

# Outlook for migration and remittances 2012-14

Dilip Ratha

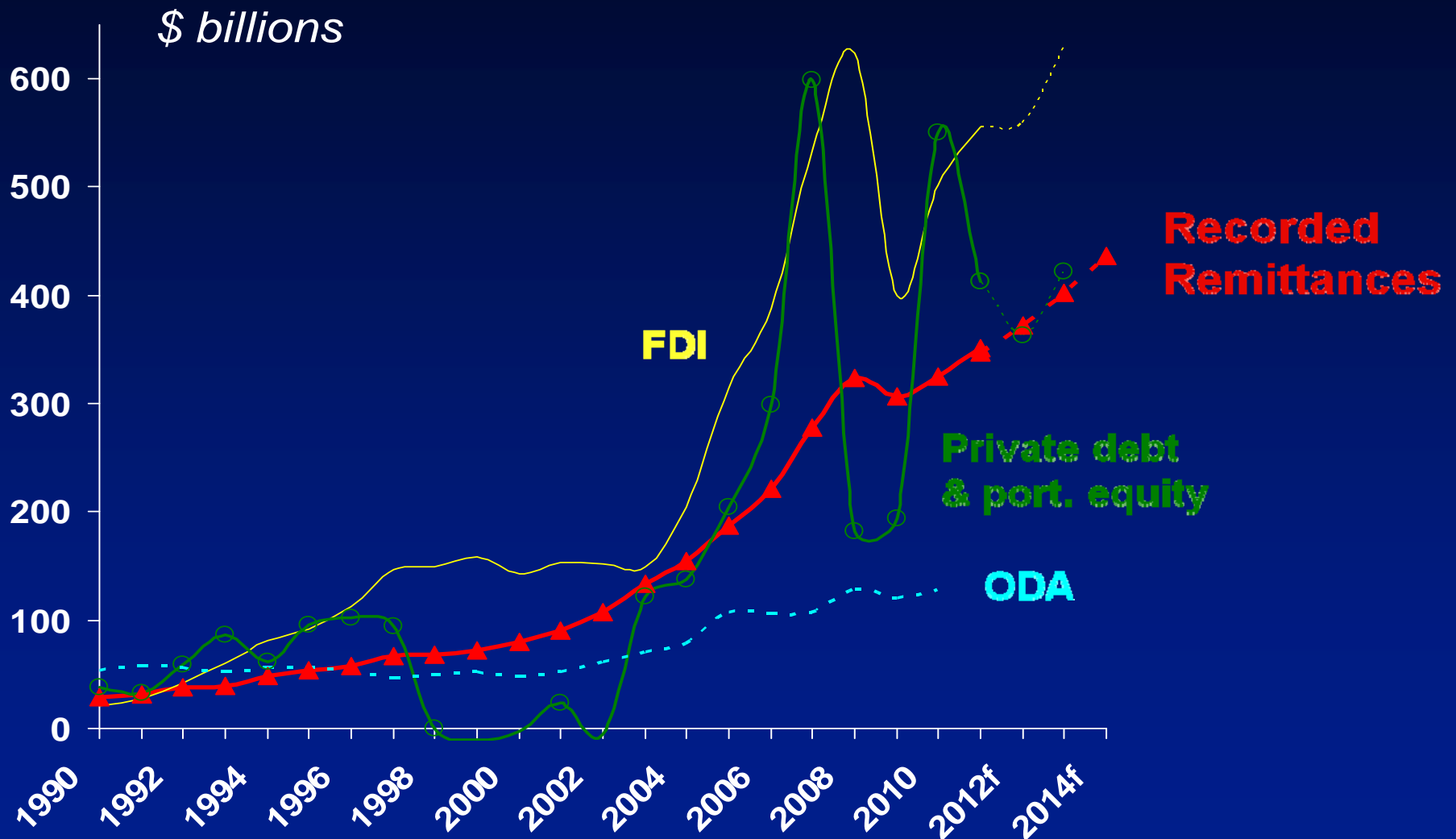
World Bank

Tenth Coordination Meeting on International Migration

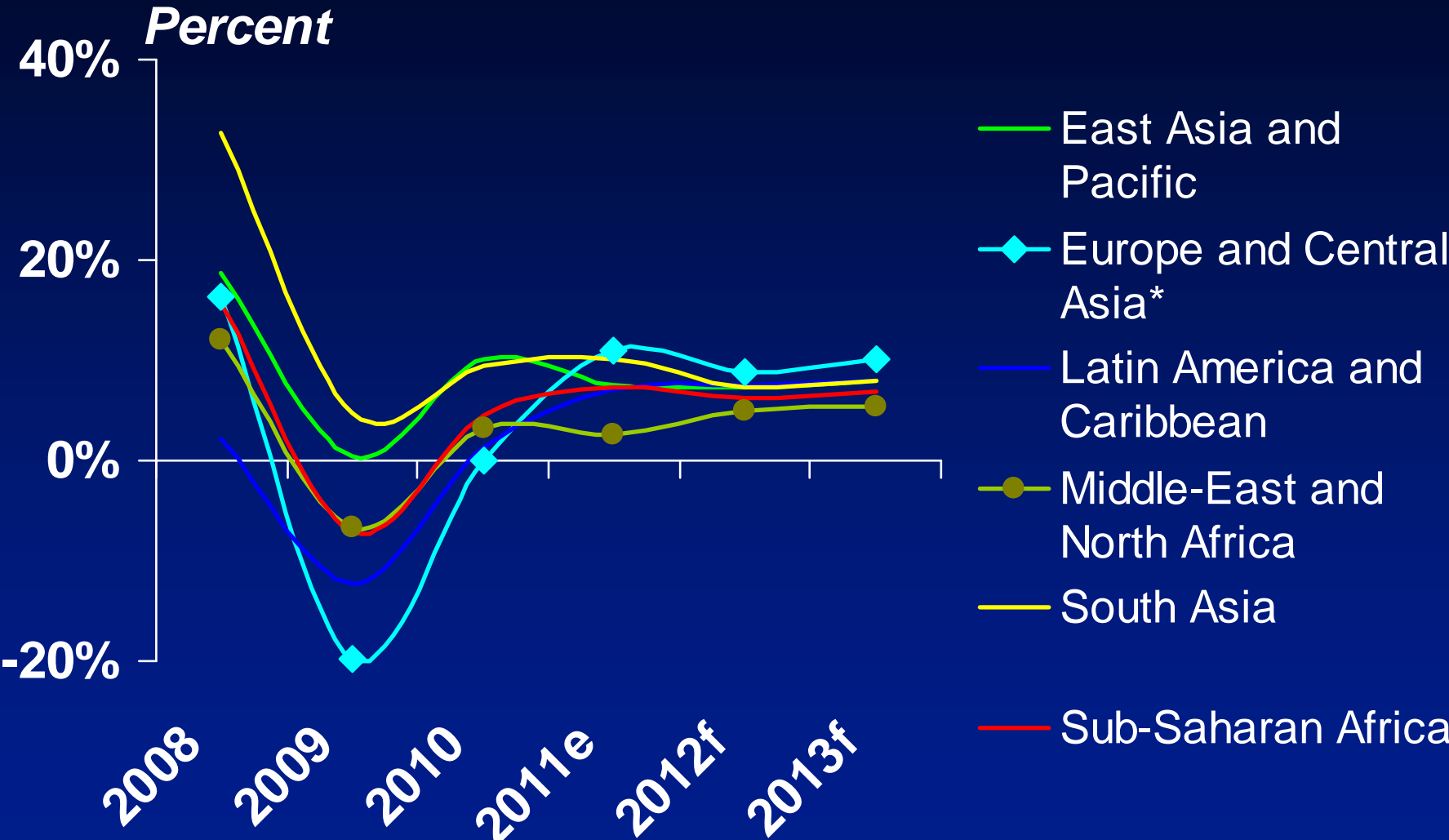
New York

February 9, 2012

# After a modest decline in 2009, remittances have grown steadily, to reach \$351 bn. in 2011



# Resilience of remittances across all regions



Source: Migration and Development Brief 17

# Remittance flows to developing countries

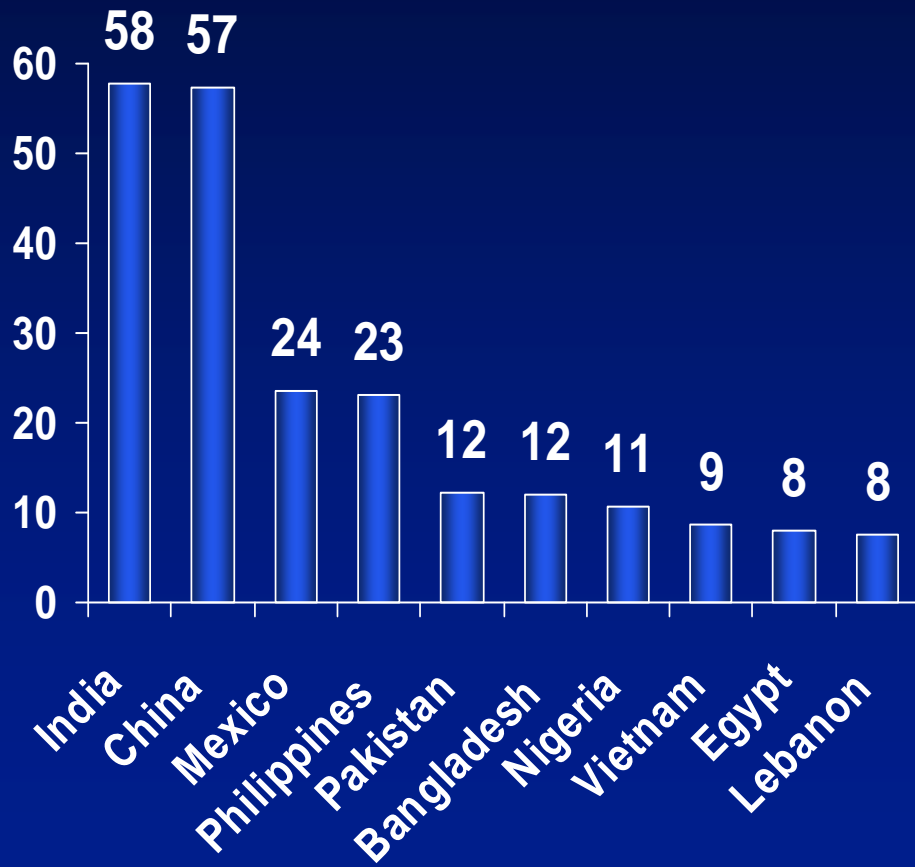
<i>\$ billion</i>	2010	2011e	2012f	2013f	2014f
<b>Developing countries</b>	<b>325</b>	<b>351</b>	<b>377</b>	<b>406</b>	<b>441</b>
East Asia and Pacific	94	101	109	117	127
Europe and Central Asia	36	40	44	48	53
Latin America and Caribbean	57	61	66	71	77
Middle-East and North Africa	35	36	37	39	42
South Asia	82	90	97	105	114
Sub-Saharan Africa	21	23	24	26	28
<u><b>Growth rate (%)</b></u>					
<b>Developing countries</b>	<b>6.0%</b>	<b>8.0%</b>	<b>7.3%</b>	<b>7.9%</b>	<b>8.4%</b>
<i>East Asia and Pacific</i>	10.2%	7.6%	7.3%	8.0%	8.7%
<i>Europe and Central Asia</i>	-0.1%	11.0%	8.8%	10.1%	11.4%
<i>Latin America and Caribbean</i>	1.2%	7.0%	7.6%	7.9%	8.1%
<i>Middle-East and North Africa</i>	3.3%	2.6%	5.0%	5.3%	5.5%
<i>South Asia</i>	9.5%	10.1%	7.4%	7.9%	8.4%
<i>Sub-Saharan Africa</i>	4.5%	7.4%	6.3%	6.8%	7.3%

