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Migration and Remittances: Recent Developments and Outlook¹

- Remittances to developing countries are estimated at \$404 billion in 2013, up 3.5 percent compared with 2012. Growth in remittance flows to developing countries is expected to accelerate to an annual average of 8.4 percent over the next three years, raising flows to \$436 billion in 2014 and \$516 billion in 2016.
- Rising anti-immigrant sentiment in many developed destination countries, as evident from deportation of migrants, is a growing concern. Saudi Arabia deported more than 370,000 migrants in the 5 months since November 2013, many of whom come from Ethiopia, Egypt and Yemen. In the US, over 368,000 people were deported in 2013 (mostly migrants seeking entry into the US and apprehended at the border), with Mexico and Central American countries the main places of origin.
- The average total cost of sending remittances fell in the first quarter of 2014, dipping below 8.4 percent (simple average of country-specific corridors), compared with over 9.0 percent a year earlier. The dollar-value weighted average dropped a full percentage point to 5.9 percent at the end of 2013, from 6.9 percent the previous year, confirming the importance of remittance volume and competition to maintaining downward pressure on fees. The average cost of remittances to Sub-Saharan Africa has remained stubbornly high around 12 percent. Also South-South remittances are either not permitted or very costly due to outward capital controls in many developing countries.
- Efforts are underway to mobilize diaspora savings for development purposes, including through diaspora bonds. Migrants living in high-income countries hold savings in excess of \$500 billion, and several countries, such as Nigeria, are readying diaspora bonds to tap into this large pool of funds.
- With nearly 1 out of 7 persons in the world being either an international or an internal migrant, there is a growing awareness of the importance of migration in the post-2015 development agenda, especially the need for reducing migration costs (such as recruitment costs) and improving migrant rights. In addition, diaspora remittances and savings can be leveraged to boost financing for development. The UN High-Level Dialogue on migration and development concluded successfully in October 2013, with unanimous support for a declaration of an 8-point action plan.
- The closure of bank accounts of money transfer operators serving Somalia and other fragile countries is a matter of concern. Remittances provide a lifeline to 'fragile and conflict-affected' countries where they are more than 5 times larger than foreign aid, FDI and other sources of international currency. Anti-money laundering and countering the financing of terror (AML/CFT) regulations have to be carefully balanced with the development objective of helping the poor.

¹ This brief reports an update on migration and remittance data as well as salient policy developments in the area of international migration and development. This brief was prepared by Dilip Ratha, Supriyo De, Ervin Dervisevic, Christian Eigen-Zucchi, Sonia Plaza, Hanspeter Wyss, Soonhwa Yi, and Seyed Reza Yousefi. Thanks to Andrew Burns for constructive comments.

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Global trends

According to new data released by the United Nations, there were 232 million international migrants (or 3.2 percent of world population) in 2013, up from 175 million in 2000.² In contrast with common perceptions, South-South migration was larger than South-North migration: 82.3 million (or 36 percent) of migrants from developing countries lived in another developing country, compared to 81.9 million (or 35 percent of migrants from the South) lived in a developed country. Women accounted for 48 percent of international migrants.

Based on recent data released by the IMF and central bank sources, international migrant remittances to developing countries are estimated to have reached \$404 billion in 2013 (figure 1 and table 1). The outlook for remittances remains strong. Growth may accelerate to an annual average of 8.4 percent a year in 2014-2016, bringing remittances to developing countries to \$516 billion in 2016. Global remittance flows, including to higher income countries, are estimated at \$542 billion in 2013, and could rise to \$680 billion by 2016. The projections of remittances are prepared based on the outlook for world GDP (from World Bank's Global Economic Prospects, January 2014), bilateral matrices of migrant stocks and remittances, and the recent historical growth rate of remittances.³ The main driver of growth in remittance flows is the expansion of incomes in the destination countries. Exchange rate movements of world currencies also contribute significantly to the outlook for remittances expressed in US dollars. The impetus to migrate remains strong, and improving employment conditions in source countries for remittances combined with progress on lowering costs and expanding financial vehicles for receiving remittances is providing a boost.

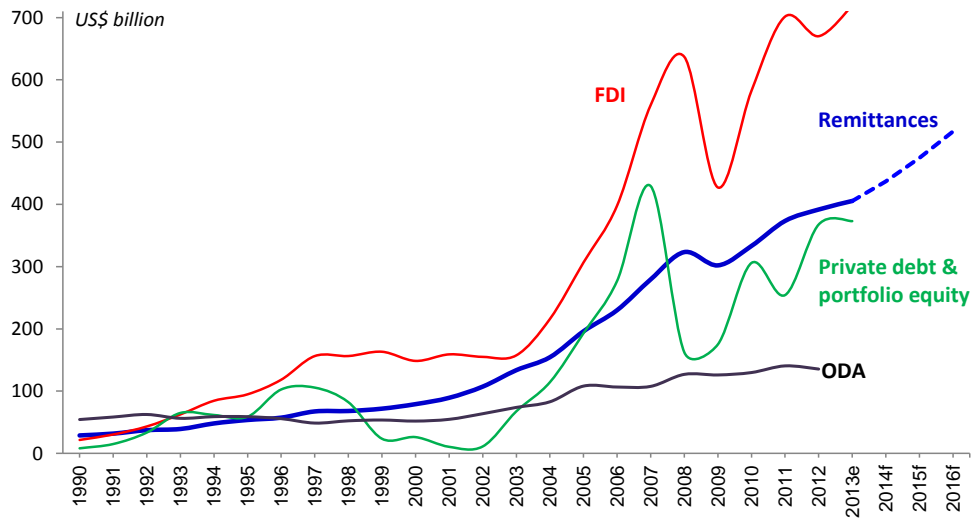
Remittances remain a key source of external resource flows for developing countries, far exceeding official development assistance and more stable than private debt and portfolio equity flows (figure 1). The central role of remittances to underpinning the balance of payments is also evident from comparisons with exports and imports of goods and services (figures 2a and 2b). Even in several of the

² The new database is available at <http://esa.un.org/unmigration/TIMSA2013/migrantstocks2013.htm?mtotals>. These data were released ahead of the UN High-Level Dialogue on International Migration and Development – see <http://www.un.org/en/ga/68/meetings/migration/>.

³ A description of the methodology is available at <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5512>.

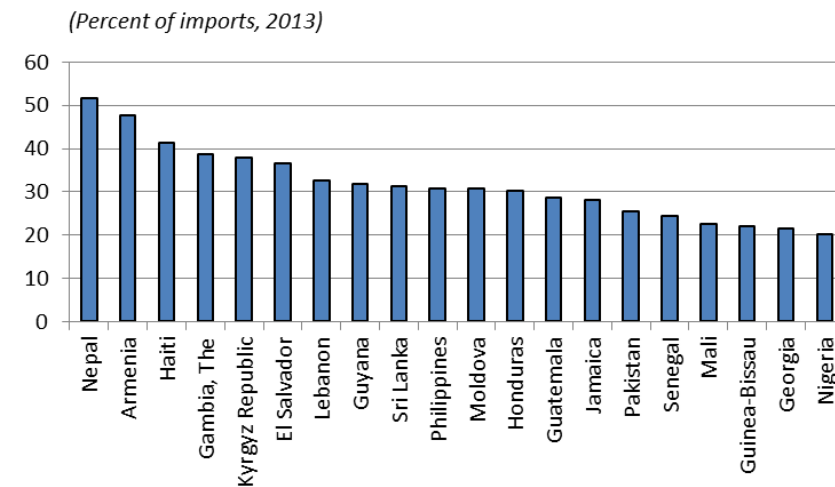
largest emerging markets, such as India, remittances in 2013 were equivalent to 15 percent of exports, and covered 12 percent of imports. Comparisons with key foreign exchange earners are similarly striking. In 2013, remittances to India exceeded earnings from IT services, and inflows to Egypt were larger than earnings from the Suez Canal. During the same year, remittances to Bangladesh were equivalent to 84 percent of garment exports, and inflows to Nigeria amounted to about 22 percent of receipts from petroleum exports.

Figure 1: Remittances flows are large, and growing



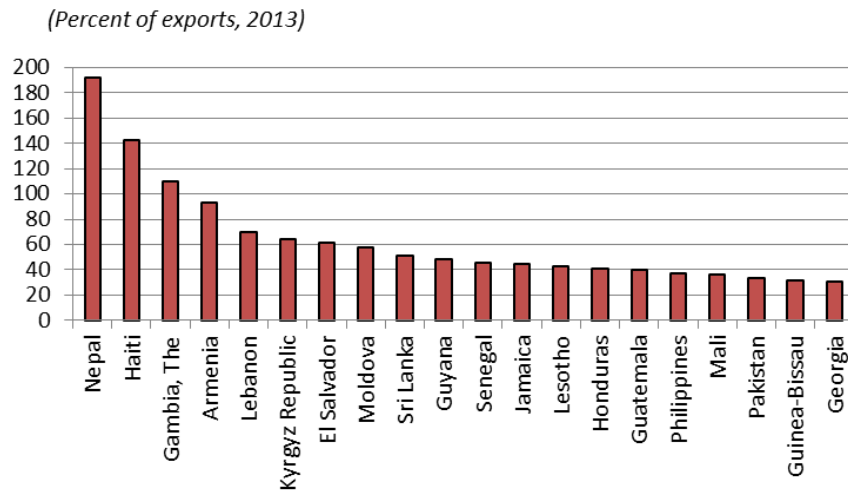
Sources: World Development Indicators and World Bank Development Prospects Group

Figure 2a: Remittances cover more than 20 percent of imports in 20 countries



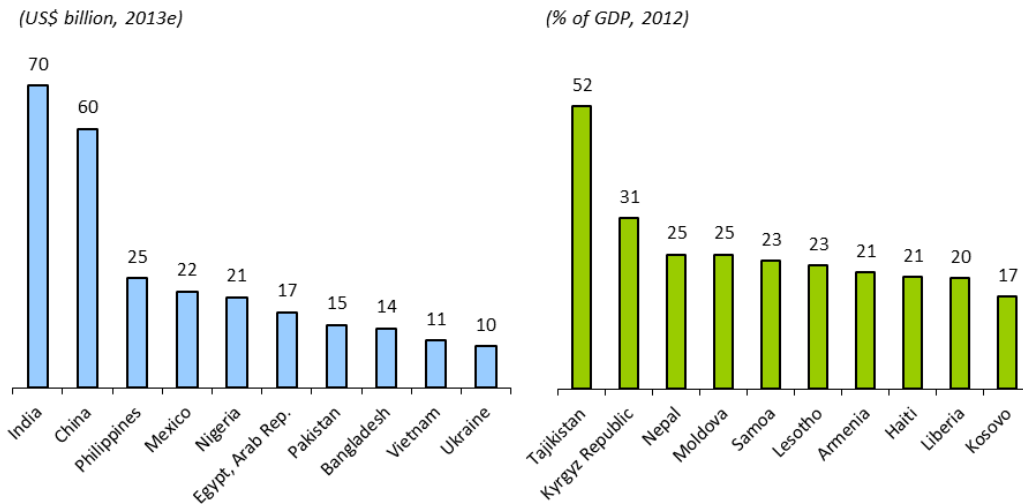
Source: IMF, World Bank staff estimates

Figure 2b: Remittances are equivalent to more than 30 percent of exports in 20 countries



India remains the largest recipient of officially recorded remittances in the world, and received about \$70 billion in remittances in 2013. Other large recipients include China (\$60 billion), the Philippines (\$25 billion), Mexico (\$22 billion), Nigeria (\$21 billion), and Egypt (\$17 billion) (figure 3). Revised estimates suggest that remittances as a share of GDP were 52 percent in Tajikistan, 31 percent in the Kyrgyz Republic, and 25 percent in both Nepal and Moldova. Remittances to many smaller developing countries tend to be equivalent to a larger share of their respective GDP.

Figure 3: Top 10 recipients of remittances



Source: Same as in table 1.

