

A War in a Pandemic

Implications of the Ukraine crisis and COVID-19 on global governance of migration and remittance flows

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Summary

This *Migration and Development Brief* (number 36 in the series) discusses the anticipated effects of the Russian invasion of Ukraine on migration and remittance flows. And ahead of the International Migration Review Forum to be held in May 2022, the brief indicates how the global governance of migration can be strengthened and cross-border remittance flows facilitated. Developments concerning 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)—are also discussed.

In 2022, remittance flows to low- and middle-income countries (LMICs) are expected to increase by 4.2 percent to reach \$630 billion. This follows robust growth of 8.6 percent registered during 2021, when remittance flows reached \$605 billion, exceeding our earlier estimates. Remittance flows to LMICs excluding China are larger than foreign direct investment and official aid flows.

Just as the LMICs were starting to recover from the COVID-19 pandemic, the war on Ukraine erupted, altering the global landscape for migration and remittances. Remittances to Ukraine are expected to rise by over 20 percent in 2022. On the other hand, remittance flows to many Central Asian countries (for which the main source is Russia) are expected to fall dramatically. The *direct* effects of a decline in remittance flows and the *indirect* effects of rising food, fertilizer, and oil prices (for which Russia and Ukraine are major exporters to world markets) are likely to pose risks of food insecurity and rising poverty in many low-income countries. Even as all eyes are on the Ukraine crisis, the fall-out of the COVID-19 pandemic continues to strain the balance of payments and fiscal situation in many LMICs.

The combined fall-out of the COVID-19 crisis and the Ukraine crisis will affect the global governance of migration in the coming years. As of the end of April 2022, according to the United Nations High Commissioner for Refugees, 5.5 million Ukrainians had left for Poland and other countries. An even larger number of persons had been displaced internally. The rapid pace and scale of the displacement of Ukrainians has shifted global policy attention away from other developing regions and peoples affected by fragility, conflict, and violence. It has also shifted policy makers' focus from addressing economic migration toward addressing the needs of refugees. This shift is likely to affect the proceedings and outcomes of the upcoming International Migration Review Forum. The Ukraine crisis has further strengthened the case for creating a Concessional Financing Facility for Migration to support both destination communities experiencing a large influx of migrants and origin communities experiencing return migration during the COVID-19 crisis.

Including the refugees from Ukraine, the stock of international migrants and refugees is likely to reach around 286 million in 2022. During the COVID-19 crisis spanning 2020–21, the stock of international migrants declined. The Ukrainian crisis has reversed that trend.

The war in Ukraine has also affected international payment systems, with important implications for cross-border remittance flows from Russia to Central Asian countries that have a large dependence on remittance inflows from Russia. The exclusion of Russia from the SWIFT payment system has added a national security dimension to international payment systems, which are likely to become multipolar in the future. A continuation of different payment systems or even further diversification is likely to slow progress in fostering interoperability of payment systems and reducing remittance fees (SDG indicator 10.c.1).

Lowering remittance fees by even 2 percentage points would translate into \$12 billion of annual savings for international migrants from the LMICs. The global goodwill towards refugees and migrants from Ukraine opens an opportunity to develop and pilot programs to facilitate their access to jobs and social services in host countries. Selectively applying risk-based, proportionate and simplified anti-money laundering and counter-terrorist financing (AML/CFT) procedures for small remittance transactions as well as Customer Due Diligence (CDD) and AML/CFT compliance processes could help to reduce remittance costs and mobilize diaspora investments.

The COVID-19 pandemic and the Ukraine crisis have further highlighted the need for frequent and timely data. In April, the World Bank, under the auspices of KNOMAD and in collaboration with countries where remittances provide a financial lifeline, launched an International Working Group to Improve Data on Remittance Flows. Improved data on remittances will directly support the Sustainable Development Goal indicators on reducing remittance costs and increasing the volume of remittances. They will also support the first Objective of the Global Compact on Migration, to improve data.

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1. A Financial Lifeline for a Developing World at Risk

1.1 Prior to the Russian invasion of Ukraine, remittances sustained strong momentum in 2021

In 2021, remittance flows to low- and middle-income countries (LMICs) registered a robust gain of 8.6 percent to reach \$605 billion (table 1.1 and figure 1.1).¹ Remittances are a major source of external finance to LMICs, compared to foreign direct investment (FDI), official development assistance (ODA), and portfolio investments (figure 1.1a). In the recession year 2020, remittances proved resilient and were the paramount source of international financing for developing countries, as FDI dropped 12 percent on the back of declining global activity. Excluding China, the largest recipient of FDI, remittances have been the largest source of external finance for LMICs since 2016 (figure 1.1b),² and have measured about three times the size of ODA for over a decade.

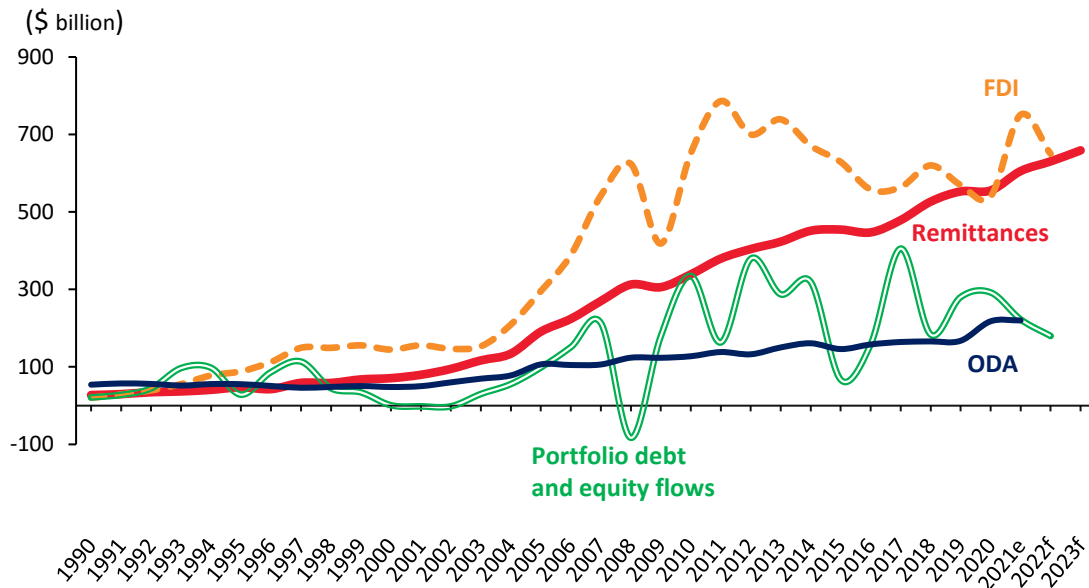
Table 1.1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

Region	2015	2016	2017	2018	2019	2020	2021e	2022f	2023f
	(\$ billion)								
Low- and middle-income countries	454	447	479	527	553	558	605	630	659
East Asia and Pacific	128	128	134	143	148	137	133	133	134
<i>excluding China</i>	64	67	70	75	80	78	80	83	86
Europe and Central Asia	49	48	55	62	68	69	74	73	77
Latin America and Caribbean	68	74	81	89	96	104	131	143	153
Middle East and North Africa	50	49	52	52	54	57	61	65	68
South Asia	117	111	116	131	139	147	157	164	172
Sub-Saharan Africa	42	39	42	49	47	43	49	53	55
World	611	597	631	683	714	719	773	802	842
	Growth rate (percent)								
Low- and middle-income countries	0.7	-1.6	7.1	10.0	5.0	0.8	8.6	4.2	4.5
East Asia and Pacific	3.9	0.0	4.6	6.7	4.0	-7.3	-3.3	0.3	0.3
<i>excluding China</i>	5.4	4.6	4.6	7.8	6.2	-2.4	2.5	3.8	3.5
Europe and Central Asia	-13.5	-3.1	14.5	14.1	9.2	1.5	7.8	-1.6	5.0
Latin America and Caribbean	6.7	7.4	10.2	10.1	7.9	8.2	25.3	9.1	7.7
Middle East and North Africa	-5.7	-1.3	5.3	1.3	4.0	5.2	7.6	6.0	4.3
South Asia	1.7	-5.6	5.0	12.9	6.0	5.4	6.9	4.4	4.8
Sub-Saharan Africa	6.5	-8.5	8.1	17.0	-4.3	-8.1	14.1	7.1	5.5
World	0.5	-2.3	5.6	8.3	4.6	0.6	7.6	3.7	4.9

Source: KNOMAD/World Bank staff; IMF Balance of Payments Statistics. See appendix in *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: e = estimate; f = forecast.

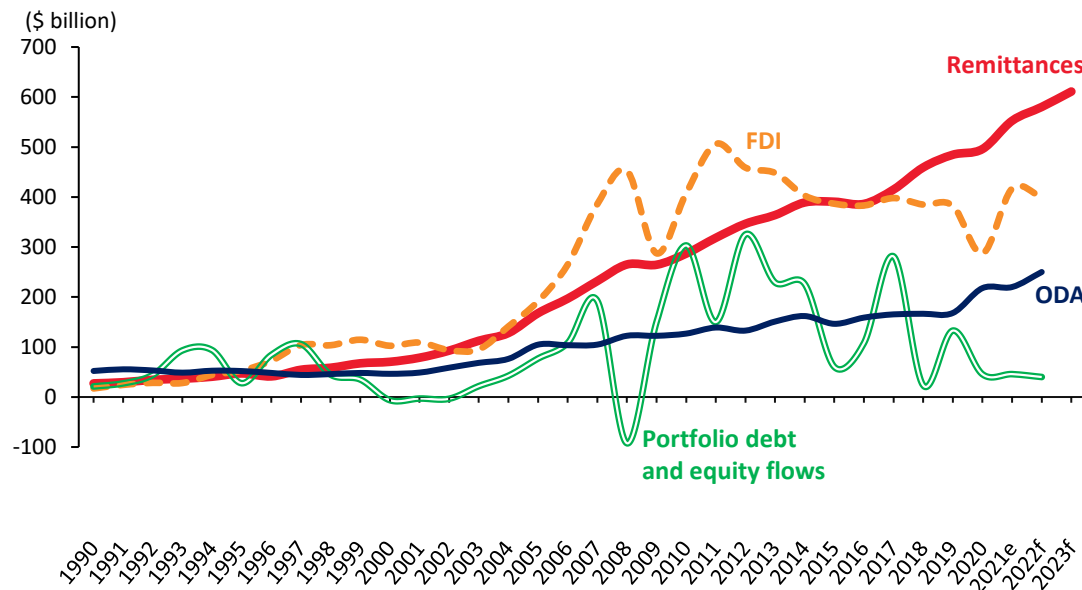
Figure 1.1a Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, 1990–2023f



Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. Also see World Bank/KNOMAD (2016) for sources, methods, and challenges of collecting remittance data.

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, 1990–2023f



Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. Also see World Bank/KNOMAD (2016) for sources, methods, and challenges of collecting remittance data.

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

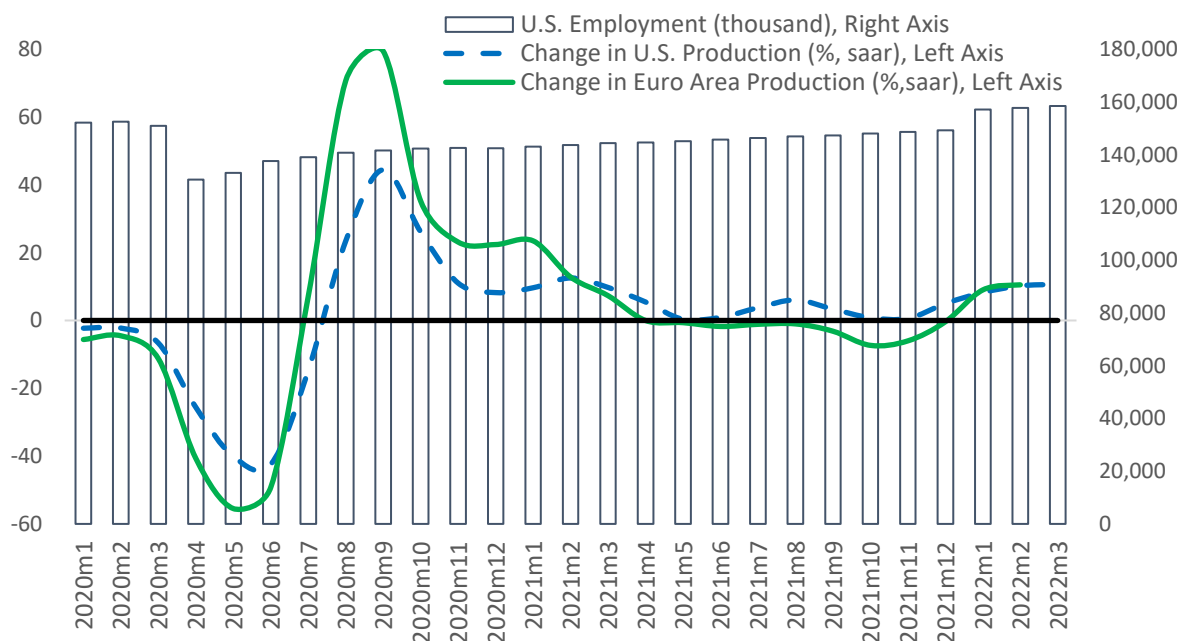
1.2 Reasons for Sustained Growth in Remittances during 2021

The near-record growth of remittance flows to LMICs in the year was driven first and foremost by migrants wanting to send money to support their families facing hardships back home (see *Migration and Development Brief 35*). Their ability to send remittances was, in turn, enabled by strong economic activity and employment levels in many large host countries that implemented fiscal stimulus programs (box 1.1).

Box 1.1 Global Economic Developments

Before the Russian invasion of Ukraine in early 2022, baseline expectations for global economic conditions were positive but tempered for the next two years, as risks to the projections remained skewed to the downside. The persistence of COVID-19, disparities in vaccination rates across global regions (e.g., Africa), and the potential for the emergence of new variants was not the least of the risk factors. Global conditions during the first half of 2021 were supportive of the flow of remittances to developing countries. World gross domestic product (GDP) registered robust gains of 5.5–6.0 percent for the year, the fastest pace in four decades, emerging from the pandemic-induced recession of 2020. Recovery among the advanced economies—with the United States and Europe as key remittance sources—was powered by expansionary pandemic-related fiscal, monetary, and liquidity measures, yielding an upturn in consumer spending, employment, and wages.

Figure B1.1 Conditions in the US and EU Economies Were Favorable for Remittance Flows During 2021



Sources: International Monetary Fund and U.S. Bureau of Labor Statistics.
 Note: m = month; saar = seasonally adjusted annual rate.

But by mid-2021, production, trade, and economic activity were slackening among high-income countries. Supply chain difficulties and pressures on energy and food prices increased in intensity.³ Yet the slowing of growth and higher inflation in Europe were moderate in context until late in 2021, and though the tenor of growth in the United States eased during the second half of the year, job creation

surged on the back of stronger demand for services accompanying the gradual lifting of pandemic restrictions (figure B1.1). Current updates show that U.S. GDP growth eased from a 6.9 percent seasonally adjusted annualized rate (saar) in the fourth quarter of 2021 to a modest decline of 1.4 percent (saar) during the first quarter of 2022—on the back of inventory adjustment, lower government spending and higher imports. At the same time growth in the Euro Area dropped from a 9 percent pace to less than 1 percent in the final quarter of 2021 and the first of 2022. Two sources of vulnerability—more rapid inflation and financial market instability—were of increasing concern. If these were embedded in consumer and market expectations, the stage could be set for higher interest rates, increased difficulties for emerging market finance, and continued supply-chain impediments to growth that could impact remittance flows.

The impact of the Ukraine crisis is difficult to predict, as it comes at a time when the global economy is still in the grip of a pandemic. The fourth wave (omicron “a” and “b” variants) appears at this juncture to be more contagious than the delta and original SARS-2 virus, but less severe in terms of illness (morbidity) and mortality. Although its incidence has been high in both advanced and developing economies, the stunning gap in vaccination rates amplifies adverse conditions for the latter group of countries. Currently, 63 percent of the world’s population has received at least one vaccination; for low-income countries the vaccination rate stands at 15.3 percent and for Sub-Saharan Africa 11 percent.

The pandemic continues to affect the global economy through supply shortages, less dynamic growth in demand, a slowing of world trade, and a divergence in the growth performance between high-income countries and LMICs. The Russian invasion of Ukraine has heightened these risks and underpinned the skyrocketing of critical commodity prices. Recent economic projections from the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank, and private sector organizations, highlight a slowing of about 2 percentage points in global growth in 2022, in contrast to the strong 5–6 percent outturns of 2021. Moreover, indicative of the effects of the current crisis, growth has been marked down within a range of 0.5 percent to 1 percent for 2022 vis-à-vis projections prepared early in the year (IMF 2022; OECD 2022; Oxford Economics 2022).

The direct effects reflect significant costs to the countries in conflict as well as neighboring countries in terms of human casualties; large numbers of Ukrainian refugees in Poland, Romania, and other EU countries; and displaced persons within the country. World Bank analysts anticipate that GDP in Ukraine will plummet by a full 45 percent in 2022 (World Bank 2022a).

The costs of the invasion for the Russian Federation include exceptionally tight sanctions imposed by countries of the North Atlantic Treaty Organization (NATO) and others on financial transactions (including international reserves); restrictions on key individuals, financial institutions, and use of the SWIFT interbank communications system; pullout from Russian operations by many international firms; and, in some cases, bans on the import of Russian energy products (e.g., in the United States and United Kingdom). The World Bank’s “War in the Region” report anticipates that Russian GDP will contract by about 11 percent in 2022.⁴

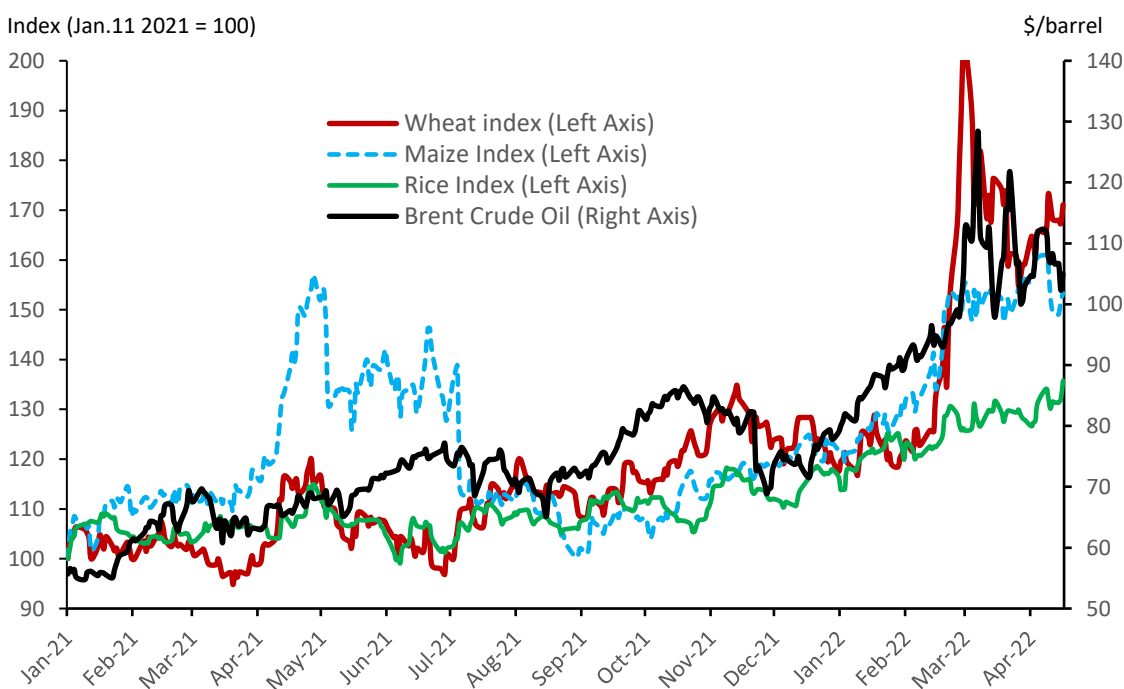
Concern for the direct economic effects on Russia’s and Ukraine’s closest neighbors—the economies of Central Asia, the Caucasus, and Moldova, and countries on the eastern edge of the European Union, including Poland, Romania, and others—is immediate.

The *indirect effects* of the crisis are largely being realized through an unprecedented increase in global commodity prices, importantly crude oil and natural gas, which emerged over the course of 2021 and surged with the Russian attack in early 2022.⁵ As illustrated in figure B1.2, on February 28 market prices

for oil and wheat (as well as maize, edible oils, fertilizers, and several metals) rocketed to new heights, as Russia and Ukraine are important suppliers of these commodities to regional (European and African) and global markets. These countries account for 30 percent of global wheat exports, 20 percent of maize, mineral fertilizers, and natural gas; and 11 percent of crude oil.

Countries carrying more extreme exposures are the import-dependent economies of Sub-Saharan Africa and the Middle East and North Africa, and to a lesser degree Latin America and the Caribbean, East Asia and the Pacific, and South Asia. Food price increases will impact the poorest nations hardest, as food represents about 40 percent of the consumption basket in Africa, compared with 17 percent in the advanced economies. The commodity price and supply outlook remain sobering as Ukraine’s Black Sea ports remain blockaded. Moreover, reduced fertilizer supplies and higher energy prices will raise the cost of harvesting, transporting, and processing of food in 2022 and prospectively beyond, with implications for migrants who support their families back home to cover living expenses.

Figure B1.2 Oil and Grain Prices Increased Amid Expected Shortfalls in Supply from Russia and Ukraine

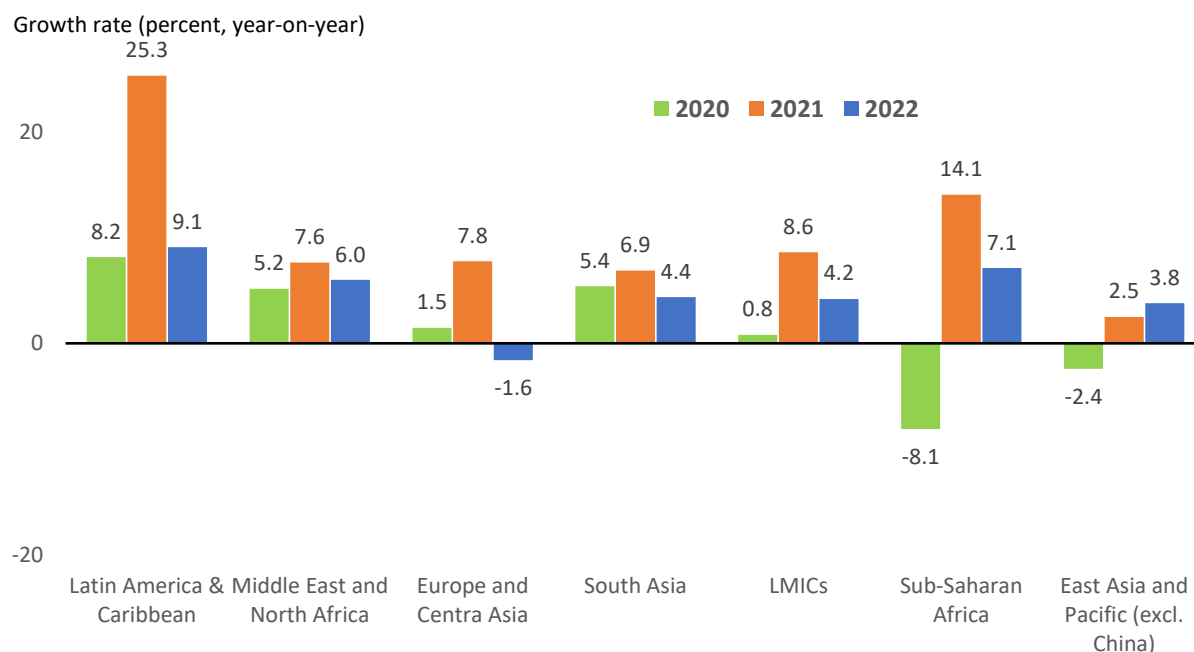


Source: International Energy Agency, Business Insider, and Trading Economics.

