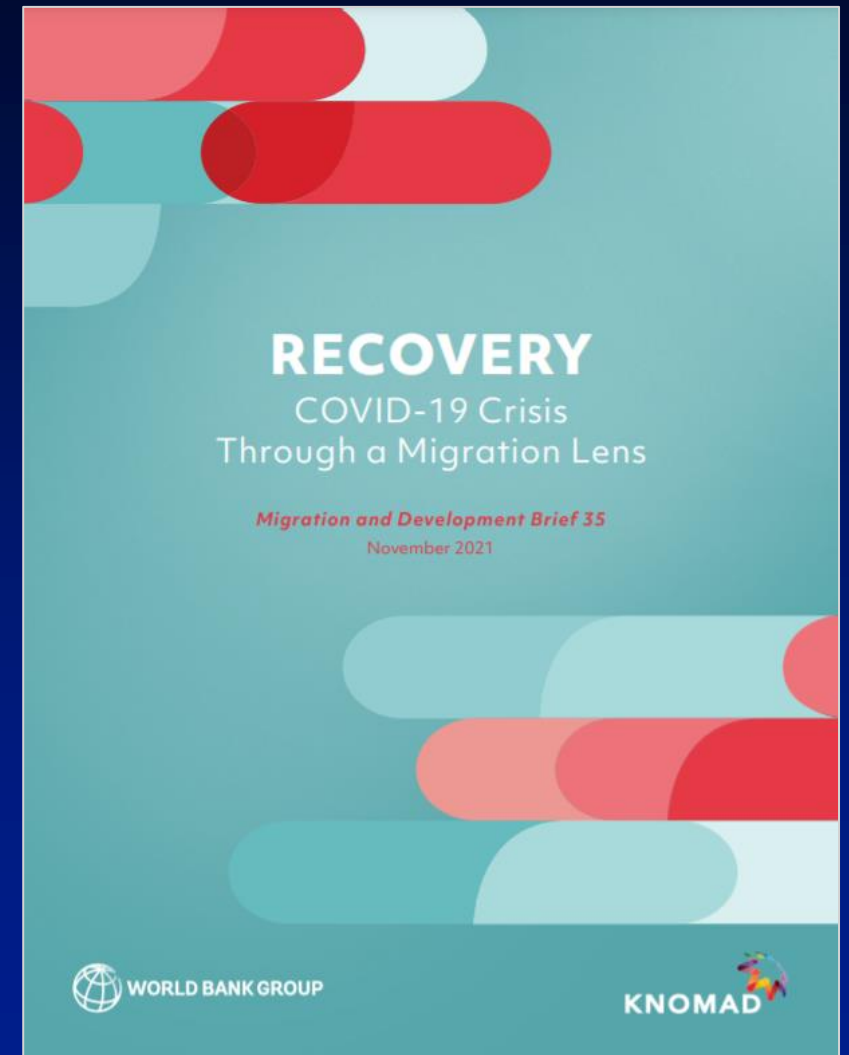


Remittances during COVID-19 Crisis and Beyond

Dilip Ratha

G-24 Session “Remittances and Migration for Development”
March 29, 2022

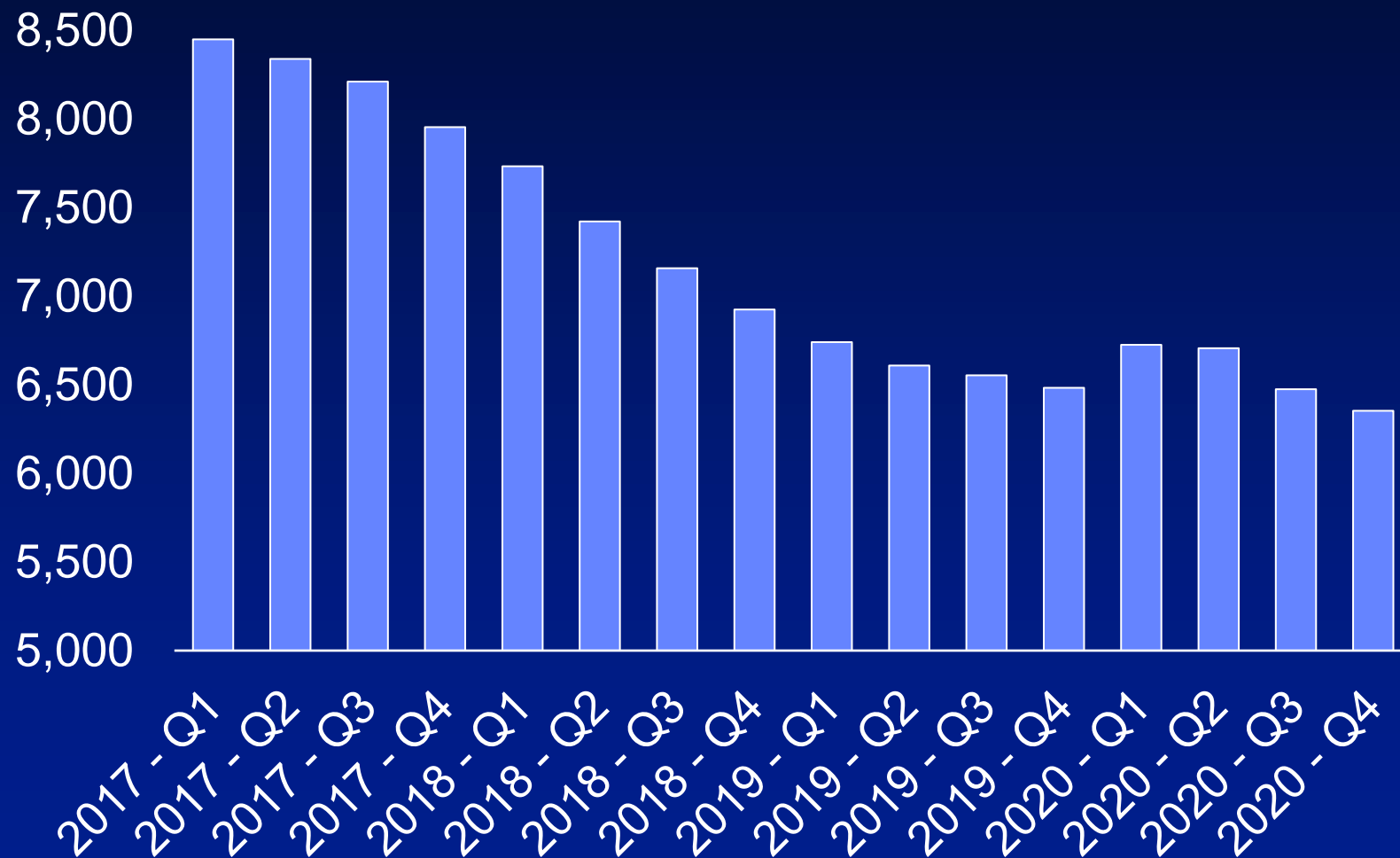


International migration stock continues to fall in 2021

- New migration flow is slowing
- Return migration is rising
- Transit migration has risen

