

**KNOMAD**

Global Knowledge Partnership on Migration and Development

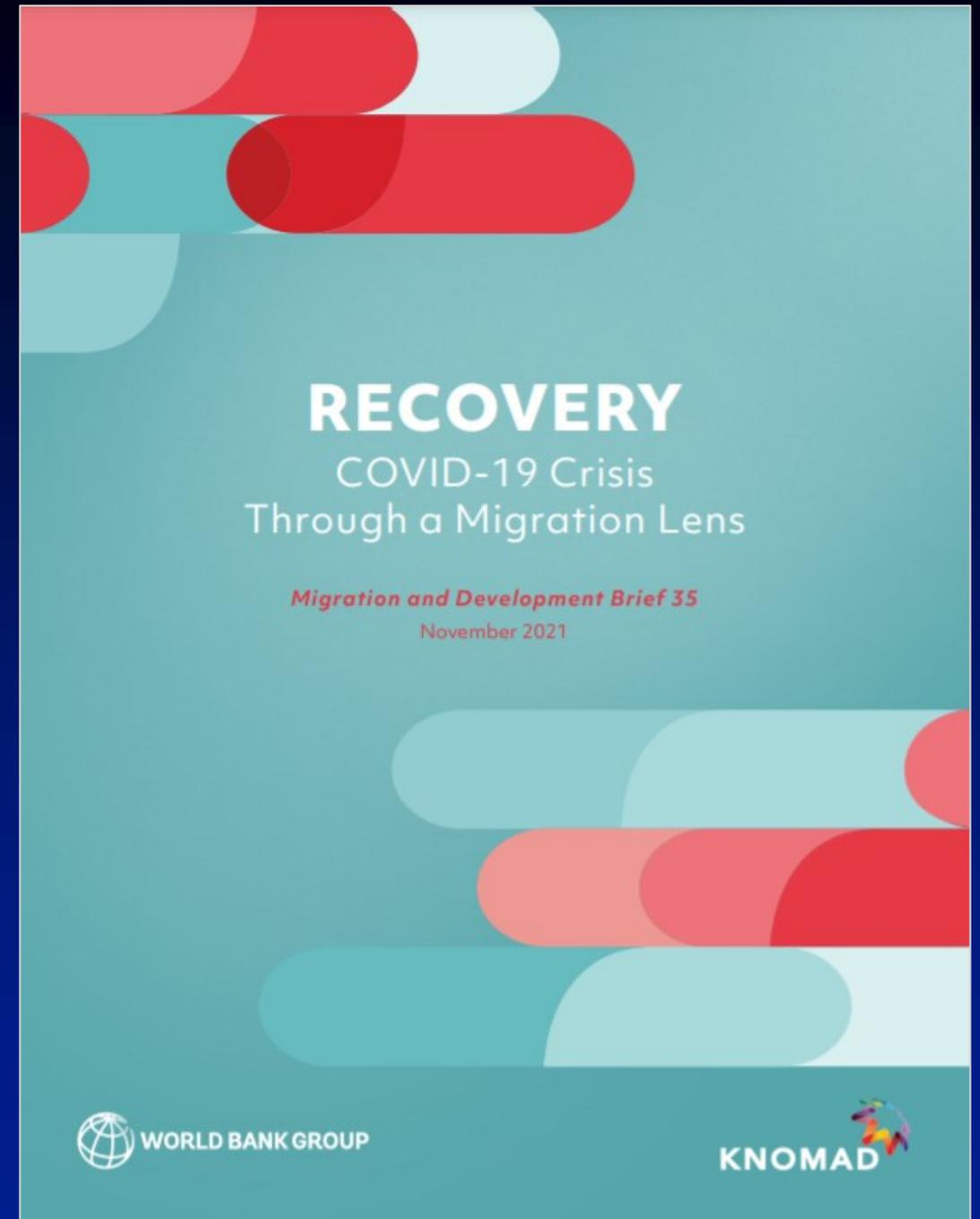


# Recovery COVID-19 Crisis Through a Migration Lens

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# Key messages

- Remittances to low- and middle-income countries (LMICs) are projected to increase by 7.3 percent to reach \$589 billion in 2021. Remittances to LMICs excluding China surpassed the sum of foreign direct investment and official development assistance.
- The average cost of sending money across international borders remains high, more than twice the SDG target of 3 percent. To keep remittance flowing, providing access to bank accounts for migrants and remittance service providers is a key requirement.
- Policy responses also must continue to be inclusive of migrants especially in the areas of access to healthcare and protection from underpayment.

# Migration Trends:

## Typology: 281 million international migrants

	Internal	International
<b>Economic or Voluntary Migration</b>	~750 million	250 million ↓
<b>Forced Migration</b>	46 million (Internally Displaced People)	30-34 million (Refugees) ↑

Source: UNDP Human Development Report 2009, UN DESA, UNHCR, World Bank 2019 Board paper

# International migration stock continues to fall in 2021

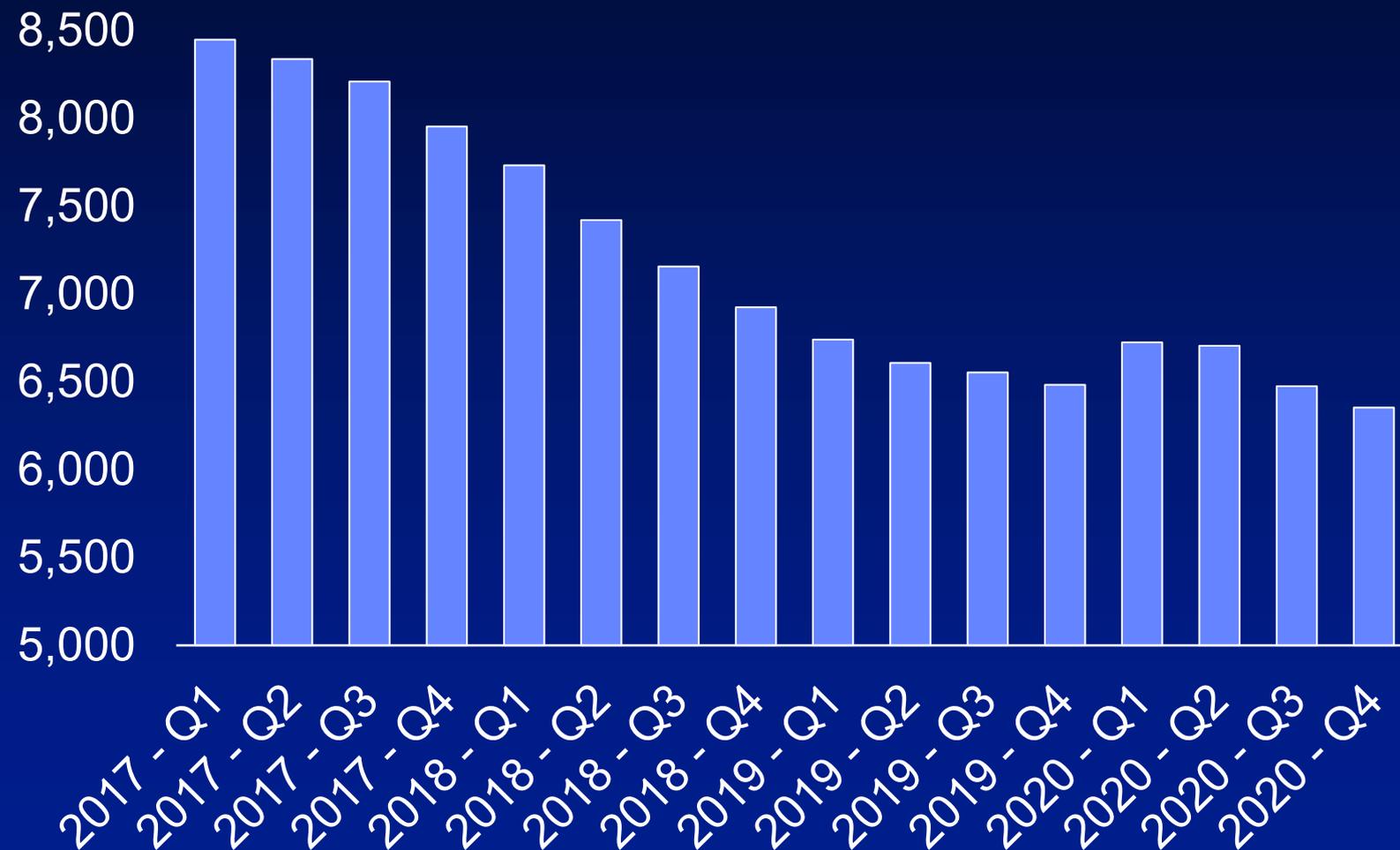
- New migration flow is slowing
- Return migration is rising
- Transit migration has risen

# The number of foreign workers in the GCC countries continues to decline



# In Saudi Arabia, number of foreign workers has decreased by 2 million (25 percent) in the past four years

Number of registered foreign workers in Saudi Arabia (thousands)

