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MIGRATION AND DEVELOPMENT BRIEF 26

APRIL 2016

A large, abstract graphic design composed of several overlapping, curved, ribbon-like shapes in various colors including green, blue, purple, red, orange, and yellow, flowing across the page.

Migration and Remittances

Recent Developments and Outlook



Migration and Development Brief reports an update on migration and remittance flows as well as salient policy developments in the area of international migration and development.

The Global Knowledge Partnership on Migration and Development (KNOMAD) is a global hub of knowledge and policy expertise on migration and development. It aims to create and synthesize multidisciplinary knowledge and evidence; generate a menu of policy options for migration policy makers; and provide technical assistance and capacity building for pilot projects, evaluation of policies, and data collection.

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Migration and Remittances

Recent Developments and Outlook

Migration and Development Brief 26

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Highlights

Remittance trends. The growth rate of remittances to developing countries is estimated to have fallen from 3.2 percent in 2014 to 0.4 percent in 2015. The slowdown in growth is largely due to economic weakness in the major remittance-sending countries. Weak oil prices and currencies in many remittance-source countries, especially Russia, further depressed remittance flows in U.S. dollar terms.

Remittances to developing countries are expected to rise by around 4 percent a year in 2016–17. A major downside risk to this forecast is the potential for a decline in outward remittances from Gulf Cooperation Council countries due to continuing weakness in the price of oil. Also, the continued widening of black market premia and imposition of capital controls could limit formal remittance inflows in some countries.

Remittance costs. The global average cost of sending \$200 was about 7.4 percent in the fourth quarter of 2015, down slightly from the previous quarter and 0.6 percentage points below the end of 2014. Sub-Saharan Africa, with an average cost of 9.5 percent, remains the highest-cost region.

The Sustainable Development Goals (SDGs). The recently approved SDGs include ensuring safe, orderly, and regular migration; limiting exploitation and abuse of migrants; reducing the costs of recruitment and remittances; and improving data.

The refugee crises worldwide. The conflict in Syria has increased the number of refugees in the neighboring countries of Turkey, Lebanon and Jordan, and more recently in Europe. In Europe, a lack of consensus on burden sharing has prompted many countries to tighten border controls within the EU, threatening the Schengen free-mobility arrangement for EU nationals. Of particular concern is the fact that some 36 percent of recent refugees in Europe are children. While the spotlight is on Europe, new refugee movements are also taking place in other parts of the world.

Migration and remittances help cope with natural disasters and epidemics. The diaspora has assisted people affected by disasters by sending more money home. However, remittances may also fall if the disaster disrupts the money-transfer infrastructure. While climate change is likely to result in increased frequency and severity of weather-related disasters, the international community currently lacks a legal and institutional framework to cope with the resulting migration from the affected areas.

Note: This Brief has been prepared by Dilip Ratha, Supriyo De, Sonia Plaza, Kirsten Schuettler, William Shaw, Hanspeter Wyss, and Soonhwa Yi of the Migration and Remittances Unit of the Global Indicators Group of the World Bank. Sincere thanks to Augusto Lopez Claros for guidance and constructive comments. We also received useful comments and contributions from the World Bank regional chief economists, Global Practices and country teams, in particular from Colin Bruce, Cesar Calderon, Punam Chohan-Pole, Asli Demirguc-Kunt, Xavier Devictor, Vincent Floreani, Caren Grown, Markus Kitzmuller, Megumi Kubota, Gladys Lopez-Acevedo, Marco Nicoli, Caglar Ozden, Anna Prokhorova, Ririn Purnamasari, Martin Rama, Seyed Reza Yousefi, Dana Vorisek, and Christina Wood.

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Migration and Remittance Trends and Outlook

1.1 Migration and Remittances in 2015

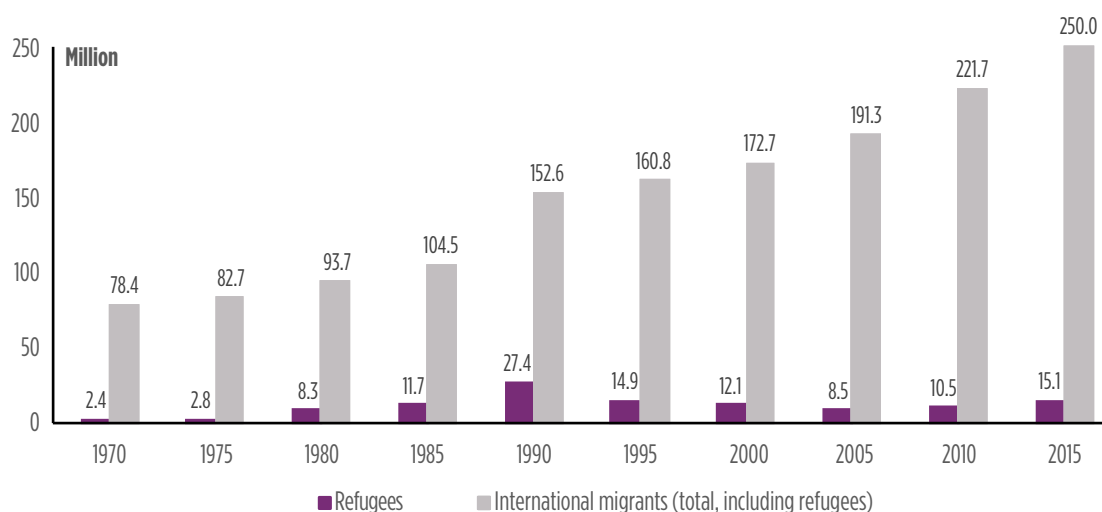
According to the World Bank's Migration and Remittances Factbook 2016, more than 250 million people, or 3.4 percent of the world population, live outside their countries of birth (Figure 1). The volume of South–South migration stands at 38 percent of the total migrant stock, larger than South–North migration.

Mexico–United States is the largest migration corridor in the world, followed by Russia–Ukraine, and Bangladesh–India. The top migrant-destination country is the United States, followed by Saudi Arabia, Germany, and the Russian Federation. The number of migrant workers as a share of population is the highest in the smaller nations of Qatar (91 percent), the United Arab Emirates (88 percent) and Kuwait (72 percent).

Refugee Crises Worldwide

According to the UN High Commissioner for Refugees, in June 2015 the number of refugees worldwide (excluding Palestinians) was just over 15 million (Figure 1), and 86 percent of international refugees are hosted by nearby developing countries. About 6 percent of international migrants are refugees (see Box 1 for a definition of refugee sta-

FIGURE 1 ■ Global Stock of Refugees and International Migrants



Source: UNPD 2015, World Bank 2015, World Development Indicators, UNHCR. Refugee data are as of June 2015; they exclude Palestinian refugees numbering 5.1 million.

BOX 1 ■ Definition of Refugees, IDPs and Migrants

Refugees are those fleeing conflict, violence or persecution across an international border. Asylum seekers are those still in the process of having their refugee status determined.

Internally-displaced persons (IDPs) are people who have been forced to move due to conflict, violence or persecution but who have not crossed international borders.

Migrants: Migration is also driven by economic reasons, family reunification, or other reasons not included in the legal definition of a refugee. Data on migrants are mostly taken from national census reports. In practice, most countries define migrants as “foreign-born,” but some countries define migrants as citizens of other countries.

Irregular migrants or undocumented migrants are those who have entered, or are living in, a country without a proper visa or in violation of laws governing entry and exit of foreigners.

According to the UNHCR and the IDMC, by the end of 2014, there were 19.5 million refugees (including 5.1 million Palestinian refugees), and 38.2 million IDPs. Based on data compiled by the United Nations and newly available data for some countries, the World Bank’s Migration and Remittances Factbook 2016 estimates that the stock of international migrants has surpassed 250 million by 2015.

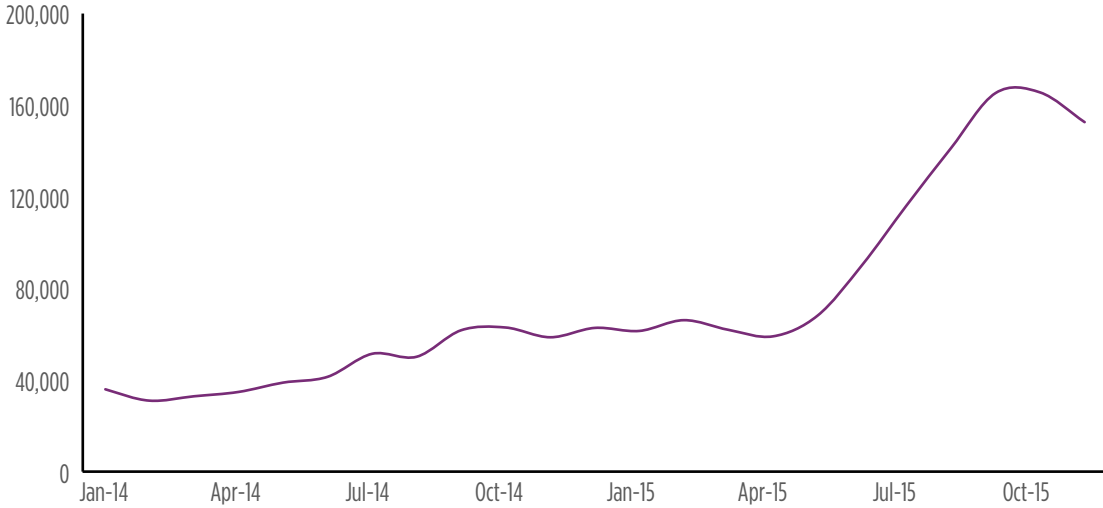
tus), down from a peak of 11.4 percent in the early 1990s, when there was a large outflow of refugees from the former Yugoslavia. The refugee crisis in Europe has grabbed the headlines. However, most of the 4.8 million Syrian refugees are hosted by Turkey (2.7 million), Lebanon (1.1 million) and Jordan (0.6 million). Similarly, Tunisia hosts around a million refugees from Libya.

The escalating Syrian refugee crisis, coupled with rising numbers of refugees in other parts of the world (especially in poorer countries), underline the severe human costs of ongoing conflicts. Of particular concern is the rising number of refugee children, who are especially vulnerable to exploitation and abuse. Moreover, evidence suggests that refugee children face tremendous challenges to staying in school and completing their education. Refugees’ access to education is limited, especially for girls and at the secondary level; only 36 percent of refugee children are enrolled in secondary school. Moreover, refugee education is generally of low quality: teacher-pupil ratios can be as high as 1:70, and teacher training is often inadequate (UNHCR 2011).

The number of first-time asylum seekers in Europe (EU28) increased from 61,000 entering in January 2015 to 153,000 in November 2015 (Figure 2). The total of 1.1 million over this period was 130 percent higher than the comparable period in 2014. As of November 2015, only six countries (Germany, Sweden, Hungary, Italy, France and the UK) accounted for 86 percent of all EU-28 requests by asylum seekers. More than 140,000 migrants and refugees arrived in Italy and Greece by sea since the beginning of 2016, according to the UNHCR. Nearly 90 percent of those arriving in the last months are from Syria, Afghanistan and Iraq. About 36 percent of them are children. The situation of refugee children is worrisome, as more than 10,000 migrant children arriving in Europe are reported to have disappeared from asylum reception centers in the last two years—around 1,000 in Sweden and 5,000 in Italy.¹

The number of refugees in Europe increased from 1.2 million in 2013 to 1.6 million in 2015, but it remains below the peak of 2.7 million in 1996 (Figure 3).

FIGURE 2 ■ First-Time Asylum Seekers, EU-28

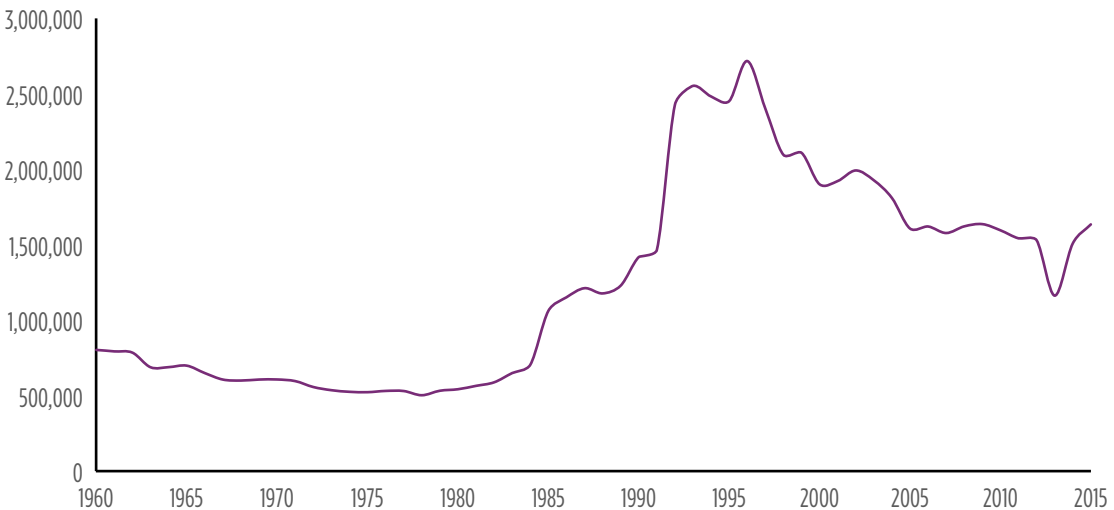


Source: Eurostat.