In turn, the pace of U.S. and international inflation recently reached record rates (8.5 percent in the United States in March 2022, year on year—the highest since 1981). Inflation is pressuring monetary authorities in the advanced economies to raise policy interest rates, with the U.S. Federal Reserve recently stating that it will increase short-term rates more quickly than planned earlier. With higher short- and long-term interest rates expected and a further tightening of market liquidity conditions, a reduction in business confidence and increased volatility in asset markets could adversely affect financing of developing countries’ needs, accentuating difficulties in debt servicing across a wide spectrum of countries and making remittances a source of funding using innovative financing mechanisms (e.g., diaspora bonds, securitization of remittances).

Remittance receipts differed in dynamics across developing regions during 2021, tied to country-specific factors, changes in major destination countries' policy stance on migrant labor, shifts in developments in the international environment, and the tenor of economic activity in key host countries. Figure 1.2 underscores the strong outturns for remittance flows witnessed in 2021 and highlights that such gains are unlikely to be sustained in 2022 in the context of the new global landscape for remittances. Regional trends are discussed in more detail in section 5.

Figure 1.2 Remittance Flows by LMIC Region, 2020–22



Source: KNOMAD/World Bank staff.

Note: LMICs = low- and middle-income countries.

Remittances to *East Asia and Pacific excluding China* ended 2021 with growth of 2.5 percent following a 2.4 percent falloff in 2020. Overall remittance inflows in East Asia and Pacific (including China) declined by 3.3 percent following a drop of 7.3 percent in 2020. Including China, remittance flows to *East Asia and Pacific* reached \$133 billion in 2021. Remittances did not chart a countercyclical trend in 2020 when the COVID-19 pandemic first erupted, or in 2021 following outbreaks related to new variants, although they did not decline as precipitously as FDI and other resource flows either. The return of large numbers of migrants from host countries in 2020 was compounded by lockdowns and travel restrictions due to repeated COVID-19 outbreaks in 2021. Several policy developments appear to be marking the post-pandemic job market for migrants: the Gulf Cooperation Council (GCC) is actively courting East Asian governments to attract skilled workers, and Thailand will issue work permits for migrant workers from Cambodia, the Lao People's Democratic Republic, and Myanmar to redress labor shortages.

After advancing by 1.5 percent in 2020, and before the Russian invasion of Ukraine, remittance inflows in 2021 to **Europe and Central Asia** increased by about 8 percent, reaching historic highs of \$74 billion. The step-up was due in large part to stronger economic activity in the European Union (EU) and rebounding energy prices. Ukraine, the largest recipient of remittances, received record-high inflows of \$18.2 billion in the year, driven by vibrant receipts from Poland, the largest destination country for Ukrainian migrant workers. Transfers are vital to the financing and growth of the economies of Central Asia, and Russia is their prime source. In Tajikistan and the Kyrgyz Republic, remittances in 2021

accounted for 34 and 33 percent of gross domestic product (GDP), respectively, comparable to the countries' exports of goods and services. Near-term projections for remittances to the region are highly uncertain, dependent as they are on the scale of the war in Ukraine and the effectiveness of the sanctions on outbound payments from Russia.

Officially recorded remittance flows to **Latin America and the Caribbean** reached \$131 billion in 2021, up 25 percent from 2020. The pickup in growth was broad based, with notable increases in remittances from the United States and to a lesser degree from Spain. The U.S. economic stimulus package, including the American Rescue Plan, contributed to the growth in remittances since it had positive effects on job creation, with employment of foreign workers and Hispanics and Latinos returning to precrisis levels by March 2022. Mexico experienced an exceptional 25 percent increase in flows, as the number of transit migrants remaining in Mexico—as well as transit migrants en route to the United States—continued to increase. Recorded as flows to Mexico, these encompass funds received by transit migrants from Honduras, El Salvador, Guatemala, Haiti, Venezuela, Cuba, and other nations.

The developing countries of the **Middle East and North Africa** accrued remittances totaling \$61 billion during 2021, with growth in aggregate registering a strong 7.6 percent. The Arab Republic of Egypt is the largest recipient of remittances in the region (51 percent of the total in 2021), garnering \$32 billion, with stronger ties than those of the Maghreb to the GCC and other Arab countries. Remittance flows are of great importance to Egypt in offsetting persistent shortfalls in external and fiscal accounts. Transit migration, that is, a staging of prospective migrants to Europe in countries such as Morocco, Tunisia, and Egypt—and receipt of supporting flows to in-transit migrants from their home countries, has played a role in boosting receipts in the region. Looking forward, though they include a diverse group of net oil exporters (Algeria, Iran, Iraq, with Egypt near balance), all Middle East and North Africa countries are net food importers (food accounts for nearly 40 percent of the household budget), and higher prices for staples will exact a substantial toll on the poor.

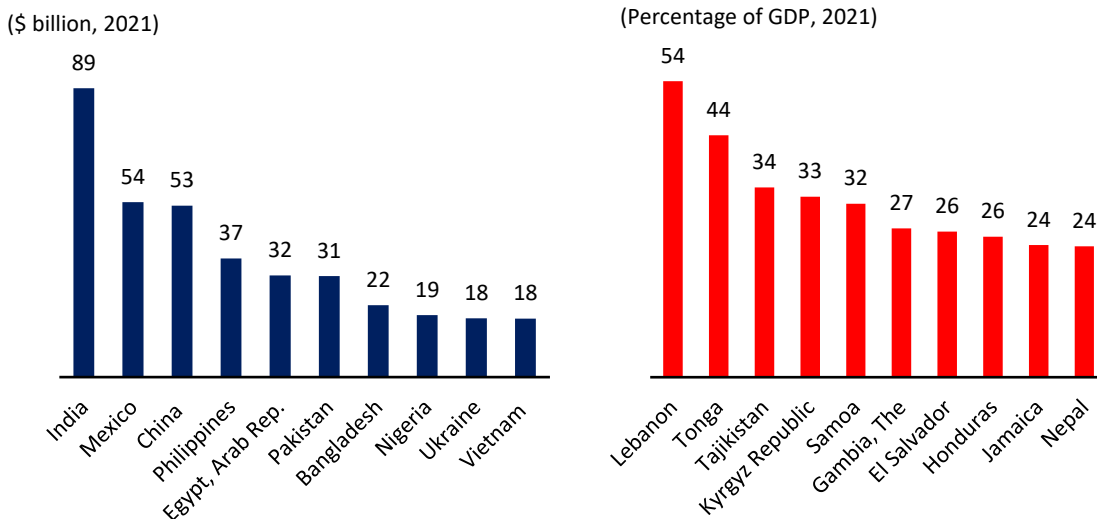
South Asia enjoyed a 7 percent gain in remittances to \$157 billion in 2021, outstripping the strong performance and show of resilience during the 2020 worldwide economic downturn. Though large numbers of South Asian migrants returned to home countries as the pandemic broke out in early 2020, the availability of vaccines and the opening of GCC economies enabled a gradual return to host countries in 2021, supporting larger remittance flows. Outturns were largely supported by India and Pakistan. Remittance flows to the former grew by 8 percent in 2021 to \$89.4 billion, on recovery in the United States (accounting for a fifth of India's remittances) and support to families back home affected by the delta variant in the summer of 2021. Flows to Pakistan increased by 20 percent in 2021 to \$31 billion.

Remittance inflows soared 14.1 percent to \$49 billion in **Sub-Saharan Africa** during 2021—more than erasing the falloff of 8.1 percent recorded in the prior year and representing the strongest gain since 2018. Factors supporting a return to growth included economic activity in Europe and the United States, which remained firm, and a restoration of recorded inflows to Nigeria, which had slipped by about 28 percent in 2020 due to increased use of informal channels. Recorded flows to Nigeria advanced by a healthy 11.2 percent in 2021 to \$19.2 billion, while flows to Sub-Saharan Africa excluding Nigeria surged 16 percent to \$30 billion in the year.

1.3 Top Remittance Source and Recipient Countries in 2021

The top five recipient countries for remittances in 2021 were India, Mexico (which moved up to replace China in second position), China, the Philippines, and Egypt (figure 1.3, first panel). **India** gained a substantial 8 percent during the year, as a return of migrant labor to host countries and support to reduce the effects of COVID-19 in India boosted remittance inflows. **Mexico’s** surge in recorded inflows to \$54 billion was tightly linked to U.S. recovery, as well as to flows from home countries to the large number of Central American transit migrants. **China** continued to display a decline in flows from its large diaspora, contracting by double-digit rates for a second year in succession. In contrast, **the Philippines** benefitted directly from job creation and wage gains in the United States, which accounted for almost 40 percent of remittance receipts; the country registered a moderate 4.3 percent advance in the year to \$37 billion. Remittances from **Egyptian** migrant workers increased to \$32 billion in the year, a respectable 6.4 percent gain, benefitting from higher oil prices, remittance returns from expatriates in the Gulf, as well as healthy economic activity in Europe and the United States.

Figure 1.3 Top Recipients among Low- and Middle-Income Countries, 2021



Source: KNOMAD/World Bank staff.

Note: Somalia and South Sudan are excluded due to data limitations. GDP = gross domestic product.

Among economies where remittance inflows stand at very large shares of GDP—highlighting the importance of remittances for the current account balance of these countries—are a good number of Pacific Island nations, including Tonga and Samoa in the “top ten,” and Fiji, Kiribati, and the Marshall Islands—where exposure to natural disasters and the vagaries of tourism require substantial income augmentation from overseas workers (figure 1.3, second panel). Also, remittance flows to Central Asian economies (including the Kyrgyz Republic and Tajikistan) with exceptionally tight links to Russia are likely to be adversely affected by the war on Ukraine (see figure 5.4). Remittances comprise a large share of GDP also in Central America (with its reliance on the United States) and Lebanon (with a substantial diaspora).

1.4 The Outlook for 2022: Risks Escalate in the Wake of the Russian Invasion of Ukraine

Since February 2022 the Ukraine war has served to increase geopolitical tensions, underpin greater volatility in global financial markets, and accentuate earlier sharp gains in crude oil and food prices, commodities for which Russia and Ukraine stand as major suppliers to world markets. There will be significant direct effects on countries impacted by the war following the February 24 invasion, as well as substantial indirect global effects, adversely affecting developing countries that are dependent on food and fuel imports (see box 1.1). Such factors present a large-scale humanitarian, migration, and refugee crisis, and economic risks for the global economy, which has not fully recovered from the COVID-19 pandemic. The moderation of growth among major OECD economies in the early months of 2022 is of substantial concern. At the same time, these factors make remittances and diaspora investments even more important as sources of external finance.

Despite substantial risks to the downside, the LMICs are expected to experience continued gains in remittance inflows during 2022, but at half the pace (4.2 percent) registered in 2021 (see figure 1.2). The Russian invasion and the widespread destruction in Ukraine have both direct and indirect effects—with shattering losses in terms of trade for net importers of energy, food, or both—serving as the principal influences on the path of transfers.

The outlook for remittances for **Europe and Central Asia** in 2022 is highly uncertain. Outflows from Russia could plummet 40 percent, given the expected 11 percent decline in GDP and the further potential evolution of sanctions. A sharp drop in transfers to Central Asian countries is likely in economies that are highly dependent on them (see section 5.2). For Ukraine, a steep falloff in remittances from Russia is likely to be more than offset by a buoyant increase in flows from Ukrainians taking refuge in Poland and other Central European countries. War refugees and those migrant workers long in the area are likely to send funds home to support family members during the war.

With risks weighted to the downside, there are several factors that support a view for continued—though more moderate—7.1 percent gain in flows to **Sub-Saharan Africa** in 2022. Momentum for the use of official channels in Nigeria should sustain an uptrend in the year, within flows reaching \$21 billion. Though economic activity is likely to ease in the United States and Europe, fundamentals remain positive for continued gains in remittance flows to the remainder of Africa, as the influence of ‘altruistic’ motivations that were demonstrated in Africa and South Asia during the peak pandemic years will likely carry over to the period of sharp increases in staple food prices.

The **Middle East and North Africa** is expected to be one of the most severely affected across regions by the war on Ukraine. Oil exporters will see substantial terms of trade gains—but implications for demand for migrant labor (given shifts in GCC policies) remain uncertain. Yet, the expected course of remittance flows is seen to ease moderately to a 6 percent gain from 7.6 percent in 2021, grounded in economic activity in key destination countries that should remain broadly favorable, and the countercyclicality of remittances. A risk across many countries is that of *social unrest*—as, earlier protests in the region were triggered by food price hikes.

Amid expectations of continued strong job growth in the United States, remittances to **Latin America** are expected to advance by a strong 9.1 percent pace in 2022. Downside risks dominate, including the impact of the Ukraine war, economic developments, inflation pressures in the United States, uncertainty regarding immigration policy in the United States, anti-immigrant sentiments, and geopolitical risks.

A winding down in the growth of remittance receipts in **South Asia** from nearly 7 percent to 4.4 percent is anticipated for 2022. The outlook for remittance flows to **East Asia and the Pacific** is expected to be flat and affected by global economic conditions, featuring food and fuel inflation, combined with a forecasted slowdown in activity among the countries of the Organisation for Economic Co-operation and Development (OECD).

2. Migration Trends

After two years of decline in migration flows and an increase in return migration due to the COVID-19 crisis, the stock of international migrants and refugees has increased in 2022 due to the exodus of 5.5 million Ukrainian refugees in less than two months since the start of the invasion in late February. Compared to 281 million in 2020, the stock of migrants and refugees in 2022 stands at around 286 million. Considering that Ukraine has an even larger number of internally displaced persons (than the persons who have sought asylum in other countries), the stock of international migrants and refugees is likely to increase further in 2022.

A worrisome structural trend from the viewpoint of many LMICs, especially in the Middle East and North Africa, South Asia, and Southeast Asia, is the decline in the number of foreign workers in the GCC countries, particularly in Saudi Arabia (table 2.1 and figure 2.1). The GCC countries will require more skilled workers, but are likely to require fewer less-skilled foreign workers in the future.

Figure 2.1 The Number of Foreign Workers in Saudi Arabia Continues to Decrease



Source: General Authority of Statistics, Saudi Arabia.

Note: * Excluding non-Saudi domestic workers. Q = quarter.

Table 2.1 Year-on-Year Change in the Number of Expatriate Workers

	Y/Y change (thousand persons)	Y/Y change (%)
Bahrain (Q1 21–Q1 20)	-55	-9.4
Qatar (Q1 21–Q1 20)	-122	-5.9
Oman (Q4 21–Q4 20)	-49	-3.4
Saudi Arabia (Q4 21–Q4 20)	-66	-1.0

Source: National authorities.

Note: Y/Y = year-on-year; Q = quarter.

Return migration has increased due to falling employment and incomes among migrant workers. For example, about 1.3 million Romanians returned to Romania, and Lithuania had more citizens returning than leaving for the first time in years (*The Economist* 2021). Malaysia had repatriated nearly 90,000 undocumented migrant workers since November 2020. Between May 2020 and July 2021, a reported 612,000 overseas Filipino workers returned due to the pandemic. Similarly, about 180,000 migrants returned to Indonesia. The International Organization for Migration assisted 42,181 migrants to voluntarily return in 2020 (a decrease of 35 percent from the previous year). The number of persons returned by Libya has doubled since 2020; according to the United Nations High Commissioner for Refugees (UNHCR), the majority of those being returned are nationals of Sudan (17 percent), Mali (11 percent), and Bangladesh (11 percent).

3. Policy Issues

Given the current context of the Ukraine war, public policy responses to support Ukrainian migrants and refugees need to facilitate the flow of remittances, their journey, and their arrival in a safe environment (table 3.1). In addition, there is a need to support migrants stranded in Ukraine. Ukraine is host to a large number of migrants, refugees, and students from Africa, Asia, and Europe. Many of these people are facing difficulties and need help to move to a safer place or to return home.

Table 3.1 Policy Responses during the Crises

Supporting migrants	Supporting migrants’ families	Supporting remittance infrastructure
<ul style="list-style-type: none"> • Support Ukrainian migrants and refugees • Support migrants and refugees stranded in Ukraine. • Extend cash transfer programs to support internal and international migrants. • Provide access to vaccines, health services, education, and housing. • Protect migrants from trafficking. • Support returning migrants (access to training, jobs, credit for business investment). 	<ul style="list-style-type: none"> • Support social services and provide cash transfers to families left behind. • Provide access to vaccines, health services, education, and housing. • Protect women and children from trafficking. 	<ul style="list-style-type: none"> • Ensure access to cash during the crisis. • Improve collection of high-frequency, timely data across remittance corridors and channels. • Simplify AML /CFT requirements for “small” remittances. Transition to risk-based, harmonized regulations and reduce burden of compliance while maintaining financial integrity. • Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts. • Improve efficiency and interoperability of remittance services. • Monitor flows across remittance corridors and channels.

Source: Migration and Development Briefs 34 and 35, and KNOMAD Policy Brief 17.

This crisis has demonstrated again the importance of restoring remittance services as a part of crisis response, and in the case of Ukraine, events may lead to the increasing use of crypto currencies. Remittances tend to be the first form of financial support that people receive in times of crisis. Access to remittance services is likely to have been disrupted in Ukraine because of the war. Further, the sanctions on Russia are likely to have disrupted access to remittance services for Central Asian and other migrants in Russia.

Further, it will be important to reduce the cost of remittances. Some money transfer companies have announced a waiver of fees for sending money to Ukraine, a welcome development that is hopefully emulated by other remittance service providers.⁶ Even before the war and the sanctions, the cost of sending money to Ukraine was high, ranging from 4.7 percent in Hungary and Italy to 5.9 percent in

Poland and 7 percent in the Czech Republic. Reducing remittance fees by 2 percentage points could potentially save Ukrainian migrants over \$400 million per year; if costs are reduced further, the saving could be even higher.⁷ Lowering remittance costs could be an effective complement to scaling up aid to the people of Ukraine. It is also important to ensure access to transaction accounts in the destination countries and to improve better integration of digital remittance services into the payment ecosystem. Selectively applying risk-based and proportionate application of simplified anti-money laundering and counter-terrorist financing (AML/CFT) procedures for small remittance transactions as well as Customer Due Diligence (CDD) and AML/CFT compliance processes could facilitate flows to families left behind in Ukraine.

Even as the war is topmost on everyone's mind, COVID-19 variants have not gone away. Ukrainians—as well as those from other countries stranded in Ukraine—need access to health care during the pandemic. Moreover, migrant origin communities are facing unexpectedly large return of migrants, and they may need support to provide healthcare, quarantine facilities and other social services as well as to be absorbed into the local job market in Central Asia (a higher pressure in the Kyrgyz Republic). This is also relevant for Russian migrants who have left their country and those who have arrived in Central Asia.

An important policy recommendation is to put in place measures for reducing the vulnerability of women and children escaping from the war in Ukraine. The current situation in which most of the refugees are women and children—since men are forbidden from leaving—increases the exposure of individuals to trafficking. To support vulnerable women, it is important to implement countertrafficking strategies and work in cooperation with civil society organizations (box 3.1).

Box 3.1: Policy Recommendations on Protecting Vulnerable Populations from Trafficking

According to the Inter-Agency Coordination Group against Trafficking in Persons (ICAT, effective assistance and protection must be provided to refugees and internally displaced persons, without discrimination on grounds of race, gender, disability, or other status, recognizing that discrimination and racism may increase vulnerability to trafficking. Social media platforms and instant messaging groups are heavily relied upon for seeking and offering services, especially accommodation and transport, which can be easily exploited.

Cooperation is urgently needed between social media providers, employment advertising platforms and other relevant stakeholders to monitor services and report deceitful advertisements targeting vulnerable displaced persons. Countries and organizations are already taking measures to: map GBV and specialized service providers, border crossing points, and transit routes; focus prevention efforts on key recruitment points like border crossings, transportation hubs, and social media; support case management systems and ensure proper referrals and follow-ups with victims to connect them with specialized service providers, professionals, and support networks; provide complementing guidelines to service providers and first points of contacts, including the provision of humane services to victims of human trafficking, and migrant smuggling. ICAT urges renewed efforts to mobilize and enable key expert stakeholders, including through strengthening the capacity of labor inspectors, for the early identification, reporting and provision of needed support to prevent traffickers from exploiting the vulnerable in the refugee population and stop the impunity of traffickers.

Source: ICAT Vulnerability Issue Brief, ICAT Support Group on trafficking in persons in the context of the Ukrainian crisis, and UN: Ukraine: Armed conflict and displacement heightens risks of all forms of sexual violence including trafficking in persons.⁸

In addition, the World Bank's Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups informs the Bank's response in technical and operational engagements including in Ukraine. The World Bank has also produced a Technical Note on Addressing Racial Discrimination through the Environmental and Social Framework (ESF) that was published on March 19, 2021, which sets guidelines for ensuring the nondiscrimination and equal opportunity of migrant workers or children.

Migration-Related Sustainable Development Goals (SDGs)

The SDGs provide a well-defined agenda for maximizing the benefits of migration to countries of origin. They highlight the importance of protecting labor rights and providing safe working environments for migrant workers, facilitating safe and regular migration, reducing the costs of remittances, and providing legal identity for all (including vulnerable migrants) (see box 3.2).