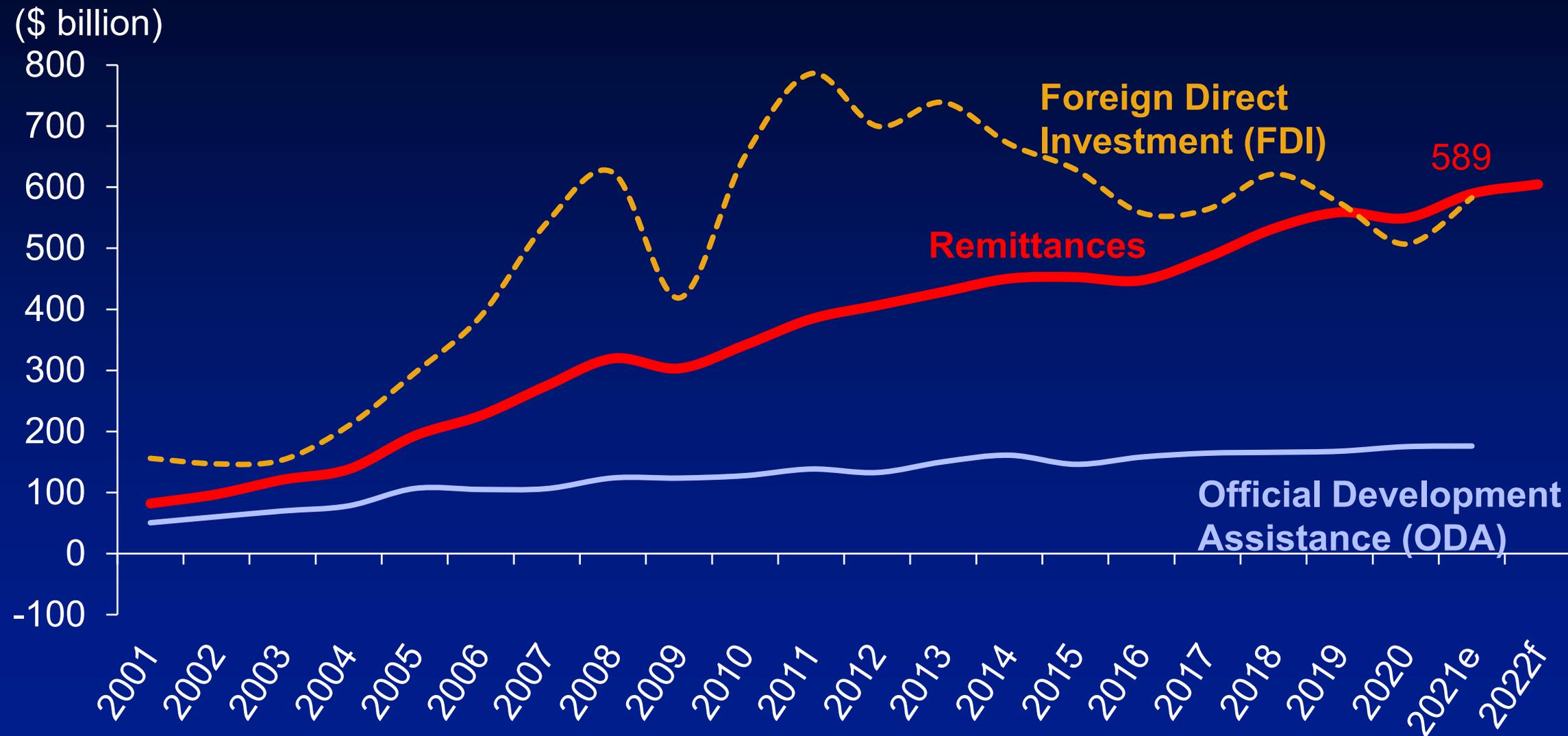


*Deployment of workers to GCC countries from Bangladesh, Nepal, Pakistan, Philippines fell by 60-70% in 2020, and continues to fall in 2021.*

*Return migration increased.*

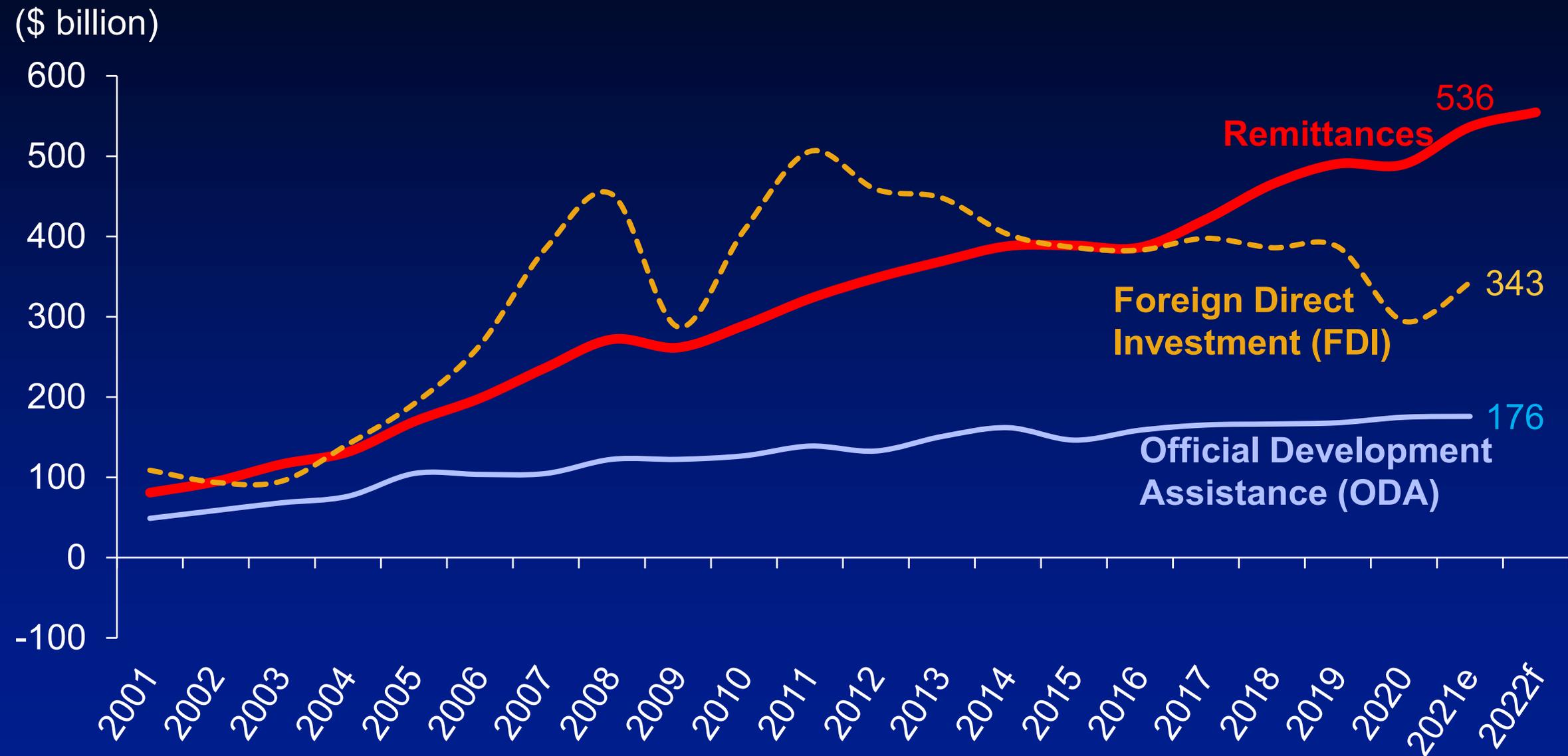
# Trends in Remittance Flows:

## Remittances to low- and middle-income countries proved to be resilient in 2020 and fully recovered in 2021



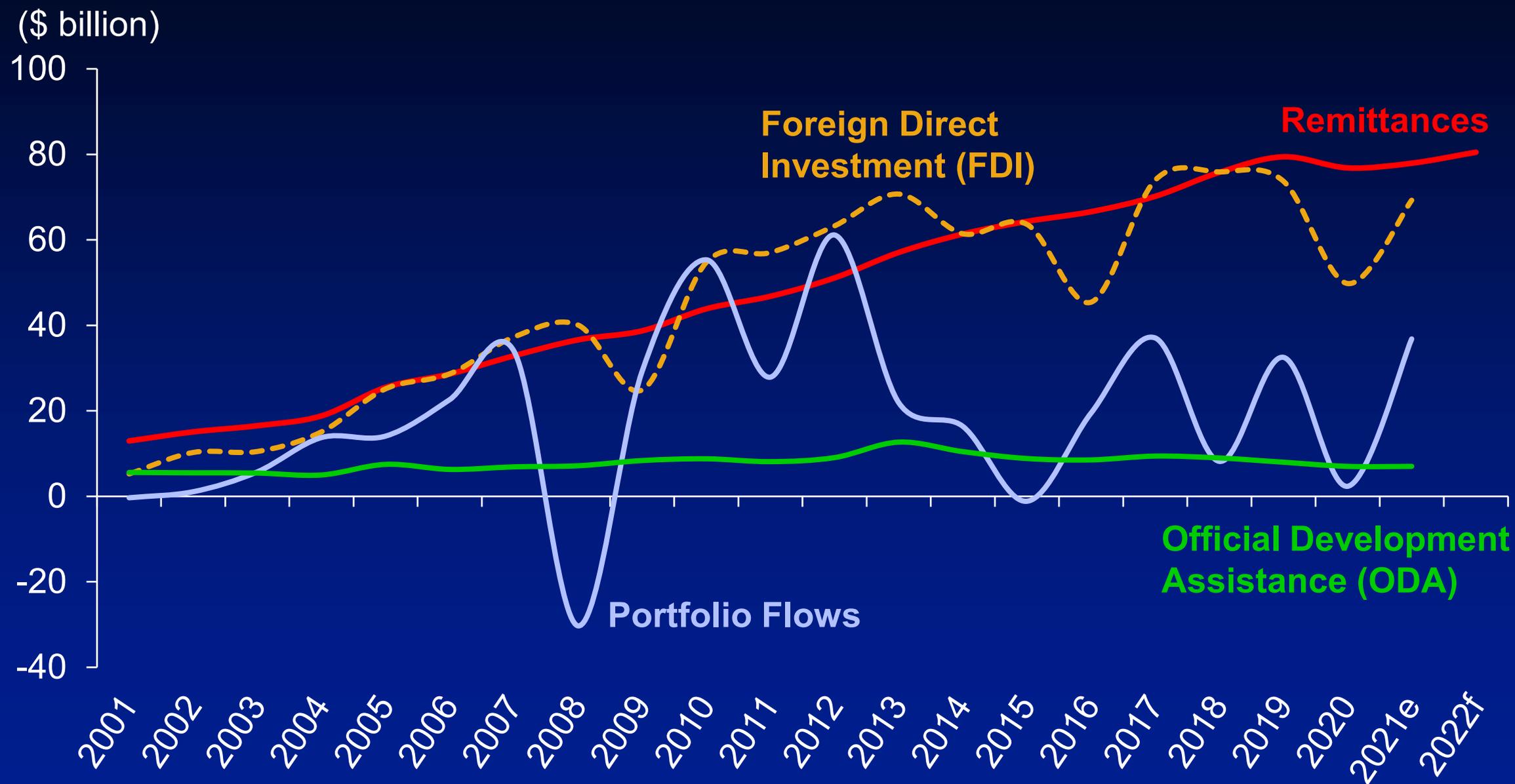
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