The number of foreign workers in the GCC countries continues to decline

Number of registered foreign workers in Saudi Arabia (thousands)



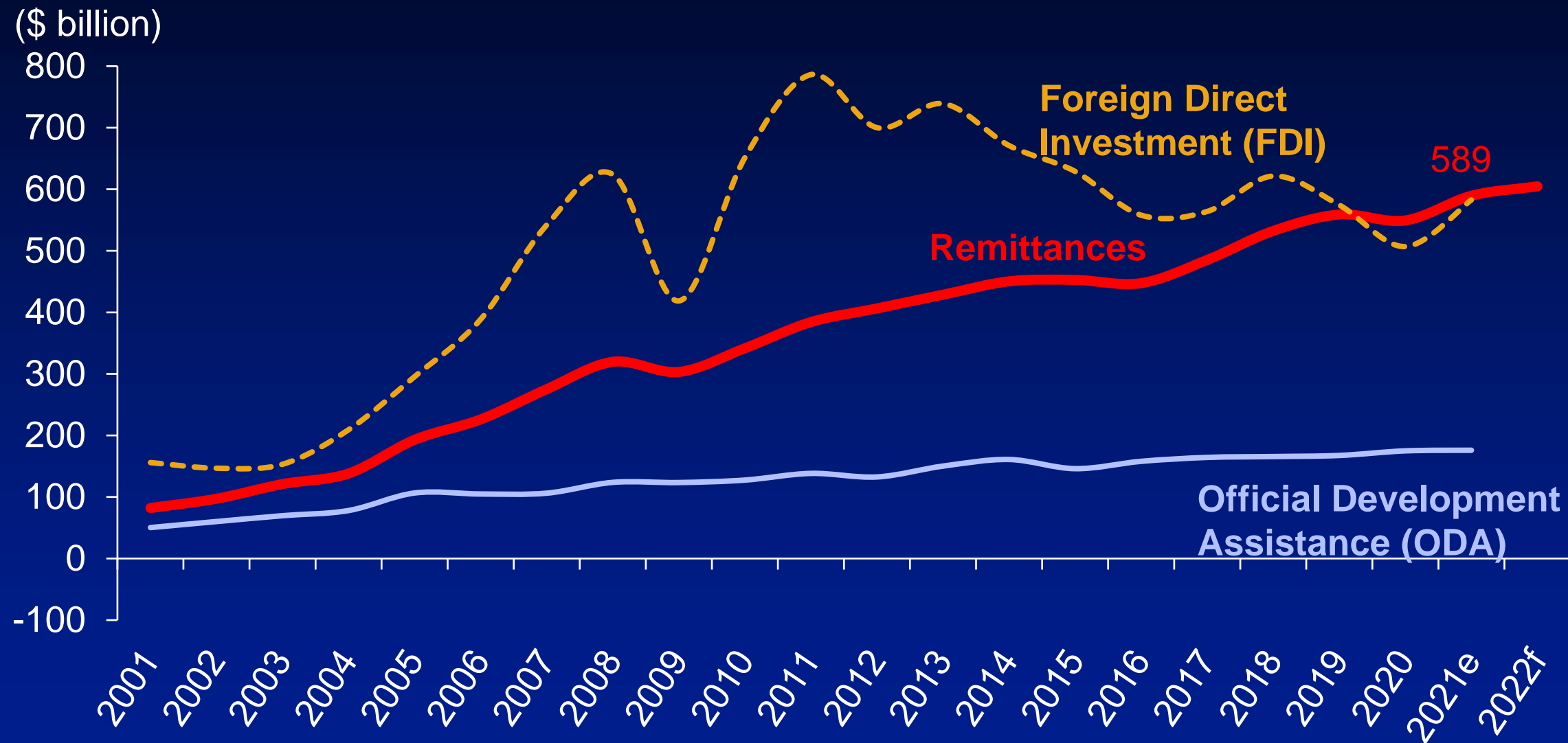
In Saudi Arabia, number of foreign workers has decreased by 2 million (25 percent) in the past four years

Deployment of workers to GCC countries from Bangladesh, Nepal, Pakistan, Philippines fell by 60-70% in 2020, and continues to fall in 2021.

Return migration increased.

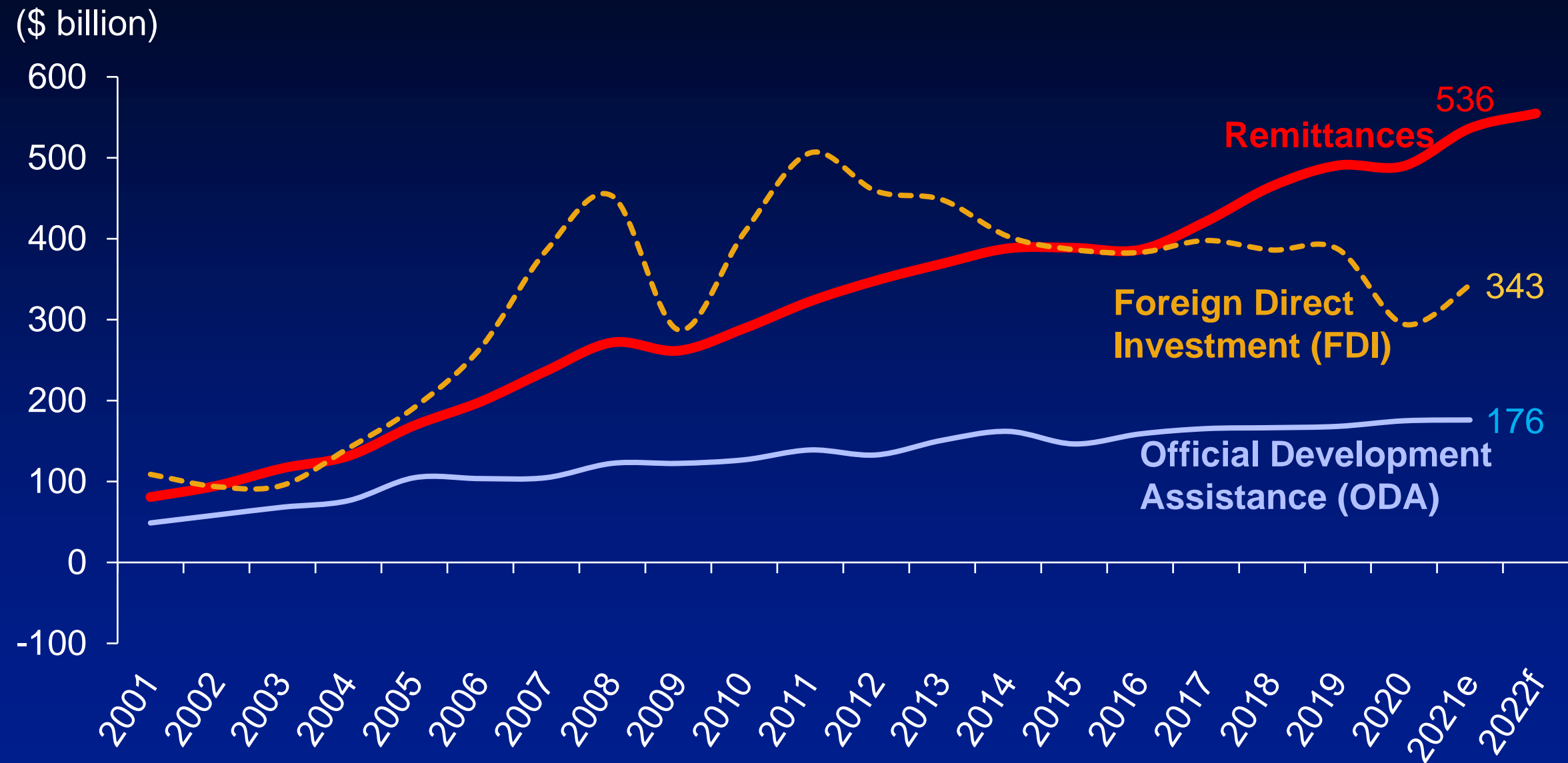
Trends in Remittance Flows:

Remittances to low- and middle-income countries proved to be resilient in 2020 and fully recovered in 2021



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

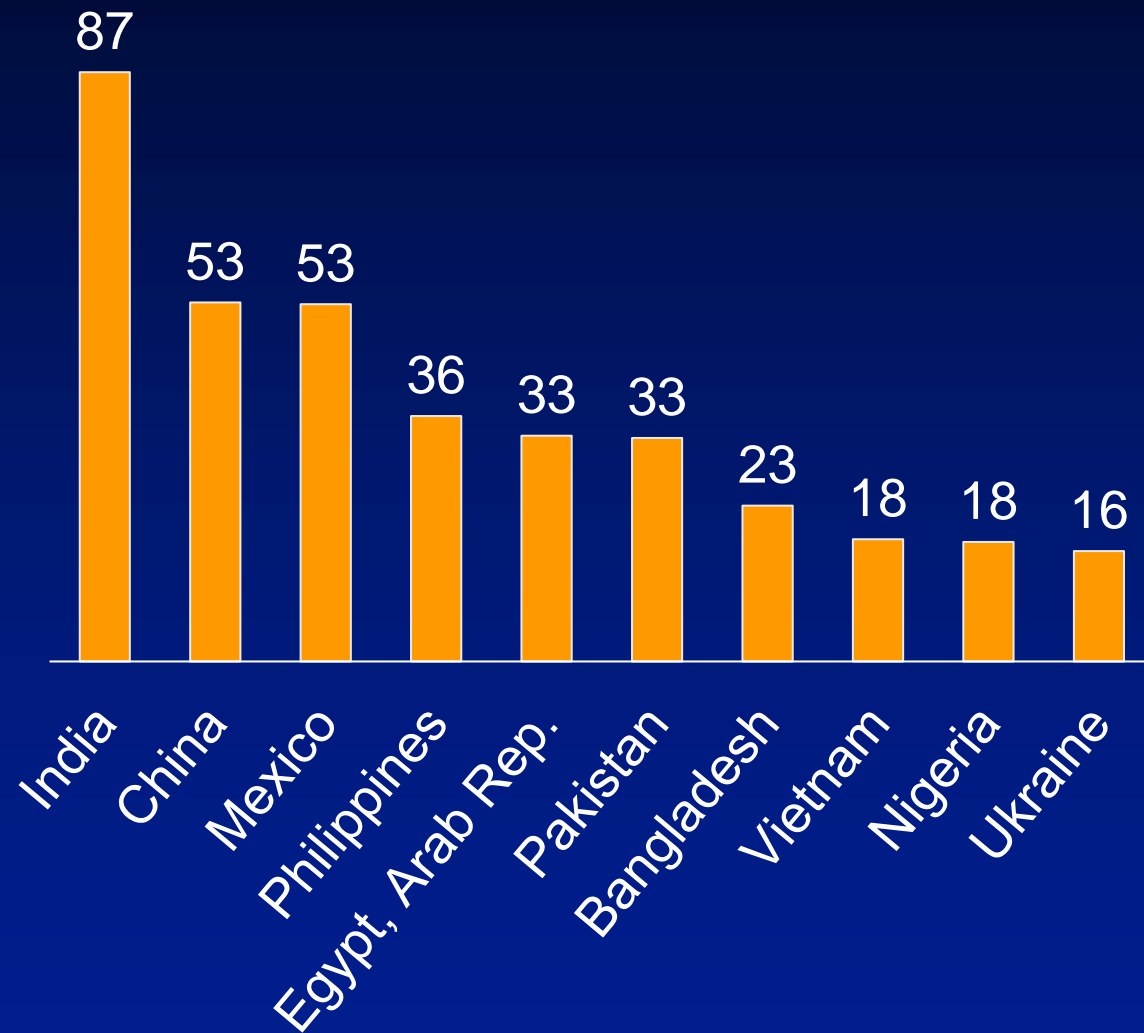
No longer small change: Remittance flows to LMICs excluding China surpassed the sum of FDI and ODA since 2020