Box 3.2 Migration-Related Sustainable Development Goal (SDG) Indicators

Discussions of future partnership solutions can build on the globally agreed SDGs, in particular SDG target 10.7 to promote safe and regular migration, and specific indicators such as reducing recruitment costs paid by migrant workers (SDG indicator 10.7.1), reducing remittance costs (SDG indicator 10.c.1), and increasing the volume of remittances (SDG indicator 17.3.2). In addition, many SDG targets can be fully achieved only if migration and migrants are considered. Prominent examples are SDG target 8.8 to protect labor rights and promote safe and secure working environments for all workers, including migrant workers and women migrants; and SDG target 16.9 to provide legal identity for all. According to the United Nations, the global community's pledge to leave no one behind requires more than 24 SDG indicators to be disaggregated by migratory status.⁹

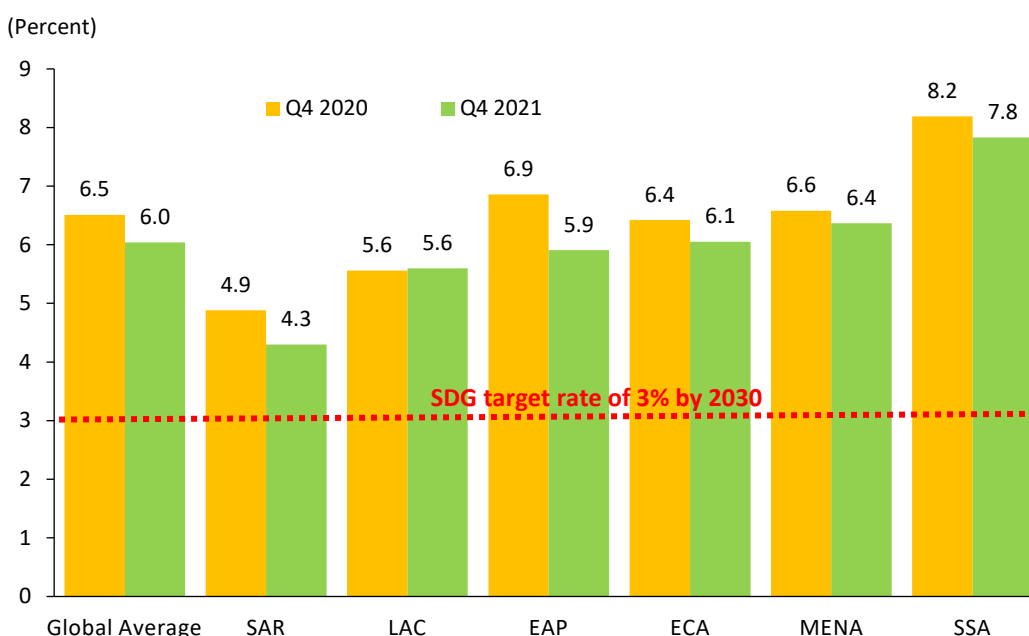
3.1 Remittance Costs (SDG indicator 10.c.1)

The cost of sending money across international borders continued to remain high at 6.0 percent on average during Q4 2021 or double the SDG target of 3 percent (figure 3.1). South Asia continues to be the least expensive region to send remittances (4.3 percent), and Sub-Saharan Africa the costliest (7.8 percent).¹⁰

Corridor-specific data (reported in the regional sections) reveal that remittance costs tend to be higher when remittances are sent through banks than through digital channels or through money transmitters offering cash-to-cash services (Beck, Janfils and Kpodar 2022, Ratha and Riedberg 2005). Money transmitters, however, depend on correspondent banks to deliver cross-border remittance services. Unfortunately, access of money transfer operators, in particular those using digital technology, are facing increasing levels of difficulty in finding correspondent banks due to "de-risking" on the part of the latter. According to the Bank for International Settlements (BIS), correspondent banking relationships declined by about 25% between 2011 and 2020 (BIS 2021).¹¹

Exclusive partnership arrangements established by large money transfer operators and national post offices and banks tend to dilute market competition and increase remittance costs (Teixeira da Silva Filho 2021). A comprehensive discussion of factors affecting remittance costs and policy recommendations to reduce costs is provided in Ratha and Riedburg (2005) and World Bank (2006). An interesting analytical finding reported in World Bank (2006) indicates that the cost elasticity of remittances is high, implying that a 1 percent decline in costs can lead to more than 1 percent increase in the volume of remittances.

Figure 3.1 Global and Regional Remittance Costs, 2020–21



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; SDG = Sustainable Development Goal; SSA = Sub-Saharan Africa.

3.2 Improving Data on Remittances

The COVID-19 pandemic and the Ukraine crisis have further highlighted the need for frequent and timely data. In April, the World Bank, under the auspices of KNOMAD and in collaboration with countries where remittances provide a financial lifeline, launched an [International Working Group to Improve Data on Remittance Flows](#) (box 3.3). Improved data on remittances will directly support the Sustainable Development Goal indicators on reducing remittance costs and increasing the volume of remittances. They will also support the first Objective of the Global Compact on Migration, to improve data.

Interest in remittance flows statistics has risen steadily over the past few decades, but the quality of statistics needs further improvement. The last major effort to improve data on remittances was through the Luxembourg Group which led to an IMF publication on Remittance Data Compilation Guidelines and to the inclusion of new variables in the Sixth Balance of Payments Manual (BPM6). However, some countries are yet to transition to the new definitions and guidelines for data collection in accordance with BPM6 which affects cross-country comparability of data. Tourism revenues, FDI, small trade payments, gifts to charitable organizations, and bank deposits continue to be misclassified often as personal remittances. Bilateral flow data are not available for most countries, and where available, it is likely that flows are largely attributed to the country where the intermediary bank is headquartered rather than the actual source. Data on flows through different channels, especially unregulated channels (including hand-carry and hawala) are not available. During the COVID-19 pandemic, remittances through digital channels have increased, but there is no granular data on flows through banks, money transfer operators, digital channels, telecom companies and shipping companies.

Box 3.3 World Bank launches International Working Group to Improve Data on Remittances

In April 2022, the World Bank (under the auspices of KNOMAD) launched an [International Working Group to Improve Data on Remittance Flows](#), in particular, the timeliness and granularity of the remittances data (frequency, corridors, channels, types of senders and recipients).

The Working Group would: (a) draw on analyses of data collected through existing mechanisms, (b) strengthen the network for information flows among various institutions; and (c) maximize the benefits of information captured within the framework of the Compilation Guide on Remittances, BoP/IIP. This activity will complement ongoing discussions on remittances in the FSB and the G-20. The Global Remittances Working Group is a co-sponsor of this initiative. The group of countries participating in the [Call to Action to Keep Remittance Flowing](#) launched last year by the UK, Switzerland and KNOMAD/World Bank) also supported this initiative to improve data.

The final outcome of the Working Group will be improved data availability on a monthly or quarterly basis, with more granularity in terms of channels and instruments of remittances. The main output will be a publication containing Remittance Data Compilation Guidelines to support central banks and national statistics offices. In the future, the guidelines are likely to influence the inclusion of remittances in the next edition of the IMF BOP Manual.

The IMF and the Eurostat are members of this working group.

3.3 Recruitment Costs (SDG indicator 10.7.1)

The objective of SDG indicator 10.7.1 is to monitor the burden of costs incurred by migrant workers in obtaining jobs abroad (see previous Migration and Development Briefs including World Bank/KNOMAD 2018a, 2018b). Such fees are likely to increase in the future unless governments of sending and receiving countries and the global community come together to find solutions. A key component of such a solutions package must be skill building and skill certification for potential migrants in origin countries and existing migrants in the host countries. Also, education and skills programs should be designed to serve both the national as well as international labor markets.

The high recruitment costs faced by many low-skilled migrant workers diminish the overall benefits from migration and its impact on reducing poverty in poor countries. The World Bank and the International Labour Organization (ILO) are co-custodians of this indicator. The World Bank (Global Knowledge Partnership on Migration and Development, KNOMAD) and ILO are working to develop capacity and support instruments for use by national statistical offices to document worker-paid recruitment costs globally.

There is anecdotal evidence that recruitment costs have increased during the COVID-19 crisis. Bangladeshi migrant workers in Qatar are likely to have paid about \$1.5-2.0 billion in fees in 2011 and 2020. Nepali men are estimated to have paid around \$320 million and possibly more than \$400 million, in the four years between mid-2015 to mid-2019 (*The Guardian* 2022). The numbers are based on the prevalence and cost of recruitment fees and related expenses reported by human rights groups and labor experts between 2014 and 2022. Similarly, a recent report on migrant construction workers in Qatar during the pandemic (Khan 2022) notes that “most companies still do not pay for recruitment, and an overwhelming majority of migrants continue to shoulder this financial burden.”¹²

Recent developments in Malaysia highlight the insistence of the Malaysian Employers Federation that recruitment costs should be covered by the workers themselves (*New Straits Times* 2022). According to the Federation, the cost of recruiting a Bangladeshi worker is around RM 20,000 (about \$4,700) after paying the fees to agents in Bangladesh. Similar recruitment costs for Indonesian workers are RM 20,000–RM 25,000 (about \$4,700–\$5,730). This situation has been affected by the additional costs that

employers must pay for workers to cover the cost of quarantines, including food, transportation to quarantine centers, and COVID-19 tests. The anecdotal evidence presented here calls for undertaking recruitment fee surveys to assess the real costs of recruitment. The challenges that the current COVID-19 situation poses to mobility have increased not only recruitment costs for migrants but also smuggling costs.

Anecdotally, “wage theft” by employers seems to have increased during the COVID-19 crisis. But this is just another form of exploitation of less-skilled workers by unscrupulous employers both in India and abroad. As India grows its economy, recruitment of workers from rural areas will continue to increase. Therefore, there is a growing need for developing systems to protect migrant workers’ rights and provide them access to social services in distant places away from their home communities.¹³

4. Implications for Global Governance Architecture for Migration and Remittance Flows

The twin crises (COVID-19 and the Ukraine war) have affected progress in the global governance of migration. On the positive side, the pandemic has brought home the fact that mutual problems need to be addressed globally, in solidarity with all nations and peoples. Indeed, this sense of solidarity got a boost when the United States decided to formally endorse the Global Compact on Migration (GCM) in December 2021 (on International Migrants Day), after staying away from the compact for four years. On the other hand, the pandemic has hardened attitudes against lower-skilled migrant workers and perhaps seasonal workers, and the Ukraine crisis has shifted attention away from migrants in general and refugees from the so-called “third” countries.¹⁴

The impacts of the Ukraine crisis are different from those of the COVID-19 crisis and the 2009 global financial crisis (see table 4.1).

Table 4.1 Impact of the Ukraine Crisis, COVID-19 Crisis, and 2009 Global Financial Crisis

2009 Global Financial Crisis	COVID-19 Crisis	Ukraine Crisis
Mostly host countries in the Global North	All countries	Mostly Europe for first-order impacts
International migrant stock increased—both new migration and return migration decreased; the latter decreased more	International migrant stock decreased—new migration decreased, return migration increased, transit migration increased	International migrant stock increased—new migration increased, refugees increased, and internally displaced persons increased
Migrants were viewed as competitors for jobs—anti-immigrant sentiment high	Anti-immigrant sentiment was somewhat dampened as migrants played an important role on the frontlines (in health, information technology, grocery stores, delivery)	High level of sympathy for Ukrainian migrants Fast support for getting temporary work permits
No access to social services or jobs for migrants	Access to job markets and social benefits (cash transfers, health care, vaccines)	Near universal access to job markets and social benefits (cash transfers, health care)
Reports of reverse remittances to stranded migrants in high-income countries of Global North	Remittances sent to transit migrants in transit countries	Remittances to Ukraine to increase, to Central Asia to decrease
Remittance flows through informal channels increased	A switch to digital and formal remittance channels as cash was avoided	A disruption of the SWIFT system and rise of divergent, multipolar payment systems
All migrants and their families were impacted	All migrants and their families were impacted	Gender dimension: Since men are not allowed to leave Ukraine, refugees are women and children, who are more vulnerable to trafficking

Source: Ratha (2022), World Bank/KNOMAD (2020).

4.1 Global Governance of Migration¹⁵

Two general observations can be made about the global architecture for governing migration. First, it is dominated by opportunistic, bilateral agreements between nations. Second, it is marked by a dichotomy between refugees and migrants, with even less clarity on addressing the latter.¹⁶

The global architecture for governance of migration dates to the aftermath of the Second World War. The UNHCR was created in 1950 to provide humanitarian protection to some 11 million European refugees.¹⁷ Guided by the legal guidelines established through the 1951 Refugee Convention and its 1967 Protocol (based on the principle of nonrefoulement), the UNHCR has been supporting refugees and asylum seekers (over 85 percent of them are now hosted by developing countries).¹⁸

The so-called refugees and migrants' crisis of 2014–15 (spearheaded by a large influx of Syrian refugees in Europe) generated momentum to expand the global governance architecture to migration issues. In the absence of a negotiated set of guidelines such as the Geneva Convention and the absence of a lead agency to address migration, the UN Member States decided to create—and in 2018 negotiated—two separate global compacts, one focused on refugees and the other on migration. The Global Compact on Refugees (GCR) is implemented with the UNHCR as the lead agency; the Global Compact on Migration (GCM) is led by the International Organization for Migration (IOM), and for that purpose, the IOM has been brought under the UN umbrella as a “UN-related agency.” In terms of coverage, the GCR covers forced displacement, including both internationally and internally displaced persons, whereas the GCM covers only international (economic or voluntary) migrants including climate-driven migrants. The GCR is supported by a Global Concessional Financing Facility and multilateral development bank financing support through IDA18 and IDA19 (totaling over \$5 billion).¹⁹ There is no financing facility for the GCM, without which its mandate to support safe and legal migration would be hard to implement.

To serve as an effective partnership framework, the GCM requires financial resources to support countries, especially host countries experiencing an unexpected and rapid influx of migrants and refugees. Considering the scale of financing required, there is a need to create a Concessional Financing Facility for Migration (CFFM) to scale up support for migration programs from millions to billions (Ratha 2021).²⁰ To be more effective, 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. The CFFM could be complemented by innovative, private sector financing (e.g., diaspora bonds) to complement official financing.²¹

So far, many destination countries have opted to “pay” their neighboring transit countries to stop irregular border crossings. For example, the European Union has financial arrangements with Turkey and Morocco, and the United States has similar arrangements with Mexico and some Central American countries to reduce migration pressures. These destination countries face the challenge that their financial arrangements are rather small compared to the remittances that flow annually to the origin countries, which makes the origin countries less enthusiastic about stopping or reducing outward migration. Thus, the financial arrangement with the transit country supports border enforcement, but it does not necessarily address the “root causes” of migration. There continues to be some skepticism about the effectiveness of official aid and development efforts in addressing the fundamental drivers of migration. However, the literature on the migration-development nexus is still in its infancy (Clemens 2014). Besides data hurdles, an influential variable that affects migration decisions but is typically missing from the literature is the nonfinancial costs associated with migration (Bharadwaj and others 2020, Sjaastad 1962).

Beyond the two crises (of COVID-19 and the Ukraine war), the LMICs are likely to experience significant increases in migration pressures, especially of lower-skilled workers, as it is unlikely that origin country governments would be able to create, without international aid, new jobs at a commensurate pace. Between 2020 and 2030, the working-age population is projected to increase by over 460 million (over 200 million in Sub-Saharan Africa and 150 million in South Asia).²² The implied increase in migration pressure would clash against tighter border controls and shifting public perception against migrants in many high-income countries. The result could be an increase in irregular and dangerous border crossings, and abuse and exploitation of migrant workers (“modern-day slavery”).

The fact that the stock of migrants has increased rapidly in the OECD countries (from around 10 percent of population in 2000 to around 14 percent by 2018) has led to widespread concerns about large and sudden influxes of migrants. In part such concerns are fueled by a 21 percent annual increase in the number of refugees during 2015–18. The recent surge in movements out of Ukraine (5.5 million in two months, an unprecedented rate of exodus since the India-Pakistan refugee movements) has added to this concern.

The upcoming International Migration Review Forum, to be held in May 2022, provides an opportunity to strengthen the global governance of migration (and remittance) flows (box 4.1). The GCM and the GCR address only *international* migrants and refugees, leaving out internal migrants and internally displaced persons (table 4.2). Also, climate-driven migrants across national borders are not explicitly included in the two global compacts. The recent surge in migratory flows out of Ukraine is likely to shift the balance of global conversations away from economic migrants toward refugees. Even among refugees, resources are likely to be devoted to Ukrainian refugees, to the detriment of refugees from other nations facing fragility, conflict, and violence.

Box 4.1 Progress in the International Migration Review Forum and a Proposal

Two processes important for the implementation of the Global Compact on Migration are the International Migration Review Forum (to take place every four years, the first one in May 2022) and the Regional Migration Review Forum (every four years, beginning in 2020). The Revision 3 of the Declaration underscores concerns regarding “the impact of financial and economic crises, poverty, health emergencies and food insecurity on international migration and migrants, as well as sudden-onset and slow-onset natural disasters, the adverse effects of climate change, and environmental degradation, such as desertification, land degradation, drought, floods water scarcity and sea level rise, taking into account the potential implications for migration.” It also states that “progress achieved in facilitating and harnessing the benefits of safe, orderly and regular migration is slow and uneven in many areas and that the COVID-19 pandemic has in many instances reshaped many aspects of international migration and negatively impacted progress and created new and exacerbated existing situations of vulnerability for migrants” (SG report, para 13).

The declaration is also proposing “a limited set of indicators,” drawing on the global indicator framework for the Sustainable Development Goals and targets, to review progress related to the implementation of the Global Compact. In addition to the existing migration-related Sustainable Development Goal indicators (box 3.2), some indicators of policy coherence on migration and development developed by KNOMAD could be useful for this purpose (KNOMAD, OECD, and UNDP 2020).

Table 4.2 Typology of Migrants Covered by the Two Global Compacts

	Internal	International	
Economic or voluntary	Internal migrants 760 million	International migrants 250 million	<i>Covered by Global Compact on Migration</i>
Forced	Disaster-driven IDPs 7 million	Climate-driven migrants number unknown	<i>Covered by Global Compact on Refugees</i>
	FCV-driven IDPs 48 million	Refugees and asylum seekers 36 million	

Source: UN DESA, UNHCR, original elaboration. Data on internal migrants are from UNDP (2009).

Notes: The number of refugees and asylum seekers includes 4 million Ukrainians as of end March 2022. Disaster-driven data are from IDMC as of end 2020 (and do not show intra-year spikes in the flows)—these data cover displacements due to storms, wildfires, dry and wet mass movement, floods, earthquakes, droughts, extreme temperatures, and volcanic activity. Such displacement can be temporary or long term. FCV = fragility, conflict, and violence; IDPs = internally displaced persons.

4.2 The Twin Crises and the International Payment System

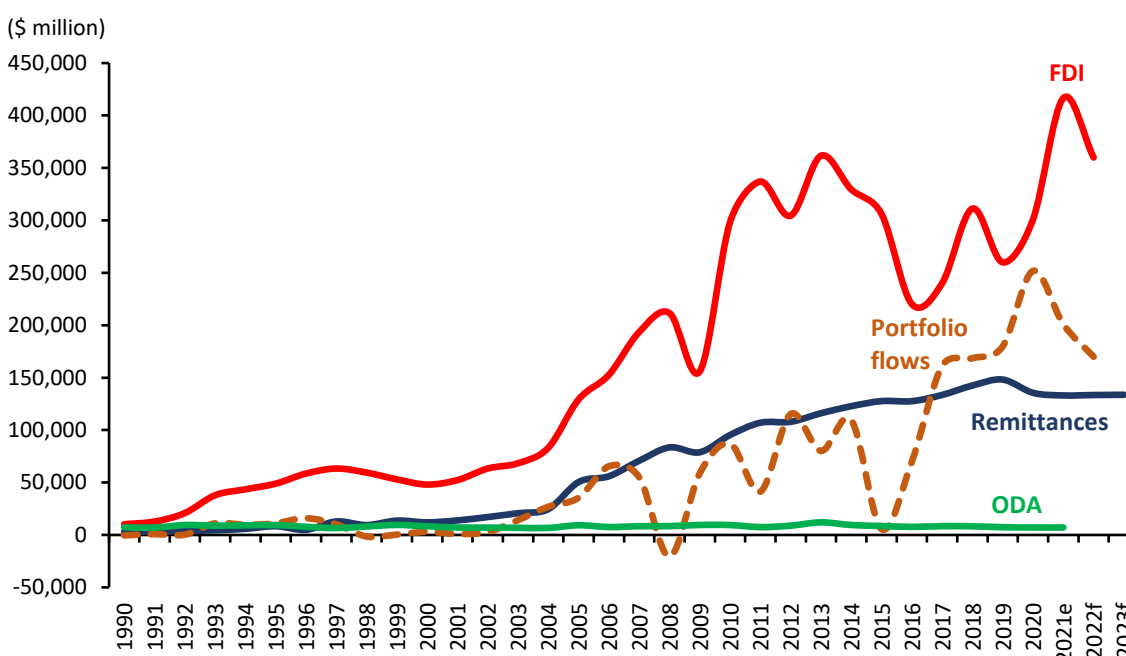
The COVID-19 crisis created some positive effects on international payments. Digital payments took off, alleviating disruptions to the flow of money. The fintech sector benefitted, with fintech companies (including some from India) appearing as if they would be able to expand globally. More recently, however, the Western sanctions on Russia in the form of exclusion from the SWIFT payment network have arguably undermined the credibility of the international payment systems. It can be speculated that the latter would become multipolar and fragmented as countries try to develop proprietary payment systems to reduce dependence on external systems (on grounds of national security). That would increase the costs of cross-border fund flows. Adoption of programmable digital currencies (whether central bank digital currencies, cryptocurrencies, or stable coins) is likely to slow down as well. If a digital currency could be temporarily or permanently “demonetized” at the click of a remote button, would that currency be acceptable to foreign nations and their nationals and companies? There could be increased interest in crypto-assets, which might come up against the ongoing calls for increased regulation of the crypto-assets sector.

5. Regional Trends in Migration and Remittance Flows

5.1 Remittances to East Asia and the Pacific declined in 2021

Remittances to the East Asia and Pacific region ended 2021 with a decline of about 3.3 percent following the 7.3 percent drop of 2020. Formally recorded remittance flows reached \$133 billion in 2021, close to 2017 levels (figure 5.1). Unlike several other densely populated regions of the world, remittance flows to East Asia and Pacific did not chart a countercyclical trend either in 2020 when the COVID-19 pandemic first erupted, or in 2021 following the outbreak related to the delta and omicron variants. Consistent with this trend, and notwithstanding the imminent economic hardships related to the spillover global fuel and food inflation triggered by the Ukraine war, the remittance outlook for 2022 for East Asia remains flat.

Figure 5.1 Resource Flows to East Asia and Pacific, 1990–2023f



Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

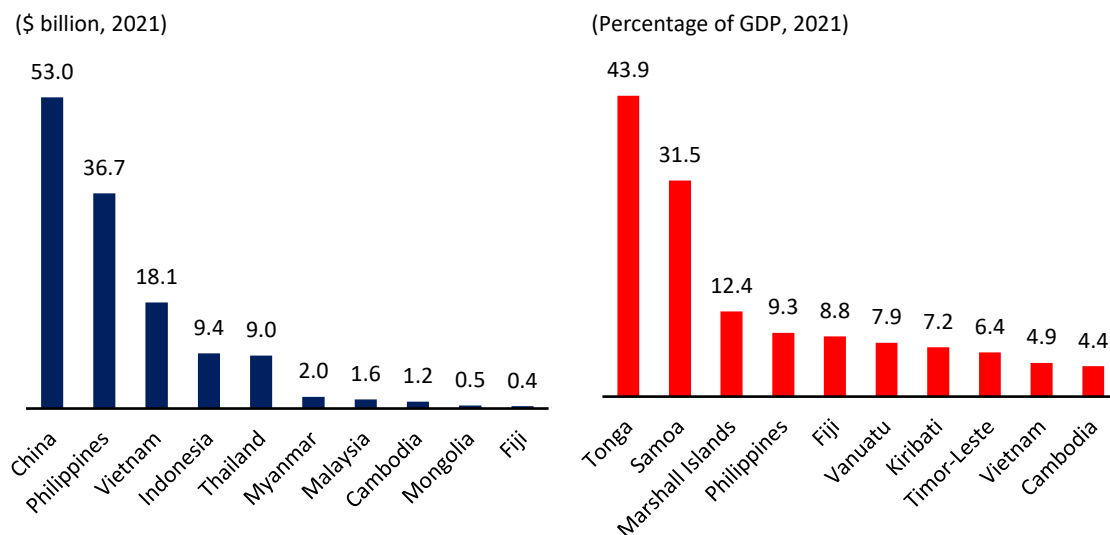
Remittances were not the largest financial flow to East Asia and the Pacific in 2021. At \$417 billion, FDI flows were nearly 314 percent larger and portfolio capital flows were 151 percent larger (\$201 billion) than formally recorded remittances. Gains—though volatile—in direct and portfolio investment have fostered economic diversification in East Asia and Pacific, which has grown the economy and diminished the share of remittances in GDP. More importantly, this has created large numbers of well-paying jobs for most East Asian workers, reducing the need to leave their homelands in search of jobs elsewhere.