Table 1: Estimates and projections for remittance flows to developing countries

| | 2010 | 2011 | 2012 | 2013e | 2014f | 2015f | 2016f |
|-------------------------------------|-------------------------------|-------------|-------------|-------------|------------|-------------|-------------|
| | <i>(\$ billions)</i> | | | | | | |
| All developing countries | 333 | 373 | 392 | 404 | 436 | 473 | 516 |
| East Asia and Pacific | 95 | 107 | 107 | 112 | 123 | 135 | 148 |
| Europe and Central Asia | 32 | 38 | 39 | 43 | 45 | 49 | 54 |
| Latin America and Caribbean | 56 | 59 | 60 | 61 | 66 | 73 | 81 |
| Middle-East and North Africa | 40 | 42 | 47 | 46 | 49 | 52 | 55 |
| South Asia | 82 | 96 | 108 | 111 | 118 | 127 | 136 |
| Sub-Saharan Africa | 29 | 31 | 31 | 32 | 35 | 38 | 41 |
| World | 453 | 507 | 521 | 542 | 581 | 628 | 681 |
| Low-income countries | 24 | 28 | 32 | 34 | 37 | 40 | 44 |
| Middle-income | 310 | 345 | 359 | 371 | 399 | 433 | 472 |
| High income | 120 | 133 | 130 | 137 | 145 | 155 | 165 |
| | <i>(Growth rate, percent)</i> | | | | | | |
| All developing countries | 10.3 | 12.1 | 4.9 | 3.3 | 7.8 | 8.6 | 8.9 |
| <i>East Asia and Pacific</i> | <i>20.2</i> | <i>13.0</i> | <i>0.1</i> | <i>4.8</i> | <i>9.0</i> | <i>9.9</i> | <i>10.1</i> |
| <i>Europe and Central Asia</i> | <i>-0.8</i> | <i>17.0</i> | <i>2.7</i> | <i>10.0</i> | <i>6.7</i> | <i>8.4</i> | <i>9.4</i> |
| <i>Latin America and Caribbean</i> | <i>1.1</i> | <i>5.9</i> | <i>0.9</i> | <i>1.9</i> | <i>9.4</i> | <i>10.4</i> | <i>10.6</i> |
| <i>Middle-East and North Africa</i> | <i>18.0</i> | <i>6.5</i> | <i>11.8</i> | <i>-2.0</i> | <i>5.6</i> | <i>6.2</i> | <i>6.3</i> |
| <i>South Asia</i> | <i>9.4</i> | <i>17.7</i> | <i>12.1</i> | <i>2.3</i> | <i>6.6</i> | <i>7.3</i> | <i>7.5</i> |
| <i>Sub-Saharan Africa</i> | <i>7.0</i> | <i>6.8</i> | <i>0.1</i> | <i>3.5</i> | <i>8.7</i> | <i>9.1</i> | <i>9.4</i> |
| World | 8.7 | 11.7 | 2.9 | 3.9 | 7.3 | 8.1 | 8.4 |
| <i>Low-income countries</i> | <i>10.9</i> | <i>19.3</i> | <i>15.2</i> | <i>4.1</i> | <i>8.6</i> | <i>9.5</i> | <i>9.9</i> |
| <i>Middle-income</i> | <i>10.3</i> | <i>11.5</i> | <i>4.1</i> | <i>3.2</i> | <i>7.7</i> | <i>8.5</i> | <i>8.9</i> |
| <i>High income</i> | <i>4.5</i> | <i>10.7</i> | <i>-2.5</i> | <i>5.9</i> | <i>5.7</i> | <i>6.5</i> | <i>6.8</i> |

Source: World Bank staff calculations based on data from IMF Balance of Payments Statistics Yearbooks and data releases from central banks, national statistical agencies, and World Bank country desks. See Migration and Development Brief 12 for the forecast methodology. Following IMF BOP Manual 6, remittances are defined as personal transfers and compensation of employees. The dataset for all countries is available at www.worldbank.org/migration.

Regional trends

The growth of remittances was generally robust in all regions during 2013, except Latin America and North Africa, where the two largest countries, Mexico and Egypt, respectively, saw falls in remittance inflows. In addition to key regional highlights noted here, more detail on each of the six regions is presented in the **Regional Annex** below.

Remittances to developing countries in the **East Asia and the Pacific (EAP)** region are estimated to have risen by 4.8 percent in 2013 to reach \$112 billion. Thailand, Vietnam, and the Philippines continue to see robust growth. Flows to the region are expected to exceed \$148 billion by 2016. Substantial movement of people continues within the region, driven in large part by persistent disparities in opportunities and incomes. For instance, the minimum wage in Thailand is 13 times higher than in Myanmar. These trends are likely to persist, given the different demographic trajectories of various countries in the region, as well as the continued government efforts to meet skill gaps with workers from neighboring countries. While low-skilled workers account for the majority of migration, the need for high-skilled workers is

growing in the region. The ASEAN members have set a target of free mobility of high skilled workers within the region by 2015.

In **Europe and Central Asia (ECA)**, remittances rebounded from the slowdown in 2012, expanding by 10 percent in 2013 to reach \$43 billion. Firm oil prices through 2013 helped fuel Russia's economy, which is the largest source of remittances sent to the ECA region. The crisis in Crimea and Ukraine in early 2014 has precipitated a substantial depreciation of the ruble, and remittances expressed in US dollars face some uncertainty over the coming years. (A small depreciation of the ruble may increase remittances, but a large depreciation is likely to reduce remittances out of Russia.)

Remittance flows to countries in the **Latin America and the Caribbean (LAC)** region grew only by 1.9 percent in 2013 to reach \$61 billion. The positive impetus from the US economic recovery was partly offset by a slowdown in new migration from the region to the US, an increase in deportations from the US, and the economic slowdown in Spain and Italy. Weak employment conditions and rising anti-immigration sentiments in Europe pose a risk to the outlook for remittances to Latin American countries. Remittance flows to Mexico and Peru declined in 2013. The pace of growth in the flows to the rest of Latin American countries has been uneven. Overall, improving employment conditions in the US point to a stronger growth in remittances to LAC in the coming years, and remittances may reach \$81 billion by 2016.

In the **Middle East and North Africa (MENA)** region, remittances are estimated to have fallen by 2 percent in 2013, as a drop in remittances to Egypt more than offset modest growth in the rest of the region. Despite oil prices remaining firm and underpinning the economies of the Gulf Cooperation Council countries, deportations from Saudi Arabia and other disruptions are hurting remittance flows. The Government of Saudi Arabia deported over 370,000 migrants since the beginning of November 2013, when concerted efforts to strengthen law enforcement were initiated. This is likely to have a major impact on remittance flows from Saudi Arabia to those countries whose nationals are most affected, including Bangladesh, Ethiopia, Egypt and Yemen. The refugee crisis in Syria continues in staggering proportions. More than 2.5 million Syrians (11 percent of the population) are now living in neighboring countries, with over 1 million in Lebanon alone. International appeals for assistance in order to meet basic needs of Syrians displaced due to the conflict have garnered about 14 percent of requirements, and more needs to be done.

Growth in remittances to the **South Asia region (SAR)** has slowed, rising by 2.3 percent in 2013 compared with the very rapid increases of the previous three years. This was driven by a modest increase in India of only 1.7 percent in 2013, and a decline in Bangladesh of -2.4 percent. The depreciation of the Indian rupee during 2013 appears to have attracted inflows through a surge in the deposits of non-resident Indians rather than remittances. In Bangladesh, the fall in remittances stems from a combination of factors, including fewer migrants finding jobs in the GCC countries, more migrants returning from GCC countries due to difficulties in resolving legal status, and the appreciation of the Bangladeshi taka against the US dollar. Still, some rebound is projected in the coming years, and remittances continue to play an important role in underpinning the balance of payments. Pakistan continued to register robust growth in remittances – its dependence on remittances, which are now nearly three times the level of international reserves, remains high.

After remaining broadly unchanged in 2012, remittances to **Sub-Saharan Africa (SSA)** grew by 3.5 percent in 2013 to reach \$32 billion. The quality of data on migration and remittances in the region remains weak. According to available official data, Nigeria remains the largest recipient by far, with migrants sending about \$21 billion in 2013. SSA is one of the few regions in the world where official development assistance is larger than remittances, and both are much more stable than either FDI or

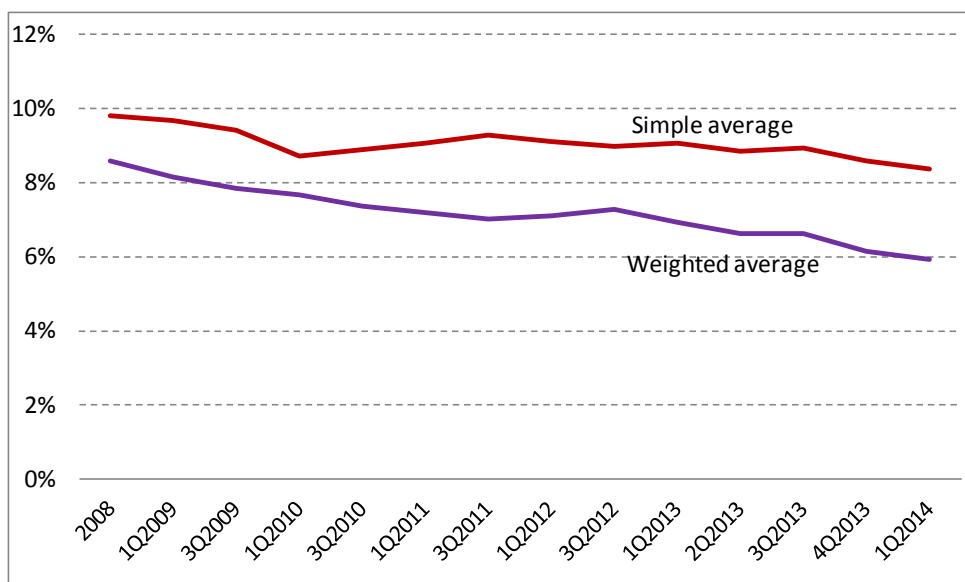
private financing flows. Many countries in the region have large diasporas overseas, with substantial diaspora savings that could be mobilized for development financing (see below).

Special Topics

Reducing remittance costs and progress in the Global Remittances Agenda

The data gathered by Remittance Prices Worldwide (RPW) points to a substantial reduction in the cost of making remittances.⁴ The simple average of country-corridor remittances cost fell to 8.4 percent in the first quarter of 2014, compared with 9.1 percent a year earlier (figure 4). The weighted average (weighted by the size of bilateral remittance flows) fell even more, declining to 5.9 percent in the first quarter of 2014, compared with 6.9 percent the previous year. G20 progress toward their 2009 objective – of reducing remittance costs to 5 percent by 2014 – has been mixed. The (simple) average cost of making remittances from G20 countries to the rest of the world fell to 8.4 percent in the first quarter of 2014.⁵ With the end of the 5-year period of the “5x5 Objective” approaching, intensified efforts are needed. Among the G20, Russia, Saudi Arabia and the United States are the least cost source countries for remittances.

Figure 4: Total cost of sending \$200, including fees and exchange rate margins (%)



Source: Remittance Prices Worldwide, the World Bank.

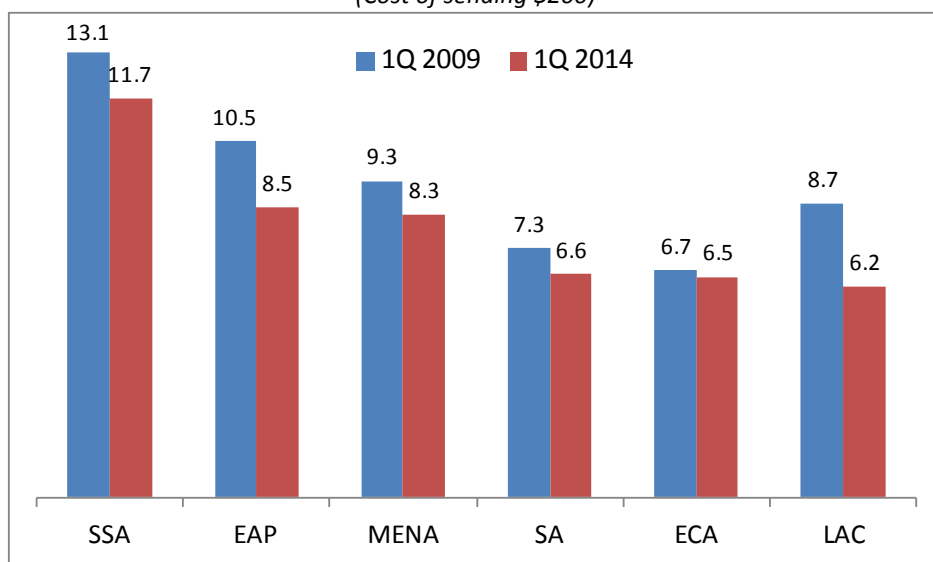
In the first quarter of 2014, researchers looked more closely at the question of whether recipients of remittances were also charged “lifting fees” (as highlighted in our earlier Brief 21). Obtaining such information is particularly difficult, but remittance service providers (RSPs) were asked if they are aware of any fees being charged by agents on the recipient side, and 69 percent claim that there are no such fees (though there may be bias in this result). About 11 percent report that there is a receiving fee, mainly for transfers to bank accounts. Worryingly, in 19 percent of cases, RSPs were unable to inform clients on the sending side about whether or not the recipient would be charged fees. This practice and lack of transparency needs to be addressed.