# No longer small change: Remittance flows to LMICs excluding China surpassed the sum of FDI and ODA since 2020



Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

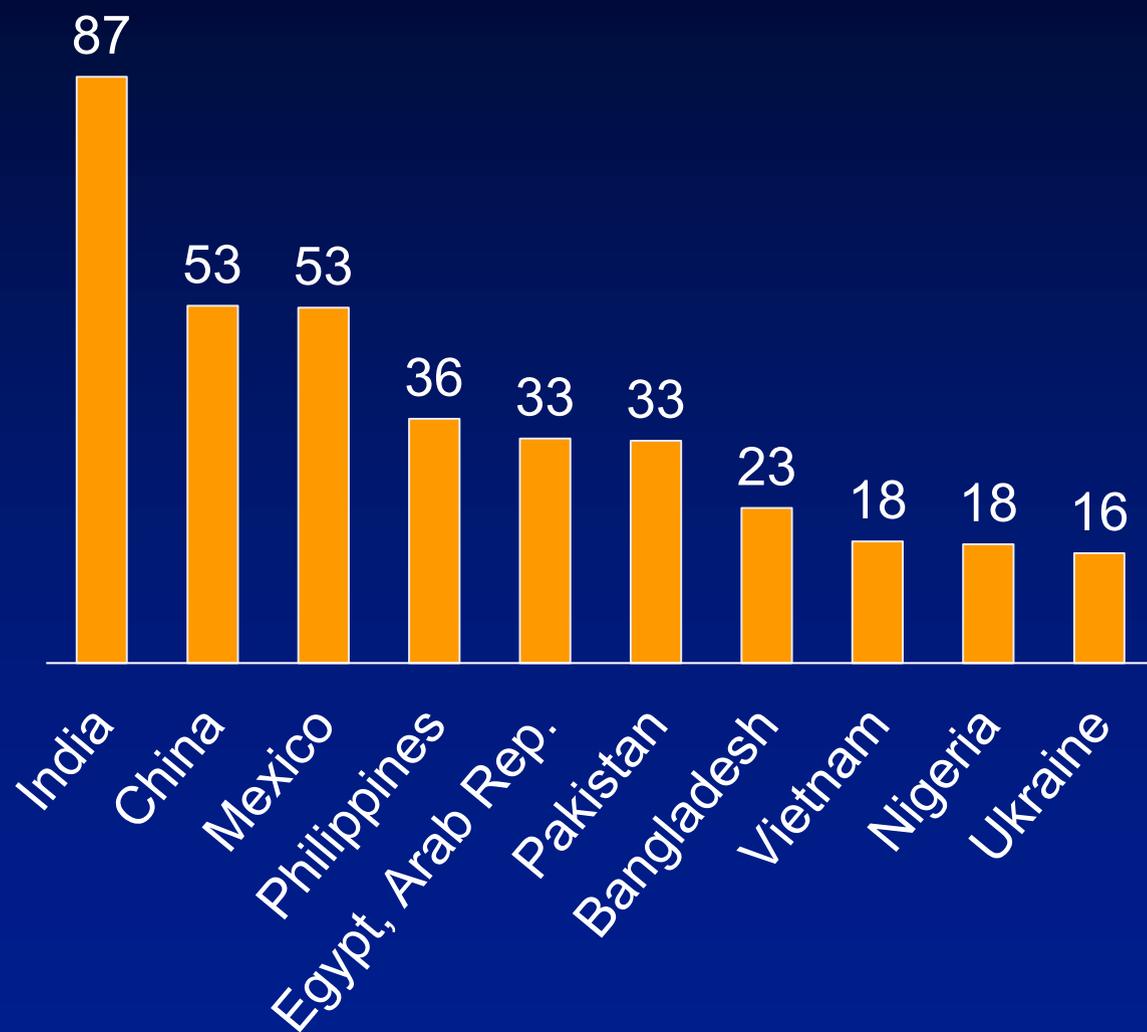
# Resource flows to East Asia and Pacific excluding China



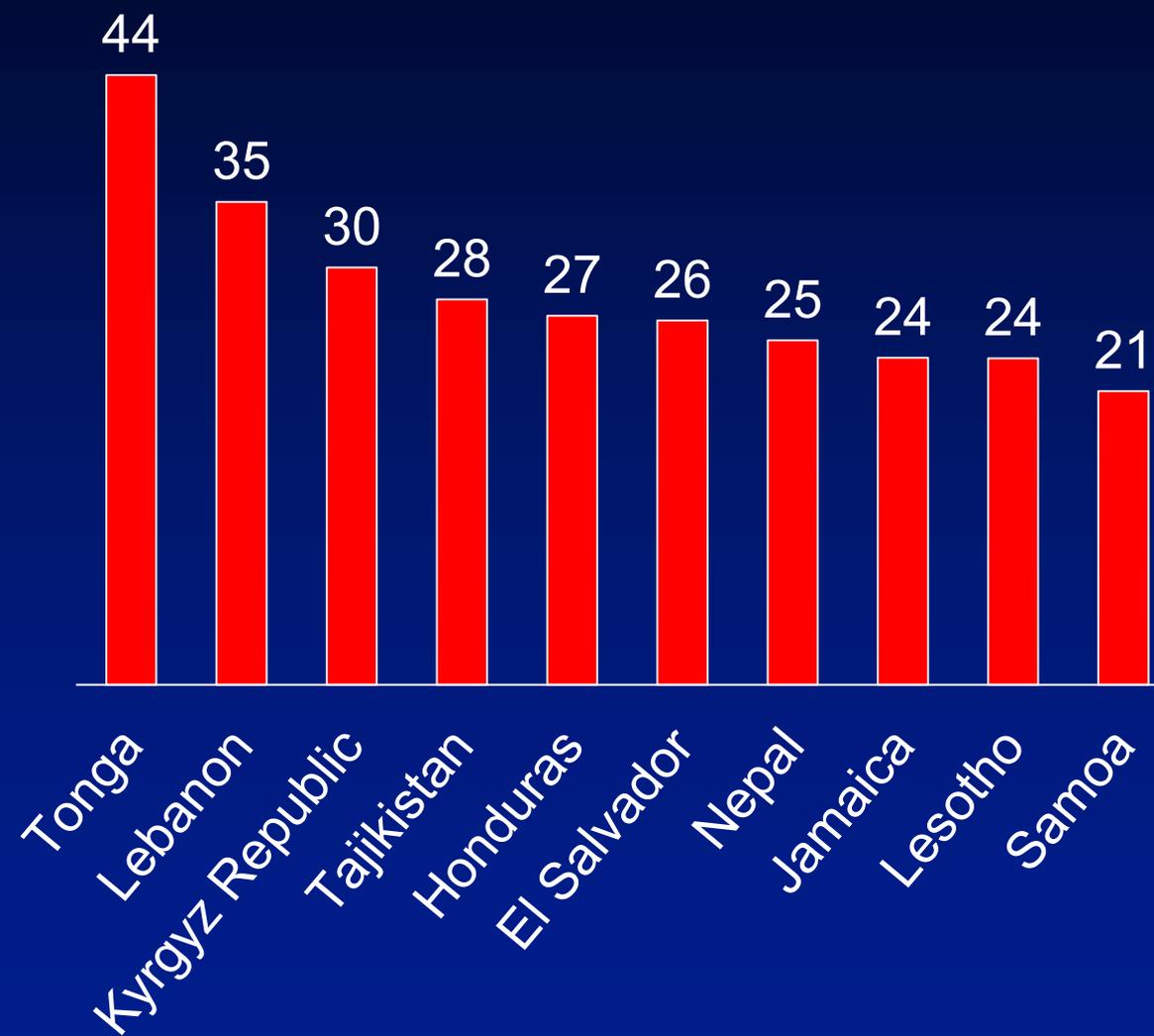
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

