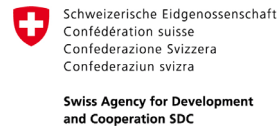


Resilience

COVID-19 Crisis Through a Migration Lens

Migration and Development Brief 34

May 2021



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.

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WORLD BANK GROUP

RESILIENCE COVID-19 CRISIS THROUGH A MIGRATION LENS

Migration and Development Brief 34

May 2021

Migration and Remittances Team
Social Protection and Jobs
World Bank



Migration and Remittances Team

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Summary

This Migration and Development Brief provides updates on global trends in migration and remittances. It highlights developments related to migration-related Sustainable Development Goal (SDG) indicators for which the World Bank is a custodian: increasing the volume of remittances as a percentage of gross domestic product (SDG indicator 17.3.2), and reducing remittance costs (SDG indicator 10.c.1).

Defying predictions, remittance flows have proved to be **resilient** during the COVID-19 crisis. In 2020, officially recorded remittance flows to low- and middle-income countries reached **\$540 billion**, only 1.6 percent below the \$548 billion seen in 2019. Remittances exceeded foreign direct investment flows by a wider margin in 2020. Excluding China, remittance flows surpassed the sum of foreign direct investment and official development assistance. Remittances have therefore become an important consumption smoothing mechanism for the recipient households and, as such, they form an increasingly important (private) element of global social protection systems.

Among **regions**, remittances to Latin America and Caribbean grew by 6.5 percent in 2020 and were supported by a recovering economy and moderately improving labor market in the United States. In South Asia, there was a slight moderation in the growth of remittance flows in 2020, to 5.2 percent, while flows to the Middle East and North Africa grew by a modest 2.3 percent. Flows to Europe and Central Asia are estimated to have fallen by 9.7 percent, to East Asia and the Pacific by 7.9 percent, and to Sub-Saharan Africa by 12.5 percent.

In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt.

India has been the largest recipient of remittances since 2008. As a share of gross domestic product, the top five recipients in 2020 were, by contrast, smaller economies: Tonga, Lebanon, Kyrgyz Republic, Tajikistan, and El Salvador. The United States was the largest source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and the Russian Federation.

In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt. India has been the largest recipient of remittances since 2008. As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies: Tonga, Somalia, Lebanon, Kyrgyz Republic, and South Sudan. The United States was the largest source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and Russia.

Foremost among the **drivers** of remittance flows and reasons behind their resilience during the crisis was **migrants' desire to help their families**, to send money home by cutting consumption or drawing on savings. Other drivers included fiscal stimulus in host countries that resulted in better-than-expected economic performance, a shift in flows from informal to formal channels, and cyclical movements in oil prices and currency exchange rates.

Counter-cyclical fiscal policy, especially cash transfer and employment support programs implemented in many large economies, cushioned a fall in personal incomes and consumption, and supported businesses in the continuing employment of workers. Such programs also benefited foreign-born persons. The **economic performance** of major migrant-host countries, especially those in North



America and Europe, proved to be better in 2020 than the growth rates projected in March and April.

It is believed that an increase in the recorded flows was in part due to a broad **shift in flows from informal to formal channels** in 2020. There was a greater use of digital remittance channels as hand carry was affected by travel bans and lockdowns. The true size of remittances, which includes formal and informal flows, is believed to be larger than officially reported data, though the extent of the impact of COVID-19 on informal flows is unclear.

However, there were important regional variances. In general, due to the weak oil price, remittances from oil-dependent economies declined more than they did in non-oil economies. For example, **weak oil prices** affected the employment of migrant workers in the Gulf Cooperation Council countries, leading more recently to declining outward remittances from the region. In the case of Russia, the twin effects of weak oil price and **depreciation of the source-country currency** caused a nearly 10 percent fall in remittance flows to the Europe and Central Asia region.

Remittance flows to Bangladesh and Pakistan were also affected by **idiosyncratic factors** – such as the cancellation of the pilgrimage to Mecca (hajj), floods in Bangladesh in July 2020, and tax incentives offered to attract remittances. In the case of Mexico, a sharp depreciation of the peso against the US dollar since March 2020 attracted remittances as goods, services, and assets in Mexico became cheaper to purchase with the US dollar.

Looking ahead, remittance flows to low- and middle-income countries are expected to increase by 2.6 percent per year, to **\$553**

billion in 2021 and by 2.2 percent to \$565 billion in 2022 (table 1.1). Remittances are expected to grow twice as fast in Latin America and the Caribbean and in South Asia, but they are expected to decline further in Europe and Central Asia, and remain sluggish in Sub-Saharan Africa.

These projections are subject to **significant risks**, however. The recurrence of COVID-19 outbreaks cannot be ruled out in the medium-term case, many countries may not be able to provide the same level of fiscal stimulus they did in 2020. Finally, the shifts from cash to digital and informal to formal channels may also slow down, unless solutions are found for improving access to banking for migrants and for new money transfer operators.

There has been **progress in some areas of policy responses** during the crisis. For example, some host countries have included migrants in cash transfer programs and vaccination programs. Host countries should provide vaccines to migrant workers to enhance the safety of their own populations – a point that seems to be increasingly acknowledged. However, many host countries are financially stretched. In particular, the many developing countries hosting migrants would need concessional financing support from external sources to sustain increased spending associated with migrants. Supporting migrants who may be lower skilled, in irregular status, and in the informal sector will continue to be a challenge.

Supporting remittance infrastructure to keep remittances flowing should include efforts to lower remittance fees, which have continued to average above **6.5 percent** in Q4 2020, more than double the SDG target of 3 percent by 2030. The average remittance cost was lowest in South Asia, at 4.9 percent, while

Sub-Saharan Africa continued to have the highest average cost, at 8.2 percent.

Anti-money laundering and countering of financing for terror (AML/CFT) regulations and de-risking practices by banks (denying bank accounts to money transfer operators) continue to be onerous for new market entrants using new technologies. Many migrants do not have the ID documents required to open bank accounts, which prevents them from using online remittance services. Some countries issued regulations for allowing e-onboarding to comply with know-your-customer laws. Regulators are aware of the usefulness of applying a **risk-based approach** rather than a rule-based approach to small-value remittances, but this has not yet been adopted.

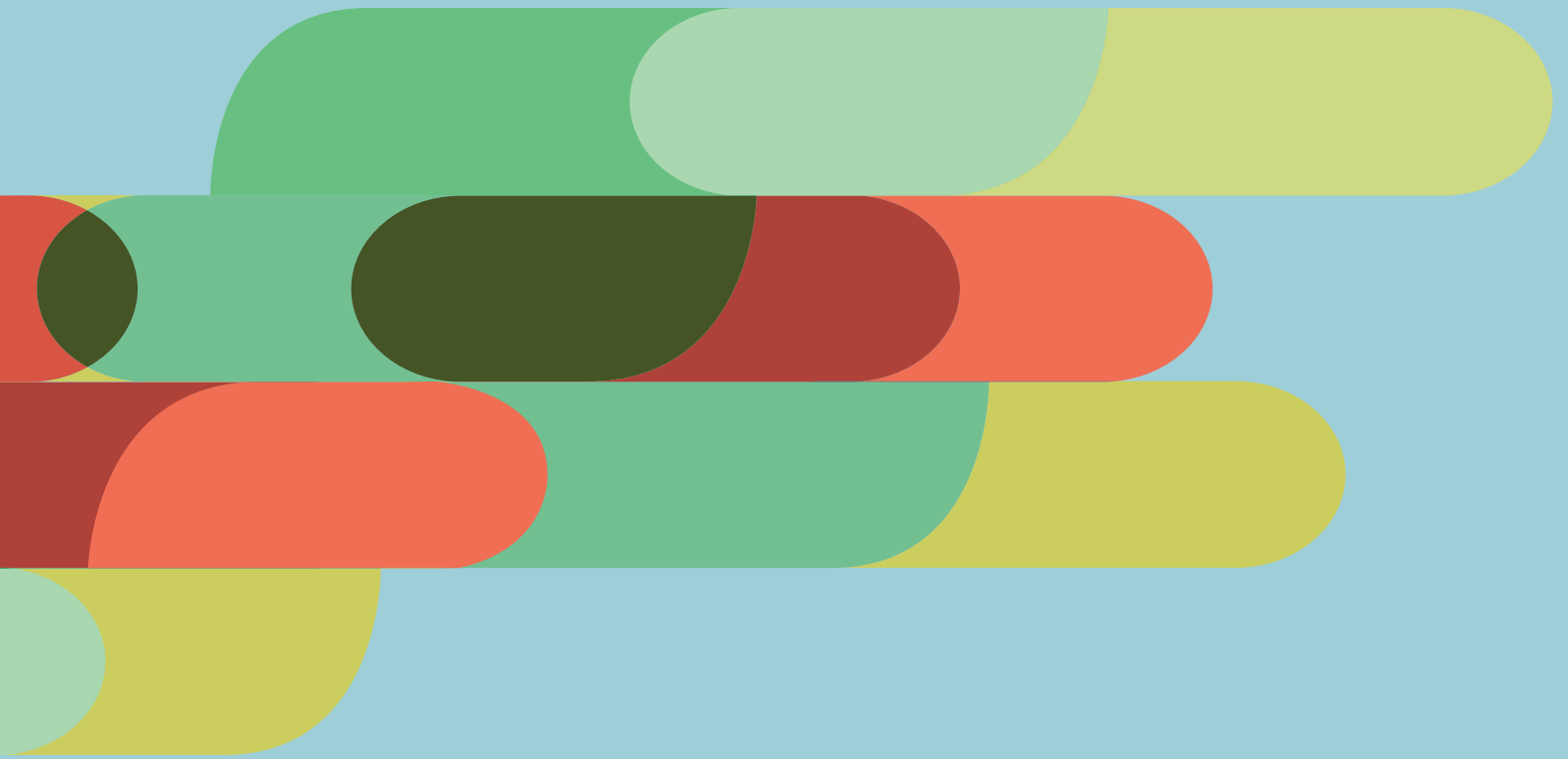
The unexpected resilience of remittance flows during the COVID-19 crisis has once again highlighted the importance of the timely availability of data. After overtaking foreign direct investment and official development assistance in low- and middle-income countries (excluding China), remittances can no longer be ignored as small change. Countries need to collect better data on remittances, in terms of frequency (either monthly or quarterly), timely reporting, and granularity (by corridor, channel, instrument).

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1. Remittance Flows Proved to Be Resilient in 2020

Defying predictions, remittance flows have proved to be resilient during the COVID-19 crisis. In 2020, remittance flows to low- and middle-income countries (LMICs) reached \$540 billion, only 1.6 percent below the \$548 billion seen in 2019 (figure 1.1 and table 1.1). The decline was smaller than the predictions published in April and October 2020 (see World Bank 2020a and 2020b). It was even smaller than the rate of decline registered during the global financial crisis in 2009. And the decline in remittances is far lower than the 11 percent decline in foreign direct investment (FDI) flows to LMICs seen in 2020.

Thus, the gap between remittances and FDI widened further (figure 1.1a). Excluding China, FDI flows to LMICs declined by over 30 percent in 2020. As a result, remittance flows to LMICs other than China surpassed the sum of FDI and official development assistance (ODA) in 2020 (figure 1.1b).

Among **regions**, remittances to Latin America and Caribbean grew by 6.5 percent in 2020 and were supported by a recovering economy and moderately improving labor market in the United States. In South Asia, there was a slight moderation in the growth of remittance flows in 2020, to 5.2 percent, while flows to the Middle East and North Africa grew by a modest 2.3 percent. Flows to Europe and Central Asia are estimated to have fallen by 9.7 percent, to East Asia and the Pacific by 7.9 percent, and to Sub-Saharan Africa by 12.5 percent.

In 2020, in current US dollar terms, the **top five** remittance recipient countries were India, China, Mexico, the Philippines, and Egypt. India has been the largest recipient of remittances since 2008 (box 1.1). As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies: Tonga, Lebanon, Kyrgyz Republic, Tajikistan,

and El Salvador. The United States was the largest source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and the Russian Federation.

There was a sharp temporary drop in remittance flows in the second quarter (Q2) of 2020, as lockdowns and travel bans imposed in response to the COVID-19 crisis also shut down remittance services (figure 1.2). It is possible that migrants postponed sending money during the initial chaos in late March and April 2020. But even if they had money to send, they could not send cash, as money transfer operators had temporarily closed their offices. Travel restrictions affected in-kind or cash remittances carried by hand by travelers. However, as some of the strict lockdowns were lifted, there was a recovery in Q3 and Q4 in Latin America and the Caribbean (and other regions).

The initial decline in remittance flows affected almost all countries, especially those in the Europe and Central Asia region. There were a few exceptions, however; remittance flows to Bangladesh, Mexico, and Pakistan continued to increase, for reasons discussed below. Among regions, Latin America and the Caribbean and South Asia were more resilient to the crisis and saw the strongest growth (table 1.1). Remittances to Latin America and Caribbean grew by 6.5 percent in 2020 and were supported by a recovering economy and moderately improving labor market in the United States. In South Asia, there was a slight moderation in the growth of remittance flows in 2020, to 5.2 percent, while the Middle East and North Africa grew by a modest 2.3 percent. Flows to Europe and Central Asia are estimated to have fallen by 9.7 percent, to East Asia and the Pacific by 7.9 percent, and to Sub-Saharan Africa by 12.5 percent.

Table 1.1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

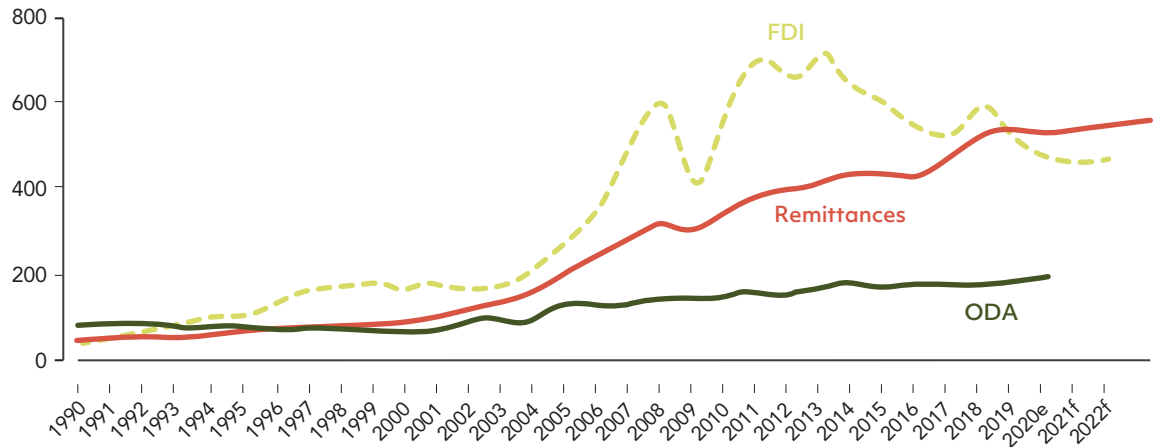
Region	2009	2015	2016	2017	2018	2019	2020e	2021f	2022f
	(\$ billion)								
Low- and Middle-Income countries	302	446	441	478	524	548	540	553	565
East Asia and Pacific	80	128	128	134	143	148	136	139	142
Europe and Central Asia	33	42	43	52	59	62	56	54	50
Latin America and Caribbean	55	68	73	81	89	96	103	108	112
Middle East and North Africa	31	50	49	52	53	55	56	57	59
South Asia	75	118	111	117	132	140	147	152	158
Sub-Saharan Africa	28	41	37	41	49	48	42	43	44
World	433	602	597	640	694	719	702	713	726
	(Growth rate, percent)								
Low- and Middle-Income countries	-4.8	0.5	-1.3	8.4	9.8	4.6	-1.6	2.6	2.2
East Asia and Pacific	-4.8	3.7	-0.5	5.1	6.8	3.0	-7.9	2.1	2.1
Europe and Central Asia	-11.3	-15.3	2.1	21.0	12.9	4.6	-9.7	-3.2	-6.9
Latin America and Caribbean	-12.3	6.5	7.4	11.1	9.9	8.3	6.5	4.9	4.0
Middle East and North Africa	-6.0	-6.4	-1.2	5.3	2.3	3.4	2.3	2.6	3.1
South Asia	4.5	1.6	-5.9	6.0	12.3	6.1	5.2	3.5	4.0
Sub-Saharan Africa	-2.1	6.6	-8.3	10.8	17.4	-0.4	-12.5	2.6	1.6
World	-5.0	-1.3	-0.8	7.1	8.5	3.7	-2.4	1.5	1.8

Source: World Bank-KNOMAD staff estimates. See appendix in Migration and Development Brief 32 for forecasting methods (World Bank 2020c).