⁴ Remittance Prices Worldwide, Issue No. 9 – March 2014.

⁵ See the Global Partnership for Financial Inclusion Report on the Remittance Agenda of the G20, April 2014. A 5 percentage-point reduction in remittance cost can result in over \$20 billion saving annually in the hands of migrants.

Substantial cost differences persist by region (figure 5). Sub-Saharan Africa remains the most expensive destination for remittances, with average cost stubbornly hovering around 12 percent in the first quarter of 2014, mainly due to high costs for remittances from Canada, France and Germany. The cost of sending remittances to LAC fell to 6.2 percent in the first quarter of 2014, from 7.0 percent the previous quarter-- making LAC the lowest cost destination. Comparatively low average costs of sending remittances to ECA continue to be driven largely by the very low costs for remittances coming from Russia.

Figure 5: Total averages by region of the world
(Cost of sending \$200)



Source: Remittance Prices Worldwide, World Bank.

Anecdotally, the cost of South-South remittances continues to remain high, with many developing countries imposing outright ban on outward remittances.⁶ Also the need for converting local currency of the source country to the US dollar or the euro and again back to the local currency of the beneficiary's country nearly doubles the foreign exchange commission, thus increasing South-South remittance fees. Reducing such fees should be a priority in the global remittances agenda.

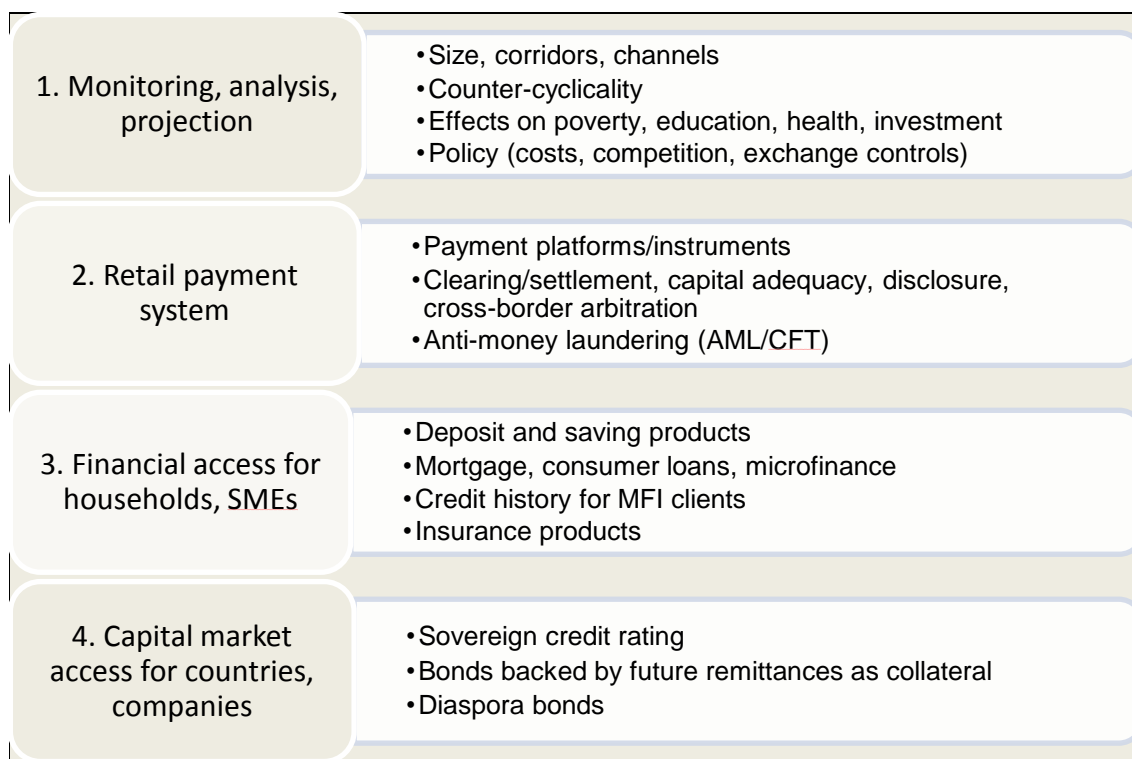
The volume of remittances and the extent of competition (as indicated by the number of money transfer operators) are major drivers of downward pressure on remittance prices. Conversely, the arbitrariness in applying the regulations for anti-money laundering and countering of the financing of terror (AML/CFT) continues to act as a barrier to entry for new market players and introduction of new technology, thus preventing remittance fees from falling further. This is especially true for Somalia and other countries deemed to be in fragile and conflict-afflicted situation. On the brighter side, there is anecdotal evidence of entry of new players as well as expansion of some existing minor companies in the global remittance market, especially in African and Asian corridors, which is likely to accelerate the decline in remittance fees.

Reducing remittance costs is one of four major areas of the Global Remittances Agenda (shown in figure 6) and, as reported above, there has been notable progress in this area. Also there has been some progress in the area of improving data on remittances and migration. The majority of countries have

⁶ This has been noted since 2006 – see Ratha and Shaw (2007). However, there has been no progress since. See <https://openknowledge.worldbank.org/bitstream/handle/10986/6733/400060PUB0REPL00Box317534B00PUBLIC0.pdf?sequence=5>

started reporting data on remittances according to the Sixth IMF Balance of Payments Manual (BPM6). The next step in this area is a careful mapping of remittance data from BPM5 to BPM6 to generate consistent historical data over time. In many developing countries, notably China, some African countries, and the countries in fragile and conflict situations, the quality of remittance data remains to be improved.

Figure 6: Global Remittances Agenda



As reported earlier, the United Nations Population Division (UNPD) released new data on international migration stocks in October 2013. There is a major effort underway, with UN Population Division and the International Organization for Migration (IOM) taking the lead and with the support of the Global Knowledge Partnership on Migration and Development (KNOMAD), to produce a guidebook on migration data along with new estimates of bilateral migration data as well as diaspora stocks including both first and second generation migrants.⁷

There has also been some progress in the fourth item of the Global Remittances Agenda: leveraging migration and remittances for capital market access at the macro-level, especially in the form of recognition by credit rating agencies of the importance of remittances. Future-flow securitization of remittances and diversified payment rights has stalled since the global financial crisis, but is likely to pick up in the coming months, according to financial market participants. Some countries, notably Nigeria and Trinidad and Tobago, are in the process of issuing diaspora bonds to mobilize financing for development (see below). Also many countries with relatively less developed capital markets or lacking access to international capital markets are considering non-resident deposit mobilization from their diasporas.

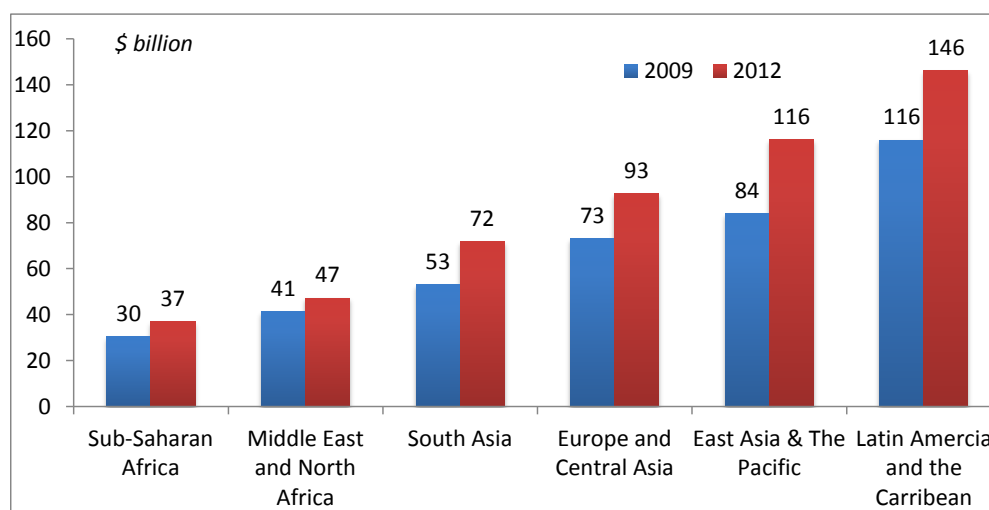
⁷ More information on the Data Thematic Working Group of the KNOMAD is available at www.knomad.org. The World Bank will publish the new Migration and Remittances Factbook 2015 in Fall 2014.

Despite the advocacy for financial inclusion at the global level, however, progress has been extremely slow in the area of linking remittances to financial products (deposits, loans, micro-insurance) for households or small-and-medium enterprises, the third item of the Global Remittances Agenda. If the G20 countries were to progress beyond reducing remittance costs, this item should be their next focus area.

Mobilizing diaspora savings for development

The pool of developing-country diaspora savings is large and growing. Preliminary estimates for 2009 showed annual savings of about \$400 billion attributable to developing country migrants.⁸ Updates based on 2012 data show substantial increases in savings, to over \$500 billion. According to these estimates, LAC has the largest pool of diaspora savings (\$146 billion), followed by East Asia and the Pacific (\$116 billion) (figure 7). The savings of diasporas from all regions appears to have grown between 2009 and 2012, especially in East Asia and the Pacific and South Asia.

Figure 7: Estimates of diaspora savings in 2009 and 2012 across regions



Source: World Bank staff estimates

In many instances, countries can mobilize the savings of their diaspora at lower interest rates than charged by institutional investors in the international capital markets. Typically a large portion of diaspora savings are kept as bank deposits, which in many destination countries currently yield very low (almost zero) interest rates. Thus the benchmark for diaspora bonds is much lower than the LIBOR, the

⁸ For more detail, see World Bank. 2011. "Preliminary Estimates of Diaspora Savings." Migration and Development Brief-14. Diaspora savings in a destination country is estimated as a function of the size of the diaspora and an approximation of diaspora's income and saving propensity. The latter is adjusted for variations in migrant income levels across regions and also the share of skilled migrants in the migrant stock. It is assumed that: (i) skilled migrants in OECD countries earn the same as the average income in the host country and non-skilled migrants earn 1/3 of that; (ii) migrants in Gulf Cooperation Council countries earn 1/5 of income in the host country; (iii) for migrants in all other countries and those in countries for which data is missing for the skill level, they earn 1/2 of income in the host country. Three alternative assumptions are made regarding the savings rate of the diaspora. Assuming a uniform savings rate (20 percent, the average savings rate for developing countries) leads to an estimate of diaspora savings of \$511 billion in 2012. Applying the specific saving rate of the country of origin, the estimate reaches \$640 billion; while applying the saving rate of the country of destination yields a lower estimate of \$ 540 billion. This gives an indication of the likely range of diaspora savings.

standard benchmark for international institutional investors. In addition, the spread over the benchmark is also lower for the diaspora investors since their perception of the sovereign risk of their country of origin is lower than the risk perception of institutional investors.⁹ The cost saving from lower interest rates is likely to be larger than the cost of selling these bonds to retail diaspora investors.

