Outline

A. Stylized facts – *Migration and Remittances Factbook 2011*

B. Outlook for migration and remittance flows

C. Policy implications/Innovative financing tools to tap diaspora wealth
A. Stylized Facts

1. Only 3% of world population are international migrants; 97% are not

2. Economic migrants account for 93% of global migrant stock. Economic migration is set to increase in future
In future, migration pressures will increase dramatically


Sub-Saharan Africa 328
Middle-East & N. Africa 44
Other sending regions 198

All developing regions 570

EU & other Europe -67
North America -9
China -85
East Asia and Pacific -32
E Europe & C Asia -23

Sub-total for these and other receiving regions -216

Source: Shaping the Future: A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa (World Bank 2008)
A. Stylized Facts

1. Only 3% of world population are international migrants; 97% are not

2. Economic migrants account for 93% of global migrant stock. Economic migration is set to increase in future

3. South-South migration is larger than South-North migration
South-South migration is larger than migration from developing countries to high-income OECD countries

Destination of migrants from the South

- High-income non-OECD: 14%
- High-income OECD: 42%
- South: 44%

Source: Migration and Remittances Factbook 2011
Migrants' share of sending country population

Sending country ranked by GDP per capita

Receiving country ranked by GDP per capita

Data source: Ratha and Shaw (2007)
Top migrant-destination countries

**Immigrant stock, millions, 2010**
- US: 43
- Russia: 12
- Germany: 11
- Canada: 7
- UK: 7
- Spain: 7
- France: 7
- Australia: 6
- India: 5

**Immigrants as % of population, 2010**
- Qatar: 87
- Monaco: 72
- UAE: 70
- Kuwait: 69
- Andorra: 64
- N. Mariana Is.: 63
- Virgin Is.: 62
- Macao, China: 57
- Isle of Man: 55
- Saudi Arabia: 55
Top migrant-sending countries

*Emigrant stock (millions), 2010*

Mexico: 12
India: 11
Russian: 11
China: 8
Ukraine: 7
Bangladesh: 5
Pakistan: 5
UK: 4
Philippines: 4
Turkey: 4

*Emigrants as % of population, 2010*

West Bank & Gaza: 68
Samoa: 67
Grenada: 66
St. Kitts & Nevis: 61
Guyana: 57
Monaco: 56
Tonga: 48
Albania: 45
Antigua & Barbuda: 45
Barbados: 41
Top migration corridors

- **Mexico-US**: 11.6
- **Russia-Ukraine**: 3.7
- **Ukraine-Russia**: 3.6
- **Bangladesh-India**: 3.3
- **Turkey-Germany**: 2.7
- **Kazakhstan-Russia**: 2.6
- **Russia-Kazakhstan**: 2.2
- **China-Hong Kong, China**: 2.2
- **India-UAE**: 2.2
- **China-US**: 1.7

*Migrant stock (millions), 2010*
Top recipients of remittances

$ billion, 2010e

% of GDP, 2009

- India: 55
- China: 51
- Mexico: 23
- Philippines: 21
- France: 16
- Germany: 12
- Bangladesh: 11
- Belgium: 10
- Spain: 10
- Nigeria: 10

- Tajikistan: 35
- Tonga: 28
- Lesotho: 25
- Moldova: 23
- Nepal: 23
- Lebanon: 22
- Samoa: 22
- Honduras: 19
- Guyana: 17
- El Salvador: 16

Tajikistan
Tonga
Lesotho
Moldova
Nepal
Lebanon
Samoa
Honduras
Guyana
El Salvador

$ billion, 2010e

% of GDP, 2009
Remittance flows to developing countries remained resilient during the crisis.
Impact of crisis on remittance flows to developing countries

- Flows shrank by 5.5% in 2009 but estimated to have recovered by 6% in 2010

- Remittances remained resilient during the crisis relative to FDI (-40%) and private debt & portfolio equity flows (-46% or -80% compared to peak of 2007)
Remittances will be resilient w.r.t. downturns in host countries