Note: e = estimate, f = forecast.

Figure 1.1a Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, 1990–2022

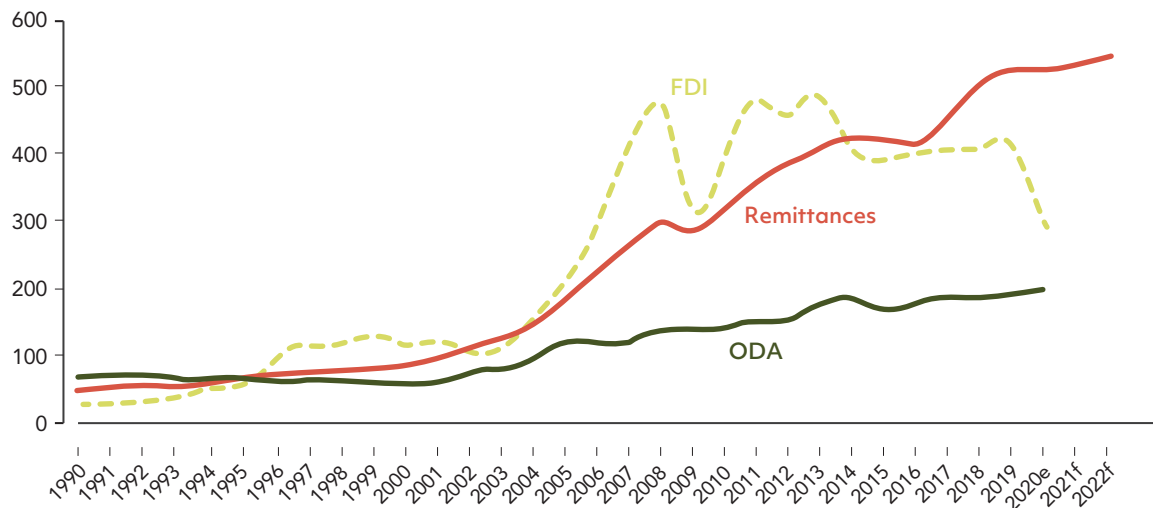
(\$ billion)



Sources: World Bank—KNOMAD staff estimates; World Development Indicators; International Monetary Fund (IMF) Balance of Payments Statistics. See appendix in the *Migration and Development Brief 32* for forecasting methods (World Bank 2020c). Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

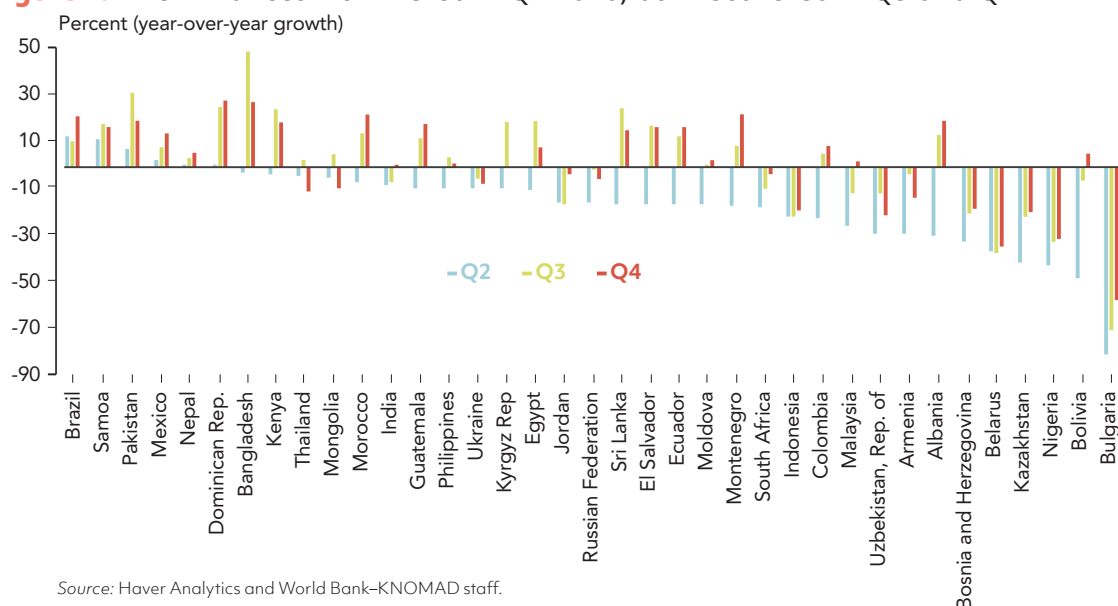
Figure 1.1b Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China, 1990–2022

(\$ billion)



Sources: World Bank—KNOMAD staff estimates; World Development Indicators; International Monetary Fund (IMF) Balance of Payments Statistics. See appendix in the *Migration and Development Brief 32* for forecasting methods (World Bank 2020c). Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure 1.2 Remittances Plummeted in Q2 2020, but Recovered in Q3 and Q4



Source: Haver Analytics and World Bank-KNOMAD staff.

The remittances industry has participated in the rapid acceleration of digitalization that is observable in multiple dimensions of firms’ and households’ reactions to the COVID 19 crisis. Starting June 2020, remittance flows through digital channels increased, especially for migrants with access to bank accounts and credit cards. Many leading money transfer operators reported double-digit growth in their digital services, in sharp contrast to a fall in their cash remittance services. The switch from cash to digital channels seems to have continued throughout 2020. Recent data showed that cross-border remittances processed via mobile money increased by 65 percent in 2020 (from \$7.7 billion in 2019 to \$12 billion in 2020), reaching over \$1 billion in transactions sent and received each month (Andersson and Naghavi 2021, GSMA).

It is believed that there was also a broad **shift in flows from informal to formal channels** in 2020. Since digital remittances are better recorded than cash remittances, especially those carried by hand or sent through other informal channels, official data are likely to record more remittances even if the true size of remittances may be falling. This observation is consistent with the fact that a large number of households surveyed in Q2 reported receiving lower remittances since the start of COVID-19 in Mexico (35 percent) and the Dominican Republic (54 percent) even as central banks recorded higher inflows (table 1.2).¹ The true size of remittances, which includes formal and informal flows, is believed to be larger than officially reported data, though the extent of the impact of COVID-19 on informal flows is unclear.

Table 1.2 A Shift from Informal to Formal Remittance-Sending Channels? Indications from Household Surveys

	% of households reporting a fall in remittance receipts in Q2	Year-on-year change in remittance inflow in Q2
Mexico	35%	10%
Dominican Republic	54%	18%

Source: World Bank, COVID-19 High Frequency Monitoring Dashboard; IMF Balance of Payments Statistics.

Box 1.1 Top Remittance Source and Recipient Countries

In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt (figure B1.1.1). India has been the largest recipient of remittances since 2008. As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies: Tonga, Lebanon, Kyrgyz Republic, Tajikistan and El Salvador.

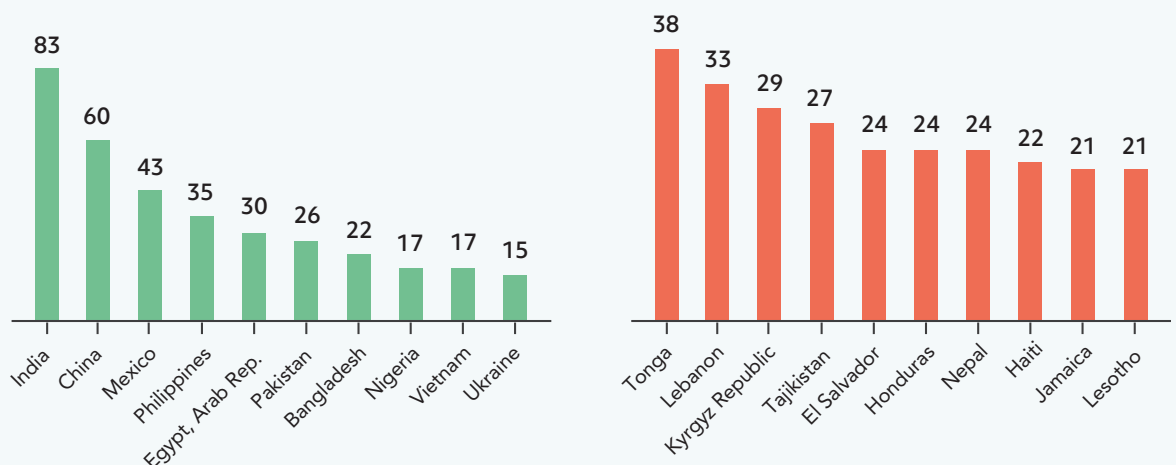
Data on remittance *outflows* typically get less attention than data on remittance inflows. The largest remittance-sending countries are a mix of high-income countries from the Organisation for Economic Co-operation and Development, Gulf Cooperation Council countries, and large middle-income countries. The United States was the largest sender in 2020, recording around \$68 billion in outflows, followed by the United Arab Emirates (\$43 billion) and Saudi Arabia (\$35 billion). Among middle-income countries, Russia is a large sender (\$17 billion) due to its sizable immigrant stock

from Europe and Central Asia, as the country's remittance outflows are more correlated with oil prices than are those from Saudi Arabia, which reported an 11 percent growth in out-bound remittances in 2020.

According to the United Nations Department for Economic and Social Affairs (UNDESA 2020), the worldwide number of international migrants (including refugees) was estimated at 281 million in 2020. The top host countries for migrants are the United States (51 million), Germany (16 million), Saudi Arabia (13 million), Russia (12 million), the United Kingdom (9 million), the United Arab Emirates (9 million), France (9 million), Canada (8 million), Australia (8 million), and Spain (7 million). These countries account for about half of the total international migration stock.

Source: World Bank-KNOMAD staff.

Figure B1.1.1 Top Recipients among Low- and Middle-Income Countries
(\$ billion, 2020) (Percentage of GDP, 2020)



This is not the first time that remittance flows have proved **resilient** during a crisis; the same thing was observed, for example, in the aftermath of the global financial crisis. In fact, remittances often rise in times of financial crisis or natural disasters in the recipient country (Ratha 2009; World Bank 2010). Even during a crisis in the host country, migrants may try to reduce consumption (or rent payments) and draw on their savings to continue to send money home.² During the COVID-19 crisis, the need for financial support for families back home has risen, for essential goods and services including health care. Remittances have provided a lifeline for families back home struggling with loss of income and pandemic-induced economic slowdown. Unable and perhaps unwilling to take the risk of traveling to home countries, migrants have tried to send as much money home as they can. Remittances have therefore become an important consumption smoothing mechanism for the recipient households and, as such, they form an increasingly important (private) element of global social protection systems.

Counter-cyclical fiscal policy, especially cash transfer and employment support programs implemented in many large economies, also propped up activity and employment levels. In addition, even when people were laid off, such programs cushioned a fall in personal incomes and consumption, including those of

foreign-born persons³. On the other hand, they supported businesses in continuing the employment of workers (Murthi and Rutkowski 2021).⁴

The **economic performance** of major migrant-host countries, especially those in North America and Europe, proved to be significantly better in 2020 than the growth rates projected in March and April. The International Monetary Fund's projection for the 2020 GDP growth rate was revised upwards in October last year, and again, the preliminary estimate of the GDP growth rate for 2020 released in April 2021 was even higher (table 1.3). A very large drop in GDP and consumption in South Asia—relative to declines in remittance-source countries' GDP due to the pandemic—is likely to be another factor behind an increase in remittances by migrants trying to support families needing help.⁵

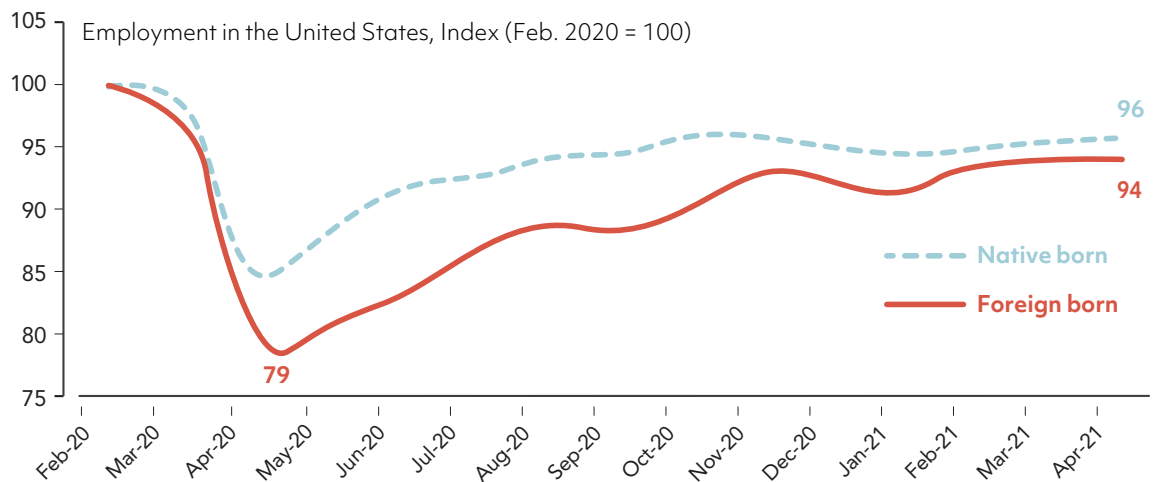
Consistent with this picture of sharper-than-expected recovery, in the United States, the largest migrant-host country, the employment level of foreign-born workers fell by 21 percent in April 2020 compared to February 2020, but steadily recovered afterwards (figure 1.3). The recovery in employment levels together with cash transfers received directly from the government enabled migrants to send remittances to family and friends back in origin countries. This is an interesting distinguishing feature of the COVID-19 crisis, compared to the global financial crisis of 2009 (see table 1.4).

Table 1.3 Revisions to IMF growth forecasts

Country	Immigrant stock, 2020 (million)	Apr.2020 forecasts		Oct.2020 forecasts		Apr. 2021 forecasts		Change in 2020 forecast		
		2020	2021	2020	2021	2020	2021	Oct20-Apr20	Apr21-Oct20	Apr21-Apr20
U.S.A.	50.6	-5.9	4.7	-4.3	3.1	-3.5	6.4	1.6	0.8	2.4
Germany	15.8	-7	5.2	-6	4.2	-4.9	3.6	1	1.1	2
Saudi Arabia	13.5	-2.3	2.9	-5.4	3.1	-4.1	2.9	-3.2	1.3	-1.9
Russian Fed.	11.6	-5.5	3.5	-4.1	2.8	-3.1	3.8	1.4	1.1	2.4
U.K.	9.4	-6.5	4	-9.8	5.9	-9.9	5.3	-3.3	-0.2	-3.4
U.A.E.	8.7	-3.5	3.3	-6.6	1.3	-5.9	3.1	-3.1	0.6	-2.4
France	8.5	-7.2	4.5	-9.8	6	-8.2	5.8	-2.6	1.5	-1.1
Canada	8	-6.2	4.2	-7.1	5.2	-5.4	5	-0.9	1.7	0.8
Australia	7.7	-6.7	6.1	-4.2	3	-2.4	4.5	2.5	1.7	4.2
Spain	6.8	-8	4.3	-12.8	7.2	-11	6.4	-4.8	1.9	-3
Italy	6.4	-9.1	4.8	-10.6	5.2	-8.9	4.2	-1.5	1.8	0.3
Largest host countries*	209.7	-5.3	4.5	-6.1	3.9	-4.8	4.8	-0.9	1.4	0.5

Source: IMF World Economic Outlook, 2020, 2021; Immigrant stock data from UN DESA.
 Note: f = forecast, e = estimate.
 *Weighted average for top 30 host countries computed using immigrant stock as weights

Figure 1.3 Employment Levels of Foreign Born and Native Born in the United States



Source: US Bureau of Labor Statistics.