The EU has intensified its efforts to better manage the flows of refugees and migrants. The EU’s external border force, Frontex, rescued 250,000 persons at sea in 2015. Three hotspots were set up which supported registration (screening, identification and fingerprinting) of third-country nationals who entered Greece and Italy irregularly. The EU’s Trust Fund supports up to 1.5 million Syrian refugees in Lebanon, Turkey, Jordan and Iraq through basic education, child protection, health care, and water infrastructure.

In September 2015, EU ministers agreed on plans to relocate 120,000 migrants from Italy, Greece and Hungary (which lack the resources to register and cope with so many refugees and migrants) to other EU countries over the next two years. However,

FIGURE 3 ■ Stock of Refugees in Europe



Source: UNHCR.

implementation has been delayed. Austria and eight Balkan countries have taken their own steps to limit entry, such as turning back anyone without a passport or holding fake documents.

A lack of consensus on responsibility and burden sharing regarding refugees has prompted many EU member states to consider the reintroduction of internal borders within the EU, a move which would impede the free movement of EU cross-border workers and the exchange of goods. The European Commission estimates that the systematic and durable reintroduction of internal border controls would cost the EU between 5 billion and 18 billion euros a year in direct costs alone.² Another study by Bertelsmann Stiftung suggests that the negative effects of a collapse of Schengen would also be felt in China, the United States and other countries outside of Europe.³

The EU has reached an agreement with Turkey in mid-March: for each person resettled directly from the camps in Turkey to Europe, Turkey would accept one person who does not qualify for asylum in Europe to be returned to Turkey. This implies that migrants who reach Greece without proper documents after March 20, 2016 are due to be returned to Turkey. In addition to the 3 billion euros agreed last year, Turkey is requesting more funds from the EU (an estimated 10 billion euros in total). This agreement should substantially reduce the number of migrants entering Greece through irregular channels.

Even as the spotlight is on Europe, refugee and migratory movements continue in other parts of the world. According to the UNCHR, over 170,000 people from Yemen have fled the country since the conflict began in March 2015. Major destinations include Oman (29 percent), Djibouti (19 percent), Somalia (18 percent), Ethiopia (7 percent) and Sudan (4 percent). The large number of IDPs—2.5 million in Yemen,⁴ 4 million in Iraq, 6.6 million in Syria and some 400,000 in Libya—also raises a concern about potential refugee movements.

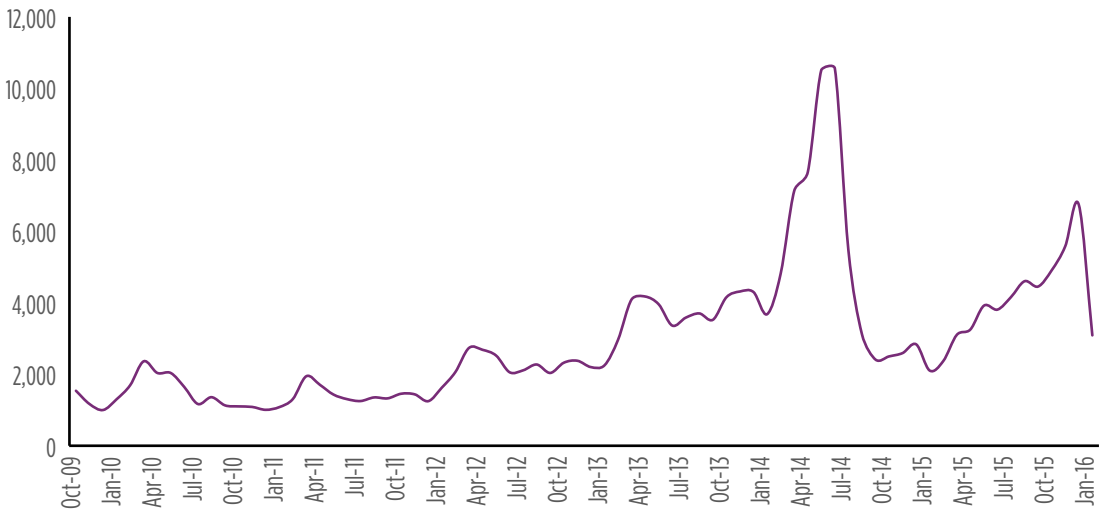
Africa hosts nearly 4 million refugees. Violence perpetrated by Boko Haram is increasing refugee flows from Nigeria. Since 2013, Nigerians have left for Cameroon, Chad and Niger, generally remaining close to the border. According to the UNHCR, there are about 60,000 Nigerian refugees in the Minawao camp in Cameroon alone.⁵ Violence in Burundi following the presidential elections is generating refugee movements. The UNHCR reports that the number of registered refugees from Burundi exceeds 250,000 (as of March 4). Major destination countries include Tanzania (53 percent), Rwanda (30 percent), Uganda (9 percent), Democratic Republic of the Congo (8 percent) and Zambia (1 percent). Refugee camps are becoming overcrowded, while other refugees have settled in poor rural areas that lack adequate services.

Finally, the migration of unaccompanied children from Central America to the United States continues to be a serious issue. The number of these migrants rose steadily through 2015, before declining in January of this year (Figure 4). However, the number remains well below the peak levels of 2014. The largest numbers are from Guatemala, El Salvador, Honduras and Mexico.

Remittance flows

Remittances sent home by international migrants from developing countries are estimated to have risen to \$432 billion in 2015, an increase of only 0.4 percent over the previ-

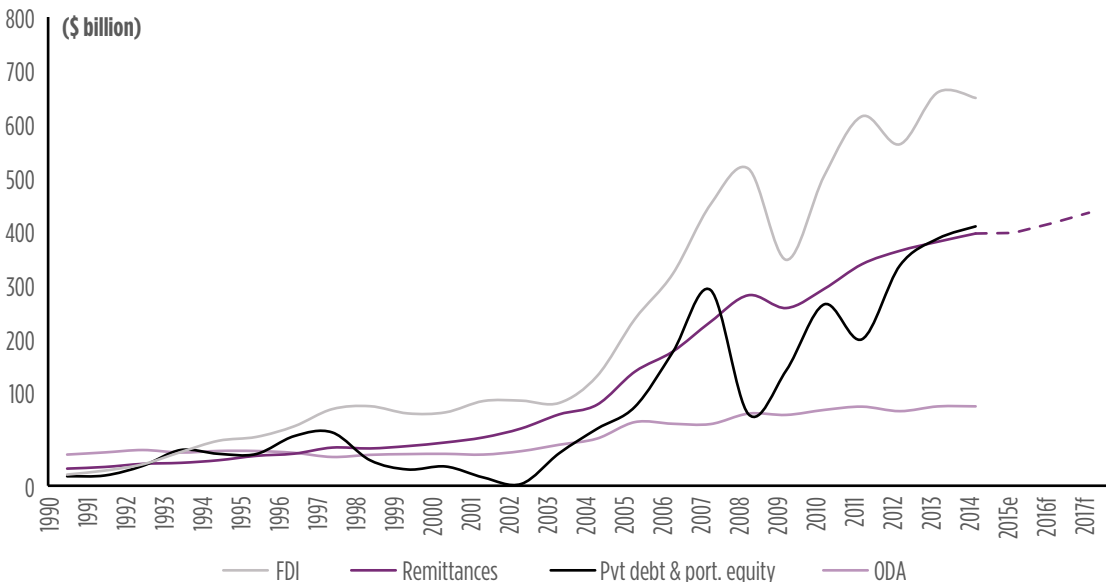
FIGURE 4 ■ Number of Unaccompanied Alien Children (under 17) at the US Border, Oct 2009–Jan 2016



Source: United States Border Patrol.

ous year (Figure 5 and Table 1). India was the largest remittance-receiving country, with an estimated \$69 billion in 2015, followed by China (\$64 billion), and the Philippines (\$28 billion).⁶ The current estimate of the volume of remittances is slightly lower than our forecast in the *Migration and Development Brief 25* published six months ago.

FIGURE 5 ■ Remittance Flows Are Larger than Official Development Assistance (ODA), and More Stable than Private Capital Flows



Sources: World Bank Staff calculations, World Development Indicators, OECD. Private debt includes international bonds and borrowing through commercial banks.

TABLE 1 ■ Estimates and Projections for Remittance Flows to Developing Countries

	2010	2013	2014	2015e	2016f	2017f	2018f
	(\$ billions)						
Developing countries	331.7	416.6	429.9	431.6	447.9	465.7	484.7
East Asia and Pacific	94.1	113.4	121.8	127.0	131.0	135.5	140.3
Europe and Central Asia	31.4	47.7	43.4	34.6	36.3	38.3	40.3
Latin America and Caribbean	55.7	61.1	63.6	66.7	69.3	71.9	74.6
Middle-East and North Africa	38.9	48.8	50.8	50.3	51.6	53.0	54.5
South Asia	82.0	110.8	115.5	117.9	123.3	129.3	135.8
Sub-Saharan Africa	29.7	34.7	34.8	35.2	36.4	37.7	39.1
World	460.5	573.0	592.0	581.6	603.2	626.4	651.3
Memo: Developing countries (2010–2015 classification)*	343.0	432.6	447.2	446.7	463.8	482.4	502.4
	(Growth rate, percent)						
Developing countries	11.4	4.9	3.2	0.4	3.8	4.0	4.1
East Asia and Pacific	20.0	6.8	7.4	4.2	3.2	3.4	3.6
Europe and Central Asia	5.5	18.4	-9.0	-20.3	5.1	5.4	5.2
Latin America and Caribbean	2.6	2.3	4.0	4.8	3.9	3.8	3.8
Middle-East and North Africa	17.9	0.8	4.0	-0.9	2.6	2.7	2.8
South Asia	9.4	2.6	4.3	2.0	4.6	4.9	5.1
Sub-Saharan Africa	8.3	1.1	0.2	1.0	3.4	3.7	3.7
World	8.4	5.3	3.3	-1.7	3.7	3.8	4.0

Note: Balance of Payments data have undergone major revisions for past years for certain countries. In particular, the historical data on remittances for 2010, 2013 and 2014 have been revised upwards in many countries.

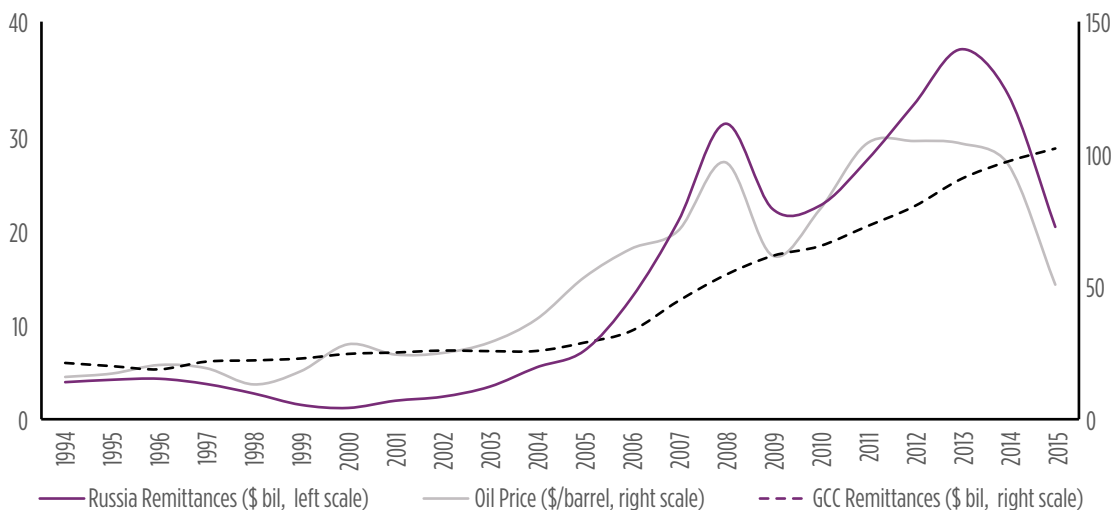
* This group includes countries classified as “developing countries” at any time during 2010–2015. Nine upper-middle-income countries in 2010 are classified as high-income countries in 2015, and therefore, are no longer considered developing countries. These countries are Antigua and Barbuda, Argentina, Chile, Lithuania, Russian Federation, Seychelles, St. Kitts and Nevis, Uruguay, and Venezuela. The group also includes Hungary, which was classified as upper-middle-income in 2013 and 2014, and Latvia, which was in the same category in 2011 and 2012.

Growth of remittances slowed considerably to 0.4 percent in 2015 from the growth rate of 3.2 percent in 2014 and of 7.4 percent per year from 2010–13. This is the lowest growth rate since the global financial crisis in 2008–2009. Slower growth in the dollar value of remittances in 2015 is largely driven by difficult economic conditions in major remittance-source countries and the appreciation of the U.S. dollar against their currencies. The ruble fell by 42 percent against the dollar from the third quarter of 2014 to the third quarter of 2015, and the euro by 16 percent. Ruble depreciation had a significant impact on the dollar value of remittances to Europe and Central Asia, where a large share of remittances to the Central Asian countries come from Russia. The depreciation of the euro contributed to the 0.9 percent decline in the dollar value of remittances flows to the Middle East and North Africa, and also had an important impact on remittance flows to Latin America and the Caribbean, and to Sub-Saharan Africa.