External as well as domestic factors powered the slide in overall remittances in 2021, essentially continuing the trend that began in 2020 when the pandemic first struck. The return of large numbers of migrants from host countries in 2020 was compounded by oscillating lockdowns and travel restrictions due to repeated outbreaks of COVID-19 (delta and omicron variants) in 2021. There was, however,

diversity in individual country trends given the large number and relative stage of development of economies in the region. The better-than-expected economic recovery especially after vaccine availability in several host countries within the region, as well as the United States, Europe, and the GCC countries in 2021 revived labor demand, resulting in the departure of many workers who had returned to their home countries in 2020.

East Asia and Pacific featured three of the top 10 recipients of remittances globally in 2021 (figure 5.2, left panel). In China, the largest recipient in the region, remittances declined by 11 percent to \$53 billion in 2021, relative to \$60 billion in 2020. In contrast, remittances grew 4.3 percent to about \$37 billion in the Philippines, and at a 5 percent pace to reach \$18 billion in Vietnam. Both countries, but especially the Philippines, enjoyed positive spillovers from the United States in the form of a fast and strong recovery, generous stimulus payments, as well as record employment and wage growth in 2021. The primacy of the United States as a leading host country was preserved in 2021. During the year, almost 41 percent of remittances to the Philippines were sourced from the United States. Among other top recipients for 2021 are Thailand and Malaysia, countries that are both sending and receiving migrants. They are hosts for less-skilled migrants from lower-income countries in East Asia and Pacific as well as South Asia. And they are home countries for their own more-skilled emigrants who work in richer countries in the region, such as Singapore, Japan, and Hong Kong SAR, China, as well as members of the GCC and EU, Turkey, and the United States.

Figure 5.2 Top Remittance Recipients in the East Asia and Pacific Region, 2021



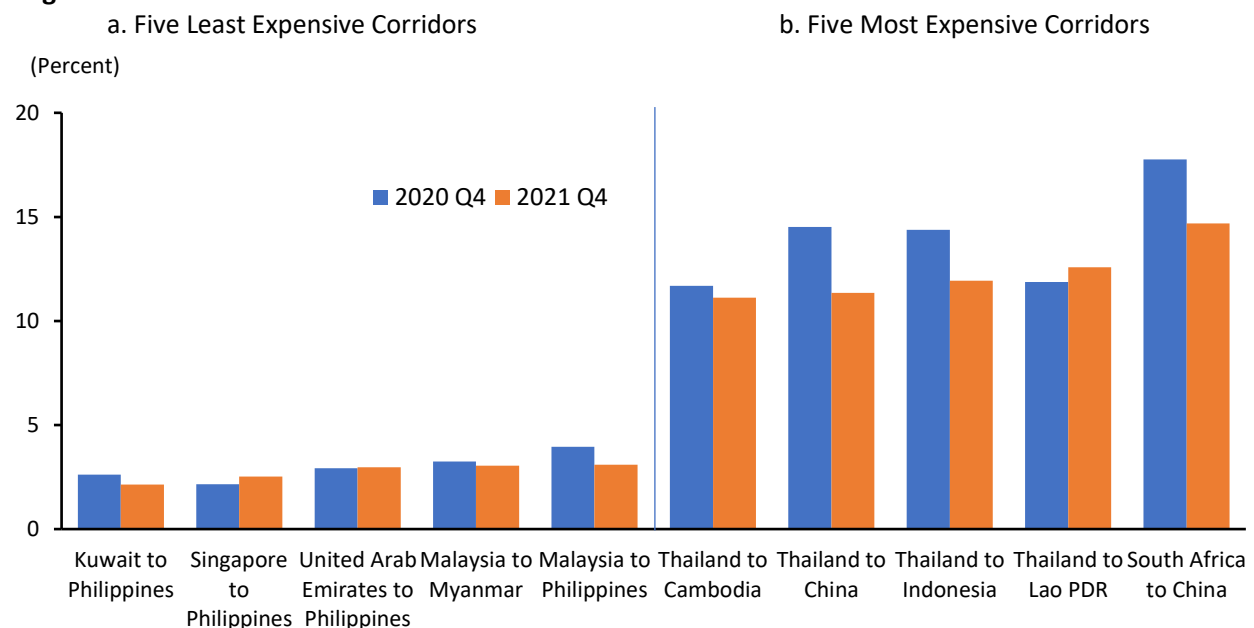
Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.
 Note: GDP = gross domestic product.

Tonga and Samoa featured in the worldwide list of the top recipients of remittances as a share of GDP (figure 1.3 in section 1). In 2021, Tonga’s remittance receipts measured 44 percent of GDP and Samoa’s 32 percent of GDP (figure 5.2, right panel). The Marshall Islands registered remittances as a share of GDP at 12.4 percent and the Philippines and Fiji at 9.3 and 8.8 percent, respectively. Remittances accounted for 6–9 percent of GDP in the smaller Pacific Island countries, including Vanuatu and Kiribati. In other island countries, such as the Solomon Islands, remittances as a share of GDP were only 1.5 percent, indicating the diversity of the sources of growth and employment in these smaller economies.

This applies most remarkably to Indonesia, an oil exporter and major supplier of migrants to the GCC countries. The share of remittances in Indonesia’s GDP was less than 1 percent in 2021.

The average cost of sending \$200 in remittances to the East Asia and Pacific region reached 5.9 percent in Q4-2021. The three lowest-cost corridors for the region averaged less than 3 percent for transfers from either the GCC countries or Singapore to the Philippines, while the four highest-cost corridors (excluding South Africa to China, which is an outlier) were within East Asia and Pacific and ranged between 11.1 percent and 12.6 percent (figure 5.3). There is no pattern in the costs of sending remittances to explain their levels. Money transfer costs from Thailand to the neighboring East Asia and Pacific countries are among the highest.

Figure 5.3 Remittance Fees to the Philippines Are among the Lowest in the East Asia and Pacific Region



Source: World Bank Remittance Prices Worldwide database.

Note: Cost of sending \$200 or equivalent.

The outlook for East Asia and Pacific for 2022 and 2023 is heavily colored by the prevailing global economic conditions featuring a heavy dose of food and fuel inflation, the likelihood of higher interest rates due to financial tightening, especially in the United States, combined with forecasts of a slowdown in economic growth in OECD countries, witnessed in preliminary figures for early 2022.

Recent experience revealed that despite a global recession and severe pain inflicted on workers, remittance flows to the East Asia and the Pacific region did not respond positively and charted a countercyclical trajectory in both 2020 and 2021. Alongside expectations of continued regional economic recovery in 2022, this trend suggests that, on average remittances to East Asia and Pacific will be flat, growing by a modest 0.3 percent both in 2022 and in 2023.

Remittance inflows to the Philippines and Vietnam are expected to grow 4.4 percent in 2022 and 3.6–4.5 percent in 2023. In Thailand, following the sharp decline of 2020 (7.7 percent), growth recovered to

7.4 percent in 2021 and is expected to hold that pace in 2022, moderating to 5 percent in 2023. If Saudi Arabia's active courting of the Thai government to send more skilled workers to the Kingdom materializes in 2022, the country is likely to benefit from enhanced remittance flows. Growth is likely to remain flat in most other East Asian countries in 2022–23, except for Tonga and Fiji, where it is expected to increase 5 percent in both years, and in Malaysia where it is anticipated to recover to 2 percent in 2022 and 2023 from declines during the pandemic.

Migration trends. The return of unprecedented numbers of migrants to East Asia and Pacific in 2020, when COVID-19 broke out, continued until at least mid-2021. While returning to their homeland was initially a relief, coping with home country challenges has been difficult for most returnees, as the paucity of decent jobs—which coerced them to emigrate in the first place—became worse during the pandemic. More than 75 percent of the overseas Filipino and Indonesian returnees were unemployed until late 2021.

Many migrants were stranded in host countries in the region due to border restrictions and were subject to unfriendly and even hostile host governments who neither took responsibility for vaccinating them nor supported them during the pandemic. An estimated 2 million undocumented migrants in Thailand were excluded from the national COVID-19 vaccination program. About 700,000 migrants in the tourism, services, and construction industries were forced to return home in 2020. About 140,000 migrants returned to Lao PDR from East Asia and Pacific when the borders opened in July 2021. In China, up to 5,000 migrant workers from Myanmar and Lao PDR were trapped in the Special Economic Zone in Bokeo Province, and 60,000 Myanmar migrants were stranded in Ruili with no economic support. The situation of migrants from Myanmar was the worst due to the ravages of domestic strife.

The availability of COVID-19 vaccines has paved the way for most countries to open, albeit gradually. This is good news for returnees and new migrants. However, several new trends seem to be emerging in the post-COVID-19 job market for East Asian migrants. In the traditional host destinations, there is a distinct preference for skilled workers in Australia, Thailand, the United Arab Emirates, and Saudi Arabia.²³

Demand for skilled East Asian migrants is also emerging in new host countries including Germany, Israel, the Republic of Korea, and Georgia, among others.²⁴ The demand for Pacific Islander and Southeast Asian workers is surging in Australia's agricultural sector, which is offering a new agriculture visa that provides a two-year pathway to residency. Malaysia's plantation sector has also flagged a shortage of workers.

Demand for all migrants has emerged in Thailand, which is opening its doors to 2 million new migrants and regularizing about 2 million undocumented workers from Cambodia, Lao PDR, and Myanmar who remained in the country during the pandemic.²⁵ In sharp contrast, Singapore is losing its glamor as a preferred destination as migrants at all skill levels have been leaving since the start of the pandemic.²⁶

5.2 Remittances to Europe and Central Asia Were Stronger than Expected in 2021

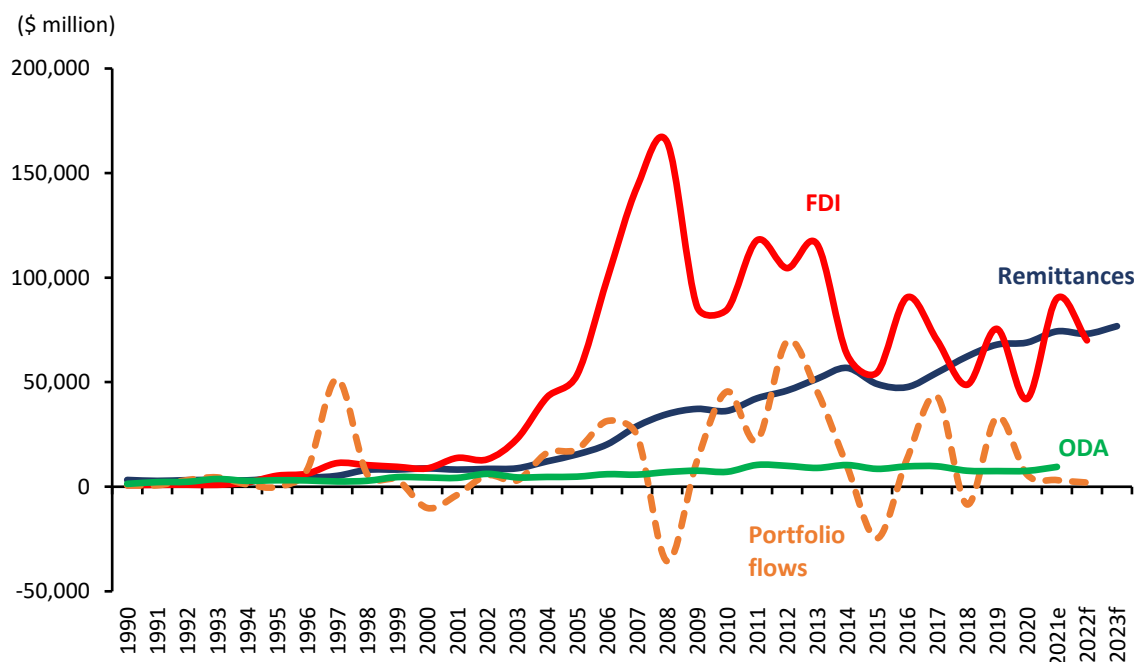
Remittance trends. After growing just 1.5 percent in 2020, remittance flows to Europe and Central Asia rose about 8 percent to a historic high of \$74 billion in 2021, growing at a faster pace than initially envisioned in the November 2021 brief. The increase was mainly due to stronger economic activity in European countries and rebounding energy prices. Many countries in the region posted double-digit

growth in remittances received, led by Romania, Ukraine, and Uzbekistan, while Armenia, Bulgaria, Russia, and Turkey suffered declines.

Remittance flows to the region are projected to fall by 1.6 percent in 2022 as the economies of major remittance-sending countries are expected to weaken amid increased uncertainty and tighter financial conditions due to the war on Ukraine and higher inflation. The projections are subject to extreme downside risks, including a sharper-than-expected slowdown in economic growth of source countries, notably the Euro Area. Reduced pandemic-related mobility restrictions could be a mitigating factor, but overall, it is expected that remittances from Russia could decline by as much as 40 percent in 2022, resulting in a drop in transfers to Central Asian countries that are highly dependent on them.

Remittances were the largest source of external finance for the Europe and Central Asia region in 2020 (and 2018). During 2021, however, remittance receipts have been much smaller than FDI, which grew more than three times from a year earlier (figure 5.4). The surge in FDI was due mostly to developments in Russia, which received about \$42 billion in 2021, up from just \$9.5 billion in 2020. However, exposure through FDI flows from Russia to its neighboring countries appears to be limited, except for Armenia and Belarus (figure 5.7)—although FDI flows via offshore tax havens may play a role here.

Figure 5.4 Resource Flows to Europe and Central Asia, 1990-2023f



Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

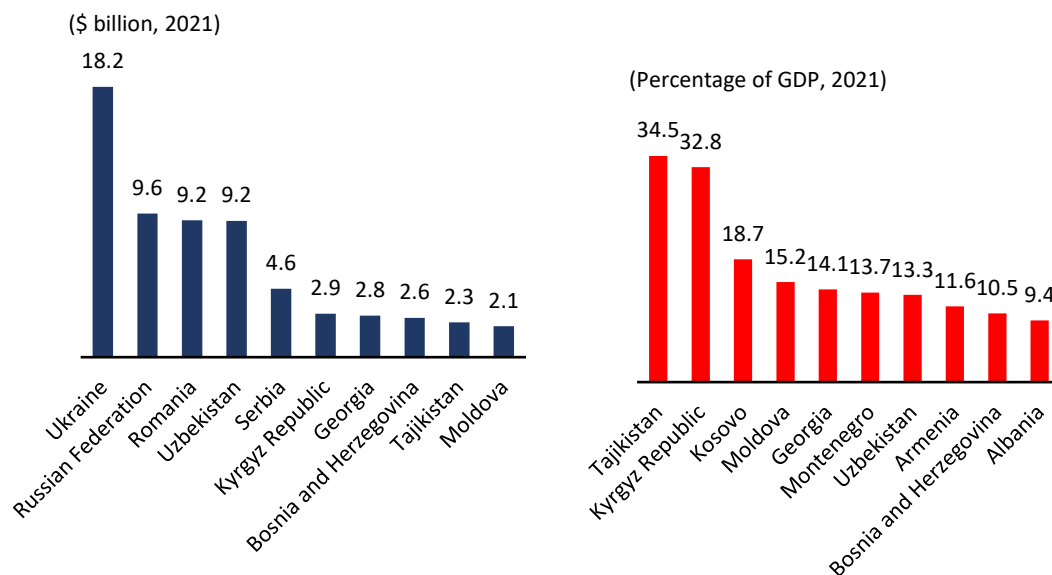
As a share of GDP, remittance receipts in Tajikistan and the Kyrgyz Republic lead among regional economies in 2021, at 34 percent and 33 percent, respectively (figure 5.5, right panel), as remittances remained by far the largest source of foreign currency earnings for these countries. For Uzbekistan, the most populous country in Central Asia, remittances accounted for more than 13 percent in 2021. Seasonal migrant workers provide vital support to these countries, which sent 7.8 million workers

combined to Russia in 2020. With high unemployment and substantial government deficits, these countries cannot afford to increase public expenditure to support domestic demand and are highly dependent on overseas remittances.

Ukraine, the region’s largest recipient of remittances (figure 5.5, left panel), received record-high inflows of \$18.2 billion in 2021, driven by a sharp rise in remittances from Poland, the largest recipient of Ukrainian migrant workers and, to some extent, the United States. These flows have proven to be resilient during the COVID-19 crisis, growing about 12 percent in 2020 and 2021. Remittances accounted for 9 percent of GDP in Ukraine, nearly three times the size of FDI in 2021. It is estimated that remittances to Ukraine will increase by 22 percent in 2022, with a significant probability of an even stronger rate of increase.

The share of remittances received by Ukraine from Russia declined steadily in recent years, from 26 percent in 2015 to 6 percent in 2021 (figure 5.6), reflecting a downtrend since the Russian annexation of Crimea in 2014. Remittance flows from Russia to Ukraine are expected to be significantly disrupted due to the war. Any decline in remittances from Russia, however, is likely to be more than offset by an increase in remittances from Ukrainians taking refuge in Poland and other countries. Existing and new Ukrainian migrants are likely to send home more money to support family members during the war, a trend that has been witnessed after natural disasters. Indeed, money transfer companies reported that transfers to Ukraine soared immediately following the Russian attack on Ukraine.

Figure 5.5 Top Remittance Recipients in the Europe and Central Asia Region, 2021



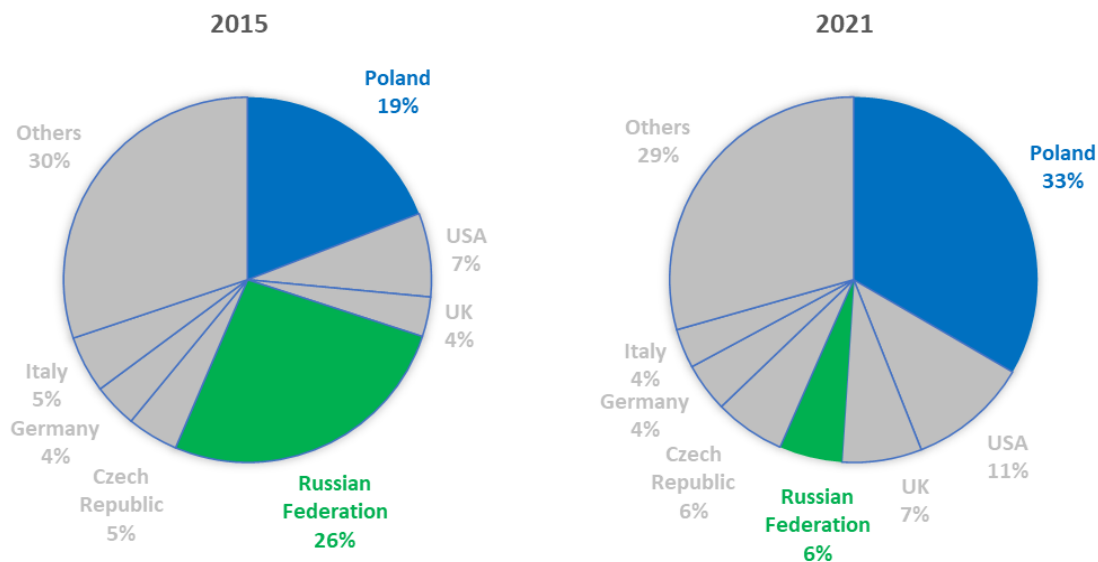
Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.

Remittances constitute a vital source of funding and a driver for economic growth in the economies of Eastern Europe and Central Asia. For example, in Tajikistan and the Kyrgyz Republic, remittances in 2021 were respectively 34 percent and 33 percent of GDP and were comparable to—or even larger than—the countries’ exports of goods and services. Russia was the largest source of remittances to many Central Asian countries, but transfer volumes have been on a downward trend since 2014 peaks. Despite this, outward remittances from Russia remain large and account for roughly two-thirds of total remittance

receipts for Central Asian countries, the Kyrgyz Republic, Tajikistan, and Uzbekistan, as well as for Armenia and Azerbaijan in 2021 (figure 5.7).

Remittance flows to many Central Asian countries are likely to be extremely adversely affected by the Russian invasion of Ukraine. Although direct financial links with Russia are not particularly strong, some countries' exposure through remittances is substantial. Remittances look set to decline by an average of 25 percentage points in 2022 based on an initial assessment of the first-round effects of a decline in economic activity in Russia and currency depreciations in most source countries (mainly the Russian ruble) against the US dollar, and possibly, the impact of Russian capital controls (table 5.1). For example, in the Kyrgyz Republic, where 82 percent of remittances originated in Russia in 2021, flows in 2022 are likely to decline by 32 percent vis-à-vis an originally projected growth rate of 3 percent. Azerbaijan, Armenia, Tajikistan, and Uzbekistan are also likely to experience major declines in remittance flows in 2022.

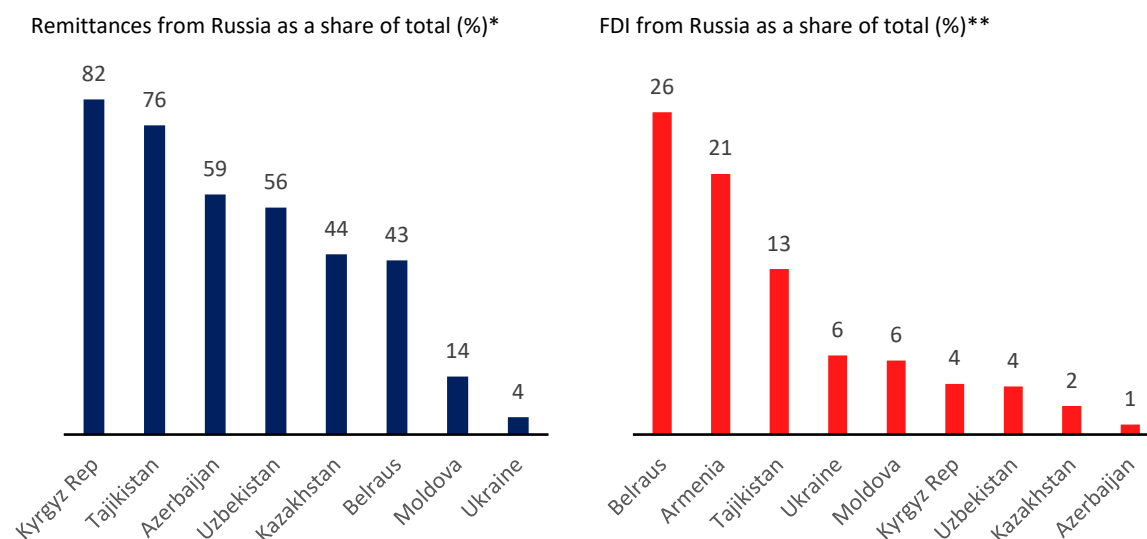
Figure 5.6 Sources of Remittance Receipts in Ukraine, 2015 and 2021



Sources: National Bank of Ukraine and KNOMAD/World Bank staff.