Nigeria is currently in the process of implementing a diaspora bond.¹⁰ In the past, India and Israel have successfully issued diaspora bonds to raise external financing. Ethiopia, Kenya, Nepal and the Philippines have also experimented with some forms of diaspora bonds with varying success. A key requirement for issuing diaspora bonds is registration at the US SEC, which has discouraged many interested countries from issuing such bonds. Another key requirement is gauging the diaspora's trust in the government's ability to invest the funds appropriately.

Migration and the Post-2015 Development Agenda

With nearly 1 out of 7 persons in the world being either an international or an internal migrant, there is a growing awareness of the importance of migration as a global public good (see box 1). In addition to the reduction of remittance costs that has received global attention, migration and development experts are advocating that migration should be recognized explicitly in the Post-2015 Development Agenda, especially the need for reducing migration costs, improving migrant rights, and improving development finance by mobilizing the savings of diasporas through remittances and bonds.

Box 1: Making migration work: an eight-point agenda for action

A landmark development in the arena of international migration and development was the successful conclusion of the UN High-Level Dialogue in October 2013, which concluded, in line with "Making migration work: an eight-point agenda for action" issued by the UN Secretary General:

- 1) Protect the human rights of all migrants
- 2) Reduce the costs of labor migration
- 3) Eliminate migrant exploitation, including human trafficking
- 4) Address the plight of stranded migrants
- 5) Improve public perceptions of migrants
- 6) Integrate migration into the development agenda
- 7) Strengthen the migration evidence base
- 8) Enhance migration partnerships and cooperation

The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda mentions international and internal migration as one of the important forces to impact the world by 2030.¹¹ The Open Working Group for Sustainable Development Goals makes references to migration in seven out of the nineteen focus areas where migration could be integrated (see box 2).

⁹ More information at http://www.foreignpolicy.com/articles/2011/05/24/a_bond_for_the_homeland.

¹⁰ See <http://www.bloomberg.com/news/2014-01-21/nigeria-considers-doubling-diaspora-bond-to-lure-citizens-abroad.html>; also Nigeria issued a request for proposal from bookrunners in the Financial Times in February 2014.

¹¹ <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>

Box 2: Open Working Group for Sustainable Development Goals: Focus Areas that include migration

Focus Area 1 Poverty Eradication: providing social protection and social protection floors as relevant to reduce vulnerabilities of the poor, including children, youth, the unemployed, migrants, persons with disabilities, indigenous peoples, and older persons.

Focus area 3: Health and population dynamics: providing for the health needs of persons with disabilities, youth, migrants, and ageing populations.

Focus area 4: Education: ensuring equitable access to education at all levels with focus on the most marginalized, including indigenous peoples, ethnic minorities, persons with disabilities, persons living in rural areas, and migrants.

Focus area 11: Employment and decent work for all: protecting the rights of migrant workers and displaced persons in compliance with the ILO norms and standards.

Focus area 12: Promote equality: empowering and inclusion of marginalized groups, including indigenous peoples, minorities, migrants, refugees, persons with disabilities, older persons, children and youth; pursuing policies for planned, well managed and legal migration; reducing the transaction costs of remittances.

Focus area 18: Means of implementation/Global partnership for sustainable development mobilizing additional financial resources from multiple sources such as remittances, foreign direct investment, institutional and other long-term investors and innovative financing; reducing the transaction costs of remittances.

Focus area 19: Peaceful and non-violent societies, rule of law and capable institutions: improving planned and managed migration policies.

Reducing recruitment costs

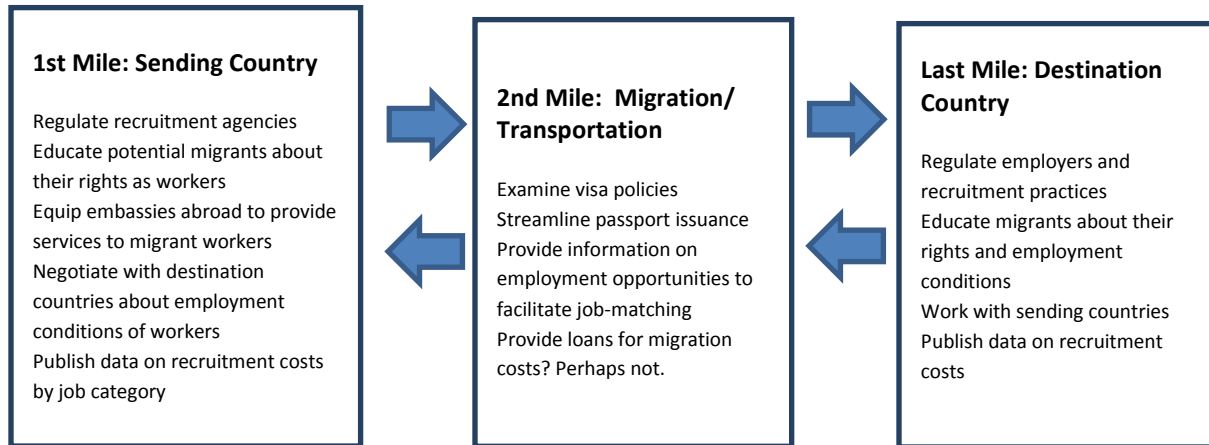
In addition to improving migrant rights, a migration-specific post-2015 development goal with a tangible metric for monitoring progress is that of reducing migration costs, especially recruitment costs.¹² As reported in Migration and Development Brief 21, recruitment costs can be major drain on migrants' incomes and ability to help families back home. For example, a Bangladeshi construction worker in Dubai can pay as much as 14-24 months of expected wages as recruitment fees, and often such fees are collected illegally by recruitment agents.

The recruitment process involves three important components: first mile issues in the country of origin, the migration process, and last mile issues in the destination country. Measures that can be taken at each stage of the of the recruitment process to reduce recruitment costs, as indicated in figure 8 below, include regulating recruitment agencies, educating migrants about working conditions and worker rights. Publishing data on recruitment costs for low-skilled migrant workers in various corridors in regular intervals, similar to the remittance price database of the World Bank, can provide an effective metric for monitoring recruitment costs.¹³

¹² Major components of migration costs at various stages of the recruitment process include information about jobs and contract for foreign positions, passport and visa costs, registration fees, mandatory insurance, health and security checks, and transportation costs.

¹³ A KNOMAD initiative in collaboration with ILO is preparing a database on recruitment costs on various corridors including Kuwait, Korea and Spain focusing on agricultural, construction and domestic workers.

Figure 8. Measures to reduce recruitment costs at various stages of the recruitment process



Annex: Regional Highlights

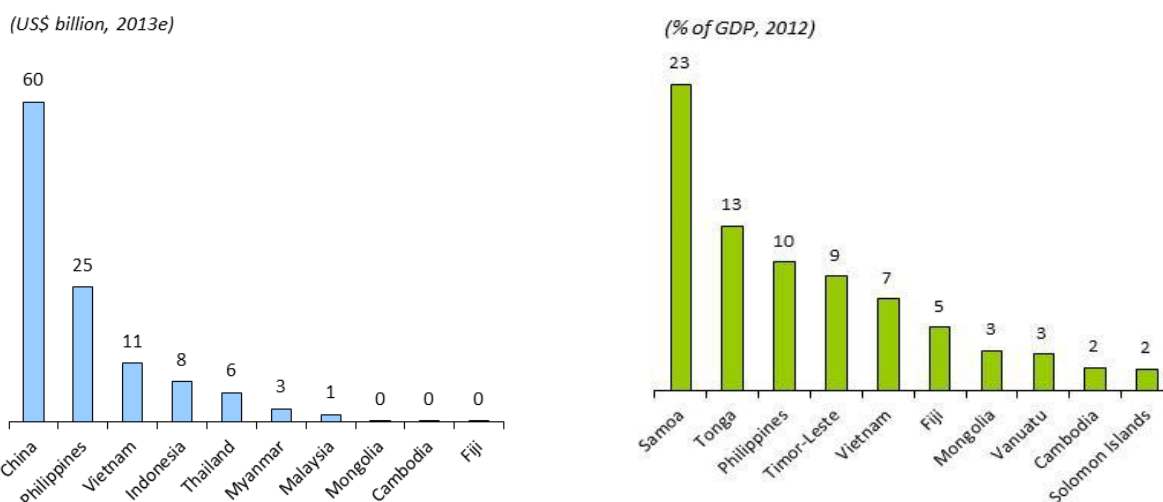
East Asia and Pacific

- Remittance flows to EAP developing countries are estimated to have increased by 4.8 percent to reach \$112 billion in 2013, and are projected to rise further to almost \$150 billion by 2016.
- The average cost of making remittances to EAP fell from 9 percent in the first quarter of 2013 to 8.5 percent in the same quarter of 2014.
- There are large wage gaps and very different demographic trajectories in the region, so the movement of migrant workers within the region is likely to continue.
- As countries in the region develop, the demand for high skilled workers is increasing. In order to facilitate this trend, ASEAN members are working towards achieving free movement of high skilled workers by 2015.

Strong growth in remittances to EAP continues, with falling costs

Remittance inflows to EAP developing countries expanded by 4.8 percent in 2013 to over \$112 billion, faster than all other regions except ECA. Inflows to China benefitted from the global economic recovery and rebounded from the dip in 2012, increasing by 3.5 percent to \$60 billion in 2013 (figure 9). The Philippines receives the second highest level of remittances in the region, and inflows rose by 7.4 percent in 2013. Based on the global economic outlook, the region is likely to see a further increase in remittances over the coming years, approaching \$150 billion in 2016.

Figure 9. Top remittance recipients



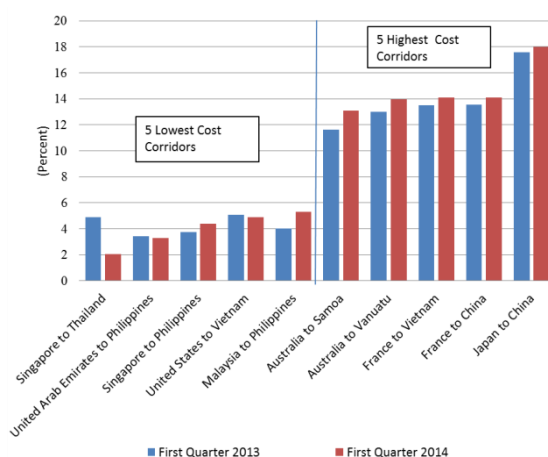
Source: World Bank staff estimates.

The average cost of making remittances to countries in the region fell from 9.0 percent in the first quarter of 2013 to 8.5 percent in the same quarter of 2014. Within the region, sending money from Japan to China is the most expensive, costing \$36 to send \$200 (a typically sized remittance from Japan to China) (figure 10).¹⁴ In general, sending money to the Philippines costs the least, owing to: (i) size of the market created by the large Filipino diaspora, and (ii) the strong competition among Filipino banks

¹⁴ The cost is typically a fixed amount, translating into a higher cost when expressed as a percentage of a small amount being sent, but the amount of individual transactions from Japan is generally far larger than \$200.

and money transfer operators. In many instances, Filipino banks operate branches in countries of destination which facilitates remittances. Among corridors to the Philippines, sending money from Japan is the most expensive, averaging 10.8 percent, but there has been impressive progress since the first quarter of 2012, when the costs averaged 13.3 percent of the amount remitted. The bilateral cost of sending remittances has fallen below 5 percent (thus meeting the G20 5x5 objective) in the Singapore to Thailand, UAE to the Philippines, Singapore to the Philippines, the U.S. to Vietnam, and Malaysia to the Philippines corridors. Sending money from Australia and New Zealand to the Pacific Islands remains costly, despite increased competition among MTOs and the availability of prepaid bank cards.

Figure 10. The cost of sending money from Japan and Australia remains stubbornly high (average cost of sending \$200)



Source: Remittance Prices Worldwide

Persistent wage differentials continue to drive extensive migration within the EAP region

Wide disparities in incomes and job opportunities across different countries in the geographic region give a strong impetus to migration (table 2). For instance, Vietnamese workers in Korea can earn at least 11 times as much as they would if they stay in Vietnam, and the differences may be higher still in situations where minimum wages are not enforced in Vietnam. About 80 percent of migrants from Myanmar go to Thailand, where minimum wages are more than 13 times the prevailing rate in their country of origin. More recent efforts to diversify the destination for migrants from Myanmar to Malaysia have encountered difficulties in securing required entry documents.

