains by further aligning this agenda with the G20’s Sustainability Development Goals (SDGs), and by emphasizing the need for companies to adhere to basic labor, social and environmental standards. This report demonstrates how governments, financial institutions and businesses can work together to support financing models that encourage SMEs to upgrade their production processes to comply with sustainability standards in global value chains.

Report

ANNOUNCEMENTS

Annual Bank Conference on Development Economics 2018: Political Incentives and Development Outcomes:
Call for Papers
The conference organizers are calling for papers that examine the link between politics and development. Possible topics include the implications of politics in public sector management and service delivery, aid effectiveness, social protection programs, management of natural resources, stability and inclusion in the financial sector, and firm performance and firm dynamics. Papers related to the larger conference theme are also welcome: understanding the behavior of political institutions including legislatures, courts, the executive branch, political parties, and elections.
Submission deadline February 28, 2018.

MEDIA AND BLOGS
**When cyclones strike: Using mangroves to protect coastal areas**

*Let's Talk Development, 28 November 2017*

Massive flooding from storm surges is a major threat to lives and property in low-lying coastal areas during cyclones. Recent examples of devastating cyclone-induced storm surges include Haiyan 2013 (5.2m or 17 feet), Aila 2009 (4m/13ft), Ike 2008 (4.5m–6m/15–20 feet), Nargis 2008 (more than 3m/10ft), Sidr 2007 (4m /13ft), Katrina 2005 (7.6m–8.5m/25–28 feet). The impacts are particularly disastrous when storm surges strike densely populated coastal areas.

Mangroves, by obstructing the flow of water with their roots/husks and leaves, can reduce the vulnerability of adjacent coastal lands from storm surges. Although the potential utility of mangroves in disaster risk reduction is increasingly recognized by coastal managers, efficient use of this ecosystem-based protection is often hindered by scarcity of location-specific information on the protective capacity of mangroves. The extent of protection from mangroves depends on the width of forest, forest density, diameter of stems and roots of trees along with forest floor shape, bathymetry, spectral characteristics of waves and the tidal stage at which waves enter the forest.

Read the blog by Susmita Dasgupta.

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**Financial inclusion measurement goes mobile**

*All about Finance, 20 November 2017*

These are exciting times for those of us in the business of measuring financial inclusion. Technology is remaking the financial system every couple of years — and we're adapting the Global Findex survey questions accordingly. Our new data, which we're launching in April 2018, features bundles of new questions on financial services accessed through mobile phones and the internet.

We started collecting data for the first round of the World Bank’s Global Findex database — measuring how adults in more than 140 countries worldwide save, borrow, and make payments — in 2010. Back then, our survey asked people about their use of paper checks.

Mobile money was so nascent that we had a few questions about mobile payments, but nothing about mobile money accounts. That came later, with the vastly expanded mobile money module in the 2014 Global Findex.

Read the blog by Leora Klapper.

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**How well does regulation of private schools work in Sub-Saharan Africa?**

*Let’s Talk Development, 20 November 2017*

A growing number of students in South Asia and Sub-Saharan Africa are enrolled in private primary or secondary schools. The *World Development Report 2018* (on which I was a co-author) highlighted an array of potential benefits and risks associated with broad provision of basic education by the private sector. “The key challenge for policy makers is to develop a policy and regulatory framework that ensures access for all children, protects families from exploitation, and establishes an environment that encourages education innovation. Managing a regulatory framework to achieve this is difficult: the same technical and political barriers that education systems face more generally come into play.”

Read the blog by David Evans.
Pro-market activism: A new role for the state in promoting access to finance

Let's Talk Development, 14 November 2017

The debate on whether the state should play an active role in broadening access to finance or not is one that has lingered for decades. A recent book (de la Torre, Gozzi, and Schmukler, 2017) argues that a new a view has gained traction and is worth considering.

Read the blog by Sergio Schmukler and Facundo Abraham.


All about Finance, 13 November 2017

The decade before the 2007–09 global financial crisis was characterized by a significant increase in bank globalization, which also coincided with dramatic increases in bank size. International banks became the cornerstone of many financial systems around the world, also in developing countries. Proponents of international banking emphasized the potential gains in terms of much-needed capital, know-how, and technological improvements that foreign banks bring, leading to more competitive and diversified banking systems, improved resource allocation, and greater financial and economic development.