# Top recipients of remittances globally in 2021

(\$ billion, 2021e)



(% of GDP, 2021e)\*

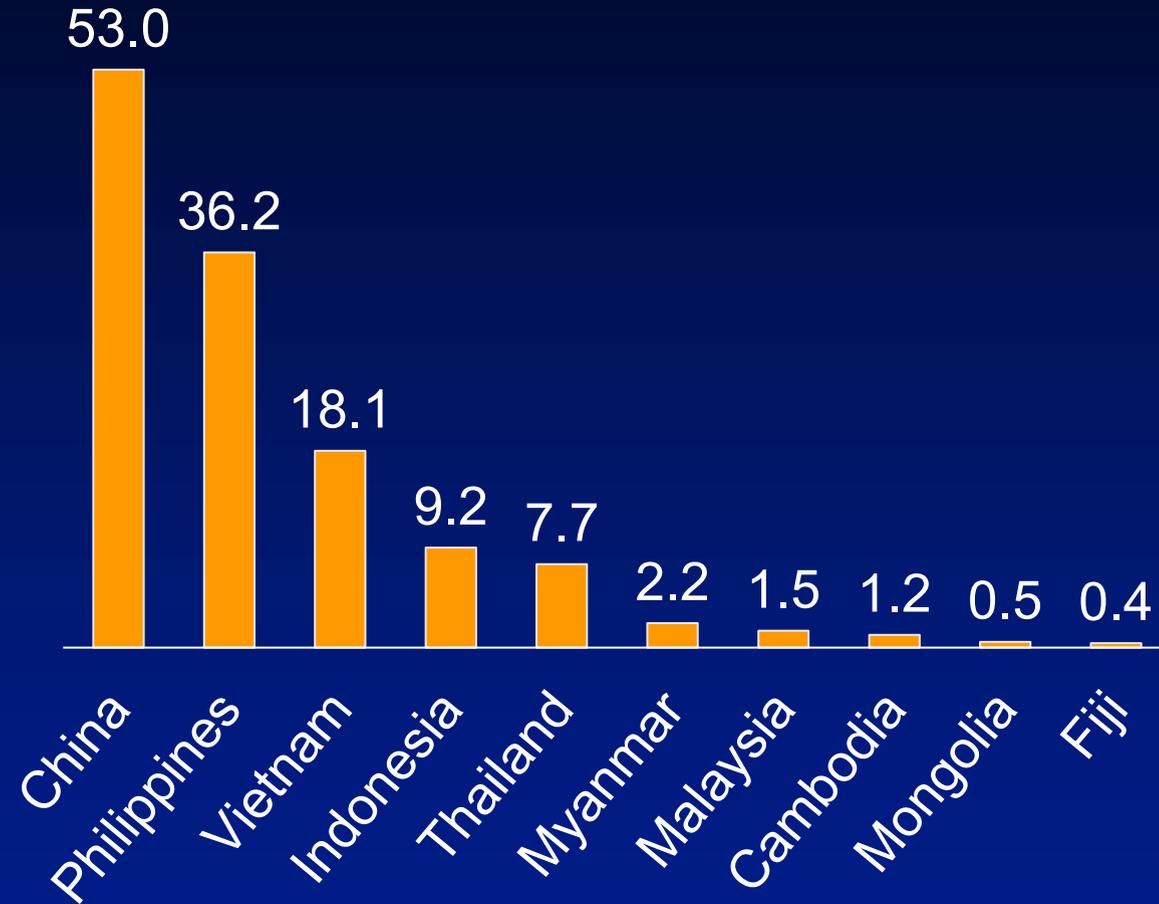


Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

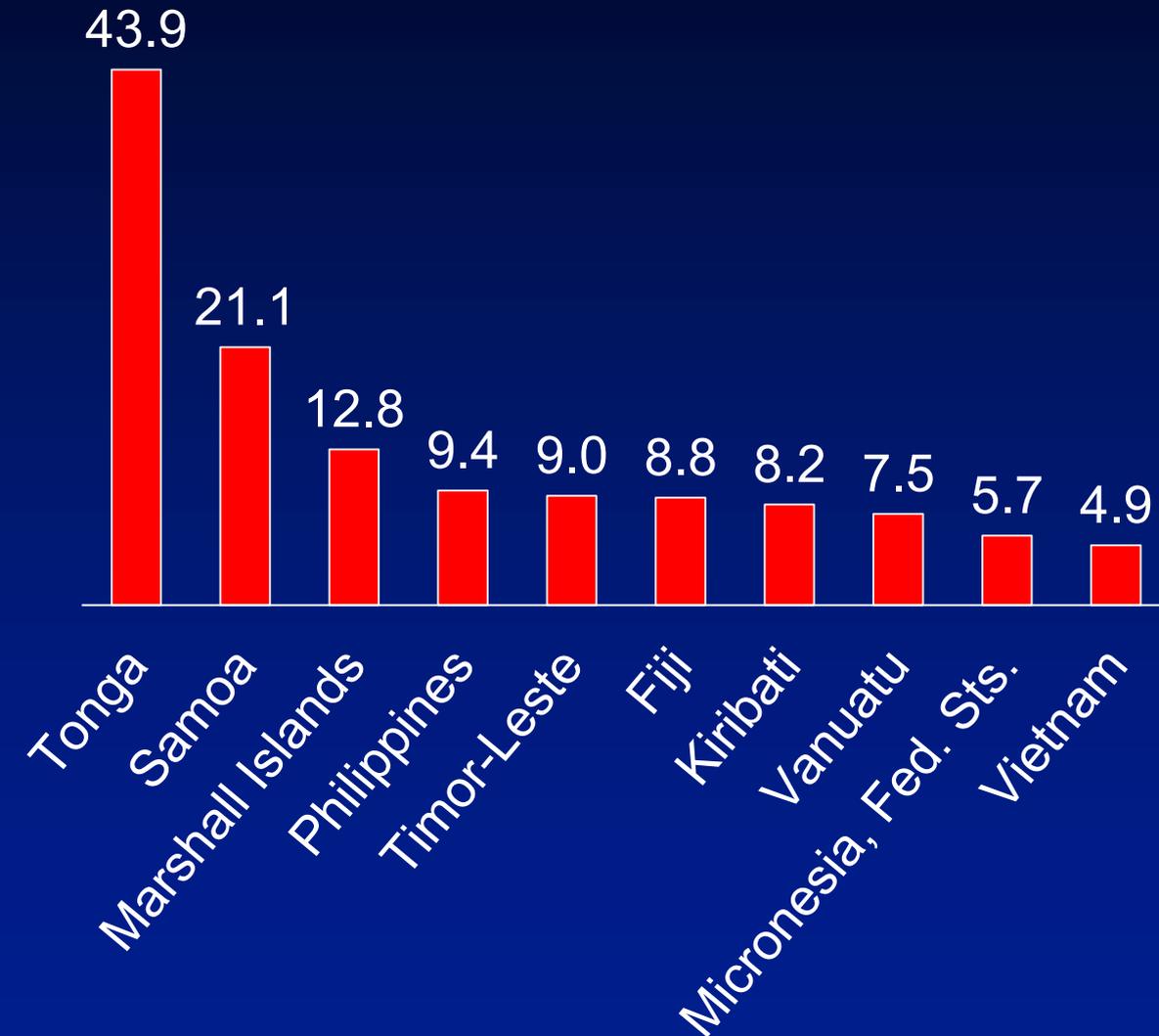
\* Somalia and South Sudan are excluded due to data unavailability

# Top recipients of remittances in EAP, 2021

(\$ billion, 2021e)