Table 1.4 Differences between the 2009 Global Financial Crisis and 2020 COVID-19 Crisis

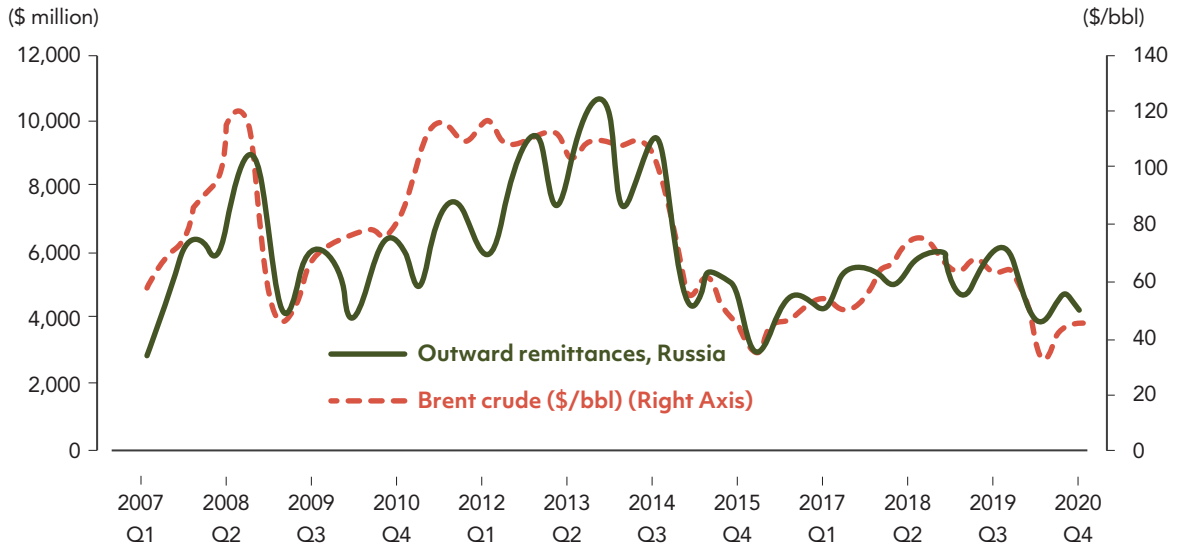
COVID-19 crisis, 2020	Global financial crisis, 2009
Affected all host and origin countries	Affected mostly host countries in the Global North
Widespread use of remote work and online delivery services shifted flows to digital, formal channels	Flows shifted from formal to informal channels as migrants switched to informal jobs and AML/CFT regulations were tightened
Of fiscal stimulus mechanisms, both cash transfers and support to businesses (to maintain employment) included foreign-born persons	Fiscal stimulus mainly to the banking sector – effects on migrants less direct
Significant return migration and no new migration; as a result, stock of international migrants likely decreased	Return migration decreased, so even with no new migration, stock of international migrants increased
Migrants played a key role as front-line workers (at both ends of the skill spectrum, as retail, IT, and health care workers); tourism and hospitality sectors affected	As the unemployment rate rose, migrants were seen as competitors to native-born workers, and anti-immigration sentiment increased
Remittances dipped sharply in the second quarter of 2020 but recovered quickly; the overall impact was only -1.6 percent	Remittances declined by 5 percent
Currencies of most recipient countries did not depreciate (except in Europe and Central Asia)	Currencies of recipient countries depreciated (e.g., Indian rupee, Mexican peso, Philippines peso, Nigerian naira)
Transit migration increased as many host countries implemented strict travel bans and border enforcement; this possibly increased remittance flows to (transit migrants in) transit countries	There were anecdotal reports of “reverse remittances” sent by family members in origin countries to migrant relatives in host countries
No evidence of “safe haven” factor or “home bias” (which prompts migrants to send funds to their origin country during an economic downturn in the host country)	Evidence of “safe haven” or “home bias” for investment-related remittances

In the case of Russia, a **weak oil price** continued to affect economic activity and employment levels, and thereby, outward remittances flowed to Central Asia (figure 1.4). Russia is the largest host country for migrants from Central Asian countries such as the Kyrgyz Republic, Tajikistan, and Uzbekistan – and it is also the largest source country of remittances to these nations. A second impact of weak oil prices was felt through a **weakening of the ruble against the US dollar**, which lowered the value of remittances from Russia in US dollar terms. The ruble depreciated by 20 percent during Q2 2020 and remained weak through the second half of 2020 and Q1 2021. The twin effects of a weak oil price and the depreciation of the source-country currency caused a 10 percent

fall in remittance flows to Europe and Central Asia. By contrast, countries receiving remittances from Europe experienced an increase in US dollar valuation due to an appreciation of the euro against the US dollar (around 9 percent in the second half of 2020).

A weak oil price also affected the employment of migrant workers in the Gulf Cooperation Council (GCC) countries, and more recently, outward remittances from the region. Take the case of Saudi Arabia, the third-largest source country of remittances after the United States and the United Arab Emirates.⁵ For decades, until after a peak in oil prices in 2014, outward remittances from Saudi Arabia continued to rise even as oil prices fluctuated. The government used its large fiscal reserves to smooth public

Figure 1.4 Outward Remittances from Russia are Highly Correlated with the Price of Oil

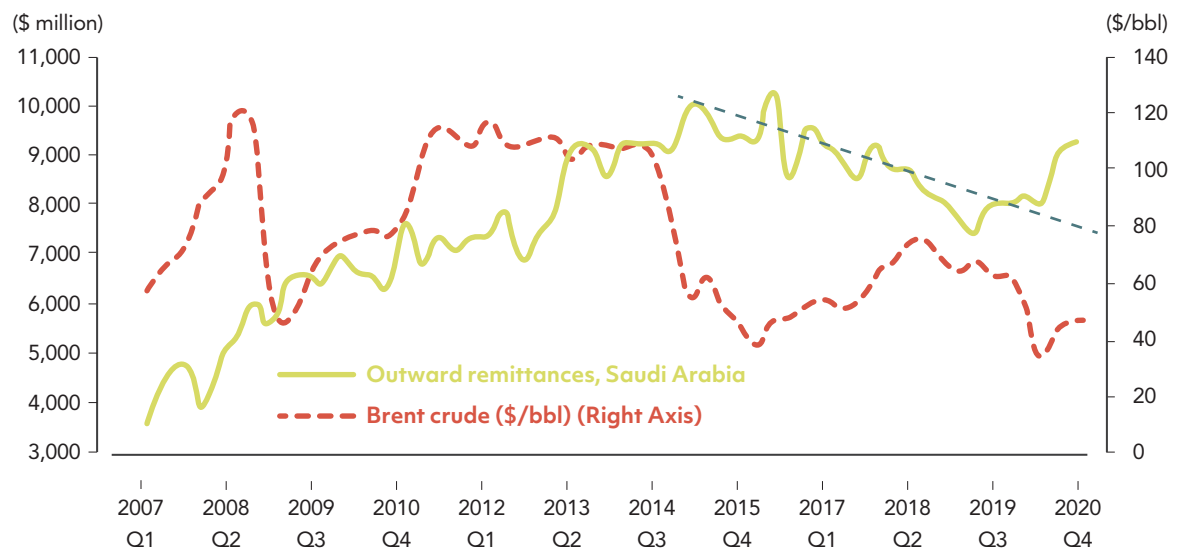


Source: Haver Analytics and World Bank-KNOMAD staff.
 Note: \$/bbl = dollar per barrel.

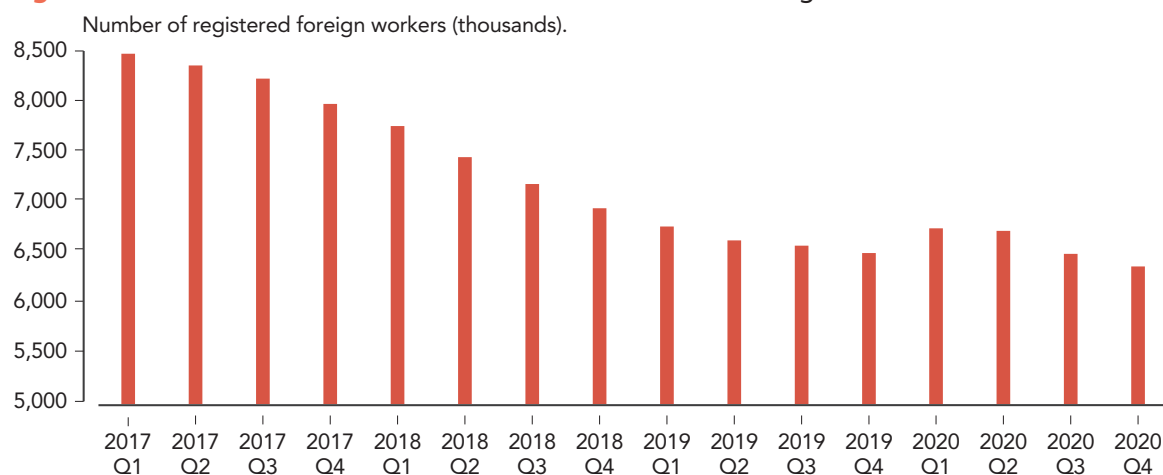
spending and the employment of workers (over three-quarters of them were foreign workers in 2020). After reaching a peak in 2015, however, outward remittances gradually declined (figure 1.5). Bilateral flow data are hard to obtain, but judging from the data reported by the Philippines, remittances from Saudi Arabia to this country declined by 36 percent from a peak

of \$2.8 billion in 2015 to \$1.8 billion in 2020, and the decline was the steepest (14 percent) in 2020. This gradual decline is consistent with the longer-term trends in oil prices as well as policy measures that encourage the hiring of nationals in Saudi Arabia as well as other GCC countries (figure 1.6).

Figure 1.5 Weak Oil Prices are Affecting Outward Remittances from Saudi Arabia



Source: Haver Analytics and World Bank-KNOMAD staff.
 Note: \$/bbl = dollar per barrel.

Figure 1.6 Saudi Arabia has Reduced the Number of Foreign Workers

Source: General Authority of Statistics, Saudi Arabia.

In 2020, the deployment of workers to the GCC countries, Malaysia, and Hong Kong SAR, China, declined by over 70 percent from the Philippines, by 68 percent from Bangladesh, 64 percent from Pakistan, and 60 percent from Indonesia. In Saudi Arabia, the number of foreign workers fell dramatically in 2020, with more than 257,000 leaving in Q3 alone (when a yearly total of 1.2 million return migrants were expected). In Nepal, the renewal of work permits for migrant workers declined by 65 percent during the first seven months of 2020. There are also widespread reports, although no systematic official data, of the significant return migration of workers from the GCC countries. In India, the state of Kerala alone reported return migrants in excess of 1.2 million (box 1.2).

This overall declining trend in remittance flows from the GCC region, however, is masked by two idiosyncratic factors – the cancellation of the pilgrimage to Mecca (hajj) and floods in Bangladesh, both of which took place in July 2020. Also, there is one policy factor at play – tax incentives offered by Bangladesh and Pakistan. The effects of these factors can be seen in figure 1.7, where indices of remittance flows to Bangladesh and Pakistan are compared with an index of remittance flows to the Philippines. During 2019 and until February 2020, the indices for all three countries moved close to one another. However, in July 2020, flows

to Bangladesh and Pakistan surged ahead. As reported in the Migration and Development Brief 33 (World Bank 2020b), the cancellation of travel to Saudi Arabia in July 2020 diverted funds set aside for the Hajj pilgrimage to remittance flows to Bangladesh and Pakistan. In addition, Bangladesh suffered huge flooding in July 2020, which attracted larger remittances from migrant workers overseas. Finally, both Bangladesh and Pakistan offered tax incentives (through financial intermediaries) to attract remittances⁶ The effect of cancelling the Hajj travel may be felt this year as well. The effect of floods, however, were one-off. Tax incentives may continue to keep the level of remittances high in 2021, but it is not clear how long these measures would accelerate their growth rate.⁷

Another high-profile country case is that of Mexico, where the COVID-19 crisis seemingly had no effects on remittance inflows (figure 1.8). Indeed, remittance flows to Mexico increased by 9.9 percent in 2020, with a 35 percent year-on-year increase in March 2020. This increase seems to be due to a sharp depreciation of the peso against the US dollar – between January 2020 and April 2020, the peso was 29 percent weaker, and it is yet to recover. A weaker peso attracted remittances as goods, services, and assets in Mexico became cheaper to purchase with the US dollar.



Box 1.2. COVID-19 and Migrants from Kerala

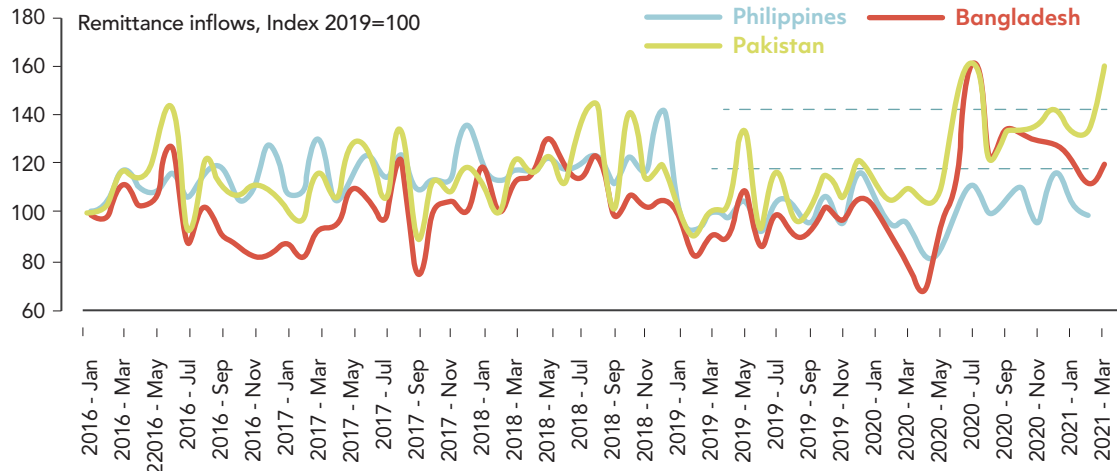
Kerala, India, has a long history of migration to the Gulf countries for work. Like many other sending regions in India, the state was adversely affected by the COVID-19 pandemic, which limited jobs abroad and compelled an estimated 700,000 migrants to return home from abroad in 2020 (Financial Express 2021). A household survey conducted over July and August 2020 in Kerala for the World Bank by the Center for Development Studies revealed that nearly half of surveyed families with members either still abroad or recently returned were worried about getting COVID-19 from returning migrants. By contrast, at most a third of nonmigrant households were worried about contracting COVID from returnees.

Among households with members still abroad, nearly 51 percent stated that these workers had been adversely affected by COVID-19 measures in the host countries, primarily through wage reductions (42 percent) followed by temporary job losses (26 percent).

Incoming remittances were also affected: 49 percent of households stated that the amount received had declined after January 2020. On average, overseas remittances fell by \$267 in monthly terms among households who reported receiving remittances. Among households who reported having a member who returned home from abroad after 2018, job losses were the main reason for returns after January 2020 (42 percent) compared to pre-January 2020 returns (25 percent). Greater job losses are likely the result of cost-cutting measures taken by foreign employers first laying off their migrant workforce as they found their businesses negatively affected by lockdowns. Those who returned after January 2020 were nearly twice as likely to state that they intended to move abroad again for work compared to their counterparts who had returned prior to January 2020.

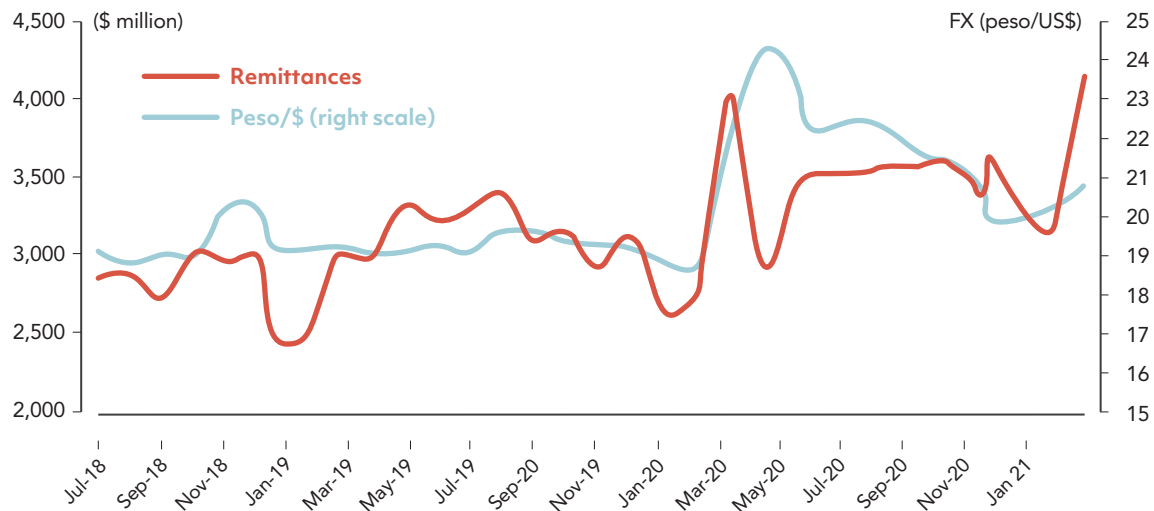
Source: KNOMAD 2021.