# Outlook for remittances

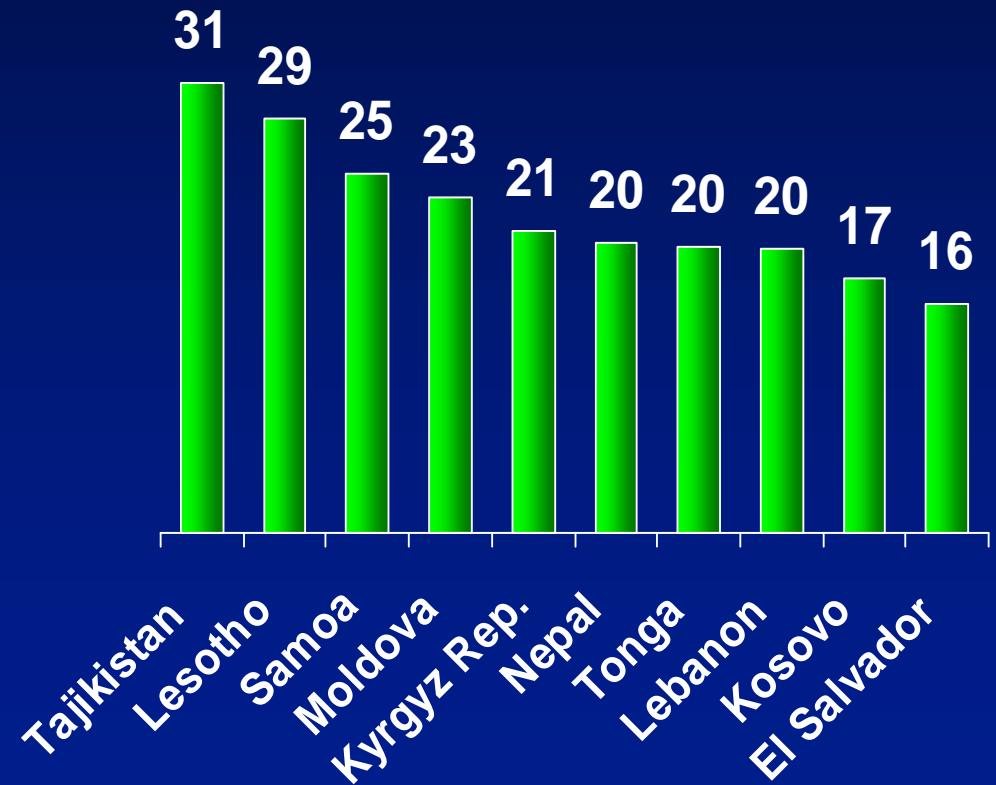
- Remittances to developing countries \$351 bn. In 2011 (8% increase over 2010)
- Growth in all six developing regions in 2011 after global financial crisis (MENA, LAC slower growth)
- Forecasts: 7-8 percent growth in 2012-14
- Economic crisis in Europe, high unemployment rates and restrictive immigration policies are affecting migration and remittances
- Gulf countries and oil exporters (Russia) are providing a cushion for remittances to Asia