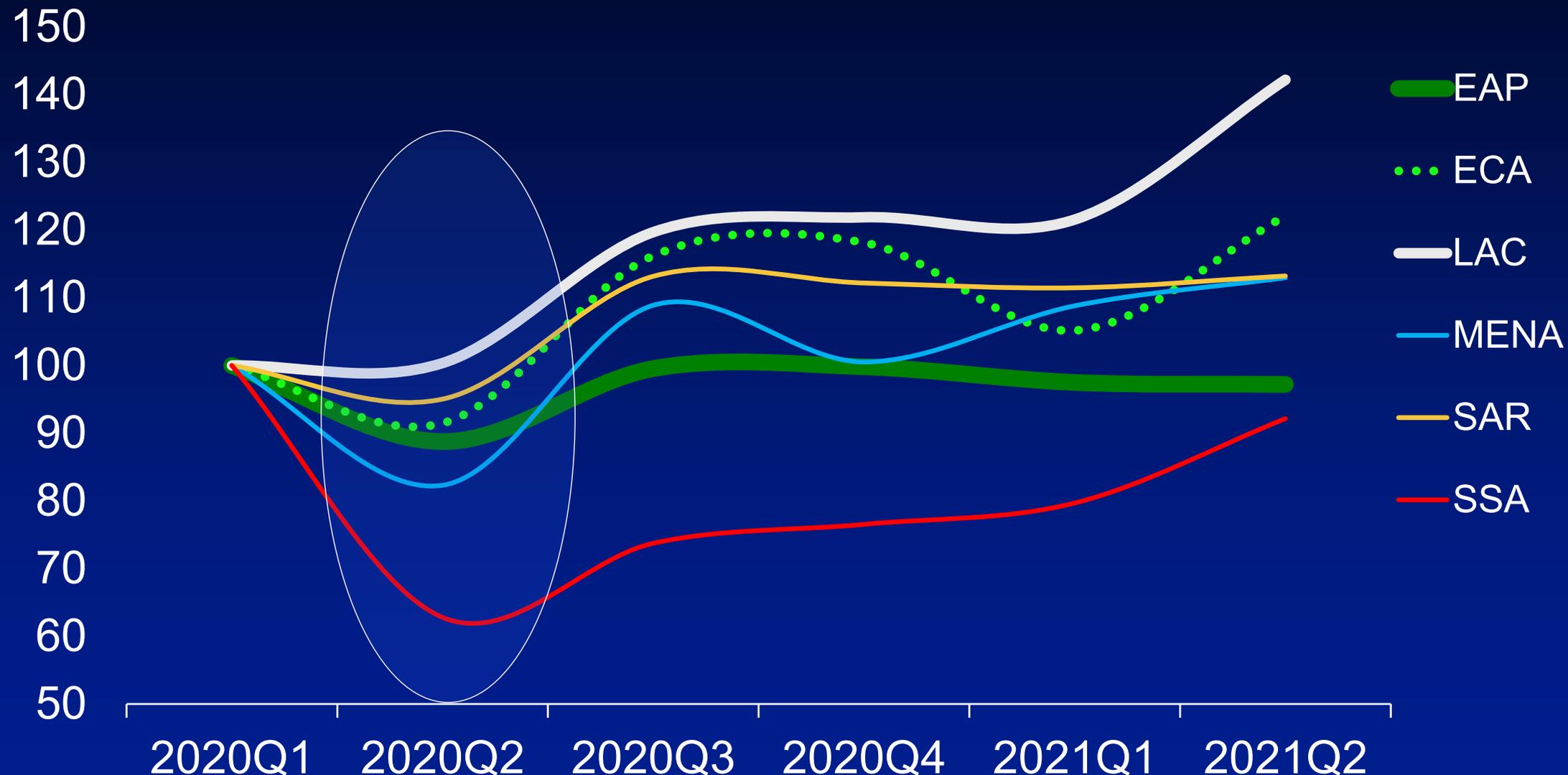
(% of GDP, 2021e)



Source: World Bank-KNOMAD staff estimates; International Monetary Fund (IMF) Balance of Payments Statistics

# Remittance flows plummeted in Q2 2020, recovered in Q3 and Q4 2020 – Impact of crisis was deep, yet short

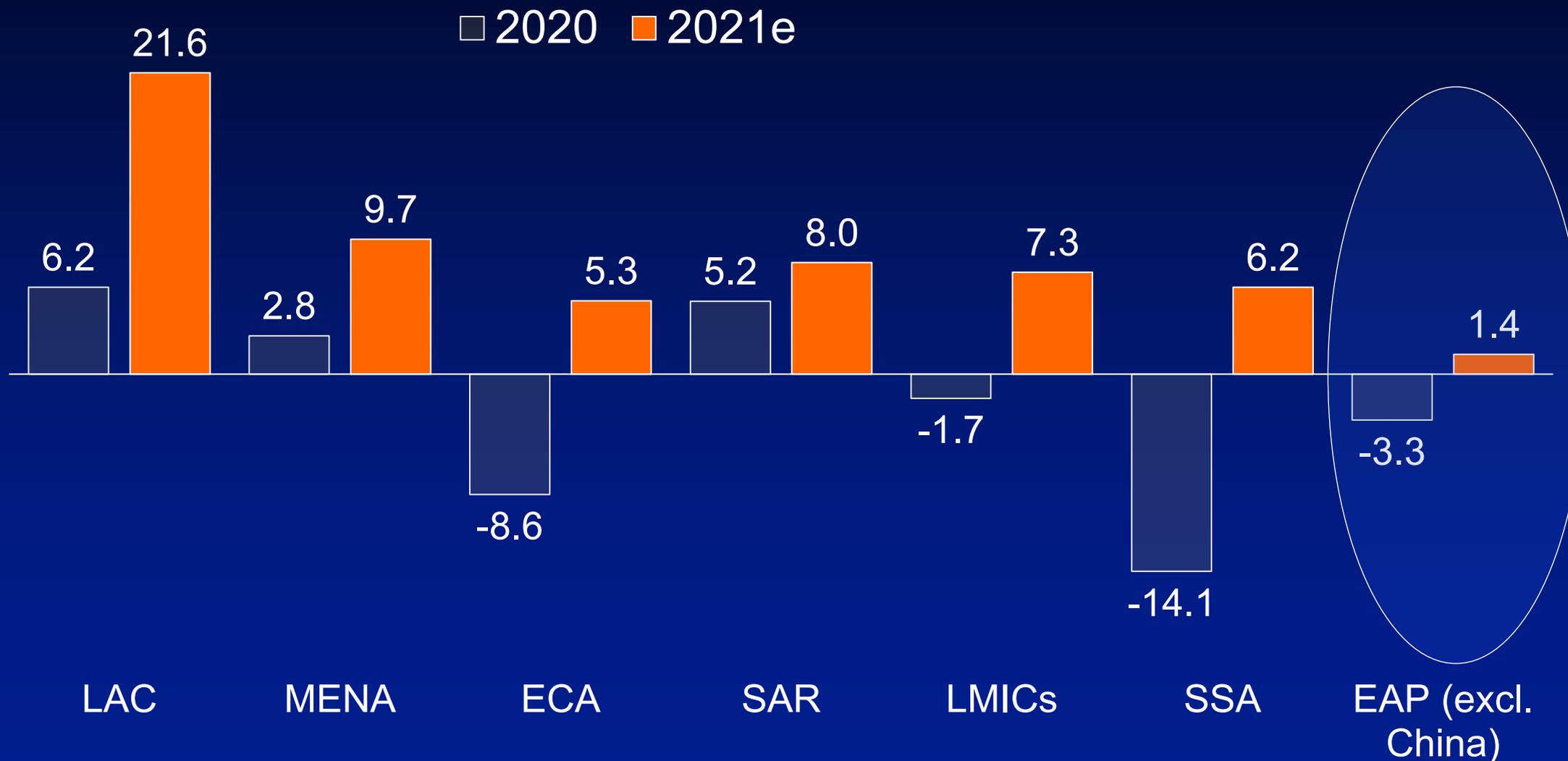
Remittances (\$, quarterly, index 2020 Q1 =100)



Sources: World Bank–KNOMAD staff; IMF Balance of Payments Statistics, and various central banks

# ...And fully recovered in 2021

Annual growth (percent)



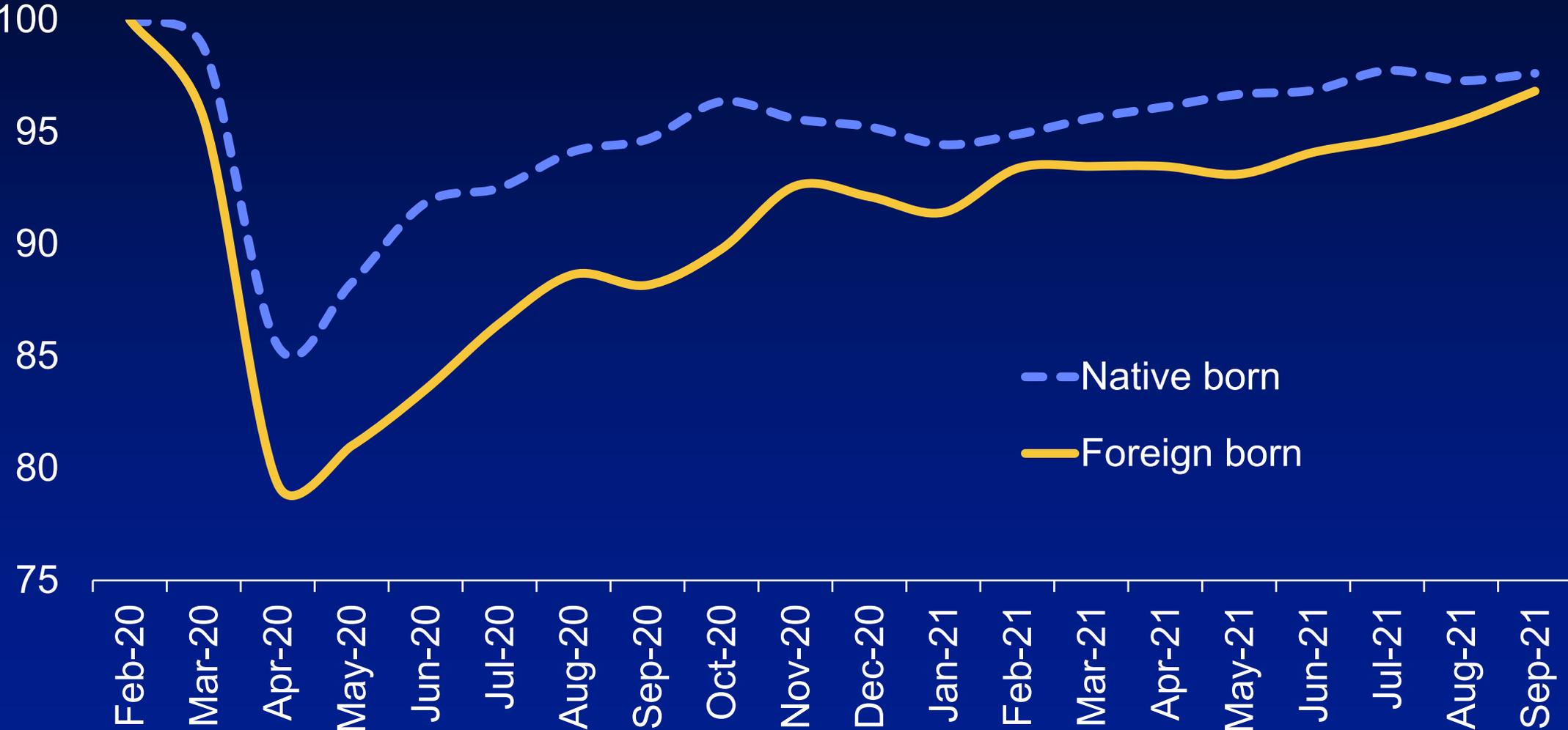
Source: World Bank-KNOMAD Staff estimates, IMF's BOP statistics.