- Remittances are sent by the stock (cumulated flows) of migrants
- Remittances are a small part of migrants’ incomes that can be cushioned against income shocks by migrants
- Duration of migration may increase in response to tighter border controls
- “Safe haven” factor or “home-bias” -- returnees will take back accumulated savings
- Sectoral shifts – and fiscal stimulus packages – may help some migrants
Remittance flows to developing countries to recover at a modest pace in 2011 and 2012

- 2009: -5.5%
- 2010e: 6.0%
- 2011f: 6.2%
## Remittance flows to developing countries

<table>
<thead>
<tr>
<th>$ \text{billion}</th>
<th>2009</th>
<th>2010</th>
<th>2011f</th>
<th>2012f</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developing countries</strong></td>
<td>307.1</td>
<td>325.5</td>
<td>345.6</td>
<td>373.6</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>85.7</td>
<td>91.2</td>
<td>97.7</td>
<td>105.9</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>35.4</td>
<td>36.7</td>
<td>39.1</td>
<td>43.2</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>56.9</td>
<td>58.1</td>
<td>62.5</td>
<td>68.8</td>
</tr>
<tr>
<td>Middle-East and North Africa</td>
<td>33.7</td>
<td>35.5</td>
<td>37.1</td>
<td>39.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>74.9</td>
<td>82.6</td>
<td>86.8</td>
<td>92.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>20.6</td>
<td>21.5</td>
<td>22.4</td>
<td>23.9</td>
</tr>
</tbody>
</table>

### Growth rate (%)

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>-5.5%</th>
<th>6.0%</th>
<th>6.2%</th>
<th>8.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>0.3%</td>
<td>6.4%</td>
<td>7.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>-22.7%</td>
<td>3.7%</td>
<td>6.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>-12.0%</td>
<td>2.0%</td>
<td>7.6%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Middle-East and North Africa</td>
<td>-6.3%</td>
<td>5.3%</td>
<td>4.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.5%</td>
<td>10.3%</td>
<td>5.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-3.7%</td>
<td>4.4%</td>
<td>4.5%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
However, Anti-immigrant sentiment is rising in major migrant-destination countries
Other risks include:

- uncertain economic recovery
- unpredictable currency movements
Longer term issues/trends

- Rising restrictions on new immigration
- Application of mobile phone technology remains limited to domestic remittances
- More awareness of potential for leveraging remittances and mobilizing diaspora wealth
Migration benefits all parties

- Global income gains of $360 billion from a 3% (14 million) increase in labor force of high-income countries (GEP 2006)
- Global income gains of $675 billion (Anderson and Winters, 2008)
- “A conservative estimate of the welfare gain to a moderately skilled worker… moving to the US is PPP$10,000 per worker, per year…” (Clemens, Montenegro and Pritchett, 2008)
- Dixon and Rimmer (2009) estimate that the difference between the long-run welfare effects for U.S. households of a tighter border policy and a liberalized guest worker program with an optimal visa charge is about $260 billion a year.
C. Policy implications

1. The international remittances agenda
1. Monitoring, analysis, projection

2. Retail payment systems

3. Financial access for households

4. Capital market access for institutions

International Remittances Agenda
High transfer costs in Africa create incentives to use informal channels

Average cost of sending $200 to developing regions

Percent of $200 sent

- SSA: 12.1%
- EAP: 10.3%
- MENA: 10.0%
- South Asia: 8.3%
- LAC: 7.7%
- ECA: 7.2%

High cost and limited access to banks are top factors inhibiting use of formal channels

- High cost: 68%
- No bank branch near beneficiary: 64%
- Sender's/recipient's lack of access to bank accounts: 61%
- Mistrust/lack of information on electronic transfers: 46%
- Sender's/recipient's lack of valid ID: 46%
- Mistrust of formal financial institutions: 36%
- Exchange controls: 25%

Source: World Bank Global survey of central banks
Facilitating remittances

• Cost of remittances should be reduced especially in South-South corridors
• Exclusive partnerships are being eliminated in some African countries, but de facto arrangements continue in practice
• Post offices and mobile phone companies can play a significant role
• Mobile phone remittances show promise; but regulations continue to pose obstacle to using these technologies in cross-border remittances
International remittances Agenda