Table 2. Migrant workers earn higher wages in destination countries than in origin countries.

| Country of origin to destination | Share of migrants by destination | Monthly minimum wage differentials between origin and destination | Unemployment rate in country of origin (latest available, percent) |
|--|----------------------------------|---|--|
| Cambodia to Thailand | 71.5 | 3.6 - 4.9 | 0.1 |
| Indonesia to Malaysia | 71.6 | 1.2 - 3.5 | 6.3 |
| Myanmar to Thailand | 27.4 | 13.3 - 18.0 | 4 |
| Philippines to Saudi Arabia and UAE ¹ | 53.0 | 1.5 - 1.2 | 7.5 |
| Vietnam to Korea | 4.7 | 10.7 -16.6 | 2.2 |

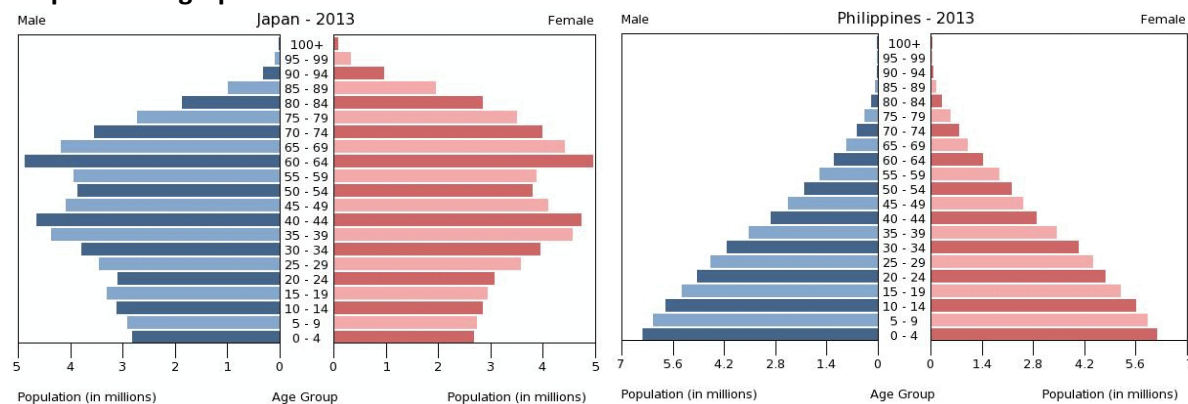
Notes: 1/ based on prevailing exchange rates. 2/ Destination minimum wages are \$400/month, set by the Philippine government for domestic workers in Saudi Arabia, UAE and other selected Middle East countries.

Sources: World Bank Factbook. Staff calculation based on KOTRA, www.globalwindow.org. Unemployment rates are from national statistics offices and the World Bank.

Demographic trends provide further impetus to migration

The aging of populations in advanced East Asian countries, combined with still rapidly growing and young populations among poorer countries (including Cambodia, Indonesia, Lao P.D.R. and the Philippines) in the region offers scope for mutual gains from migration (figure 11). However, restrictions on migration may limit such flows. For example, although Japan allows Filipinos and Indonesians to work as nurses and caregivers under bilateral economic partnership agreements, it imposes strict language and nursing requirements, and pass rates have been low – only 29 applicants out of 280 passed the test so far in 2014.¹⁵ Given the importance of learning Japanese in order to avail of these opportunities, nursing schools in migrant sending countries may wish to include Japanese language training in their curricula.

Figure 11. The aging population in Japan presents opportunities for the Philippines to benefit from reap its demographic dividend



Source: CIA Factbook

Government policy is a key factor influencing high-skilled migration flows. As countries develop, the demand for high-skilled workers, like IT engineers, will increase. Maintaining a high-skilled workforce is essential to the sustaining robust growth of knowledge-based economies. East Asian countries have implemented a two-pronged approach to attract skilled workers: scaling up their tertiary education; and granting accelerated access to permanent residence (Japan and China) and a subsidy (China) to high skilled migrants. Still, more is needed in order to retain top foreign graduates, such as developing reputed research institutes and allowing international students to work. ASEAN members aim for free mobility of selected professional occupations by 2015, but progress in establishing mutual recognition agreements for skills and competencies has been slow so far.

¹⁵ Yagi, Nozomi, Tim K. Mackey, Bryan A. Liang, and Lorna Gerlt (2013), "Policy Review: Japan–Philippines Economic Partnership Agreement (JPEPA)—Analysis of a failed nurse migration policy," *International Journal of Nursing Studies* 51. pp. 243-250.

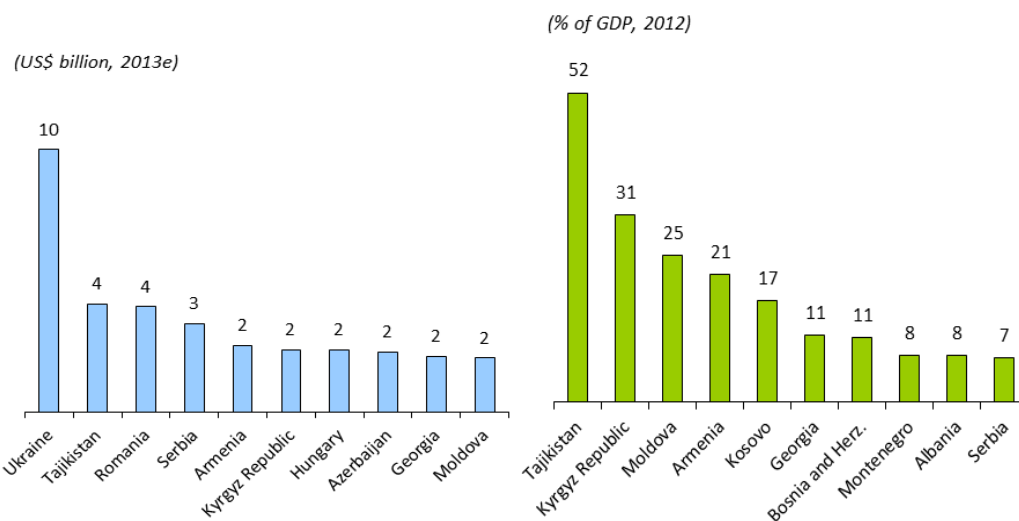
Europe and Central Asia

- Remittances to ECA developing countries rose by a marked 10 percent to reach \$42.6 billion in 2013. Growth in 2014-2016 is projected to remain robust, though the ongoing crisis in Crimea brings substantial uncertainty.
- Total average costs for sending remittances to ECA countries fell slightly to 6.5 percent in the first quarter of 2014, compared with 6.8 percent a year earlier.
- Anti-immigration movements are gaining momentum in several countries in Europe, as also reflected in the referendum in Switzerland where a majority voted to impose quotas on migrants.
- Asylum applications in the European Union increased by 32 percent in 2013 compared to 2012. Germany was the largest recipient of asylum requests.

Robust growth in remittances in 2013

Developing European and Central Asian countries received remittance inflows of about \$42.6 billion in 2013, 10 percent more than the previous year. Firm oil and gas prices through 2013 helped keep the unemployment rate below 6 percent in Russia, which is the biggest source of remittances for the region. With inflows of almost \$10 billion, Ukraine is the largest recipient of remittances in the region, followed by Tajikistan and Romania (figure 12). The importance of remittances to the region is evident from looking at remittances as a share of GDP, where ECA countries comprise half of the global top 10, led by Tajikistan with remittance inflows equivalent to more than half of GDP.

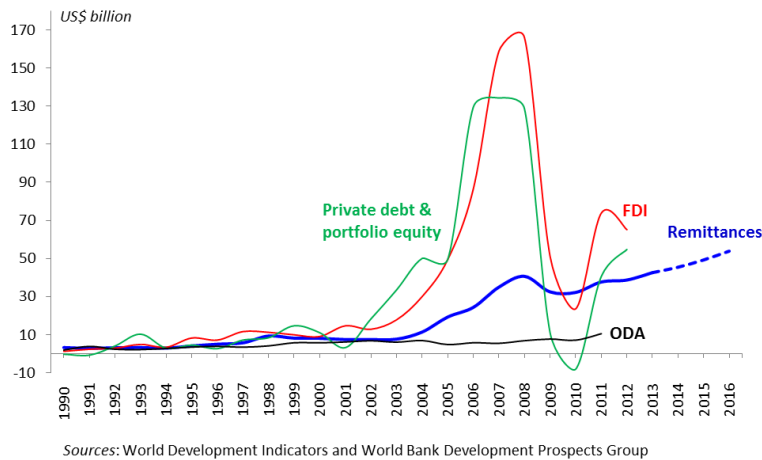
Figure 12: Largest recipients of remittances in ECA



While base projections for remittances to ECA point to robust growth averaging more than 8 percent annually in 2014-2016, and steady remittance inflows remain a core part of external resource flows to the region (figure 13), the outlook is uncertain. Two major drivers of remittances from Russia to the region are movements in oil prices and the ruble exchange rate, both of which are difficult to predict at the moment due to fast unfolding events in Ukraine. In part due to the crisis in Crimea, the Russian ruble depreciated by over 9 percent in the first quarter of 2014 against the US dollar, and by more than 10 percent against the European euro. There are about 11 million migrants residing in Russia, with Ukraine (2.9 million), Kazakhstan (2.5 million), and Uzbekistan (1.1 million) the main countries of origin. The ECA region's economies are highly dependent on remittance flows these migrants send from Russia, and the

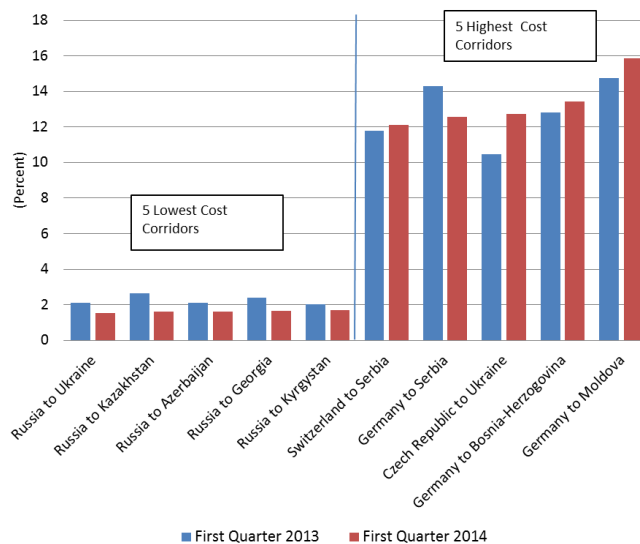
weaker ruble, combined with departures back to their countries of origin induced by a lack of employment opportunities in Russia, mean that remittance flows may be dampened in 2014.

Figure 13: Resource flows to ECA



Nevertheless, elsewhere, the impulse to migrate remains strong, as evidenced by reports that 800,000 people left Tajikistan in 2013 (about 10 percent of the population), with about 80 percent going to Russia. Russia remains central to the ECA remittance picture, and the crisis in Crimea could have significant impacts on remittance flows from Russia. In addition, an initiative has been proposed in Russia to revoke work permits of migrants who fail to find jobs within two months of arrival, signaling that the context for migrants in Russia may become less conducive in the coming years. It is also worth noting that remittances from several EU countries that are still struggling to recover from the financial crisis that started in 2008 may remain sluggish, as evidenced by Spain becoming a net recipient of remittances in 2013 due to the higher number of foreign and Spanish workers who left the country because of lacking job opportunities.

Figure 14: Remittance costs - lowest and highest in ECA (average cost of sending \$200)



Cost of remittances decreasing, but some corridors still have high prices

The average total cost of sending the equivalent of about \$200 in remittances to ECA countries decreased slightly over the past year, from 6.8 percent in the first quarter of 2013 to 6.5 percent in the first quarter of 2014. The biggest decreases were along previously high-cost corridors, like Germany to Croatia and Romania, where costs fell from almost 15 percent to about 5 percent. Costs vary substantially in ECA countries: costs are generally below 2 percent, among the lowest in the world, for remittances from Russia, while they exceed 12 percent for remittances from Germany (figure 14).