# Reasons behind resilience of remittances

1. Willingness of migrants to continue to support families
2. Better-than-expected economic performance in many large host countries, aided by counter-cyclical fiscal policy in many large host countries

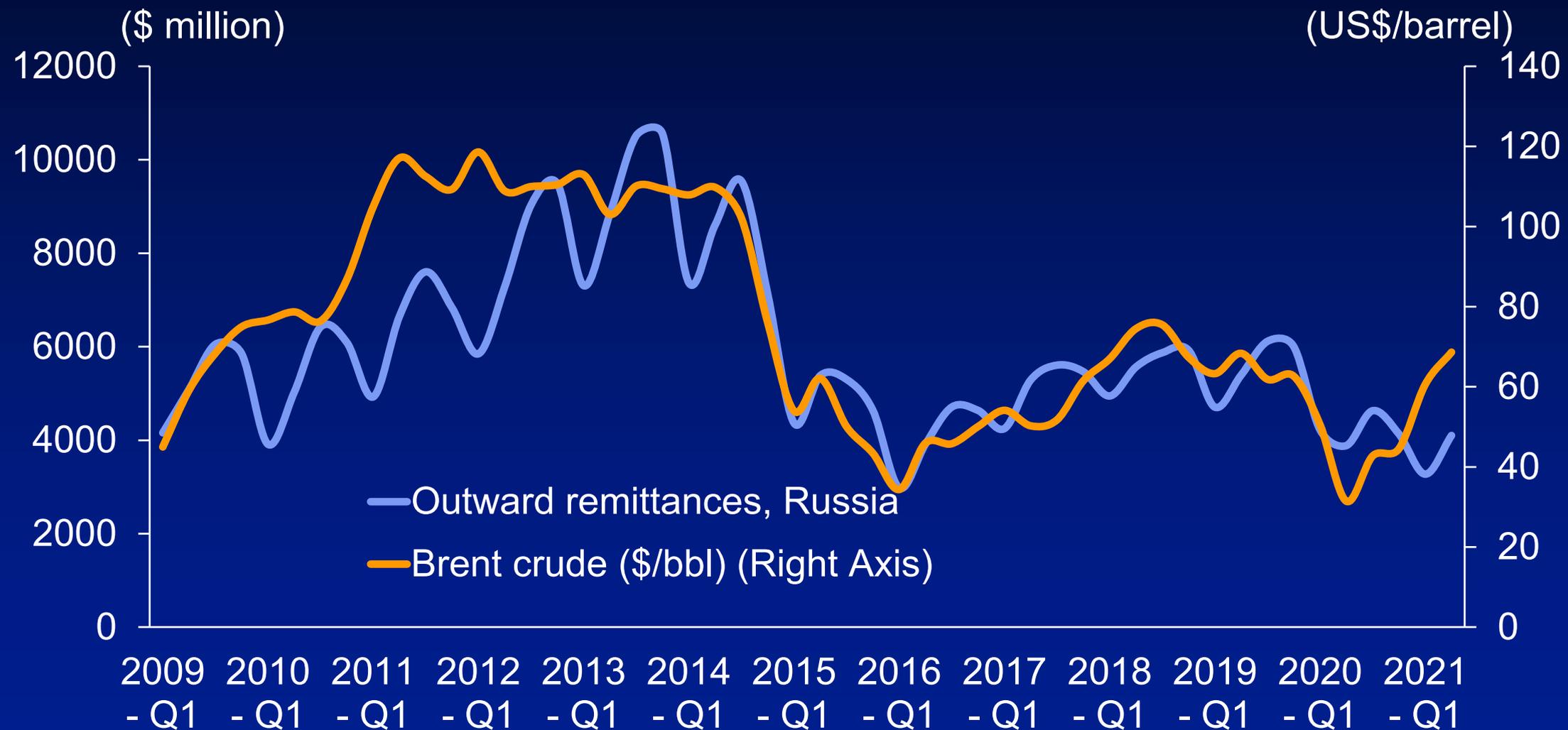
# U.S. jobs for foreign-born workers declined sharply in Q2 2020, but it has steadily though partially recovered

Employment in the U.S., Index (Feb. 2020 = 100)



Source: US Bureau of Labor Statistics.

# Higher oil price boosted outward remittance flows from Russia in 2021 (directly and indirectly through ruble/\$ exchange rate)

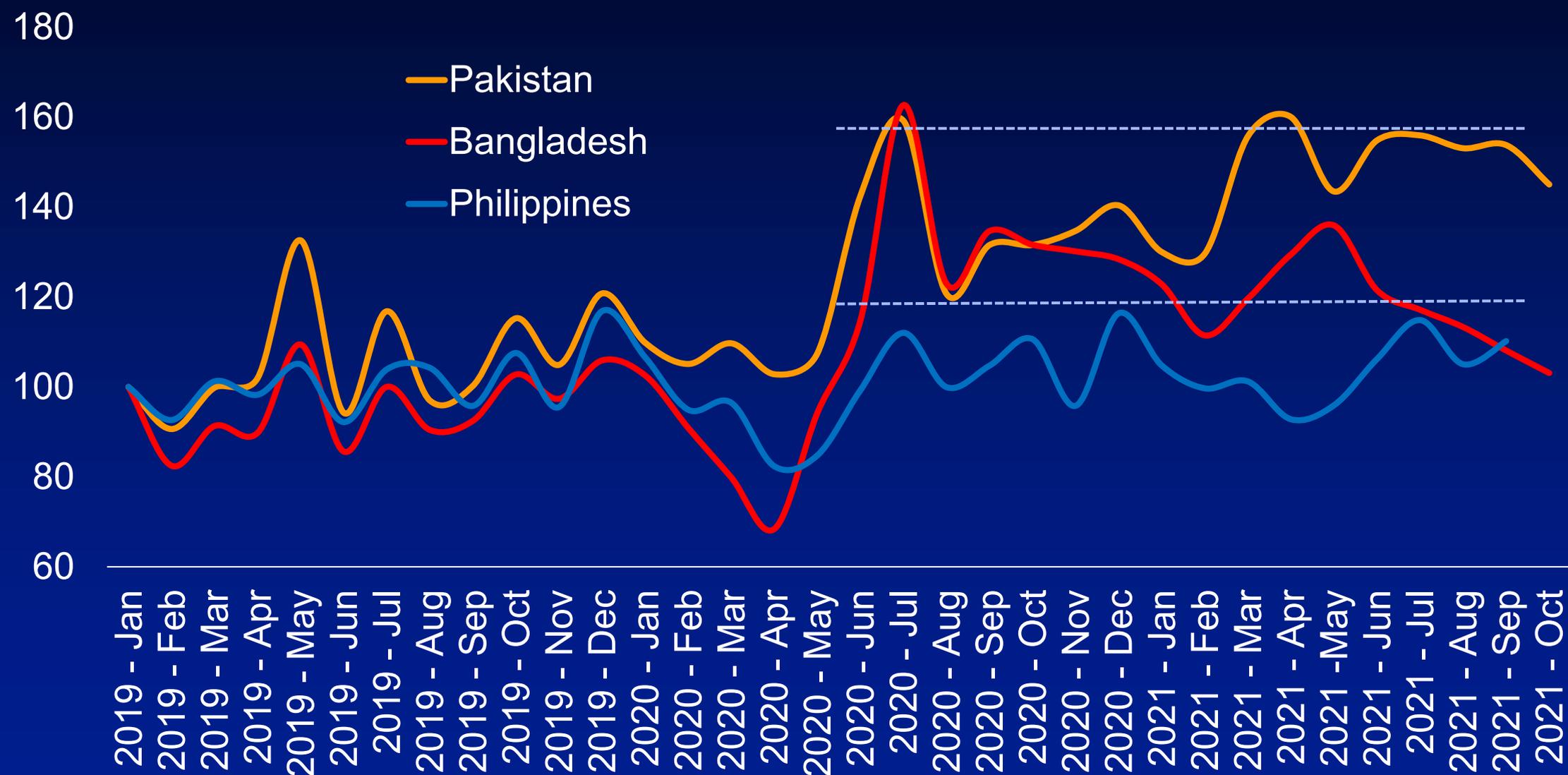


# Reasons behind resilience of remittances

1. Willingness of migrants to continue to support families
2. Better-than-expected economic performance in many large host countries, aided by counter-cyclical fiscal policy in many large host countries
3. Shift from cash to digital and informal to formal channels

