

A War in a Pandemic

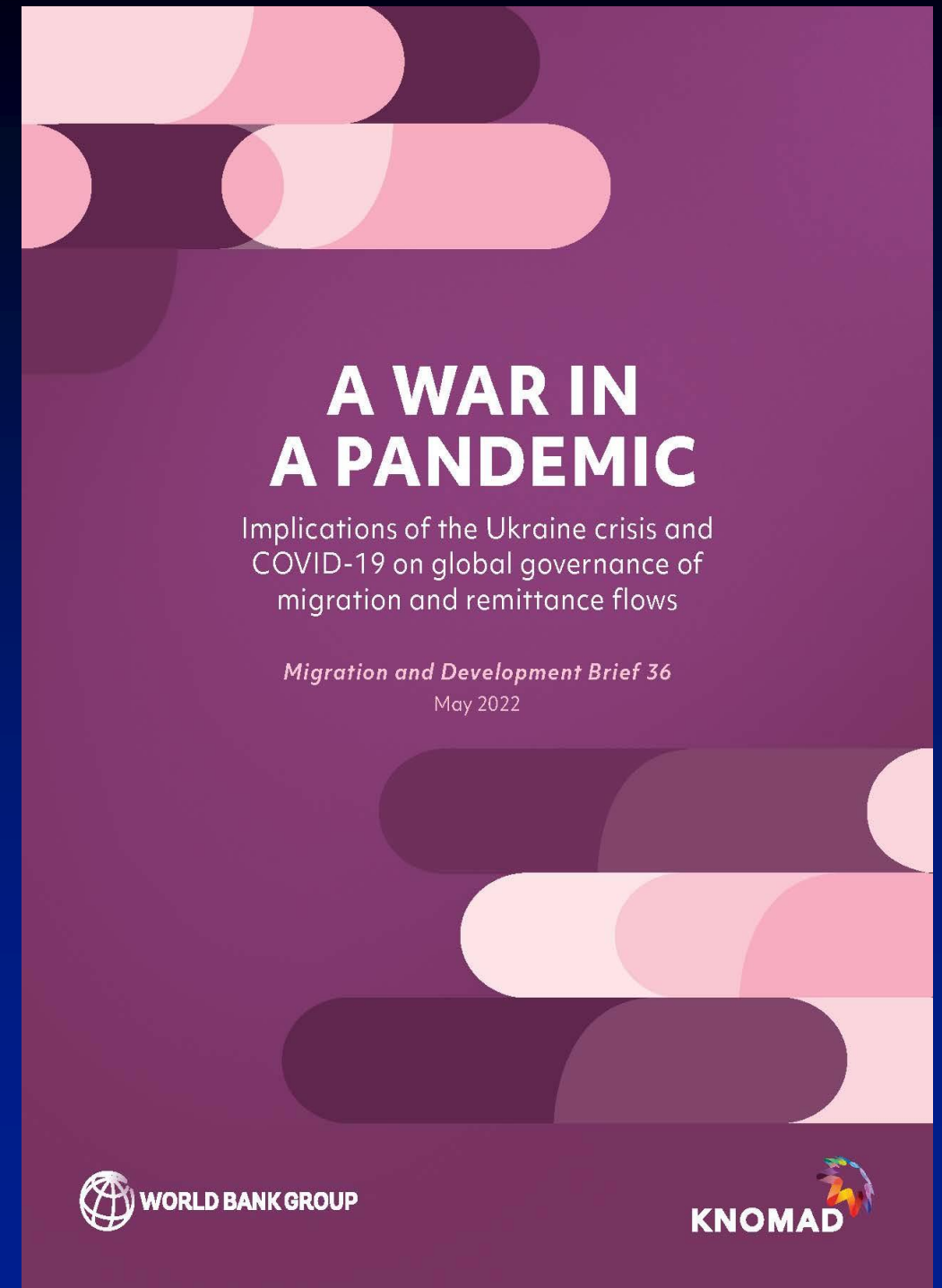
**Implications of the Ukraine crisis and
COVID-19 on global governance of
migration and remittance flows**

Dilip Ratha

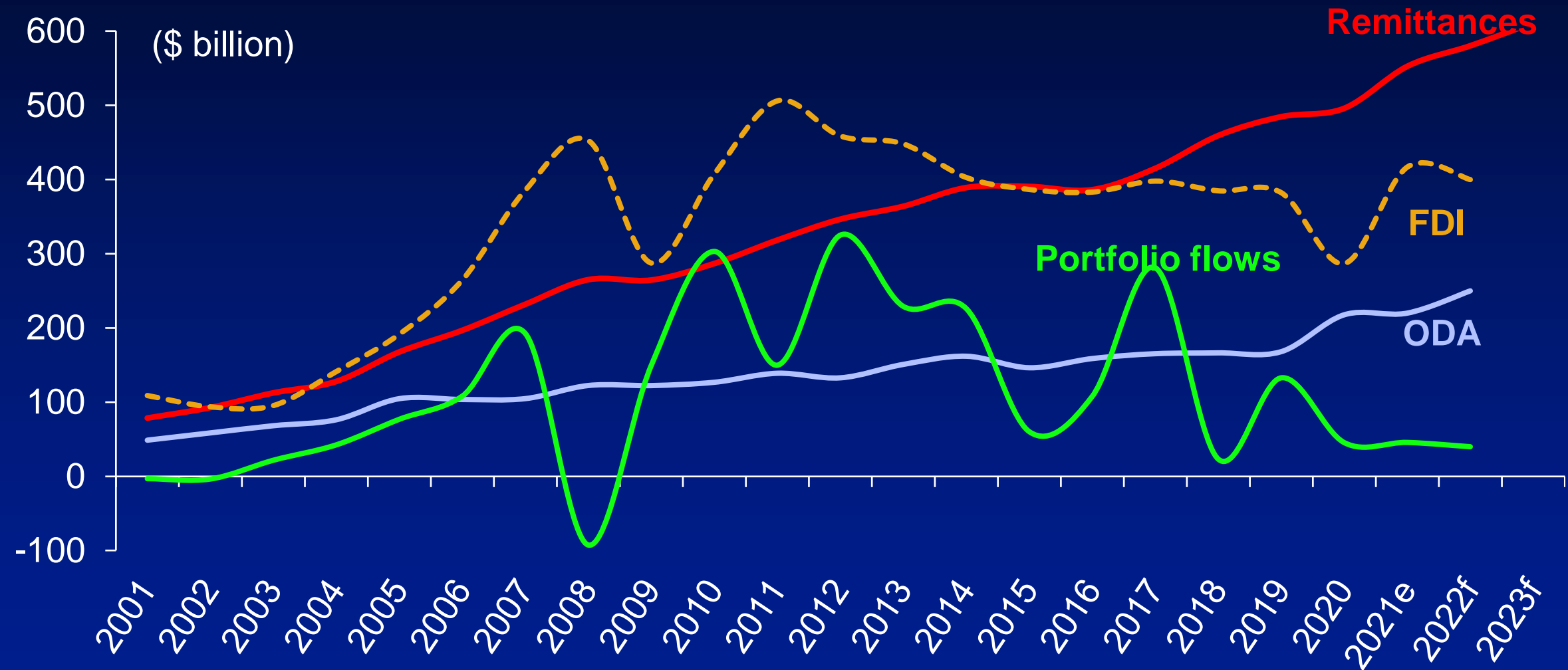
Migration and Development – Japan Presentation

World Bank

July 11, 2022



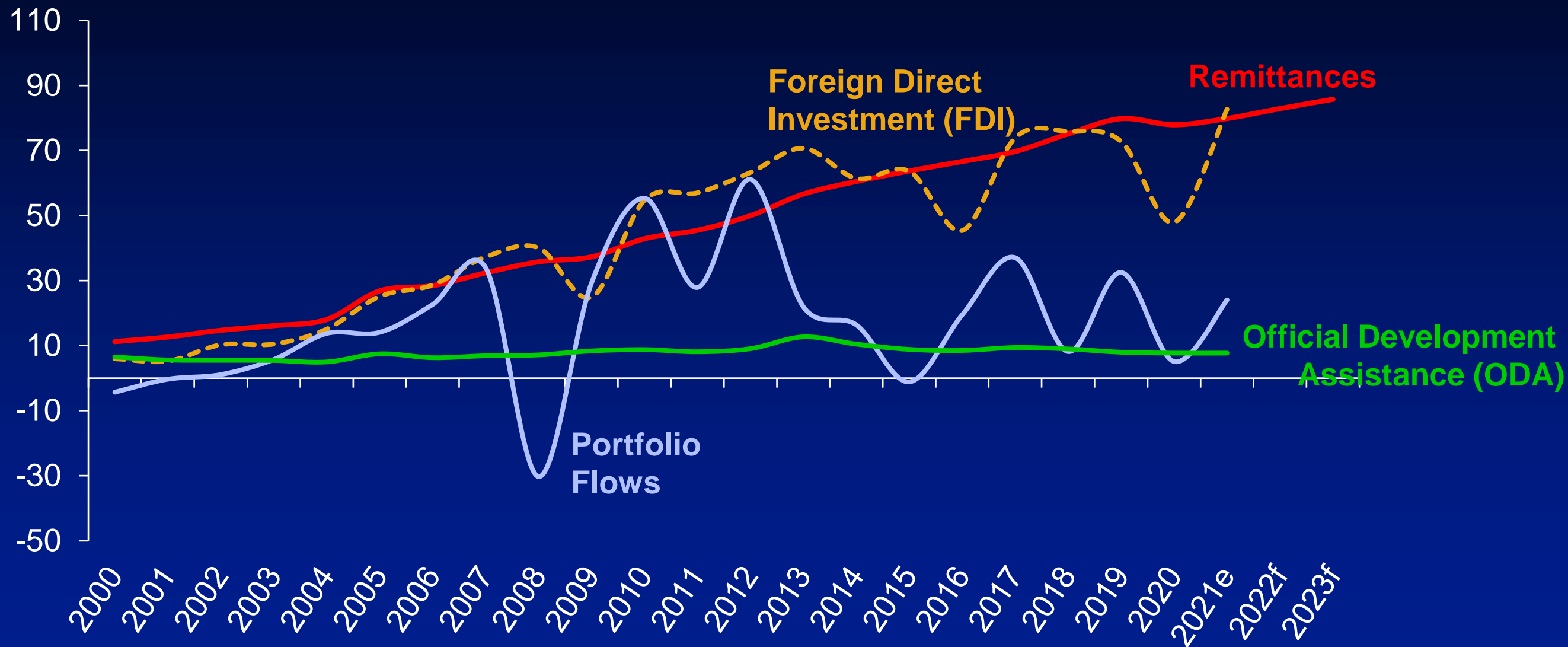
Remittances to low- and middle-income countries are expected to reach \$630 bn in 2022. Remittance flows to LMICs excluding China larger than the sum of FDI and ODA.



