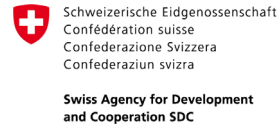


RECOVERY

COVID-19 Crisis Through a Migration Lens

Migration and Development Brief 35

November 2021



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

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

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COVID-19 Crisis Through a Migration Lens

Migration and Development Brief 35
November 2021

Migration and Remittances Team
Social Protection and Jobs
World Bank



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Summary

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

In 2021, remittance flows to low- and middle-income countries (LMICs) are projected to reach \$589 billion, registering a 7.3 percent increase. The recovery in 2021 follows the resilience of flows seen in 2020, when remittances recorded only a modest 1.7 percent decline to \$549 billion, in the face of one of the deepest recorded global recessions. Remittances now stand more than threefold above official development assistance and, excluding China, more than 50 percent higher than foreign direct investment. This underscores the importance of remittance flows in smoothing consumption in recipient countries during periods of economic hardship.

The international migrant stock seems to have declined for a second consecutive year, with weak new migration flows and large return migration in 2020 and 2021. The number of foreign workers in the Gulf Cooperation Council (GCC) region, which is among the top destinations for migrants and top sources of remittances, continued to decline in 2021. Deployment of workers from Pakistan to the GCC region fell by over 64 percent during 2020 and again by another 11 percent during the first nine months of 2021, and in Bangladesh it fell by 19 percent in the first three months of 2021 compared to the same period of 2020. Migrants' attempts to enter the United States through its southern border increased significantly in 2021. However, there was an increase

in the number of transit migrants stranded in Mexico and Central American countries.

In all developing regions of the world, migrants stepped up their support to families back home, especially to countries affected by the spread of the COVID-19 Delta variant. Their ability to help was enabled by a welcome pickup in economic activity and employment in major migrant destination countries, grounded partly in the exceptional COVID-19 emergency fiscal stimuli and accommodative monetary policies.

Growth in remittance flows has been exceptionally strong (21.6 percent) in Latin America and the Caribbean. Although timely data are not yet available, an increase in the number of transit migrants (and in the remittances they receive to support themselves and to finance smuggling fees) is a significant factor behind the exceptionally strong increase in remittance inflows to the region, especially to Mexico (which registered 25 percent growth during the first nine months of 2021 compared to the same period of 2020) as well as to Guatemala, the Dominican Republic, and El Salvador (which registered more than 30 percent growth during the first nine months of 2021 compared to the same period of the previous year). In addition, the economic recovery in the United States, and the strong increase in average weekly earnings for all employees (about 9.5 percent from March 2020 to September 2021), also contributed to the increase in remittances to Latin America and the Caribbean.

In most other regions, remittances have also recovered strongly, registering growth of 5 to 10 percent in Europe and Central Asia, the Middle East and North Africa, South Asia, and Sub-Saharan Africa, but a slower pace of 1.4 percent in East Asia and the Pacific (excluding China). The key contributing factors are



migrants' willingness to support families in times of need, together with the fiscal stimulus and employment support programs implemented in the United States and European destination countries which provided many migrants with the financial wherewithal to send increased support to their families back home. In the GCC countries and Russia, the recovery of outward remittances was also facilitated by stronger oil prices and the resulting pickup in economic activity.

In 2021, the top five remittance recipients in current US dollar terms were India, China, Mexico, the Philippines, and the Arab Republic of Egypt. As a share of gross domestic product, the top five remittance recipients in 2021 were smaller economies: Tonga, Lebanon, the Kyrgyz Republic, Tajikistan, and Honduras. The United States was the largest source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and Switzerland.

The cost of sending money across international borders remained high, around 6.4 percent on average in the first quarter of 2021, or more than double the SDG target of 3 percent (figure 3.1). The cost of remittances to Sub-Saharan Africa remained particularly high (8 percent). Corridor-specific data 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.