There is likely to be a threefold impact on remittance flows to Central Asian countries. The sharp decline in Russian economic activity—a projected 11 percent drop in GDP in 2022 with risks skewed to the downside—would dampen employment and incomes of migrant workers and their ability to send remittances. The second channel would be through a depreciation of the ruble against the US dollar, which is anticipated to be about 26 percent weaker in 2022 and would reduce the nominal US dollar value of remittances sent in rubles. It is assumed that the weakness of the ruble will persist in 2022 despite the recent sharp increase in oil prices. Unlike in the past, the ruble and oil prices seem to have decoupled since late 2020 (figure 5.8). Finally, there could be secondary effects from Russian capital controls, which have made it more difficult to transfer hard currency abroad and increased the difficulty of travel to and from Russia. Also, sanctions on the Russian banking system in the form of exclusion from the SWIFT network for fund transfers is likely to disrupt remittances through formal channels directly, which could lead to a partial shift to indirect and informal channels.

Figure 5.7 Central Asian Countries are Highly Dependent on Remittances from Russia, But They Have Limited Exposure through FDI



Sources: IMF, Bank of Russia, and KNOMAD/World Bank staff.

Notes: *Personal remittances from Russia, four-quarter sum to Q4 2021. ** Russia outward direct investment position as of December 31, 2020.

Table 5.1 Impact of Russian Invasion of Ukraine on Remittances—Flows to Ukraine Are Likely to Increase While Those to Other Countries in Central Asia Are Likely to Decline

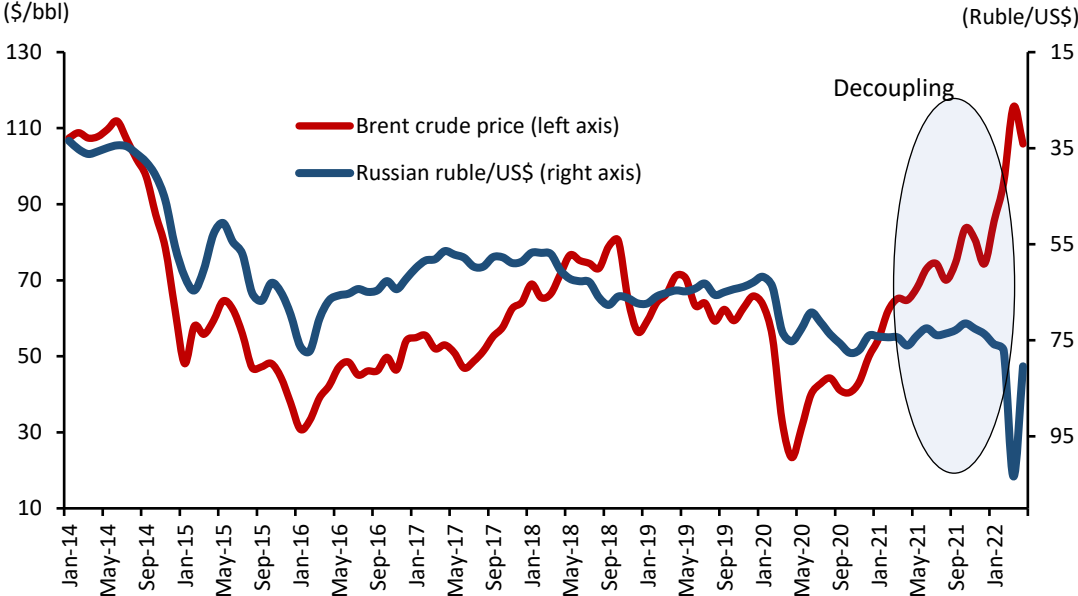
Country	Remittance inflows, 2021 (\$ million)	% of GDP, 2021	% of exports of goods and services, 2021	Share of remittances from Russia, 2021*	Originally projected growth rate, 2022	Revised projection of growth rate, 2022**
Armenia	1,610	11.6%	42.7%	59%	11%	-19%
Azerbaijan	1,527	2.8%	10.1%	57%	3%	-21%
Belarus	1,137	1.7%	3.0%	43%	15%	-9%
Georgia***	2,644	14.1%	43.4%	16%	2%	-5%
Kazakhstan	310	0.2%	0.6%	55%	7%	-19%
Kyrgyz Republic	2,798	32.8%	114.9%	82%	3%	-32%
Moldova	2,085	15.2%	63.9%	14%	6%	-1%
Tajikistan	2,922	34.5%	204.8%	58%	2%	-22%
Ukraine	18,150	9.2%	28.9%	4%	2%	22%
Uzbekistan	9,198	13.3%	62.9%	56%	3%	-21%

Sources: Bank of Russia, National Bank of Ukraine, National Bank of Georgia, and KNOMAD/World Bank staff estimates.

Notes: *The data on share of remittances from Russia for various countries are taken from the Russian central bank, which in the case of the Kyrgyz Republic shows 82%, a higher share than 71% reported by National Bank of the Kyrgyz Republic. ** Assuming decline of 40 percent in remittances from Russia. Projected growth rates for other source countries are assumed to remain unchanged from those reported in the *Migration and Development Brief 35* (World Bank/KNOMAD 2021). ***Data for Georgia are taken from the National Bank of Georgia.

Comparing the current war in Ukraine with other external shocks, remittances to Central Asian countries tumbled by more than 25 percent in 2015, following Russia’s annexation of Crimea and the sanctions it triggered. COVID-19 was another case showing the perils of interdependence, with Russian border closures resulting in a 6 percent drop in 2020 remittances. The short-term projections of remittances to these countries are highly uncertain, dependent on the scale of the military conflict in Ukraine and the effectiveness of the sanctions on outbound payments from Russia. But the long-term consequences could be immense given the fact that the current sanctions package is unprecedented.

Figure 5.8 Correlation Between the Ruble/US\$ Exchange Rate and Oil Prices Has Changed in Recent Years

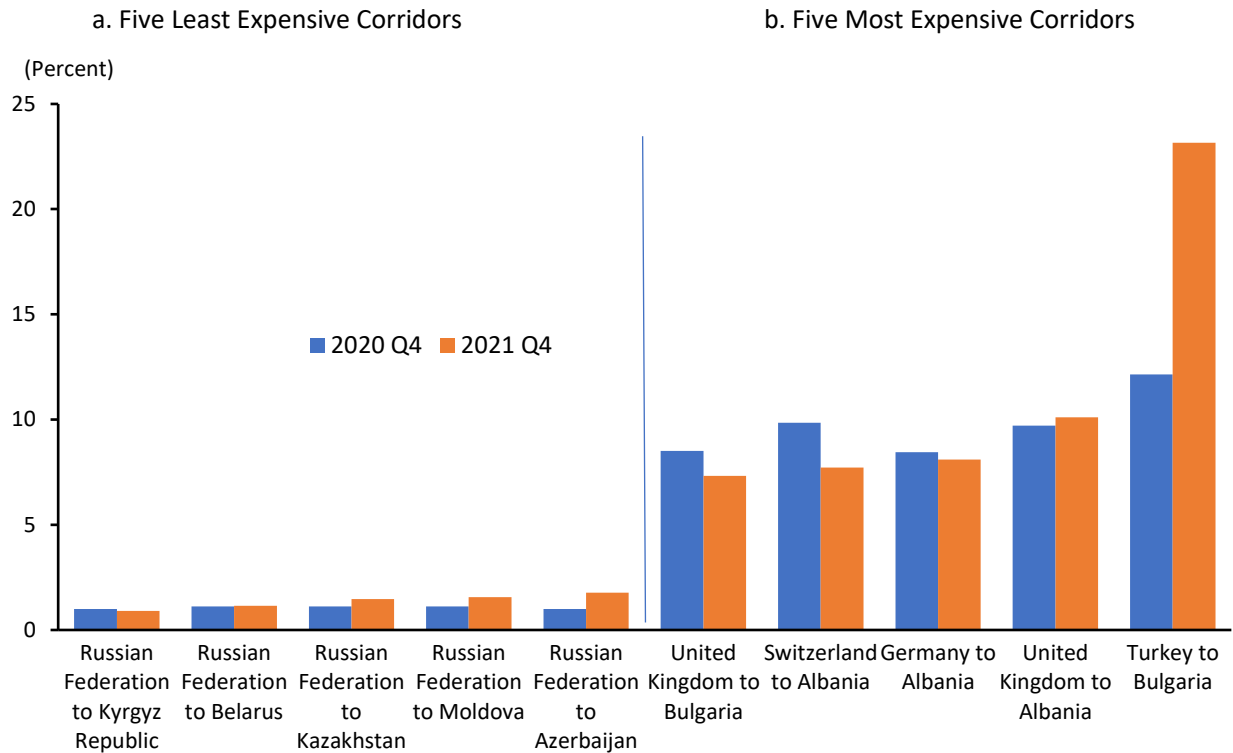


Sources: KNOMAD/World Bank staff and Haver.
 Note: bbl = barrel.

Remittance costs. The average cost of sending \$200 to the Europe and Central Asia region recorded 6.1 percent in the fourth quarter of 2021, down slightly from 6.4 percent a year ago. Excluding Russia, the average cost also decreased from 6.7 percent to 6.4 percent, reflecting the average cost of remitting from the country rising sharply from 1.0 percent to 3.1 percent. Despite this, Russia remained one of the lowest-cost senders of remittances globally. 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 the Kyrgyz Republic (figure 5.9).

Some money transfer companies have announced a waiver of fees for sending money to Ukraine, a welcome development that hopefully will be emulated by other remittance service providers. Even before the war and the sanctions, the cost of sending money to Ukraine was high, ranging from 4.3 percent in Italy to 6.5 percent in Germany and 7.1 percent in the Czech Republic (figure 5.10). Reducing the fees on remittances by 2 percentage points could save Ukrainian migrants \$400 million per year. If costs are reduced further, the savings could be even higher. Lowering remittance costs could be an effective complement to scaling up aid to the people of Ukraine.

Figure 5.9 Remittance Fees within the Europe and Central Asia Region Are among the Lowest in the World



Sources: World Bank Remittance Prices Worldwide database.

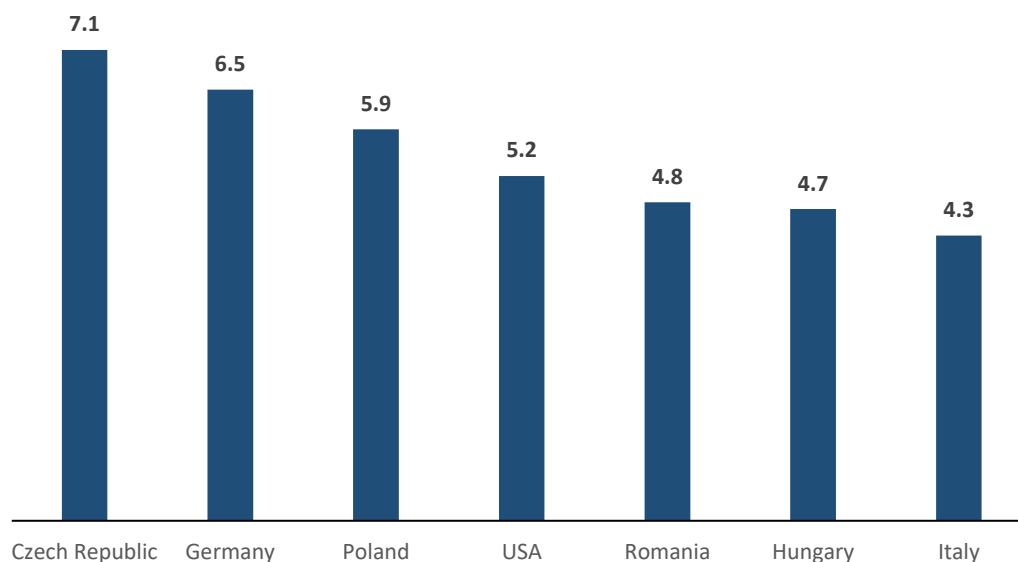
Note: Cost of sending \$200 or equivalent.

Migration trends. More than 5.5 million have fled Ukraine to neighboring countries as of end-April, according to the UNHCR. Central and Eastern European states have so far remained optimistic about the absorption capacities of their labor markets and have promised to meet the immediate needs of refugees. In the coming months, however, millions more are expected to migrate to or seek asylum in Poland and other European countries. Even though most Ukrainians are making their own arrangements—seeking shelter with family and friends—the number of refugees needing government support is likely to increase. Host countries will need help to provide shelter, emergency relief, cash assistance, and health support, but some are not fully prepared to take the brunt of what the UNHCR has labeled as the fastest-growing refugee crisis in Europe since the Second World War.

Since 2015, there has been a shift in the destination of Ukrainian migrants: in the past, Russia was the largest destination country. In recent years, migration to Poland and other countries in Europe has increased. Data on the stock of migrants are scarce, but available data indicate that Russia hosts between 2 and 3 million Ukrainian migrants, equivalent to around 5–7 percent of Ukraine’s population.

Figure 5.10 Cost of Sending Money to Ukraine is High and Jumped in the fourth Quarter of 2021

Cost of sending \$200 to Ukraine from different countries (%)



Sources: Remittance Price Worldwide, and World Bank–KNOMAD staff estimates.

Note: Data for Czech Republic, Germany, USA, and Italy are for Q4 2021. Data for Poland, Hungary, and Romania were collected from the website of some money transfer operators on March 3, 2022.

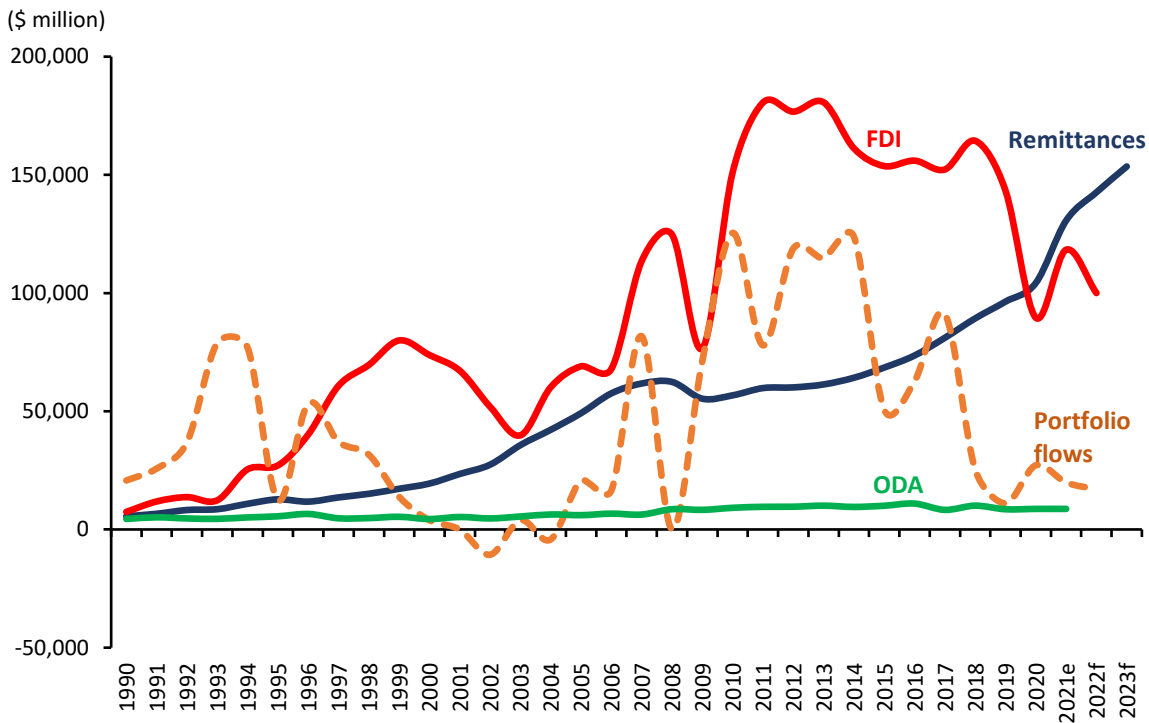
5.3 Remittances to Latin America and the Caribbean Surged in 2021

Remittance trends. Officially recorded remittance flows to Latin America reached \$131 billion in 2021, up 25 percent from 2020. This represents the second-fastest double-digit growth rate since 2003, when it grew by 30 percent. With improved prospects for the job market in the United States, remittance flows to the region are expected to continue growing at 9.1 percent in 2022 and 7.7 percent in 2023. While employment conditions for migrant workers are improving in the United States, encounters and deportations have been high. There are expectations of a large inflow of migrants crossing the southern border once the COVID-19 restrictions under Article 42 will be eliminated in May 2022 (see below).

FDI flows showed an increase of 32 percent, but remittances flows continued to exceed FDI flows in 2021 (figure 5.11). The double-digit growth of remittance flows to Latin America in 2021 was observed across the region, including in Mexico (25.3 percent), El Salvador (26.1 percent), Colombia (24 percent), Guatemala (34.9 percent), Honduras (28.9 percent), Haiti (21.4 percent), Nicaragua (15.9 percent), and the Dominican Republic (25.6 percent). The pickup in growth was broad based, with a notable increase in remittances from the United States and to a lesser extent from Spain. Many countries in Central America, near the Andean region, and in the Caribbean would have suffered a current account deficit were it not for remittance inflows.

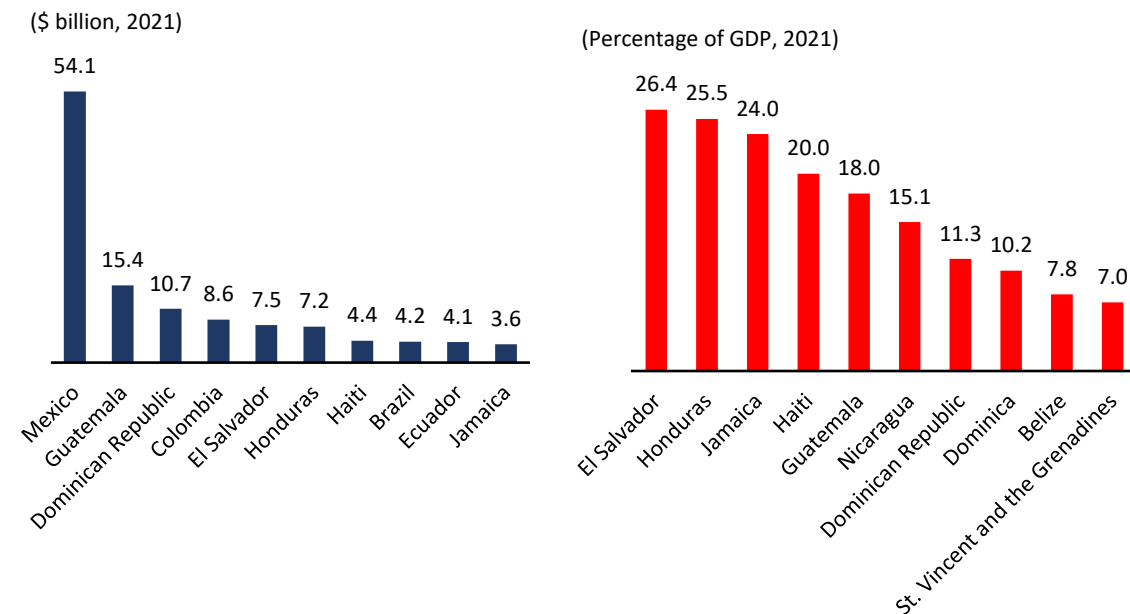
Remittances are even more important as a source of hard currency for several countries in Central America and the Caribbean for which these flows represent more than 20 percent of GDP (figure 5.12, right panel). The adverse effects of COVID-19 on countries and the damage brought about by hurricanes Grace and Ida have contributed to an increase in remittance flows to Mexico and Central America (figure 5.12, left panel).

Figure 5.11 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Latin America and the Caribbean, 1990–2023f



Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

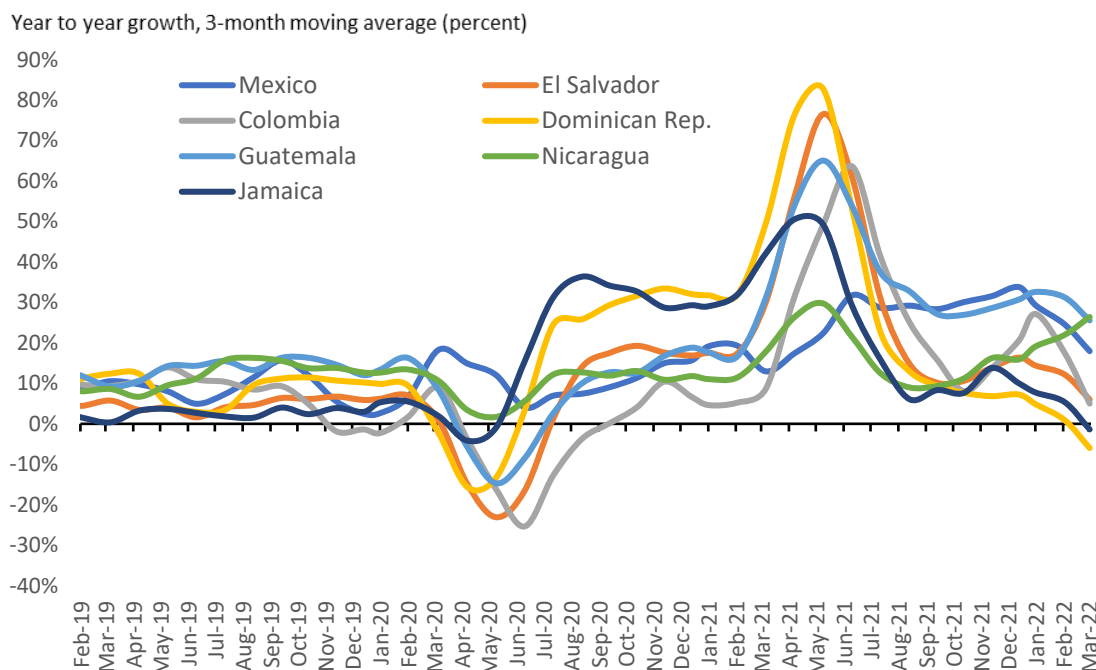
Figure 5.12 Top Remittance Recipients in Latin America and the Caribbean, 2021



Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.
 Note: GDP = gross domestic product.

Monthly data point to a continuation of remittance growth for some countries in the region as the job market in the United States returns to pre-COVID-19 levels (see figure 5.14). During the first quarter of 2022, Guatemala continued to register double-digit growth of 26 percent, Nicaragua 26 percent, Mexico 18 percent, El Salvador 6 percent, Colombia 5 percent, while for the Dominican Republic and Jamaica there were declines of 6 percent and 1 percent, respectively (figure 5.13). In Honduras, remittances represented 45 percent of total foreign exchange received during the week of April 7, 2022.