Figure 1.7 One-off Effects of Cancellation of Hajj, Floods in Bangladesh, and Tax Incentives in Bangladesh and Pakistan



Source: Haver Analytics and World Bank-KNOMAD staff.

Figure 1.8 Remittance Flows to Mexico Increased Due to a Weaker Peso



Source: Haver Analytics and World Bank-KNOMAD staff.

2. Outlook for 2021–22

As of April 28, 2021, daily new COVID-19 cases hovered around 800,000. Even as many high-income nations made significant progress in vaccinating their populations, new cases and deaths were surging in India, Brazil, and Mexico. Our medium-term economic outlook, therefore, must factor in a great degree of risk and uncertainty.

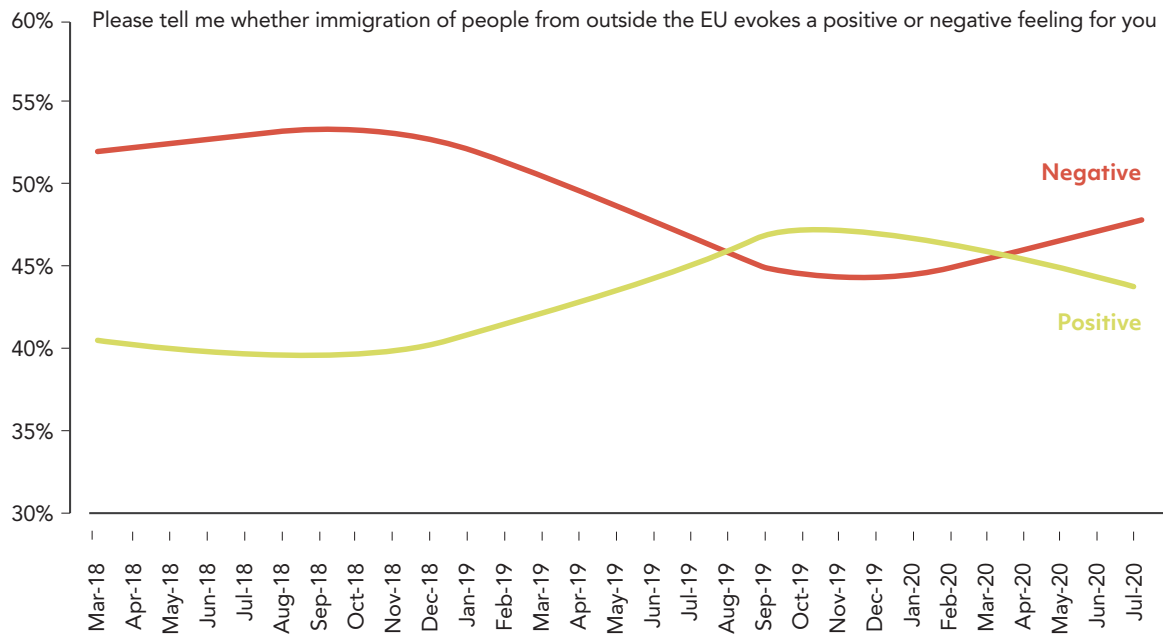
In 2021 and 2022, economies worldwide are expected to rebound further, with advanced countries performing significantly stronger than the low- and middle-income countries (IMF 2021, Wolf 2021) (table 1.3). With that, incomes and employment of foreign-born workers are also expected to recover, which would lead to an increase in remittance flows to LMICs. The number of COVID-19-induced new poor in 2020 is likely to have risen to between 119 to 124 million.⁸ Thus, families in low- and middle-income countries need even more support from migrant relatives overseas.

Based on recent trends in remittance flows, and assumption that the international migrant stock will not change much in the near-term, and that economic growth will be stronger this year and the next, remittance flows to LMICs are expected to increase by 2.6 percent to \$553 billion in 2021 and by 2.2 percent to \$565 billion in 2022 (table 1.1).⁹ Remittances are expected to grow twice as fast in Latin America

and the Caribbean (LAC) and South Asia, but they are expected to grow in all regions except Europe and Central Asia in 2021. This outlook is subject to significant uncertainties, however. The recurrence of COVID-19 outbreaks, some of them due to variants of the virus, cannot be ruled out in the medium term. These risks would continue to affect certain sectors (for example, hospitality and tourism) more than others (IT and health care, for example). Some countries may not be able to provide fiscal stimulus to the same extent they did in 2020. Finally, the shifts from cash to digital and informal to formal channels may also slow down, unless solutions are found for improving access to banking for migrants and for new money transfer operators.

Despite the critical roles played by migrant workers at both ends of the skill spectrum, as frontline workers in grocery stores and restaurants, and in IT and healthcare, survey evidence suggests that attitudes towards migrants may have turned negative during the COVID-19 crisis.¹⁰ For example, a Eurobarometer survey (one of the few such surveys conducted last year) reported that Europeans' sentiment towards people from outside the EU turned negative after the onset of the COVID-19 crisis, reversing a brief period of the positive sentiment overtaking a negative sentiment (figure 2.1).

Figure 2.1 Public Perception toward Immigration Has Turned More Negative



Source: Eurobarometer.

In the medium to long term, remote work and a greater use of technology for the provision of services may actually reduce migration (by increasing offshoring). In that event, remittances

may decrease (and payments for service “exports” increase). Even more impactful would be the possible displacement of workers by automation and the use of artificial intelligence.

3. Policy Issues


Public policy responses to support migrants and their families and keep remittances flowing during the crisis have been discussed in World Bank studies (2020a and 2020b) (table 3.1). There has been progress in some areas: for example, a few host countries have included migrants in cash transfer programs and vaccination programs.¹¹ There also seems to be an increasing awareness of the need to include migrants and refugees in programs providing vaccines against COVID-19. Indeed, host countries should provide vaccines to migrant workers to enhance the safety of their own populations (World Bank 2021). However, many host countries are financially stretched, and need concessional financing support from external sources for spending associated with migrants (box 3.1). Supporting migrants who may be lower skilled, in irregular status, and in the informal sector will continue to be a challenge. Also, policy priorities would have to be tailored to the needs of different regions based on country- and sector-specific analysis.

Supporting remittance infrastructure to keep remittances flowing includes efforts to lower remittance fees, as outlined in Sustainable Development Goal (SDG) indicator 10.c.1. Such fees averaged 6.5 percent in Q4 2020. Costs are still more than double the SDG target of 3 percent by 2030. Average remittance costs were the lowest in South Asia, at 4.9 percent, while Sub-Saharan Africa continued to have the highest average cost, at 8.2 percent (figure 3.1). Remittance costs across many African corridors and small islands in the Pacific remain above 10 percent, especially in the case of remittance services provided by commercial banks. Intraregional migrants in Sub-Saharan Africa comprise over two-thirds of all international migration from the region. Yet intraregional remittance costs are very high in the region due to the low volumes of formal flows, inadequate penetration of innovative technologies, and lack of a competitive market environment.

Table 3.1 Policy responses during the COVID-19 Crisis

Supporting migrants	Supporting migrants' families	Supporting remittance infrastructure
Support stranded migrants. Extend cash transfer programs to support internal and international migrants.	Support social services and provide cash transfers to families left behind.	Improve collection of high-frequency, timely data across remittance corridors and channels.
Provide access to vaccines, health services, education, and housing.	Provide access to vaccines, health services, education, and housing.	Certain AML/CFT requirements could be temporarily simplified to incentivize online and mobile money transfers.
Support migrants when they return home (access to training, jobs, credit for business investment).		Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts.

Source: World Bank 2020b.



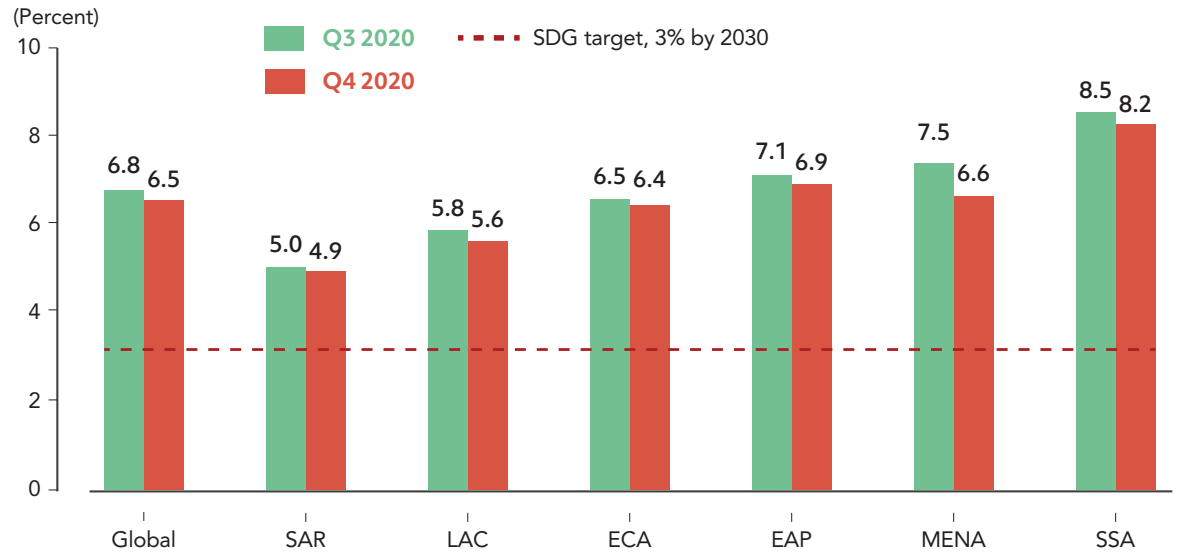
Box 3.1. Concessional Financing Facility for Migration

A concessional financing facility for migration was proposed at the 2020 Global Forum on Migration and Development Summit (GFMD 2020). In the unprecedented environment brought on by the COVID-19 pandemic, international cooperation may be more important than ever as countries seek to meet their human rights obligations toward migrants and, simultaneously, recover from the economic damage caused by the pandemic, potentially looking to migration as one way in which to do so. A community's safety during the pandemic depends on the safety of the migrants in the community as well. Indeed, supporting host countries in providing vaccines to migrants could be among the first activities of a concessional financing facility. In addition, the facility could support host communities experiencing rapid inflows of migrants (for schools, health care, housing) and to origin countries experiencing the large-scale return of their migrant workers (for access to training and jobs, and credit for business investment).

Presently, there are no large-scale financing facilities to address migration. To be effective, global migration governance must embrace the power of partnerships and leverage available financial resources. Funds are not necessarily scarce but are presently spent in a piecemeal and uncoordinated manner. For example, The EU Multiannual Financial Framework's Neighborhood, Development, and International Cooperation Instrument would have funding of over €96 billion during 2021–27. The annual budget for immigration enforcement in the United States reached approximately \$25 billion. On the one hand, there is a need to channel resources in a more efficient and coherent manner. On the other hand, making partnerships between host and origin countries effective, innovative, and adaptable to changing circumstances requires adequate funding. In other words, effective partnerships need to be supported by a Concessional Financing Facility for Migration with a carefully designed governance structure to ensure equal and voluntary participation.

Source: GFMD 2021; Ratha 2021.

Figure 3.1 How Much Does It Cost to Send \$200? A Comparison of Global Regions in 2019 and 2020



Source: World Bank Remittance Prices Worldwide database.

Note: Red dotted line represents the SDG 10 target of 3 percent. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

AML/CFT regulations and de-risking practices by banks (by which they may deny bank accounts to money transfer operators) continue to be onerous for new market entrants using new technologies. Many migrants do not have the ID documents required to open bank accounts, which prevents them from using online remittance services. During COVID-19, there has been a shift to using mobile money to transfer remittances. More than \$1 billion was sent and received every month via mobile services in 2020, although this is but a small fraction of the total volume of remittances. Some countries have issued regulations for allowing e-onboarding to comply with know-your-customer (KYC) laws. Despite these advances, some migrants and refugees were not able to access mobile money services due to missing ID documents. In addition, proof of address is difficult for refugees living in informal settlements. There is still a need to recognize alternative documents for KYC that migrants could use to open bank or mobile money accounts for remitting money via small/low-risk transactions. Regulators are

aware of the usefulness of applying a risk-based approach rather than a rule-based approach to small-value remittances. However, progress on this front can take time (see box 3.2).

The unexpected resilience of remittance flows during the COVID-19 crisis has once again highlighted the importance of timely data availability. After overtaking FDI and ODA in LMICs (excluding China), remittances can no longer be ignored as small change. Countries need to collect better data on remittances, in terms of frequency (either monthly or quarterly), timely reporting, and granularity (by corridor, channel, instrument).



Box 3.2. AML/CFT, De-risking, and Remittances

Major commercial banks are unwilling to act as correspondent banks for money transfer operators – a practice known as “de-risking” – to avoid risks of money laundering or terrorist financing. Financial institutions have indicated that limited profitability, the perceived risk of the remittance market, lack of supervision of remittance service providers in certain countries, and weak compliance with AML/CFT and KYC regulations make this sector a high-risk one (G-20, FSB). The US Financial Crimes Enforcement Network (FinCEN) has issued a statement clarifying that the Bank Secrecy

Act (BSA) applies a risk-based approach and acknowledging that only a limited number of AML/CFT failures can occur within a reasonably designed AML program. The US Anti-Money Laundering Act of 2020 (AMLA) includes reforms to anti-money laundering laws in the United States and the Bank Secrecy Act, and provisions to mitigate the impacts of de-risking. The US Government Accountability Office (GAO) will prepare a report on assessing drivers of de-risking efforts and alternative ways to handle transactions for high-risk categories of clients.

Sources: FinCEN 2020; FSB 2018.

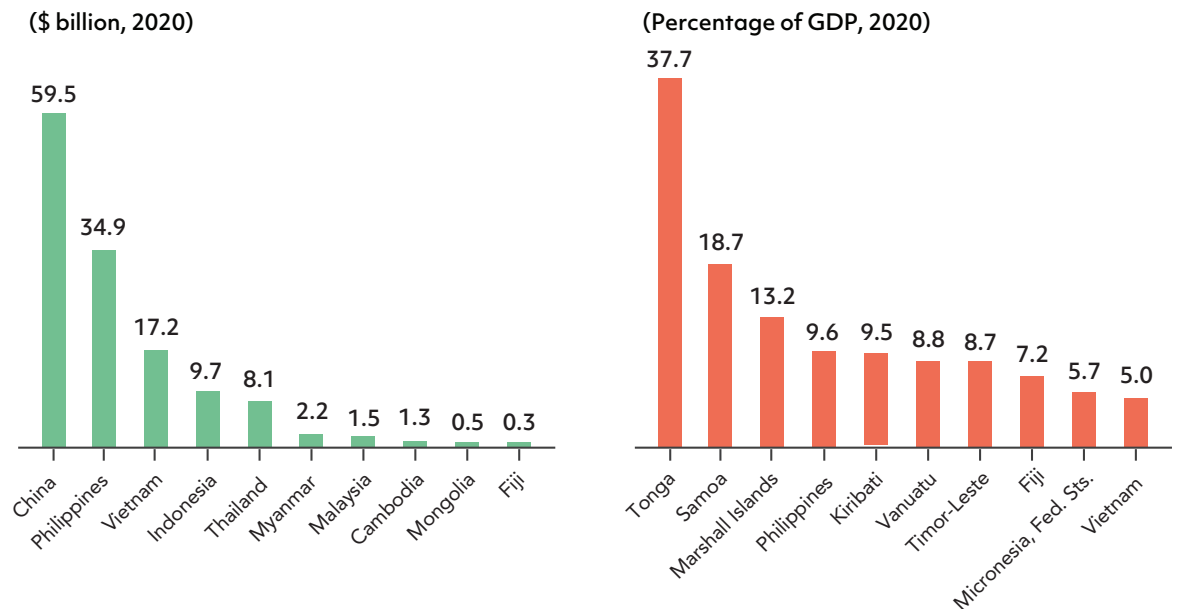
4. Regional Trends in Migration and Remittance Flows

4.1 Remittances to East Asia and the Pacific declined in 2020

Remittance trends. Formal remittances to the East Asia and Pacific region are projected to fall by 7.9 percent in 2020 to around \$136 billion due to the adverse impact of COVID-19. A modest growth of about 2.1 percent is expected in 2021–22 due to recovery anticipated in major host economies such as Saudi Arabia, the United States, and the United Arab Emirates. Defying earlier predictions of shrinking flows due to the pandemic, remittances to the Philippines fell by 0.7 percent in 2020. A key factor for this resilience was the growth (by 5.5 percent) of inflows from United States, by far the largest source of remittances for the Philippines (almost 40 percent in 2020). Positive

