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Migration and Remittances Team, Development Prospects Group
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Migration and Remittance Flows: Recent Trends and Outlook, 2013-2016[1]

- Remittance flows to developing countries are expected to reach $414 billion in 2013 (up 6.3 percent over 2012), and $540 billion by 2016. Worldwide, remittance flows may reach $550 billion in 2013 and over $700 billion by 2016. These increases are projected in spite of a $10 billion downward revision in the data due to the introduction of the Sixth Edition of the IMF Balance of Payments Manual and the reclassification of several developing countries as high-income countries.
- Remittance flows are expected to continue to increase in all regions and major recipient countries except Mexico, where flows may dip in 2013. Flows are expected to remain strong or even increase in several countries affected by weakening balance of payments, notably India, the top recipient of remittances in the world.
- The global average cost for sending remittances remains broadly unchanged at just under 9 percent. However, there are anecdotal reports that many banks are imposing additional fees on beneficiaries receiving remittances. Also, some international banks are closing the bank accounts of money transfer operators because of money laundering and terrorism financing concerns.
- As the development community debates the post-2015 development agenda, there is a case to be made for reducing migration costs, including the costs of recruitment, visa, passport, and residency permits.

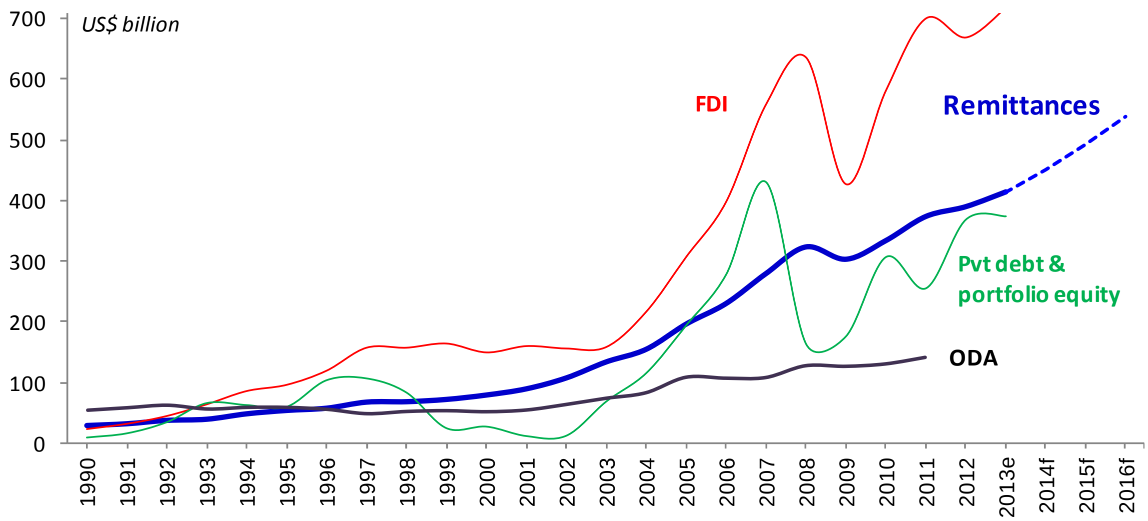
Global trends

Officially recorded remittance flows to developing countries are expected to increase by 6.3 percent to reach $414 billion in 2013 (table 1 and figure 1). Worldwide, these flows could reach nearly $550 billion in 2013.[2] Consistent with the World Bank's economic growth projections, remittance flows are expected to register an average annual growth rate of over 8 percent during 2013-2016, to reach $540 billion in developing countries and over $700 billion worldwide by 2016. This increasing trend is projected in spite of the fact that (a) Antigua & Barbuda, Chile, Latvia, Lithuania, Russia, and Uruguay are now classified as high-income and no longer included in the group of developing countries; and (b) countries are now using the new definition of remittances following the Sixth Edition of the IMF Balance of Payments and International Investment Position Manual (BPM6, see box 1).

[1] This brief was prepared by Dilip Ratha, Christian Eigen-Zucchi, Sonia Plaza, Hanspeter Wyss, and Soonhwa Yi. Contributions are gratefully acknowledged from Evis Rucaj on BPM6, the Payment Systems Development Group of the World Bank on remittance costs, Phil Martin and Manolo Abella on recruitment costs, and Gayatri Singh on visa and passport costs. Thanks to Andrew Burns for comments on an earlier draft, and to Ervin Dervisevic for excellent research assistance.
[2] The true size of remittances, including unrecorded flows, is believed to be significantly larger.

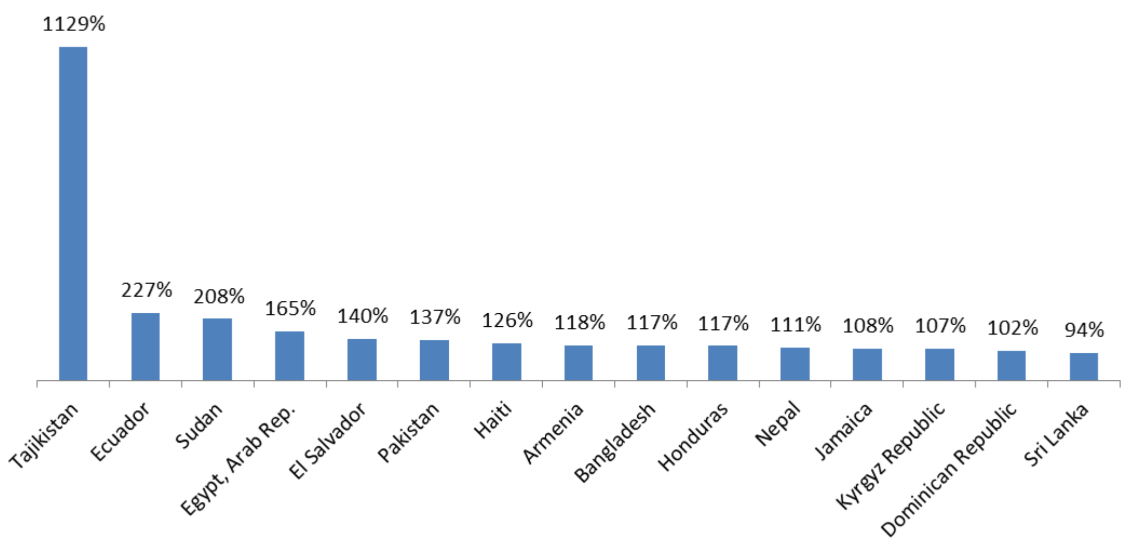
Remittances are now nearly three times the size of official development assistance and larger than private debt and portfolio equity flows to developing countries (figure 1). They exceed the foreign exchange reserves in at least 14 developing countries, and are equivalent to least half of the level of reserves in more than over 26 developing countries (figure 2). As many emerging markets are facing a weakening balance of payments, the importance of remittances as a source of foreign currency earnings is increasing. This is particularly true in the case of South Asia (see also Regional Annex below).

Figure 1: Remittances flows are large, and growing



Sources: World Development Indicators and World Bank Development Prospects Group

Figure 2: Remittances are larger than foreign exchange reserves in many countries (%)



Source: IMF, World Bank staff estimates

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

	2009	2010	2011	2012	2013e	2014f	2015f	2016f
				($ billions)				
All developing countries	**303**	**334**	**373**	**389**	**414**	**449**	**491**	**540**
East Asia and Pacific	79	95	106	107	115	126	139	154
Europe and Central Asia	32	32	38	38	43	47	52	58
Latin America and Caribbean	55	56	59	60	61	68	75	84
Middle-East and North Africa	34	40	43	47	49	51	54	57
South Asia	75	82	97	107	114	123	133	145
Sub-Saharan Africa	28	29	30	30	32	35	38	41
World	**418**	**454**	**506**	**519**	**549**	**594**	**646**	**707**
Low-income countries	21	24	28	32	38	41	46	52
Middle-income	281	310	345	357	376	408	445	488
High income	115	120	133	129	135	144	155	167
				(Growth rate, percent)				
All developing countries	-6.3	10.2	11.9	4.3	6.3	8.6	9.3	9.9
East Asia and Pacific	-6.0	20.1	12.4	1.0	7.4	9.5	10.2	10.5
Europe and Central Asia	-20.1	-0.9	17.6%	1.6%	10.8	10.3	11.2	11.6
Latin America and Caribbean	-12.0	1.1	6.1	0.9	2.5	10.5	11.1	11.6
Middle-East and North Africa	-6.5	19.4	6.3	10.8	3.6	4.9	5.4	5.6
South Asia	4.6	9.4	18.4	9.7	6.8	7.7	8.5	9.4
Sub-Saharan Africa	-1.8	4.1	4.5	-0.4	6.2	8.6	9.2	9.5
World	-6.3	8.7	11.5	2.5	5.8	8.2	8.8	9.4
Low-income countries	3.7	11.1	17.7	14.6	17.3	10.5	11.2	12.5
Middle-income	-7.0	10.1	11.5	3.5	5.3	8.4	9.1	9.6
High income	-6.4	4.6	10.5	-2.7	4.5	6.8	7.3	7.7
Memo:				***(Downward revisions, $ billions)***				
Move to BPM6 from BPM5	7.1	1.5	0.2	2.2				
Reclassification as high-income (Antigua & Barbuda, Chile, Latvia, Lithuania, Russia and Uruguay)	1.0	7.7	8.9	8.1	9.2	10.2	11.5	12.9

Source: World Bank staff calculation 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. See box on data above for definitions. The dataset for all countries is available at www.worldbank.org/migration.

Box 1: Recent changes in the compilation of remittances data

A new notion of remittances introduced in the Sixth Edition of the IMF Balance of Payments and International Investment Position Manual (BPM6) is starting to be used by many countries. According to the new definition, personal remittances are the sum of two main components: "compensation of employees" and "personal transfers" (see table below). Personal remittances also consist of a third item: "capital transfers between households", but data on this item are difficult to obtain and hence reported as missing for almost all countries.

Total remittances: a+b+c+d			
Personal remittances: a+b+c			
a	b	c	d
Personal transfers (standard component in BPM5)	Compensation of employees less taxes, social contributions, transport, and travel	Capital transfers between households	Social benefits

Source: International Transactions in Remittances: Guide for Compilers and Users, IMF 2009.