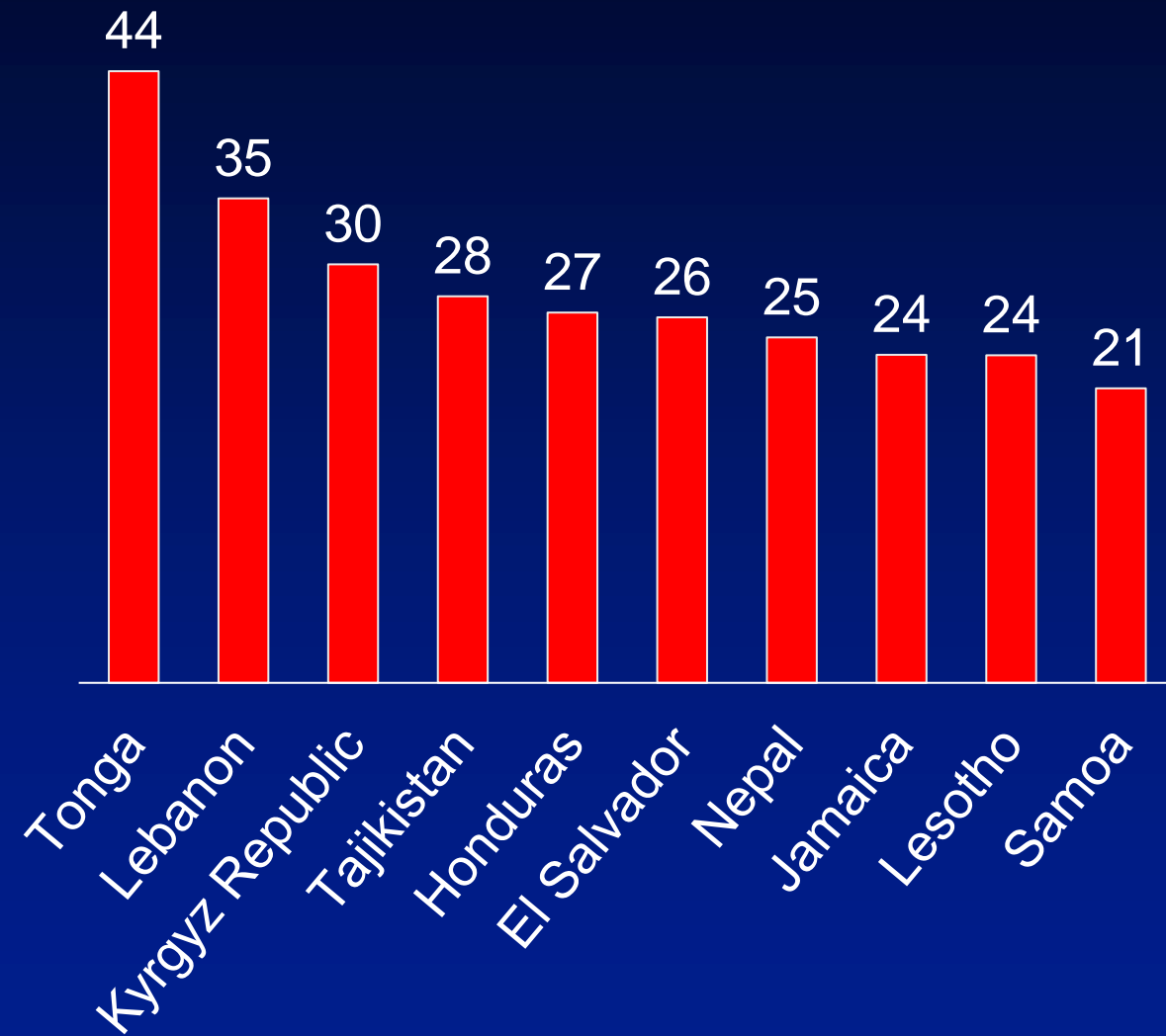
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

Top recipients of remittances globally in 2021

(\$ billion, 2021e)



(% of GDP, 2021e)*

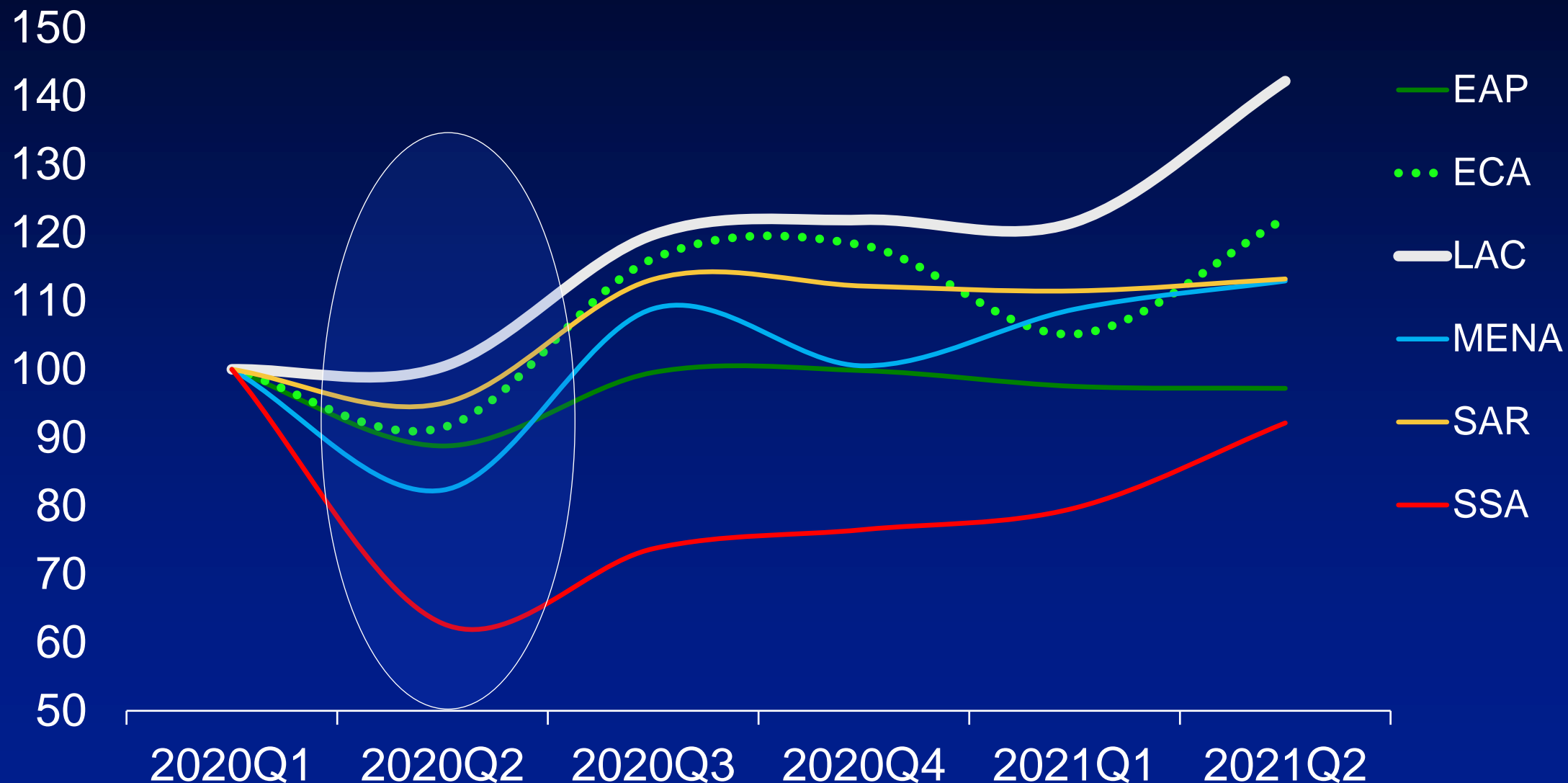


Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

* Somalia and South Sudan are excluded due to data unavailability

Remittance flows plummeted in Q2 2020, recovered in Q3 and Q4 2020 – Impact of crisis was deep, yet short