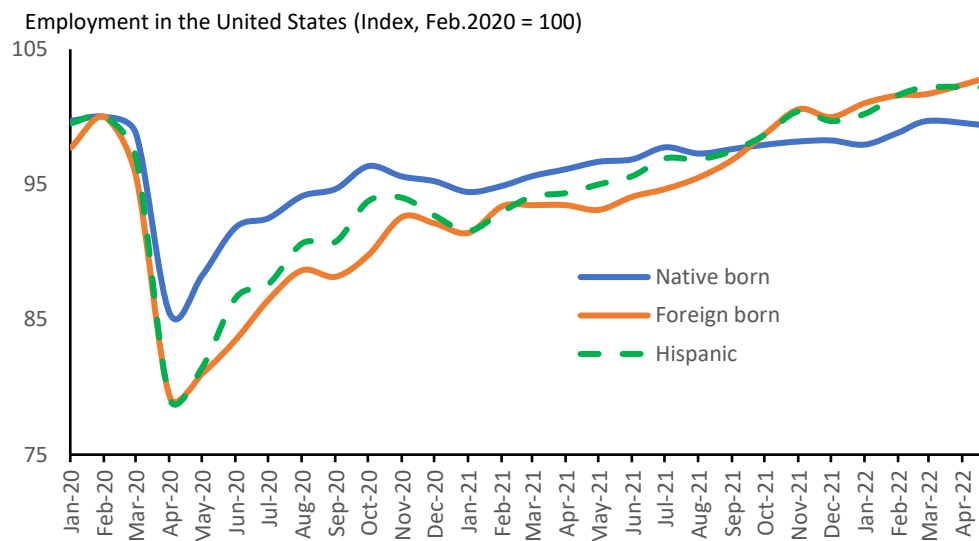
Figure 5.13 Remittance Flows to Latin America and the Caribbean Continue to be Strong



Source: Central banks of the respective countries.

For Latin America and the Caribbean countries, the United States is the largest source of remittances, accounting for over three-quarters of receipts, and for some countries more than 90 percent. Remittances are thus highly exposed to the U.S. economic cycle. In 2021, U.S. real GDP increased 5.7 percent, in contrast with the sharp falloff of 3.4 percent in 2020 (U.S. Bureau of Economic Analysis 2021). Employment for foreign workers and Hispanics and Latinos had returned to precrisis levels (figure 5.14). The unemployment rate for Hispanics was 4.2 percent in March 2022 (U.S. Bureau of Labor Statistics 2022). The sectors with the highest concentration of Hispanic workers and foreign workers are farming, fishing, and forestry at 43 percent. In second place is building and grounds cleaning and maintenance at 37.9 percent; followed by construction and extraction at 35.7 percent; food preparation and serving at 27.3 percent; and transportation and material moving at 23.9 percent. These are sectors that added new jobs in March 2022. For example, job growth added 61,000 positions in food services and drinking places while employment in construction returned to its February 2020 level.

Figure 5.14 Employment Levels of Hispanic, Foreign Born, and Native Born in the United States: Employment in the United States



Source: U.S. Bureau of Labor Statistics and KNOMAD/World Bank staff calculations.

The economic stimulus package, including the American Rescue Plan, contributed to the strong growth in remittances since this package carried positive effects on job creation and thus the incomes of migrant families. Over 3 million jobs have been created (U.S. Department of the Treasury 2021²⁷; see *Migration and Development Briefs 34 and 35*).

Remittance flows (personal transfers) to Mexico rose by an extraordinary \$10.9 billion (25 percent) in 2021, compared to 2020. The most likely explanation is an increase in transit migration from Honduras, El Salvador, Guatemala, Haiti, Venezuela, Cuba, and other countries. To pay for their living and travel costs—including the fees to be paid for illegal border crossings—transit migrants need to receive remittances from outside Mexico. These include funds from family members already in the United States, who are supporting their efforts to join them. Some of the Mexican migrants who get apprehended while trying to enter the United States may also receive remittances from such relatives.

In 2021, the number of undocumented persons in Mexico reached 388,272 people, an increase of 172 percent (compared to 142,694 in 2020). Due to Article 42 in the United States under which migrants cannot cross the border due to COVID-19 measures, migrants are staying longer in Mexico. The transit migrants are receiving funds from their families outside Mexico to support living and travel expenses, and in many cases, to pay smugglers (“coyotes”). Deportees and returnees are also likely to bring back their savings. About 20,000 Haitians were deported from the United States from January 2021 to December 2021, of which 13,783 were apprehended at the US-Mexico border. Colombia, Costa Rica, and Panama have received a significant number of transit migrants from Haiti and Venezuela.

Using the methodology presented in *Migration and Development Brief 35* and the official data on transit migrants together with plausible assumptions about living costs and smuggling fees per person, a back-of-the-envelope calculation estimates that the grand total of such costs would be

nearly \$5 billion (table 5.2). These preliminary calculations may understate the number of undocumented migrants in Mexico and the level of coyote fees.

Table 5.2 Back-of-the-Envelope Calculation of Remittances Sent to Transit Migrants and Mexican Returnees in Mexico in 2021 (January–December)

	# of Persons	Per Person Cost Assumed (US\$)	Cost (\$, millions)
Living costs for temporary residents, regional visitors, and undocumented migrants in Mexico	470,886	2,400	1,130
Payments to smugglers by undocumented migrants in Mexico (assuming 70% of undocumented paid fees)	215,375	10,000	2,153
Payments to smugglers by single adult Mexicans apprehended (assuming 70% of them paid such fees)	164,808	10,000	1,648
Total living and smuggling costs			4,931

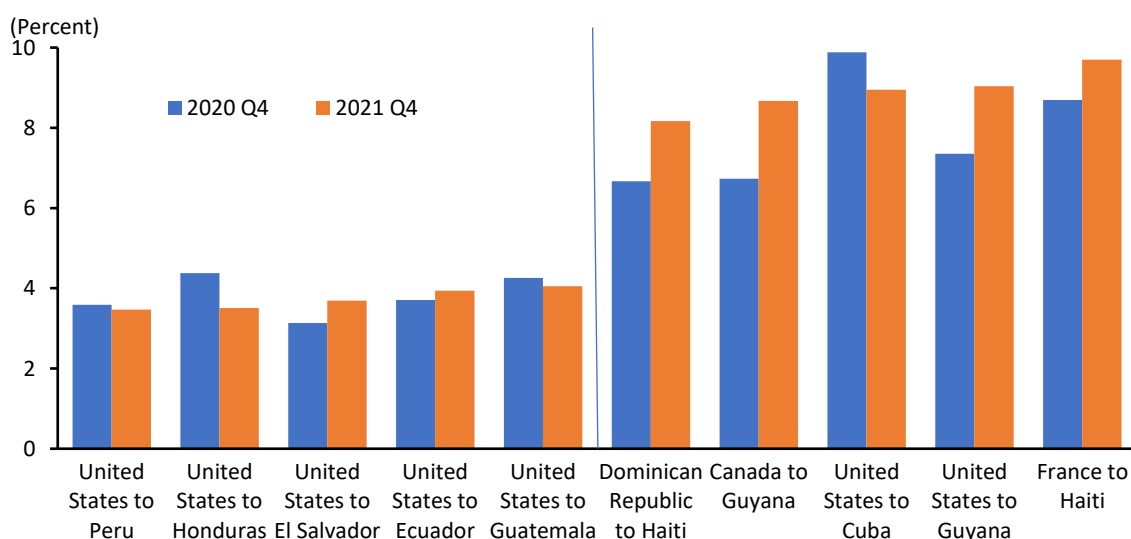
Source: Original calculations based on Mexican Migration Statistics; Government of Mexico (2020). For methodology and various assumptions used for these calculations, see box 4.1 in the *Migration and Development Brief 35* (World Bank/KNOMAD 2021).

Remittance costs. According to the Remittance Prices Worldwide Database, for Latin America the average cost of remittance transfers was 5.6 percent in the fourth quarter of 2021. Mexico remained the second lowest country in the G-20 receiving countries, with remittance costs recorded at 4.3 percent—for sending \$200 to the country. In many smaller remittance corridors, however, costs continue to be exorbitant. For example, the cost of sending money from United States to Cuba and from France and Haiti remained expensive (figure 5.15).

Figure 5.15 Cost of Sending Money to Latin America and the Caribbean Remained Stable

a. Five Least Expensive Corridors

b. Five Most Expensive Corridors



Source: World Bank Remittance Prices Worldwide database.

Note: Cost of sending \$200 or equivalent.

Remittance outlook. Due to expectations of strong job growth in the United States, remittances to Latin America and the Caribbean are expected to grow 9.1 percent in 2022 and 7.7 percent in 2023. Downside risks dominate, including the COVID-19 pandemic, the impacts of the Ukraine war, policy uncertainty, inflation pressures and a slowdown in global growth. A slowdown in remittance flows can also impact investments by the diaspora in construction and MSMEs.

Migration trends. According to the US Customs and Border Protection, about 838,685 apprehensions and encounters with migrants along the US-Mexico border occurred during the first five months of FY22, an increase of 111 percent compared to the same period in FY21 (figure 5.16) (CBP 2022). In March 2022, US border authorities apprehended 210,000 migrants at the US-Mexico border corridor.²⁸ Most of the migrants apprehended crossing the southwest border were single adults, who are returned to Mexico if they are from Mexico or from El Salvador, Guatemala, and Honduras (if they are from other countries, they are deported to those).²⁹ The seven-day average for Customs Border Protection daily encounters at the southwest border is 7,101 as of March 28, 2022.

Due to COVID-19, the United States has applied the provision of the US Health Law, Section 265 of Title 42, to deny entry to both migrants and asylum seekers. However, noncitizens in possession of a valid Ukrainian passport or other valid Ukrainian identity document may be considered for exception from Title 42 (CBS News 2022a). In February 2022, about 55 percent of the encounters were processed for expulsion under Title 42. This law is expected to end in May 2022 (CBS News 2022b). According to the US Customs and Border Protection, the number of apprehensions and “inadmissibles” at the southwestern land border increased from 296,468 persons during the period October–March of FY21 to 673,712 persons for the same period in FY22 (CBP n.d.a).

In preparation for the expected large volumes of crossings of migrants at the southern border once Title 42 ends, the Southwest Border Action Group and Southwest Border Coordination Center were established to oversee resource allocation and southwest border support.³⁰

There has been a change in the patterns of migrants crossing the border of the United States. In FY12, migrants from other countries excluding Mexico and Central America represented 2 percent of total encounters. In FY21, the number of migrants from outside Mexico and Central America increased to 22 percent. Ecuador ranked fifth followed by Brazil, Nicaragua, Venezuela, Haiti, and Cuba (see table 5.3). The ranking for the countries with the number of encountered family units at the southwest border includes Honduras, Guatemala, and Brazil. The number of unaccompanied children (UAC) apprehended at the Southwest border reached 144,834 in FY2021. Guatemala was the top source country of unaccompanied children; and its 58,571 encounters represented 40 percent of all such encounters. Three countries from outside Latin America also have a number of migrants crossing the border: Romania, India, and Turkey.

The United States has added Bosnia and Herzegovina, Cyprus, the Dominican Republic, Haiti, Mauritius, and Saint Lucia to the list of countries eligible for the H2A visa (temporary agricultural workers) and H2B visa (temporary nonagricultural workers). The H2B visa cap for the first half of FY22 (33,000) was reached in September 2021 and the cap for the second half of FY22 (33,000) was reached in February 2022. Due to the increasing demand for workers, in January 2022 the Department of Homeland Security and the Department of Labor increased the cap for an additional 20,000 visas for positions with start dates on or before March 2022 (USCIS n.d.a). Continuing with the strong labor market in the United States, the Department of Homeland Security and Department of Labor added 35,000 additional H2B

visas for the second half of FY2022 (DHS 2022). Further, 11,500 visas will be reserved for workers from Haiti, Honduras, Guatemala, and El Salvador. On the other hand, H1B (a program that applies to employers seeking to hire nonimmigrant aliens as workers in specialty occupations) only reached its cap of 65,000 visas on February 28, 2022. Normally, the cap through the lottery is reached during the month of April. For FY22, US Citizenship and Immigration Services conducted three visa lotteries to meet the cap (*The Economic Times* 2022). Temporary Protected Status has been granted for 18 months to Afghanistan and Ukraine, and to Sudan and South Sudan (USCIS n.d.b).

Table 5.3 Encounters at the Southwest Border by Demographic Category and Country of Origin, FY2021

Country of Origin	Numbers of Encounters				Percent of Total Encounters			
	Total	Single Adults	Family Units	UAC	Total (%)	Single Adults (%)	Family Units (%)	UAC (%)
Mexico	608,037	566,868	17,040	24,129	100	93	3	4
Honduras	308,931	121,784	147,416	39,731	100	39	48	13
Guatemala	279,033	140,312	80,150	58,571	100	50	29	21
El Salvador	95,930	44,702	35,755	15,473	100	47	37	16
Ecuador	95,692	55,622	36,399	3,671	100	58	38	4
Brazil	56,735	12,813	43,734	188	100	23	77	0
Nicaragua	49,841	29,234	18,689	1,918	100	59	37	4
Venezuela	47,752	25,675	21,762	315	100	54	46	1
Haiti	45,532	20,901	24,543	88	100	46	54	0
Cuba	38,139	30,637	7,471	32	100	80	20	0
Colombia	5,838	3,121	2,638	79	100	53	45	1
Romania	4,029	545	3,405	79	100	14	85	2
India	2,555	1,321	1,000	234	100	52	39	9
Turkey	1,366	1,161	195	10	100	85	14	1
All Other	19,796	8,590	10,890	316	100	43	55	2
Total	1,659,206	1,063,285	451,087	144,834	100	64	27	9

Sources: US Customs and Border Protection n.d.b; Congressional Research Service 2021.

Note: Figures are shown for countries whose total encounters (apprehensions and expulsions) exceeded 1,000.

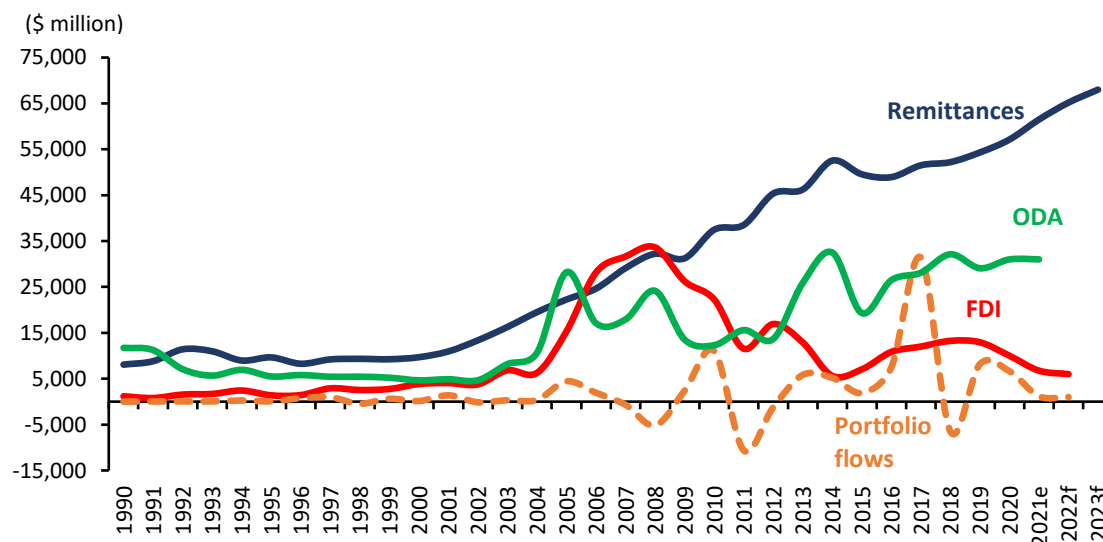
New migration routes in the region have emerged recently. Chile has become the fourth country with the largest number of Venezuelan migrants in Latin America. Chile has been the destination of about 500,000 Venezuelan migrants. Many Venezuelans are crossing from Peru and Bolivia to Chile. The increasing flows of undocumented migrants to Chile has spurred anti-immigration sentiments and protests (BBC News 2022). About 25,765 Haitians were deported between January 2022 to February 26, 2022, from the United States (20,309), The Bahamas, Cuba, and Mexico (Human Rights Watch 2022). The Dominican Republic has started construction of a border wall between Haiti and itself (France 24 2022). Migrants from Venezuela, Haiti, Senegal and Cuba continue crossing the Darien Gap from Colombia to Panama.³¹

5.4 Remittances to the Middle East and North Africa Registered Strong Growth in 2021

Remittance trends. The developing countries of the Middle East and North Africa region accrued remittances totaling \$61 billion during 2021, with growth in aggregate registering a strong 7.6 percent.³² The gain was driven by robust inflows into Morocco (\$10.4 billion), a 40 percent advance, and an upturn in Egyptian receipts to \$31.5 billion, a 6.4 percent increase. Among elements supporting flows were a return to growth in prominent host countries in the European Union (France and Spain), which underpin remittance inflows to the Maghreb (surging by 25 percent in the year).³³ Also, transit migration—a staging of prospective migrants to Europe in countries such as Morocco, Algeria, Tunisia, and Egypt—and receipt of supporting remittances from home countries, boosted inflows to Middle East and North Africa “temporary” host countries. The surge in crude oil prices over the course of 2021 served to buoy the GCC’s and other regional oil exporters’ (Algeria, Egypt, Iran, and Iraq) external and fiscal balances and boosted economic activity.³⁴ Though GCC immigration policy has tightened over recent years, countries such as Egypt and those of the Mashreq³⁵ may have seen some benefit from supplying highly skilled workers to the group.

Remittances have long constituted the largest source of external resource flows for developing Middle East and North Africa—among ODA, FDI, and portfolio equity and debt flows—accounting for a full 61 percent of total inflows in 2021 (figure 5.16). Remittances and ODA are likely to remain paramount for the region in the medium term, given the uncertainty that the war on Ukraine has imparted to the global outlook and prospects for private sector flows. For countries and territories in which remittances amount to substantial shares of GDP—Lebanon, the West Bank and Gaza, and Jordan—the receipt of funds from large diasporas is hoped to assist in sustaining household consumption and continuing to offset the severe indirect effects of the crisis (figure 5.17, right panel).³⁶

Figure 5.16 Remittances Provide a Financial Lifeline for the Middle East and North Africa Region, 1990-2023f



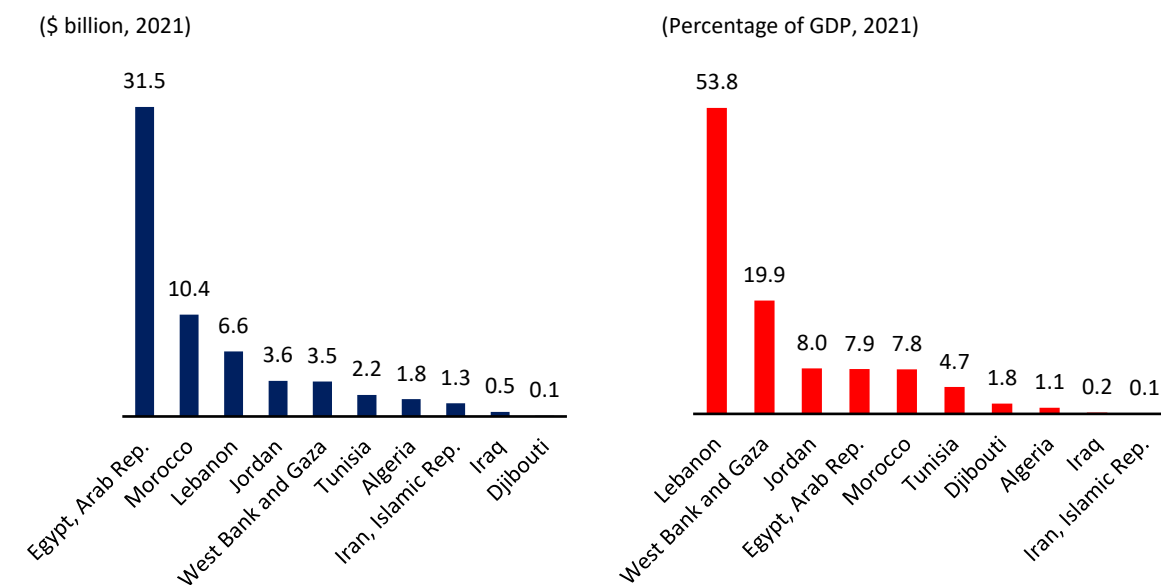
Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; MENA = Middle East and North Africa; ODA = official development assistance; e = estimate; f = forecast.

Egypt is by far the largest recipient of remittances in the region (51 percent of total in 2021), garnering \$32 billion, with stronger ties than those of the Maghreb to the GCC and other Arab countries (figure

5.17, left panel). Remittance flows to the country are of critical importance in offsetting persistent shortfalls in external and fiscal accounts.³⁷ **Morocco**, the second-largest recipient in the region (\$10.4 billion), enjoyed strong GDP growth in 2021 (7.4 percent), on the back of consumer spending supported by a 40 percent surge in remittances. Indicators for early 2022 suggest a continuation of buoyancy in receipts. But Morocco too will be hard hit by soaring energy and food prices—the country imports 90 percent of its energy needs and 50 percent of cereals.

Figure 5.17 Top Remittance Recipients in the Middle East and North Africa, 2021



Source: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.

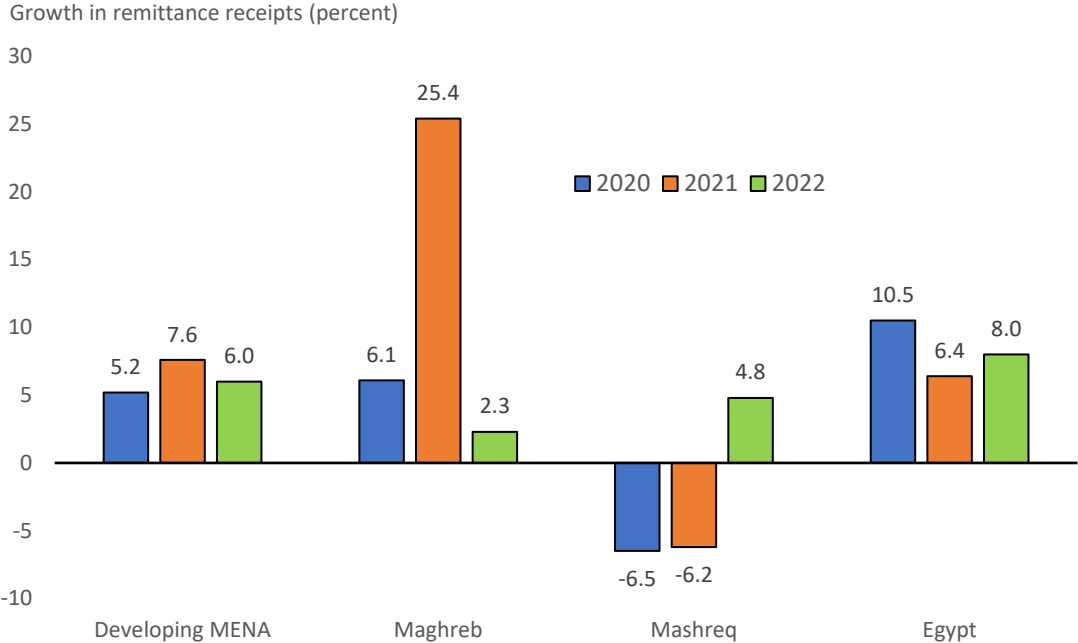
Note: GDP = gross domestic product.

Remittance outlook. The context for economic activity/inflation in the Middle East and North Africa is expected to be one of the most severe across developing regions affected by the Russian invasion of Ukraine. Although comprised of a diverse group of net oil exporters (Algeria, Iran, Iraq, Egypt near balance), all countries in the region are net food importers (food accounts for 40 percent of the household budget), and higher prices for staple foods will exact a substantial toll on the poor. Egypt, Lebanon, and Tunisia are especially affected, alongside Morocco. Adverse movements in terms of trade will also work to dampen economic activity, as inflation erodes real incomes and spending, budget deficits are stressed, and external balances widen. Policies to contain inflation, for example, by raising fuel/food subsidies, could boost external financing needs in an international environment characterized by tightening conditions (interest rates, investor confidence).