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

Resource flows to East Asia and Pacific (excl. China)

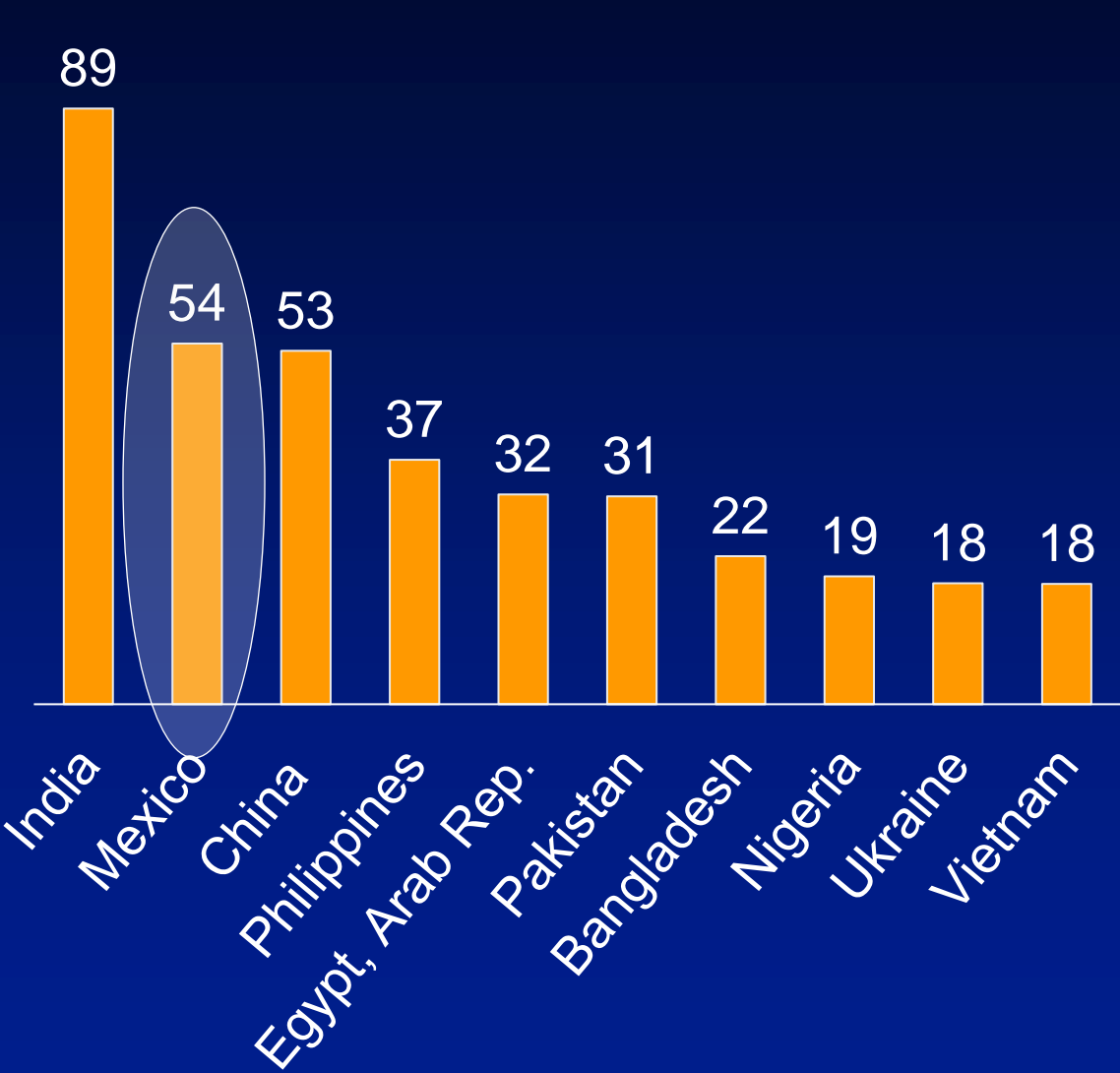
(\$ billion)



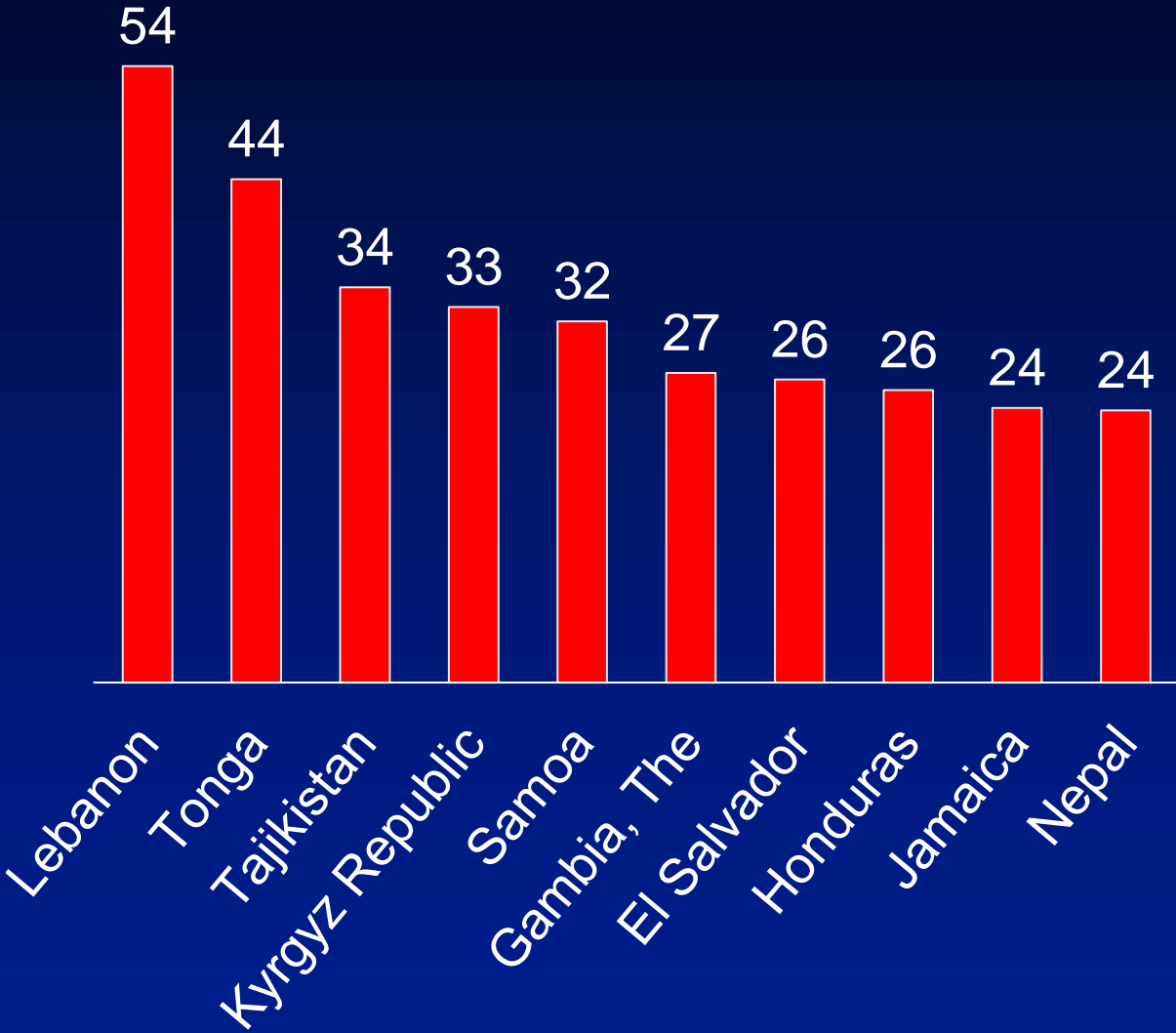
Source: KNOMAD/World Bank staff estimates, IMF's WEO and BOP statistics

Top recipients of remittances globally in 2021

(\$ billion, 2021)