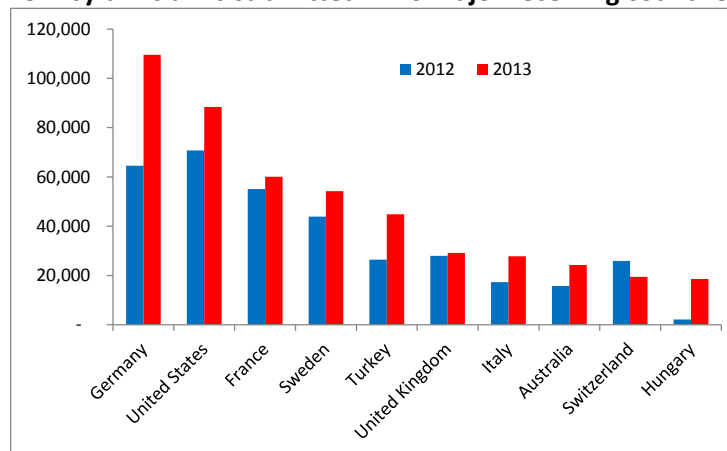
Anti-immigration movements appear to be gaining momentum in Europe

Popular sentiment appears to be moving against immigration in Europe, associated in part also with anti-European Union sentiments. In Switzerland, a slim majority of 50.2 percent voted in favor of a referendum on imposing immigration quotas. A third of voters in France say they would consider voting for Front National (FN) due to its position on limiting immigration and integration. Political parties such as the FN or the Dutch Freedom Party note that their countries should follow the example of Switzerland – reduce immigration and exit the EU. In Austria, the anti-immigration Freedom Party received 21 percent of the vote during the September 2013 elections, its best performance since 1999. In the UK, Prime Minister Cameron has pledged to offer an EU in or out referendum in 2017 if reelected next year. The UK Independence Party says leaving the EU would give the UK the more control over immigration, and a recent survey finds that 67 percent of respondents believe that the immigration should be curtailed. A recurring issue in Germany is local level initiatives to limit welfare benefits for migrants. Where these sentiments are based on misperceptions about migrants, more effort is needed to generate evidence on the role of migrants in host communities and progress on integration.

Asylum applications increased sharply in 2013

According to a recently published UNHCR report, asylum claims in 44 industrialized countries reached 612,700 in 2013, a 28 percent increase compared to 2012, and the second highest level for the past 20 years. In Europe, the number of asylum applications rose by 32 percent to 484,560 in 2013. Germany was the largest recipient of asylum requests in 2013 (109,600), mainly due to a sharp increase in applications from Syria, Russian Federation, Serbia and Kosovo (figure 15). As an indication of strife in sending countries, the rise in asylum applications is worrying.

Figure 15: Asylum claims submitted in 10 major receiving countries (2013)



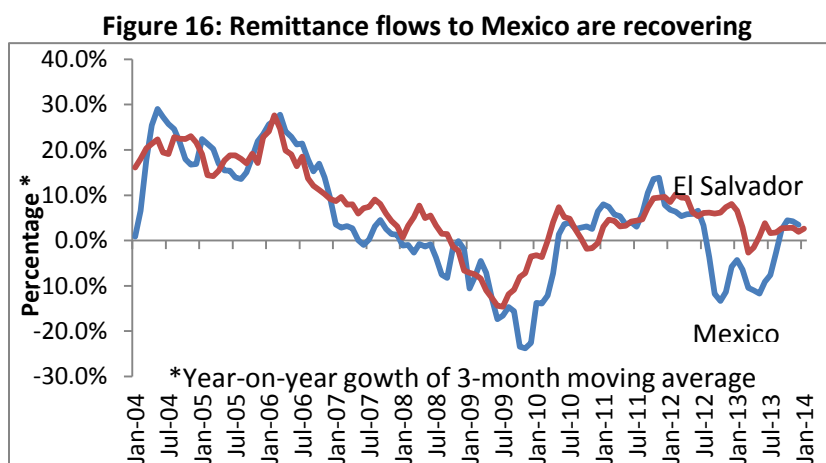
Source: UNHCR's Report Asylum Trends 2013, (p.7), available at: <http://www.unhcr.org/532afe986.html>

Latin America and the Caribbean

- Officially recorded remittance flows to Latin America reached \$61 billion in 2013, up 1.9 percent from 2012. With improved prospects for the US economy, remittance flows to the region are expected to rebound during 2014-16 growing at 9 percent on average. While employment conditions for migrant workers are improving in the US, deportations, removals and returns has been high, affecting flows of remittances to Mexico.
- The pace of growth in the flows to the rest of Latin American countries has been uneven. Remittances to Mexico recovered in the second half of 2013 after declining for thirteen consecutive months, and Central American countries experienced an increase, due to the US economic recovery. The crisis in Spain and Italy dampened remittance flows to Colombia, Ecuador and Peru. Intra-regional remittances have remained resilient to the decline, especially from Chile and Ecuador.
- Remittances prices for some corridors are still high, especially from Canada, France, Japan and Brazil, even though the use of cheaper, internet-based remittance and mobile remittance channels is on the rise.

Officially recorded remittance flows to Latin America and the Caribbean (LAC) are expected to reach \$61 billion in 2013, up 1.9 percent from 2012. With improved prospects for the US economy, remittance flows to the region are expected to rebound during 2014-16.

With \$22 billion remittances in 2013, Mexico was the largest recipient in the region. Remittances to Mexico recovered in the second half of 2013 after declining for thirteen consecutive months (figure 16). The average amount sent monthly fell to \$292 in 2013 compared to the average range of \$340-\$350 prior to the US financial crisis in 2008. In line with the US economic recovery, remittances seem be recovering – in the first two months of 2014, remittances to Mexico increased by 7 percent compared to the same period in 2013.



Source: Central banks of the respective countries

In the context of improving labor market conditions in the US, the reduction in the volume of remittances to Mexico appears puzzling. One factor contributing to the slowdown in flows appears to be a reduction in the flows of Mexican migrants. A Pew Research Center analysis of government data found that migration from the U.S. to Mexico equals and possibly exceeds migration from Mexico to the U.S. in recent years (Passel, Cohn and Gonzalez-Barrera, 2012). Few Mexican migrants are trying to cross the border since the immigration enforcement has stepped up in the last four years, especially at the border. Mexico continued to be the leading country of origin for those migrants removed followed by

Guatemala, Honduras, and El Salvador. In FY2012, the U.S. Immigration and Customs Enforcement (ICE) removed nearly 420,000 migrants reaching the peak of removals. More than a half of that number was removal at the border. While removals at the border have increased markedly since FY2010, those from the interior of the US have fallen significantly (table 3).

Table 3: Removals of migrants in the US

| | FY2010 | FY2011 | FY2012 | FY2013 |
|------------------------------------|---------|---------|---------|---------|
| Removals at the Interior of the US | 219,405 | 215,258 | 190,505 | 133,551 |
| Removals at the border | 163,627 | 173,151 | 228,879 | 235,093 |
| Total Removals | 383,032 | 388,409 | 419,384 | 368,644 |
| % change | | 1.4% | 8.0% | -12.1% |
| % at the border | | 5.8% | 32.2% | 2.7% |
| % at the interior | | -1.9% | -11.5% | -29.9% |

Source: U.S. Immigration and Customs Enforcement

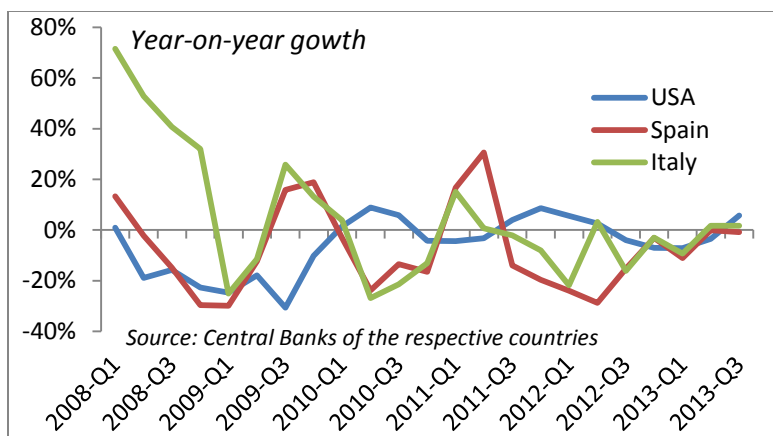
Monthly data show that remittance flows to several Latin American countries registered positive growth in 2013. The recovery in the US economy was accompanied by a growth of 7 percent in remittances to El Salvador, Honduras, and Guatemala. Remittances sent to Ecuador increased in 2013 by 4 percent while Dominican Republic registered a modest 1 percent reversing the negative trend of 2012.

Unemployment rate of the Hispanic or Latino Population have remained unchanged in 2013. As it was reported in previous briefs, employment of foreign-born workers remains more responsive than native-born workers.

Labor market weakness in Europe have impacted remittance flows to LAC

Remittances to Latin America have also been affected by the slowdown and the unemployment situation in Spain, which hosts a large percentage of all Latin American migrants, including from Ecuador, Colombia, Peru, Paraguay, Bolivia and Argentina. Ecuador has seen shrinking remittances from Italy, Spain and the USA (figure 17). Remittances to Peru totaled \$ 2.8 billion in 2013, representing a decline of 1 percent while remittances received from Chile increased while those sent from Argentina, Spain, Japan, and Italy declined.

Figure 17: Remittances inflows to Ecuador impacted by slow markets mainly in the USA and Italy



The remittance market in Latin America is undergoing a structural change.

There has been an expansion on remittance service providers (mainly internet based products) and remittance payers in Latin America. In 2013, several remittance service providers undertook a price cutting strategy in Mexico that has been reflected in remittances costs to Mexico but not as drastic as in 2012.¹⁶ Remittance corridors to Latin America are among the least costly corridors from the United States. However, the France-Haiti corridor is the most expensive costing 15 percent while the Canada-Haiti corridors cost 11 percent. Sending money from Japan to Brazil and Peru is also expensive. The USA and Spain are the cheapest corridors.

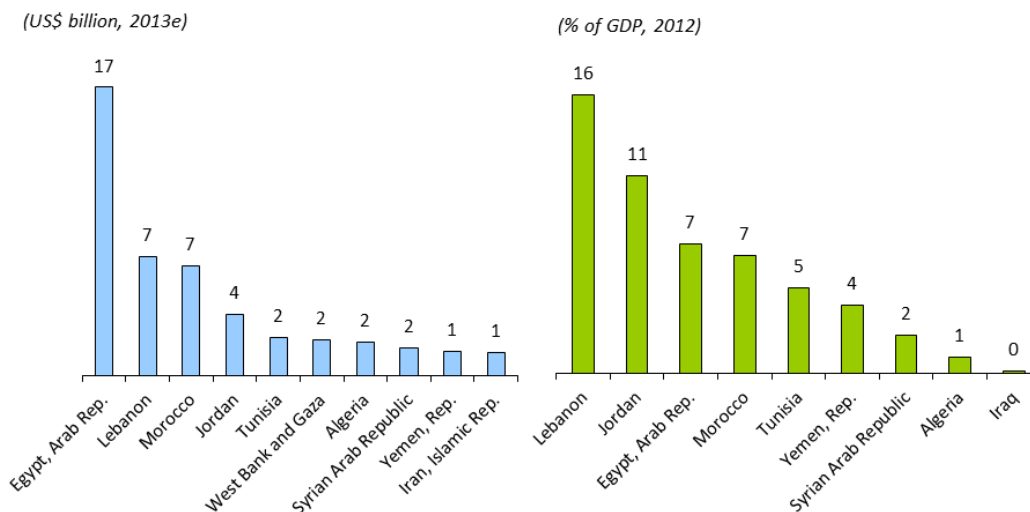
16 <http://online.wsj.com/article/SB10001424127887323854904578637982533527980.html>

Middle East and North Africa

- Remittances flows to the Middle East and North Africa declined by 2 percent to \$46 billion in 2013, mainly due to a fall in the flows to Egypt.
- Flows to other major recipients in MENA continue to grow modestly.
- The refugee crisis in Syria is worsening, with more than 2.5 million people having moved outside of Syria in order to escape escalating violence.
- The deportations from Saudi Arabia and other GCC countries are having a major impact, with more than 370,000 people expelled from Saudi Arabia alone in the 5 months since November 2013, when more strict law enforcement efforts were initiated. Many additional migrants have departed from Saudi Arabia under an amnesty program.