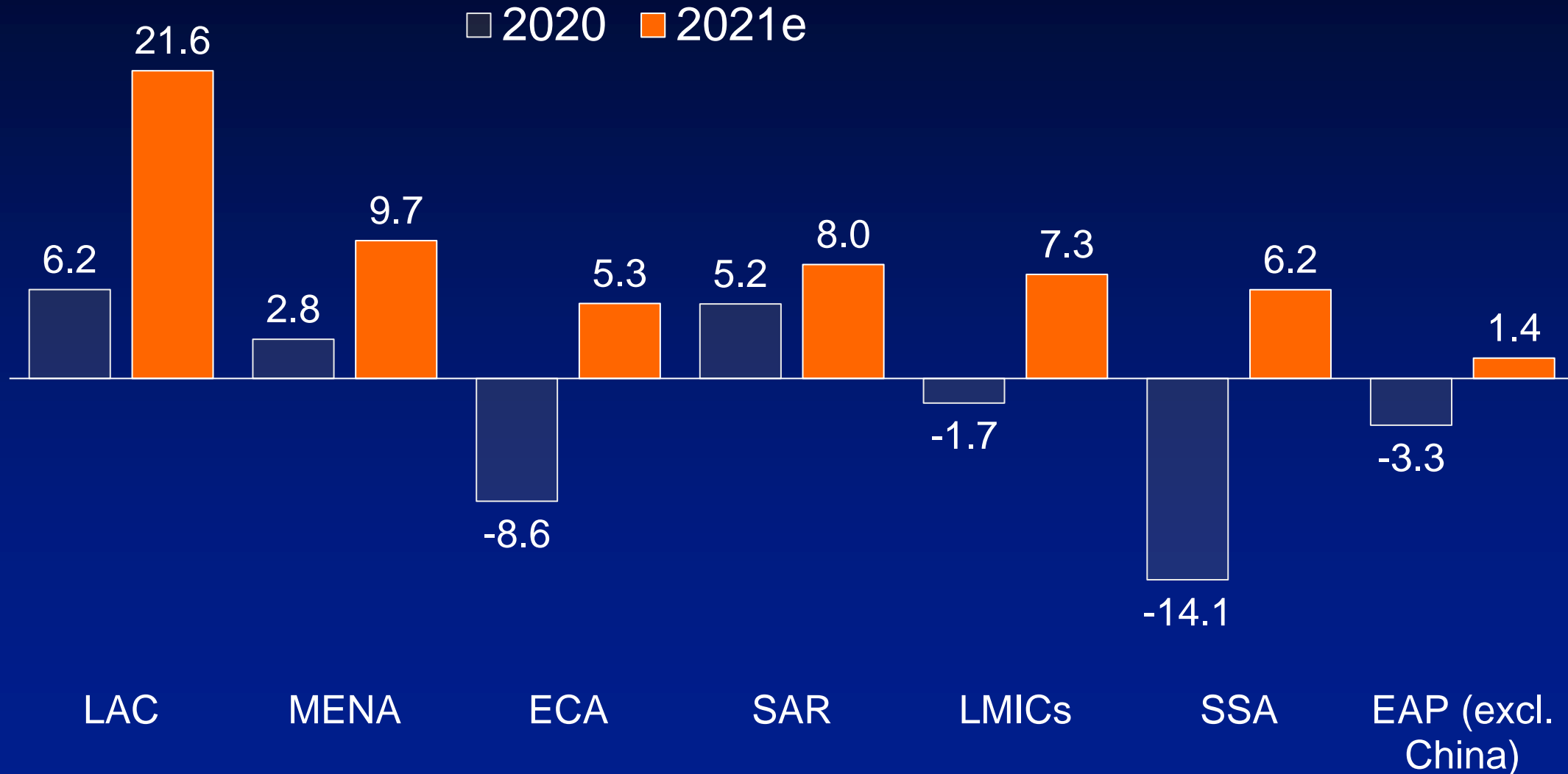
Remittances (\$, quarterly, index 2020 Q1 =100)



Sources: World Bank–KNOMAD staff; IMF Balance of Payments Statistics, and various central banks

...And fully recovered in 2021

Annual growth (percent)



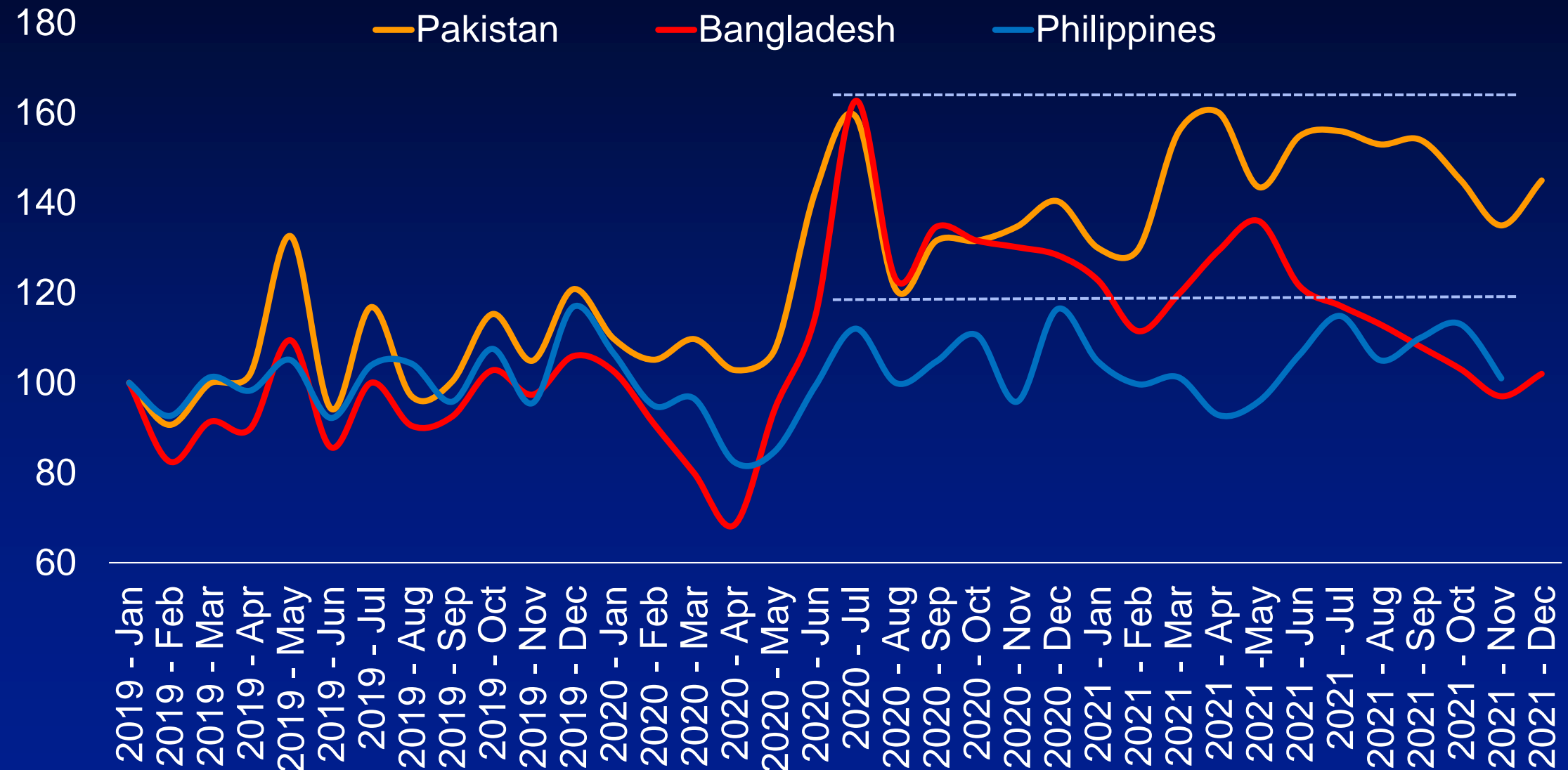
Source: World Bank-KNOMAD Staff estimates, IMF's BOP statistics.