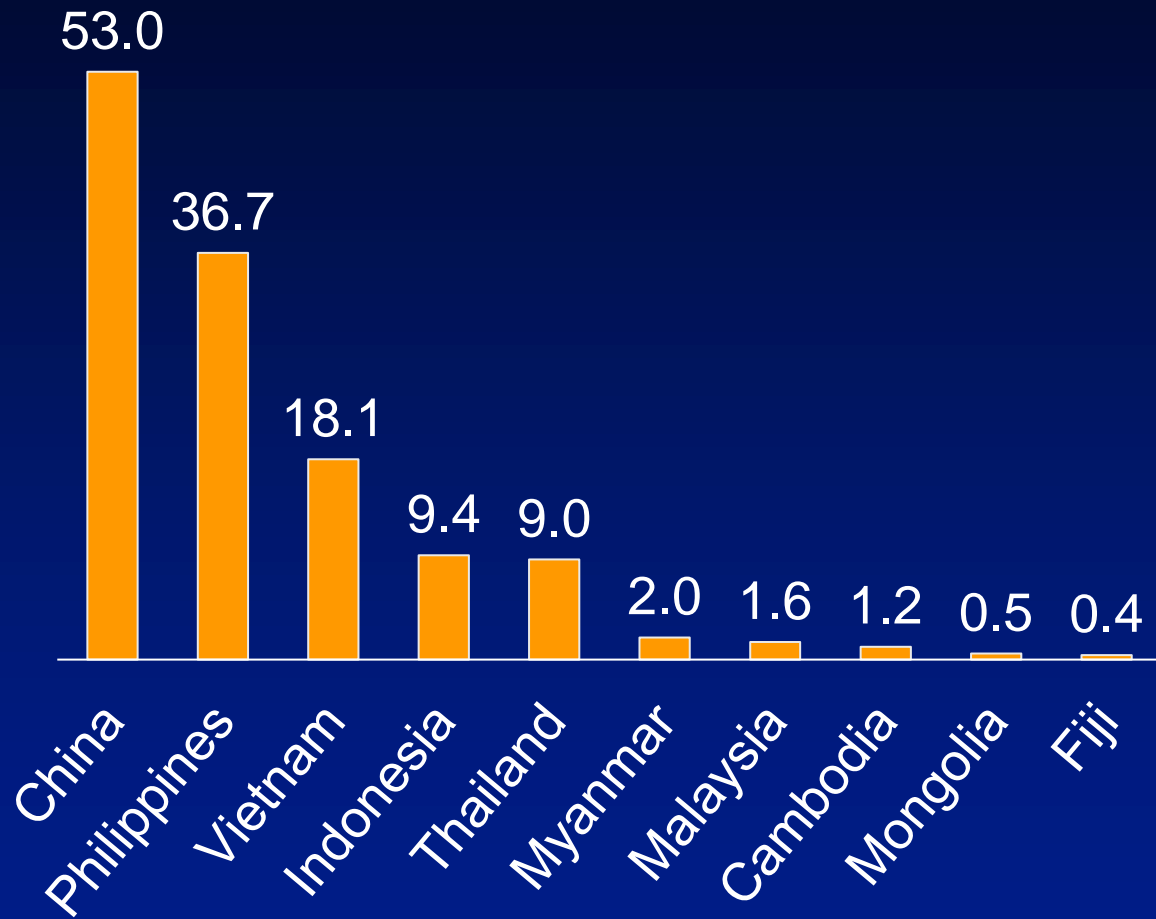
(% of GDP, 2021)



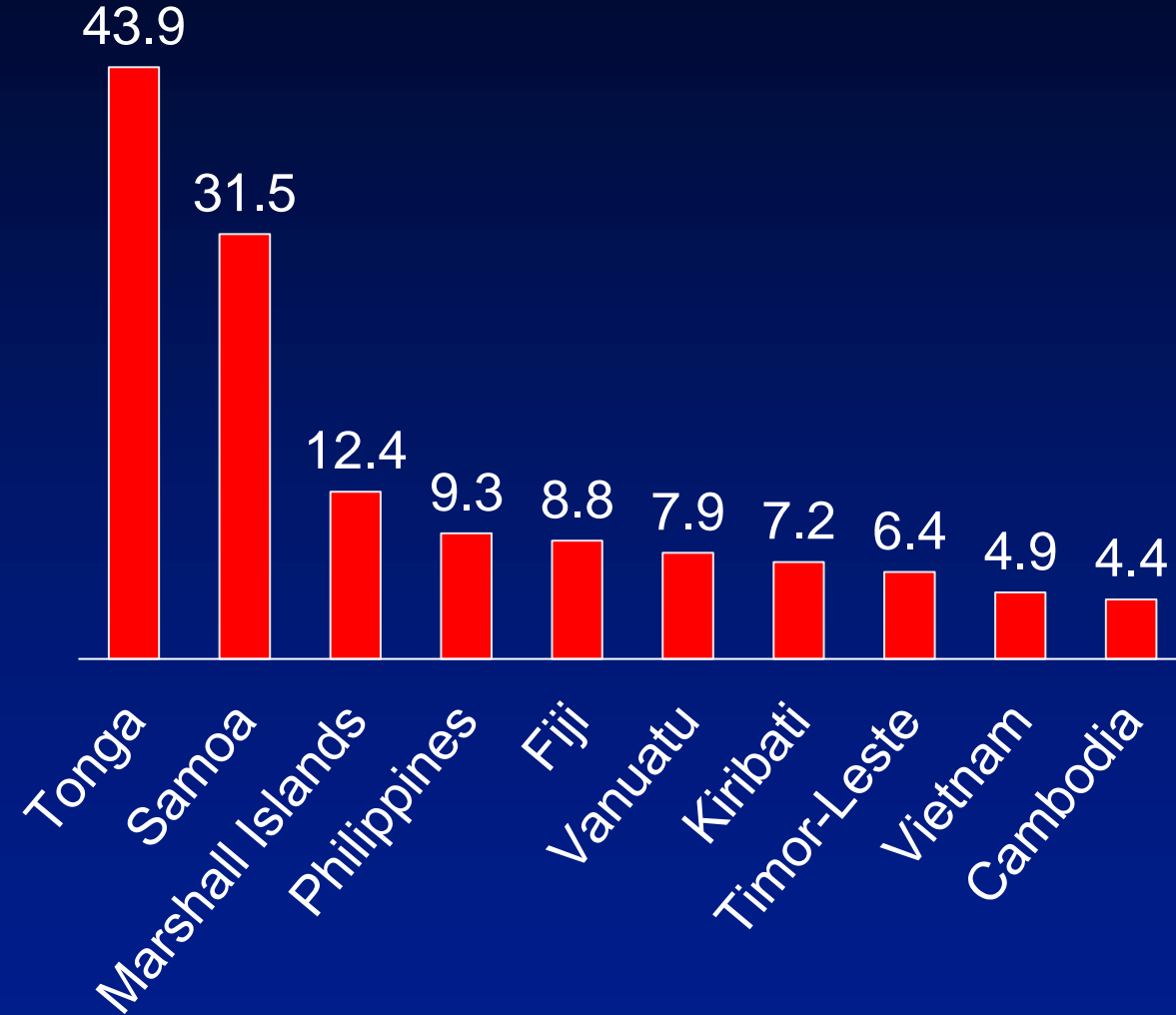
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

Top recipients of remittances in EAP, 2021

(\$ billion, 2021)