The continuing fall in the price of oil is reducing the growth of remittances. Crude oil prices fell from around \$51 per barrel (bbl) in October 2015 to below \$30 bbl in January 2016, driven by robust production in the United States, unchanged OPEC policy, the earlier than expected resumption of Iranian oil exports following the ratification of the nuclear agreement with the United States, and lower demand, partly due to a mild winter in the northern hemisphere (World Bank, 2016a). The sharp decline in oil prices contributed to a reduction in economic activity in Russia, which accounts for over 60 percent of remittances to the Kyrgyz Republic, Tajikistan and Armenia. Oil prices and remittance outflows from Russia have a strong correlation (Figure 6). Following the recent declines in oil prices, remittance outflows from Russia are estimated to have fallen in 2015 by around 40 percent in dollar terms. On the other hand, remittance outflows from the major oil-exporting countries of the GCC continued to grow in 2015, as the GCC countries have used their substantial reserves to maintain spending levels, and also because the GCC currencies are linked to the U.S. dollar. Remittances from Saudi Arabia and Qatar, which account for around half of remittances from the GCC, increased by 7 percent through the third quarter of 2015. More recent data from the fourth quarter, however, indicate a slowdown in remittances from the GCC countries. If lower oil prices persist, remittance outflows from GCC countries are likely to slow further (IMF, 2015).

Among geographical regions, Latin America and the Caribbean achieved the most rapid growth rate of remittances, an estimated 4.8 percent in 2015, owing to the recovery in labor markets in the United States. Remittances to East Asia and the Pacific increased by an estimated 4.2 percent, down from 7.4 percent in 2014. Remittances to South Asia rose by an estimated 2.0 percent in 2015. While remittances to India and Sri Lanka declined, flows to Nepal increased significantly in response to the earthquake in April-May

FIGURE 6 ■ Remittance Outflows from Russia Are Closely Related to the Oil Price, but Those from GCC Countries Are Not



Sources: Remittance data are from IMF Balance of Payments Statistics and Arab Monetary Fund. Oil price is the average crude oil price from World Bank Commodity Price data. Remittance outflows for 2015 are estimates based on IMF Balance of Payments Statistics available up to 2015 Q3.

2015. The growth rate of remittances to Sub-Saharan Africa (1.0 percent), the Middle East and North Africa (-0.9 percent) and Europe and Central Asia (-20.3 percent) were particularly affected by the depreciation of the ruble and the euro against the dollar.

1.2 Outlook and Risks

The growth rate of remittance flows to developing countries is projected to rise to about 4 percent per year during 2016–17 and broadly in line with the forecast in the *Migration and Development Brief* issued six months ago (see Annex 2 for the methodology used in the forecast of remittances). The acceleration of remittance flows is driven by a modest rise in GDP growth in the United States and the Euro Area, an improvement in growth in Russia after the estimated 3.8 percent decline in GDP in 2015, and a stabilization of the U.S. dollar exchange rates of remittance-source countries.

Improved economic conditions in Russia and greater stability in the ruble-dollar exchange rate are projected to boost remittance flows to Europe and Central Asia by 5.1 percent in 2016, compared to the estimated decline of 20.3 percent in 2015. Remittances to South Asia are projected to rise by 4.6 percent. Remittances to Middle East and North Africa are expected to rise by 2.6 percent, because of the more limited change in the euro exchange rate with the dollar. Remittances to Sub-Saharan Africa are projected to rise by 3.4 percent, compared to only 1.0 percent in 2015. By contrast, the growth rates of remittance flows to East Asia and the Pacific and to Latin American and the Caribbean are projected to decelerate to 3.2 percent and 3.9 percent, respectively.

The outlook for the price of oil is a major downside risk to the remittances forecast. Our most recent projection envisions some recovery in the price of oil for the rest of this year, resulting in an 8.5 percent decline in the average price in 2016 (as the price is now considerably below the 2015 average), followed by a 7.2 percent rise in 2017. Lower than expected oil prices could further depress remittances from Russia to Europe and Central Asia. Moreover, in the face of the steep drop in the oil price, incomes in GCC countries have so far been supported by drawing down assets. A further decline in the oil price, or even the growing belief that the price will not rise over the long term, could encourage authorities to adjust to lower oil prices. The result would be reduced incomes for migrants in these countries, and perhaps steps to restrict hiring of or even repatriate foreign workers, that could substantially reduce remittance outflows to the Middle East, South Asia, and East Asia and the Pacific.

Slower than anticipated growth in the high-income countries that are the principal sources of remittances to developing countries could also depress remittance flows compared to our forecast. Slower growth in the United States would particularly limit remittances to Latin America and the Caribbean, while further turmoil in the Euro Area would particularly affect remittances to the Middle East and North Africa, and Eastern Europe.

Some developing countries that receive substantial remittances are imposing forms of exchange controls to limit currency depreciation in the face of falling export revenues (e.g. because of commodity price decline) or political disturbances. This has encour-

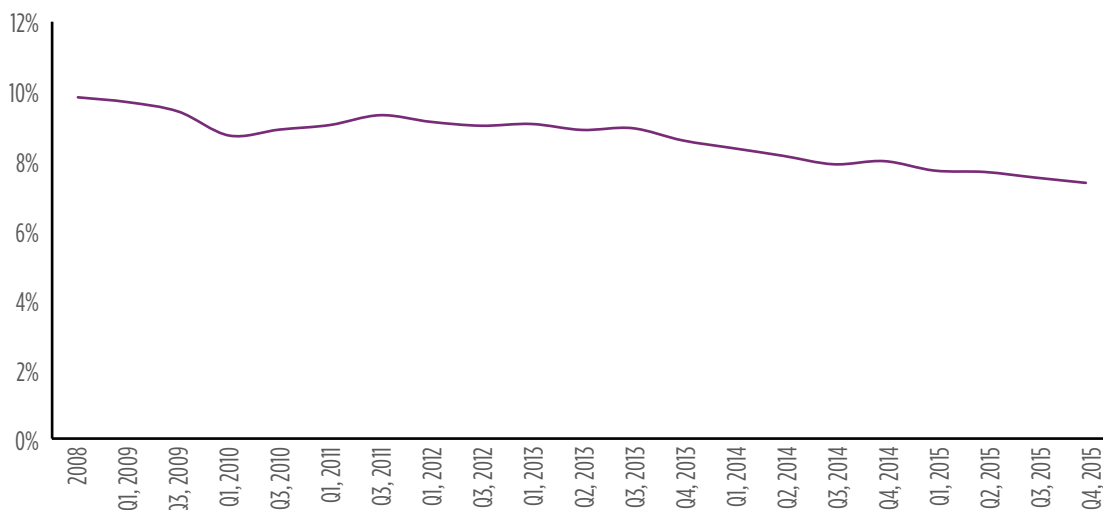
aged the growth of unofficial markets, where the domestic currency is traded at a more depreciated rate than in the official market. For example, in February 2016, the black market premium was 4 percent in Tajikistan, 12 percent in Egypt, 70 percent in Nigeria, and 110 percent in Uzbekistan.⁷ These policies risk exacerbating the foreign exchange crisis, as migrants delay sending remittances in expectation of a depreciation, or send them through unofficial channels because authorities require the transfer of remittances at the official rate. Also exchange controls discourage remittance outflows—as for example in Angola where the parallel market premium is 136 percent—further reducing remittance receipts in other countries.

1.3 Trends in the Cost of Remittances

According to Remittance Prices Worldwide (RPW), the global average cost of sending \$200 in remittances (including all fees and charges) was 7.4 percent in the fourth quarter of 2015 (Figure 7). Remittances costs have declined since the 8 percent level in the fourth quarter of 2014 and 9 percent in 2008.⁸ Nevertheless, average remittance costs remain far above the targets in recent documents prepared for the Sustainable Development Goals (as discussed next).

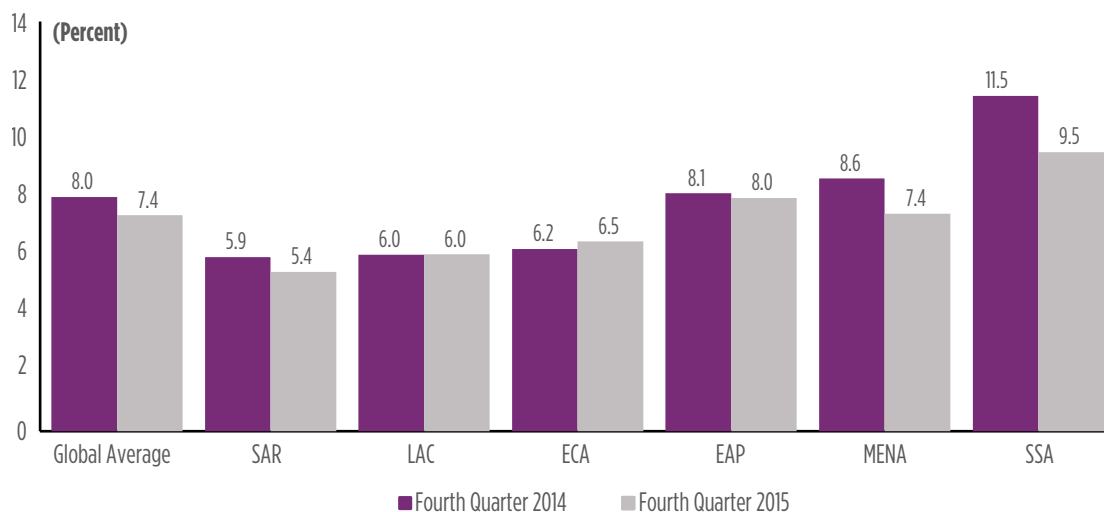
Despite a two percentage point decline in the average cost of sending \$200 over the course of 2015, Sub-Saharan Africa remained the highest-cost region (9.5 percent in the fourth quarter of the year). Remittance outflows from South Africa to nearby countries are particularly expensive, with costs in some corridors averaging in the 18–20 percent range. The average cost of sending money to the Middle East and North Africa fell by more than one percentage point from the fourth quarter of 2014 to the same period in 2015. The average cost of remittances in the other four regions changed over this period by less than half a percentage point (Figure 8).

FIGURE 7 ■ The Cost of Sending \$200 Has Fallen (percent)



Source: Remittance Prices Worldwide, the World Bank.

FIGURE 8 ■ The Average Cost of Sending \$200 Is Highest in Sub-Saharan Africa



Source: Remittance Prices Worldwide, the World Bank.

De-risking behavior by major international banks continues to pose a major challenge to the provision of remittance services. Complaining that remittance transactions are prone to the risk of money laundering and other financial crimes, banks have been closing the correspondent banking accounts of many money-transfer operators (MTOs). In response to a request from the G20 Global Partnership for Financial Inclusion (GPII), the World Bank carried out a survey on this phenomenon in the G20 countries. The survey results confirmed that MTO account closures by banks was widespread, with obvious adverse impact on remittance costs and access to remittance services in rural and remote regions.⁹

Sustainable Development Goals

The United Nations has recently adopted targets and indicators for migration under the Sustainable Development Goals (SDGs), as outlined in Table 2. The SDGs include explicit targets to ensure safe, orderly and regular migration, including through well-managed migration policies (10.7); efforts to end human trafficking (5.2; 8.7; and 16.2) and promote decent labor conditions for migrant workers, including women migrants (8.8); reductions in the costs of remittance transfers (10.c); and the collection of statistics on migration disaggregated according to migratory status (17.18). Between March 2016 and March 2017, the Expert Group will agree on the global reporting mechanism, and make progress on methodological improvements and increasing data availability.¹⁰

TABLE 2 ■ Migration-Related Targets and Indicators in the Sustainable Development Goals

<p>Gender equality and empowerment</p>	<p>Target 5.2</p> <p>Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation</p> <p>Indicator</p> <p>5.2.1 Proportion of ever-partnered women and girls aged 15 years and older subjected to physical, sexual or psychological violence by a current or former intimate partner, in the previous 12 months, by form of violence and by age</p> <p>5.2.2 Proportion of women and girls aged 15 years and older subjected to sexual violence by persons other than an intimate partner, in the previous 12 months, by age and place of occurrence</p>
<p>Economic growth and decent work</p>	<p>Target 8.7</p> <p>Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</p> <p>Indicator</p> <p>8.7.1 Proportion and number of children aged 5–17 years engaged in child labour, by sex and age</p> <p>Target 8.8</p> <p>Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p> <p>Indicator</p> <p>8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status</p> <p>8.8.2 Increase in national compliance of labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by sex and migrant status</p>

(continued on next page)

TABLE 2 ■ Migration-Related Targets and Indicators in the Sustainable Development Goals (*continued*)

Lowering inequalities	Target 10.7
	Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies
	Indicator
	10.7.1 Recruitment cost borne by employee as a proportion of yearly income earned in country of destination
	10.7.2 Number of countries that have implemented well-managed migration policies
	Target 10c
	By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent
	Indicator
	10.c.1 Remittance costs as a proportion of the amount remitted
Promote peaceful and inclusive societies	Target 16.2
	End abuse, exploitation, trafficking and all forms of violence against and torture of children
	Indicator
	16.2.1 Proportion of children aged 1–17 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month
	16.2.2 Number of victims of human trafficking per 100,000 population, by sex, age and form of exploitation
	16.2.3 Proportion of young women and men aged 18–29 years who experienced sexual violence by age 18
Data, monitoring and accountability	Target 17.18
	By 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts
	Indicator
	17.18.1 Proportion of sustainable development indicators produced at the national level with full disaggregation when relevant to the target, in accordance with the Fundamental Principles of Official Statistics
	17.18.2 Number of countries that have national statistical legislation that complies with the Fundamental Principles of Official Statistics
	17.18.3 Number of countries with a National Statistical Plan that is fully funded and under implementation, by source of funding

Source: Report of the Inter-agency and Expert Group on Sustainable Development Goal Indicators. Statistical Commission.