Compensation of employees, unchanged from BPM5, "represents remuneration in return for the labor input to the production process contributed by an individual in an employer-employee relationship with the enterprise." The definition of "personal transfers", however, is broader than the old "worker remittances" – it comprises "all current transfers in cash or in kind made or received by resident households to or from nonresident households". According to the IMF's remittance data compilation guide, "unlike worker remittances, personal transfers are defined independently of the source of income of the sending household, the relationship between the households, and the purpose for which the transfer is made. This simplifies the definition and brings it in line with compilation practices applied in many economies (which did not take account of factors such as source of income and purpose). So, although it is recognized that personal transfers will often originate from migrants sending resources to support their relatives in their economy of origin, personal transfers as defined in this Manual are not limited to such activity."

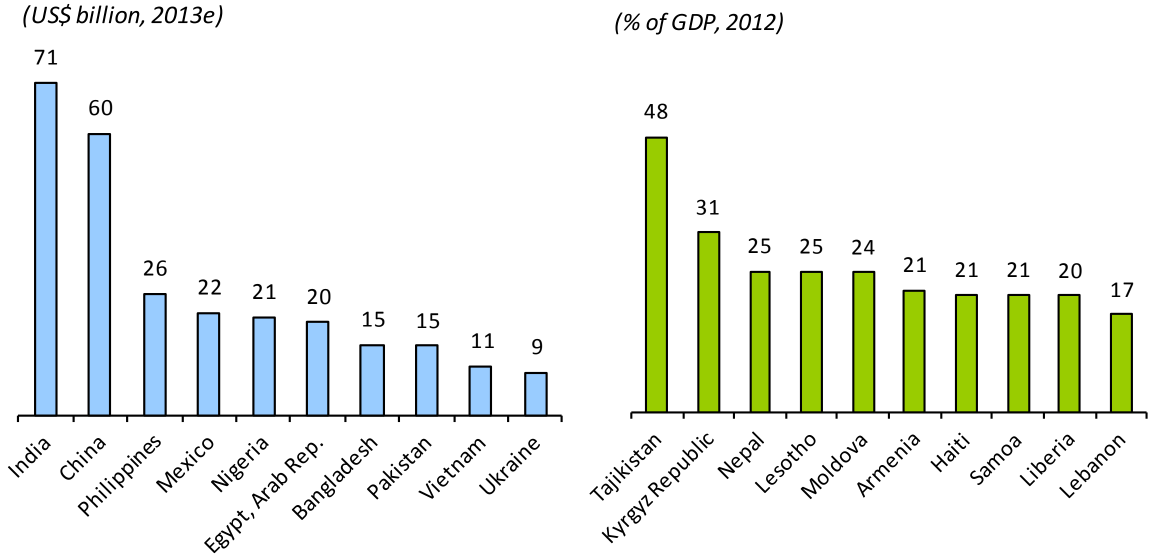
To ensure consistency of time series, the IMF will continue to publish workers' remittances as a supplementary item. Central banks of some countries, such as India, have also been publishing data in both the new and the old formats. More countries will begin reporting BoP data in BPM6 format. For now, reported data on personal transfers seem to be the same as that of worker remittances for most countries. However, this is expected to change in the future.

In this Brief, we have used the new definition of remittances. For most countries, the historical data are not impacted by this change. An exception is Brazil where the use of BPM6 results in a downward revision of remittances from $4.5 billion to $2.6 billion. There are several countries (notably Ghana) where data reported in IMF BoP statistics are still grossly underestimated, judging from statements made by high-level government officials.

The move to BPM6 and the reclassification of Antigua & Barbuda, Chile, Russia, Latvia, Lithuania and Uruguay as high-income countries by the World Bank results in a downward revision of our remittance data for 2012, from the earlier estimate of $401 billion to $389 billion.

According to the new estimates, the top recipients of officially recorded remittances for 2013 are India ($71 billion), China ($60 billion), the Philippines ($26 billion), Mexico ($22 billion), Nigeria ($21 billion), and Egypt ($20 billion). Other large recipients include Pakistan, Bangladesh, Vietnam, and Ukraine (figure 3). As a percentage of GDP, however, the top recipients of remittances, in 2012, were Tajikistan (48 percent), Kyrgyz Republic (31 percent), Lesotho and Nepal (25 percent each), and Moldova (24 percent).

Figure 3: Top 10 recipients of remittances



Source: Same as in table 1.

Regional trends

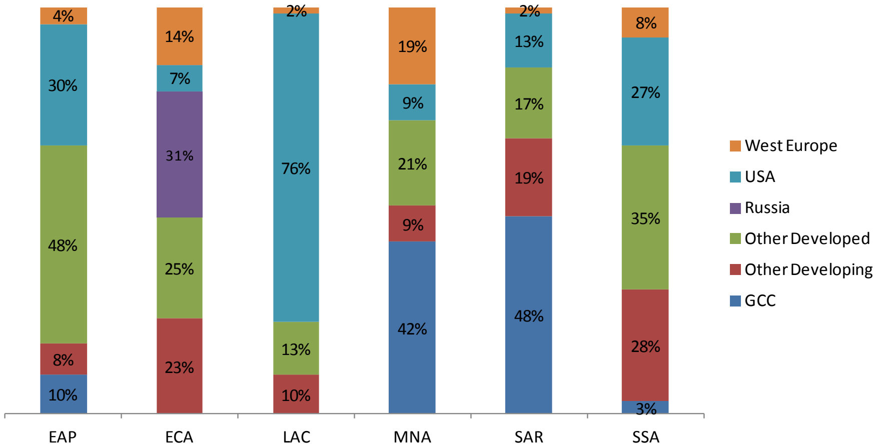
Growth of remittances has been robust in all regions of the world, except for Latin America and the Caribbean, where growth decelerated due to a sharp decline in remittances to Mexico. A more detailed discussion of remittance trends and policy issues in each of the six regions is presented in the **Regional Annex** below.

The regional trends in remittances are influenced by the circumstances migrants face in destination countries and the predominant sources of remittances. Latin America and the Caribbean (LAC) receives over three-quarters of its remittances from the United States, and is thus susceptible to the U.S. economic cycle (figure 4). By contrast, the source of remittances to East Asia and Pacific (EAP) and South Asia Region (SAR) are well diversified, lending a high degree of resilience to the flows during the global financial crisis. In Europe and Central Asia (ECA), many countries send a large number of migrants to Russia and to a lesser degree, to Western Europe. Considering the dependence of Russia and the Gulf Cooperation Council (GCC) countries on oil, outward remittances from these countries tend to be sensitive to oil prices.

In South Asia, remittances are noticeably supporting the balance of payments. In Bangladesh, Nepal, Pakistan and Sri Lanka, remittances are larger than the national foreign exchange reserves. All these countries (most notably, Pakistan) have instituted various incentives for attracting remittances. In India, remittances are larger than the earnings from IT exports. With the weakening of the Indian rupee, a surge in remittances is expected as nonresident Indians take advantage of the cheaper goods, services and assets back home. Remittances to India are expected to reach $71 billion in 2013.

In Latin America and the Caribbean, the growth of remittances has been impacted by the U.S. economic situation. In particular, remittances to Mexico have declined again in recent months.

Figure 4: Sources of remittances by region



Source: World Bank staff estimates

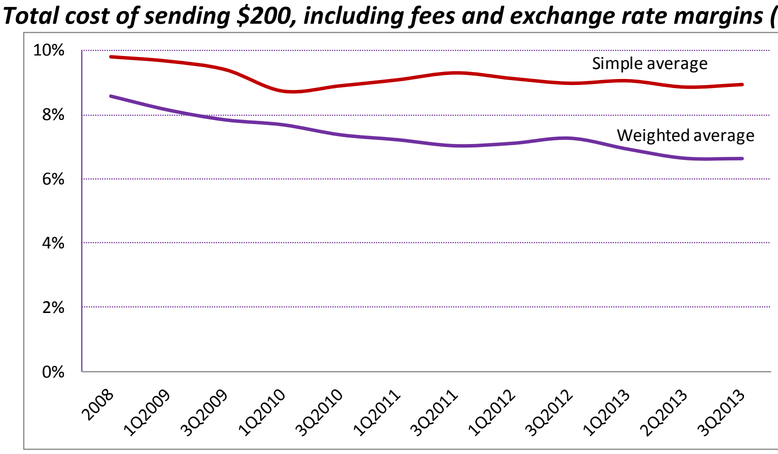
In the Middle East and North Africa (MENA) region, displacement of people due to conflict has assumed critical proportions, as 2 million Syrians have moved to neighboring countries as refugees. The direction of remittances is unclear. In 2010, the last date for which data are available, Syria received over $1.6 billion in remittances. During the conflict, more inward remittances are expected from those already abroad trying to help families and friends. However, the recently displaced people are also expected to take funds with them or receive remittances outside of Syria. On balance, we expect remittances to Syria to rise modestly. Remittances to Egypt have nearly tripled since 2009 to around $20 billion in 2013, and are more than three times larger than revenue from the Suez Canal.

Are remittance costs rising?

Despite efforts by the international community to reduce remittance costs – for example, the G20 objective of reducing costs to 5 percent in 5 years, the global average cost of sending $200 seems to have stabilized around 9 percent (figure 5). In the third quarter of 2013, the global average total cost for sending remittances was 8.9 percent, as measured by the World Bank's Remittance Prices Worldwide (RPW) database. The global average decreased steadily between 2008 and 2010, reaching a low of 8.7 percent in the first quarter of 2010. Since then, however, remittance prices have risen again and have been broadly unchanged at around the 9 percent level over the past 12 months.

Figure 5: Despite global efforts, stubbornly high remittance costs

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

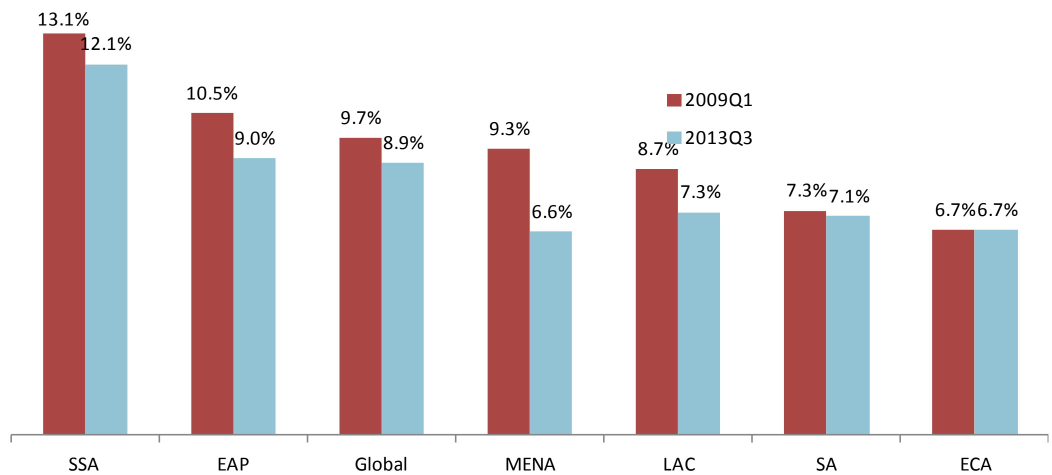


Source: Remittance Prices Worldwide, the World Bank.