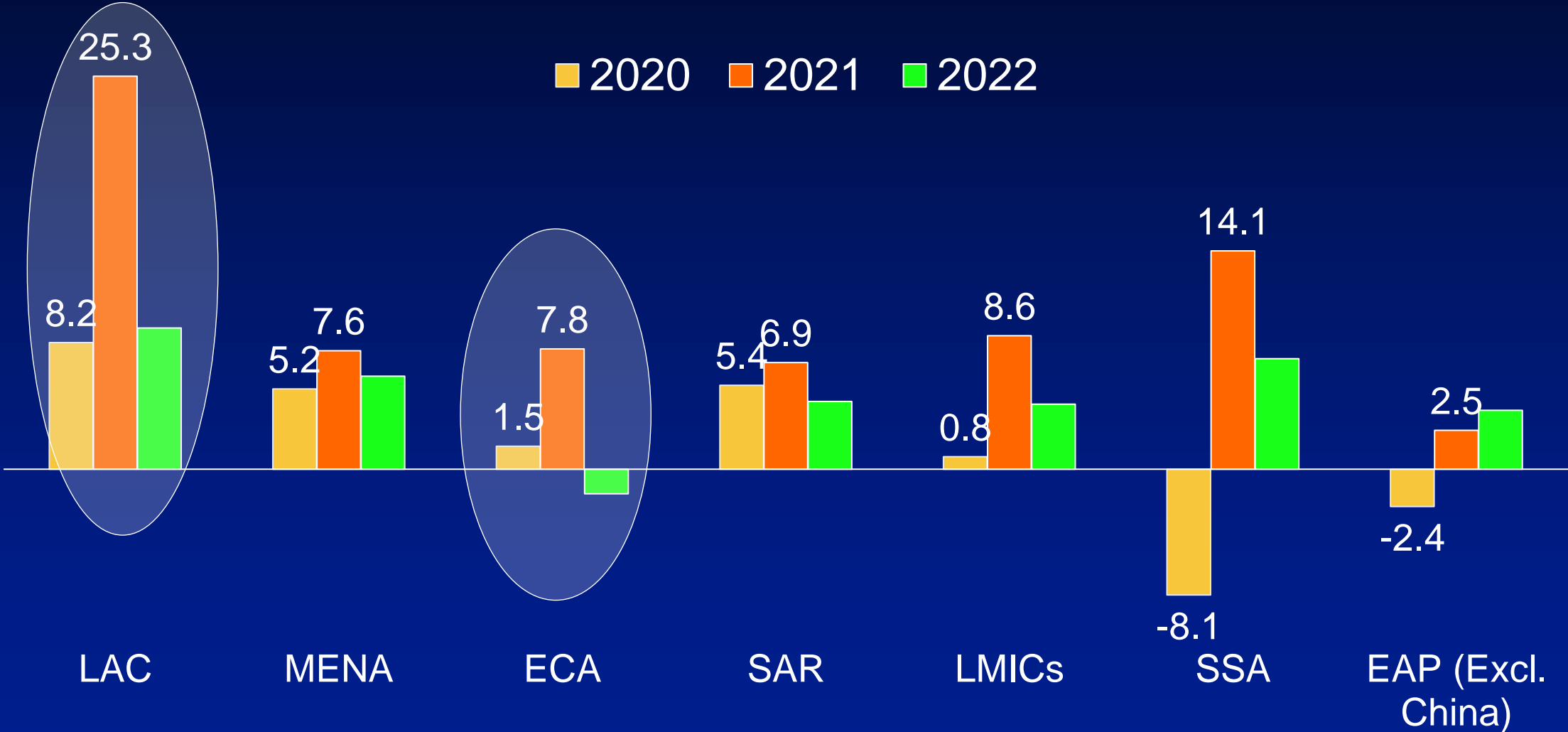


(% of GDP, 2021)



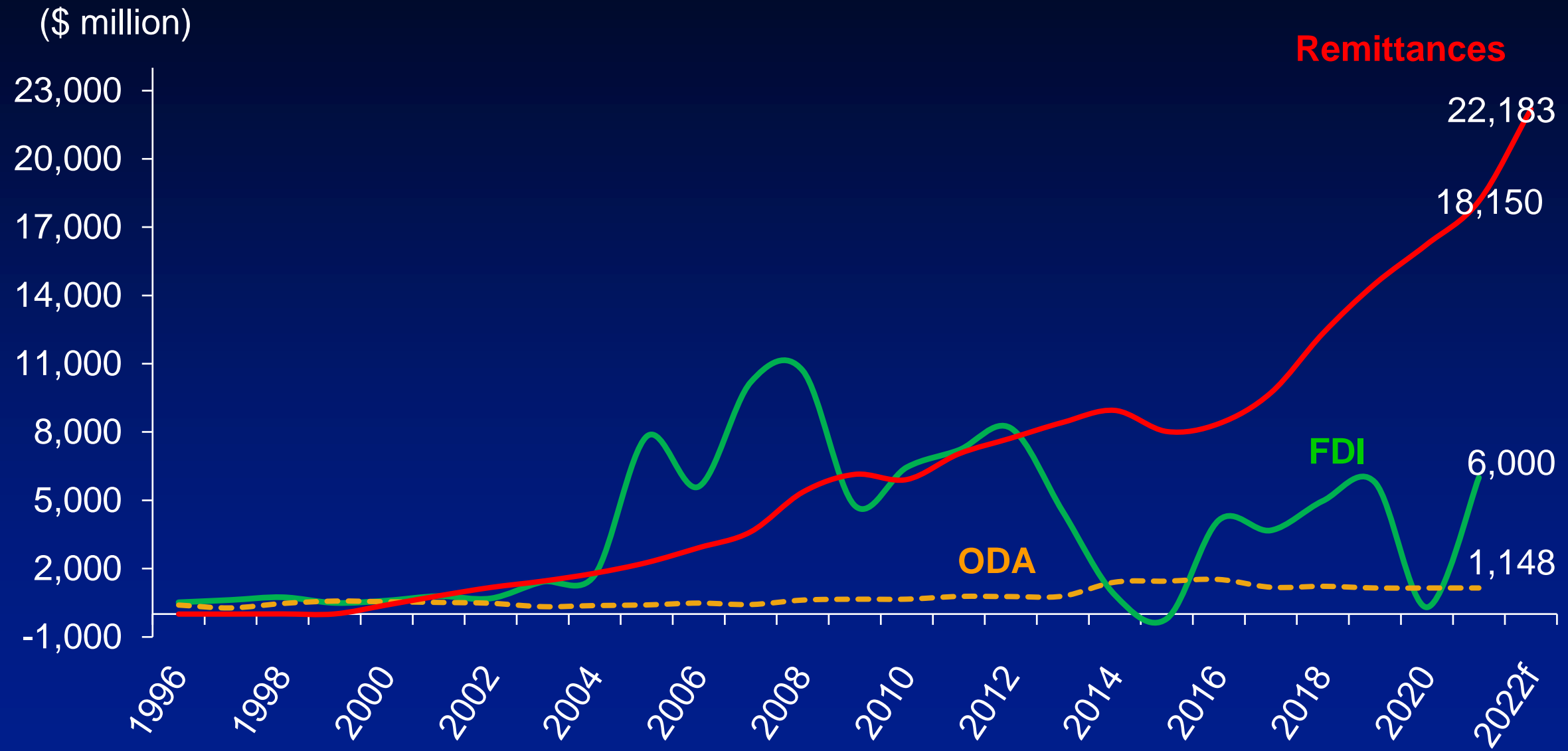
Growth in remittances to moderate in 2022, especially in ECA

Annual growth (percent)



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

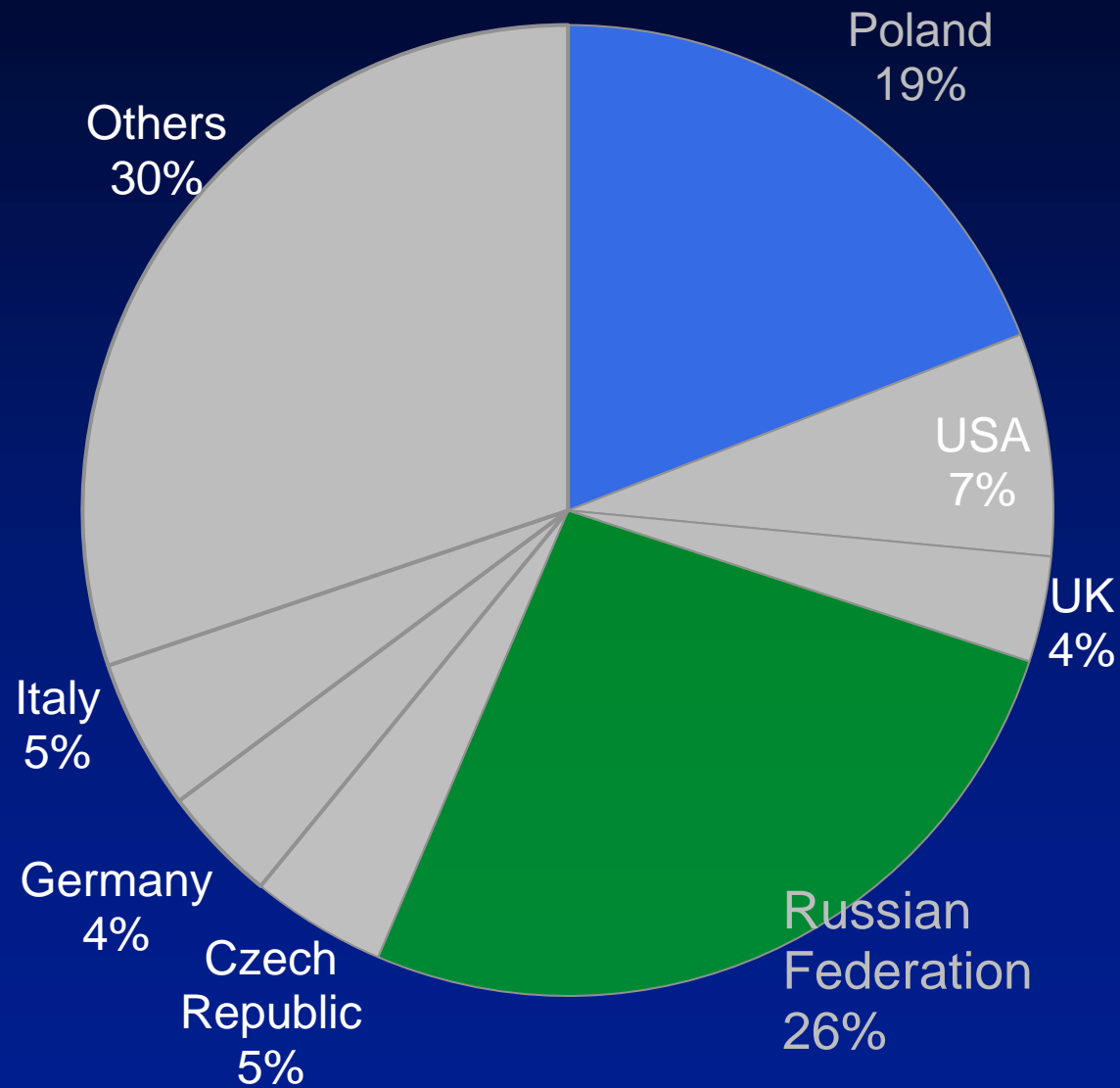
Remittance flows are significantly larger than FDI and ODA flows to Ukraine