In addition, three targets call for an end to human trafficking under the goals on gender equality (SDG 5); economic growth, employment and decent work (SDG 8); and peaceful societies, access to justice and accountable institutions (SDG 16). Furthermore, there is a target to expand scholarships for enrollment abroad (4.b) as well as targets to improve resilience and disaster mitigation with implicit links to displacement.¹¹

Special Topic: How Migration and Remittances Help Cope with Natural Disasters and Epidemics

Climatic changes and natural disasters have long been reasons for human migration. Available studies indicate that migration can play a role in coping with natural disasters such as earthquakes, hurricanes, typhoons, flooding and severe drought, through both migration from affected areas, and increased remittances and other forms of support to households.

3.1 How Emigration Responds to Natural Disasters

Natural disasters have led to large population movements. On average since 2008, 26.4 million people have been displaced each year by natural disasters (IDMC, 2015), most of them for a short period of time. Ninety-five percent of those displaced are from developing countries. The vast majority of displacement after a disaster is internal rather than cross-border. Some studies have found significant international migration in re-

BOX 2 ■ Empirical Studies of Migration Following Natural Disasters

The few studies to quantify the effect of natural disasters on international migration using macroeconomic data (as opposed to household surveys) generally find that natural disasters are positively associated with international emigration rates (e.g. Reuveny and Moore, 2009; Alexeev et al., 2011; Drabo and Mbaye, 2011; Naudé, 2009 (for Sub-Saharan Africa); and Saldana-Zorilla and Sandberg, 2009 (for migration from Latin America to the United States). Several case studies show an increase of international migration following disasters, for example from Bangladesh to India (Reuveny, 2008), from Honduras and Nicaragua following Hurricane Mitch (Kugler and Yuksel, 2008), and from Jamaica after hurricane Gilbert and from Central America after hurricane Mitch (Wisner, 2003). However, some case studies also find no, or even a negative, relationship between disasters and international or internal migration, e.g. Paul (2005) for the 2004 tornado in north-central Bangladesh, Yang (2008a) for El Salvador, Findley (1994) for international migration to France following drought in Mali, Gray and Mueller (2012) for international migration following drought in the Ethiopian highlands, and Tse (2011) for internal, permanent migration in Indonesia. In a meta-analysis of 52 studies, Belasen and Polachek (2013) do not find a statistically significant relationship between international migration and disasters.

Differences in methodology and data, for example investigation of short- versus long-term movements, difficulties in distinguishing temporary versus permanent migration, and reliance on macro versus micro data, may account for some differences among studies. In addition, analyses of different regions or disaster episodes may reveal significant differences in the extent of migration, depending on the distance to the border, the availability/quality of transportation infrastructure, the kind of disaster studied (e.g., rapid-onset versus slow-onset, earthquakes versus weather-related), household resources, and government policies (particularly reconstruction efforts).

sponse to natural disasters, although the evidence is mixed (Box 2). International migration after disasters mostly follows regional migration patterns before the disaster (Naik, 2009). However, inadequate household resources, lack of the skills required to gain employment in nearby countries, hostility to large migrant inflows, and lack of networks to facilitate migration can impede international migration following disasters.

The absence of general definitions and methodologies for measuring figures on displacement and migration due to natural disasters impede formulating a global estimate (Gemenne, 2011). This is partly due to the fact that it is difficult to isolate disasters from other factors that cause migration and to differentiate between voluntary and forced migration, especially for slow-onset disasters. Disasters can also trigger or accelerate migration patterns already underway before the disaster (Oliver-Smith, 2006), making it difficult to isolate the impact of the disaster. For example, disasters in rural areas may accentuate an existing trend of rural-urban migration (Paul, 2005).

Most forced displacement directly after a natural disaster is temporary. But protracted displacement has also occurred, as well as circular and permanent migration, if the disaster does not allow return to the place of origin (e.g., makes it uninhabitable) or permanently changes or destroys the economic opportunities in the area. For example, people displaced by the Indian Ocean Tsunami remained away for a considerable period (Naik et al., 2007). Permanent migration is usually due to a deficient response by the government to assure a rapid and effective recovery of affected areas or other factors, rather than the disaster itself (Oliver-Smith, 2006). The policies of receiving countries may also help determine whether migration is permanent or temporary. For example, repeated renewals of temporary protected status granted by the United States have led to permanent settlement of people from Central American countries affected by hurricanes and earthquakes.

The number of emigrants and the duration of migration following a disaster may depend on the form and scale of the disaster, the extent and nature of destruction (e.g., infrastructure), the number of people affected, and the likelihood of recurrence. Aid and government policies influence the ability of affected populations to cope, the rapidity of reconstruction, and the durability of infrastructure in the face of disasters, all of which play a role in determining the extent of migration. Natural disasters affect different parts of the population differently, depending on variables such as class, education, gender, age, and ethnicity. It is unclear whether the better-off households migrate more or less than those less well off, as the former have resources to migrate, and more to lose, but are also less likely to live in vulnerable areas, are more often homeowners, and are more likely to have the resources to protect their homes against disasters.

Besides out-migration, there is some evidence that disasters can attract people to affected areas, all other things being equal (Alexeev et al., 2011). Individuals may return after a disaster to assist with reconstruction, or to help family members affected by a disaster. For example, migrants from Myanmar came to Thailand following the tsunami to look for work in reconstruction (Naik, Stigter, and Laczko, 2007). Who returns and who does not is linked to their situation before the disaster, and depends on the household characteristics discussed above.

3.2 International Institutional Framework and the Challenge of Migration Driven by Disasters

The number of global disasters rose from less than 100 per year in the mid-1970s to almost 350 by 2011, with the frequency of weather-related disasters rising particularly rapidly due to climate change and environmental degradation (Bettin and Zazarro, 2012). Individual case studies and global forecasts imply that climate change could substantially boost the number of permanent migrants. For example, Stern (2006) anticipates that an increase in the average global temperature of 2 to 3 degrees centigrade could boost the total number of forced migrants due to environmental pressures to 200 million by 2050. However, such forecasts have been the subject of some controversy (see Gemenne, 2011).

The international institutional framework to cope with forced migration is not adequate to confront the challenge of increased migration driven by disasters. Unlike forced migration driven by conflict and human rights violations, the international community has not developed the principles and agreements required to deal with migration due to natural disasters (Martin, 2012).

It would be difficult to gain acceptance of a comprehensive framework for assisting those displaced by disasters, due to difficulties in defining those who are displaced for environmental reasons (Warner, 2010) and in distinguishing the degree of compulsion involved in migration due to disasters, as opposed to migration for economic reasons. Nevertheless, some assistance could be provided by targeting migration programs to countries recently hit by disasters, as, for example, in the U.S. decision to add Haiti to the list of countries eligible for the H-2 Visa program following the 2010 earthquake (Clemens, 2013).

3.3 Response of the Diaspora to Natural Disasters

Evidence from interviews in embassies and diaspora organizations undertaken for this Brief confirm the importance of diaspora assistance following disasters.¹² All organizations reported an increase in the frequency and amount (almost a doubling) of remittances following a disaster. The diaspora also provided collective remittances, goods and services, technical information on coping with disasters, and return to help with recovery and reconstruction. Diaspora members also organized events to collect contributions. New information and communication technologies, for example the use of Skype to inform doctors on how to respond to the Ebola crisis and the use of social media and short message services to locate displaced persons, are all serving to increase the response from the diaspora.

Interviews emphasized the importance of embassies or national governments organizing information on diaspora organizations providing assistance during a disaster to improve coordination and also of local organizations, such as NGOs, in effectively channeling diaspora assistance. For example, the absence of foundations or NGOs in the countries affected by the Ebola epidemic impeded the effectiveness of diaspora contributions,

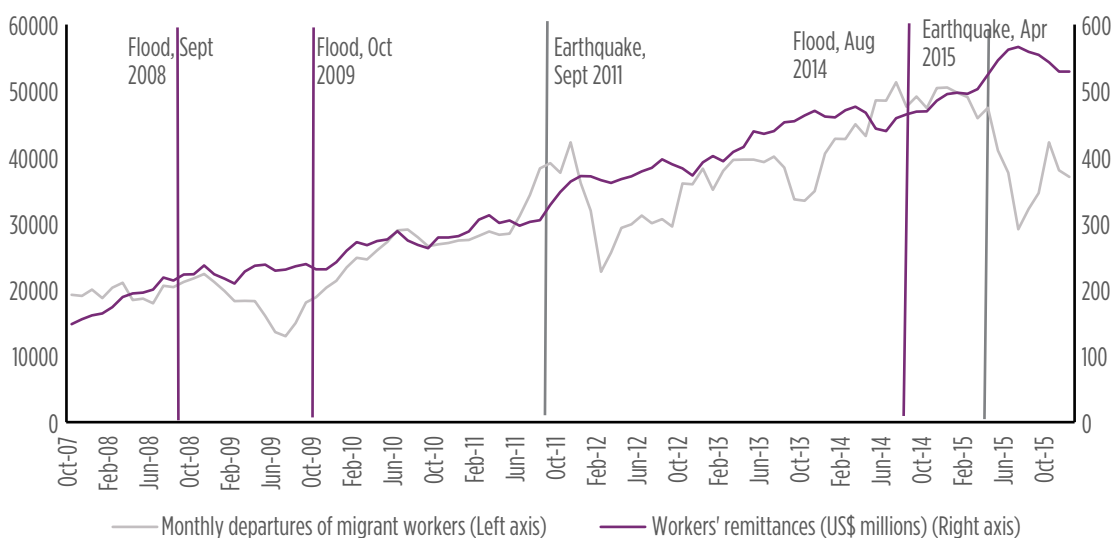
while, in contrast, the availability of competent local organizations in the Philippines boosted effectiveness. In some cases, the government was able to provide a special account for channeling diaspora contributions, although contributions are often sent outside of government channels, owing to the lack of confidence that contributions will reach the intended beneficiaries.

Temporary measures could help increase support from the diaspora. Money transfer organizations could be encouraged to waive remittance fees in the wake of a disaster, as was done following the 2015 earthquake in Nepal, the 2013 typhoon in the Philippines and the Haiti earthquake in 2010. Temporary exemptions from customs duties for food, and medical equipment and supplies, may have increased assistance during the Ebola epidemic.

3.4 Remittances and Natural Disasters

Most empirical studies find that remittances tend to increase as a result of natural disasters.¹³ Disasters should generate increased remittances if they are motivated by altruism, or reflect risk diversification by the household to cope with income volatility in the country of origin (Bettin et al., 2014). However, remittances for the purpose of investment could fall if the destruction of infrastructure from a disaster is seen as lowering the private return on investment, although disasters can also increase the return on investment due to the opportunities for rebuilding (Amuedo-Dorantes et al., 2007). Remittances can be disrupted following disasters if the financial infrastructure is destroyed, while in-kind remittances may increase following disasters.¹⁴

FIGURE 9 ■ Remittances, Migration Trends and Natural Disasters in Nepal



Sources: Data on workers' remittances from Nepal Rashtira Bank and migrant departures from Department of Foreign Employment, Nepal. Data are seasonally adjusted 3-month moving averages. Earthquakes are indicated by grey lines and floods by purple lines. Disaster data is drawn from the EM-DAT database of CRED. Université Catholique de Louvain, Brussels, Belgium.