# One-off effects: Cancellation of Haj, floods in Bangladesh, and tax incentives in Bangladesh and Pakistan

Remittance inflows, index Jan. 2019 = 100



Source: KNOMAD, Respective Central Banks

# Growth of remittance expected to moderate in 2022 - Downside risks remain

1. Possible recurrence of COVID-19
2. Counter-cyclical fiscal policy cannot continue for long
3. Oil prices and currency exchange rates can be volatile
4. Sentiment against migrants may turn more negative
5. Shift from cash to digital may slow unless access to banking improves

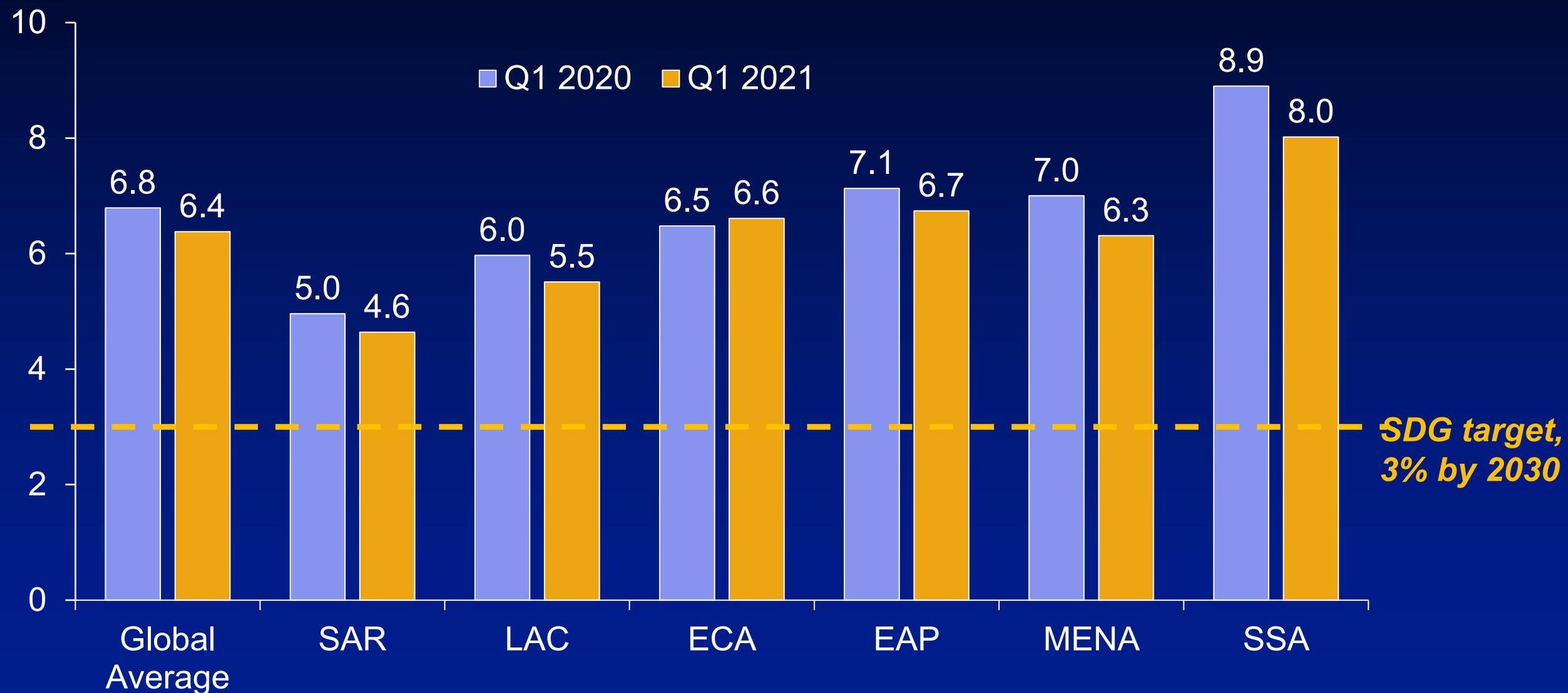
# Recruitment costs (SDG indicator 10.7.1) remain high

- \$5,000 (20 months of salary abroad) for Bangladeshi workers in Saudi Arabia before the pandemic
- \$9,200 (9 months of salary abroad), and Vietnamese workers in South Korea
- “Wage theft” reported to have increased during the pandemic

*Source: KNOMAD-ILO Migration Costs Surveys*

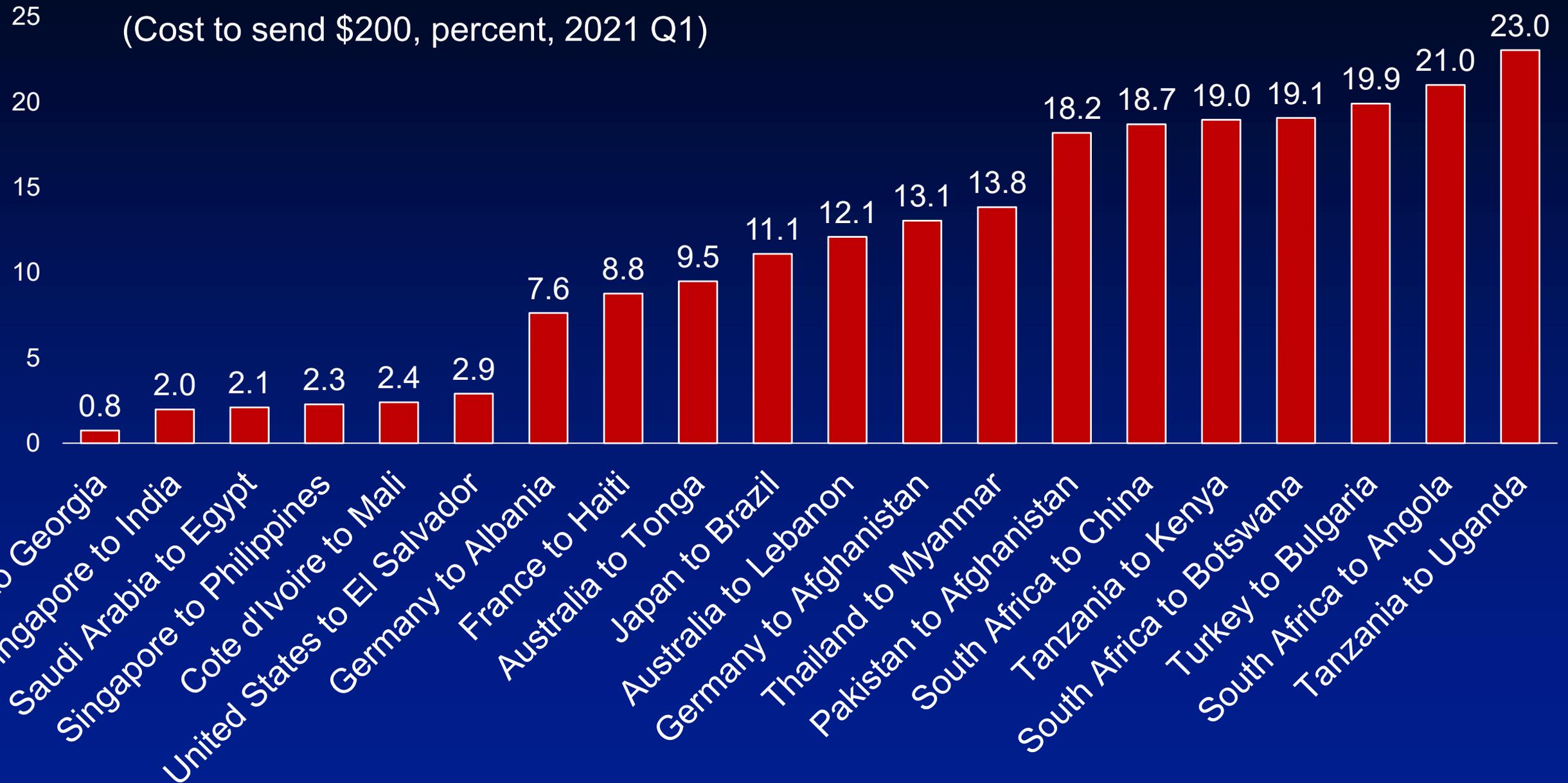
# Remittance costs continued to remain high in 2021Q1, more than double the SDG target

(Costs to send \$200, percent)