1. Improve monitoring, analysis, projection (MAPping)
2. Improve retail payment systems:
   • Reduce remittance costs
   • Improve competition in remittance industry
   • Share networks - avoid exclusivity contracts
   • Avoid overregulation of remittance industry
   • Introduce new technology
3. Leverage remittances for financial access for households
4. Leverage remittances for improving access to capital markets for institutions/countries
Remittances are now being factored into debt sustainability analysis of low-income countries

External Debt as a percent of exports, 2008

*External debt as % of exports and remittances*
Remittances are now being factored into debt sustainability analysis of low-income countries.

Excluding remittances

Including remittances*

* External debt as % of exports and remittances
# Shadow sovereign ratings

<table>
<thead>
<tr>
<th>BBB- or higher</th>
<th>BB+ or higher</th>
<th>BB</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana, Cape Verde, Morocco,</td>
<td>Algeria*, Gabon*, Namibia*</td>
<td>Senegal, Tanzania*, Uganda, Zambia*</td>
<td>Angola*, Ethiopia*, Mozambique, Rwanda*</td>
</tr>
<tr>
<td>Tunisia</td>
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</table>

• Unrated

*Shadow rating calculated using the model of Ratha, De and Mohapatra (2010), World Development:*
Potential for securitization of remittances and other future-receivables

- Potential: $17 billion in Sub-Saharan Africa alone from future flows of mineral exports, tourism receipts and remittances

- US BRIDGE initiative with Honduras, El Salvador; IFC Fedecredito deal

- Constraints to remittance securitization
  - Lack of sovereign ratings in many countries
  - Paucity of highly rated banks and firms
  - High fixed costs (legal, investment banking fees)
Diaspora bonds can be used to tap the wealth of the diaspora, often with “patriotic” discount.

Israel and India have raised nearly $40 billion via diaspora bonds.
Diaspora bonds

- Through retailing at denominations ranging from $100-$10,000, issuers can tap into wealth of migrants.

- Migrants more loyal than average investors in times of distress. Might be interested in financing infrastructure, housing, health and education projects.

- Diaspora bonds would offer higher interest rate than the rate diaspora savers earn from bank deposits where they reside.

- Preliminary estimates suggest Sub-Saharan African countries can potentially raise $5-10 billion per year by issuing diaspora bonds.
## Potential for diaspora bonds

### Sub-Saharan Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Diaspora size (thousands)</th>
<th>Potential savings ($ billions, 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>713</td>
<td>2.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>837</td>
<td>2.8</td>
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<tr>
<td>Ghana</td>
<td>907</td>
<td>1.7</td>
</tr>
<tr>
<td>Kenya</td>
<td>427</td>
<td>1.7</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>446</td>
<td>1.6</td>
</tr>
<tr>
<td>Somalia</td>
<td>441</td>
<td>1.6</td>
</tr>
<tr>
<td>Senegal</td>
<td>463</td>
<td>1.3</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>761</td>
<td>1.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>587</td>
<td>1.0</td>
</tr>
<tr>
<td>Angola</td>
<td>523</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Beyond Aid: New Sources and Innovative Mechanisms for Financing Development in Sub-Saharan Africa (Ratha, Mohapatra, Plaza, 2008)
Countries that could potentially consider diaspora bonds

<table>
<thead>
<tr>
<th>South Africa</th>
<th>Bangladesh</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>Colombia</td>
<td>Philippines</td>
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<td>Angola</td>
<td>Nepal</td>
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</tr>
</tbody>
</table>

And Greece, Ireland, Italy, South Korea, Spain
Summary of policy implications

1. The international remittances agenda
2. Know your migrants/diaspora
3. Help potential migrants acquire globally marketable skills
4. Ethical recruitment policies may be ineffective, and unethical –
5. Improve transparency in recruitment of migrants
6. Border control policies should be revisited
7. Migration is not a substitute for employment creation at home