# Top remittance recipients in 2011

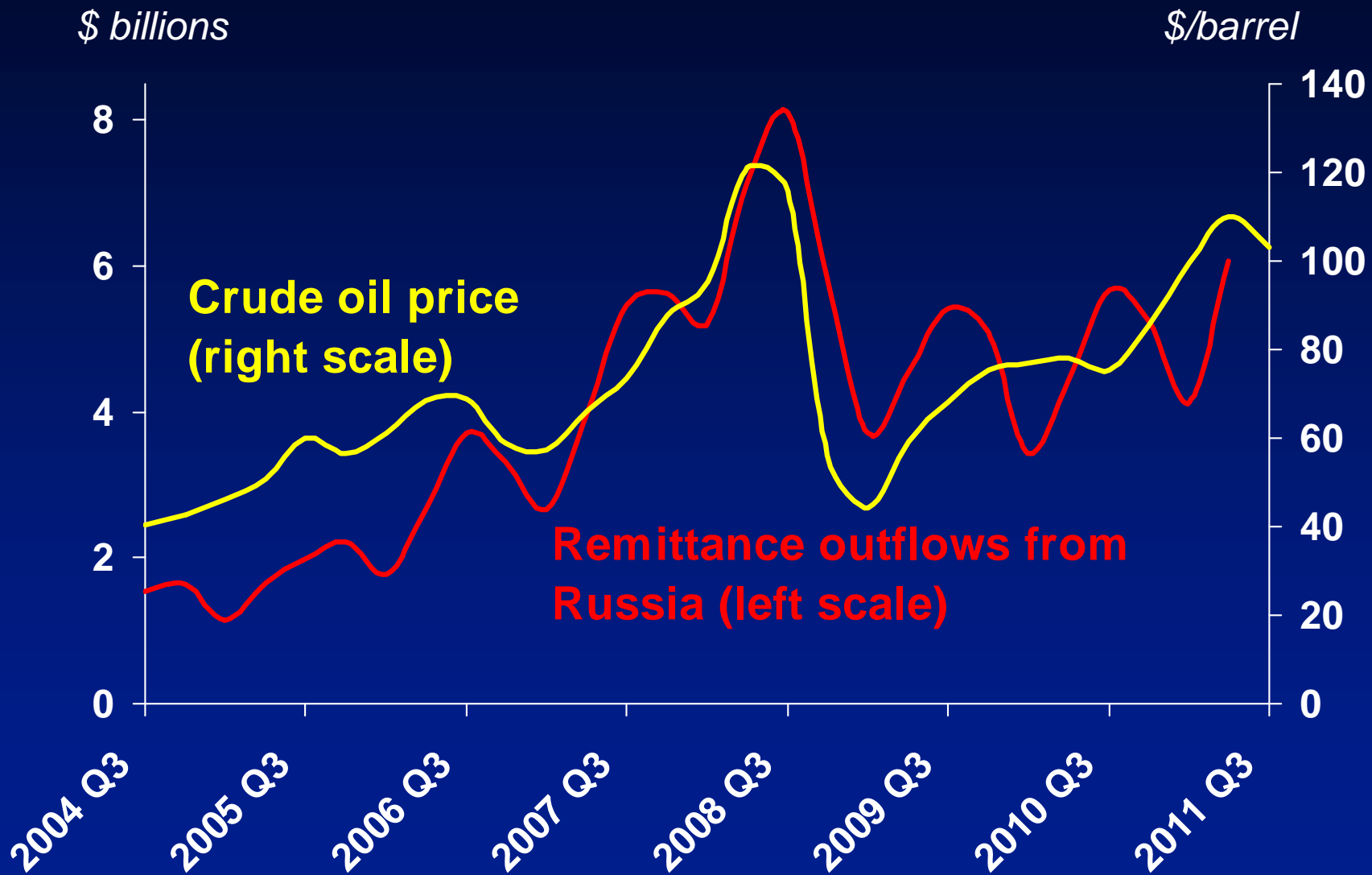
*(\$millions), 2011e*



*As % of GDP, 2010*



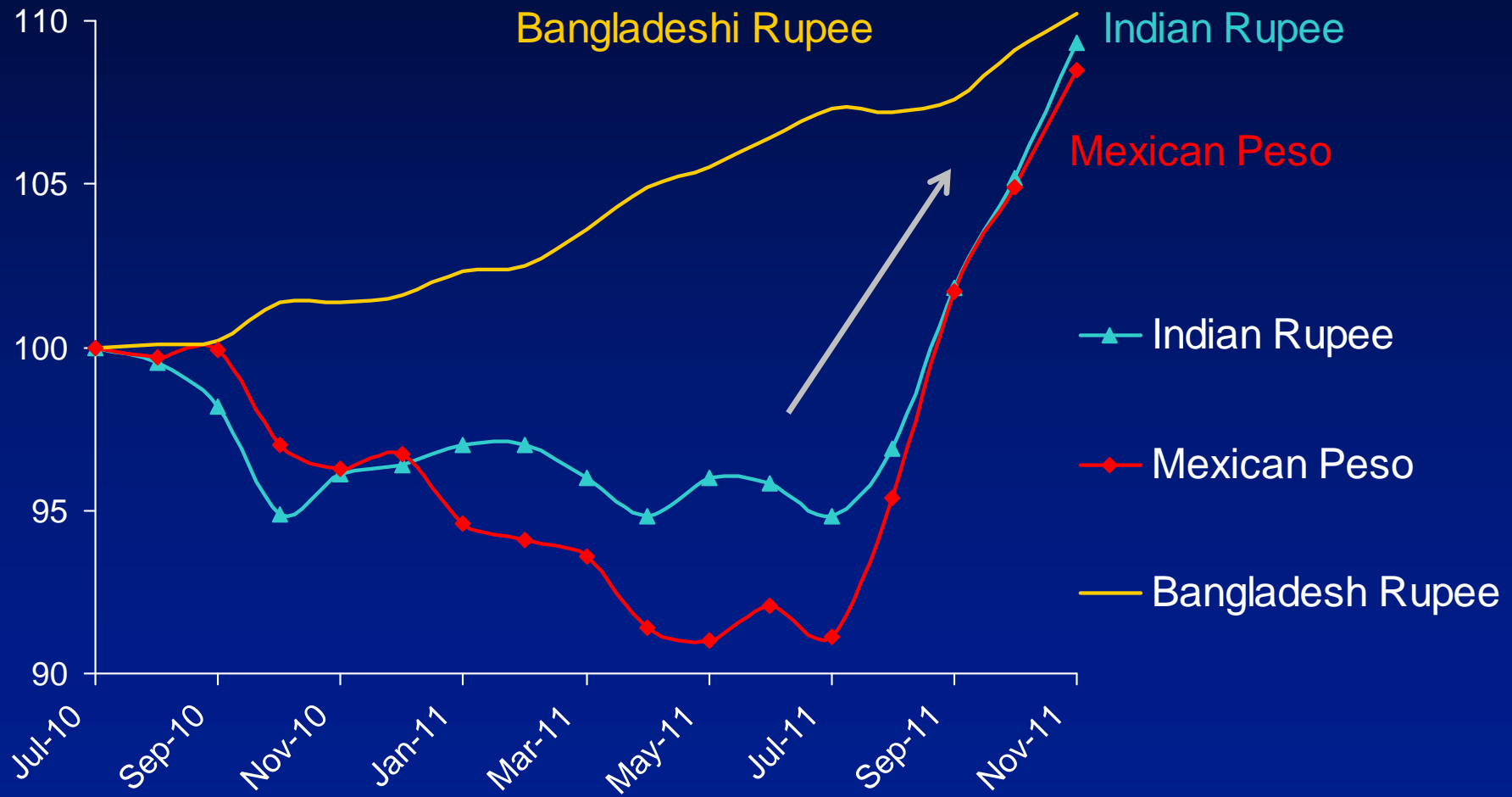
# Oil prices continue to provide a cushion for remittances to Asia