Empirical work recently undertaken at the World Bank, including country case studies, review of regional aggregates, and regression analysis of cross-country data, indicate that remittances to developing countries tend to rise moderately following a disaster (see Figure 9 for the example of Nepal). Remittances to developing country regions tend to rise in years following extreme disasters (both climatic and geological events) that affect more than 10 percent of the population. Remittances to all developing countries increased by about 2 percent of average GDP in the first year following an extreme disaster, and by almost 5 percent by the third year.¹⁵

Annexes

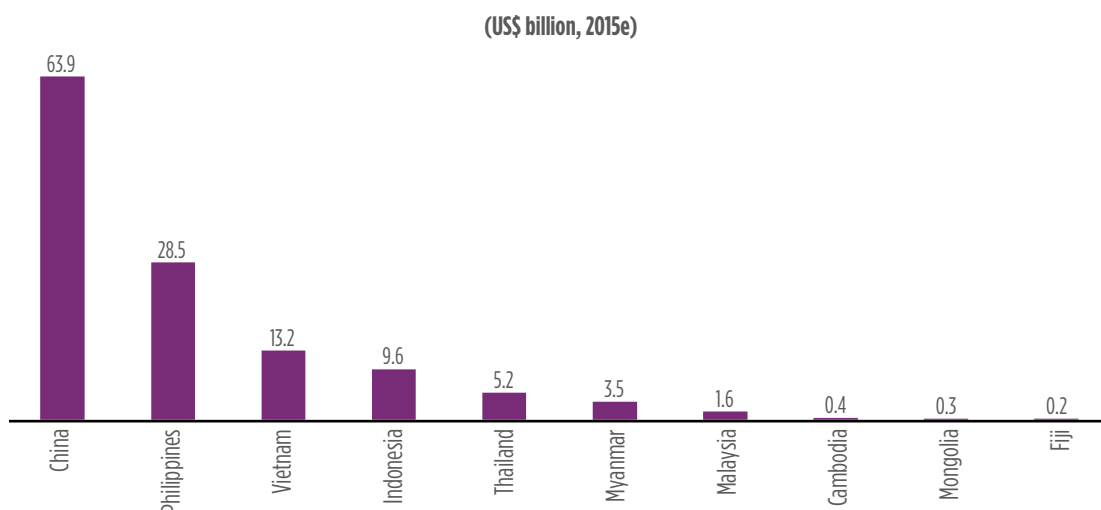
Annex 1: Regional Trends in Migration and Remittance Flows

Remittances to East Asia and the Pacific (EAP) May Have Decelerated in 2015

Remittance trends. Remittances to the East Asia and Pacific Region, which receives the largest amount of international remittances among developing regions, are estimated to have increased by 4.2 percent in 2015, down from 7.4 percent in 2014. Remittances to China, the top recipient in the region (see Figure A1), are estimated to have expanded by only 2.6 percent in 2015, compared to 4.8 percent in 2014. Slower growth in remittances to the region reflects the appreciation of the dollar against the currencies of other source countries, the decline in oil prices which may be dampening the Middle East's demand for labor, and the closure of the bank accounts of money transfer operators (MTOs) in compliance with Anti-Money Laundering and Countering Financing of Terrorism (AML-CFT) regulations. For example, over the past two years, 84 accounts of 32 Philippine remittance providers (including both banks and MTOs) were closed by 33 foreign banks in 13 major remittance-sending countries, according to the Philippine Central Bank.

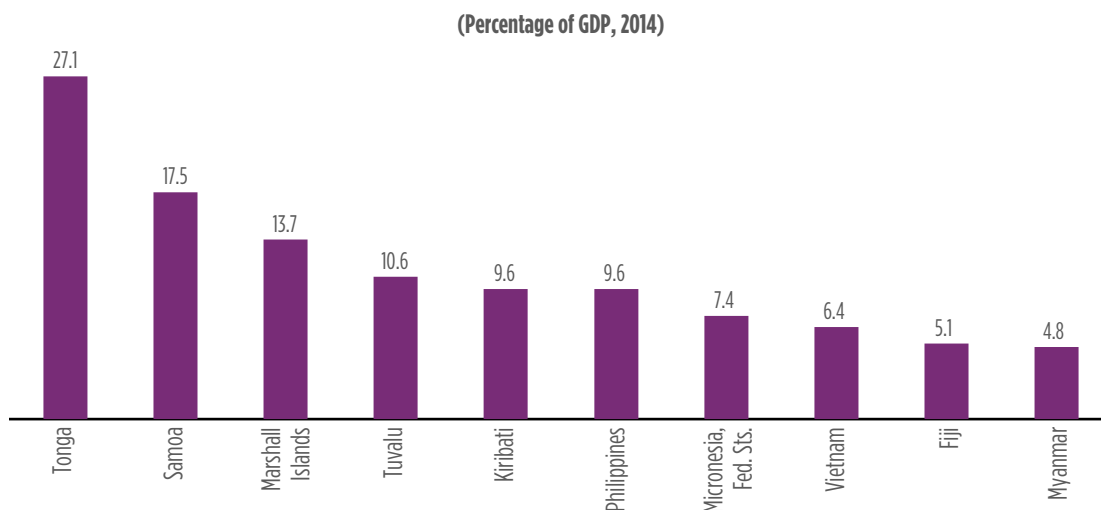
Nonetheless, remittances remain buoyant in key remittance-receiving countries. Remittances to Vietnam are estimated to have increased by some 10 percent in 2015, benefiting from improvements in overseas remittance services and a change in law in 2015 that permits Vietnamese overseas to buy houses in Vietnam. In line with our projection from the last Brief, remittances to the Philippines are estimated to have expand-

FIGURE A1 ■ China Continues to Top Remittances to the EAP Region



Sources: IMF, World Bank World Development Indicators, and staff estimates.

FIGURE A2 ■ Remittances Exceed 25% of GDP in Tonga



Sources: IMF, World Bank World Development Indicators, and staff estimates.

ed by 4.4 percent in 2015, slower than in past years. Inflows from the Middle East region continued to rise, while inflows from the United States fell slightly.

Remittances continue to play an important role in recipient economies. Worker remittances are major foreign exchange earnings in small economies, for example, equal to more than a quarter of GDP in Tonga in 2014 (see Figure A2). Remittances to the Philippines support domestic consumption, a key source of economic growth, and keep the current account in surplus. Money sent by overseas Vietnamese has boosted local businesses and real estate markets: about 70 percent of remittance inflows to Ho Chi Minh City (HCM) went into production and business, and some 22 percent to the real estate sector, according to the HCM branch of the central bank. The Vietnam central bank uses remittance operations as a means to keep banks healthy: it recently tightened the rule that only banks with a non-performing loan ratio of less than 3 percent can establish operations for remittance transfers. A new report on New Zealand's seasonal worker scheme¹⁶ finds that Samoan and Tongan workers send an average of some \$3,000 per person, supporting on average nine other people back home.

As noted in section 3, remittances can cushion the adverse effects of natural disasters. However, it is too early to evaluate the impact of remittances in the wake of the recent cyclone in Fiji. A commercial bank, which is a key remittance-service provider to Fiji, recently announced the waiver of all fees for international money transfers via internet banking from Australia and New Zealand into Fiji in order to assist the recovery process.

The growth of remittances to the East Asia and Pacific region (EAP) is projected to moderate to 3.2 percent in 2016. In the medium term, remittance inflows are expected to expand slowly, albeit with significant differences across recipient countries. Given differences in demographic patterns and wages, migration within the region is likely to grow rapidly, notably from South East Asia to East Asia, e.g., from Cambodia and Vietnam to China. Also, low oil prices may boost economic activities in oil importing

EAP countries, encouraging greater migration flows. This could partially offset the return of migrants from oil-producing countries.

Remittances to Vietnam are forecast to continue their steady growth in 2016, given the record-high outward migration in 2015. In addition, the depreciation of the dong against the dollar may increase remittances; since a large portion of remittances are channeled to business and real estate investments, migrants may opt to increase remittances when the local currency is relatively cheap. Remittances to the Pacific Island countries are projected to grow strongly, as outflows of workers to Australia and New Zealand have increased.

Remittances to the Philippines are likely to continue to expand on the back of increased deployment of skilled and semi-skilled workers, but at a slower pace than in recent years. The adverse impact of low oil prices on remittances to the country is expected to be moderate, given strong job orders from Saudi Arabia, Qatar and Kuwait in 2015, the diverse destinations and skill upgrades of Filipino workers, all of which could facilitate higher remittances. Nonetheless, the government is preparing to provide assistance to Filipino migrant workers, facilitate the repatriation of workers or provide local employment opportunities, in the event that they lose their jobs in the Middle East because of continued low oil prices.

Remittance costs. The high cost of sending money to the EAP region continues to lessen the development impact of remittances. The average cost of sending \$200 remained close to 8 percent in the fourth quarter of 2015. Costs in Southeast Asian corridors remain low, while costs in the Pacific Island corridors remain high. According to the report on New Zealand's seasonal worker's scheme¹⁷, Tongan workers in New Zealand spend about 8 to 9 percent of their remittances on the money transfer fee. As in other regions, bank transfers costs are highest and MTOs lowest. For Samoan and Tongan workers surveyed in the study, money was transferred mostly through MTOs.

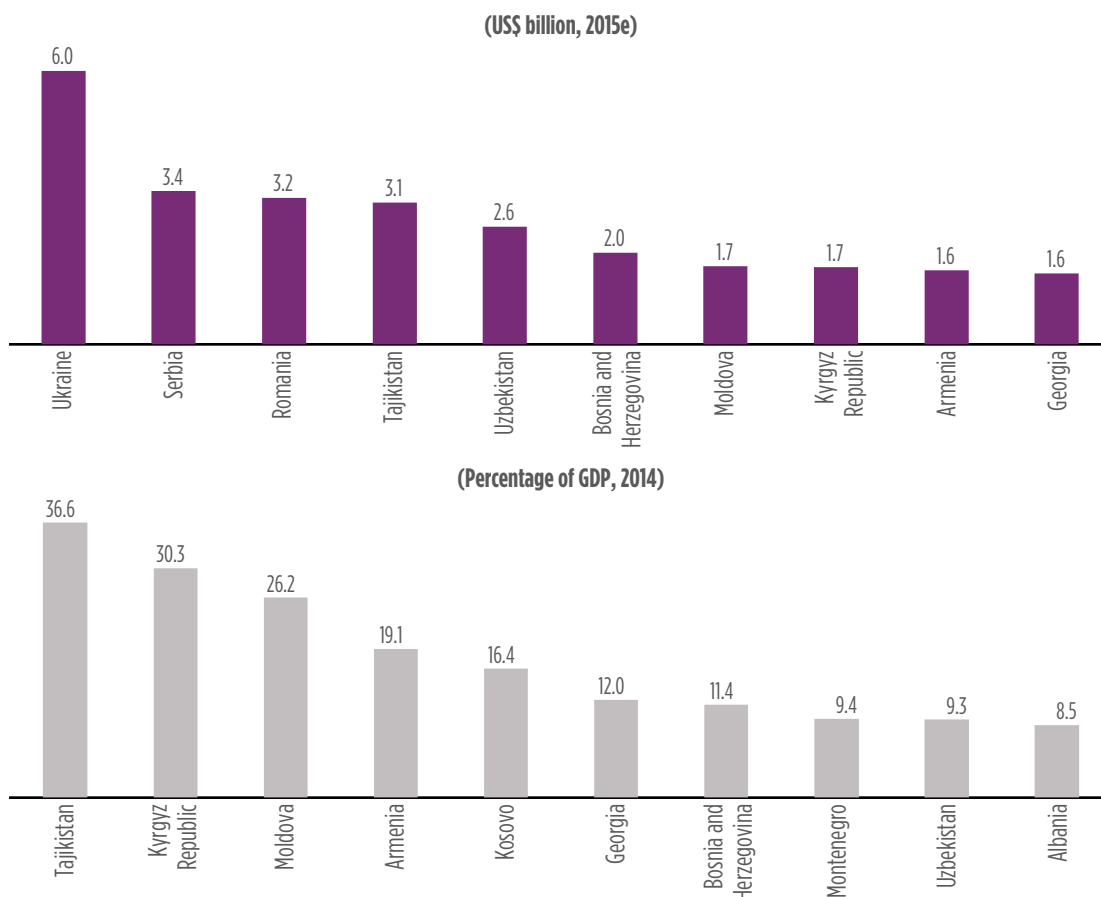
Migration trends. With wide gaps in demographics and income, the region can significantly benefit from flexible and open migration regimes. Rapidly-aging EAP economies will face challenges in slowing the structural decline in the size of the labor force; for this reason, increasing the immigration of younger workers will be vital to growth (World Bank 2016b). Progress in achieving the Association of Southeast Asian Nations' target of free mobility of skilled labor mobility has been limited, with a low rate of mutual recognition arrangements on qualifications in professional services. Moreover, the Association has been silent on low-skilled labor mobility within the community.

Migration from Cambodia to Thailand may continue to be uncertain, as Thai authorities continue to crack down on irregular migrant workers from Cambodia and Cambodian authorities in turn face challenges in ensuring that workers leave for Thailand through regular channels.

Remittances to Europe and Central Asia (ECA) Are Estimated to Have Fallen in 2015

Remittances trends. Many ECA countries are highly dependent on remittances. Ukraine (\$6.0 billion) and Tajikistan (36.6 percent of GDP) top the ECA rankings in absolute and relative terms, respectively (Figure A3).

FIGURE A3 ■ Several ECA Countries Depend Strongly on Remittances



Sources: IMF, World Bank World Development Indicators, and staff estimates.

The dollar value of remittances to ECA countries is estimated to have fallen by 20.3 percent in 2015, following a decline of 9 percent in 2014. The decline in economic activity and the depreciation of the ruble against the dollar sharply reduced remittance outflows from Russia, a major source of remittances for the region. The currencies of most remittance-receiving countries in Europe and Central Asia (except the Ukraine) appreciated against the ruble (Table A1]). Therefore, the growth of remittances from Russia to these countries measured in local currencies was lower than remittances measured in rubles. But the currencies of all these countries also depreciated against the dollar.¹⁸ Therefore, remittances measured in dollars declined even more severely, making it more difficult for governments to meet their external payment obligations.