Remittance costs are falling in high-volume corridors. This is evident from the fact that the global weighted average remittance cost (weighted by the size of bilateral remittance flows) fell to 6.6 percent in the third quarter 2013. In the smaller remittance corridors, however, costs continue to be exorbitant. For example, remittance costs are over 12 percent in Sub-Saharan Africa and even higher in the Pacific Islands corridors (figure 6).

Figure 6: Remittance costs remain high in many regions

(Cost of sending $200)



Source: Remittance Prices Worldwide, World Bank.
http://remittanceprices.worldbank.org/sites/default/files/RPW_Analysis_Q2_2013_final.pdf

The persistence of high costs is inconsistent with the recent advances in technology and falling information costs. Indeed, there is anecdotal evidence that banks are beginning to levy additional service charges or "lifting fees" on recipients. Such fees can be as high as 8 percent of the transaction value. Also some international banks are closing down the accounts of money transfer operators because of money laundering and terrorism financing concerns. These developments mark an unwelcome reversal of recent gains in the facilitation of cross-border remittances by migrants.

Lifting fees

A rather unwelcome development in recent months is the imposition, by many banks, of receiving or "lifting" fees on incoming transfers. This fee paid by the recipient is additional to that already paid by the remittance sender. For example, including the lifting fee, the total cost of a remittance of $200 from the US to Kenya can be 16 percent, twice as high as the average sending cost.

The lifting fee is yet another example of the lack of transparency in pricing that pervades the remittance industry.[3] There is clearly a need for more transparency to strengthen consumer rights (see box 2).

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[3] The fee may reflect banks' efforts to make up for falling interest income in recent years. PWC's Ghana Banking Survey (2012) reports that in 2011, the banking industry in Ghana saw a 30 percent increase in net fees and commission income (year-on-year), while interest income decreased by 16 percent (year-on-year).

Box 2: New US Foreign Remittance Transfer Rule to strengthen consumer rights

The new US Foreign Remittance Transfer Rule will be effective October 28, 2013, according to the US Consumer Financial Protection Bureau (CFPB). The proposed regulation requires companies to provide disclosures (e.g. relative to exchange rate, as well as to fees and taxes collected by the originating company) to a consumer before the consumer commits to pay for the remittance transfer. Companies must investigate if a consumer reports a problem with a remittance transfer. For certain errors, consumers can generally get a refund or have the transfer sent again without additional charge if the funds did not arrive as promised. It is expected that the new US regulation will support the achievement of the 5 X 5 objective of reducing the costs of making remittances, even more if similar measures are introduced also in other countries.

Source: CFPB, http://www.consumerfinance.gov/blog/updates-to-remittance-transfer-rule-resources-and-correction-to-the-rule/

The "lifting fee" varies depending on the type of money transfer and payout. For instance, some banks in China, Mexico and Nigeria, charge no fee if there is a reciprocal account between the remitting bank and the receiving bank (table 2). Otherwise, they charge handling costs. In Egypt, the cost can be zero if the payment is in the local currency. In the Philippines, a Bank branch pick-up of cash can incur an additional cost of about $1.5. This is not limited to developing countries. Even banks in developed countries levy some $10 per inward remittance transaction. So far, these receiving costs have not received much attention from those watching the remittance costs at the sending end.

In some countries, furthermore, inward remittances are subject to taxes. As Table 2 shows, most banks in India do not seem to levy any commissions (especially over US$100); but, while the government lifted service tax on foreign currency remittances into India in 2012, the incoming remittances are subject to service tax on foreign currency conversion (and at times an education cess). Nonetheless, the general trend is that governments exempt taxes on foreign remittances. The Philippines exempts remittances from overseas Filipino workers from its documentary-stamp duty. A recent proposal by the Federal Board of Revenue of Pakistan to impose a tax on worker remittances has faced strong opposition from various fronts. There are anecdotal reports suggesting that the UAE is considering taxation of outward remittances.

Anti-money laundering regulations and closure of MTO accounts by international banks

Anti-money laundering and combatting the financing terrorism (AML/CFT) regulation has long been a major hindrance to the introduction of new technologies in remittance markets and efforts to reduce remittance costs. More recently, there has been a series of account closures of money transfer operators (MTOs) by correspondent banks, notably involving flows from the US and the UK to Somalia. There are also anecdotal reports of account closures involving other corridors.

While it is true that a number of international banks and large money transfer operators were fined for AML/CFT violations, the recent heightening of such concerns on the part of correspondent banks poses a major threat to small MTOs operating in smaller corridors. Without competition from these operators, remittance costs will only increase in corridors where costs are already high.

In this context it may be worth pondering whether major international banks have the right business model (and desire) for providing remittance services to a large number of small-value customers. There may be a need to explore alternative service providers. Perhaps national banks of major remittance recipient countries could step in?

Table 2: Lifting fees

Receiving country	Service charge/commissions (including postage fee)	Tax	Remark
China	0.8%(min$8-max$132)		Fee can be zero in case there is a reciprocal account between the remitting bank and the receiving bank.
Egypt	0.3% (min $10 - max $100)		For cash payment. Zero if paid in EGP.
Ghana	zero		Foreign currency remittance is subject to fees ($10)
India	zero	3.12%	A service tax (0.12%) plus an education cess (3%)
Indonesia	$5		Slightly lower for remittances from neighboring Asian countries and from the Middle East region
Kenya	0.3% (min$14-max$69) plus postage $3.50		
Korea	$10		Zero if the inward remittance amount is below $100.
Malaysia	$1.50		Fee can be zero in case an inward remittance is from a branch abroad of the same bank.
Philippines	$4		Stamp tax on remittances from overseas Filipino workers was recently lifted.
United States	$10		Can be zero for a preferred customer.
Vietnam	0.05% (min$2-max$200)		Fee can be zero in case an inward remittance is from a branch abroad of the same bank.

Source: Survey and websites of various banks.
Note: Costs are converted to US$ based on prevailing exchange rates as of September, 2013.

Reduce migration costs – a post-2015 development goal?

There are more than 230 million international migrants and over 700 million internal migrants. The number of people impacted by migration – via remittances, trade, investments, philanthropy, transfer of skills and technology – is even larger. There is thus a case for including migration in the post-2015 development agenda.

The international migration community is considering the goal of reducing migration costs (including costs of recruitment, visa, passport and residency permit) as a possible candidate for the post-2015 agenda. If this goal received the kind of attention that G20 has paid to reducing remittance costs, far larger development impacts could be expected.

Recruitment costs for low-skilled temporary workers[4]

A Bangladeshi worker is likely to spend between US$1,935 and US$3,870 for a low-skilled job in the Middle East that pays $200 a month. This is equivalent to 2.5-5 times the per capita GDP in Bangladesh or some 14 months of salaries on average (table 3). For Indonesian domestic workers in Hong Kong, the average recruitment cost is over 5 months of wages, and for Nepalese construction workers in the GCC region, the average cost is 6 months of wages.[5] These costs involve the fees paid to the recruitment agents and fees for health insurance, medical tests, fingerprinting, and document verification.

[4] See Martin, Philip (2013), "How to Reduce Migrant Worker Recruitment Costs," DIIS Policy Brief, August.
[5] The data from the Encuesta Nacional de Inmigrantes conducted by the Spanish Instituto Nacional de Estadistica in 2007 evidence that the Ecuadorians which entered Spain after 1998 sustained direct costs of migration

Table 3: Recruitment costs can be a major drain on migrants' income
(Examples of recruitment costs in selected corridors)

Destination/Occupation	Sending country	Average recruitment cost	In months of wages
Domestic worker in Hong Kong	Indonesia	2,708	5.4
	Philippines	1,719	3.4
Construction worker in Middle East	Nepal	1,200	6.0
	Bangladesh	2,891	14.5

Sources: ITUC, IMWU and HKCTU, June 2012; APL-HK and PLU, April 2013; Martin 2013, Human Rights Watch 2013, World Bank 2011 (Nepal report). These data should be viewed as preliminary.

Wage differences between countries explain why workers are willing to pay such high recruitment fees. Both migrant workers and international employers rely heavily on intermediary recruitment agents for job matching and facilitation of travel. While employers tend to pay all of the recruitment costs for high-skilled workers, they are less likely to pay for low-skilled workers, notwithstanding the international migration conventions that require employers to pay all recruitment costs for foreign workers. Even when governments set limits on recruitment costs, the costs paid by employees are often higher than such limits due to weak enforcement by regulatory bodies. Also such financial costs do not include other significant costs such as workplace abuse.

Efforts to reduce recruitment costs must begin with collection of data and market studies in important migration corridors. Standardizing labor contracts and developing incentives for good recruiter behavior can help reduce recruitment costs and even improve successful job matching rates.

Visa costs

The cost of obtaining a visa for travel to a foreign work place is often significant for a poor migrant worker. In the absence of a database on travel visas for migrants, a cursory look at business visa costs may be illustrative. The cost of a U.S. business visa can be as high as $560 for a national of Turkmenistan (table 4). The average cost of a work visa (H1B) to the United States is $215 USD, but it can be as high as $690 (113 percent of the national per capita GDP) for a Tanzanian doctor.

For comparison, table 4 also presents reciprocal visa fees for a U.S. citizen traveling to the listed countries. If is often the case that the fees charged by the U.S. are higher than those charged by other countries for U.S. citizens.

The visa fees noted above do not include the additional burden of documentation required for visa applications, including mandatory medical tests, travel and medical insurance, and proof of sufficient savings or "visa bonds".[6]

amounting to $1,800 per individual. Source: Jokisch, B., Pribilsky, J. (2002), "The Panic to Leave: Economic Crisis and the 'New Emigration' from Ecuador," International Migration 40 (4), 76-101.