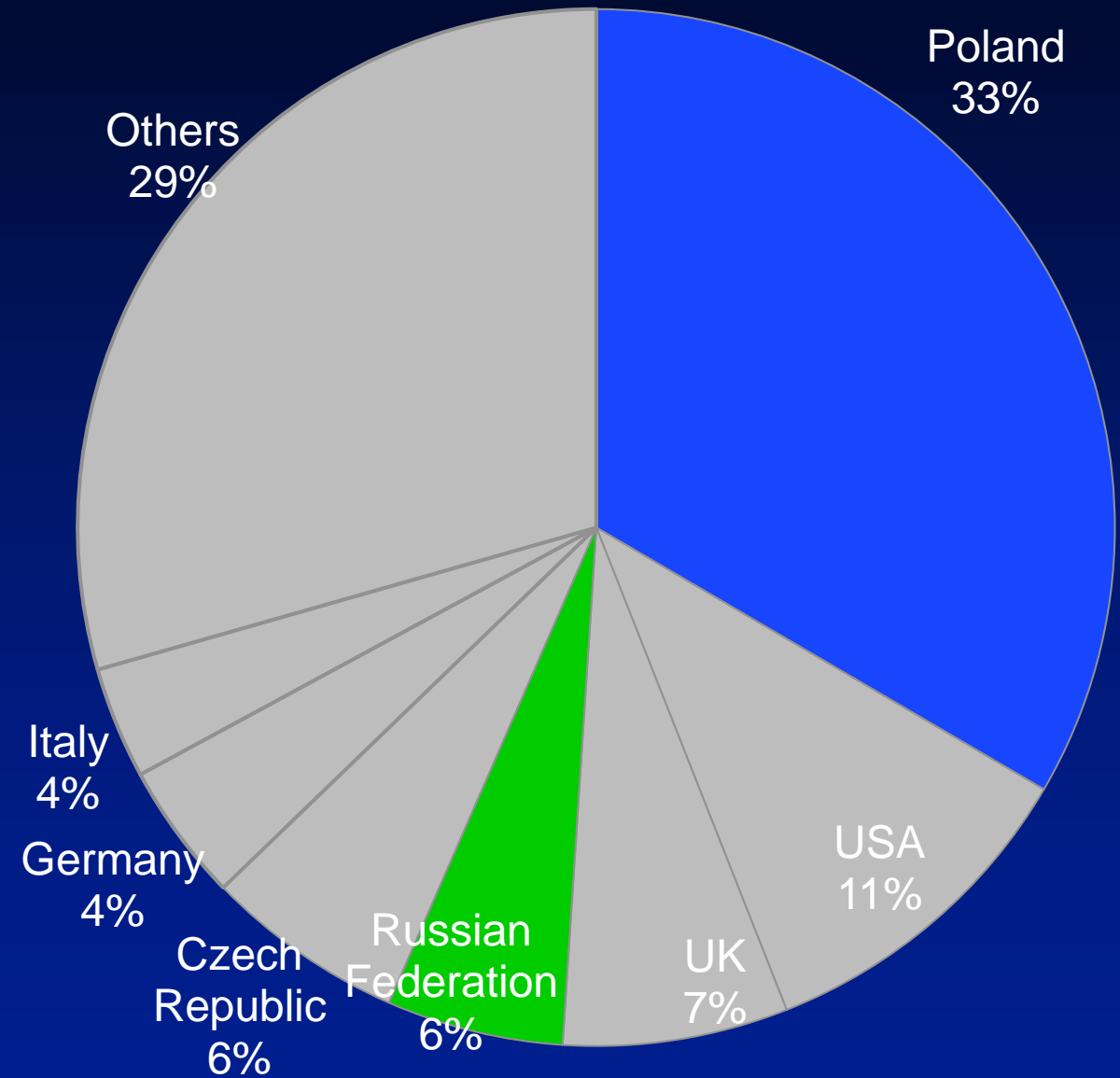
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