Estimated declines in remittance receipts in 2015 were greatest among the Central Asian countries: 47 percent in both Turkmenistan and Uzbekistan, 25 percent in the Kyrgyz Republic, 24 percent in Tajikistan and 23 percent in Kazakhstan. Albania was the only ECA country with an estimated increase in remittances (over 8 percent) in 2015.

Large black market premia—in Uzbekistan, the black market rate is more than double the official rate, according to Bloomberg—are increasing remittances sent through informal

TABLE A1 ■ Exchange Rate Impacts on Growth in Outward Remittances from Russia (2014Q3–2015Q3)

Destination Country	Growth in Remittances from Russia (%)				% Change in Local Currency Exchange Rate relative to	
	Russian Ruble	Local Currency	Local Currency	US Dollar	Russian Ruble	US Dollar
		(Nominal)	(Real)			
Armenia	3	-31	-35	-41	48	-15
Azerbaijan	-1	-24	-29	-43	30	-25
Belarus	6	-3	-19	-39	10	-37
Kazakhstan	19	-18	-24	-32	45	-17
Kyrgz. Rep.	7	-25	-33	-38	43	-18
Moldova	-26	-42	-50	-58	27	-27
Tajikistan	-1	-28	-39	-43	37	-21
Ukraine	-15	-15	-65	-51	0	-42
Uzbekistan	-15	-46	-56	-51	58	-9

Source: WDI, Central Bank of Russia, IMF, OANDA.

channels. A shortage of foreign currency is leading some Central Asian countries, for example Tajikistan, to require the issuance of money transfers from Russia in local currency rather than in rubles, although this does not apply to remittances in dollars or euros. Such regulations provide another incentive to send money through unofficial channels.

Remittances are expected to increase by 5.1 percent in 2016, owing to relatively more rapid growth in the Euro area, a more modest decline in Russian GDP than in 2015, and stabilization of the ruble/dollar exchange rate.

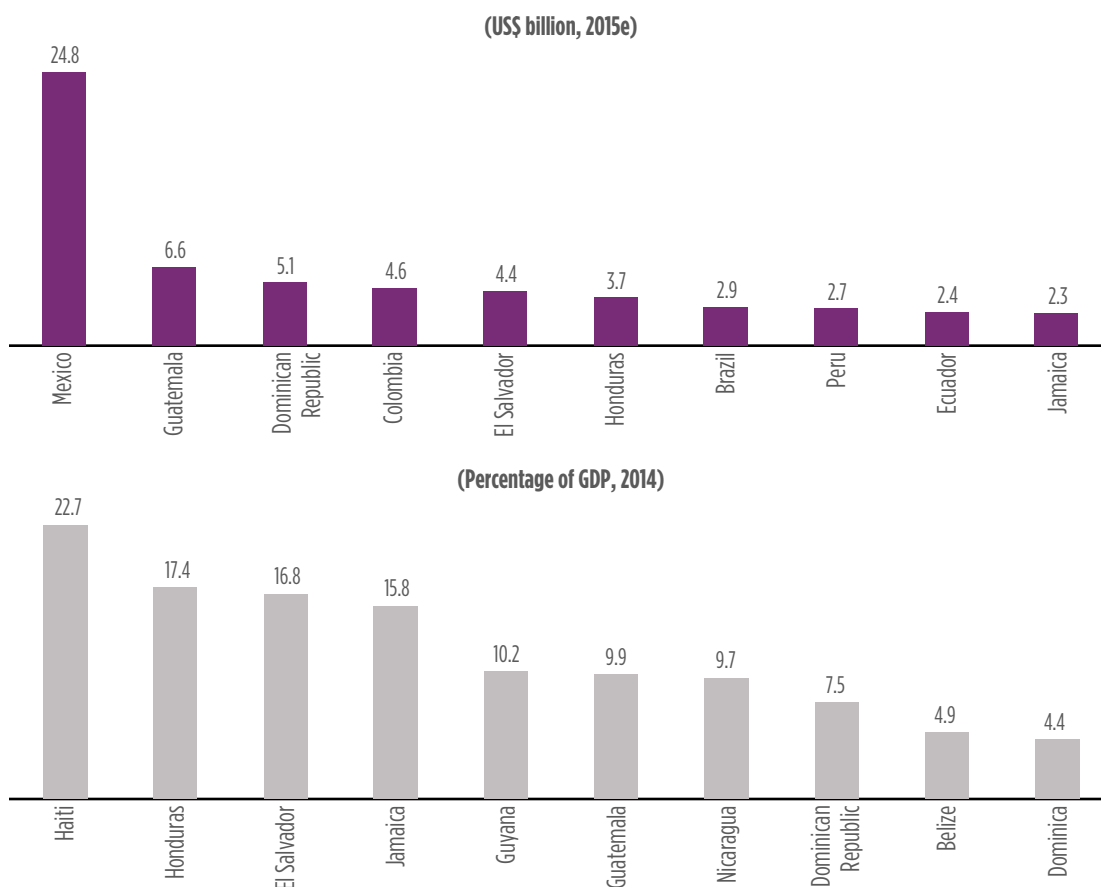
Remittance costs. The average cost of sending remittances to ECA countries increased from 5.9 percent in Q3 2015 to 6.5 percent in Q4 2015 (see Remittances Prices Worldwide database). Excluding Russia, which is among the lowest-cost senders of remittances worldwide, the average cost would be one percentage point higher (up from 7.1 percent in Q32015). The highest costs for sending remittances are from Western European countries such as the United Kingdom or Switzerland.

Migration trends. The severe recession in Russia has led some émigrés from Central Asia to return home. The number of Tajik migrants in Russia decreased by 3.8 percent (to 862 thousand) in 2015, and the number of Uzbek migrants by 18.6 percent (to 1.8 million). Tajikistan, which is heavily dependent on remittances (see Figure A3), is in particular trouble: the share of households able to buy enough food went down from 67 percent in May to 60 percent in September 2015.¹⁹

Remittances to Latin America and the Caribbean (LAC) May Have Accelerated in 2015

Officially-recorded remittance flows to the Latin America and the Caribbean region are estimated to have increased by 4.8 percent to \$66.6 billion in 2015. The growth

FIGURE A4 ■ Dependence on Remittances Is High in Latin America and the Caribbean



Sources: IMF, World Bank World Development Indicators, and staff estimates.

of remittances varied widely across countries, ranging from a rise of 13.2 percent in Guatemala and 11.4 percent in Colombia, to a decline of 2.8 percent in Ecuador. Remittances to Mexico reached \$24.8 billion in 2015, the largest level in the region by far, followed by Guatemala (Figure A4). The decline in oil prices meant that remittances to Mexico exceeded the value of oil exports (\$18.7 billion in 2015 as reported in the balance of payments). Remittances are largest compared to GDP in Haiti, followed by Honduras, El Salvador and Jamaica. Remittances to Colombia are small compared to GDP, but due to low commodity prices, they exceed coffee exports and are roughly equal to oil exports. Growth in remittances to the region is expected to slow to 3.9 percent in 2016 and 3.8 percent in 2017.

Remittances to the region were supported by a recovering economy and improving labor market in the United States, but were restrained by a fragile recovery in Europe (Spain hosts one-tenth of all migrants from the LAC region). The increase in employment in the U.S. sectors where migrants work, such as food and beverage services, health services and construction, contributed to the growth in remittances to Latin America.

FIGURE A5 ■ Correlation between Growth Rate of Remittances and Depreciation of Colombian Peso



Source: World Development Indicators, World Bank Staff Estimates.

The appreciation of the dollar against the euro significantly reduced the dollar value of remittances to countries that receive substantial remittance flows from Europe. For example, remittances from Spain and Italy to Ecuador fell by 22 percent and 15 percent, respectively, while remittances from the United States increased by 4 percent, from January to September 2015 compared to the same period in 2014. Similarly, the dollar value of remittances sent to Colombia from Spain and Italy decreased by 3 percent and 9 percent, respectively, while remittances from the United States increased by almost 25 percent. While dollarized countries such as Ecuador, El Salvador and (largely) Costa Rica have not seen a huge increase in remittance inflows, remittance outflows from these economies rose sharply (e.g., remittances sent from Ecuador to Colombia increased by 88 percent).

Improvements in infrastructure are necessary to improve the efficiency of remittance services. The number of remittance service providers has expanded in El Salvador and in South America, largely due to increases in internet-based services. However, new players using mobile remittances still find it difficult to send them across Latin America due to outdated payment systems, lack of interoperability and restrictive regulatory frameworks.

Remittances to some countries are highly correlated with changes in the U.S. dollar exchange rate. For example, the growth rate of remittances rose in months in which the Colombian peso depreciated against the dollar (see Figure A5).

Remittance costs. Remittance corridors to Latin America are among the least costly from the United States. According to the Remittance Prices Worldwide, remittance costs to Latin America averaged 6 percent in the last quarter of 2015. However, costs remained much higher in the smaller remittance corridors. For example, the cost of sending money from Canada and France to Haiti exceeded 10 percent. Intra-regional costs also varied:

the cost of sending money from Costa Rica to Nicaragua averaged about 3 percent, but from Brazil to Paraguay, and from Bolivia to Peru, exceeded 6 percent in 2015. And the cost of sending money from the Dominican Republic to Haiti averaged 8 percent, a high cost for a short distance.

Renewed efforts to tighten the regulations governing remittance transfers, coupled with the concerns of banks related to regulatory compliance (referred to as de-risking) appears to be leading to the closure of the bank accounts of money-transfer operators and is making it difficult for money-transfer companies to operate in small markets. The cost of compliance with regulations to prevent money laundering and terrorist financing also appears to be contributing to the increase in prices, as money-transfer operators are passing the costs on to customers.

Migration trends. The migration of unaccompanied children from the Central America to the United States continues to be a serious issue (see section 1.1 above).

Steps towards the normalization of the relationship between the United States and Cuba have encouraged a greater number of Cubans to attempt to enter the United States. The number of Cubans arriving at ports of entry without documents or crossing the border reached a record high of 45,000 in 2015. As a result of the surge in inflows, Nicaragua closed its borders in November 2015, stranding many Cubans in Costa Rica.

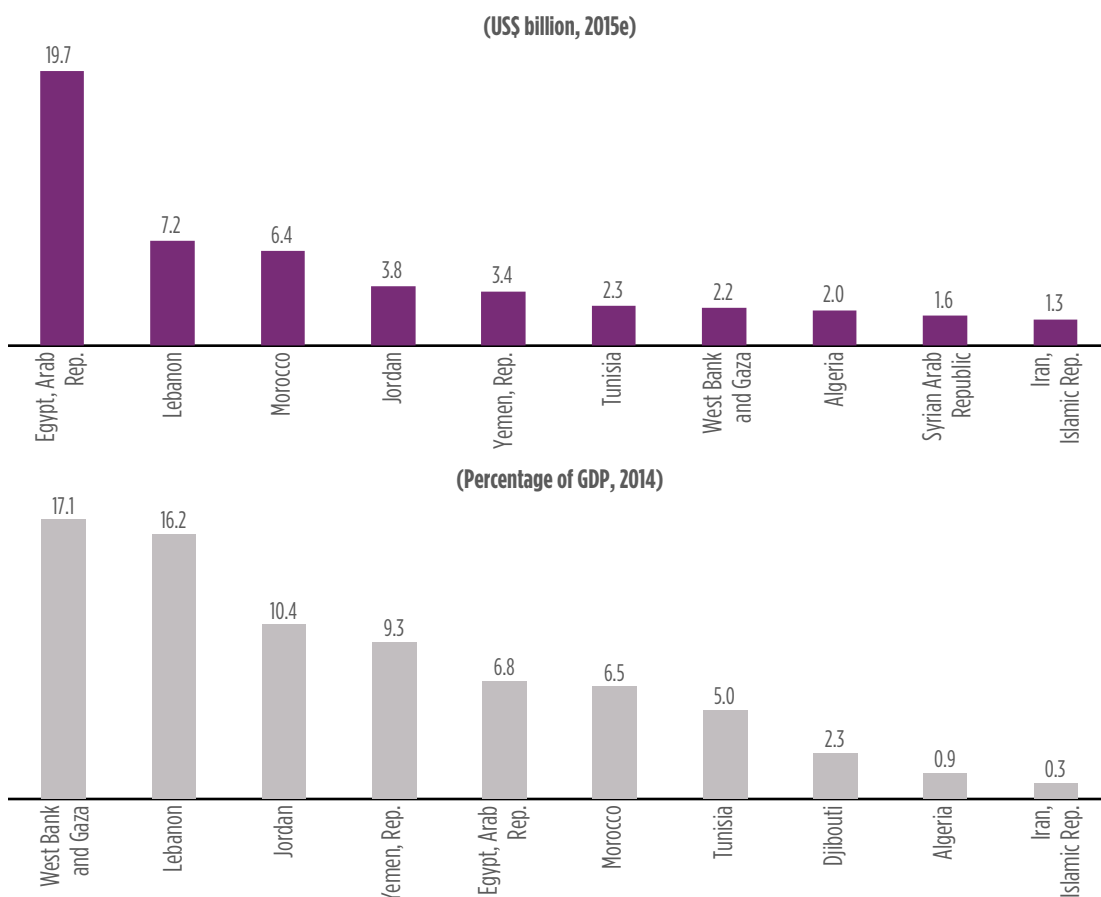
Remittances to the Middle East and North Africa (MENA) Are Estimated to Have Declined in 2015

Remittance trends. Last October we predicted a 1.6 percent increase in remittances to MENA in 2015. We now estimate that remittances declined by 0.9 percent. The main reason for this downward revision is a decline in the growth of remittances to Egypt, which receives the largest remittance inflows in the region (Figure A6). Migrants, especially skilled ones, may have delayed a portion of their remittances in expectation of a further devaluation of the Egyptian pound, which has been devalued several times since the beginning of 2015; but the continuing shortage of foreign currency increased pressure on the Central Bank for a further devaluation. Most of the remittances were sent through unofficial channels, as the black market premium was still above 10 percent before the most recent devaluation in March 2016. The decline in remittances does not seem to be wholly driven by a sharp slowdown in remittances from GCC countries, which drew on their assets in 2015 to support government expenditures in the face of the decline in the price of oil. For example, Egypt receives around 40 percent of its remittances from Saudi Arabia, where remittance outflows continued to grow by 7 percent until the third quarter of 2015 and where more foreign workers have been hired.