Reasons behind resilience of remittances

1. Willingness of migrants to continue to support families
2. Better-than-expected economic performance in many large host countries, aided by counter-cyclical fiscal policy in many large host countries
3. Shift from cash to digital and informal to formal channels

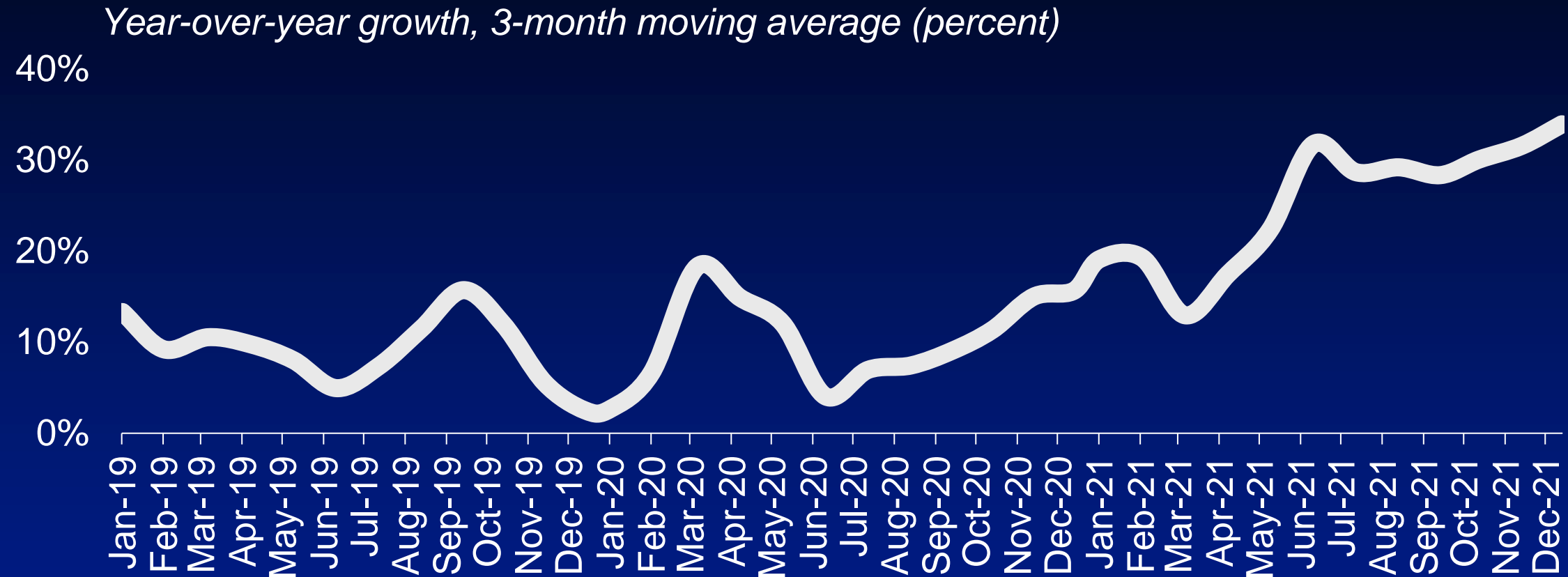
One-off effects: Cancellation of Haj, floods in Bangladesh, and tax incentives in Bangladesh and Pakistan