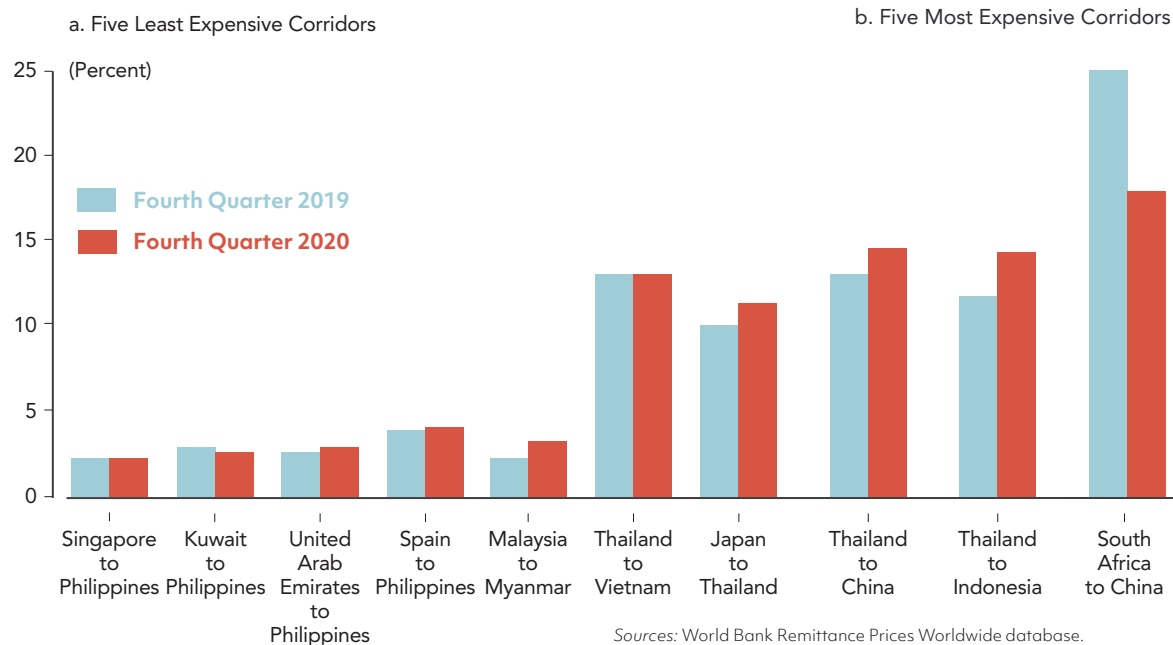
growth in remittances from the United States and Asia helped to mostly offset declines from the Middle East and Europe, which fell by 10.6 percent and 10.8 percent respectively in 2020.¹² The decline from the Middle East reflects the absence of formal safety nets available to migrant workers in the face of the pandemic and the large repatriation of overseas Filipino workers (OFWs). By contrast, Indonesia’s remittances fell by 17.3 percent in 2020 due to the country’s dependency on inflows from Saudi Arabia and Malaysia, which dropped by 21.3 percent and 16.8 percent respectively.¹³ The top recipients in terms of the share of remittances in GDP in 2020 include many smaller economies such as Tonga, Samoa, and Marshall Islands (figure 4.1).

Figure 4.1 Top Remittance Recipients in the East Asia and Pacific Region, 2020



Sources: World Bank-KNOMAD staff estimates; World Development Indicators; International Monetary Fund (IMF) Balance of Payments Statistics.
 Note: GDP = gross domestic product.

Figure 4.2 Remittance Fees to the Philippines Are among the Lowest in the East Asia and the Pacific Region



Remittance costs. The average cost of sending \$200 in remittances to the East Asia and Pacific region decreased slightly to 6.86 percent in Q4 2020, compared with 7.05 percent in Q3 2020. In Q4 2020, the five lowest-cost corridors in the region averaged 3 percent for transfers primarily to the Philippines, while the five highest-cost corridors, excluding South Africa to China, which is an outlier, averaged 13 percent. Money transfer costs from Thailand to neighboring countries in Southeast Asia remained among the highest, averaging 13.5 percent in Q4 2020 (figure 4.2).

Migration trends. In February, the government of Malaysia legislated an emergency ordinance requiring employers to provide accommodations with sufficient living space and amenities for migrant workers to ensure compliance to protect against COVID-19.¹⁴ Violators could face MYR 200,000 (about \$48,233) in fines or three-year jail terms or both.

Despite no new or limited cases of COVID-19 among migrant workers in Singapore, they are not part the government’s final phase of lifting lockdowns. Outbreak of the virus among

workers made up 93 percent of the country’s official cases and their infection rate was three times higher than previously reported. Migrant workers remained confined to their dormitories and work sites, though a pilot program permitted those in some dormitories to visit the their community once a month.

The Indonesian government’s bid to eliminate recruitment fees paid by its migrant Indonesian workers by introducing new regulations last July was met with resistance from foreign employment agencies in Hong Kong SAR, China, and Singapore.

In Thailand, close to 655,000 migrants from Cambodia, the Lao People’s Democratic Republic, and Myanmar have applied to be legalized since January 2021 and to work for another two years under an amnesty program. As a precondition for getting a work permit, a COVID-19 test will be required of applicants costing THB 2,300 (about \$74). Elsewhere, about 40,000 workers were confined to seven factories in the Samut Sakhon province to limit the spread of COVID-19. Approximately 9,000

infections were found in factories with on-site accommodations. Workers can continue to work but are not permitted to leave the premises.

Amid rising unemployment rates and falling remittances, sending countries in the region have been struggling to deploy workers overseas while hosting countries are selectively permitting entries. A total of 113,173 workers were placed abroad in 2020 according to official statistics from the Indonesian Migrant Workers Protection Agency, a reduction of almost 60 percent compared to 2019. About 47 percent of those deployments went to Hong Kong SAR, China, followed by Taipei, China (30 percent) and Malaysia (13 percent). Almost 71 percent of them were either (female) domestic workers or caregivers.¹⁵ Over in the Philippines, overseas deployment was estimated to have fallen by 70–75 percent in 2020 according to preliminary official estimates. In 2020, an annual cap of 5,000 was temporarily imposed on the overseas deployment of newly hired health care workers to ensure adequate numbers of medical personnel to meet domestic pandemic response efforts. In 2019, around 17,000 Filipino nurses had signed contracts to work abroad. The United Kingdom and Germany have sought to be exempted from this cap, particularly for nurses due to their own shortages.

Return migration. Migrant workers have returned in large numbers to several countries in the region due to layoffs induced by the global pandemic and are struggling to make ends meet. In Indonesia, over 100,000 workers have returned according to the Ministry of Manpower, though official data are not yet published. There are no specific programs in the country for returning migrants and current social aid initiatives tend to prioritize those without any income or assets. As of mid-March, a total of 390,917 OFWs returned home from over 90 countries and 150 ships due to the pandemic, according to data from the Philippines's Foreign Affairs Department. The government had allocated \$52 million for displaced OFWs, including a one-time emergency cash aid of \$200 for each worker displaced by the pandemic and

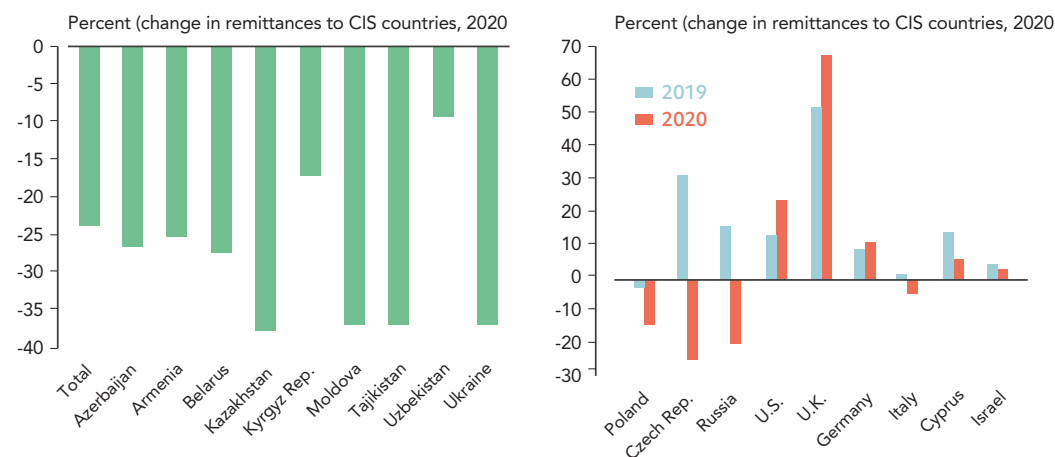
another \$8 million in education assistance for college-level dependents of affected OFWs. This is aside from \$17 million for the repatriation of OFWs, medical assistance, and return of the deceased due to the pandemic.

4.2 Remittances to Europe and Central Asia Fell Sharply in 2020 amid the Consequences of Coronavirus and Lower Oil Prices

Remittance trends. Remittances to the ECA region fell by about 9.7 percent to \$56 billion in 2020 as the global pandemic and weak oil prices had a significant impact on migrant workers across the region. The economic crisis of 2020 was not unprecedented compared to the past crises of 2009 and 2015, which saw remittances to the region fall by 11 percent and 15 percent. The ECA region was the second most affected by the COVID-19 pandemic among low- and middle-income regions, with nearly all of the countries in the region experiencing declines of remittances in 2020. The depreciation of the Russian ruble significantly lowered the (US dollar value of) remittance flows to the region (figure 4.3). As for the 2021 outlook, the growth of remittance flows to the region is estimated to fall further by 3.2 percent as the region's economies are expected to recover from the crisis slowly.

The outflow of money from Russia to some Central Asian countries that rely on the economy of Russia declined sharply in 2020 amid the COVID-19 travel restrictions. Money being sent to Tajikistan and the Kyrgyz Republic, for example, dropped by 37 percent and 17 percent respectively in 2020 (figure 4.3, first panel). The fall in income of Central Asian workers in Russia appear directly linked to the lockdown measures to curb the spread of COVID-19. The decline was expected due to a wave of returning Central Asian migrant laborers from Russia, but it was also a reminder of the additional problems faced by countries whose economies are highly dependent on remittances.

Figure 4.3 Outward Remittances from Russia to Central Asian Countries Dropped Sharply in 2020



Sources: World Bank-KNOMAD staff; IMF, World Economic Outlook.
 Note: CIS = Commonwealth of Independent Countries.

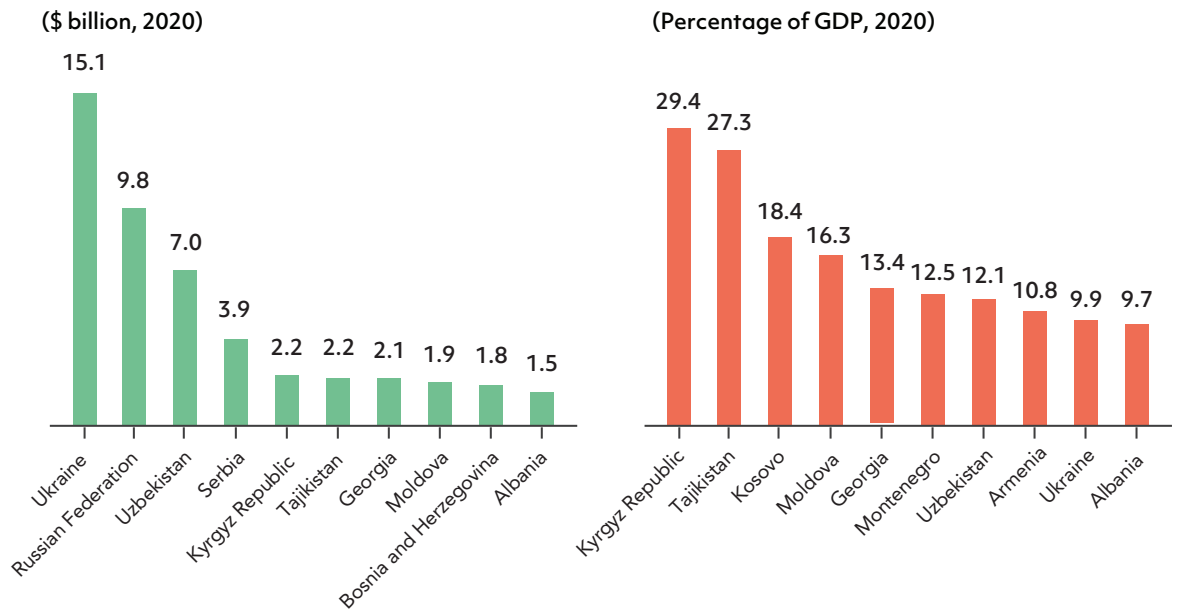
Ukraine, the region's largest recipient of remittances, received \$15 billion in 2020 (figure 4.4, first panel), 4.6 percent less than the previous year, with a sharp drop in remittances from the Czech Republic, Russian Federation, and Poland offsetting an increase in those from the United Kingdom, the United States, and Germany (figure 4.3. second panel). The Russian Federation, the second largest remittance-recipient of the region, received about \$10 billion in remittances with a negative growth rate of about 6 percent. Smaller remittance-dependent economies in the region, such as the Kyrgyz Republic, Tajikistan, and Uzbekistan, were particularly hit hard from the economic crisis of 2020 (figure 4.3), worsening the living standards of people dependent on remittances. A few countries (for example, Azerbaijan, Kosovo, Montenegro, and North Macedonia, not shown in the figure) saw positive growths in remittances.

Remittance costs. The average cost of sending \$200 to the ECA region fell modestly to 6.42 percent in Q4 2020 from 6.55 percent a year earlier. Russia remained the lowest-cost sender of remittances globally, with the total cost of remitting from the country falling from

2.11 percent to 1.0 percent, mostly reflecting declines in the Russia–Georgia and Russia–Kyrgyz Republic corridor costs. The differences in costs across corridors in the region are substantial; the highest costs for sending remittances were from Turkey to Bulgaria, while the lowest costs for sending remittances were from Russia to Georgia (figure 4.5).

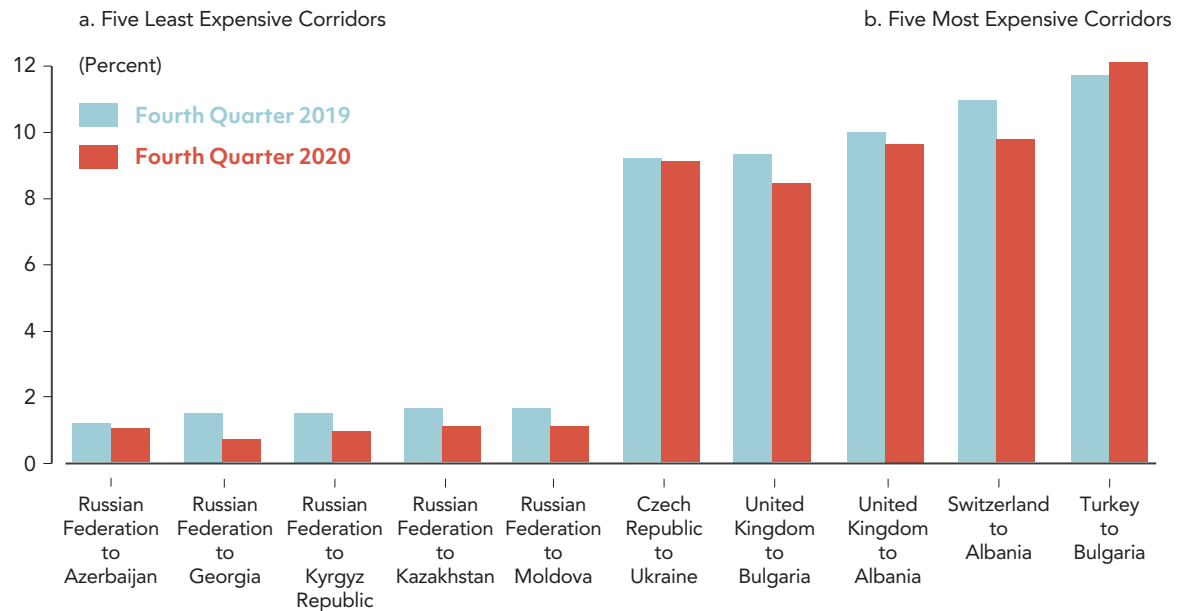
Migration trends. Before the outbreak of the COVID-19 pandemic, it is estimated that the Russian Federation had around 14 million migrant workers, comparable to that of the United States, with about 80 percent of them coming from former Soviet states. According to Russia's Interior Ministry, nearly half of all migrants living in the country before the global pandemic left in 2020. With millions of migrant laborers from the former Soviet Union stuck at home due to pandemic-induced travel restrictions, industries like construction and agriculture are facing chronic labor shortages. The Russian government simplified entry requirements for migrant workers in January 2021, but progress has been slow as only about 14,000 foreign workers were able to reach Russian construction sites between the end of 2020 and February 2021.