Remittances are expected to continue growing in 2022, but there are downside risks. The COVID-19 crisis is far from over and poses the most important downside risk to the outlook for global growth, employment, and remittance flows to LMICs. The fiscal stimulus programs in major migrant destination countries cannot

continue indefinitely. Moreover, the shift from cash to digital remittance channels which was observed at the peak of the COVID-19 crisis in 2020, has likely run its course. Further growth will require greater progress in access to bank accounts (which is essential for using digital channels) for migrant populations. This process is hindered by anti-money laundering and countering the financing of terrorism (AML/CFT) regulations, which remain stringent, e.g., not facilitating e-KYC onboarding. In some corridors, such as Cuba and Afghanistan, such regulations have become even more strict.

SDG indicator 10.7.1 monitors global efforts to reduce migrant recruitment costs. Migrants continue to pay exorbitant amounts to get jobs abroad. Newly released data covering the 2019–20 pre-pandemic period shows that Bangladeshi workers in Saudi Arabia paid the equivalent of 20 months of their foreign earnings (around \$5,000), while Vietnamese workers heading to the Republic of Korea incurred costs close to 9 months of their salary abroad (over \$9,200).

Policy makers should continue their efforts to keep remittances flowing by lowering the cost of remittances, increasing access to banking for migrants and for remittance service providers, and making policy responses to the COVID-19 crisis (in terms of access to vaccines, healthcare, housing, and education) inclusive of migrants. Migrants may also need protection against overwork or underpayment by employers during the crisis. Finally, many migrant origin communities are facing unexpectedly large return of migrants and they may need support to provide healthcare, quarantine facilities and other social services.

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1. Robust Remittance Flows in 2021

1.1 A Resurgence in Flows

In 2021 remittance flows to low- and middle-income countries (LMICs) are projected to reach \$589 billion, registering a 7.3 percent increase, the strongest growth performance since 2018 (figure 1.1a and table 1.1). The recovery in 2021 follows the resilience of flows seen in 2020, when remittances recorded a modest 1.7 percent decline to \$549 billion.¹ A sharp decline in remittances in the second quarter (Q2) of 2020, in the immediate aftermath of widespread lockdowns and travel bans, was followed by a recovery in flows through the

second half of 2020 and continuing into 2021 (box 1.1). Even as foreign direct investment (FDI) flows seem to be recovering in 2021, remittance flows to LMICs (excluding China) are on track to surpass the sum of FDI and official development assistance (ODA) flows (figure 1.1b). Remittances now stand more than threefold above ODA levels and more than 50 percent higher than FDI. This underscores the importance of remittance flows in smoothing consumption in origin countries during periods of economic hardship.²

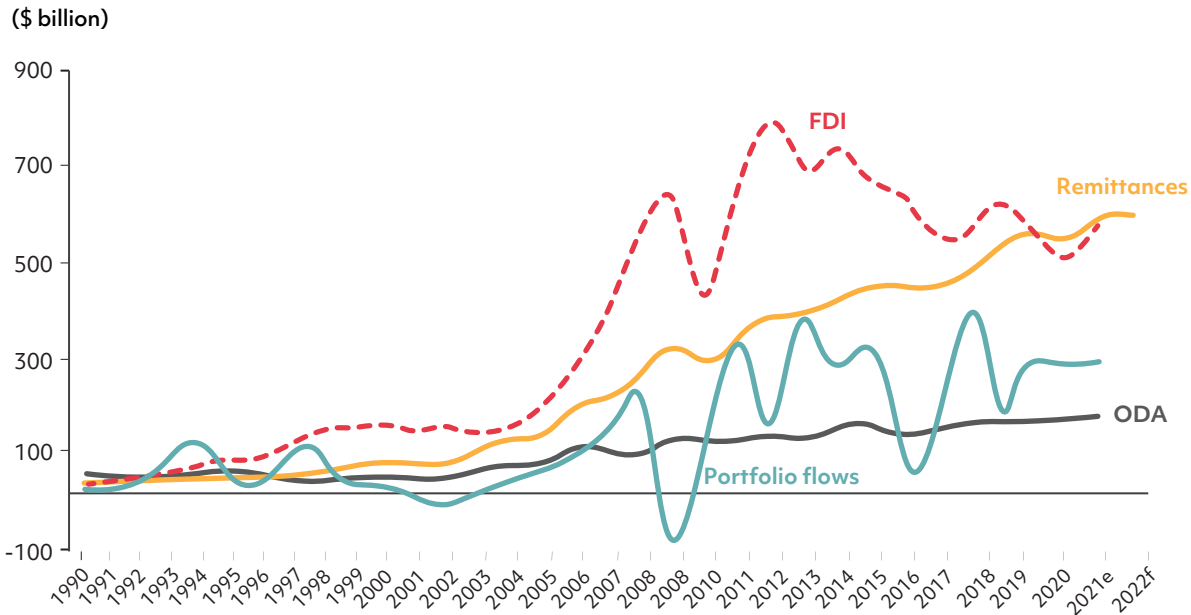
Table 1.1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