Remittance inflows, index Jan. 2019 = 100



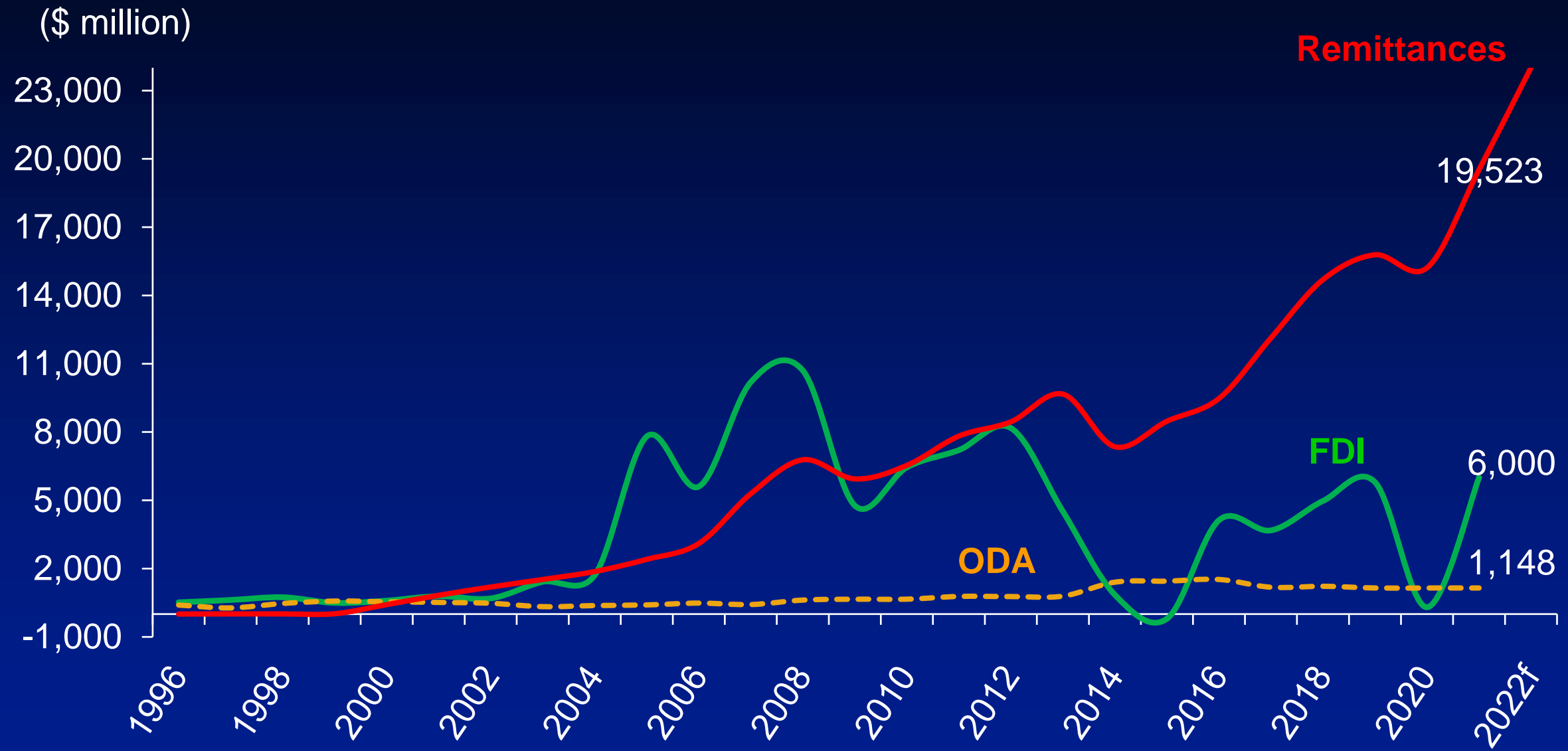
Source: KNOMAD, Respective Central Banks

Remittance flows to Mexico remained strong in 2020 and grew stronger in 2021



The surge in remittances to Mexico could be partially explained by an increase in transit migration

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



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

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

Country	% of GDP, 2020	% of exports & services, 2020	Remittances from Russia, share, 2021 Q1-Q3	Originally projected growth, 2022	Revised projected growth, 2022*
Ukraine	9.8%	25.1%	5%	2%	23%
Armenia	10.5%	35.3%	59%	11%	-19%
Azerbaijan	3.3%	9.2%	62%	3%	-23%
Belarus	1.7%	2.7%	42%	15%	-8%
Georgia	13.3%	35.6%	18%**	2%	-5%
Kazakhstan	0.2%	0.7%	51%	7%	-17%
Kyrgyz Rep.	31.3%	99.5%	82%	3%	-31%
Moldova	15.7%	58.2%	14%	6%	0%
Tajikistan	26.7%	155.2%	58%	2%	-22%
Uzbekistan	11.6%	48.0%	55%	3%	-21%

* Assuming decline of 40% in outbound remittances from Russia

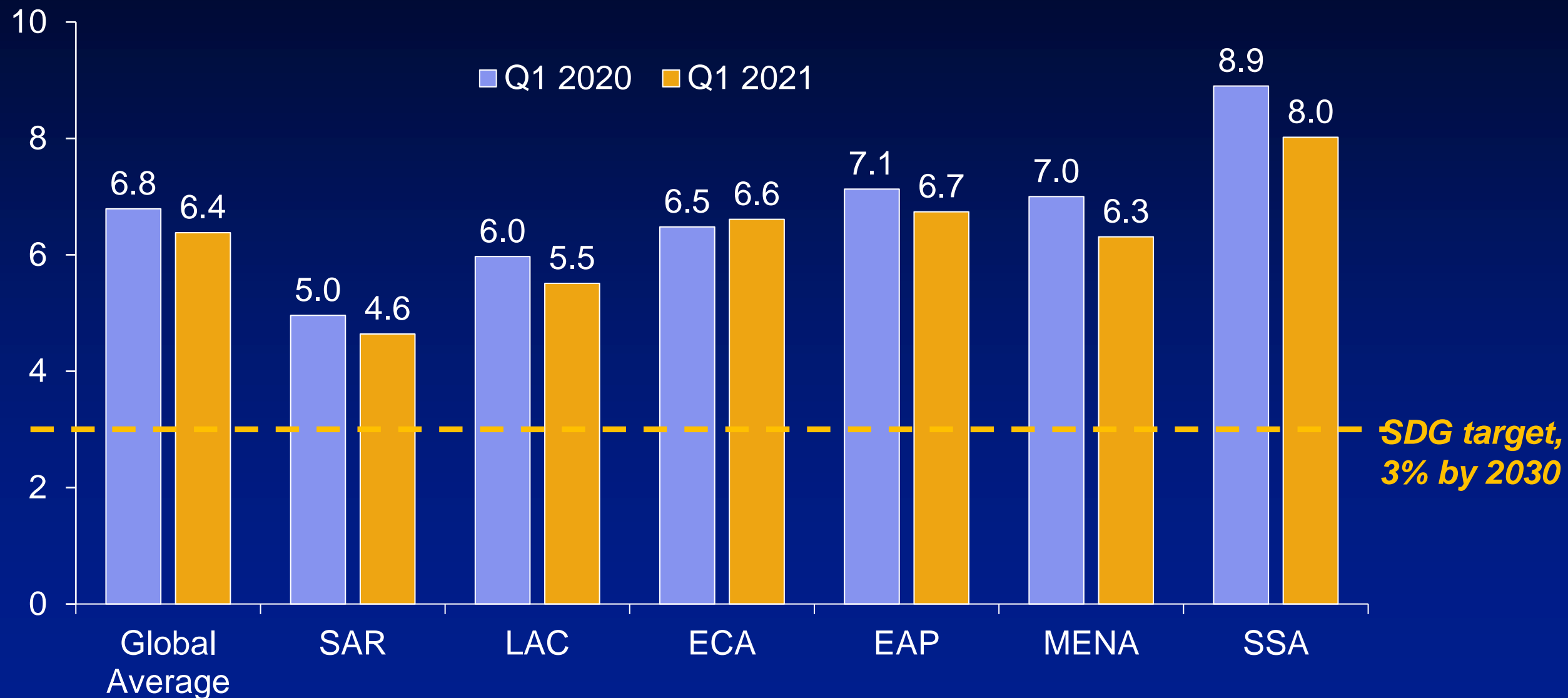
Source: Bank of Russia, Central Banks of respective countries, and KNOMAD-World Bank

Growth of remittance expected to moderate in 2022 - Downside risks remain

1. Possible recurrence of COVID-19
2. Counter-cyclical fiscal policy cannot continue for long
3. Oil prices and currency exchange rates can be volatile
4. Sentiment against migrants may turn more negative
5. Shift from cash to digital may slow unless access to banking improves

Remittance costs continued to remain high in 2021Q1, more than double the SDG target

(Costs to send \$200, percent)



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

Policy responses during the crisis

Supporting migrants	Supporting migrants' families	Supporting remittance infrastructure
<ul style="list-style-type: none">• Support stranded migrants.• Extend cash transfer programs to support internal and international migrants.• Provide access to vaccines, health services, education, and housing.• Support returning migrants (access to training, jobs, credit for business investment).	<ul style="list-style-type: none">• Support social services and provide cash transfers to families left behind.• Provide access to vaccines, health services, education, and housing.	<ul style="list-style-type: none">• Improve collection of high-frequency, timely data across remittance corridors and channels.• Certain AML/CFT requirements could be temporarily simplified to incentivize online and mobile money transfers.• Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts.