[6] A recent and controversial example is the United Kingdom's 'visa bonds' for applicants from India, Pakistan, Bangladesh, Sri Lanka, Nigeria and Ghana. Under this scheme, visitors are asked for a steep 3,000 GBP ($4,844) deposit before they are allowed to enter the country, which will be refunded upon departure but forfeited if visitors overstay their visas.

Passport costs

The fees to obtain a national passport are rather low in most countries. The fee for applying for a passport ranged from $6 in the case of Russia to $266 in Turkey in July 2013. However, the process including police verification and fingerprinting, and the waiting time can be burdensome in many developing countries.

Table 4: Business visa fees, selected countries

Country	**Business Visa Fee for Foreign Citizens travelling to US ($)**	**Business Visa Fee for US Citizens travelling abroad ($)**
Turkmenistan	560	75
Congo Dem. Rep	410	155
Myanmar	322	150
New Caledonia	260	0
Wallis Futuna Islands	260	0
Belarus	260	190
Kazakhstan	220	200
Armenia	210	54
Kyrgyzstan	205	0
Central African Rep	200	150
Congo Republic	180	200
Oman	175	150
Papua New Guinea	175	256

Source: World Bank staff estimates based on U.S. State Department website and online travel agency websites

Annex: Regional Highlights

East Asia and Pacific

- The number of people from the East Asia and Pacific (EAP) region living outside their countries of origin has increased by nearly 60 percent over the past 14 years (2000-2013), and, owing to the wide disparities in incomes across countries in the region, intra-regional people mobility is higher.
- Remittances are expected to increase by 7.4 percent in 2013 to $115 billion in 2013 and to $154 billion by 2016.
- Albeit declining, remittance costs remain high in some sending countries, especially Australia – e.g., some 20 percent of a remittance of US$200 to the Philippines.
- As low-income economies in the region expand rapidly, their nationals have started to return to their home countries. This reverse migration becomes a concern for migrant-receiving countries (e.g., Thailand).

Migration trends

Countries in the East Asia and the Pacific (EAP) region have seen an increase of migrant outflows in recent years, by nearly 60 percent over the past 14 years (2000-2013, to some 35 million in 2013). The share of the EAP migrants living within the region slightly increased (Figure 7); and, within the EAP, Southeast Asian countries have attracted more inflows from the EAP region than East Asia (Figure 8). This dynamic intra-regional mobility might owe to the wide disparities in incomes across countries in the region.[7] Middle and high income countries such as Thailand, Malaysia and Singapore are net migrant receiving countries (see box 3 for the example of Malaysia). Low- and lower-middle income countries in the EAP tend to be net sending countries - Cambodia, the Philippines, Myanmar and Lao P.D.R. An increasing number of migrants have been females, and, of migrants from the EAP region, females now outnumber males, by some 1 million in 2013.

As migrant sending economies develop, reverse migration appears on the surface, which could threaten economic development in migrant-receiving economies. For example, the average inflow of people from neighboring low-income countries into Thailand has slowed down in recent years. Anecdotal evidence suggests that as Cambodia, Lao P.D.R., and Myanmar have begun to see their nationals returning home, a labor shortage is becoming a looming concern in Thailand's industries which heavily rely on foreign workers (such as fishing and construction industries). Coupled with a declining fertility rate, it is forecast, Thailand will face a labor gap of some 4 million in 2015 (Office of the National Economic and Social Development Board, 2012).

[7] World Bank (forthcoming), "International Migration and Development in the East Asia and Pacific Region," Report No. 63362-EAP.

Figure 7. People move from the EAP region – increased mobility within the region and less to North America over time (million)

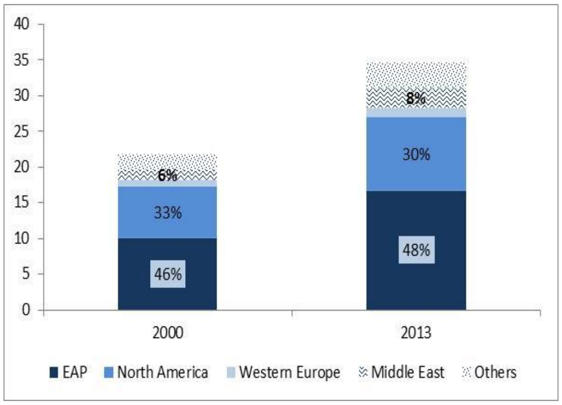
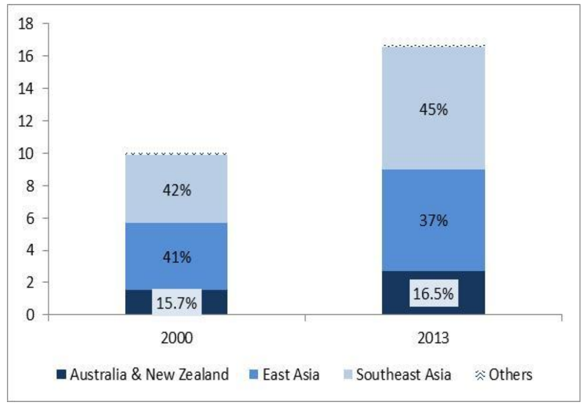


Figure 8. People move within the EAP region – more to Southeast Asia and less to East Asia (million)



Source: United Nations Population Division, 2013.

Box 3. Labor immigration in Malaysia

Malaysia has increasingly drawn foreign labor, from 380,000 in 1990 to 2-4 million foreign workers in 2010. Registered workers are estimated at about 1.8 million, and the remainder stays unregistered. Notable features of foreign workers are as follows:

- Male foreigners continue to account for more than half of the foreign population.
- The share of foreigners in the labor force sharply increased, from 3.5 percent in 1990 to 9.5 percent in 2010.
- Indonesians remain the majority (55 percent), followed by Filipinos (20 percent).
- Owing to enhanced regional integration and lower costs, inflows from other ASEAN countries have recently increased.
- The share of foreign workers sharply increased in the labor-intensive sectors of the economy - such as wood manufacturing and agriculture sectors.

Source: The World Bank, 2013, "Immigration in Malaysia."

Remittances

Remittances in the EAP region are expected to expand by 7.4 percent in 2013 (year-on-year, to US$115.3 billion)[8], faster than other regions (except the ECA region). The inflows would account for about 28 percent of the total remittance to developing countries. Benefiting from a global economic recovery, China is likely to recover from the dip of 2012 – an increased by 4 percent, to US$60 billion. In the Philippines, remittances accounted for some 10 percent of GDP in 2012, and continue to expand on the back of the growing deployment of overseas workers - by 5.8 percent in 2013 (Jan-Jul, year-on-year, to US$12.6 billion). Vietnam will also see an expansion – a 6.5 percent increase, to some US$10.6 billion in 2013. Indonesia as well saw buoyant remittance inflows – increasing by 7.4 percent during the first

[8] Based on the Sixth Edition of the IMF Balance of Payment Manual.

half of 2013 (year-on-year), to US$3.7 billion. Based on the global economic outlook, the region is likely to see a further increase in remittances, to US$153.7 billion in 2016.

Remittances continue to help finance current account deficits and improve living standards of households. Owing to stable macroeconomic fundamentals helped by resilient remittance inflows, credit ratings agencies have upgraded the Philippines to an investment-grade credit rating – for example Fitch Ratings' upgrade to BBB$^-$ from BB$^+$ in March this year. In Vanuatu, income from RSE workers is estimated to represent 50 percent of New Zealand's official aid to Vanuatu and 20 percent of Vanuatu total export earnings.[9] In the case of Tonga, it represents 40 percent of New Zealand's official aid and 44 percent of its total export earnings.[10] Estimated residual income per worker (after deductions for living expenses etc.) in the Australian Seasonal Workers Program ranges from A$4,500 for a 16 week employment contract to A$7,500 for a 26 week employment contract.[11]

While declining by some 1.5 percentage points compared to 2009, an average remittance cost to the EAP region reversed downward trends – a slight increase to 9 percent in 2013Q3 from 8.9 percent in 2013Q2.[12] The remittance cost through banks remain stubbornly high, e.g., on average, costing $38.3 to remit $200 from Australia to the Philippines, and US$31.8 to Vietnam, while money transfer operators (MTOs) tend to charge a lower cost – $12.67 to the Philippines, and US$11.99 to Vietnam. Of the bank remittance cost, bank fees account for 70 percent and exchange-rate margins make up the remainder. In addition, banks continue to incur higher opportunity costs. It takes nearly 3-5 days on average for banks to make remittances available for recipients, while instant for most MTOs. For Filipinos, it is least costly to send $200 home from Malaysia, and most expensive from Japan and Australia (See World Bank Remittance Prices Worldwide). It appears that the lower remittance cost is related with a large size of migrants, and strong competition from destination-country banks.

[9] New Zealand's Recognized Seasonal Employer (RSE) scheme.
[10] John Gibson & David Mckenzie, 2010. "The Development Impact of a Best Practice Seasonal Worker Policy: New Zealand's Recognised Seasonal Employer (RSE) Scheme", Working Papers in Economics 10/08, University of Waikato, Department of Economics.
[11] TNS consultants 2011 "Final Evaluation of Pacific Seasonal Workers Pilot Scheme".
[12] World Bank (2013), Remittance Prices Worldwide, Issue No. 7, September.

Europe and Central Asia

- Remittance flows to the developing countries of Europe and Central Asian (ECA) region are projected to have increased by 10.8 percent to reach USD 43 billion in 2013. Particularly high are the remittances as a share of GDP in Tajikistan (48 percent), Kyrgyz Republic (31 percent), and Moldova (25 percent).
- Remittances costs substantially vary in ECA region, but in most corridors they are decreasing.
- According to new estimates of the UN Population Division 16.5 million migrants live in the ECA region in 2013, an increase by 2.2 percent compared to 2010. Most ECA migrants are in the Ukraine (5.1 million), in Kazakhstan (3.5 million) and in Turkey (1.9 million).
- The financial crisis has led to modest, but noticeable outward migration from Europe, mostly because some migrants are returning to their home countries.
- In the long-term, Europe has to address the issue of aging populations and the need for policy options in the migration area.

Remittances to the developing countries of the Eastern Europe and Central Asia (ECA) region are estimated to grow by 10.8 percent and to reach USD 42.6 billion in 2013.[13] (It is to be noted that the US dollar value of remittances are impacted by changes in the euro-dollar exchange rate.) Remittances are expected to increase by 10.3 percent in 2014 benefitting from an economic recovery in the EU countries and continued strong economic growth in Russia, the destination for a large number of migrants from Central Asia.