Source: IMF Balance of Payments and Development Prospects Group, World Bank.

# Exchange rate depreciation has created additional incentives to send remittances

Local currency/US\$  
(July 2010 = 100)





# Risks to the outlook

- Global economic crisis in the US and Europe
- Anti-immigration policies in other destination countries
- Uncertain currency and oil price movements

# First mile issues in remittance-source countries

- Onerous AML/CFT regulations
- Exclusivity agreements between MTOs and post offices
- Migrants do not have adequate access to banks
- EU Payment Services Directive (PSD) and efforts in US to improve transparency in pricing of remittance services

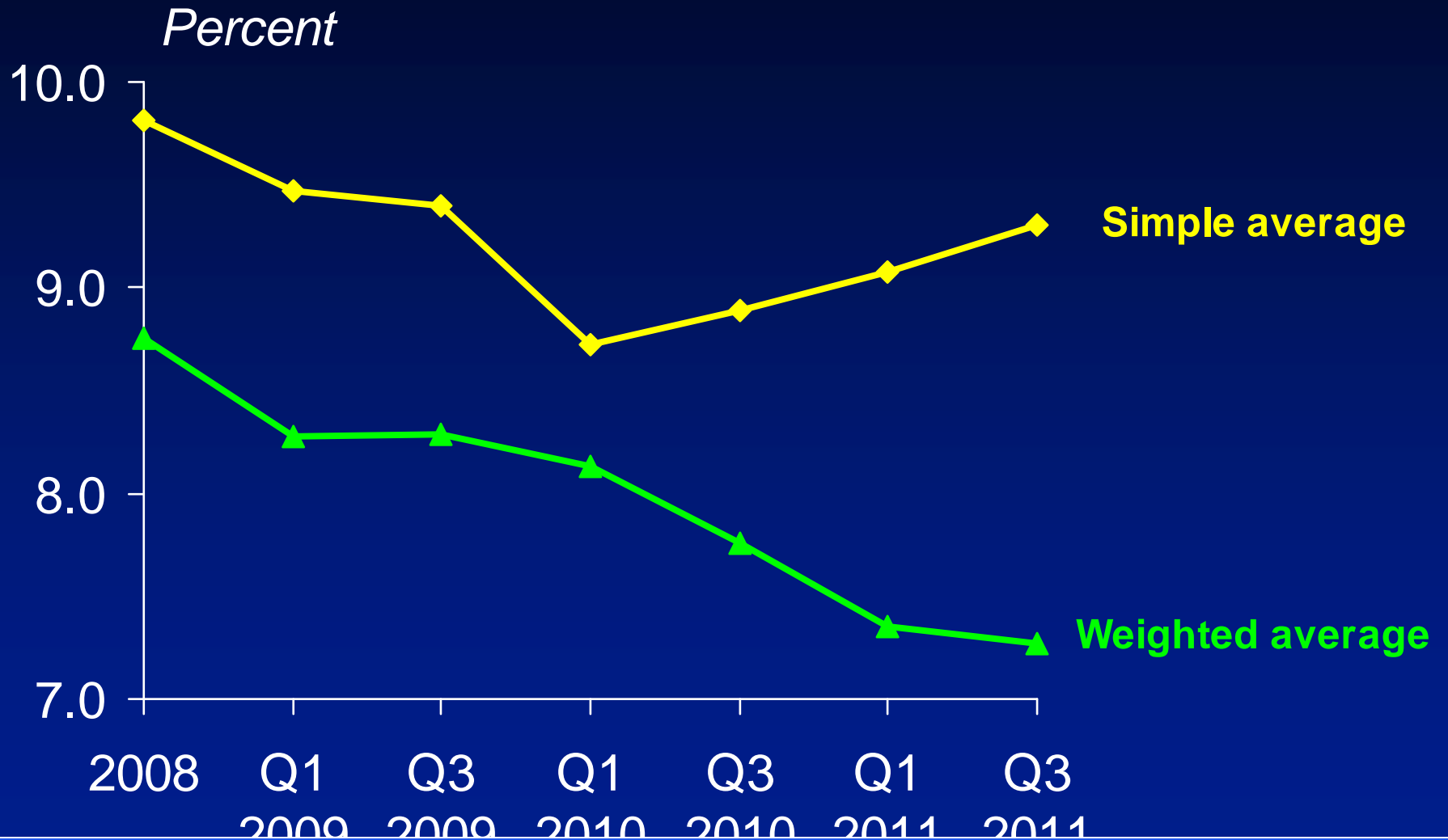
# Cost of sending remittances to developing regions is high