A summary of the Global Remittances Agenda

Capital market access for countries, companies

- Diaspora bonds
- Bonds backed by future remittances as collateral
- Sovereign credit rating

Financial access for households, SMEs

- Deposit and saving products
- Mortgage, consumer loans, microfinance
- Credit history for MFI clients
- Insurance products
- Philanthropy

Retail payment system

- Mobile money, digital currencies (Payment platforms/instruments)
- eKYC, De-risking, anti-money laundering (AML/CFT)
- Clearing/settlement, capital adequacy, disclosure, cross-border arbitration

Monitoring, analysis, projection

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

A Remittance Platform for Remittance Service Providers

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Current market

1. Supplier-led pricing

4. Rule-based AML/CFT regulations

5. Legacy systems

Remittance Platform

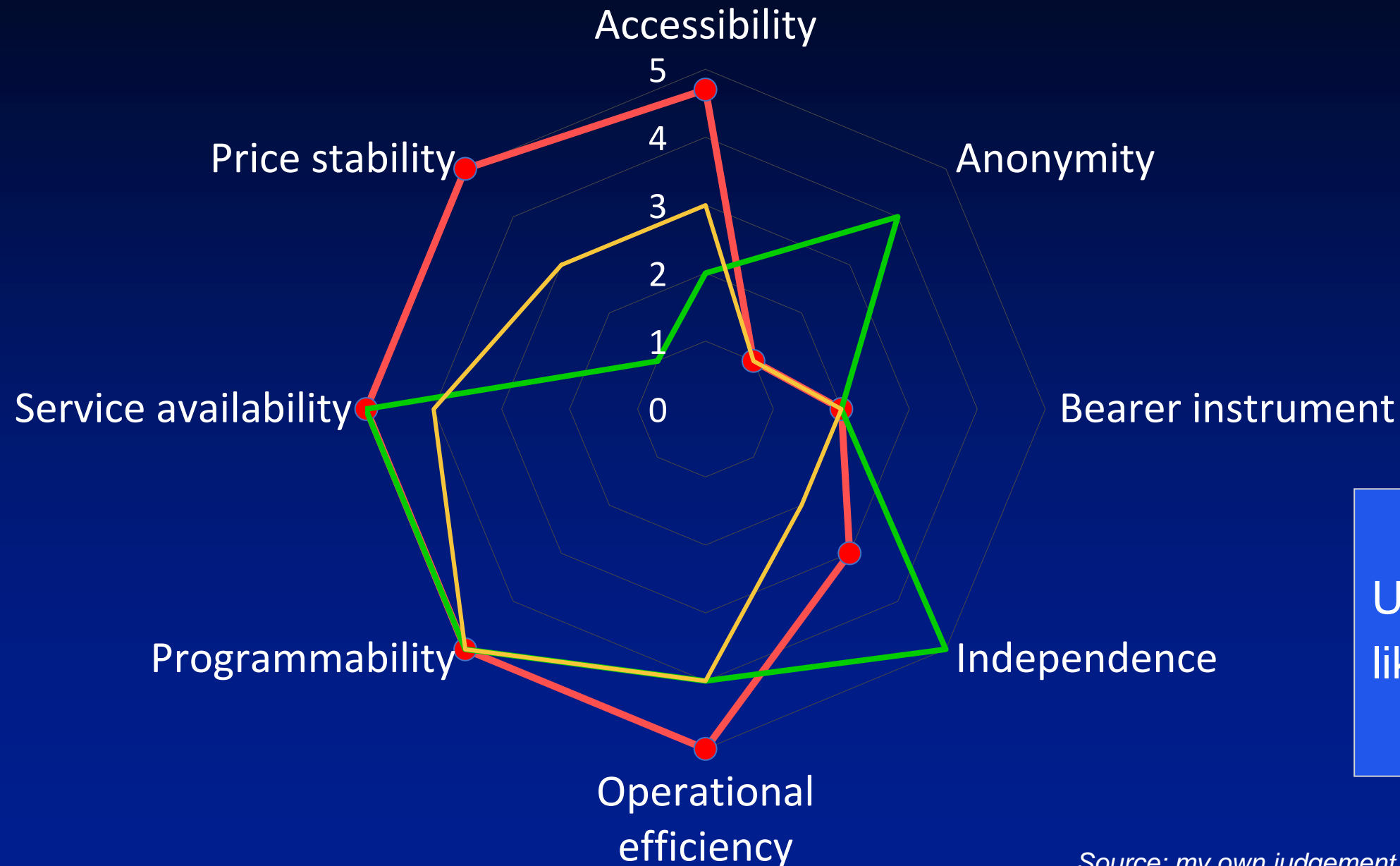
1. Social impact motive

4. Risk-based solution

5. inter-operable and digital remittances

Comparison of CBDCs, Cryptocurrencies and Stablecoins

● Hybrid CBDC ● Cryptocurrency ● Stablecoin



Unbanked persons are likely to be left out

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

The Future

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

Diaspora bonds

Capital market access for countries, companies

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The wealth of the diaspora can be mobilized through diaspora bonds

	Diaspora size (million)	Estimated savings (\$ billion, 2013)
<u>Developing countries</u>	<u>182</u>	<u>497</u>
East Asia & Pacific	31	116
Europe & Central Asia	32	80
Latin America & Caribbean	34	129
Middle East & North Africa	24	55
Sub-Saharan Africa	23	36
South Asia	38	80

Interested countries: Bangladesh, Colombia, El Salvador, Ethiopia, Ghana, Guatemala, Honduras, India, Indonesia, Jamaica, Kenya, Mexico, Moldova, Morocco, Nepal, Nigeria, Pakistan, Philippines, Poland, Romania, Rwanda, Senegal, Serbia, Sri Lanka, Uganda, Zambia, and Zimbabwe

To be updated

Source: World Bank staff calculations, initial methodology by Ratha and Mohapatra 2011.