The depreciation of the euro also significantly reduced the growth in dollar terms of remittances sent to Maghreb countries. In Morocco, the dollar value of remittances declined by 11 percent in the first three quarters of 2015 compared to last year, whereas remittances grew by 4.5 percent in Moroccan dirham.

We expect that remittances to the MENA region will grow only modestly in 2016 and 2017, significantly slower than remittances to all other regions. Besides the slow

FIGURE A6 ■ Middle Eastern Countries Are Particularly Dependent on Remittances



Sources: IMF, World Bank World Development Indicators, and staff estimates.

recovery in Europe and the strength of the U.S. dollar, the major driver is an expected reduction of outward remittances from the GCC countries. The beginning of fiscal adjustment in response to the fall in oil prices could lead to wage cuts and the dismissal of foreign workers, in part due to a step up of nationalization policies targeted at high-skilled workers (EIU, 2016). Moreover, cuts in subsidies in the latter half of 2015—with further cuts anticipated for this year—and the planned introduction of a GCC-wide VAT could raise the cost of living, leading migrants to reduce the amount of money sent home; nearly all GCC states have discussed the introduction of a tax on remittances. Among MENA countries, Egypt, Yemen, and Jordan receive the largest amount of remittances from GCC countries in dollar terms and relative to GDP, and are thus the most vulnerable to declines in remittances from GCC countries.

The anticipated slow growth of remittances underlines the importance of improving resilience to balance of payments shocks. In Egypt, however, foreign currency shortages have increased the dependence on remittances. Foreign currency reserves have declined by more than half since the revolution, and by the end of 2015 equaled only around

\$16 billion, or three months of imports. Declining revenues from the Suez Canal due to the slowing of global trade, coupled with the decline in tourism income since the plane crash in the Sinai in October 2015, increased the importance of remittances as the largest source of foreign exchange in the current account. In March 2016, Egypt launched a new dollar-denominated certificate to attract the savings of Egyptians living abroad.²⁰

Remittance costs. According to Remittance Prices Worldwide (RPW), the average cost of sending remittances to the MENA region decreased from 8.4 percent in the third quarter of 2015 to 7.4 percent in the last quarter of 2015, but still remains above the global average. The decline was mainly due to the inclusion of new, lower-cost corridors in the RPW database (mainly from GCC countries to the region). The cost of sending money to the MENA region remains highest from OECD countries, specifically to Lebanon, due to the high cost of commercial bank services. The costs for sending money from GCC countries to the MENA region is well below the regional average, in part due to low-cost services from some commercial banks in these corridors. The Saudi Central Bank reported an increase in the number of remittance service centers in banks in Saudi Arabia from 413 by the end of 2011 to 675 by end-2015.²¹

Migration trends. The forced displacement crisis in the MENA region continues to unfold, with over 4.7 million refugees from Syria alone. While the vast majority of refugees are still in neighboring countries, with Turkey now hosting over 2.6 million, refugees increasingly moved onwards to the European Union in the second half of 2015. The UNHCR indicates that Syrians made up nearly 50 percent of refugees and migrants arriving by sea in Italy or Greece in 2015 and over 40 percent of those having arrived since the beginning of this year.²² The cumulative number of Syrian asylum applications in the EU increased from 222,000 at the end of 2014 to nearly 900,000 at the end of 2015.²³ Iraqi refugees have followed the same routes, albeit to a lesser extent.

In an attempt to stem the flow of refugees, Turkey has introduced new visa requirements for Iraqis and for Syrians arriving by air or sea, although not by land, from a third country. Tighter entry rules had been imposed previously by Lebanon and Jordan, where the number of Syrian refugees is equivalent to 25 percent and 9 percent of the population, respectively.

As mentioned in the text above (section 1.1), the outbreak of conflict in Yemen in March 2015 has increased the number of internally displaced persons (IDPs) within the country to over 2.5 million, accounting for 10 percent of the population.²⁴ At least 4 million people are internally displaced in Iraq, and over 400,000 in Libya. According to the UN Office for the Coordination of Humanitarian Affairs, the number of Syrian IDPs declined in the last quarter of 2015, but still remains the highest worldwide, at more than 6.6 million.²⁵

Remittances to South Asia Region (SAR) Are Estimated to Have Grown Moderately in 2015

Remittance trends. Remittances to the SAR are estimated to have increased by 2.0 percent in 2015, reflecting improving economic prospects in the United States, in contrast

to continued economic uncertainty in other high-income remittance-source countries. In addition, lower oil prices may be dampening remittance flows from GCC countries, and the depreciation of currencies of major remittance sources (UK, Eurozone, Canada and Australia) vis-à-vis the U.S. dollar has lowered the U.S. dollar value of those remittances.

Remittances to India, the region's largest economy and the world's largest remittance recipient, decreased by 2.1 percent in 2015, to \$68.9 billion. This marks the first decline in remittances since 2009. The growth of remittances in 2015 slowed from 8 percent in 2014 to 2.5 percent for Bangladesh, from 16.7 percent to 12.8 percent for Pakistan, and from 9.6 percent to -0.5 percent for Sri Lanka. Slower growth may reflect the impact of falling oil prices on remittances from GCC countries. For example, in the fourth quarter of 2015, year-on-year growth of remittances to Pakistan from Saudi Arabia and the UAE were 11.7 percent and 11.6 percent, respectively, a significant deceleration from 17.5 percent and 42.0 percent in the first quarter. Also, depreciation of major sending country currencies (for example, the euro, the Canadian dollar and the Australian dollar) vis-à-vis the U.S. dollar may be playing a role.

Remittances to Nepal rose dramatically in response to the earthquake, by 20.9 percent in 2015 versus 3.2 percent in 2014. Also, many migrant workers returned to take care of their families, as the average number of returns at the airport jumped five times to around 4,000 per day.

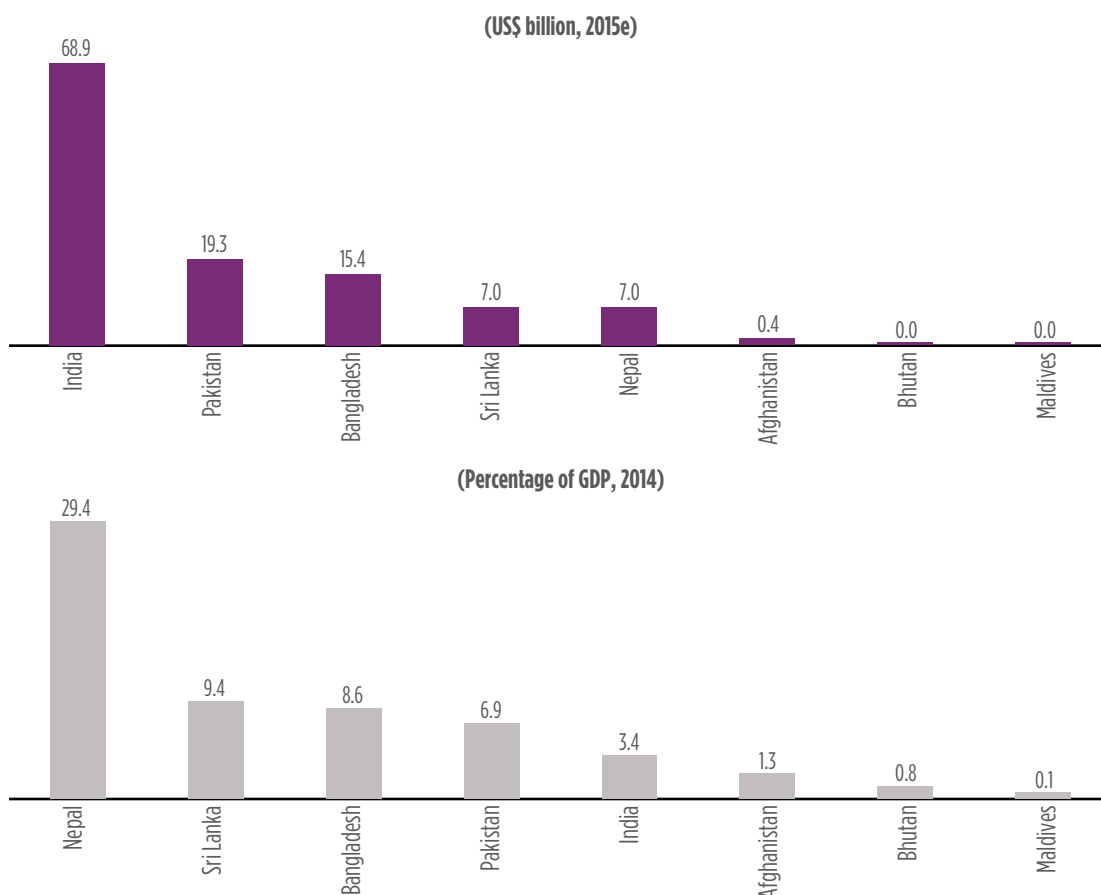
Remittances are extremely important to several countries in the region: remittances to Pakistan, Sri Lanka, Nepal and Bangladesh exceeded 6 percent of GDP in 2014 (Figure A7).

The regional growth rate of remittances is projected to exceed 4.5 percent over the next two years, as remittances to Nepal are expected to decelerate after the large inflows following the earthquake and lower oil prices may dampen remittance inflows from GCC countries, while flows from the United States are likely to remain robust.

Remittance costs. The average cost of sending \$200 to regional countries in the fourth quarter of 2015 was 5.4 percent, down from 5.9 percent recorded in the fourth quarter of 2014 and the lowest rate among developing regions. Remittance service operators in United Arab Emirates waived fees for remittances to Nepal for a period following the earthquake, leading to the corridor having the lowest average cost (0.2 percent) in the fourth quarter of 2015. Aside from this one-off event, average remittance costs are less than 3 percent in the five next lowest-cost corridors, but around 10 percent or more in the five highest-cost corridors. Higher costs in the latter group may be due partly to low volumes, lack of competition in the remittance markets in some sending or receiving countries, high regulatory burdens and policy rigidities that limit competition in some market segments.

In India, following the approval of new payments banks (discussed in *Migration and Development Brief 25*), the Digital India and Start-up India initiatives have the potential to improve the environment for new start-ups and disruptive technologies to reduce remittance costs. However, regulations governing overseas transactions, including AML-CFT requirements and foreign exchange controls, may impede extending these services to international remittance transactions.

FIGURE A7 ■ Remittances to SAR Countries Are Large in Dollar Terms and Relative to GDP



Sources: IMF, World Bank World Development Indicators, and staff estimates.

Migration trends. Despite economic difficulties due to the decline in the oil price, Saudi Arabia plans to recruit around 400,000 workers from Bangladesh, around half of them female. Employer companies would pay for their travel.

Remittances to Sub-Saharan Africa (SSA) Are Estimated to Have Increased Only Slightly in 2015

Remittance trends. Remittance flows to the region have been affected by slow economic recovery in high-income countries and the adverse impact of the commodity price decline on regional remittance-source countries such as South Africa and Nigeria. The estimated 1 percent rise in remittances to Sub-Saharan Africa in 2015 represents some recovery from the 0.2 percent rise in 2014. Remittances to Nigeria, accounting for around two-thirds of total remittance inflows to the region, are estimated to have declined by 0.8 percent to \$20.7 billion, and remittances to South Africa are estimated to have fallen by 5.2 percent to \$0.9 billion. Regional growth in remittances in 2015 was largely

driven by strong remittance growth in Kenya (8.3 percent to \$1.6 billion) and Uganda (21.1 percent to \$1.1 billion). Remittance flows to the region are projected to rise by 3.4 and 3.7 percent in 2016 and 2017, respectively. The projected moderate growth in remittances reflects the limited recovery in Europe, as well as slow growth in major remittance-source countries within the region (e.g., Nigeria and South Africa), in part due to falling commodity prices. On the other hand, remittances should be supported by improving prospects for growth in the United States.

Fixed exchange rates and capital controls are having an impact on foreign exchange markets and channels of remittance flows. Nigeria is witnessing large black market premia on foreign exchange. For example, on 22 February 2016, in the Lagos black market, the dollar was being bought at 367 naira and sold for 372 naira, while the official exchange rate was around 195. Similarly, despite a 25 percent devaluation of the official rate, the Angolan kwanza trades at around 270–280 to the dollar in the black market while the official rate is around 135. Such large differences between official and black market rates tend to drive remittances to informal channels.²⁶ This may partly explain the decline in officially recorded remittances in Nigeria.