However, the global financial crisis has led to a significant re-evaluation of this conventional wisdom. With the crisis, there was a backlash against globalization in general, and the emphasis shifted to the role international banks can play in shock transmission. Developing countries felt the impact of retrenchment by global banks. Global banks were criticized for taking excessive risks. Financial Stability Board (FSB) and the G20 voiced concerns about how to deal with the resolution of too-big-to-fail banks. Thus, regulations and restrictions got stricter in many countries, particularly in developing countries, further contributing to the retrenchment kicked off by the crisis.

Read the blog by Asli Demirgüç-Kunt and Ata Can Bertay.

Using satellite data to gauge terrorist incomes

Let's Talk Development, 9 November 2017

The growing availability of satellite imagery and analysis means that all kinds of things we used to think were hard to quantify, especially in conflict zones, can now be measured systematically.

For example, estimating ISIS oil production. Soon after it proclaimed itself the Islamic State in Iraq and the Levant (a.k.a. ISIL/ISIS, the Islamic State, or Daesh, its Arabic acronym), the group was quickly branded the richest terrorist organization in history and oil was believed to be its major revenue source. A typical headline in Foreign Policy proclaimed “The Islamic State is the Newest Petrostate.”

Read the blog by Quy-Toan Do and Jake Shapiro.
**Smaller businesses lack the financing to be sustainable. Here's how we can help**

*World Economic Forum, 8 November 2017*

Smaller businesses lack the financing to be sustainable. Here’s how we can help

Sustainability was once a buzzword rolled out for corporate social responsibility reports then quickly forgotten. Not anymore.

Shareholders are ratcheting up pressure on management to address social and environmental issues. Climate change and policies aimed at mitigating it are poised to upend major industries, from forestry to garment manufacturing. Research shows that companies make more money when they invest in sustainability. Consumers want to buy products from companies that use socially responsible business practices.

All this helps explain why CEOs increasingly see sustainability as their top priority. A survey found that 91% of CEOs thought it was important to ensure the integrity of supply chains - the networks of businesses providing goods and services that corporations use to make their products.

The push for sustainability is good for workers and for the environment. But it also poses challenges for small businesses that supply big corporations, and which play a vital role in the economies of poor countries. These small and medium enterprises (SMEs) do not have the money needed to adapt to the new business realities.

Read the blog by Leora Klapper and Natascha Beinker.

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**Why digital payments are key to entrepreneurs’ success**

*Jobs and Development, 7 November 2017*

In high-income countries, entrepreneurs routinely accept electronic payments from customers and make electronic payments to suppliers, tax authorities and others. But in developing countries, where more than a third of adults report being self-employed, digital payments are an underdeveloped business tool — one that can provide significant benefits to both entrepreneurs as well as society by bringing more people into the formal financial system. With the rapid growth of mobile phone ownership to facilitate digital payments in the developing world, shifting from cash to digital payments offers high potential payoffs for entrepreneurs worldwide. A new report shows how digital payments can benefit entrepreneurs.

Read the blog by Leora Klapper.

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**Poverty is falling faster for female-headed households in Africa**

*N-IUSSP, 6 November 2017*

Living standards have risen generally, and poverty rates have fallen across Sub-Saharan Africa since the late 1990s (Chen and Ravallion, 2013). Less is known about how different groups have fared. In particular, what about Africa’s female-headed households, often thought to be poorer? It is of interest to ask what has happened to their prevalence and their living standards during this same period. Has poverty also been falling for them or have they been left behind?

Read the article by Dominique van de Walle and Annamaria Milazzo.

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The economics and law of sexual harassment in the workplace

Development Impact, 6 November 2017

This week, I leave you with this short 2003 paper in the Journal of Economic Perspectives by Kaushik Basu. It both follows somewhat from my last post, is related to the day’s news, and relevant for thinking about principles for intervention in labor markets for a host of issues that our colleagues deal with in developing and developed economies...Here is the abstract — but you can read the paper in 30 minutes...

Suppose a firm has a widespread reputation for sexually harassing its employees. When a person signs up to work for such a firm, it would appear both the firm and the worker are better off by virtue of the "exchange". Is there a case then for government to ban sexual harassment in the workplace? Starting from this question, this paper constructs an argument for legislative intervention. This "economic approach" is applied to other labor market practices and is used to evaluate and critique the current law concerning sexual harassment in the U.S. and other nations.