\$ billion	2009	2015	2016	2017	2018	2019	2020e	2021f	2022f
Low and Middle Income	303	453	447	485	532	559	549	589	605
East Asia and Pacific	80	128	128	134	143	148	136	131	131
<i>excluding China</i>	39	64	67	70	76	79	77	78	81
Europe and Central Asia	34	48	49	59	66	70	64	67	70
Latin America and the Caribbean	55	69	74	82	90	97	103	126	131
Middle-East and North Africa	31	50	49	52	53	55	56	62	64
South Asia	75	118	111	117	132	140	147	159	162
Sub-Saharan Africa	28	41	37	42	49	49	42	45	48
World	433	602	597	640	695	722	706	751	774
(Growth rate, percent)									
Low and Middle Income	-5.1	0.5	-1.2	8.4	9.7	5.0	-1.7	7.3	2.6
East Asia and Pacific	-4.8	3.7	-0.5	5.1	6.8	3.2	-7.8	-4.0	-0.3
<i>excluding China</i>	5.8	4.8	3.5	5.4	8.0	4.8	-3.3	1.4	3.3
Europe and Central Asia	-13.5	-13.3	3.0	19.8	12.2	5.9	-8.6	5.3	3.8
Latin America and the Caribbean	-12.3	6.6	7.2	11.2	9.8	8.3	6.2	21.6	4.4
Middle-East and North Africa	-6.0	-6.4	-1.2	5.3	2.3	3.9	2.8	9.7	3.6
South Asia	4.5	1.6	-5.9	6.0	12.3	6.1	5.2	8.0	1.8
Sub-Saharan Africa	-2.1	6.3	-8.4	10.9	17.4	1.1	-14.1	6.2	5.5
World	-5.0	-1.3	-0.8	7.2	8.5	3.9	-2.3	6.5	3.1
Memo items:									
Remittances to LMICs according to country classification of different years									
2001 country classification	316	469	465	504	551	579	567	605	621
2011 country classification	306	456	450	488	535	562	552	592	607
2020 country classification	302	447	441	478	525	550	541	581	596

Source: World Bank–KNOMAD staff estimates. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

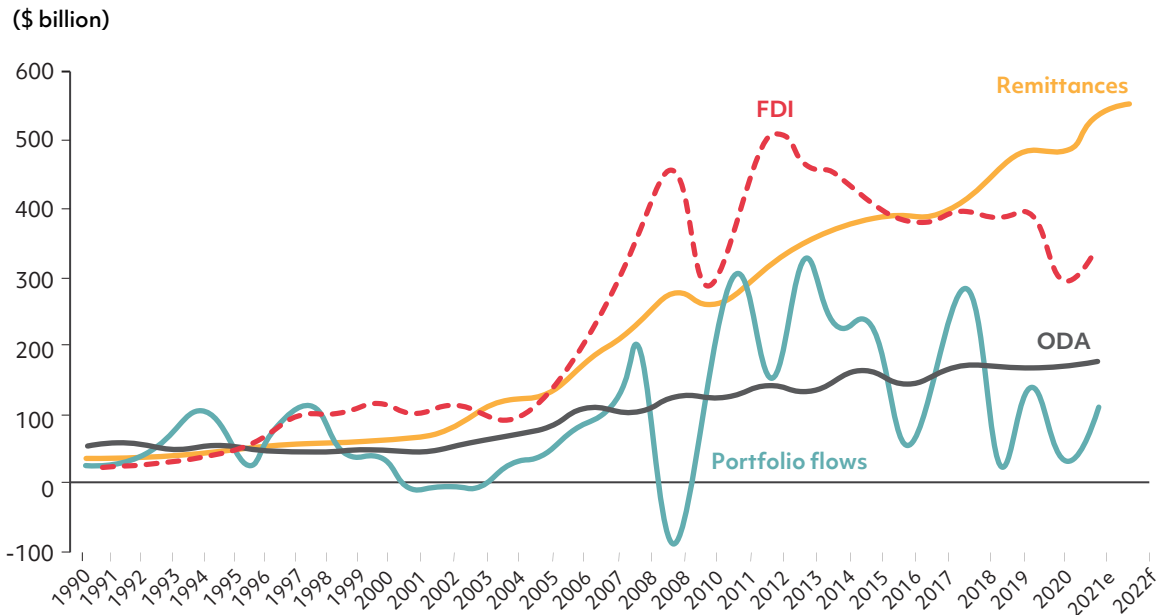
Note: LMIC = low- and middle-income country; e = estimate; f = forecast.