Sources of Remittances Receipts in Ukraine, 2015 and 2021

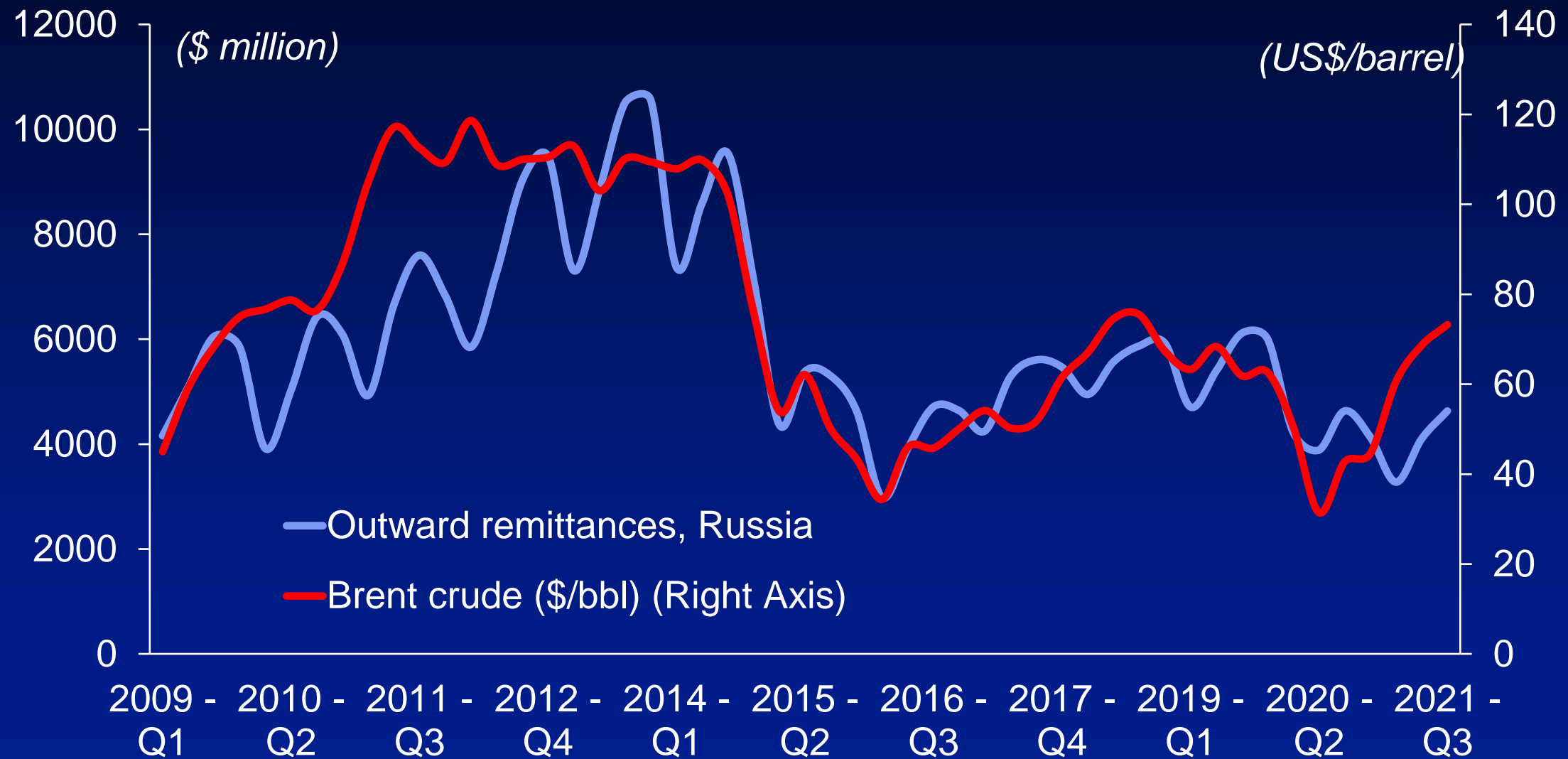
2015



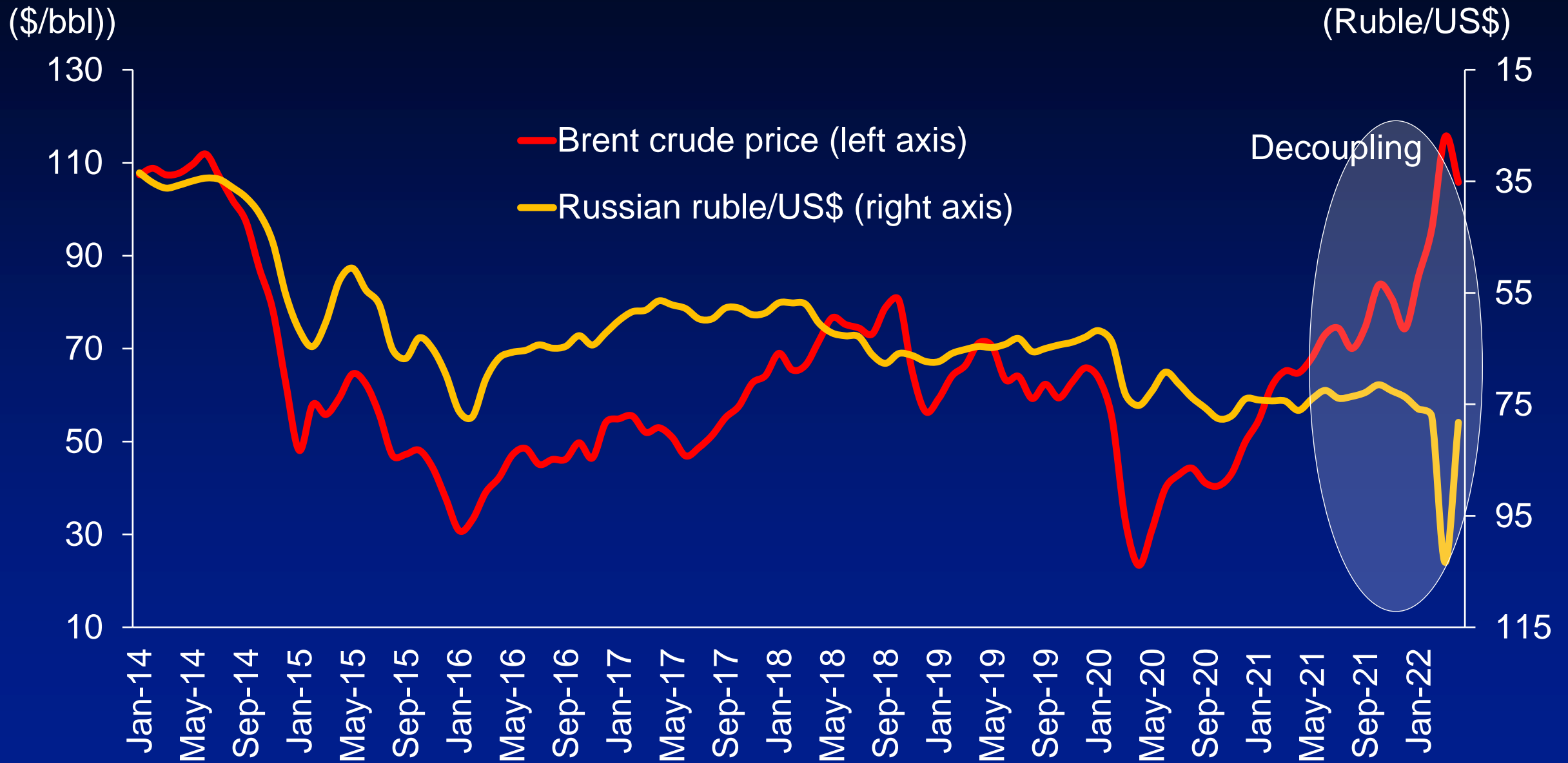
2021



Higher oil price boosted outward remittance flows from Russia in 2021



Correlation between the Ruble/US\$ exchange rate and oil Prices has changed in recent years



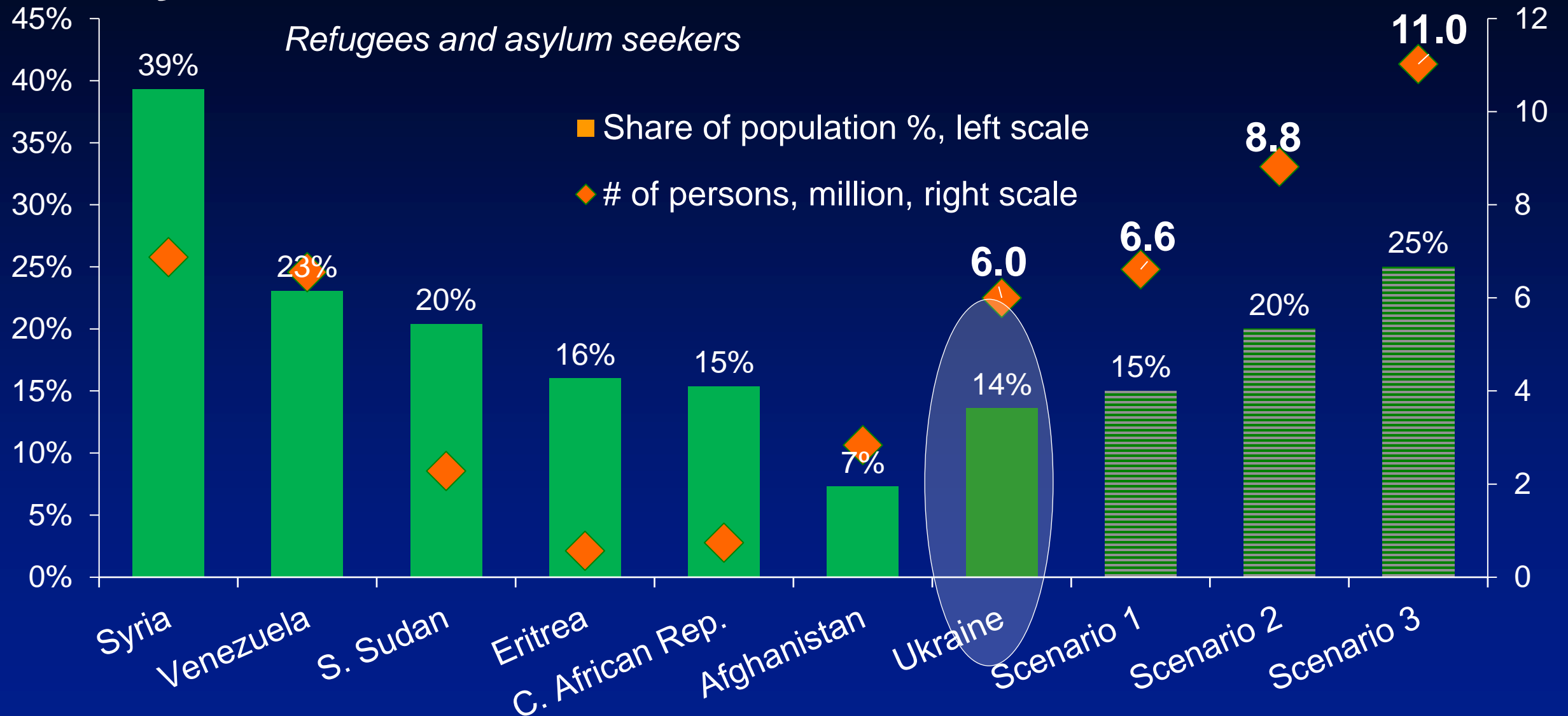
Flows to Ukraine are likely to increase while those to other countries in Central Asia are likely to decline

Country	Remittance inflows, 2021 (\$ million)	% of GDP, 2021	% of exports of goods and services, 2021	Share of remittances from Russia, 2021	Projected growth, 2022*
Ukraine	18,150	9.2%	28.9%	4%	22%
Armenia	1,610	11.6%	42.7%	59%	-19%
Azerbaijan	1,527	2.8%	10.1%	57%	-21%
Belarus	1,137	1.7%	3.0%	43%	-9%
Georgia	2,644	14.1%	43.4%	16%	-5%
Kazakhstan	310	0.2%	0.6%	55%	-19%
Kyrgyz Rep.	2,798	32.8%	114.9%	82%	-32%
Moldova	2,085	15.2%	63.9%	14%	-1%
Tajikistan	2,922	34.5%	204.8%	58%	-22%
Uzbekistan	9,198	13.3%	62.9%	56%	-21%

* Assuming decline of 40% in outbound remittances from Russia

Sources: Bank of Russia, National Bank of Ukraine, National Bank of Georgia, and KNOMAD/World Bank staff estimates.

Refugee and migratory movements from Ukraine likely to increase further



Sources: UNHCR, World Development Indicators, and KNOMAD-World Bank staff estimates
 Note: Refugee data as of March 23, 2022 for Ukraine, and mid-2021 for other countries

Government policy responses during the crisis

Supporting migrants	Supporting migrants' families	Supporting remittance infrastructure
<ul style="list-style-type: none"> • Support Ukrainian migrants and refugees. • Support migrants and refugees stranded in Ukraine. • Extend cash transfer programs to support internal and international migrants. • Provide access to vaccines, health services, education, and housing. • Protect migrants from trafficking. • Support returning migrants (access to training, jobs, credit for business investment). 	<ul style="list-style-type: none"> • Support social services and provide cash transfers to families left behind. • Provide access to vaccines, health services, education, and housing. • Protect women and children from trafficking. 	<ul style="list-style-type: none"> • Ensure access to cash during the crisis. • Simplify AML/CFT requirements for “small” remittances. Transition to risk-based, harmonized regulations and reduce burden of compliance while maintaining financial integrity. • Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts. • Improve efficiency and interoperability of remittance services. • Improve collection of high-frequency, timely data across remittance corridors and channels.