*Average cost of sending \$200 to developing regions*



*ECA excludes Russian Federation; Source: World Bank Remittances Prices Worldwide database (Sept.2011)*

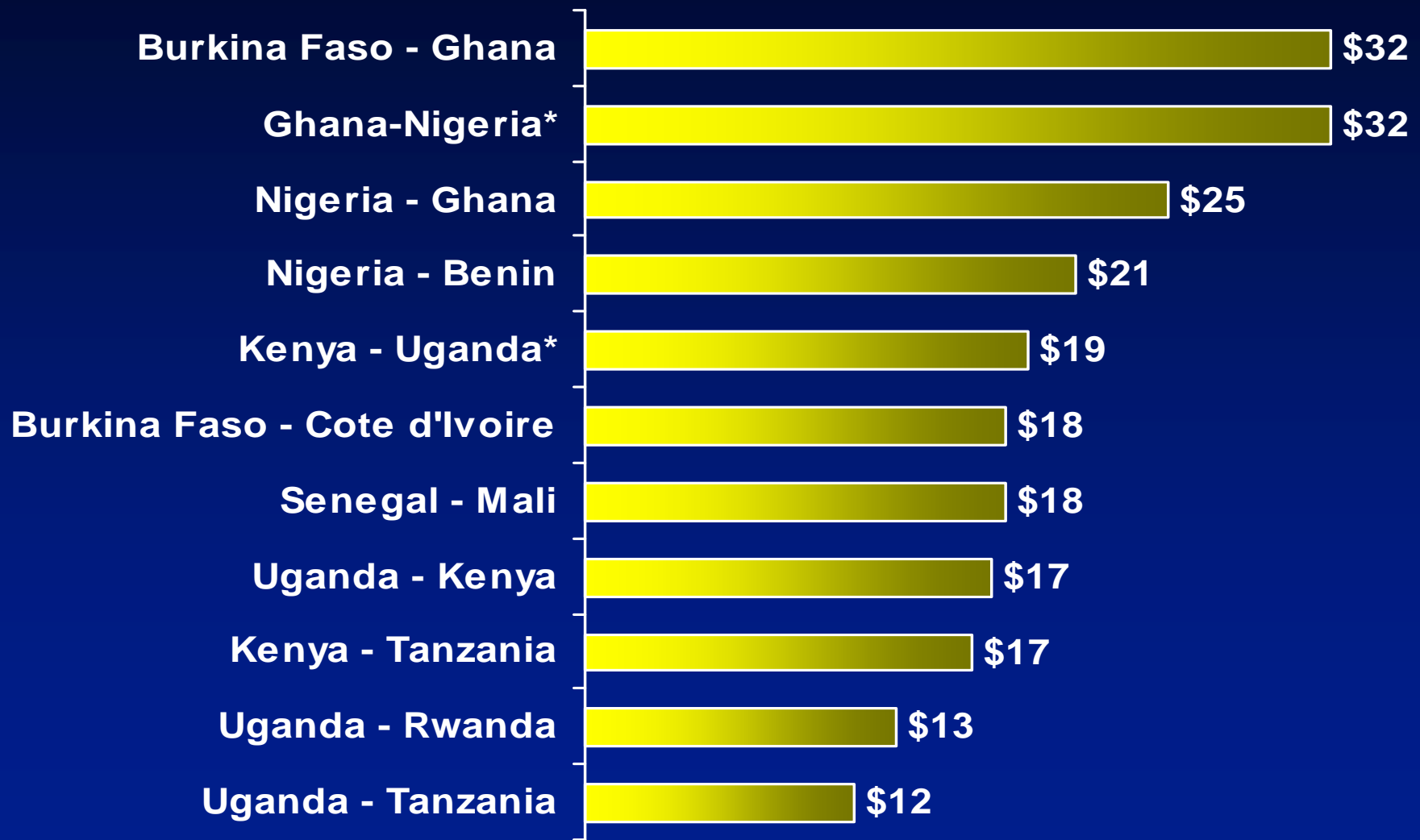
# Remittance costs are falling



Data on market size a key driver of market competition

# South-South remittance costs are higher than North-South remittance costs

Average cost of sending \$200 within Africa (US\$)



*Excludes FX commissions and bank account maintenance fees for inter-bank transfers*

*\*Remittance prices worldwide database (Sep 2011)*

*Source: Surveys of remittance service providers;*

## 1. Monitoring, analysis, projection

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

## 3. Financial access

- Deposit and saving products
- Loan products (mortgages, consumer loans, microfinance)
- Credit history for MFI clients
- Insurance products