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



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; International Monetary Fund (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 1.1b Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China, 1990–2022



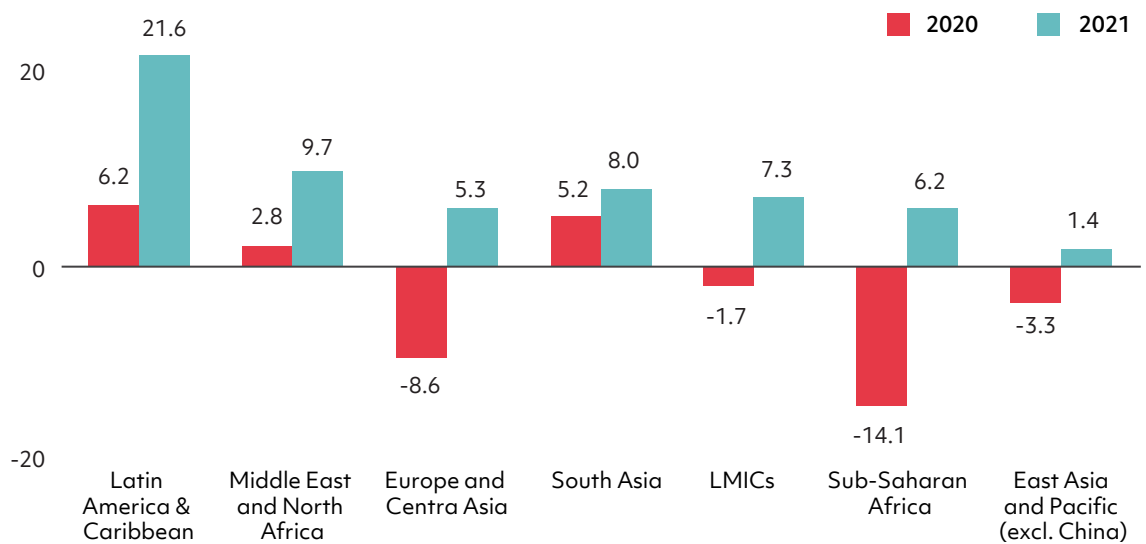
Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

Growth in remittance flows was exceptionally strong (21.6 percent) in Latin America and the Caribbean. It was also strong in all other regions of the world, registering growth of between 6 and 10 percent in Sub-Saharan Africa,

South Asia, and the Middle East and North Africa; 5.3 percent in Europe and Central Asia; and 1.4 percent in East Asia and the Pacific, excluding China (table 1.1 and figure 1.2).³

Figure 1.2 Remittance Flows by LMIC Region, 2020–21

Growth rate (percent, year-on-year)



Source: World Bank–KNOMAD staff.
 Note: LMICs = low- and middle-income countries.