Figure 9: Top 10 ECA countries for receiving remittances

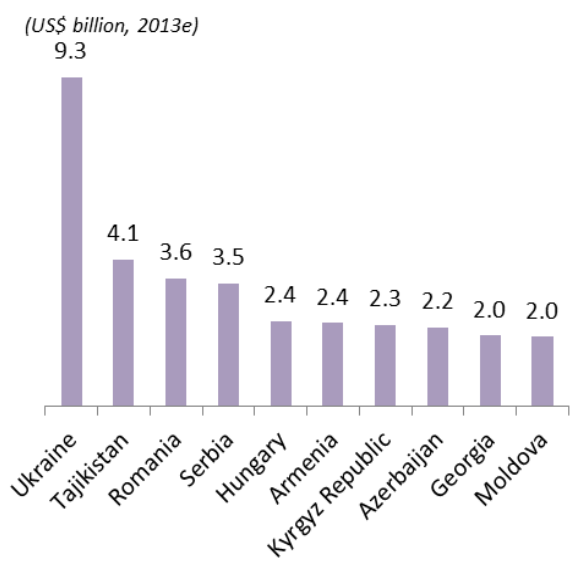
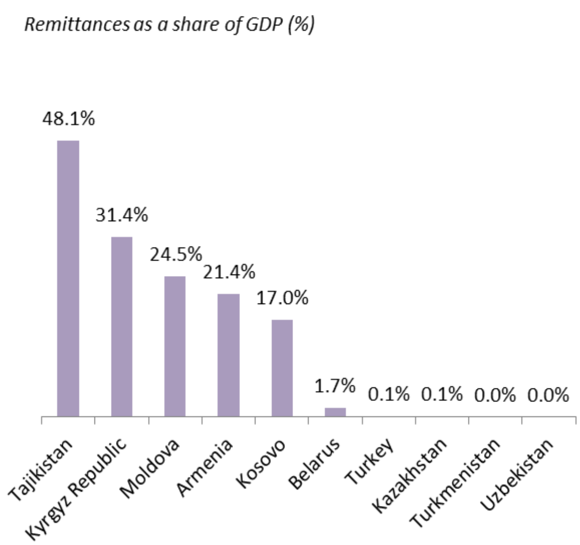


Figure 10: In some ECA countries remittances represent a high share of GDP



Source: Central banks of the respective countries and Bank staff estimates

[13] ECA high-income countries are not included in this country group. In 2013, total remittances to the high-income countries of the ECA region are estimated to have increased by 8.2 percent year by year to USD 23.1 billion in 2013: Poland (USD 7.2 billion), Russian Federation (USD 6.4 billion), Czech Republic (USD 2.1 billion), Slovak Republic (USD 2.0 billion), Lithuania (USD 1.6 billion), Croatia (USD 1.5 billion), Latvia (USD 0.8) billion, Slovenia (USD 0.6 billion), and Estonia (USD 0.4 billion). Remittances to all countries of ECA region (developing and high-income countries) increased from USD 59.8 billion in 2012 to USD 65.7 billion in 2013.

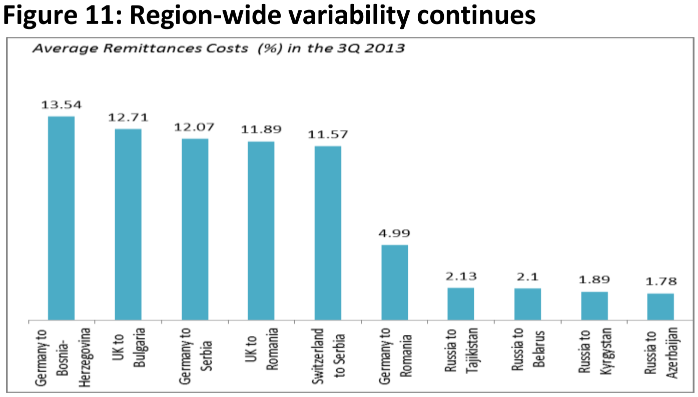
With $9.3 billion, Ukraine remains the largest remittances' recipient in the region in 2013, followed by Tajikistan with $4.1 billion, and Romania with $3.6 billion. While for the Ukraine remittances represent 4.8 percent of its GDP, the share is much larger for Tajikistan (48 percent of GDP), Kyrgyz Republic (31 percent of its GDP) and Moldova (24.5 percent of GDP).

Tajikistan is more dependent on what migrant workers sent home than any other country in the world. It is estimated that half of working-age males are abroad, most in Russia. Also Kyrgyzstan's economic dependence on remittances is strong. While these two countries need jobs, Russia needs cheap labor. Economic growth driven by revenues from oil exports and a declining domestic labor force have attracted millions of labor migrants. Russia's Federal Migration Service estimated that out of 11.3 million foreigners entered Russia in 2013, three million work illegally. In spite of the fact that visa-free agreements exist between Russia and former Soviet republics, many Central Asian migrants live in jeopardy with police periodically staging publicized raids. Police reportedly detained more than 3,000 illegal immigrants in Moscow in August 2013.14 Arrests of illegal immigrants will continue, but will not greatly reduce their numbers in Russia. Like other countries, Russia has both a large number of illegal immigrants and popular disquiet about immigration, both legal and illegal.15

Remittance costs slowly decrease, but still substantially vary in ECA region

In general, the trend for lower costs with transactions to ECA countries continues in the third quarter of 2013. However, the remittances' costs vary substantially from corridor to corridor in the ECA region. While costs (fees and exchange rate margins) in 3Q 2013 for sending USD 200 from Germany to Bosnia-Herzegovina were 13.5 % of the total amount, a migrant in Russia had to pay only 1.8 percent for sending this amount to Azerbaijan. With remittances costs at 2 percent of the remittances total, the corridors from Russia to Central Asian countries belong to the lowest worldwide.

Figure 11: Region-wide variability continues



Source: Remittances Prices Worldwide, the World Bank

[14] The Economist, September 7, 2013.

[15] Such popular disquiet exists not only in Russia, but in several other countries. Because of the latter and because opinion polls in member states show that over half of respondents believe that the new arrivals are a net drain on the national purse, the OECD decided to examine the full fiscal effects of migration. However, according to OECD's 2013 International Outlook, immigrants pay as much in taxes, as what they receive in benefits in most OECD countries. On average, households headed by immigrants contributed about €5,000 more than they received in benefits in 2007-09.

Migration increases modestly in ECA

According to the latest estimates by UNDESA the number of international migrants in developing countries of the ECA region increased by 2.1 percent from 2010 to 2013 reaching 16.4 million. This growth is lower than the migrants' increase world-wide (4.9 percent). The share of international migrants in comparison of the total ECA population decreased from 7.5 percent in 1990 to 6.1 percent in 2013. More than 52 percent of all international migrants in ECA developing countries live in only two countries: in the Ukraine (5.1 million), and in Kazakhstan (3.5 million), which are followed by Turkey (1.9 million, Uzbekistan (1.3 million), and Belarus (1.1 million). There are 13.9 million international migrants now in these countries, and represent 6.6 percent of the total population. The Russian Federation provides home to most of these migrants (11.9 million or 79.3 percent of the total), followed by Croatia (0.8 million), and Poland (0.7 million).

Looking at the entire ECA region (including developing and high-income countries), the number of international migrants in 2013 reaches 30.4 million and remains nearly unchanged in comparison with 2010, but represents a decrease of 7.7 percent compared with 1990. The largest increases of international migrants from 2013 to 2010 were seen in Romania (+ 4.8 %), in Turkey (+2.8 %), and in Hungary (+2.7%), while the highest negative migrants flows are registered in Lithuania (-12.5 %), Latvia (-6.4 %), and in Bosnia and Herzegovina (-4.3%). Several countries in the ECA region as well as in high-income countries in Europe are facing a drop of the number of the working-aging population to sustain economic growth, or to avoid deficits in the pension system. According to the new WB study "Mitigating the economic impact of aging population" Bulgaria is heading the steepest drop in the working-aging population. 16 The study says that reforms in labor-market, education and health-sector and business climate are needed to be more attractive for immigrants and to reduce emigration.

North-South migration

The financial crisis has led to modest but noticeable outward migration from Europe, mostly because some migrants are returning to their home. Depending on the definition used between 7 and 13 million migrants from the North were living in the South in 2010, representing 3 to 6 per cent of all international migrants (see IOM, Laczko/Brian, 2013). Some examples: In 2008 and 2009, over 107,000 migrants from Europe (mostly from Spain, Germany, Netherlands and Italy) migrated to Latin America or Caribbean countries (especially Argentina and Brazil). The number of emigrants from Spain to Africa increased from 6'000 in 2009 to more than 83'000 in 2011. Between 2008 and 2010, migrants from Ireland to Nigeria increased by 162 percent, and by 173 percent to South Africa. The majority of these North-South emigrants are foreign-born, often they are returning to their home countries as a result of lack of jobs due to the economic crisis. However, North-South migration has also other reasons: more international assignments in emerging markets, more students from the North prefer education outside of traditional destination countries (e.g. China, Malaysia, and South Africa), or more retired people from the North opt to live in the South.

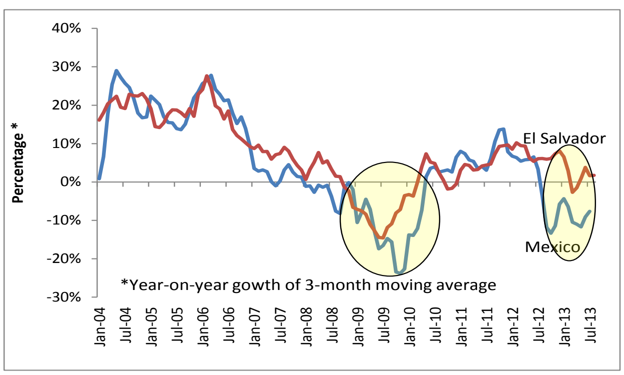
[16] According to UN population projections, Bulgaria's labor force is projected to decline by up to 40 percent until 2050. The share of elderly in the total population is expected to double over the next four decades.