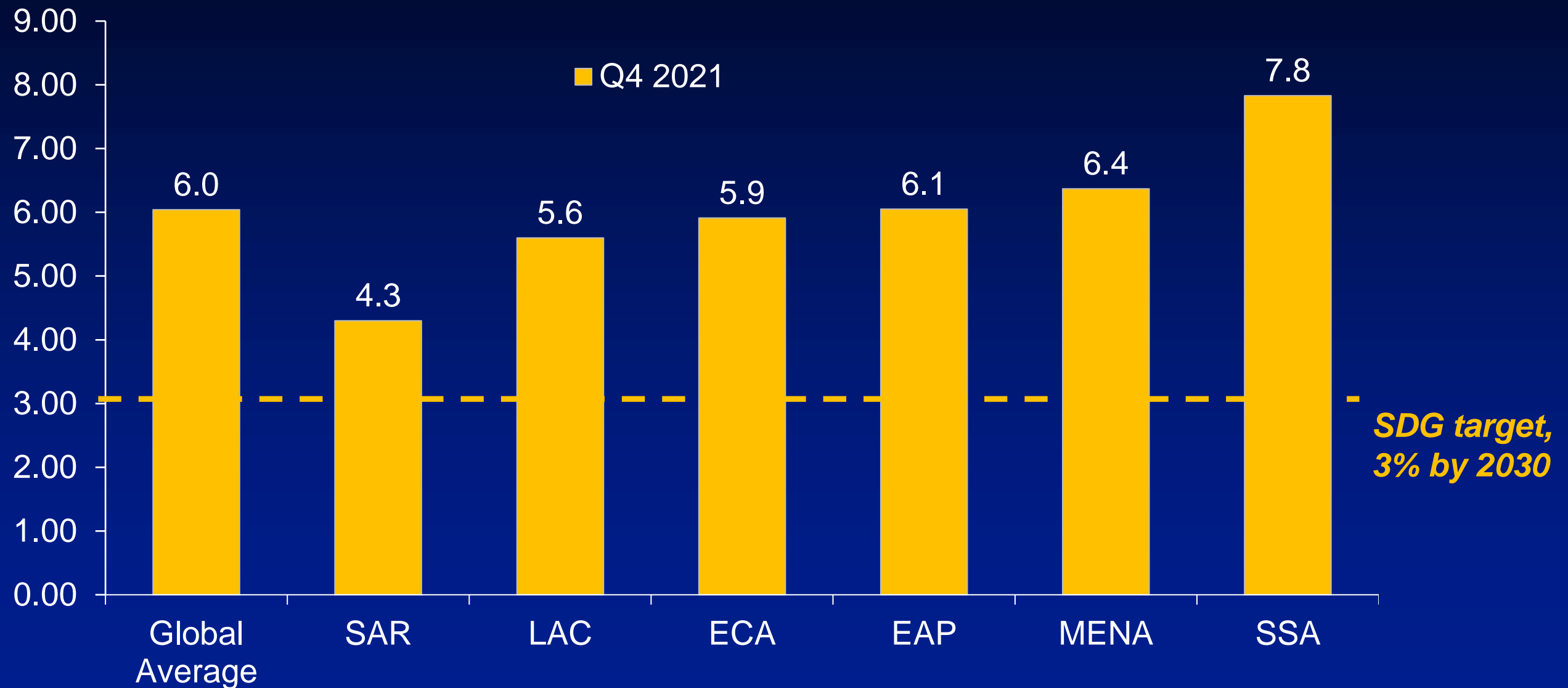
Global Financial Crisis 2009	COVID-19 Crisis 2020-present	Ukraine Crisis Present
Mostly host countries in the Global North	All countries	Mostly Europe, second-order impacts through food, fuel prices
International migrant stock increased—both new migration and return migration decreased; the latter decreased more	International migrant stock decreased—new migration decreased, return migration increased, transit migration increased	International migrant stock increased—new migration increased; refugees increased
No access to social services or jobs for migrants	Access to job markets and social benefits	Near universal access to job markets and social benefits
All migrants and their families were impacted	All migrants and their families were impacted	Gender dimension: refugees are women and children, who are more vulnerable to trafficking

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Remittance costs continued to remain high in 2021Q4, more than double the SDG target of 3 percent

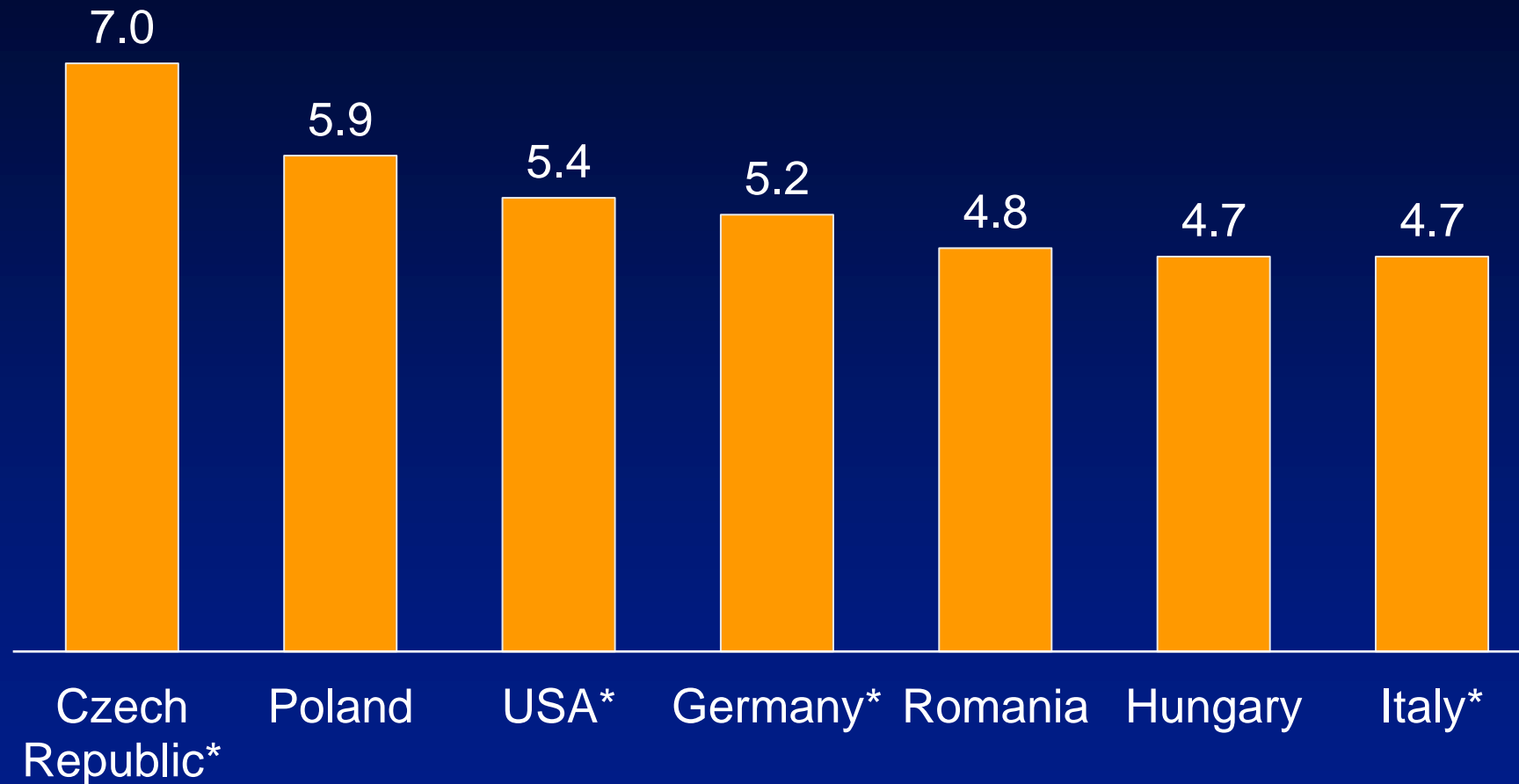
(Costs to send \$200, percent)



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

Costs of sending money to Ukraine are high

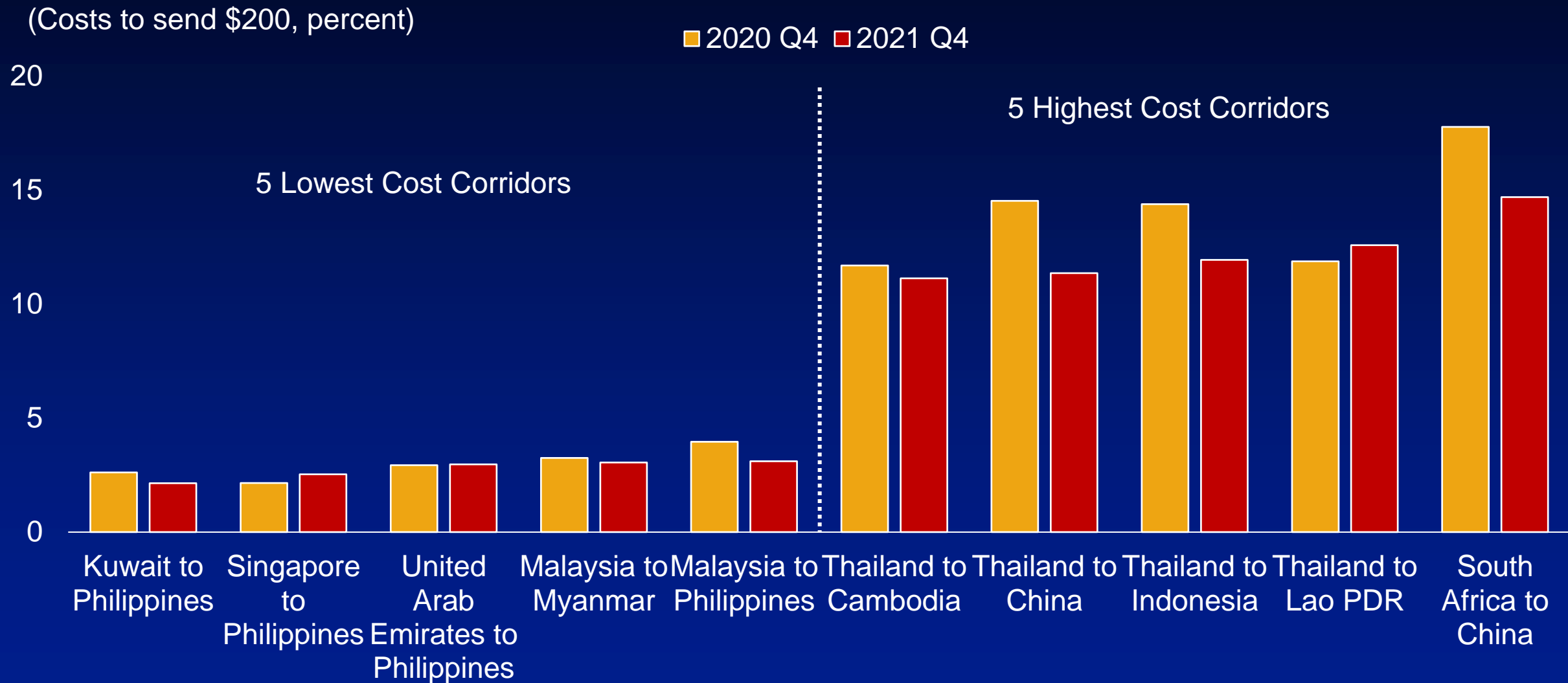
Cost of sending \$200 to Ukraine from different countries (%)