# International Remittances Agenda

## 4. Capital market access

- Private banks and corporations (securitization)
- Governments (diaspora bonds)
- Sovereign credit rating

## 2. Retail payment systems

- Payment platforms/instruments
- Regulation (clearing and settlement, capital adequacy, exchange controls, disclosure, cross-border arbitration)
- Anti-money laundering/Countering financing of terrorism (AML/CFT)

# HLD 2013 – Actions to consider in the area of remittances

- Improvement of data on remittances, especially corridor-specific market size
- Leveraging remittances for capital market access and creditworthiness: How to support countries?
- Mobilizing diaspora investments via diaspora bonds

# The wealth of the diaspora can be mobilized through diaspora bonds

	Diaspora size (millions)	Estimated savings (\$ billions, 2009)
<b><u>Developing countries</u></b>	<b><u>161.5</u></b>	<b><u>397.5</u></b>
East Asia & Pacific	21.7	83.9
Europe & Central Asia	43.0	72.9
Latin America & Caribbean	30.2	116.0
Middle East & North Africa	18.0	41.2
Sub-Saharan Africa	21.8	30.4
South Asia	26.7	53.2

The World Bank has set up a Task Force on Diaspora Bonds



Data and other resources are available at

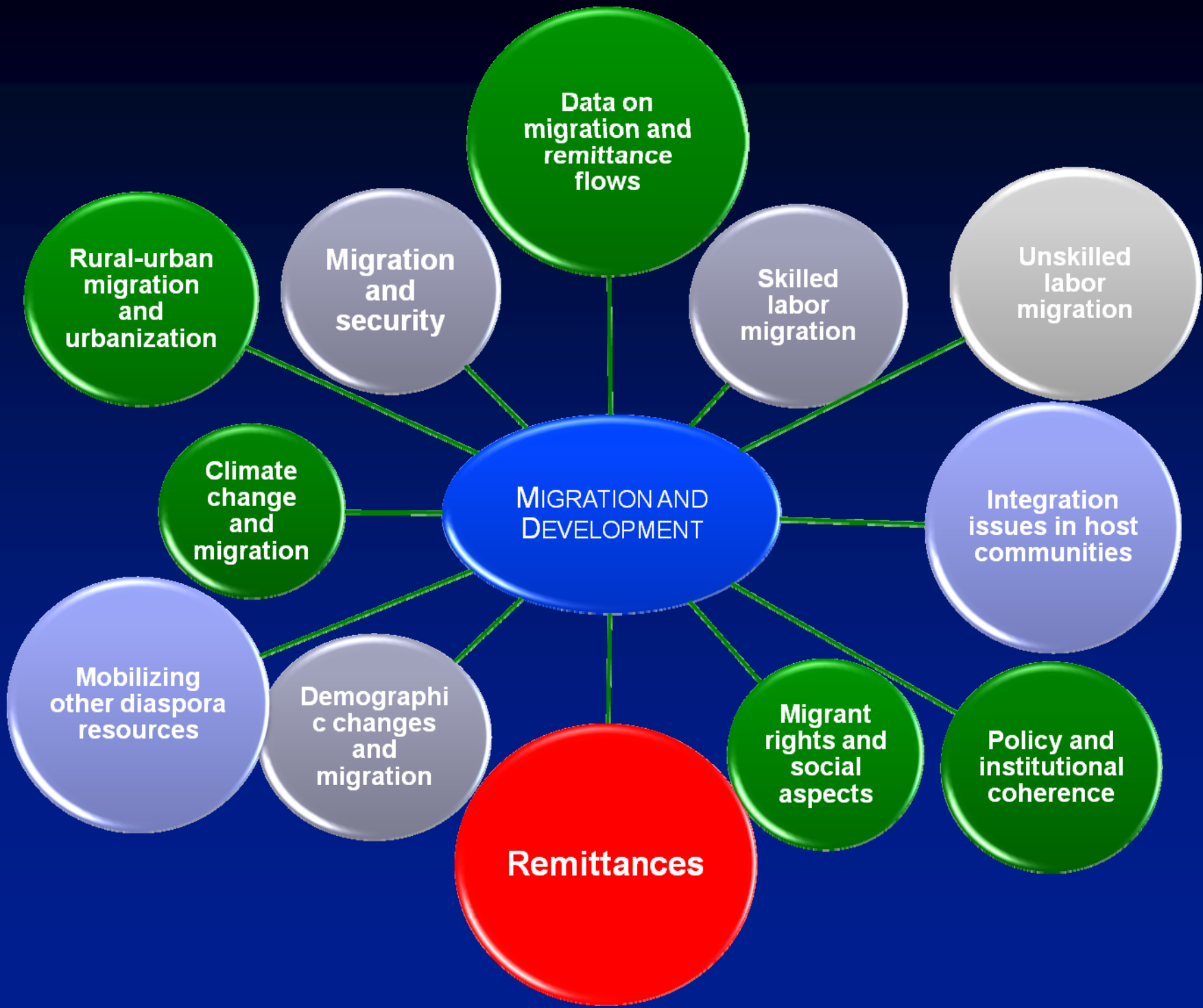
[www.worldbank.org/migration](http://www.worldbank.org/migration)

# **Global Knowledge Partnership on Migration and Development**

# Objectives

- An open, multidisciplinary platform
- Generate a menu of policy choices based on evidence and peer-review
- Pilot policy operations and capacity building efforts