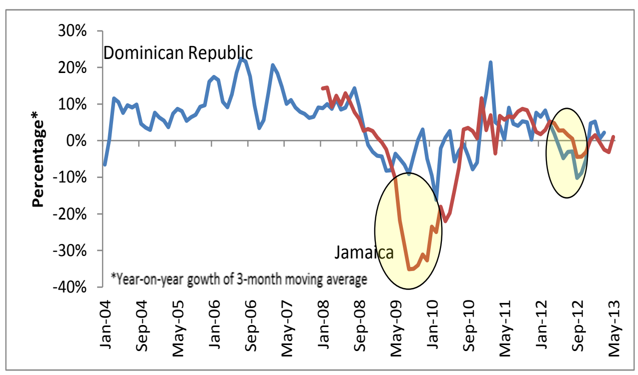
Latin America and the Caribbean

- Officially recorded remittance flows to Latin America are expected to reach $61 billion in 2013, up 2.5 percent from 2012. With improved prospects for the US economy, remittance flows to the region are expected to rebound during 2014-16.
- Remittances flows to Latin America began to recover in mid-2009. However, the pace of growth in the flows has been slow and uneven. Dominican Republic, El Salvador, Jamaica, and in particular, Mexico experienced a double dip.
- Intraregional remittances have remained resilient to the crisis. Remittances from, Chile, and Venezuela showed a positive growth in the first half of 2013 in Bolivia, Ecuador and Peru. Remittances from Argentina have been affected by the restriction on outflows remittances in foreign currency.
- Competition in the remittance markets has increased due to the elimination of exclusivity contracts and more points of sale for receiving remittances. The use of internet-based remittance channels is rising although mobile remittances are still lagging.

Officially recorded remittance flows to Latin America and the Caribbean (LAC) are expected to reach $61 billion in 2013, up 2.5 percent from 2012. With improved prospects for the US economy, remittance flows to the region are expected to rebound during 2014-16. Remittances flows to Latin America began to recover in mid-2009. However, the pace of growth in the flows has been slow and uneven. Dominican Republic, El Salvador, Jamaica, and in particular, Mexico experienced a double dip (figure 12). Remittance flows to Mexico are expected to decline by 2.8 percent in 2013. El Salvador had a 3.5% growth in August. Jamaica registered a decline of 1 percent while Dominican Republic kept flat in the first quarter.

Figure 12: Double dip in remittance flows to Mexico and El Salvador although less pronounced in Dominican Republic and Jamaica





Source: Central banks of the respective countries.

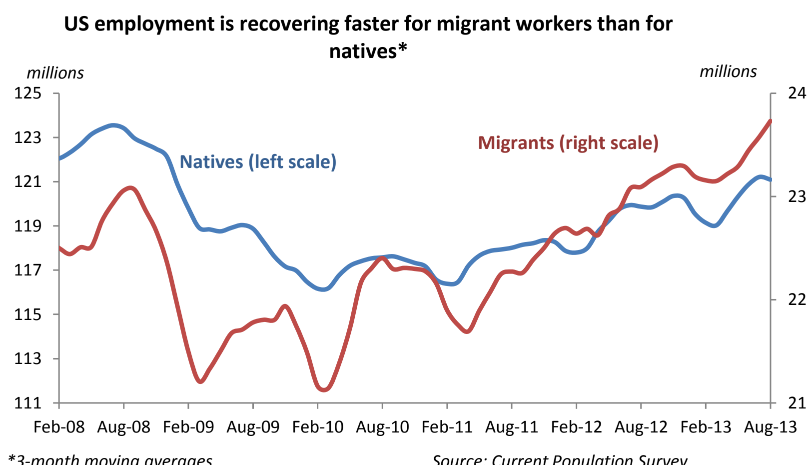
Mexico had a full year of continuing decline in remittance volume and average value.

The decline in the volume of remittances was both in dollars and real pesos for the last year. The average amount of remittances has also fallen. The average amount used to be in the range of $340-$350 since 2005. The average amount of remittances sent per month during the first seven months of 2013 was $ 294. This amount is slightly lower compared to the average amount of previous years.

Employment conditions in the US, including for migrant workers, are improving but housing starts are no longer a leading indicator of remittances.

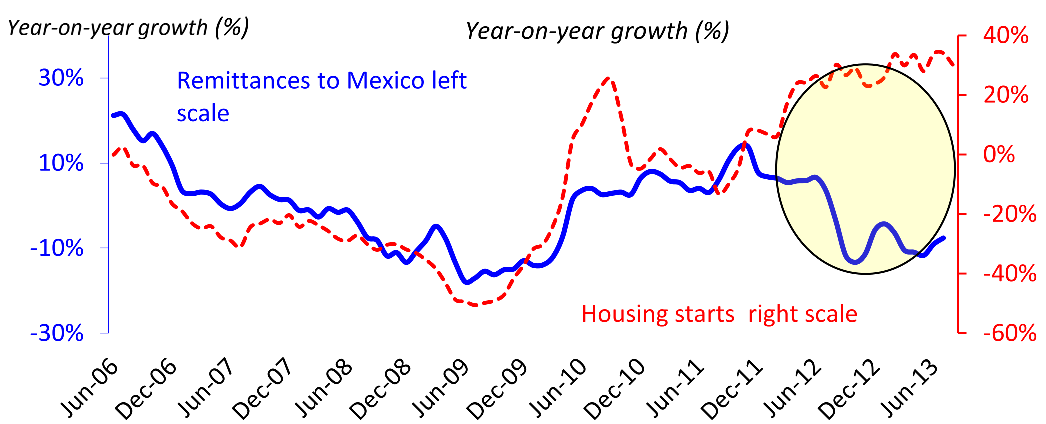
Unemployment rate of the Hispanic or Latino Population declined from 10.1 in August 2012 to 9.2 in August 2013.Employment of foreign-born workers remains more responsive than native-born workers. Employment rates for both groups fell during the crisis in 2009, but since early 2011 migrant employment has recovered faster than the employment of native workers (Figure 13). The slowdown in the US construction sector, a major employment sector for migrants from Mexico affected remittance flows to Mexico with a lag of about 3 months in 2008 (see figure 14). However, there is no longer a close correlation between remittances and housing starts since December 2011.

Figure 13: US employment of migrants vs natives



Source: Current Population Survey.

Figure 14: De-coupling relationship between housing starts and remittances to Mexico



Source: US Current Population Survey, US Census Bureau, Banxico and Migration and Remittances Unit calculations; year-on-year 3month moving averages.

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 El Salvador and South America. The number of exclusivity contracts between Money Transfer Operators (MTOs) and banks and financial services companies also declined.[17] Mobile remittances have not penetrated at the pace as it has occurred in other regions.

Remittance corridors to Latin America are among the least costly corridors from the United States.

In 2013, several remittance service providers undertook a price cutting strategy in Mexico that has been reflected in remittances costs to Mexico.[18]

The legal and regulatory environment has become a challenge due to the renewed efforts to tighten controls on money transfer. “Know Your Customer” rules, the Patriot Act, and the Financial Action Task Force (FATF) recommendations have raised the cost of compliance with regulations to prevent money laundering and terrorist financing. Closing of bank accounts of remittance service providers is impacting the market.

Latin America and the Caribbean migration reached about 26 million in 2013, with the majority living in Northern America according to recent UN DESA Migrant Stocks.

Net Migration from Mexico to the USA shows a downward trend according to the Pew Hispanic Center base on the U.S. Census data.[19] Argentina and Venezuela still received about 66% of the total South American migrants in 2013. Chile became a new destination country taking the place of Brazil and Paraguay as a larger receiving destination.

[17] In 2012, Elektra terminated its exclusivity contract with Western Union to pay out international money transfers in Mexico. Now, any MTO can use Elektra’s 1,800 points of sale.

18 http://online.wsj.com/article/SB10001424127887323854904578637982533527980.html

[19] In 2010, about 140 thousands immigrants entered the United States compared to more than 700,000 immigrants in 1999. These estimates represent new arrivals of both legal and unauthorized immigrants.

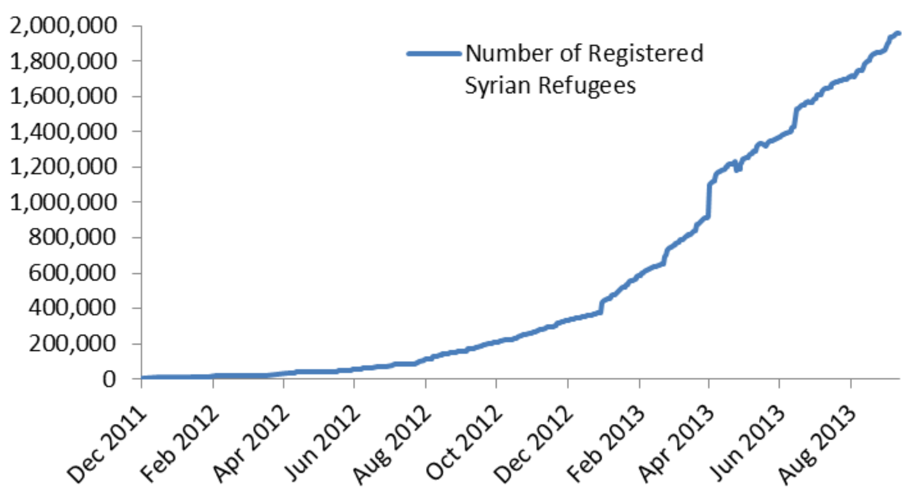
Middle East and North Africa

- Displacement due to conflict remains a critical issue in the region, with the UN Refugee Agency (UNHCR) estimating that more than 2 million Syrians have left the country to escape the ongoing violence, mostly to neighboring Lebanon, Turkey and Jordan.
- Remittances to the Middle East and North Africa (MENA) are projected to reach almost US$49 billion in 2013. The growth in remittances is easing compared to the rapid expansions of the previous years.
- The price of making remittances from the countries of the Gulf Cooperation Council (GCC) to the region is falling, but remains high along corridors from Europe.
- New data from the UN Population Division (UNPD) on migrant stocks show that there are almost 19 million migrants from the MENA region. Migration within the region is growing, accounting for a growing share of migrants. The largest corridor is from Egypt to the GCC, where there are 2.4 million Egyptian migrants, including 1.3 million in Saudi Arabia alone.

The refugee crisis in Syria is intensifying

Ongoing violence in Syria has led to a growing tide of refugees that surpassed 2 million in September 2013, with many more that are internally displaced, according to the United Nations Refugee Agency (UNHCR) (Figure 15). The largest number of Syrian refugees are in Lebanon (763,000 refugees), followed by Jordan (525,000 refugees), and Turkey (494,000 refugees). With winter approaching and more refugees leaving Syria daily, the humanitarian response needs to be stepped up.