Reducing remittance costs by 2 percentage points will save Ukrainian migrants \$400 million per year

Sources: Remittance Prices Worldwide, and KNOMAD-World Bank staff estimates
Note:*2021 Q3, Poland, Hungary and Romania are for March 3, 2022

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



Global Financial Crisis 2009	COVID-19 Crisis 2020-present	Ukraine Crisis Present
Remittances decreased; reports of reverse remittances to countries of Global North	Remittances sent to transit migrants in transit countries	Remittances to Ukraine to increase, to Central Asia to decrease
Remittance flows through informal channels increased	A switch to digital and formal remittance channels as cash was avoided	A disruption of the SWIFT system and rise of different, multipolar payment systems

Global Governance of Migration

	Internal	International	
Economic or voluntary	Internal migrants 760 million	International migrants 250 million	<i>Global Compact on Migration</i>
Forced	Disaster-driven IDPs 7 million	Climate-driven migrants Unknown number	
	FCV-driven IDPs 48 million	Refugees and asylum seekers 35 million	<i>Global Compact on Refugees</i>

**The Ukraine crisis has strengthened the case for a
Concessional Financing Facility for Migration to
support host countries**

- To support host countries experiencing large influx of migrants and refugees
- To support origin countries experiencing large scale return migration

Credibility of international payment system has been undermined

- Expect a **multipolar** payment system with multiple central bank digital currencies
- **Lack of inter-operability** will continue to affect efficiency; **FX spreads** will continue to remain high
- **Unbanked persons** would still be left out – unless a social-impact entity steps in to service retail customers on a cost-plus basis

Current market

1. Supplier-led pricing
2. Exclusivity
 - Exclusive partnerships (with post offices)
 - Exclusive technology
3. Fragmented market
 - Oligopoly
 - Fragmented market
 - North-South flows
 - Mostly P2P
4. High Regulatory Cost
 - AML/CFT
 - Unique and changing local market regulations
5. Legacy systems
 - Outdated technology
 - Manual processes

Need a Remittance Platform

1. Social impact motive

2. Shared

- Partnerships with all
- Shared remittance platform

3. Consolidation, Efficiency and Scalability

- Global, multi-directional
- Real-time information
- B2B, P2P, B2P, P2B, G2P

4. Global compliance solution

- Efficient, global KYC process to avoid duplication, tracking

5. Latest technology

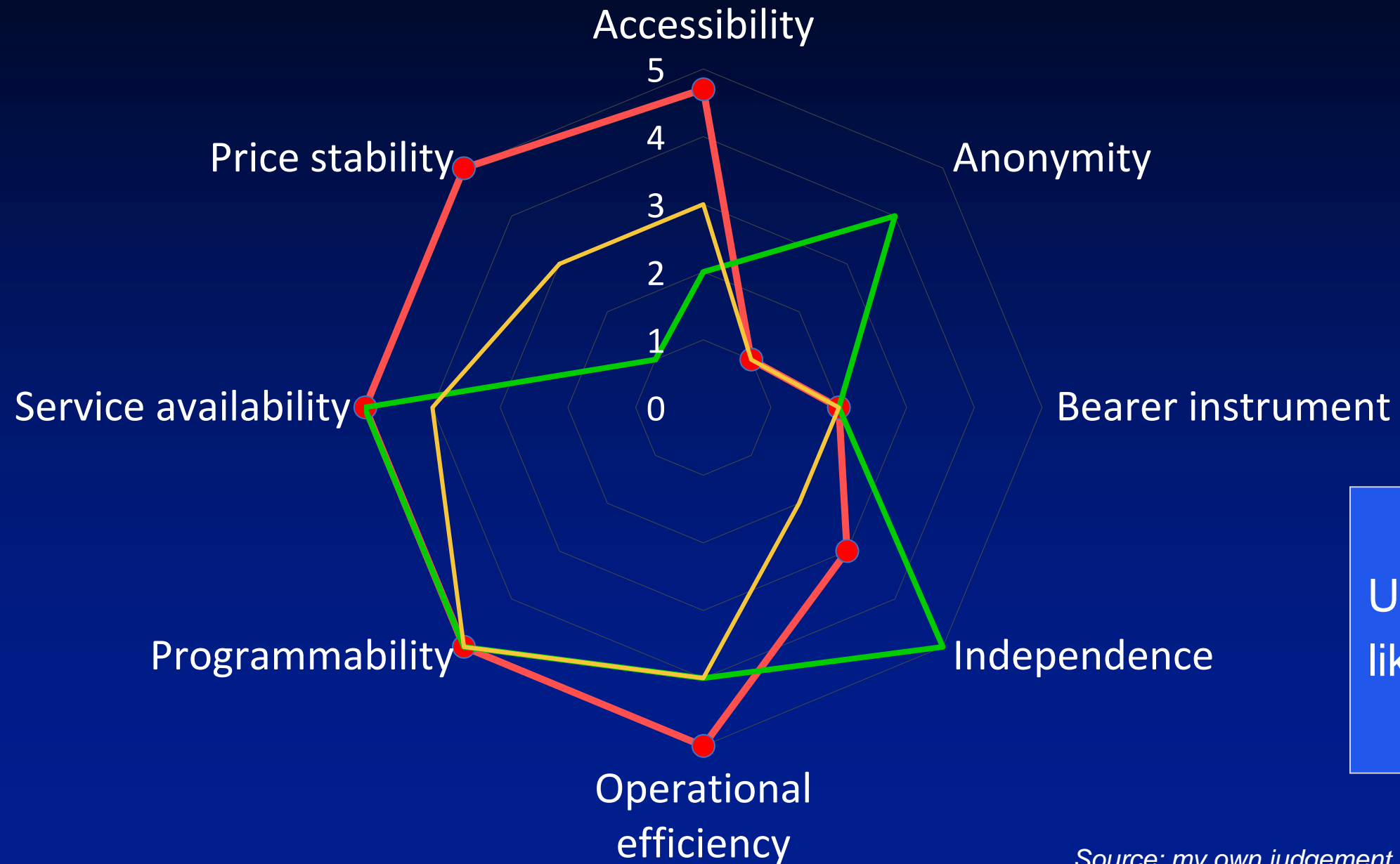
- Inter-operability
- Automation (cryptocurrencies or CBDCs or stablecoins)

Digital currencies

- Digital currencies include mobile wallets, CBDCs and cryptocurrencies
- Comparing digital currencies across several dimensions:
 - Accessibility: customer access to payment mechanism
 - Anonymity: of transactions
 - Bearer Instrument: payability to anyone in possession of the instrument
 - Independence: (No) need for intermediaries
 - Operational efficiency: cost of operating the instrument, for the issuer, for the customer
 - Programmability: for specific uses
 - Service availability: 24x7x365?

Comparison of CBDCs, Cryptocurrencies and Stablecoins

● Hybrid CBDC ● Cryptocurrency ● Stablecoin



Unbanked persons are likely to be left out

Source: my own judgement, extension of Wong and Maniff 2020

The Future

- Cryptocurrencies (esp Bitcoin, Ethereum) to continue to co-exist with CBDCs and cash; presently cryptos are not yet operationally efficient for P2P payments; price volatility will remain a challenge. (Solutions to high energy use are likely to emerge)
- Hybrid CBDCs have greater chance of applications in B2B, G2P and P2P
- Banks will continue to exist, and lack of inter-operability will continue to affect efficiency; FX spreads will continue to remain high
- Unbanked persons would still be left out – unless a social-impact entity steps in to service the retail customer on a cost-plus basis

Key messages

- The Ukraine crisis on top of the COVID-19 crisis has once again highlighted the case for strong global cooperation to address migration. In particular, it has strengthened the case for a **Concessional Financing Facility for Migration** to support host countries to support host countries experiencing large influx of migrants and refugees, and to support origin countries experiencing large scale return migration.
- Remittance flows to low-and middle-income countries are expected to rise to **\$630 billion** in 2022. these flows are no longer small change – they provide a financial lifeline to many low- and middle-income countries.
- Recent sanctions on Russia have undermined the credibility of international payment systems, raising the prospect of fragmentation, lack of interoperability, higher costs for unbanked populations.