# Thematic areas



## 1. Monitoring, analysis, projection

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

## 3. Financial access

- Deposit and saving products
- Loan products (mortgages, consumer loans, microfinance)
- Credit history for MFI clients
- Insurance products

# International Remittances Agenda

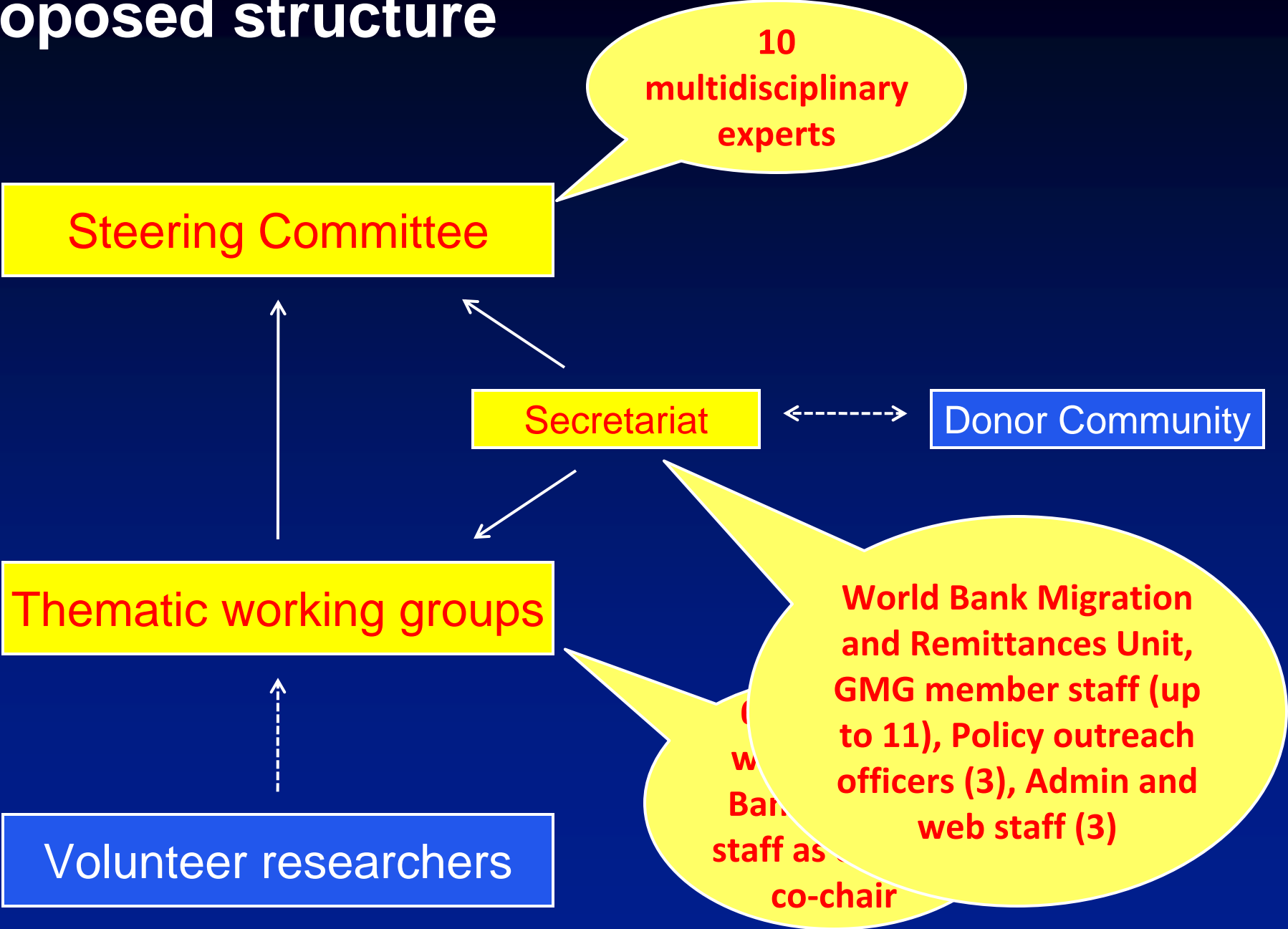
## 4. Capital market access

- Private banks and corporations (securitization)
- Governments (diaspora bonds)
- Sovereign credit rating

## 2. Retail payment systems

- Payment platforms/instruments
- Regulation (clearing and settlement, capital adequacy, exchange controls, disclosure, cross-border arbitration)
- Anti-money laundering/Countering financing of terrorism (AML/CFT)

# Proposed structure



# External partnerships

- International and regional agencies
  - Global Forum on Migration and Development, Global Migration Group, World Economic Forum, UN agencies, AU, EC, IOM, ADB, AfDB, IDB, G20
- Research networks
  - Migrating out of Poverty, Africa Economic Research Consortium, CEMLA, other research institutes, universities, and think-tanks
- Civil Society



# Outputs of Migration Knowledge Platform

- Analytical research products
- Operational toolkits, fact books
- Web-based anthologies, archives, blogs
- Best practices: *A menu of policy choices for the policy makers*
- Few pilot projects and capacity building activities

# Monitoring & evaluation

- Workshops and annual conference feedback
- Web traffic and use of tools
- Impact on policy debate
- Changes in access to information available to migrants, policy makers and researchers
- Requests for pilot projects and capacity building

Data and other resources are available at

[www.worldbank.org/migration](http://www.worldbank.org/migration)