Figure 15: Syrian Refugee Crisis

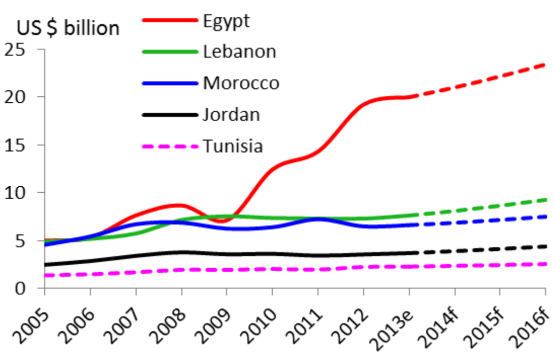


While the previously existing Syrian diaspora was comparatively small, at around 674,000, they have been remitting about $1.6 billion per year. The Syrian government has banned remittances from GCC countries, leading many to seek informal channels to support loved ones in Syria and in neighboring countries. More effort is need to ensure safe, speedy and low cost mechanisms for sending money, including into refugee camps. This is part of a wider agenda of seeking to address the challenges of enabling remittances into fragile and conflict situations, where they are typically needed most.

Growth in remittances to MENA moderates

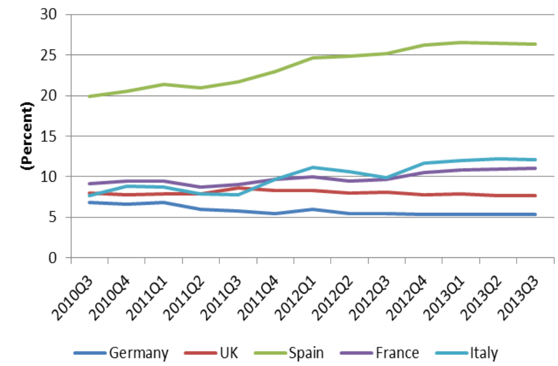
Remittance inflows to the Middle East and North Africa (MENA) region are expected to grow by 3.6 percent in 2013 to about US$49 billion. The growth in remittances is easing from the 12 percent average annual growth recorded in 2010 to 2013. With about US$20 billion in remittances anticipated in 2013, Egypt is the sixth largest beneficiary in the developing world, and receives about 40 percent of remittances sent to the MENA region. Egypt accounted for much of the expansion in earlier years, as well as the slowing expected in 2013 (Figure 16).

Figure 16: Trends in remittance flows to the five largest recipient countries in MNA



Source: Development Prospects Group, the World Bank.

Figure 17: Unemployment rates in selected countries in Europe



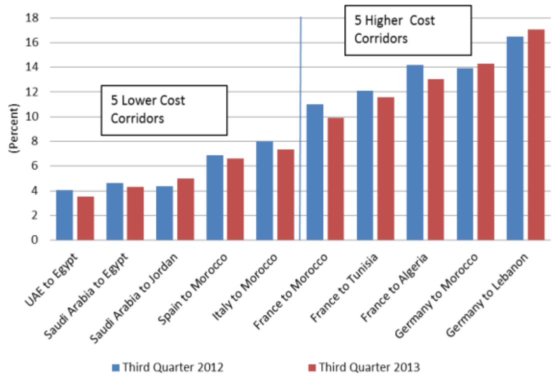
The easing of officially recorded remittances to Egypt in the first quarter of 2013 may have been partly due to a shift towards informal channels in order to take advantage of an 8 to 10 percent exchange rate premium between the official rate and the black market rate. Stronger remittance flows to Egypt during the second quarter will support positive growth for 2013 as a whole, helping strengthen the balance of payments (remittances are more than three times larger than receipts from the Suez Canal, and are equivalent to about 165 percent of Egypt's official reserves).

Remittances to Lebanon and Morocco, two other large recipients in the MENA region, are expected to recover in 2013, after flat or negative growth in 2012. Most migrants of Lebanese and Moroccan origin are in Europe, and weak employment conditions in several of the largest European economies (Figure 17) continue to dampen remittance flows from the region to MENA. With oil prices projected to remain above US$100 per barrel, and economic conditions expected to improve in migrant destination countries in Europe, remittance flows to MENA may grow by 5-6 percent annually between 2014 and 2016.

More needs to be done to lower the cost of making remittances from Europe to MENA countries

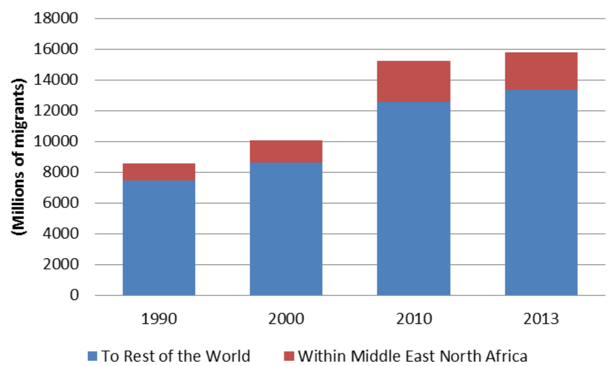
The total average cost of making remittances to MENA countries along key corridors from Europe remains high (Figure 18). For example, Morocco received an estimated US$2.1 billion in officially recorded remittances from residents of France in 2012, and the average total cost of making the money transfers was 11.2 percent. Reducing the costs to the same 6.8 percent total average cost of making remittances from Spain to Morocco, would translate into an additional US$92 million in the pockets of recipients in Morocco. Other key corridors from the GCC to MENA, including Saudi Arabia to Egypt and Jordan, or United Arab Emirates (UAE) to Egypt, have substantially lower total average costs, below 5 percent. Policies in sending countries, such as refraining from taxing remittance outflows (as recently proposed in UAE), and in beneficiary countries, such as avoiding exclusive contracts with money transfer operators, will be important to ensuring that technological improvements translate into lower costs for the senders and beneficiaries of remittances.

Figure 18: Total average cost of sending about $200 in MENA (including fees and exchange rate margins)



Source: Development Prospects Group, the World Bank.

Figure19: MENA Migration



Source: United Nations Population Division.

New data show that migration is growing in MENA, especially within the region

Estimates released in September 2013 by the UN Population Division show that 19 million migrants from MENA are living outside the countries of their birth. Growth has accelerated to an annual average of about 4 percent since 2000, with an increasing share residing in other countries within the region (Figure 19). The largest corridors include 1.7 million Egyptians in Saudi Arabia, 927,000 Moroccans in France, and 712,000 Egyptians in UAE.

South Asia

- Remittance flows to South Asia are projected to reach almost US$114 billion in 2013.
- While the price of making remittances is falling only slightly, depreciating domestic currencies in the region are boosting remittance flows, especially to India.
- The UN Population Division released new estimates of migrant stocks, showing that there are about 35 million South Asian cross border migrants, of which 10 million have migrated within the region.
- Internal migration, within national boundaries, is about 10 times larger.
- The depreciation of the Indian rupee has boosted remittance flows to India substantially, helping to sustain the balance of payments.
- Survey data show that the majority of migrants send remittances to South Asia using informal channels.

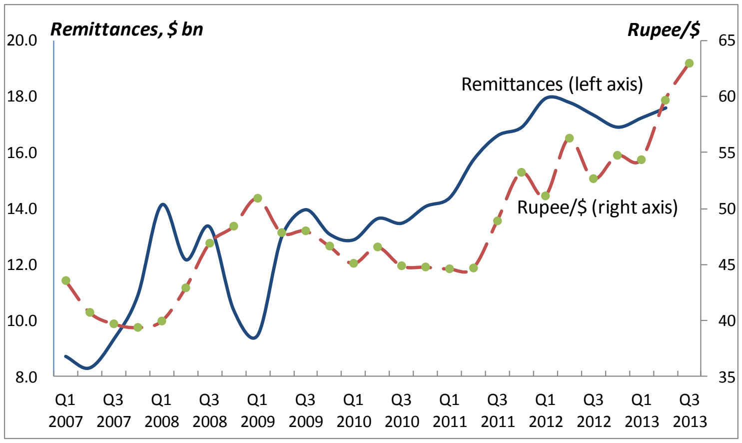
Growth in remittances to the **South Asia Region** (SAR) is projected to moderate to 6.8 percent in 2013, after averaging 14.1 percent in 2011 and 2012. Flows to India dipped at the end of 2012 and during the first quarter of 2013 compared with the same period in 2012, but helped by the depreciation of the Indian rupee, they are expected to rebound strongly and reach US$71 billion by the end of 2013.

Remittances to Bangladesh and Pakistan were moderately higher in the first 7 months of 2013 than a year earlier, and growth is expected to accelerate during the remainder of the year. Remittances as a share of GDP are equivalent to over 24 percent of GDP in Nepal (the highest percentage in the SAR region), and they are also important in Sri Lanka, exceeding 10 percent of GDP. Flows to both countries are projected to experience double digit growth in 2013 and grow rapidly in the coming years.

Additional remittance flows to India are being spurred by the depreciation of the Indian rupee, providing much needed support to the balance of payments

The Indian rupee depreciated by over 20 percent during the first 3 quarters of 2013, among other things due to concerns over continuing current account deficits in India and the impact of an expected tightening of monetary policy in the US, which has induced a general retrenching of international capital and reduced flows to India. While actual data have not yet been compiled for the third quarter of 2013, money transfer operators are reporting a surge in remittances, as Indian migrants benefit from a higher value of their remittances in India (figure 20). Projected remittances to India of US$ 71 billion for 2013 as whole (about 3.7 percent of GDP) will continue to make a major contribution to India's economy. For purposes of comparison, remittances in the first half of 2013 were $35.6 billion, slightly higher than total receipts from exports of telecommunications, computer and information services during the same period.