Read the blog by Berk Özler.

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Future Development Reads: 6 surprising findings in development economics

Future Development, 3 November 2017

Over the past few weeks, several unexpected findings have been published challenging views on different areas of economic development. Here’s a selection of my favorites.

Read the blog by Shanta Devarajan.

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An Indian government effort to encourage account ownership produces surprising results

Let’s Talk Development, 2 November 2017

Can government policies designed to promote financial inclusion encourage people to open an account at a bank or other financial institution?

Results from our paper using a new survey of 13,000 adults across India suggest they can have an impact. Women, poor and illiterate adults were more likely to apply for an account after the government-led Jan Dhan Yojana (JDY) program was introduced in India to encourage account ownership.

Read the blog by Asli Demirgüç-Kunt, Leora Klapper, and Saniya Ansar.

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Hoping for a cloudy future for Caribbean statistics

The Data Blog, 1 November 2017

Systems of national statistics can provide critical information about the extent of a disaster, help guide recovery operations, and assess the preparedness of countries to future shocks. At the same time, the reliance of National Statistical Offices (NSOs) on local IT infrastructure makes them highly vulnerable to natural disasters. Computers, servers, and networks cannot operate without power; flooding and high humidity destroys hardware and storage media;
looting and breaking into abandoned buildings puts sensitive information at the risk of falling into the wrong hands. Fortifying NSO buildings to withstand Category 5 hurricanes and enabling the offices to continue functioning afterwards is prohibitively expensive. Even if such structures were built, staffing would remain an issue, particularly if the entire population of the country was evacuated (as in case of Barbuda).

Cloud computing provides a very effective way to resolve that problem at a small fraction of the cost.

Read the blog by Michael Lokshin.

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How digital payments can benefit entrepreneurs

IZA World of Labor, November 2017

Digital payment systems can conveniently and affordably connect entrepreneurs with banks, employees, suppliers, and new markets for their goods and services. These systems can accelerate business registration and payments for business licenses and permits by reducing travel time and expenses. Digital financial services can also improve access to savings accounts and loans. Electronic wage payments to workers can increase security and reduce the time and cost of paying employees. Yet, there are challenges as many entrepreneurs and employees lack bank accounts, digital devices, and reliable technology infrastructure.

Read the article by Leora Klapper.

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Blog your job market paper 2017: Submissions open!

Development Impact, 27 October 2017

We are pleased to launch for the seventh year a call for PhD students on the job market to blog their job market paper on the Development Impact blog. We welcome blog posts on anything related to empirical development work, impact evaluation, or measurement.

Read the blog by David Evans.

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What's The Meaning Of The World Bank's New Poverty Lines?

National Public Radio, 25 October 2017

According to the World Bank, if you're living on $1.90 a day or less, you're living in extreme poverty. The 767 million people in that category have $1.90 a day or less in purchasing power to fulfill their daily needs. Most of that money goes for food — only it may not be enough to purchase nutritious food or to stave off hunger. Hundreds of millions of the extreme poor are malnourished. Their housing may be of low quality. And they may not have enough money for school fees (primary education isn't always free) or health-care expenses.

Read the article.
Lottery incentives targeting risk lovers led to a 20% reduction in HIV incidence

An estimated 1.2 million new HIV infections occurred in Africa alone in 2016, adding to the nearly 26 million people living with HIV on the continent. New infections continue to outpace antiretroviral (ARV) therapy uptake in most developing countries (UNAIDS 2016). Thus, the global need for effective HIV prevention programmes remains urgent. HIV prevention programmes can be broadly divided into two types: biomedical interventions that aim at reducing susceptibility to HIV, and interventions aimed at reducing risky sexual behaviour. Several biomedical interventions, such as male circumcision and pre-exposure prophylaxis, have been shown to significantly reduce HIV transmission in field trials (Gray et al. 2007, Bailey et al. 2007, Auvert et al. 2005). Evidence from randomised controlled trials of behavioural interventions, however, is at best mixed (see McCoy et al. 2010, Padian et al. 2010 for reviews). No traditional programmes — offering some combination of risk-reduction counselling, condom promotion, referral and treatment for sexually transmitted infections — have documented significant effects on HIV incidence.

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