Figure 4.4 Top Remittance Recipients in Europe and Central Asia, 2020



Sources: World Bank-KNOMAD staff; International Monetary Fund (IMF), *World Economic Outlook*.
 Note: GDP = gross domestic product.

Figure 4.5 Russia Remained the Least Expensive Country from Which to Send Money



Sources: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

The number of first-time asylum seekers to the 27 European Union countries (EU-27) in 2020 was 417,180; this is 34 percent less than in 2019 and a sharp drop from over 1 million asylum seekers in 2015 and 2016. The pressure of illegal border crossings weakened as well. The number of illegal crossings of the European Union’s external borders in January–November 2020 fell to a six-year low of 114,300, a drop of 10 percent from the same period in 2019. In 2015 and 2016, more than 2.3 million illegal crossings were detected.

Facing huge labor force shortage in key sectors (such as agriculture, construction, hospitality, and care services) amid the COVID-19 crisis, the German government decided to extend the West Balkan regulation program under which citizens of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia, and Serbia enjoy privileged access to German labor market. In addition, nationals of the Western Balkans benefited the most from the new Skilled Workers Immigration Act. Out of 30,200 high-skilled visas issued in 2020, a total of 2,024 was issued to Serbian citizens, 1,159 to Bosnians, and 778 to Albanian citizens.

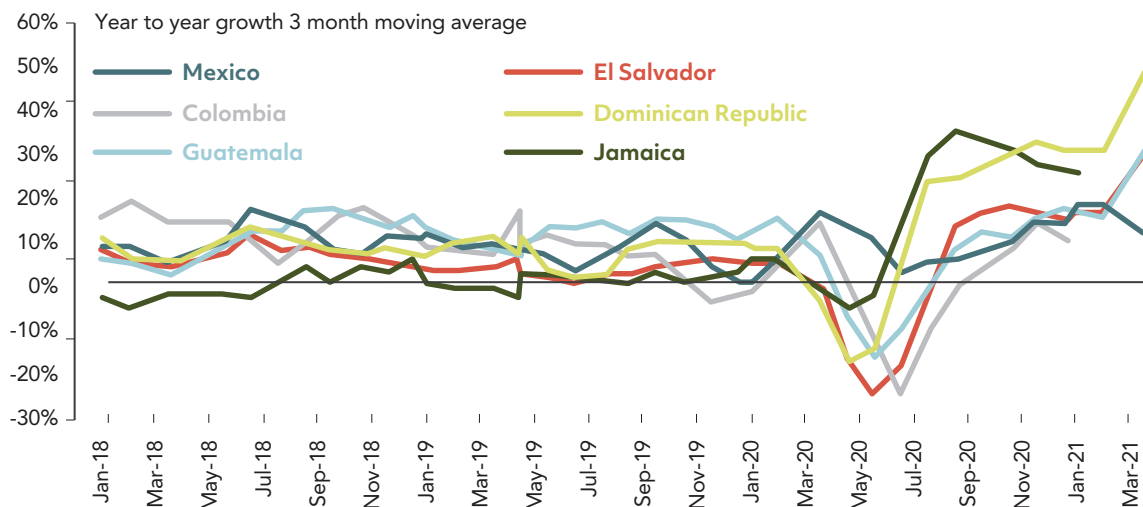
4.3 Remittances to Latin America and the Caribbean Were Resilient in 2020 and Are Expected to Continue Their Positive Growth in 2021

Remittance trends. The latest annual, quarterly, and monthly data reported by central banks show that officially recorded remittance flows to Latin America reached almost \$103 billion in 2020, an increase of 6.5 percent from 2019 (table 1.1). Remittance flows to Latin America have remained resilient and have become even more important as a source of external financing.

Data show that COVID-19 caused a sudden decrease in the volume of remittances in Q2 2020 in all the countries in Latin America with the exception of Mexico (figure 4.6). Flows to Colombia and El Salvador declined by more than 29 percent in April and May of 2020. However, remittances rebounded during the third and fourth quarter, supporting countries in navigating the impact of the crisis. By the end of 2020, remittances to the region picked up again – flows did not decline as originally predicted.

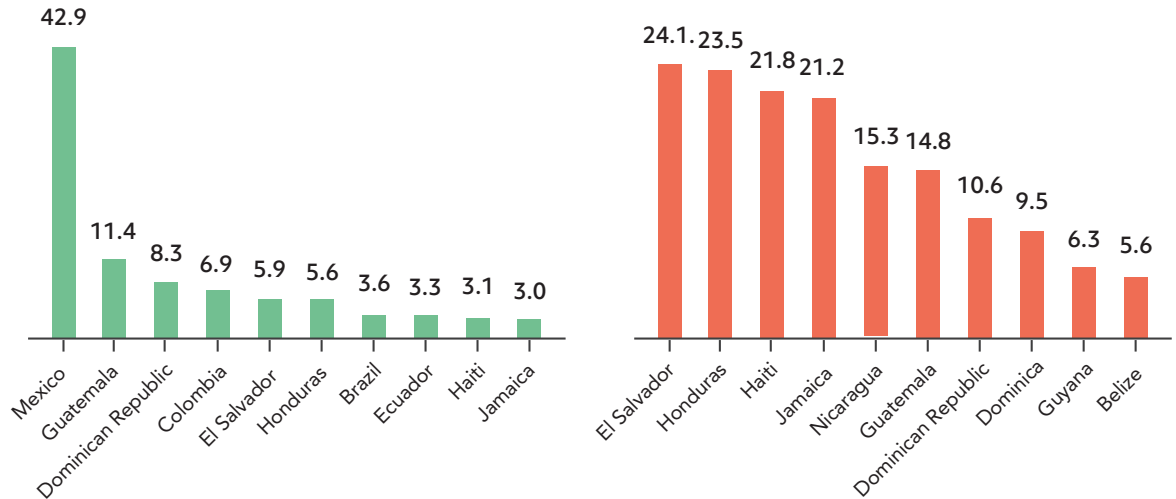
During times of economic crisis and disaster, migrant workers save and remit a larger portion of their paychecks than they would during

Figure 4.6 Remittance Flows to Latin America and Caribbean Were Resilient in 2020, Showing a “V” Recovery



Sources: Central banks of the respective countries.

Figure 4.7 Top Remittance Recipients in Latin America and the Caribbean, 2020
(\$ billion, 2020) (Percentage of GDP, 2020)



Source: World Bank-KNOMAD staff estimates, World Development Indicators, and International Monetary Fund (IMF) Balance of Payments Statistics.
Note: GDP = gross domestic product.

normal times. COVID-19's impacts on countries and the damage brought by hurricanes Etta and Iota also contributed to the increase in remittance flows in Central America. Mexico receives the largest amount of remittances in the region, but remittances as a share of GDP are the highest in the Caribbean and Central America (figure 4.7).

Resilience of remittances. Remittance flows have remained more resilient in Latin America compared to other regions in the world and in relation to many other types of resource flows such as foreign direct investment. One of the reasons is the economic stimulus packages in the United States in response to the pandemic.¹⁶ The Center for Immigration Studies estimated that a percentage of the 411,000 migrants with Temporary Protected Status (TPS) have authorization to work in the United States and could have been eligible to receive stimulus checks.

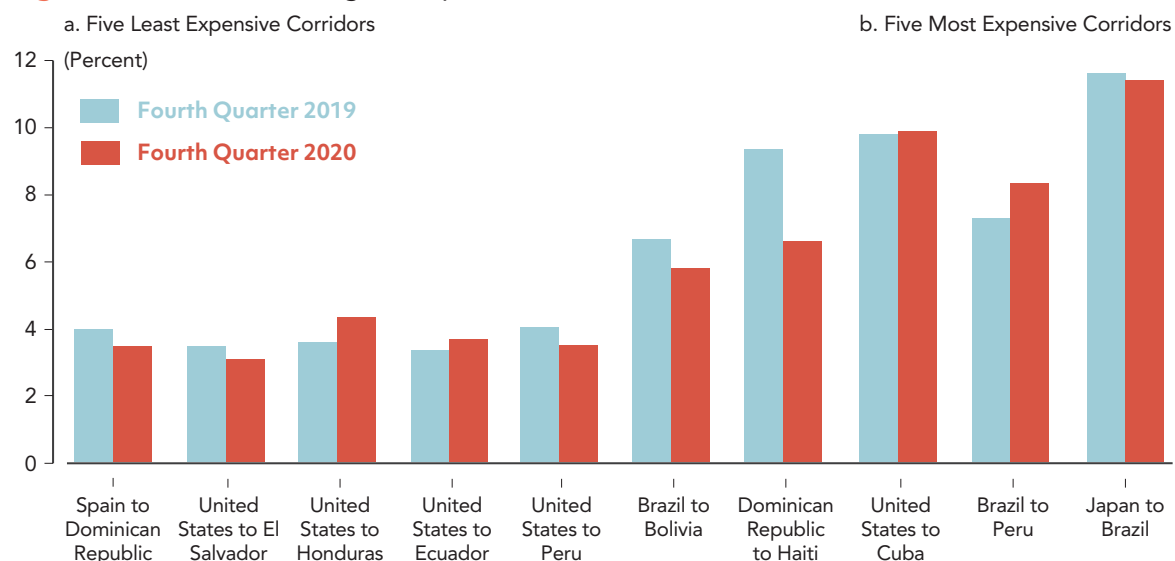
Another reason for the increase in the volume of remittances is the shift from informal to formal channels. Due to containment measures and cross-border restrictions, it was not possible to carry cash physically to Mexico. Dinarte et al. (2021) found that municipalities that used to receive remittances through informal channels (i.e., those near the border)

saw an increase in recorded remittances and in the number of bank accounts opened since the beginning of COVID-19.

Remittance flows to Mexico held up and kept growing in part because migrants were employed in essential sectors during the US lockdown of April and May 2020. The subsequent improvement in the employment situation in the United States, although not to pre-COVID-19 levels, supported the increase in remittance flows. For Mexico, El Salvador, Guatemala, Honduras, and Jamaica, the vast majority of remittances (95 percent) come from migrants working in the United States.

On the contrary, the poor economic situation in Spain remains highly affected by the pandemic and negatively affected remittance flows to Bolivia (-16%), Paraguay (-11.6%), and Peru (-13%) in 2020. Spain hosts one-tenth of all migrants from the LAC region. Similarly, intra-regional remittances from Ecuador to Colombia, Mexico, and Peru declined by 20 percent due to containment measures in 2020. The majority of migrant workers from Colombia, Peru, Mexico, Cuba, Bolivia, Nicaragua, Haiti, and Venezuela work in sectors heavily affected by the confinement such as services, hotels, and restaurants.

Figure 4.8 Cost of Sending Money to Latin America and the Caribbean Remained Stable



Sources: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

Remittance costs. According to Remittance Prices Worldwide, the United States experienced a slight increase among G8 countries in the price of sending remittances in Q4 2020. In Latin America, the cost of remittance transfers was 5.56 in Q4 2020. In many smaller remittance corridors, however, costs continue to be exorbitant. For example, the cost of sending money to the Cuba corridor exceeds 9 percent. Sending money from Japan to Brazil and Peru is also expensive (see figure 4.8).

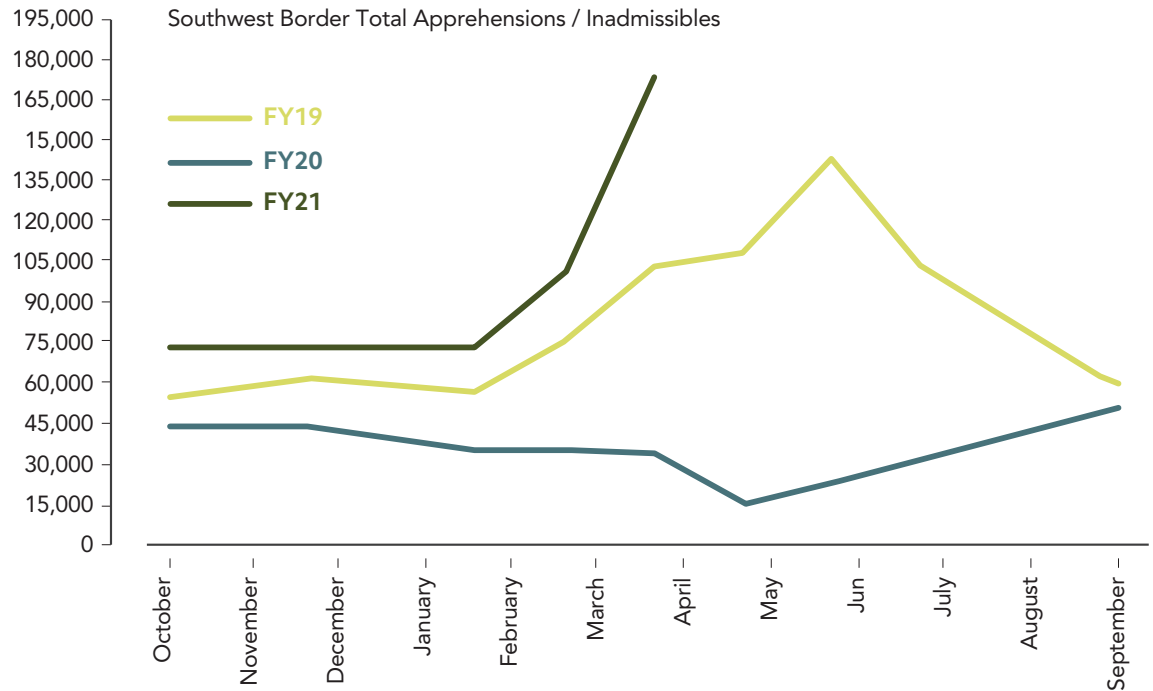
Remittances outlook. Remittance flows to Latin America are expected to increase by 4.9 percent in 2021 and 4.0 percent in 2022. Remittance flows to Latin America and the Caribbean are highly correlated with the US business cycle. A decrease in unemployment among Hispanic workers in the United States in April 2021 to 7.9 percent will likely increase the volume of remittances in 2021. Available data on remittances to El Salvador and Guatemala for Q1 2021 shows an increase of 30 percent compared to Q1 2020. Similarly, remittances to Mexico for Q1 2021 increased by 13 percent compared to Q1 2020 while remittances to the Dominican Republic increased by a sharp 50 percent in Q1 2021 compared to Q1 2020.¹⁷

Migration trends. Due to demand from firms, the United States announced a supplementary increase of 22,000 new H-2B visas for temporary work in nonagricultural sectors. About 6,000 visas were to be reserved for migrants from Honduras, El Salvador, and Guatemala. According to USCIS data, registrations for H-1B visas (for skilled workers) for fiscal year 2022 are on track to reach the cap.

According to the US Customs and Border Protection, about 171,000 migrants in March 2021 were taken into custody entering the United States, the highest number in 15 years (figure 4.9). The majority of the migrants apprehended crossing the southwest border are single adults who are returned to Mexico if they are from Mexico, El Salvador, Guatemala, or Honduras. The increase in the number of apprehensions is due to the number of migrants stranded in Mexico as a result of COVID-19 mobility restrictions, and also those affected by the “remain in Mexico” policy that ended in February 2021.

Other developments in migration policies include a designation granted by the USA for migrants from Venezuela to be granted a Temporary Protected Status (TPS) for 18 months effective

Figure 4.9 US Border Patrol Southwest Border Apprehensions/ Inadmissible, FY2019–FY2021



Sources: US Customs and Border Protection.

March 9, 2021, through September 9, 2022 (AILA 2021) Colombia and Peru also have granted TPS to Venezuelan migrants. This will allow the registered migrants access to the COVID-19 vaccine (La Republica 2021).