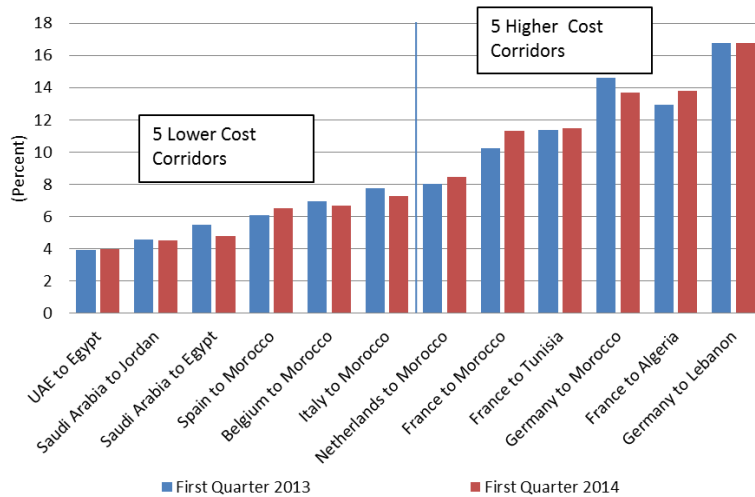
In the **Middle East and North Africa (MENA)** region, remittances are estimated to have fallen by about 2 percent to reach \$46 billion in 2013, as a drop in remittances to Egypt more than offset modest growth in the rest of the region. Egypt received about \$17.5 billion in remittances in 2013 (figure 18), down from \$19.2 billion the previous year. This 9.2 percent decline in inflows of remittances was due in large part to a sharpened labor inspection campaign and amnesty period in Saudi Arabia (the country of destination for about 37 percent of Egyptian migrants), which precipitated the departure of 300,000 migrants back to Egypt in the second half of 2013. Inflows to the rest of the region grew by 3.0 percent. Remittance inflows are equivalent to more than 4 percent of GDP in many of the countries in the region - such as Lebanon, Jordan and Egypt.

Figure 18: Largest recipients of remittances in MENA



The cost of making remittances to MENA countries remains stubbornly high, averaging about 8 percent since 2012. Figure 19 shows the 5 lowest and highest cost corridors to MENA for which data is available. Overall, remittance costs rose in the first quarter of 2014 compared with the same period a year earlier, led by increases along several corridors from Europe to the region.

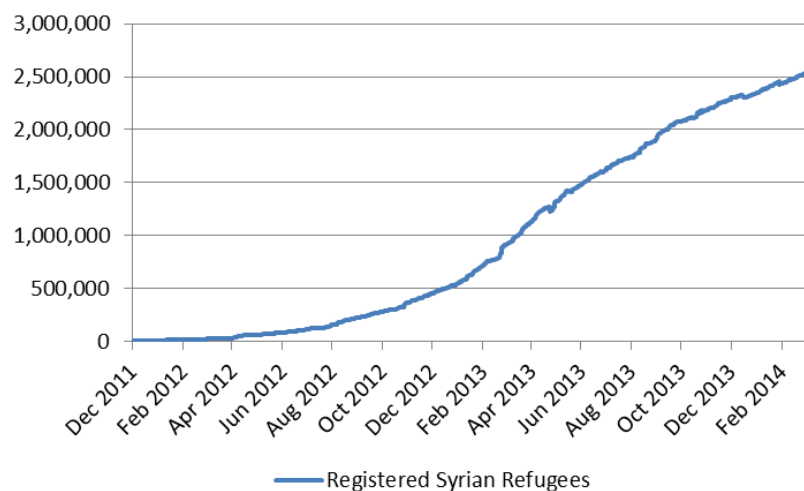
Figure 19: Remittance costs - lowest and highest in MENA (average cost of sending \$200)



Syrian Refugee Crisis

The refugee crisis in Syria continues in staggering proportions, with more than 2.5 million Syrians (11 percent of the population) now living in neighboring countries (figure 20). The estimated number of Syrian refugees in Lebanon surpassed 1 million in March 2014. International appeals for assistance in order to meet basic needs of Syrians displaced due to the conflict have garnered about 14 percent of requirements, and more must be done. International organizations are also urged help ease the process of remitting money to the Syrians within and outside Syria and support a lowering of remittance costs – considering the many challenges and restrictions they are facing, including the Syrian government blocking remittances inflows.

Figure 20: Syrian Refugees



Morocco is becoming a migration transition country

Recent studies on migration trends show that Morocco is becoming an important destination for migrants from sub-Saharan Africa, and to some extent, from European countries struggling to recover

from the economic crisis.¹⁷ Although immigration from these regions to Morocco is moderate compared with the Moroccan emigration, a major shift in net migration is underway, spurred in part by migrants settling in Morocco when they find their intended path to Europe blocked. In addition, the impetus of youth to migrate in search of job opportunities and higher wages is also being tempered over the medium-term by demographic changes in Morocco, as the rate of people reaching working age slows.

EU mobility partnerships:

Tunisia and the European Union (EU) established a Mobility Partnership in March 2014.¹⁸ Figures from Eurostat indicate that 343,963 Tunisian nationals resided legally resident in the EU in 2012, mostly in France, Italy and Germany. During the same year, over 125,000 requests for Schengen visas were received. The agreement is aimed at facilitating the legal movement.

Mobility Partnerships are composed of a political declaration and an annex of initiatives in four areas: (i) legal migration and integration, (ii) border management and fight against illegal migration, (iii) migration and development: mainly support to diaspora engagement for local development projects and return migration, and (iv) asylum and the protection of migrants. The EU member states generally seek cooperative efforts to curb illegal migration in exchange for limited and targeted openings of the EU labor market. Concrete pilot projects are envisaged with countries such as Germany and Sweden, where several sectors are facing acute labor shortages, or where supply side synergies can be built in North Africa.

¹⁷ <http://www.migrationpolicy.org/article/morocco-setting-stage-becoming-migration-transition-country>

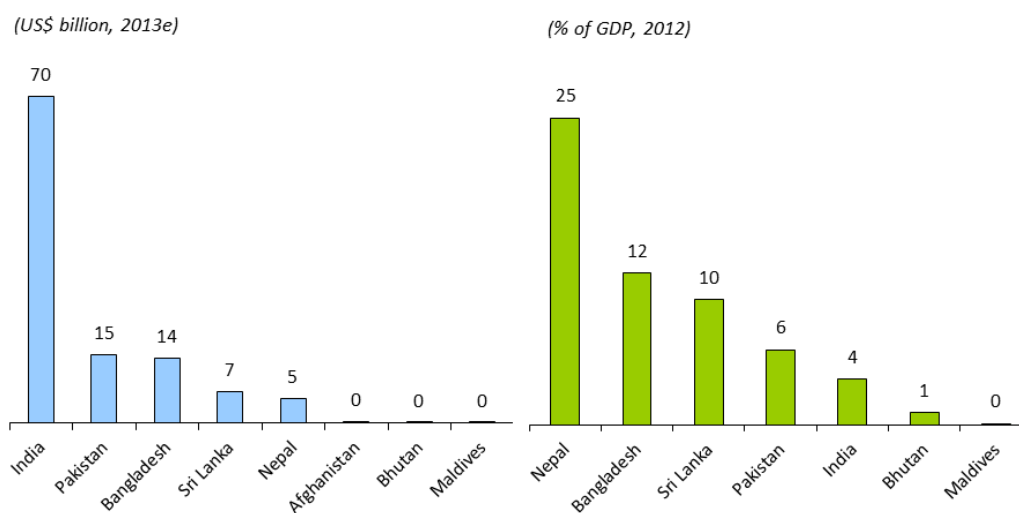
¹⁸ http://europa.eu/rapid/press-release_IP-14-208_en.htm

South Asia

- Remittance flows to the South Asia Region are estimated at \$111 billion in 2013. Growth in remittances to the region has slowed, due to modest growth in India and a fall in Bangladesh.
- Still, remittance inflows are critical to underpinning the balance of payments in many countries of the region. The Pakistan Remittance Initiative, which was launched in 2009, remains a central part of the government's efforts to encourage inflows from the Pakistani diaspora, while Nepal is exercising greater prudence in managing liquidity generated by the current growth in remittances.
- The price of making remittances is falling, but faster progress in the Europe and Central Asia region mean that South Asia is now the second lowest cost destination for remittances.

Growth in remittances to the **South Asia Region (SAR)** is projected to moderate to 2.3 percent in 2013, after averaging 14.1 percent in 2011 and 2012. Remittances to India increased by only 1.7 percent to reach \$70 billion in 2013, as the impetus from the depreciation of the Indian rupee during much of 2013 appears to have attracted inflows mainly for investment purposes, as indicated by the surge in non-resident Indian deposits (figure 21). In Bangladesh, the third largest recipient of remittances in the region, inflows decreased by 2.4 percent, largely due to the combined dampening effect of fewer migrants finding jobs overseas (lowering net migration), the appreciation of the Bangladeshi taka, and difficulties in resolving the status of migrant workers in the Gulf Cooperation Council (GCC) countries. Growth in remittance flows to Nepal and Sri Lanka, which were equivalent to 25 percent and 10 percent of GDP, respectively, was more robust. Remittances to Pakistan grew rapidly in the second half of 2013, and continue to provide essential support to the balance of payments, and they were equivalent to 284 percent of international reserves in 2013 (figure 22).

Figure 21: Top 10 recipients of remittances



The outlook for remittances in SAR is strong, and growth is projected to accelerate to an annual average of over 7 percent in 2014-2016. Remittances remain the largest source of external resource flows in SAR, greatly exceeding foreign aid and substantially more stable than FDI and private flows (figure 23).

Figure 22: Remittances and reserves

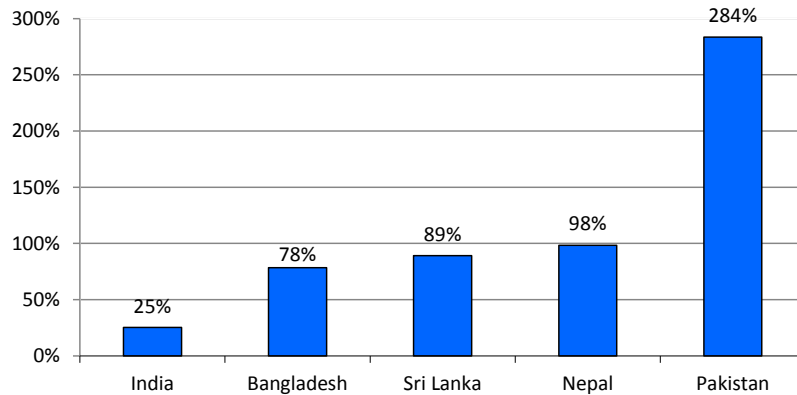
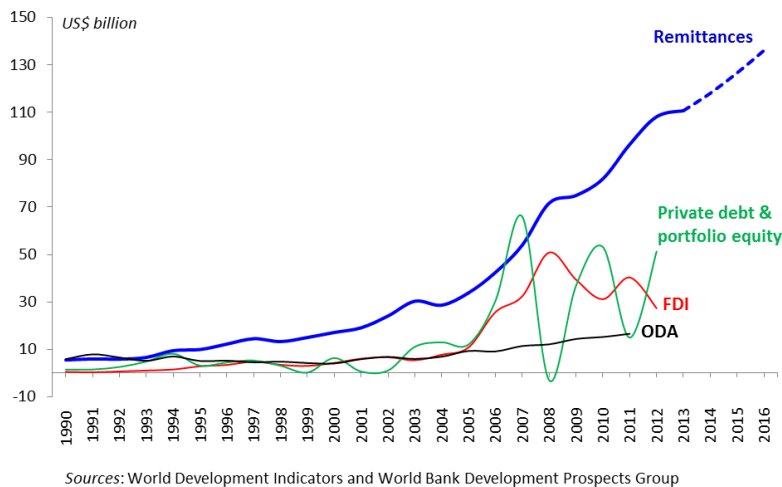