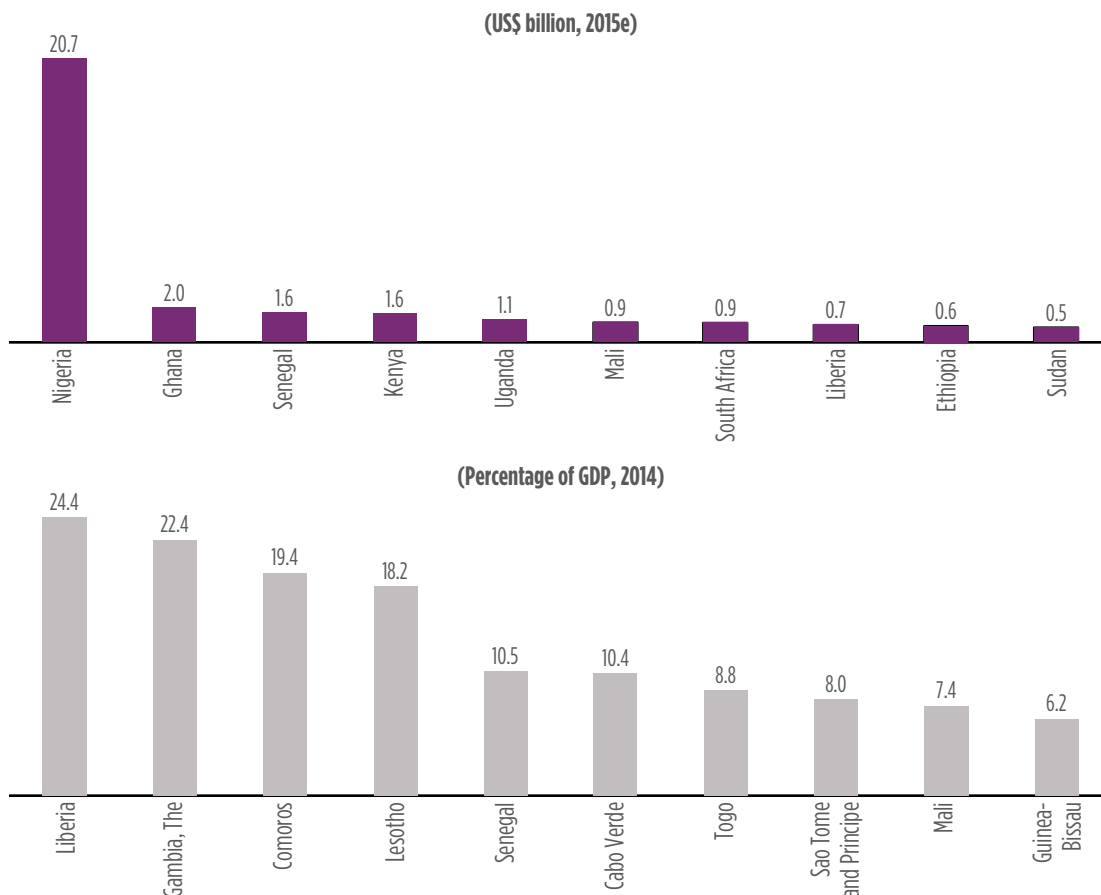
The level of remittance dependency varies across countries, and in some cases has changed over time (Figure A8). Among the regional countries with the highest level of remittances relative to output, only Lesotho has shown a major decline in remittances as a percentage of GDP, from around 43 percent in 2006 to 18 percent 2014. On the other hand, remittances to Liberia increased from about 13 percent of GDP in 2006 to about 24 percent in 2014. The other three countries display fairly steady levels of remittances relative to GDP. Remittances also finance a substantial share of imports in some of the larger countries; for example, in 2014 remittances financed around one-fourth of imports in Nigeria and about one-fifth in Senegal.

Remittance costs. While Sub-Saharan Africa remained the highest remittance cost region, the average cost of remittance transfers declined from 11.5 percent in the fourth quarter of 2014 to 9.5 percent in the fourth quarter of 2015. Costs vary substantially across the region, ranging from 4–5 percent in the lowest-cost corridors to 18–20 percent in the highest.

The ease of making mobile money transactions across borders in East Africa has improved due to collaborative arrangements among telecom operators and money-transfer operators in Kenya, Rwanda, Tanzania and Uganda. These deals are likely to lower remittance costs and make services more efficient and viable.

Migration trends. This section explores trends in migration in Sub-Saharan Africa with a particular focus on refugees, IDPs and irregular migration.²⁷ Given a 29 percent rise in UNHCR persons of concern originating in the region (from 13 million to 16.8 million) between 2013 and 2014, the issue of refugees and IDPs dominates the public discourse. By country of origin, refugees increased by 21.2 percent, asylum seekers by 22.4 percent and IDPs by 25.2 percent between 2013 and 2014 according to UNHCR data reported by their bureaus. Of the UNHCR bureaus, East and Horn of Africa reports the largest rise of refugees at 25.5 percent, while Western Africa has the largest increase in asylum seekers and IDPs at 56.1 percent and 370.5 percent, respectively. Consequently, a huge challenge for the region is not only that of refugees and asylum seekers but also IDPs.

FIGURE A8 ■ Several African Countries Are Highly Dependent on Remittances



Sources: IMF, World Bank World Development Indicators, and staff estimates.

The EU announced aid worth €77 million to help Kenya, Somalia and Ethiopia manage some 1.7 million refugees. In addition, the 2015 Valletta Summit took place in November 2015 to discuss migration from Africa to Europe. The action plan includes a desire to “promote cheaper, safer, legally-compliant and faster transfers of remittances and facilitate productive domestic investment.” Notably, the partners not only committed to substantially reduce the costs of remittances, but to do so by 2020. In addition, the participants agreed to operationalize the African Institute on Remittances by end-2016 at the latest. And a trust fund of €1.8 billion was created with existing and additional funds. The first project to address irregular migration and forced displacement in the Horn of Africa was signed in December.

Recent developments have also witnessed the emergence of mixed and irregular migration. The UNHCR notes that irregular migration characterized by lack of documentation or authorization characterize the movements of refugees as well as non-refugees. The African Union (AU) has reiterated its commitment to curb irregular migration from the continent. The AU has placed migration high on its agenda for 2016. ‘Movement’ is one of the key issues for the AU’s African Year of Human Rights. One of the objectives

of the 8th AU Gender Pre-summit was to explore recent developments on migration and discuss ways to manage it. To tackle the migration crisis, the African Development Bank has stressed the role of industrialization and job creation, together with greater recognition of the migration and development linkage and free movement of persons in the context of regional integration.

Five countries in the Horn of Africa: Djibouti, Ethiopia, Eritrea, Somalia and Sudan, witnessed a rise in irregular migration by land and sea in 2015, involving around 164,000 individuals. This includes movements from these countries to Yemen and vice-versa. Arrivals in Yemen from these countries increased, despite the conflict in that country.

Annex 2: Forecast Methodology for Remittances

The 2015 estimates are based on IMF Balance of Payments data supplemented by data from central banks. Where current data are not yet available, estimates and forecasts are used. Projections for remittance flows for 2015 and beyond are based on stocks of migrants in different destination countries and estimates of how changes in the migrants' income influence remittances sent by these migrants.²⁸ Remittance flows are broadly affected by three factors: the migrant stocks in different destination countries, incomes of migrants in the different destination countries, and, to some extent, incomes in the source country. Remittances received by country i from country j can be expressed as:

$$R_{ij} = R_i \frac{r_{ij} M_{ij}}{\sum_{i=1}^K \sum_{j=1}^K r_{ij} M_{ij}}$$

where R_i is the total amount of remittances into country i (as reported in the balance of payments), M_{ij} is the stock of migrants from country i in country j , and r_{ij} are the assigned weights to all remittance corridors.²⁹ The weights r_{ij} are to be understood as remittance intensities for each corridor ij , and these depend on the levels of GNI per capita in migrant-sending countries (y_i) and migrant-receiving countries (y_j):

$$r_{ij} = f(y_i, y_j)$$

The elasticities (ϵ_j) of total remittance outflows (R_j) are estimated in order to measure the reaction of remittances to the growth of migrant incomes, approximated by economic growth in migrant-receiving countries (Y_j). These remittance elasticities are used to forecast remittance outflows from each migrant-receiving country based on the most recent available forecasts of gross domestic product from the World Bank, using the following formula:

$$R_{j(t+1)} = R_{j(t)} \left(1 + \epsilon_j \frac{Y_{j(t+1)} - Y_{j(t)}}{Y_{j(t)}} \right)$$

where $Y_{j(t)}$ is the nominal GDP of country in period t . Forecasts of outflows from all countries and estimated remittance intensities are then used to arrive at the estimates of projected inflows for each remittance-receiving country i :

$$R_{i(t)} = \sum_{j=1}^J r_{ij} R_{j(t)}$$

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- ² Source: European Commission, 2016.
- ³ Bertelsmann Stiftung, 2016.
- ⁴ <http://www.unocha.org/yemen>.
- ⁵ <http://www.cameroononline.org/60000-nigerians-in-cameroon-refugees-camp/>.
- ⁶ In 2014, remittances amounted to 43 percent of GDP in Tajikistan, 30 percent in Kyrgyz Republic and 29 percent in Nepal.
- ⁷ <http://www.bloomberg.com/news/articles/2016-02-14/black-market-dollars-at-136-mark-up-show-true-pain-of-the-pegs>.
- ⁸ One reason for the apparent decrease in average remittance costs is the elimination of some higher-cost banking channels from the sample in recent quarters. The absence of data on market share of individual RSPs operating in specific corridors precludes the computation of weighted average remittance costs, which would be a more robust indicator than simple average.
- ⁹ World Bank, Report on the G20 Survey on De-Risking Activities in the Remittance Market, World Bank, October 2015.
- ¹⁰ The World Bank and KNOMAD are contributing to this process through the development of the recruitment cost and remittance costs indicator, a dashboard of migration indicators which would complement the monitoring of indicator 10.7 at the national level, and indicators of migrant rights, including access to jobs, education and health.
- ¹¹ See for example targets: 1.5 on building the resilience of those in vulnerable situations and reducing their exposure and vulnerability to shocks and disasters; 11.5 on reducing the number of people affected by disasters; and 13.1 on strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- ¹² Interviews took place in August 2015, conducted in the Embassies of Sierra Leone (Ambassador), Liberia (Counsel), Guinea (Ambassador), Nepal (Deputy Chief of Mission), Bangladesh (Secretary), Philippines (Ambassador) and Pakistan (Economic Minister). Other interviews were undertaken with members of the diaspora from Liberia, Sierra Leone and Guinea in Washington D.C., including members from the Diaspora Ebola Network, organizers of the All Liberian Diaspora Conference in the USA, and the Union of Liberian Associations in America (ULAA).
- ¹³ For panel regressions for developing countries, see Mohapatra et al. (2009), Yang (2008b), Bettin et al. (2014), and David (2010). Similar results are found by Couharde and Davis (2011) for West Africa, Clarke and Wallstein (2003) as well as Attzs (2008) for Jamaica,

Gupta (2005) for India, Yang and Choi (2007) for the Philippines, and Mitrut and Wolff (2014) for Indonesia. By contrast, Lueth and Ruiz-Arranz (2006) find that remittances fall in the wake of natural disasters, while Combes and Ebeke (2011) find that the rise in remittances in response to disasters falls to zero at remittance levels above 8 percent of GDP.

¹⁴ For example, Savage and Harvey (2007) report that the destruction of Western Union and MoneyGram facilities reduced financial remittances following the 2004 Grenada earthquake, but the transfer of goods increased significantly.

¹⁵ Extreme disasters are climatic events such as floods and storms, or geological events such as earthquakes cumulatively that affected more than 10 percent of the population.

¹⁶ New Zealand Government (2015), *Remittance Pilot Project*.

¹⁷ *Ibid.*

¹⁸ The change in dollar-ruble exchange rate is computed based on the exchange rate of one dollar being 36.25 rubles in the third quarter of 2014 and 63.09 rubles in third quarter of 2015. The formula used in all cases is: $(e_1 - e_2)/e_2$ where e_1 is the prevailing exchange rate in the first period and e_2 is the exchange rate in the second period.

¹⁹ Listening to Tajikistan, November 2015, World Bank <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/12/472971449038116674/TJK-Wellbeing-v13.pdf>.

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²⁵ <http://www.unocha.org/syria>.

²⁶ See Redín (2013), and Datta (2012) on the impact of black market exchange rates on informal remittances. See also World Bank's Global Economic Prospects 2006.

²⁷ UNHCR uses the term 'persons of concern' to cover refugees, asylum-seekers, IDPs, returnees (refugees and IDPs), stateless persons, and others of concern.

²⁸ For this purpose, the bilateral migration matrix, based mostly on the estimates prepared by the United Nations Population Division (with adjustments made for certain countries), is used to provide the most comprehensive estimates of bilateral immigrant stocks worldwide. See Migration and Remittances Factbook 2016.

²⁹ See Ratha and Shaw (2007) for a fuller explanation of the methodologies used to estimate the bilateral remittance matrices.



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