4.4 Remittances to the Middle East and North Africa continued to rise in 2020

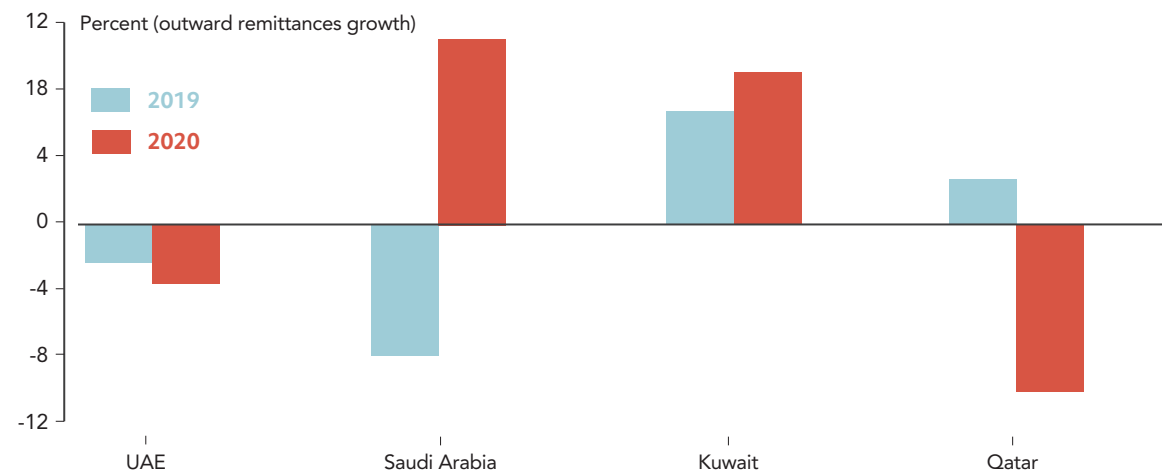
Remittance trends. Remittances to the MENA region rose by 2.3 percent to about \$56 billion in 2020 despite the pandemic, following a rise of 3.4 percent in 2019. The projected decline in remittances to the region did not materialize due mostly to unexpectedly strong flows to Egypt, the world's fifth-largest remittance-receiving country, and Morocco. In parallel, outward remittances from the United Arab Emirates fell by 3.9 percent to \$43 billion in 2020, while outflows from Saudi Arabia increased by 11 percent to \$35 billion (figure

4.10), reflecting pandemic-related one-off effects that were reflected in large recipient countries like Egypt and Pakistan.

Remittances to Egypt increased by about 11 percent to a record high of \$30 billion in 2020 (figure 4.11), rising for the fifth consecutive year. Remittances of Egyptian expatriates have risen since the country liberalized its currency in 2016. Remittances from Moroccans abroad rose 6.5 percent to \$7.4 billion last year, with the bulk for family assistance. Tunisia also saw 2.5 percent growth in remittances. In contrast, other economies in the region experienced losses in 2020, with Lebanon, Iraq, Jordan, and West Bank and Gaza posting a double-digit decline.

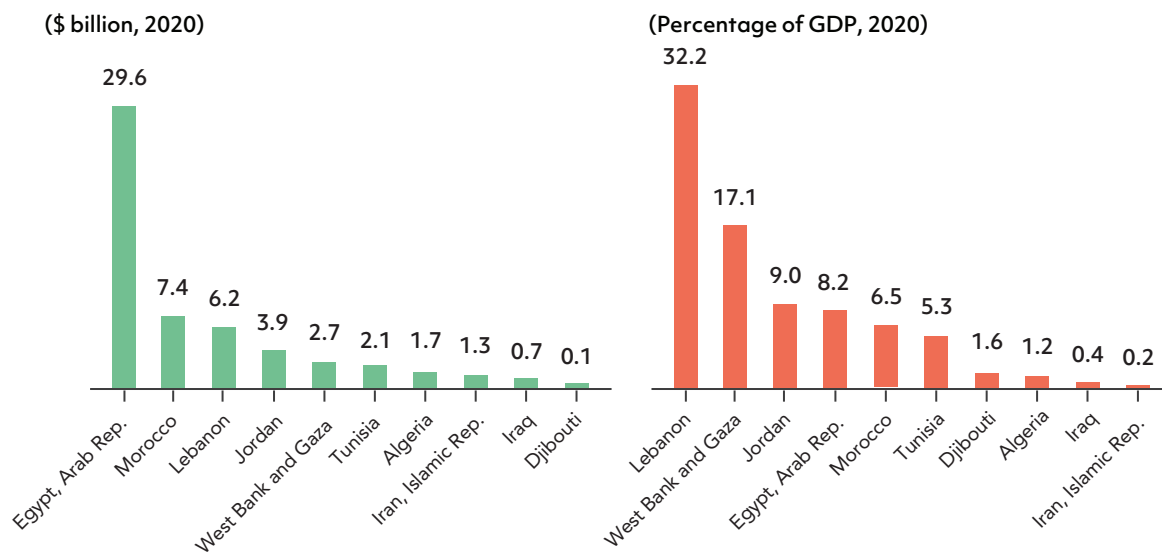
In 2021, the flow of remittances to the MENA region is projected to grow at a slow pace of 2.6 percent due to moderate growth in the euro area and weak GCC outflows. As the number of foreign workers is unlikely to recover in the short run, remittances outflows are expected to contract despite the renewed economic activity.

Figure 4.10 Outward Remittance Flows Varied Across GCC Countries



Sources: World Bank-KNOMAD staff estimates and IMF Balance of Payments Statistics.

Figure 4.11 Top Remittance Recipients in the Middle East and North Africa, 2020

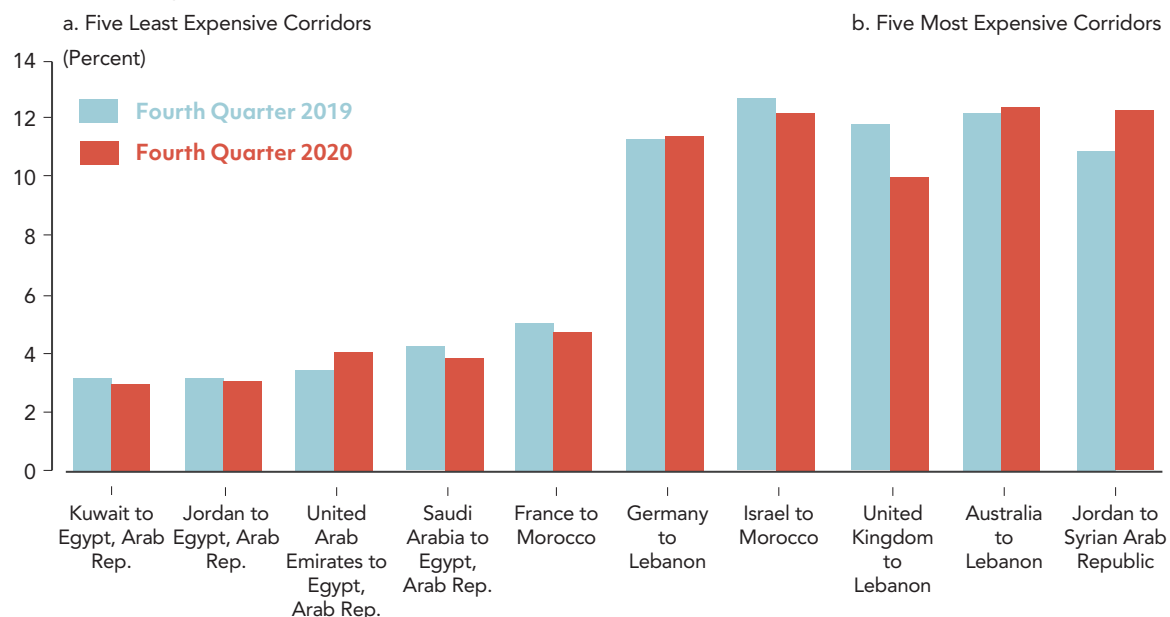


Sources: World Bank-KNOMAD staff estimates, World Development Indicators, and International Monetary Fund (IMF) Balance of Payments Statistics. Note: GDP = gross domestic product.

Remittance costs. The cost of sending \$200 to the MENA region declined only slightly in Q4 2020, to 6.6 percent despite the pandemic, compared with 6.9 percent in the same quarter of the previous year. This is close to the global average for Q4 2020, which was 6.5 percent. Costs vary greatly across corridors: the cost of sending money from high-income OECD countries to Lebanon remained very high, mostly in the double digits. On the other

hand, sending money from GCC countries to Egypt and Jordan costs around 3 percent in some corridors (figure 4.12). Notably, the cost of sending money to Syria (from Jordan and Saudi Arabia) experienced a dramatic fall as the civil war in Syria receded.

Migration trends. Saudi Arabia has ended the kafala or sponsorship system for expatriate workers under its Labor Reform Initiative,

Figure 4.12 Sending Money within the Middle East and North Africa Is Less Expensive than Sending Money from Outside

Sources: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

which was announced in November 2020 and took effect on March 14, 2021. With the kafala removed, foreign workers in the private sector are now free to seek another employer if their employment contract expires without first obtaining the consent of their original employer. However, the new labor initiative does not cover household service workers, domestic workers, and family drivers. The kafala system has been in use in the Gulf states since the 1970s, requiring migrant workers who wish to find employment to have a sponsor in the host country, usually their employer. Several Gulf countries have started to move away from the kafala system, including the United Arab Emirates.

4.5 Remittances to South Asia Unexpectedly Grew in 2020

Remittances trends. Inward remittance flows to South Asia rose by about 5 percent in 2020, driven by a surge in flows to Bangladesh and Pakistan. Bhutan and Sri Lanka also posted

strong gains last year, while India and Nepal experienced a small drop in remittances. For 2021, it is projected that remittances to the region will slow slightly to 3.5 percent due to a moderation of growth in high-income economies and a further expected drop in migration to the GCC countries.

Contrary to expectation, while the number of outbound migrant workers declined due to the COVID-19 pandemic, recorded remittances to the region remained resilient, perhaps partly due to a shift from informal to formal remittance channels (given restrictions on international travel), additional transfers to support families and friends in need (countercyclical), and returning migrants choosing to make bulk transfers of savings. It is also possible that the greater use of digital money transfer mechanisms, due to drops in transaction costs and changes in tax policy on remittances, may have encouraged a greater volume of remittances. Bangladesh and Pakistan, which saw the highest surge of flows last year, had introduced new remittance tax incentives in 2019 and 2020 respectively.¹⁸

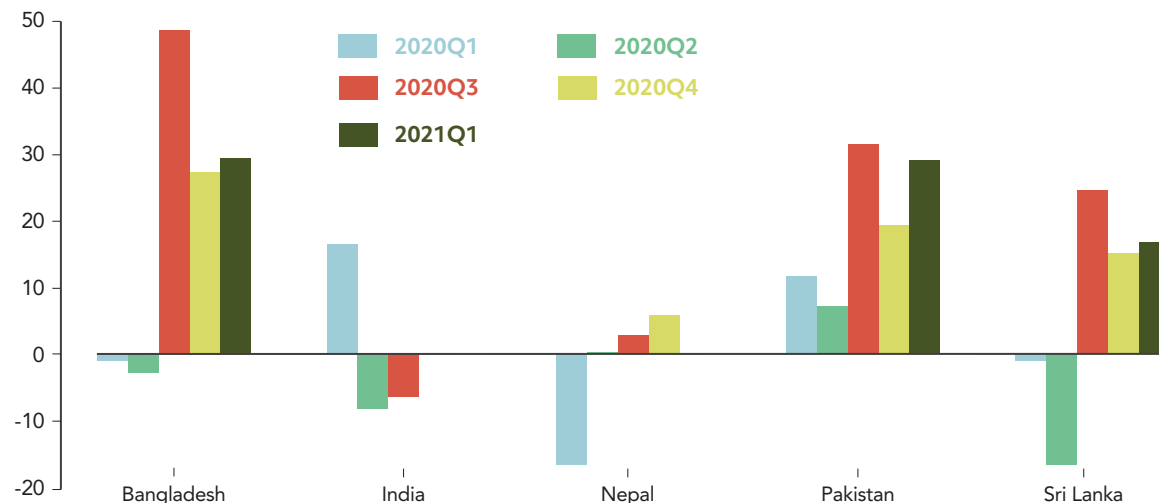
In India, the region’s largest recipient country by far, remittances fell by just 0.2 percent in 2020 to \$83 billion. Much of decline was due to a 17 percent drop in remittances from the United Arab Emirates, which somewhat offset resilient flows from United States and other host countries. In Pakistan, remittances rose by over 17 percent to a record high of \$26.1 billion; remittances from Saudi Arabia increased by over 46 percent, from European Union countries by 25 percent, and from the United Arab Emirates by 19 percent. In

Bangladesh, remittances also showed a brisk uptick in 2020 (18.4 percent), and Sri Lanka witnessed remittance growth of 5.8 percent. In contrast, remittances to Nepal fell by about 2 percent, reflecting a 17 percent decline in Q1 2020 (figure 4.13). The volume of remittances to Bangladesh, Pakistan, and Sri Lanka in Q1 2021 indicates that this increase is sustained.

In the region, Nepal has the greatest reliance on remittances at 23.5 percent of GDP (figure 4.14), followed by Pakistan (9.9 percent) and Sri Lanka (8.8 percent).

Figure 4.13 Quarterly Remittance Flows to South Asia

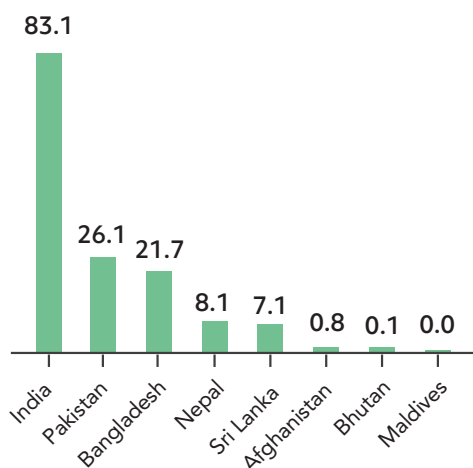
Percent (year-over-year change)



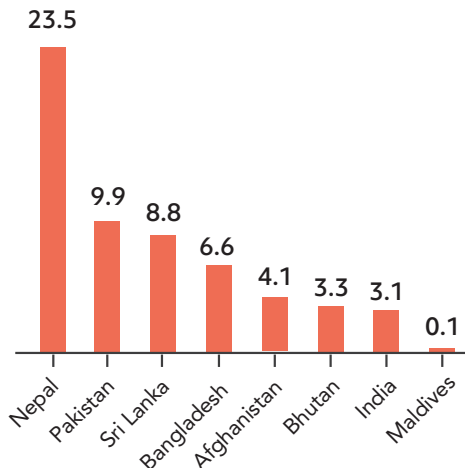
Sources: Haver Analytics and World Bank-KNOMAD staff.

Figure 4.14 Top Remittance Recipients in South Asia, 2020

(\$ billion, 2020)



(Percentage of GDP, 2020)



Sources: World Bank staff estimates, World Development Indicators, and International Monetary Fund (IMF) Balance of Payments Statistics.

Note: GDP = gross domestic product.

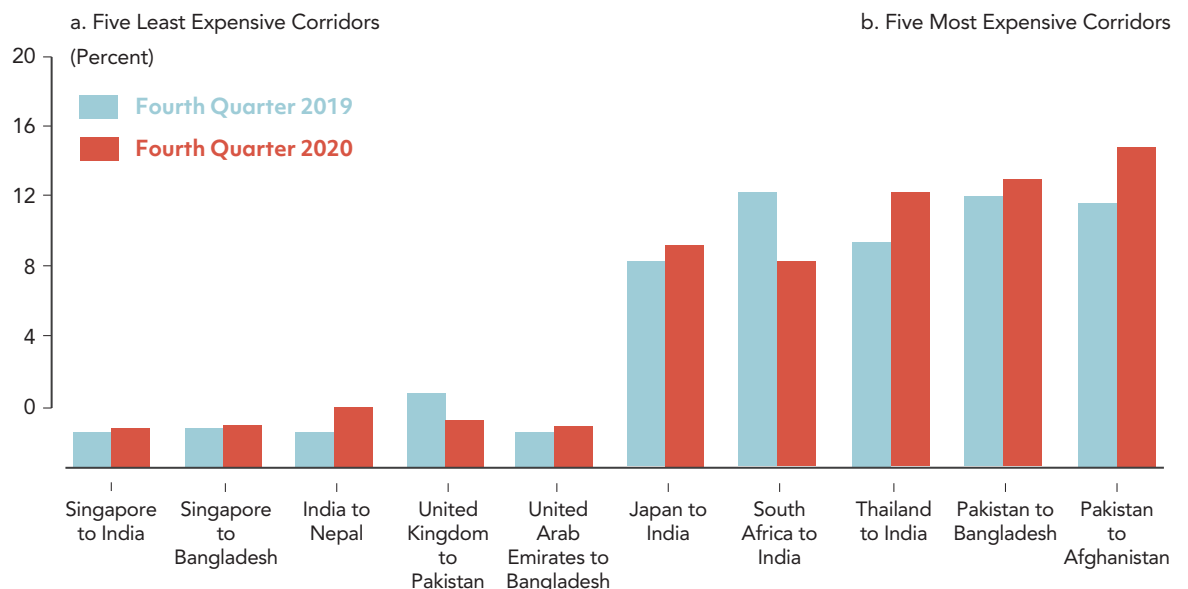
Remittance costs. South Asia still had the lowest average remittance costs of any world region at 4.88 percent in Q4 2020, down slightly from 4.9 percent a year before. Some of the lowest-cost corridors, originating in the GCC countries and Singapore, and the India--Nepal corridor had costs below the SDG target of 3 percent owing to high volumes, competitive markets, and the deployment of technology (figure 4.15). But costs are well over 10 percent in the highest-cost corridors due to low volumes, little competition, and regulatory concerns. Banking regulations (related to AML/CFT) raise the risk profile of remittance service providers and thereby increase costs in some corridors.