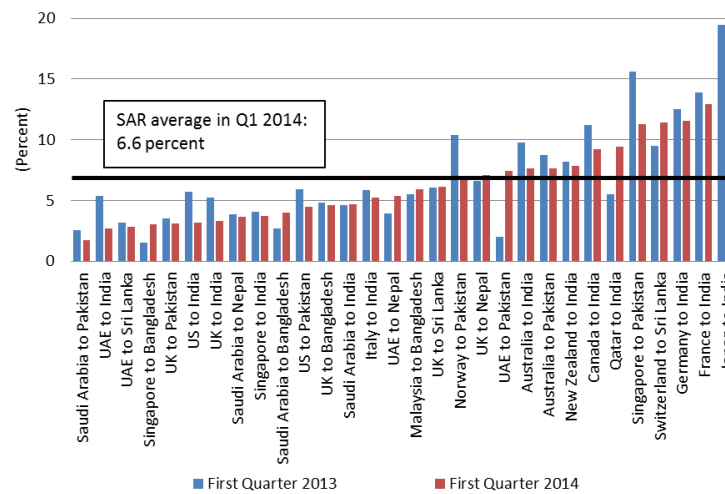
Figure 23: Remittances flows to SAR are large, and growing



Remittance costs slightly lower

The total average cost of making remittances in SAR fell to 6.6 percent in the first quarter of 2014, from 7.2 percent a year earlier. Larger corridors, like the Saudi Arabia to India, UAE to India, and the US to Pakistan, attract more remittance service providers and are typically more competitive, leading to some of the lowest remittance costs in the world (figure 24). The adoption of improved technology, such as cell-phone services that enable remittances, as well as the implementation of targeted government policies aimed at facilitating remittances, like the Pakistan Remittance Initiative, are helping exert downward pressure on the costs of making remittances to the region, and the trend is likely to continue.

Figure 24: Total average cost of sending about \$200 in South Asia



Source: *Remittance Prices Worldwide*, the World Bank.

Managing liquidity in a context of high remittances: the case of Nepal

Remittance inflows to Nepal are growing rapidly and injecting excess liquidity into the banking system, but domestic credit expansion has been more moderate, as the government authorities and financial institutions apply restraint based on the lessons of their experience of 2007-20011. During those years, remittance inflows to Nepal surged, expanding by an annual average of almost 25 percent. This injected huge amounts of liquidity into the banking system, fuelling rapid domestic credit growth and raising real estate and stock market valuations to unsustainable levels. The correction in 2011 was difficult, and banks are still carrying some non-performing loans from the period. In 2013 and so far this year, banks have been more prudent in their lending, and much of the additional liquidity fueled by remittances is being invested at near zero interest in government bonds, though the Government of Nepal recorded a budget surplus during the 2012/13 fiscal year, and a similar budgetary position is expected this year, narrowing borrowing requirements. Managing the liquidity generated by remittance inflows and translating remittances into productive investment are ongoing challenges and policy goals in high remittance countries like Nepal.

Targeted government efforts to attract remittances: the case of Pakistan

As part of the Pakistan Remittance Initiative, the Government of Pakistan is making payments to financial institutions of almost \$100 million in March 2014, in order to pay for charges due to banks and cover outstanding dues. The initiative was launched in 2009 aiming to facilitate remittance flows to Pakistan, and additional efforts under preparation include the establishment of a dedicated remittance complaint resolution mechanism and encouraging migrants to open bank accounts before they depart.¹⁹

¹⁹ See blog posted in November 2012 on PeopleMove for more background information: <https://blogs.worldbank.org/peoplemove/pakistan-remittance-initiative-pri>

Sub-Saharan Africa

- Officially recorded remittance flows to Sub Saharan Africa (SSA) increased by 3.5 percent in 2013 and reached \$32 billion. Remittances flows to the region are expected to increase in 2014-2017 at 9 percent annual average rate.
- Sub-Saharan Africa has the highest remittance cost among all six regions. Sending money from France and Canada to any country in Sub Saharan Africa is more expensive than sending money from Italy, Spain, the UK and USA.
- A key problem facing the region is the closing of banks accounts of the money transfer operators by correspondent banks in the U.S. and the UK, in particular affecting remittances to Somalia. Also deportations from Saudi Arabia are affecting a large number of migrant workers from SSA, especially Ethiopia.

Remittance flows to Sub Saharan Africa (SSA) increased by 3.5 percent in 2013 and reached \$32 billion. Nigeria is the largest recipient (\$21 billion). As a share of GDP, the largest recipients are Lesotho, Liberia, The Gambia, Senegal, Togo, and Cape Verde.

In 2013, remittances sent to East African countries continued to grow in 2013, for example, by 10 percent in Kenya and 15 percent in Uganda. In contrast, West African countries saw their remittances increase only moderately in 2013 after a slow down in 2012 in Ivory Coast, Senegal, and Nigeria.²⁰ The decline in flows to South Africa appears to be bottoming out.

Sending money to and within Sub-Saharan Africa is very costly

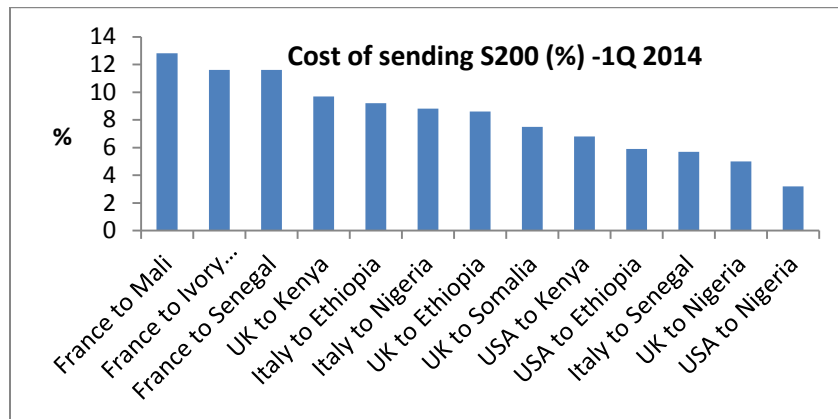
Remittance corridors to Sub Saharan Africa and within Africa are the most expensive, with average remittance cost hovering around 12 percent, according to the World Bank Remittance Prices Worldwide (see figure 5 in main text). Sending money from France and Canada to any country in Sub Saharan Africa is also more expensive than sending money from the USA, UK, Italy or Spain (figure 25). France and the UK have kept the same average price of 12 percent and 9 percent respectively since 2012. Thus, Sub-Saharan Africa has not benefited from the remittance price reduction with the exception of remittances sent from Italy, Spain and the US.

Exclusivity contracts between banks or the national post office in source countries (such as France) and international money transfer agencies serving West African corridors seems to be a factor contributing to a lack of competition in the remittance market and hence high remittance costs.

Data for select intra-African remittance corridors suggests that the cost of sending remittances within Africa can be very high, with the fee ranging from 6 percent (Senegal to Mali) to 27 percent of the amount sent (Ghana to Nigeria). However, the establishment of two regional payment systems, COMESA Regional Payment and Settlement System (REPSS) and the East African Cross Border System (EAPS), is expected to facilitate cross-border payments within these two regional economic communities.

²⁰ Remittances to Cape Verde recovered after a negative growth of 6 percent in 2012. This decline has affected Cape Verde's risk classification. Fitch downgraded Cape Verde to B from B+ due to the decline in remittances and an increase in public debt. https://www.fitchratings.com/creditdesk/press_releases/detail.cfm?pr_id=824533

Figure 25: Costs of sending remittances, 1 Quarter 2014



Source: *Remittance Prices Worldwide*, World Bank.

Anti-money laundering and combating the financing of terror (AML/CFT) regulations raise costs

Most transfers from destination countries outside Africa are sent as cash through money transfer companies, or through banks that are acting as agents of money-transfer companies, rather than potentially cheaper account-to-account and cash-to-account transfers. Stringent AML/CFT regulations hinder the transfer of remittances through formal channels.

Although AML/CFT regulations are necessary for security reasons, they should not make it difficult for money service businesses to operate accounts with correspondent banks. In 2013, several banks in the US (Wells Fargo, US Bank, the TCF bank, and Sunrise Community Bank) and in the UK closed the accounts of money services businesses serving Somalia, fearing penalties for non-compliance with AML/CFT regulations.²¹ Recognizing the importance of maintaining remittance channels to Somalia, a working group on a Safer Corridor for UK-Somali Remittances is trying to work out a solution as part of the UK government's Action Group on Cross-Border Remittances.²² Meanwhile, sending remittances from the UK to Somalia has become more expensive in 2014. And anecdotal reports suggest that remittances to Somalia are now being sent through Kenya and the UAE.

Mobile payments and new technologies are still trying to be implemented.

With the success of M-Pesa in Kenya, mobile money transfer and mobile banking services are expanding to other countries, but progress has been slow, mostly focused on domestic remittances.²³ International money transfer through mobile remittances has not progressed much due to AML/CFT concerns, lack of

²¹ HSBC was fined \$1.9 billion for not complying with money laundering controls in 2012. In 2013, the UK Serious Organized Crime Agency issued new regulations for money service business including providers of pre-paid cards, remittances, online payment services and e-wallet services. In response to these new requirements, Barclays threatened to suspend or close the accounts of Somali money transfer companies. An injunction blocked Barclays from closing its business with Dahabshiil, the largest Somali money transfer operator; but that injunction expires in October 2014. See Sonia Plaza's <http://blogs.worldbank.org/peoplemove/anti-money-laundering-regulations-can-somalia-survive-without-remittances>.

²² See <http://allafrica.com/stories/201402171558.html>

²³ Orange Money offers mobile money transfers in a number of West African countries. Econet plans to use Ecocash for facilitating remittances between Zimbabwe and South Africa. And Equity Bank in Kenya just launched new online banking services.

cross-interopability of remittance platforms, and exchange controls. Some countries in the region have issued regulations on mobile remittances. Kenya, Rwanda and Tanzania have a mobile money model led by Mobile Network Operators (MNO). Uganda just issued new regulations under which MNOs have to partner with a bank. In Nigeria and Liberia, MNOs cannot provide mobile money services unless they partner with a Bank.

Increase in deportations

An emerging risk consideration affecting migration flows from and remittance flows to SSA is an increase in deportations in receiving countries. About 1,000 Sudanese were deported from Israel.²⁴ Around 144,000 Ethiopians have returned home, deported from Saudi Arabia, which began a crackdown on undocumented foreign workers in 2012. The Government of Ethiopia is expecting 30,000 more migrants to return from Saudi Arabia.²⁵

African Institute for Remittances (AIR)

The African Union Commission (AUC) decided to create the AIR in the framework of the Africa-European Union partnership on Migration, Mobility and Employment.²⁶ In 2013, the African Union accepted the offer from the Republic of Kenya to host the AIR.²⁷ The Institute is expected to be fully operational by the year 2015.

Migration and Development Briefs are prepared by the Migration and Remittances Team, Development Prospects Group, Development Economics (DEC). These briefs are intended to be informal briefing notes on migration, remittances, and development. The views expressed are those of the authors and may not be attributed to the World Bank Group. The latest data on remittances and other useful resources are available at <http://www.worldbank.org/migration>. People Move blog can be accessed at <http://blogs.worldbank.org/peoplemove>. Contributions, feedback, and requests to be added to the distribution list, may be sent to Dilip Ratha at dratha@worldbank.org.

²⁴ <http://www.aljazeera.com/indepth/features/2013/12/israel-pushes-african-migrant-deportation-2013123020923686960.html>

²⁵ <http://www.irinnews.org/fr/report/99444/deported-from-saudi-arabia-ethiopian-migrants-find-dilemma-at-home>

²⁶ <http://au.int/en/sites/default/files/142097.pdf>

²⁷ <http://summits.au.int/en/22ndsummit/events/african-institute-remittances-air-will-be-fully-operational-2015-au-executive-coun>