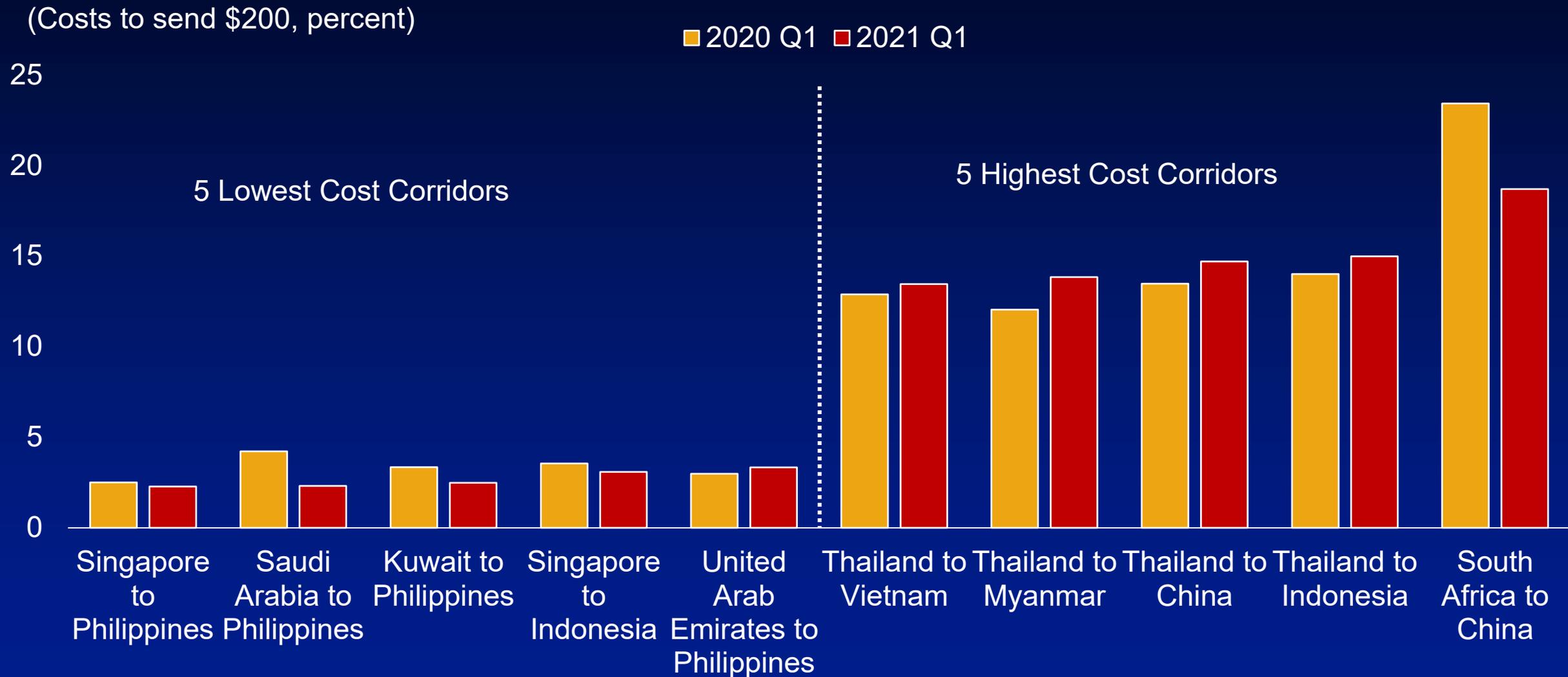
Source: Remittance Prices Worldwide database and World Bank-KNOMAD

# Remittance costs remain very high in many corridors



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

# Remittance fees to the Philippines are among the lowest in the East Asia and Pacific region



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

# Call to Action to Keep Remittances Flowing

- In May 2020, Switzerland and the United Kingdom joined forces to rally other governments (by now 31 governments), World Bank and UNCDF around a call to action (C2A): “Remittances in Crisis: How to Keep them Flowing.”
- The C2A included specific policy recommendations such as recognizing remittance services as essential, stepping up efforts to reduce remittance costs, and not imposing taxes on remittances.
- The C2A continues to provide space for countries and stakeholders to share experience, learn from best practices, develop solutions, and take joint actions.
- Also, the C2A recognizes the importance of timely and high-frequency monitoring of remittance flows and a need to improve statistical reporting systems in remittance-source and recipient countries.

World Bank, through KNOMAD, to launch International Working Group to Improve Data on Remittances

in collaboration with C2A and international agencies

# Policy responses during the crisis

Supporting <b>migrants</b>	Supporting <b>migrants'</b> <b>families</b>	Supporting <b>remittance</b> <b>infrastructure</b>
<ul style="list-style-type: none"><li>• Support <b>stranded migrants</b>.</li><li>• Extend cash transfer programs to support internal and international migrants.</li><li>• Provide access to <b>vaccines</b>, health services, education, and housing.</li><li>• Support <b>returning migrants</b> (access to training, jobs, credit for business investment).</li></ul>	<ul style="list-style-type: none"><li>• Support social services and provide cash transfers to families left behind.</li><li>• Provide access to vaccines, health services, education, and housing.</li></ul>	<ul style="list-style-type: none"><li>• Improve collection of high-frequency, <b>timely data</b> across remittance corridors and channels.</li><li>• Certain <b>AML/CFT</b> requirements could be temporarily simplified to incentivize online and mobile money transfers.</li><li>• Mitigate factors that prevent customers or remittance service providers of digital remittances from <b>accessing bank accounts</b>.</li></ul>

# A summary of the Global Remittances Agenda

Capital market access for countries, companies

- **Diaspora bonds**
- **Bonds backed by future remittances as collateral**
- **Sovereign credit rating**

Financial access for households, SMEs

- Deposit and saving products
- Mortgage, consumer loans, microfinance
- Credit history for MFI clients
- Insurance products
- Philanthropy

Retail payment system

- Mobile money, cryptocurrency (Payment platforms/instruments)
- eKYC, De-risking, anti-money laundering (AML/CFT)
- Clearing/settlement, capital adequacy, disclosure, cross-border arbitration

Monitoring, analysis, projection

- Size, corridors, channels
- Counter-cyclicality
- Effects on poverty, education, health, investment
- Policy (costs, competition, exchange controls)



**Thank you!**

# Estimates and projections flows to LMIC regions

\$ billion	2009	2015	2016	2017	2018	2019	2020e	2021f	2022f
<b>Low and Middle Income</b>	<b>303</b>	<b>453</b>	<b>447</b>	<b>485</b>	<b>532</b>	<b>559</b>	<b>549</b>	<b>589</b>	<b>605</b>
East Asia and Pacific	80	128	128	134	143	148	136	131	131
excluding China	39	64	67	70	76	79	77	78	81
Europe and Central Asia	34	48	49	59	66	70	64	67	70
Latin America and the Caribbean	55	69	74	82	90	97	103	126	131
Middle-East and North Africa	31	50	49	52	53	55	56	62	64
South Asia	75	118	111	117	132	140	147	159	162
Sub-Saharan Africa	28	41	37	42	49	49	42	45	48
World	433	602	597	640	695	722	706	751	774
<b>(Growth rate, percent)</b>									
<b>Low and Middle Income</b>	<b>-5.1</b>	<b>0.5</b>	<b>-1.2</b>	<b>8.4</b>	<b>9.7</b>	<b>5.0</b>	<b>-1.7</b>	<b>7.3</b>	<b>2.6</b>
<i>East Asia and Pacific</i>	<i>-4.8</i>	<i>3.7</i>	<i>-0.5</i>	<i>5.1</i>	<i>6.8</i>	<i>3.2</i>	<i>-7.8</i>	<i>-4.0</i>	<i>-0.3</i>
<i>  excluding China</i>	<i>5.8</i>	<i>4.8</i>	<i>3.5</i>	<i>5.4</i>	<i>8.0</i>	<i>4.8</i>	<i>-3.3</i>	<i>1.4</i>	<i>3.3</i>
<i>Europe and Central Asia</i>	<i>-13.5</i>	<i>-13.3</i>	<i>3.0</i>	<i>19.8</i>	<i>12.2</i>	<i>5.9</i>	<i>-8.6</i>	<i>5.3</i>	<i>3.8</i>
<i>Latin America and the Caribbean</i>	<i>-12.3</i>	<i>6.6</i>	<i>7.2</i>	<i>11.2</i>	<i>9.8</i>	<i>8.3</i>	<i>6.2</i>	<i>21.6</i>	<i>4.4</i>
<i>Middle-East and North Africa</i>	<i>-6.0</i>	<i>-6.4</i>	<i>-1.2</i>	<i>5.3</i>	<i>2.3</i>	<i>3.9</i>	<i>2.8</i>	<i>9.7</i>	<i>3.6</i>
<i>South Asia</i>	<i>4.5</i>	<i>1.6</i>	<i>-5.9</i>	<i>6.0</i>	<i>12.3</i>	<i>6.1</i>	<i>5.2</i>	<i>8.0</i>	<i>1.8</i>
<i>Sub-Saharan Africa</i>	<i>-2.1</i>	<i>6.3</i>	<i>-8.4</i>	<i>10.9</i>	<i>17.4</i>	<i>1.1</i>	<i>-14.1</i>	<i>6.2</i>	<i>5.5</i>
<b>World</b>	<b>-5.0</b>	<b>-1.3</b>	<b>-0.8</b>	<b>7.2</b>	<b>8.5</b>	<b>3.9</b>	<b>-2.3</b>	<b>6.5</b>	<b>3.1</b>
<b>Memo items:</b>									
<b>Remittances to LMICs according to country classification of different years</b>									
<b>2001 country classification</b>	<b>316</b>	<b>469</b>	<b>465</b>	<b>504</b>	<b>551</b>	<b>579</b>	<b>567</b>	<b>605</b>	<b>621</b>
<b>2011 country classification</b>	<b>306</b>	<b>456</b>	<b>450</b>	<b>488</b>	<b>535</b>	<b>562</b>	<b>552</b>	<b>592</b>	<b>607</b>
<b>2020 country classification</b>	<b>302</b>	<b>447</b>	<b>441</b>	<b>478</b>	<b>525</b>	<b>550</b>	<b>541</b>	<b>581</b>	<b>596</b>