

IMF Working Paper

African Department

Determinants and Macroeconomic Impact of Remittances in Sub-Saharan Africa Prepared by Raju Jan Singh, Markus Haacker, and Kyung-woo Lee¹

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Abstract

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The views expressed in this Working Paper are those of the authors and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the authors and are published to elicit comments and to further debate.

The paper investigates the determinants and the macroeconomic role of remittances in sub-Saharan Africa, assembling the most comprehensive dataset available so far on remittances in the region and incorporating data on the diaspora. It finds that remittances are larger for countries with a larger diaspora or when the diaspora is located in wealthier countries, and that they behave countercyclically, consistent with a role as a shock absorber. Although the effect of remittances in growth regressions is negative, countries with well functioning domestic institutions seem nevertheless to be better at unlocking the potential for remittances to contribute to faster economic growth.

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