Migration trends. The region saw a surge of returning migrant workers last year due to the health and global economic consequences of the COVID-19 pandemic. In 2020, the number of Bangladeshi migrant workers fell to 218,000, a drastic drop from the previous annual average of 700,000 to 800,000. About 67 percent of Bangladeshi expatriate workers who were forced to return home were not paid wages, and 62 percent had to leave behind

savings and other assets. It is also reported that more than 70,000 Bangladeshi migrant workers were infected in 186 countries by July 2020, and a total of 2,330 Bangladeshi had succumbed to COVID-19 in 21 countries as of December 2020, reflecting a lack of free access to proper health care.

In Pakistan, too, the number of migrant workers dropped from 625,000 in 2019 to 225,000 in 2020, largely due to a rise in returning migrant workers from the GCC countries. In the southern Indian state of Kerala, an estimated 1.2 million migrant workers—out of more than 4 million who work in the GCC countries and contribute 30 percent of the state’s income—returned in 2020 after the global pandemic left them jobless. Low-skilled workers were the hardest hit. In Nepal, there are no official data on the exact numbers of migrant workers who have returned since the beginning of the COVID pandemic. The number of Nepali migrant workers renewing work permits in the first seven months of FY 2020/21 tumbled by 65.3 percent from a year previous.

Figure 4.15 The Costs of Sending Remittances to South Asia Varied Widely across Corridors



Sources: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

4.6 Remittances to Sub-Saharan Africa Declined in 2020 as Countries Need to Enhance Collection of High-Frequency Data

Remittance trends. Remittance flows to the region were estimated to have declined by 12.5 percent in 2020. The decline was almost entirely due to a 27.7 percent decline in remittance flows to Nigeria, which alone accounted for over 40 percent of remittance flows to the region. Excluding Nigeria, remittance flows to Sub-Saharan Africa increased by 2.3 percent, demonstrating resilience at a time of crisis. Indeed, strong remittance growth was reported in Zambia (37 percent), Mozambique (16 percent), Kenya (9 percent), and Ghana (5 percent) (figure 4.16). Data from the Central Bank of Somalia and Zimbabwe reported an increase of 16 percent and 31 percent respectively. In Cape Verde, The Gambia, and Senegal, remittances inflows fared better than projected.

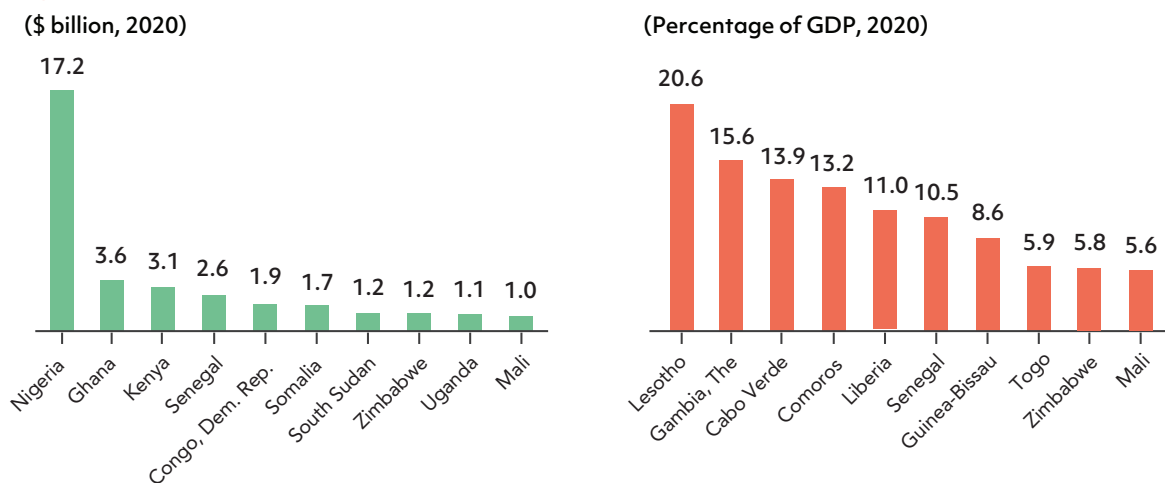
Remittance flows to the region were affected by the COVID-19 pandemic, in particular by restricted mobility measures and the employment situation in the main host countries. The decrease in flows to Nigeria is partly attributable to a high (27 percent) premium on the naira/US\$ exchange rate in informal markets, and an unexpected policy directive requiring the agent banks of money transfer operators to pay out in US dollars (or hard currency) rather than naira. In Kenya, the increase in remittances was largely due to increased flows from the United States, host to over a quarter of Kenyan migrants.

Remittances to Lesotho are a fifth of GDP while in The Gambia they represent almost 16 percent of GDP, and in Comoros and Cabo Verde they represent 13 percent of GDP (see figure 4.16, second panel).

It is worth noting that the data on remittance flows to Sub-Saharan Africa are sparse and of uneven quality, perhaps more so than in the other regions. Many countries do not report data at all. Of those that do, many use outdated methodology to record remittances (that is, they depend on the fourth IMF Balance of Payments Manual rather than the sixth edition). Some countries – for example, Somalia and Zimbabwe – collect data, but do not report them to the IMF. In many large remittance-recipient countries, there are no monthly or quarterly data, and in some cases, data are reported after a long lag of three or four quarters. Moreover, the use of informal channels is believed to be widespread in many African countries, considering the magnitude of informal intraregional migration.

COVID-19 has renewed interest in understanding the impact of crises on remittance flows. Some countries, such as The Gambia, Somalia, and Zimbabwe, reported an increase in the volume of remittances collected by their central banks while household survey data showed a decrease. For example, during Q2 2020, remittances to Somalia grew by 8 percent year-on-year while in Q3 and Q4 remittances grew by 30 percent and 18 percent, compared to 20 percent in Q2 2019. It seems that recorded remittances increased in Somalia.

Figure 4.16 Top Remittance Recipients in Sub-Saharan Africa, 2020



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

However, high-frequency phone surveys show a decrease in remittances for a large percentage of households in July 2020 in Somalia (table 4.1). A similar pattern is observed in The Gambia (Meyer and Avdiu 2021). A recent household survey conducted in the country reported that between March and August 2020, 84.6 percent of households reported a

decline of international remittances while the recorded remittances presented in the Balance of Payments data grew by 89.3 percent during Q2 and Q3 2020. The shift from informal to formal channels due to the closure of borders explained in part the increase in the volume of remittances recorded by central banks.¹⁹

Table 4.1 Percentage of Remittance-Receiving Households That Experienced a Decrease in Remittances during 2020 in Selected African Countries

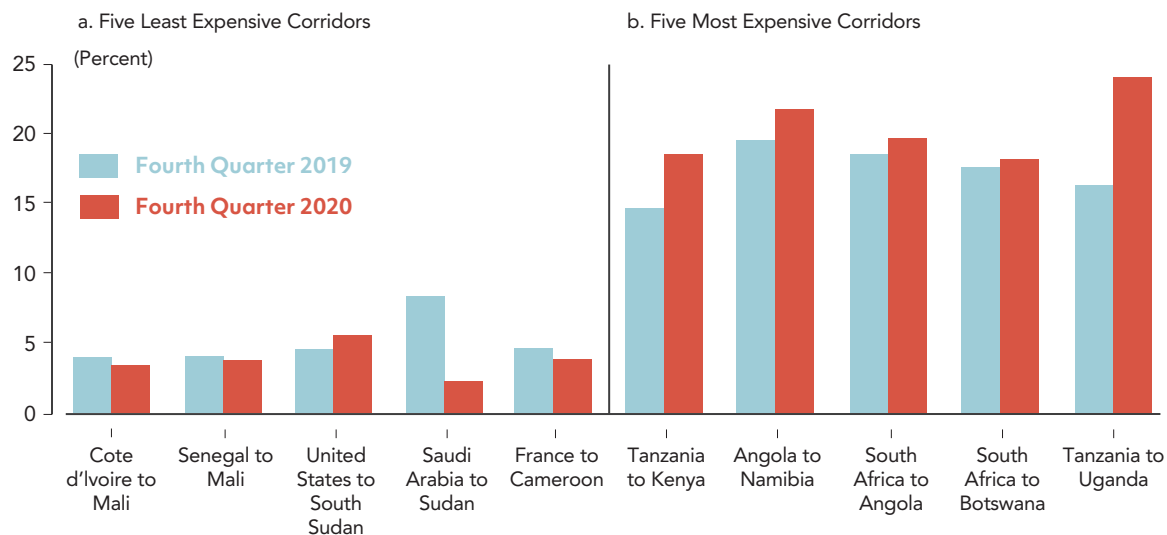
	April 2020		June 2020		July 2020	
	Urban	Rural	Urban	Rural	Urban	Rural
Ethiopia	53.8	55.4				
Malawi			81.6	80.3		
Mali			78.3	81.9		
Nigeria	72	72				
Somalia					93.6	95.7
Zimbabwe			54.6	80.8		

Sources: World Bank, COVID-19 High Frequency Monitoring Dashboard.

Remittance outlook. Remittance flows to the region are projected to rise by 2.6 (\$ 43 billion) and 1.6 percent (\$44 billion) in 2021 and 2022, respectively. Remittances are expected to be supported by improving growth prospects in the United States and other high-income host countries. Remittances to Kenya for Q1 2021 increased by 17 percent compared to Q1 2020, supported by a 40 percent increase in remittances from North America.

Remittance costs. Sub-Saharan Africa remained the highest remittance cost region, the average cost of remittance transfers reached 8.17 percent in Q4 2020. The costs of sending money from South Africa to Zimbabwe (14%), Botswana (19.6%) and Malawi (16%) are the most expensive in the region (figure 4.17).

Figure 4.17 The Costs of Sending Remittances to Sub-Saharan Africa Varied Widely across Corridors



Source: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

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Endnotes

¹ Dinarte et al. (2021) show that remittance flows to Mexico shifted from informal to formal flows through banks at the northern border as border crossings became difficult during 2020. In Somalia, 94 percent of households reported a decrease in remittance receipts in July 2020, but the central bank reported an increase of 7 percent (year-on-year) during the same month. Separately, based on phone surveys of households in Bangladesh and Nepal, conducted in April–May 2020, Barker et al. (2020) reported 25 percent greater declines in earnings and fourfold greater prevalence of food insecurity among migrant households since March. Causes include lower migration rates, less remittance income per migrant, isolation in origin communities, and greater health risks.

²“One meal saved in Dubai or New York is worth several in Mumbai or Mexico City” (see Ratha 2009). There was anecdotal evidence of migrant workers sharing accommodations to save on rent during the global financial crisis in 2009; it is not clear if that has been the case in 2020, considering the risk of contagion.

³ The positive effects of fiscal stimulus and employment support programs on remittances may be weaker in the case of internal migrants than that of international migrants. This report focuses on the latter.

⁴ A recent World Bank report (2021) uses regression analysis to show the role of income and consumption gaps between the source and the recipient countries in explaining an increase in remittances to South Asia during 2020.

⁵ The GCC countries are host to more than 30 million migrants. These migrants represent 51 percent of those countries’ total population and sent home \$115 billion in remittances in 2019. The share of migrants in the overall population of the GCC region is more than four times that in the high-income OECD countries (Rutkowski and Koettl 2020).

⁶ Pakistan’s Roshan Digital Accounts are targeted to attract foreign currency deposits from overseas Pakistanis.

⁷ Taking a cue from Bangladesh and Pakistan, in March 2021, Nigeria introduced the “Naira 4 Dollar Scheme” under which a recipient will be paid Naira 5 for every \$1 received as remittances. At the current informal market exchange rate of around 480 naira per \$1 (the official exchange rate is 380 naira per \$1), the incentive translates to around a 1 percent reward. The scheme was scheduled to end on May 8, 2021, but it has been extended indefinitely. Nigeria also issued a circular requiring all remittances to be paid out to customers either in US dollar cash or US dollar accounts (but not in naira), presumably to force money transfer operators to bring in foreign currency to Nigeria (instead of netting out outbound flows). The Central Bank of Nigeria also required all international money transfer operators to get a license, which disrupted the services of several for a few months.

⁸ Compared to an earlier estimate of between 88 and 115 million people. See Lakner et al. (2021).

⁹ The econometric model used to project remittance flows is described in World Bank (2020a). The dependent variable is the log of remittance inflows/GDP. The explanatory variables are the log of nominal per capita income of the sources of remittances weighted by the share of migrant stock, the log of nominal per capita income of the recipient country, host country GDP per capita as it interacted with the global financial crisis, host country GDP per capita as it interacted with the COVID-19 crisis, and the lagged dependent variable. The regression had 3,271 observations, with 133 countries included in the fixed effects panel regression. R-squared was 0.91. In computing forecasts, the COVID-19 crisis dummy is assumed to be 0.5 for 2021 and 0.25 for 2022, reflecting a view that the COVID-19 situation is improving, but at a slow place.

¹⁰ In the OECD countries, one-quarter of medical doctors and one-sixth of nurses are migrants. In many such countries, more than a third of the workforce in other key sectors, such as transport, cleaning, food manufacturing and IT services, are migrant workers (OECD 2020).

¹¹ Many host countries (in the European Union, North America, and many non-OECD countries) introduced measures to help migrants affected by COVID-travel restrictions or restrictions on immigration services.

The European Union and Norway introduced extensions of residence permits and a suspension or extension of procedural deadlines.

¹² The major source of remittances to the Philippines in 2020 was the United States (40 percent), followed by Singapore (7.2 percent), Saudi Arabia (6.1 percent), Japan (5.3 percent), the United Kingdom (4.6 percent), and the United Arab Emirates (4.3 percent).

¹³ Malaysia and Saudi Arabia together contributed to over 60 percent of Indonesia's remittances in 2020.

¹⁴ Top Glove, a Malaysian company that is the world's largest disposable glove maker, whose sales to the United States remained banned since last July due to allegation of forced labor, became a site for the largest cluster of COVID-19 outbreaks in the country. About 5,700 of the company's migrant workers tested positive last November in one of its manufacturing complexes and the government subsequently ordered it to close 28 out of its 41 factories. Subsequent investigations found Top Glove's workers living in cramped, poorly ventilated, and unsanitary conditions.

¹⁵ <https://bp2mi.go.id/>.

¹⁶ Taylor (2000) found that public income transfers in the United States resulted in increased remittances to Mexico—all things being equal, immigrant households that received Social Security or unemployment insurance were more likely to remit than other immigrant households.

¹⁷ Remittances from Chile to Bolivia increased by 72 percent from \$26.5 million during January–February 2020 to \$45.6 million in January–February 2021. The average amount of remittances sent to the Dominican Republic increased from \$222.6 in Q1 2020 to \$280 in Q1 2021 (25.7 percent), while for Mexico it increased from \$340 to \$354 during Q1 2021 compared to Q1 2020 (4 percent).

¹⁸ In an effort to attract remittances through banking channels, Pakistan provided tax incentives to intermediary banks to defray the costs of inward remittances. In June 2019, the Bangladesh government also introduced a 2 percent cash incentive on remittance receipts to encourage expats to send more money through formal channels. See also World Bank (2021).

¹⁹ These recipient surveys register the number of households experiencing a decrease in remittances in a given reference period instead of actual cash flows as credits or debits through the financial system. As such the data from the high-frequency survey could be underreported and misclassified. In addition, the household survey results do not differentiate if remittances are cross-border or internal, or whether they are sent through formal or informal channels.