Oil exporters will see substantial gains in terms of trade, higher revenues, and reduced current account deficits (or increased surplus)—but what this might mean for migrant labor demand, given shifts in GCC policies, remains uncertain. A risk across many countries is that of *social unrest*—for example, earlier protests were triggered by food price hikes.

But figure 5.18 highlights that the falloff in remittances for the region in aggregate is anticipated to be moderate, easing from growth of 7.6 percent to 6 percent in 2022. This view is grounded in two factors. An “altruistic” response to the difficulties being faced in home countries on the part of the migrant workforce is broadly anticipated,³⁸ with remittances likely to grow at a faster pace than in 2021 in countries such as Egypt, Tunisia, Jordan, and Lebanon. At the same time, the stellar gains seen in Morocco, due in part to the vigorous earlier upturn in European growth amplified by the effects of transit migration, is expected to moderate to a pace in line with historical precedents. A second supportive element is that—although economic growth in Europe and the United States will slow in the year due to phasing out of pandemic stimulus measures, higher inflation (tied to the Russian invasion of Ukraine), and the likelihood of tightening financial conditions—output should continue to advance in a range of 2–3 percent for the year, sufficient to support a firm tenor for remittances.

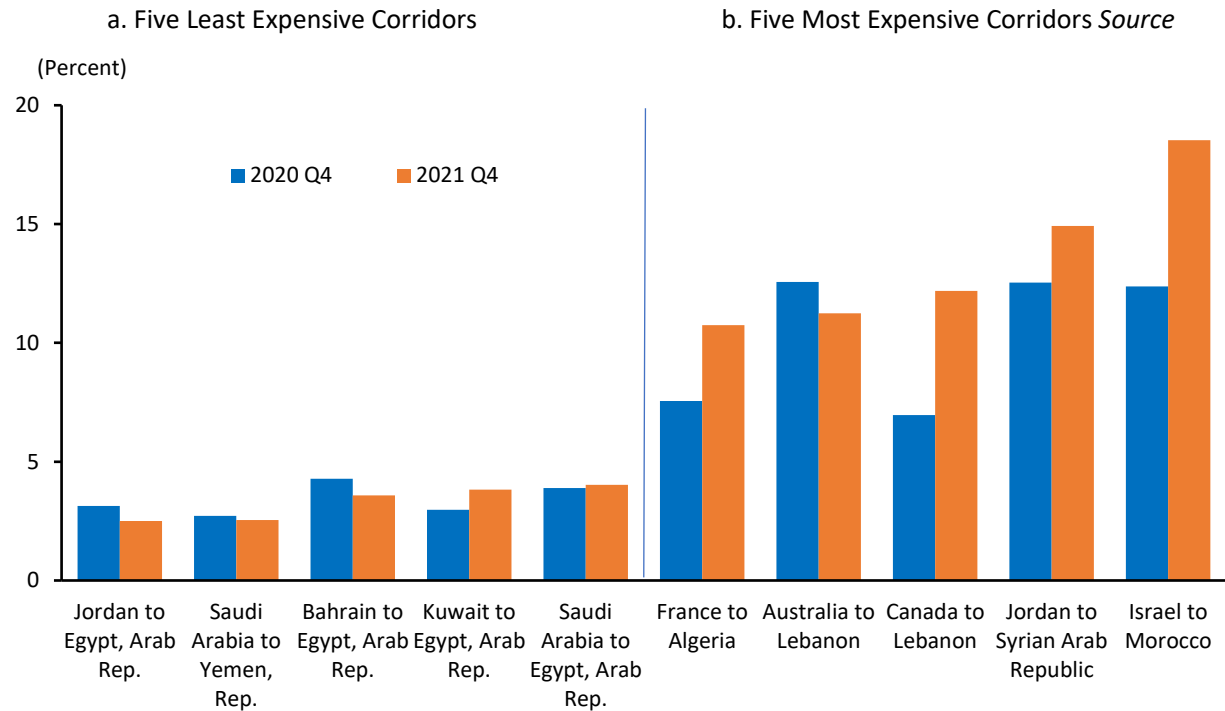
Figure 5.18 Strong 2021 Results to Turn Mixed on Food and Fuel Price Pressures



Source: KNOMAD/World Bank staff estimates and projections.
 Note: MENA = Middle East and North Africa.

Remittance costs. The cost of sending \$200 in remittances to developing countries in the region eased to an average of 6.4 percent in Q4 -2021 from 6.6 percent in Q4 2020. The within-region (including GCC) corridors for least expensive remittance costs recorded 2.5 percent, well below the costs of sending transfers from outside the region standing at 12.2 percent in latest readings (figure 5.19).

Figure 5.19 Sending Money within Middle East and North Africa is Less Expensive than Sending Money from Outside



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

Migration trends. The ILO has pointed out that the number of migrants in the GCC countries increased at the turn of the 2020s by a significant factor. ILO (2017) estimated that in 2017, the GCC was home to a migrant population of 23 million, of which 9 million (39 percent) were women. By 2019, new analysis suggested that these states, with the addition of Jordan and Lebanon, were hosting 35 million international migrants, 31 percent of them women (UN DESA 2019). The stock of migrants has diverse geographic backgrounds—Southeast Asia, East Asia, Sub-Saharan Africa, the Middle East, and Europe—with most in unskilled positions. GCC nationals or high-skilled foreigners occupy higher-earning professions.

A focus on Morocco. Often seen as a country of departure for both Moroccans and transiting refugees and migrants, there has been an evolution in circumstances that has seen an increase in people moving to Morocco as a country of destination—as well as within Morocco, via seasonal migration. In 2014, the country adopted its first National Strategy for Immigration and Asylum—recognizing the rights of people “on the move.” But the legislation has not been fully approved, and implementation differs across regions of the country. The increase in the number of migrants viewing Morocco as a destination country is often elevated by those who consider Morocco as a “secondary” objective, after failing several times to enter Europe. The profile of such a current transit migrant is a young, single man from West or Central Africa—from Senegal, Guinea, the Democratic Republic of Congo, Cameroon, and Côte d’Ivoire (Mixed Migration Centre 2022).

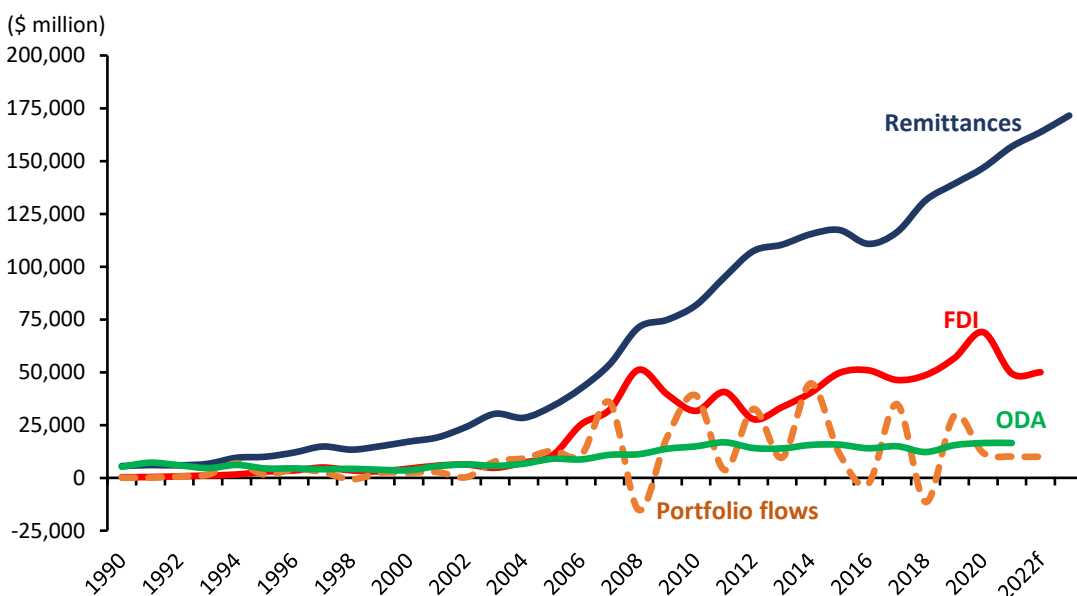
The dominant destination countries for migrants via Morocco—France, Spain, and Italy (70 percent of inbound flows)—have assisted in lowering remittances costs in the last few years. But at an average of 5.9 percent across sending countries, the cost remains well above the SDG target of 3 percent.

5.5 Remittances to South Asia Increased in 2021

Remittance inflows to South Asia grew 7 percent to \$157 billion in 2021, outstripping their impressive performance and show of resilience during the 2020 worldwide economic downturn unleashed by COVID-19 (figure 5.20). Unlike East Asia, Europe and Central Asia, and the Sub-Saharan Africa regions, the primacy of remittances as the single-largest financial inflow was sustained in 2021—they measured more than three times the level of FDI flows, which are the second largest financial flows in South Asia. In comparison, ODA flows in South Asia were estimated at 7 percent, and portfolio flows only 4 percent, of total remittance inflows in 2021. Relative to 2020, when all but two South Asian countries (Nepal and Afghanistan) enjoyed a spike in remittance inflows, the region’s 2021 experience was fueled predominantly by inflows to India and Pakistan.

South Asia’s outlook for remittances in 2022 suggests a winding down in growth driven as much by domestic as global economic and geopolitical forces. The region is largely shielded presently from the direct impacts of the ongoing Russia-Ukraine war. However, as all South Asian countries are fuel importers, the negative spillovers of global fuel and food inflation will inevitably emerge in all countries, with the worst burden falling disproportionately on the smaller countries that are dependent on fuel and food imports. Early signs have already surfaced in Sri Lanka and Afghanistan, whose economies have been in distress for other reasons. Recent experience from the pandemic suggests that migrants will continue to send remittances to their families in 2022. There is a possibility that the opening of the region’s economies will offer them the option to send more money through informal and digital than formal traditional money transfer channels, leading to a decline in recorded formal remittance inflows.

Figure 5.20 Resource Flows to South Asia, 1990–2023f



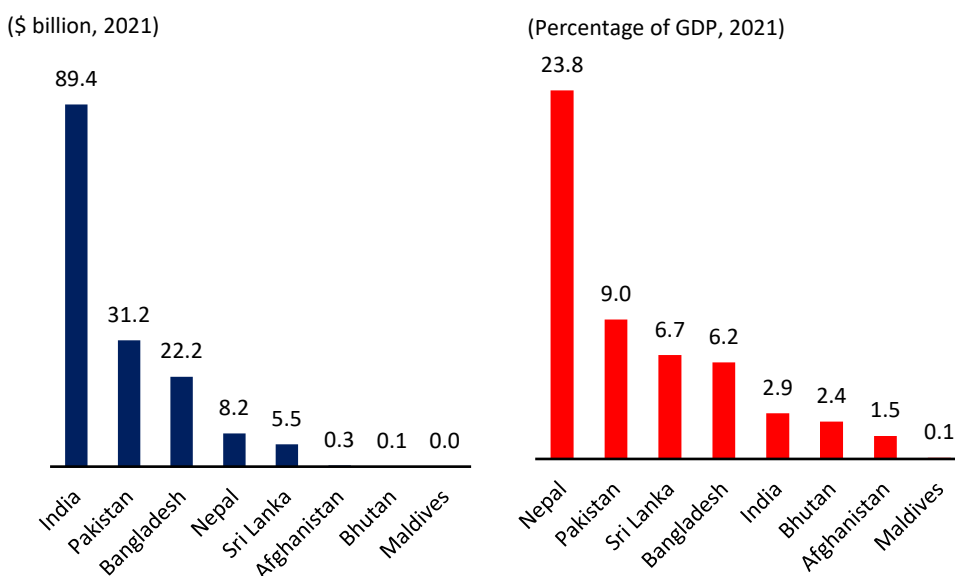
Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

In 2021, the importance of remittances for the national economy (GDP) was paramount for several countries of South Asia (figure 5.21, right panel). In Nepal, despite the depletion in the stock of migrants sending remittances since 2020 and slow resumption in emigration in 2021, remittance inflows claimed the largest share once again in South Asia, reaching 24 percent of GDP in 2021. India retained its position as the top recipient of remittances globally, although in comparison to its economy, remittances accounted for only 3 percent of GDP in 2021. Both India and Nepal are positioned to hold steadfast to their positions in 2022. The significance of remittances ranged from about 9 percent for Pakistan to 7 percent and more than 6 percent of GDP for Sri Lanka and Bangladesh in 2021, respectively.

The diverse pattern of remittance inflows in South Asia in 2021–22 was shaped by a complex combination of global and domestic factors in host and home countries. Better-than-expected economic recovery, generous fiscal stimulus measures, vaccine availability, and record-high employment rates, complemented with wage hikes, were the main drivers of the rise in remittances from the United States to South Asia in 2021. As most South Asians in the United States enjoy higher-income jobs, their potential to remit more is likely to be sustained in 2022 despite higher inflation. While migration dynamics in the Middle East, which hosts a significantly larger share of South Asian migrants, was distinct from the United States or Europe, it too supported a hike in remittance flows to South Asia in 2021.

Figure 5.21 Top Remittance Recipients in the South Asia Region, 2021



Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.

Note: GDP = gross domestic product.

Although large numbers of South Asian migrants returned to their home countries when the pandemic broke out in early 2020, the availability of vaccines and opening of the GCC economies enabled a gradual return of the migrants in 2021, facilitating larger remittance flows to South Asia to alleviate the economic burden inflicted by COVID-19's delta variant and the paucity of vaccines. In 2022, higher oil prices and food price controls in the GCC will help to sustain migrants' potential to remit more money to ease the inflationary burden on their families in South Asia, with one exception. To reduce the costs of money transfers, they will resume the pre-pandemic practice of sending money through informal money transfer channels, thus gnawing into formal remittance flows to South Asia. If the Russia-Ukraine war

transforms into a multiyear phenomenon, and/or oil prices moderate closer to 2021 levels, food inflation in the GCC is inevitable and will dampen South Asian migrants' remitting potential in 2022–23.

The home country factors shaping remittance inflows in South Asia were country specific in 2021. While domestic monetary and fiscal incentives to attract remittances played an unmistakable role in leading to a spike in formally recorded remittance flows to Pakistan and Bangladesh in 2020, their effects seemed to be one-off. As COVID-19 caseloads declined and South Asia opened for business and travel, its migrants reverted to using informal channels of money transfers. In 2022, all South Asian countries are already grappling with fuel inflation. Although the region will not be immune to global food price inflation if the Russia-Ukraine war transforms into a longer-term crisis, the larger South Asian countries that produce some of their own food will be partially protected. In Afghanistan, migrants' families have been displaced in large numbers since the Taliban assumed power in the summer of 2021, and the Sri Lankan economy is in a state of escalating economic turmoil.

South Asia's performance in remittance inflows in 2021 was navigated by India and Pakistan. After the lull in 2020, remittance flows to India grew at 8 percent in 2021 to \$89 billion. The spike was an outcome of a strong economic recovery in the United States, which accounts for a fifth of India's remittances, and the support to families back home inflicted by the delta variant and related travel restrictions in India during the summer of 2021. Given the uncertain global economic conditions, especially the expected slowdown in growth in the United States, remittances to India are expected to grow at 5 percent in 2022.

Remittance flows to Pakistan increased at an impressive 20 percent in 2021 to \$31 billion, while in Bangladesh, remittances grew by only 2.2 percent to \$22 billion. Growth in remittances was powered mainly by government incentives, support from migrants to their families back home, and inflows intended for Afghan refugees in Pakistan. High-frequency monthly data has marked a consistent downward trend since September 2021. Formally recorded remittances to Pakistan are likely to grow at 8 percent to \$34 billion in 2022. In Bangladesh, except for a 24 percent spike in March 2022 to mark the start of Ramadan, monthly remittance growth has been decreasing over the past 8 months. Remittances are anticipated to gain 2 percent in 2022.

In Nepal, remittance inflows totaled \$8.2 billion in 2021, close to the level achieved in 2020. This flat trend is expected to continue in 2022. In Sri Lanka, formally recorded remittances declined steeply to \$5.5 billion in 2021, a decline of 23 percent. High-frequency data suggests a further contraction of 10 percent in formally recorded remittances in 2022.

In 2021, remittances to Afghanistan were expected to reach \$600 million; however, after the takeover of the government by the Taliban in July–August 2021, and the severance of international relations, the Central Bank became dysfunctional, leaving informal channels as the only conduit for migrants to aid their distressed families in Afghanistan. Formally recorded remittance inflows to Afghanistan are assumed to be \$300 million in 2021 and remain flat in 2022, following news of a possible revival of some Central Bank functions in 2022. Remittance inflows in Bhutan dropped steeply by 33 percent to \$58 million, returning to their pre-COVID-19 level. The outlook for 2022 is flat at \$58 million. In the Maldives, remittances in 2021 declined 10 percent. The outlook for 2022 also indicates no change in flows.

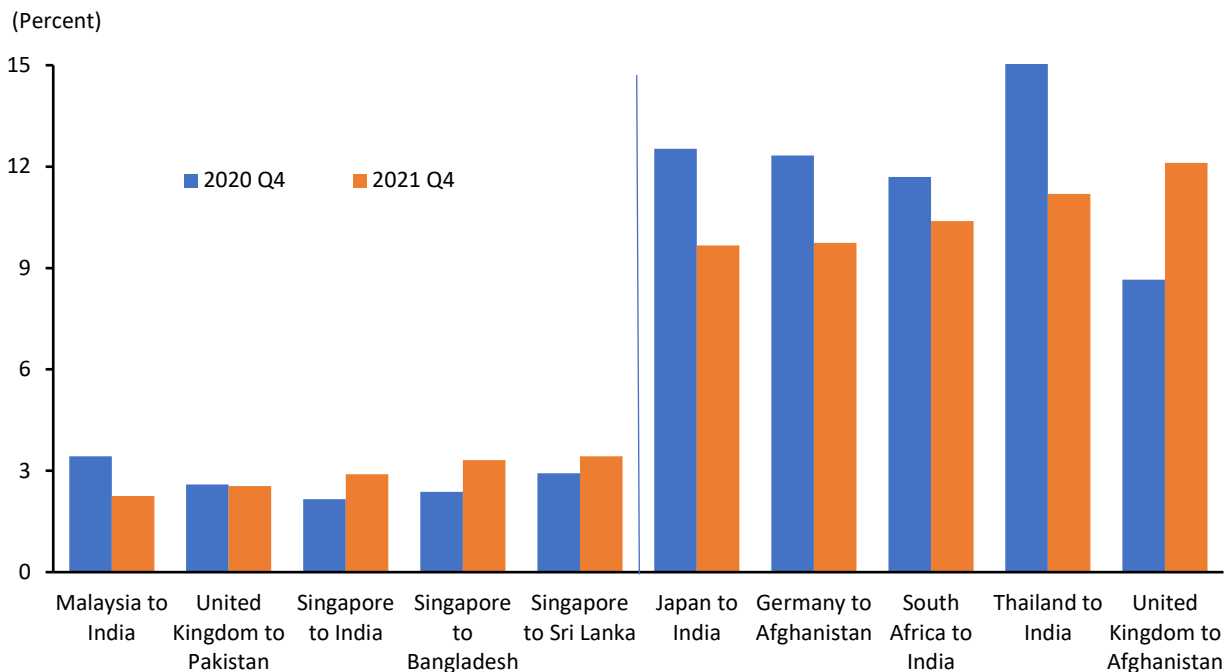
South Asia has the lowest remittance costs of all regions in the world, but they are still about 50 percent above the SDG target of 3 percent. In Q4 2021, the costs of remitting \$200 to South Asia were on average 4.3 percent (figure 3.2, earlier). However, the costs of sending money through formally

recorded channels did not decline uniformly from all host countries (figure 5.22). The United Kingdom-Afghanistan corridor is the most expensive, followed by the Thailand-India corridor. While the average costs of formal money transfers to South Asia declined in 2021, faster progress in cost reductions is warranted to reach the SDG target.

Figure 5.22 The Costs of Sending Remittances to South Asia Varied Widely across Corridors

a. Five Least Expensive Corridors

b. Five Most Expensive Corridors



Source: World Bank Remittance Prices Worldwide database.

Note: Cost of sending \$200 or equivalent.

The emergence of digital channels and, more recently, cryptocurrencies is being hailed for its promise of reducing remittance costs. While there is little evidence in support of cryptocurrencies as the “magic bullet” that reduces the cost of sending remittances to South Asia, digital currencies seem to show more promise.

The remittance outlook for South Asia in 2023 is highly uncertain. While high-frequency data for all countries except India show growth in remittances slowing in South Asia, it is unlikely that the strong growth in remittances in South Asia in 2020 and 2021 can be sustained through 2023. In India, remittances are projected to grow 5 percent in 2023 and in Pakistan and Bangladesh, by 8 percent and 2 percent, respectively, while for Afghanistan, remittance flows will remain flat. In Bhutan, Maldives, Nepal, and Sri Lanka, remittance growth in 2023 is anticipated to maintain 2022 rates.

5.6 Remittances to Sub-Saharan Africa Recovered in 2021

Remittance trends. Africa stands as the developing region most exposed to fallout from the Russian invasion of Ukraine, as indirect effects build over time. Most countries—net oil/food importers—are now facing a steep decline in terms of trade, which is increasing deficits and debt, boosting inflation, and cutting into real incomes and growth. The subcontinent is highly exposed to price hikes in wheat, maize,

edible oils, and fertilizers; the latter could impact farmers heading into the new agricultural season—a serious medium-term consideration. Sub-Saharan Africa imports 85 percent of its wheat supply, almost one-third (28 percent) of which comes from Ukraine and Russia. African oil exporters are anticipated to benefit, and one positive outturn could be the temporary movement of migrants (intra-African) to these economies and resulting higher remittance flows to home countries.

Despite the buildup in these substantial pressures over the course of 2021, remittance inflows to Africa soared by about 14 percent to \$49 billion, more than erasing the falloff of 8 percent recorded in the pandemic year of 2020—and representing the strongest gain since 2018. Developments supporting a return to growth included the firm pace of economic activity in Europe and the United States during the first half of 2021, although facing rising headwinds from inflation tied to distortions in supply chains and surging commodity prices. As COVID-19 incidence eased in the industrial economies, job prospects improved, allowing African migrants to supplement remittances to home countries that continued to experience sobering consequences of the virus.³⁹

A major factor in improving 2021 outturns was a restoration of recorded inflows to **Nigeria**, which had plummeted by 27 percent in 2020 due to increased use of informal channels. The Naira-4-Dollar policy of the Central Bank was intended to return payments to formal channels and appears to have achieved its objective—recorded flows advanced by a healthy 11.2 percent in 2021 to \$19.2 billion. The surge in flows to Nigeria accounted for nearly one-third of the overall \$6.3 billion increase in remittances to Africa.^{40, 41} Stabilization of the Naira against the dollar within a range of 410-415 per USD over the last year has contributed to the pickup in recorded inflows as well. Remittance flows to net oil-exporting countries in the region jumped to \$26.3 billion, a boost of 16.15 percent. Excluding Nigeria, the advance moved at a faster 34 percent pace, powered by upturns in flows to Ghana, South Sudan, and the Democratic Republic of Congo, reaching an aggregate of \$7.1 billion.⁴² Net oil importers, the majority of African countries, also witnessed an upturn in receipts, registering 13 percent gains on the back of double-digit increases to several countries.