Figure 20: Remittances tend to rise when the currency depreciates

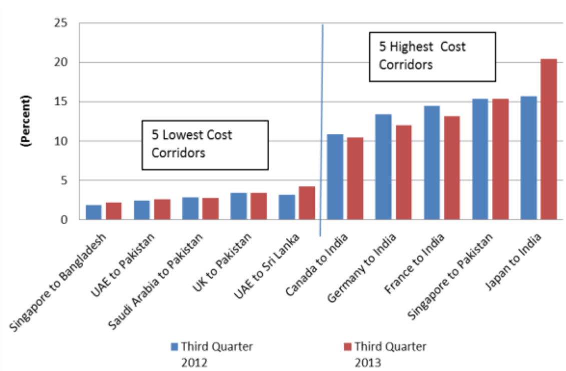


Sources: **Reserve Bank of India, IMF Balance of Payments and Bank staff estimates.**

Remittance costs remain low along some South Asia corridors, but more needs to be done

Four remittance corridors to South Asia are among the 5 least costly corridors in the world, according to Remittance Prices Worldwide (Figure 21). However, other corridors have very high total average costs, such as from Japan to India (about 20 percent), or Singapore to Pakistan (15 percent). More needs to be done on this key agenda in order to increase the net receipts of the intended beneficiaries, many of whom are poor. Major money transfer operators are lowering their prices, and postal networks could also play a major role, but policy makers need to promote competition, including by avoiding exclusive contracts. For example, with almost US$11 billion in remittances flowing from the US to India in 2012, lowering the cost of making remittances along this corridor from 4.8 percent (the average cost currently) to below 2 percent (the cost in Singapore-Bangladesh corridor) would translate into an additional $333 million reaching beneficiaries in India. Similarly, such a reduction in the total average cost of sending remittances from Singapore to Pakistan from the current 15.3 percent would leave an additional US$52 million in the pockets of beneficiaries in Pakistan. These large sums could have a significant impact in beneficiary countries.

Figure 21: Total average cost of sending about $200 along key corridors in South Asia (including fees and exchange rate margins)

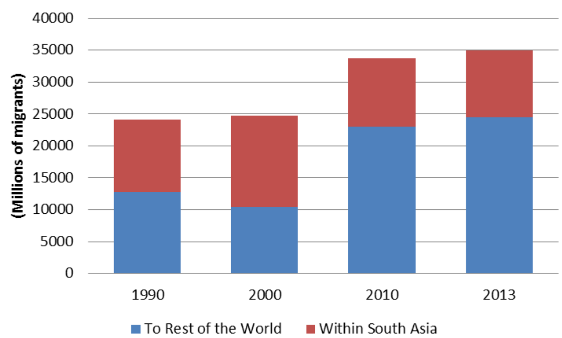


Source: Remittance Prices Worldwide, the World Bank.

South Asian migration reached about 35 million in 2013, and a growing proportion of migrants are moving outside the region

The UN Population Division released new migrant stock data for 1990, 2000, 2010, and 2013, building on the most recent round of census data. The estimates show that South Asian migration to the rest of the world continues to grow rapidly, rising by 91.5 percent between 1990 and 2013 (Figure 22). Migration within South Asia has remained broadly unchanged, but several bilateral corridors are very large. An estimated 3.2 million Bangladesh born migrants are living in India, making this the largest South-South migration corridor. About 0.6 million Nepal born migrants are also living in India, and seasonal migration from Nepal to India is believed to exceed 2 million annually. Yet, outward remittances are stringently regulated in the region – a policy stance that warrants reconsideration.

Figure 22: South Asian Migration



Source: UN Population Division, 2013

Migration within the countries of South Asia is estimated to be far larger, with about 320 million migrants within India, and additional multitudes on the move in other countries in the region as urbanization has gathered pace.

Informal remittance channels are widely used in South Asia

About two-thirds of remittance recipients in SAR report using informal channels to make transfers, with very few using both informal and formal mechanisms.[20] This suggests that actual remittance flows are substantially higher than are registered in official data sources.

[20] Kendall, Jake, Melanie Standish, Diana Liu and Nicole Naurath. 2013. *Remittances, Payments, and Money Transfers: Behaviors of South Asians and Indonesians.* Gallup. May. http://www.gallup.com/poll/161675/remittances-payments-money-transfers-behaviors-south-asians-indonesians.aspx

Sub-Saharan Africa

- Officially recorded remittance flows to Sub Saharan Africa are expected to increase by 6.2 percent in 2013 to reach $32 billion.
- Remittances are an important source of foreign exchange and are helping to cover current account deficits in the region.
- Nigeria accounts for more than half of total remittances in the region. However, as a share of GDP, the largest recipients are Lesotho, Togo, Cape Verde, Senegal and The Gambia.
- 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. This is likely to increase remittance flows via informal channels which will further exacerbate the quality of remittance data in the region.

Officially recorded remittance flows to Sub Saharan Africa are expected to increase by 6.2 percent in 2013 to reach $ 32 billion. A few countries account for a substantial share of remittances to Sub-Saharan Africa. Nigeria is the largest recipient ($20 billion). Other large remittance recipients include Senegal ($1.4 billion) Kenya ($1.2 billion), South Africa ($1.0 billion), and Uganda ($0.7 billion).

According to the Central Bank of Kenya, in the month of June 2013, remittances to Kenya declined by 9.4 percent (or USD 10.34 million) to USD 99.81 million from USD 110.15 million recorded in May 2013. The reduction of remittance inflows was mainly in a USD 9.53 million decline from the North American region of about 17 percent. During the first quarter of 2013, remittances increases contributed to current account deficit reductions.21 Over the period 2010-2012, remittances in Senegal equaled, on average, 52 percent of exports of goods and services and 13 percent of GDP. Gross remittances inflows continue to show resilience in the face of the crisis in Europe, growing 6.1 percent in 2012 in local currency terms. In dollar terms, remittances remained stagnant.

Better data needed

Reliable data on remittances are hard to come by in Sub Saharan Africa. Some central banks use remittance data reported by commercial banks but do not adequately capture flows through money transfer operators, post offices, and mobile money transfer operators. Some countries do not report data on remittances in the IMF Balance of Payments statistics. For example, Malawi's data on remittances are non-existent, despite anecdotal evidence that there are high levels of remittance flows to the country. As a result of these data problems, there is a large amount of remittances that are not recorded and not included in the IMF estimates, could be equal to or more than the official figures for Sub-Saharan Africa. For long, senior officials of Ghana have stated that the country receives over $1.5 billion; however, the latest IMF BoP data continues to reflect a significantly smaller figure.

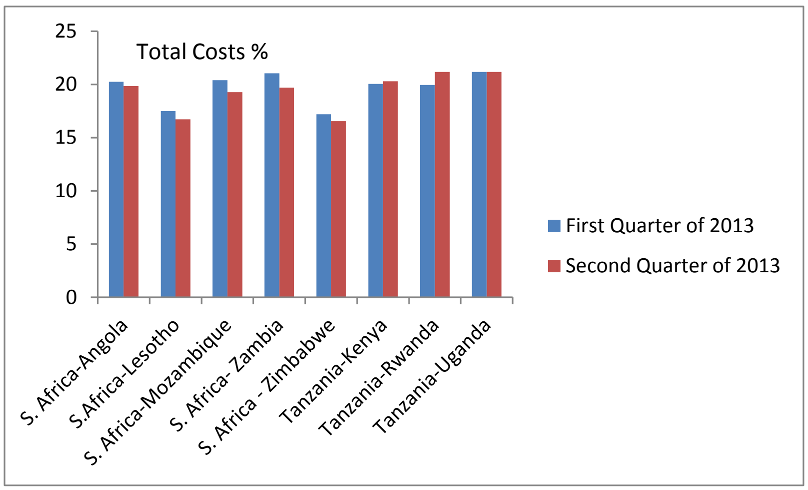
[21] See Kenya: Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Waiver and Modification of Performance Criteria—Staff Report; Staff Supplement; and Press Release http://www.imf.org/external/pubs/ft/scr/2013/cr13107.pdf

Sending money to Sub Saharan Africa is very costly

Remittance corridors to Sub Saharan Africa, and within Africa are the most expensive according to the World Bank Remittance Prices Worldwide (see main brief). Data for select intra-African remittance corridors suggests that the cost of sending remittances within Africa can be very high, with just the fee ranging from 5 percent to 15 percent of the amount sent (figure 23). Transfer costs on average reached 11.6 percent of the amount being sent, compared to around 8.3 percent for Asia (data for the second quarter of 2013). Large parallel market premia between official and parallel market exchange rates in many African countries imply that the true cost is likely to be larger.

Figure 23: Sending remittances within Africa is very costly

(Cost of sending $200, %)



Source: Remittance Prices Worldwide, World Bank.

Remittance fees vary significantly across corridors. Remittance costs from France have increased on average more than six percent between the first quarter and the second quarter of 2013. Remittances costs of sending US$ 200 from the UK have declined in the majority of the corridors but not in the corridors UK-Ghana and UK-Somalia where there were increases of 26 percent and 24 percent respectively. Intra-African transfers are even more costly - in South Africa and Tanzania average remittance prices are 20.7 percent and 19.7 percent respectively.

Lack of competition and transparency increase the cost of sending remittances

Some countries only allow banks to pay out remittances. Exclusivity agreements between money transfer companies and banks are also common in Africa, restricting banks to paying money out from only one company. However, Ghana and Nigeria have banned these agreements. Mobile payments and new technologies are still trying to be implemented. But, with the exception of Kenya which has developed Vodacom's M-Pesa and other mobile payment services.

Anti–money laundering and combating the financing of terrorism (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. Although anti-money-laundering regulations and regulations that attempt to counter the financing of terrorism (AML/CFT) are necessary for security reasons, they should not make it difficult for money service businesses to operate accounts with correspondent banks. Somalia will face a difficult situation since Barclays which was the last institution that allowed Somali remittance firms to have bank accounts closed the accounts.

Remittances have been the main source of foreign exchange that supported the country for the last twenty years. A recent IMF fact-finding mission to Somalia found that about US$ 2 billion remittances are handle by money transfer companies. These companies are located throughout the country and they are providing shadow banking services since they are no licensed commercial banks.

About 800,000 Somalis live abroad (out of a total population of 9 million). Since the civil conflict, the Somali diaspora have sent remittances to different family members back home. The UK and the US are the main destinations outside Africa. The closing of the bank accounts will have a large impact on the country. The resurgence of the private sector in the services industry in the communications, construction, and money transfer sectors can also be derailed. The measure will be counter-productive since it will encourage the use of informal channels.

Migration Flows

According to UN DESA bilateral migration matrix data, in 2013 about 22 million Sub-Saharan Africans were living in countries other than the one in which they were born. Sub Saharan African migrants increased by 18 percent during the period 1990-2013. At the country level, Ivory Coast stands out as the leading destination for emigrants from Africa, followed by South Africa, the United States and United Kingdom.

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.