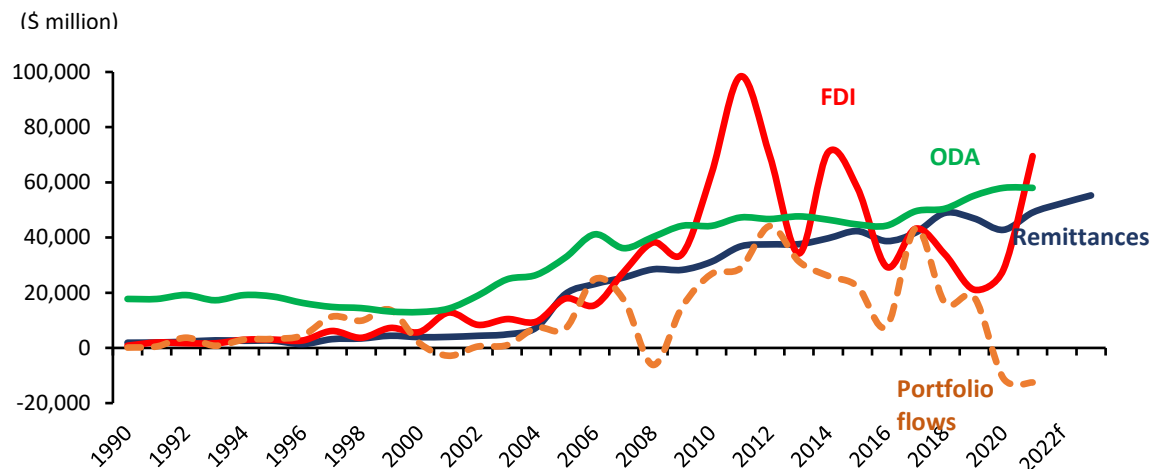
Nigeria dominates the region in terms of remittance receipts, having historically accounted for a half of SSA inflows. The falloff of remittances in 2020 was not encountered in many other SSA countries, such that while flows to the region dropped a sharp 8 percent in the year, excluding Nigeria, receipts surged 12 percent to \$26 billion. A strong motivation among migrants to assist families in home countries under pandemic conditions underpinned these extraordinary increases.

Stronger-performing countries in 2021 included **Kenya**, enjoying healthy GDP growth (6.7 percent) but suffering severe drought in its northeast region, which in part served to attract a robust 20 percent expansion in remittance receipts. Data for the first quarter of 2022 indicates continued momentum near 25 percent. **Tanzania's** receipts were propelled higher by 60 percent on the back of increased incidence of COVID-19; **Ghana**, the second-largest recipient in the region, picked up 5 percent in flows, with more promising oil export prospects—but also a deepening financial crisis in play. And a few “one-off” cases were of note: **The Gambia** enjoyed a 30 percent upturn grounded in a new government (and new currency), while **Mozambique's** migrant workforce finally responded with some force (a two-thirds increase in flows to \$570 million) to support the hard-hit residents of Cabo Delgado, amid an insurgency against mega liquefied natural gas projects in the region.

Figure 5.23 highlights that remittances to Africa have maintained a strong secular uptrend, with several years of exception, advancing by 11 percent on average per year over 2004–21. However, remittances have never proved dominant among external financial flows for the region, eclipsed by ODA over the

period (by some \$9 billion in 2021) and by robust—yet quite volatile—inflows of FDI, largely directed toward resource-rich economies (the surge in FDI during 2021 reflects a mega M&A transaction in South Africa). Portfolio investment inflows have been volatile historically, given the region’s debt difficulties; and portfolio flows now have been adversely affected by the onset of the Russia-Ukraine crisis. Figure 5.24 provides a cross-section of the top-10 African recipients of remittances in level terms (in US dollar billions) as well as perspective on the importance of remittances to economies as measured by their proportion in GDP. Among countries more reliant on remittances are The Gambia, Lesotho (part of the Southern Africa Customs Union⁴³), and island states such as Comoros and Cabo Verde (figure 5.24, right panel).

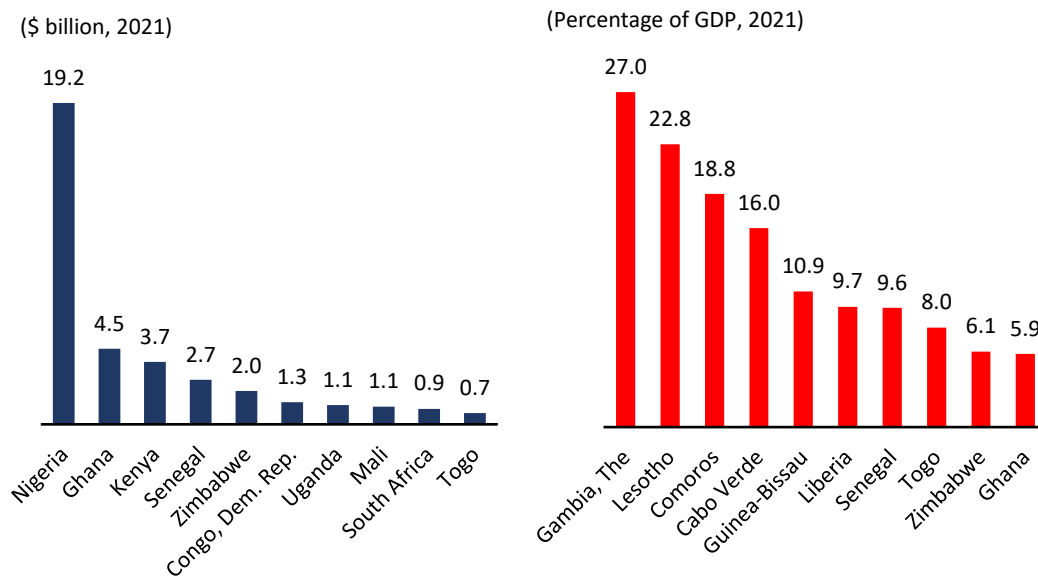
Figure 5.23 Resource Flows to Sub-Saharan Africa, 1990–2023f



Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure 5.24 Top Remittance Recipients in Sub-Saharan Africa Region, 2021

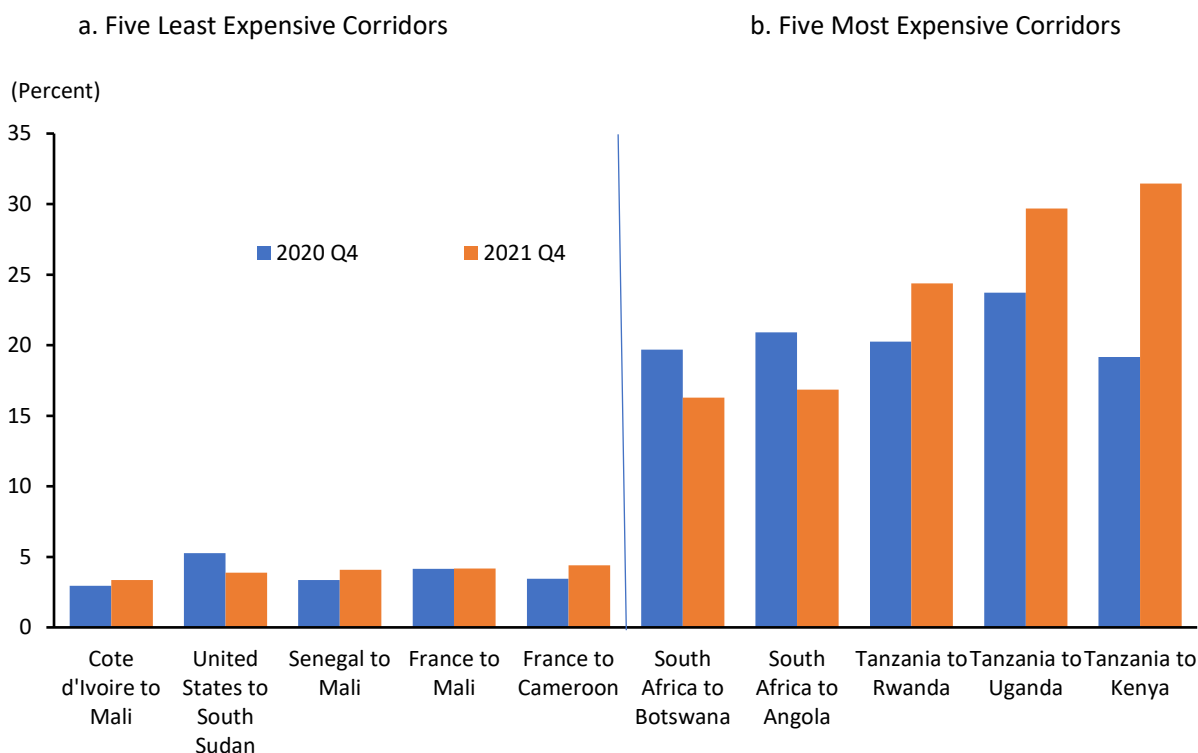


Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.

Note: *Somalia and South Sudan are excluded due to data validity issue. GDP = gross domestic product.

Remittance costs. Sub-Saharan Africa remains the costliest developing region to which remittances are sent. Aggregate regional remittance costs averaged 7.8 percent during Q4 2021. Illustrated in figure 5.25, the difference between high- and low-cost remitting corridors is astounding. The average cost of remitting \$200 from countries in the least expensive corridors amounted to 3.4 percent in Q4 2021. In contrast, costs for the most expensive corridors registered 31.5 percent during the fourth quarter of 2021, an increase of 12.3 percent from the year earlier. Though intraregional migrants in Africa comprise more than 70 percent of all international migration from or within the region, intraregional remittance costs are quite high due to the small quantities of formal flows and utilization of black-market exchange rates. For example, the fee for sending \$200 in remittances from Tanzania to neighboring Uganda would cost the Ugandan migrant 29.7 percent.

Figure 5.25 Cost of Sending Remittances to Sub-Saharan Africa Countries Varied Widely across Corridors



Source: World Bank Remittance Prices Worldwide database.

Note: Cost of sending \$200 or equivalent.

Remittance outlook. Uncertainty and risks in the outlook for remittances to Africa (2022–23) are exceptionally high against the background of global conditions affected by the Russian invasion of Ukraine. The key staple commodity for the region—wheat—gained 24 percent over the course of 2021—and an additional 22 percent since the February 2022 invasion (see figure 1.5 above). Higher oil prices will dominate external accounts for the 36 net oil-importing countries of Sub-Saharan Africa, and expectations of deeper current account deficits and worsening debt positions are widespread. But unprecedentedly higher wheat prices may be of greater concern, as they will hurt households disproportionately, especially poorer and urban populations. Indeed, the principal risk for the coming years may be an intensification of socioeconomic pressures and increasing likelihood of civil strife.

Despite the deterioration in external conditions, there are two factors that support a view for continued—through a more moderate—7.1 percent increase in flows to Africa in 2022. First, continued movement toward the use of official channels for inflows to Nigeria, given regulatory change, increasingly stability of the currency, and increased use of the “e-Naira” should sustain an uptrend in flows to nearly \$21 billion in the year, still well below the \$24 billion registered in 2018. For other net oil exporters—Ghana, the Republic of Congo, and Angola—potential “semi-windfalls” for public revenue and a fillip to growth could attract migrants from within the region, affecting both inflows from home countries as well as (later in time) increased outflows as jobs are generated. This group is anticipated to enjoy a moderate expansion in remittances of some \$340 million in 2022, a gain of nearly 5 percent.

Migration trends. Though changes in legislation in the United States and the European Union have tightened requirements for immigration, movement of African nationals to key host countries has continued at a rapid pace. The percentage of West African migrants in Europe grew from 12 percent in 1990 to 19 percent by 2020, while the share in North America advanced from 3 percent to 10 percent over the period (UN DESA 2020). Moreover, an estimated 7.6 million international migrants (intra-African) resided in the region as of 2020. Transit migration (often with desired end destinations in the European Union or the United States) has proliferated, with migrants and/or refugees now originating from neighboring or distant countries. Time spent in a country between the place of origin and the end destination can last from a few days to several years, making it difficult to differentiate between permanent and temporary migration. The main transit zones for Africans include the “Central Mediterranean Quadrant” (Mali, Libya, Tunisia, and Malta) and the “Western Mediterranean and Atlantic Quadrants” (Morocco, Algeria, and Mauritania). But due to shifting political environments, heightened controls, and responsive migrants’ strategies, all such patterns and arrangements are subject to change (IMISCOE and COMPAS 2018).

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Endnotes

¹ Comparing high-level estimates against the last KNOMAD *Migration and Development Brief* (35) released in November 2021, highlights that global remittance data display an upward revision of some \$6.3 billion for 2020, with growth shifting from a decline of 1.7 percent to a modest gain of 0.4 percent (World Bank/KNOMAD 2021). For 2021, the markup vis-à-vis Brief 35 amounts to a substantial \$15 billion.

² Estimates for 2021 suggest that gross inflows of FDI to China (\$323 billion) eclipsed those to the United States (UNCTAD 2022; OECD 2021).

³ Energy prices escalated sharply during the second half of 2021 as demand firmed with economic activity, while oil production rebounded more slowly than expected, owing to supply outages and production constraints being followed by OPEC+. As of December 2021, OPEC+ production capacity was 800,000 barrels (bbl)/day lower than targeted. Brent crude oil prices soared from \$55/bbl in January 1 to \$78/bbl by year end, a gain of 42 percent (see figure 1.5 in section 1.4).

⁴ Russia's sovereign credit rating was downgraded on March 28 and April 8 to "C" (close to default) from "B" (highly speculative) on its foreign-currency bonds by Fitch Ratings. On March 22, 2022, it stated a rationale for the rating change: "...recent developments lead us to believe that Russia does not have the willingness to service government debt; ...further ratcheting of sanctions and U.S./NATO proposals to limit Russia's trade in energy increase the policy odds that includes at least selective non-service of sovereign debt." Standard and Poor's also marked down the country's credit rating on April 8 to "selective default," as Russia announced plans to make bond redemption payments in rubles when dollars were required.

⁵ Pressure on prices for a wide range of food commodities *increased over the course of 2021*. This was tied to the increase in global energy prices filtering quickly into fertilizer costs (ammonia-based fertilizers derived from natural gas or coal), ramping up production costs and market prices for grains and other essential products. Among the key commodities affected by the Russia/Ukraine supply reduction were crude oil (which gained 67 percent during 2021) and natural gas (190 percent), leading to a doubling of average fertilizer prices. In turn, wheat prices gained 36 percent and maize, 60 percent.

⁶ The fee waivers announced by remittance service providers on occasions of natural disasters or conflict do not waive foreign exchange conversion margins.

⁷ Based on an expected \$22 billion remittance inflows expected in Ukraine in 2022.

⁸ <https://www.ohchr.org/en/press-releases/2022/03/ukraine-armed-conflict-and-displacement-heightens-risks-all-forms-sexual>

⁹ The World Bank also adheres to the 2018 Global Compact for Safe, Orderly, and Regular Migration, which includes actions related to empowering migrants aimed at preventing all forms of discrimination, including racism and racial discrimination.

¹⁰ To complement the global average and global weighted averages described above, the World Bank introduced the SmART indicator in Q2 2016, which aims to reflect the cost that a savvy consumer with access to sufficiently complete information could pay to transfer remittances in each corridor. In Q1 2021, the Global SmART Average was recorded at 4 percent.

¹¹ See also Rice and Boar (2020) and Financial Stability Board (2018).

¹² Qatar has introduced reforms of recruitment fees for domestic workers. It has set recruitment fee caps for domestic workers, based on their nationality, that range from \$2,472 for migrants from Kenya and Ethiopia to \$4,000–\$4,670 for migrants from Indonesia, the Philippines, and Sri Lanka (Migrant-Rights.Org 2022).

¹³ Exploitation of migrant workers by labor agents can turn violent as demand for low-wage workers grows in the urban areas. A rather extreme example is the case of two villagers from Odisha who, in 2013, suffered physical harm at the hands of their recruitment contractors (*The Hindu* 2013).

¹⁴ While nations agreed with the GCM statement that "refugees and migrants are entitled to the same universal human rights and fundamental freedoms," they also agreed that "only refugees are entitled to the specific international protection as defined by international refugee law." Implicit in these statements is a threat to

national identity in the face of large immigration flows and a loss of national sovereignty by ceding governance to a multilateral treaty perceived by host countries (Ratha 2021).

¹⁵ This section draws from a paper presented at the 62nd Annual Conference of the Indian Society of Labor Economics (see Ratha 2022).

¹⁶ The World Bank is preparing a World Development Report on Migration/Mobility to be published in 2023.

¹⁷ In 1949, the United Nations Relief and Works Agency (UNRWA) for Palestine Refugees for the Near East was created. The UNRWA and the UNHCR both began operations on May 1, 1950.

¹⁸ India is not a signatory to the 1951 Convention Relating to the Status of Refugees and its 1967 Protocol. India has not developed a legal structure to deal with refugee issues, even though the country hosts large refugee populations. However, the lack of domestic refugee legislation does not always mean a complete absence of legal protection. The Supreme Court of India has held that the fundamental rights enshrined in the Indian Constitution apply equally to refugees on the Indian soil. The state's legal responsibility to protect the health of recognized refugees was confirmed through several court judgments.

¹⁹ The [International Development Association \(IDA\)](#) is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

²⁰ The State and Peacebuilding Fund (SPF), which is the World Bank's largest global trust fund supporting interventions in contexts of fragility, conflict, and violence (FCV). The Fund has two overarching objectives: 1) Improving institutional capacity and legitimacy to manage stresses and support prevention and recovery from conflict and fragility; and 2) Reducing and managing internal and external stresses that increase vulnerability to conflict and fragility. It can respond rapidly to emerging needs and has flexibility in working across all countries and territories— including middle-income countries with pockets of fragility, non-member countries, and countries in arrears—. The IBRD Fund for Innovative Global Public Goods Solutions (GPG), which has been established to incentivize innovative solutions for delivering global public goods by using concessional financing to support IBRD operations that generate global or regional benefits. Its initial focus area of support is the spillover effects of FCV.

²¹ <https://blogs.worldbank.org/peoplemove/we-must-learn-live-migration>

²² Projections based on ILO model estimates, November 2021 revision. Working age is defined as 15–64 years.

²³ In March 2022, Saudi Arabia and Thailand signed a cooperation agreement for highly skilled workers for the engineering, construction, and health care sectors. The United Arab Emirates revealed its preference for skilled migrants in 2021 (Brief #35) (World Bank/KNOMAD 2021). Australia redesigned its immigration policy to increase its intake of permanent skilled workers by 30,000 to 109,900 in 2022; the number of skilled worker employer sponsorships rose from 50,900 in 2021 to 91,652 in 2022–23; and the Skilled Independent Category visas tripled to 16,652.

²⁴ Germany recently signed an agreement with Indonesia for nursing staff. The demand from other countries is as follows: Israel and Turkey for partially skilled household service workers (in Turkey, the monthly salary is \$800); Georgia and Azerbaijan for workers in the oil and gas sector; Northern Cyprus in the tourism sector; South Korea has signed an Employment Permit Scheme with 15 countries for 5 sectors; and Japan announced a Specialized Skilled Worker program with 10 countries for 14 specific sectors.

²⁵ The new migrant program is starting with 160,000 migrants from Cambodia, Lao PDR, and Myanmar for the industrial, tourism, and services sectors.

²⁶ Overly strict COVID-19 restrictions and the absence of new job opportunities seem to be the main reasons. Between 2019 and 2021, the number of skilled employment permit holders fell 14 percent and the number of mid- and lower-skilled migrants who earn at least \$2,500 a month fell more than 18 percent.

²⁷ On March 11, the US president signed the American Rescue Plan into law. For families, the American Rescue Plan provided Economic Impact Payments of up to \$1,400 per person. For businesses, the American Rescue Plan provided aid in the form of an additional \$7 billion for forgivable Paycheck Protection Program loans, aid for the hardest-hit industries like airlines, and tax credits for keeping employees on the payroll. For state and local governments, the American Rescue Plan provided \$350 billion to support urgent needs and lay the foundation for long-term recovery, in addition to targeted programs to support critical investments in capital projects needed for the future.

²⁸ These numbers of 210, 000 migrants arrested in March were made public in a court filing on Friday, April 15 (Reuters 2022).

²⁹ In March 2022, the United States deported 600 Colombians under Title 42 (DW 2022).

³⁰ As a result of the Executive Order 14010 Creating a Comprehensive Regional Framework to Address the Causes of Migration, to Manage Migration Throughout North and Central America, and to Provide Safe and Orderly Processing of Asylum Seekers at the United States Border, coordination centers have been created.

³¹ <https://www.reuters.com/world/americas/venezuelans-lead-growing-number-migrants-crossing-panamas-dangerous-darien-2022-04-13/>

³² Low- and middle-income economies in the broader Middle East and North Africa region (which also includes the GCC economies) are Algeria, Djibouti, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Tunisia, the West Bank and Gaza, and Yemen.

³³ Maghreb: Algeria, Morocco, and Tunisia.

³⁴ GCC members include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

³⁵ Jordan, Lebanon, and Syria.

³⁶ Lebanon has already halted its food subsidy program as its fiscal deficit deteriorated; substantial aid is likely to be required to see the country through the current crisis.

³⁷ Against the background of much higher food prices and a falloff in tourism, Egypt devalued the pound by 16 percent in late March, raised policy interest rates by 100 basis points, and introduced a “Mitigation Package” (1.6 percent of GDP) to support the economy in the face of multiple shocks.

³⁸ The “countercyclical” flow of remittances witnessed across developing countries during the global recession of 2000 is a relevant example for a revival of prospective flows driven by “altruistic” concerns.

³⁹ The fourth wave of COVID-19 (omicron variants a and b) continues to exact a toll on Africa—in contrast to 80 percent of populations vaccinated in the OECD countries, only 11 percent of Africans are fully vaccinated. South Africa and the Eastern and Central regions of the subcontinent are most affected at present.

⁴⁰ Inflows to Nigeria declined near 28 percent during 2020, as money senders avoided official channels. A new “naira-4-dollar” policy of the Central Bank of Nigeria launched in March 2021, offers an N5 reward for every US dollar transferred through the banking system—a policy aimed at shoring up foreign exchange liquidity especially encouraging Nigerians to use official channels.

⁴¹ Nigeria has not been able to benefit from higher oil prices to date as: oil production declined in 2021 due to lack of maintenance and loss of infrastructure efficiency; and domestic petrol prices remain fixed—increasing the cost of the “Premium Motor Spirit” subsidy, a large and growing fiscal burden.

⁴² Net oil exporters in Sub-Saharan Africa include Nigeria, Angola, Gabon, the Republic of Congo, the Democratic Republic of Congo, Ghana, Equatorial Guinea, and South Sudan. Apart from Nigeria, recorded remittance inflows are likely underreported, save for Ghana (\$4.5 billion), the Democratic Republic of Congo (\$1.3 billion), and South Sudan (\$1.2 billion).

⁴³ The Southern Africa Customs Union is comprised of South Africa, Botswana, Eswatini, Lesotho, and Namibia. Among agreements underlying the customs union is a sharing of revenues across countries, the pool of which (generated in large by South Africa) has fallen in the past years, due to global recession and the collapse of trade.