Box 1.1 High-Frequency (Quarterly) Data Exhibit a Short-Lived Decline in Remittance Flows in Q2 2020 and Recovery Starting Q3 2020

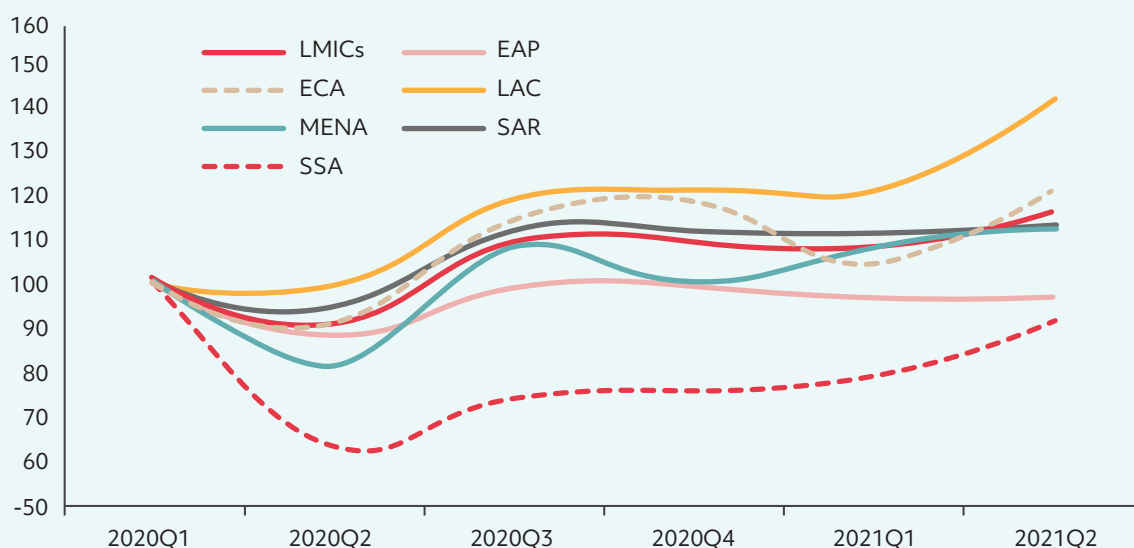
High-frequency data on remittance flows are available for 49 low- and middle-income countries (LMICs), accounting for about 77 percent of total remittance flows to LMICs. These data show a sharp drop in remittance flows in all regions in Q2 2020 in the immediate aftermath of COVID-19-related lockdowns, travel restrictions, and social distancing (figure B1.1.1). Starting in Q3 2020, flows began to recover in response to various fiscal stimulus measures implemented in most countries worldwide. According to the latest quarterly data, remittance flows to LMICs increased to \$227 billion (or 3 percent of gross domestic product) during the first half of 2021, registering year-on-year (y/y) growth of nearly 18 percent. The increase in remittances was more

dramatic than previously expected, with a particularly sharp rise in Q2 2021 due mainly to a low base in Q2 2020. Data for Q3 2021 for several countries suggest that growth is likely to moderate. Yet, growth for the year should carry remittance flows to above pre-pandemic levels.

Of the increase in flows during the first half of 2021, Latin America and the Caribbean accounted for 40 percent, with remittances gaining 32 percent (y/y) to \$56.5 billion. Momentum picked-up for flows to the large number of countries that receive remittances from the United States. Central American countries also received increased remittances in response to recent hurricanes. Remittances also recorded double-digit growth in the first half of 2021 in Europe and Central Asia (19 percent), the Middle East and North Africa (22 percent), and South Asia (15 percent). East Asia and the Pacific and Sub-Saharan Africa lagged among developing regions, registering gains of 3 and 6 percent, respectively

Figure B1.1.1 Regional growth rates of remittances (high-frequency data)

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



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

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; LMICs = low- and middle-income countries; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

As reported in World Bank/KNOMAD (2021), a large number of households surveyed by the World Bank, reported a significant drop in remittances while central banks recorded higher inflows. Causes include lower migration rates, less remittance income per migrant, isolation in origin communities, and greater health risks. The true size of remittances, which includes formal and informal flows, is believed to be larger than officially reported data, though the extent of the impact of COVID-19 on informal flows is unclear.⁴

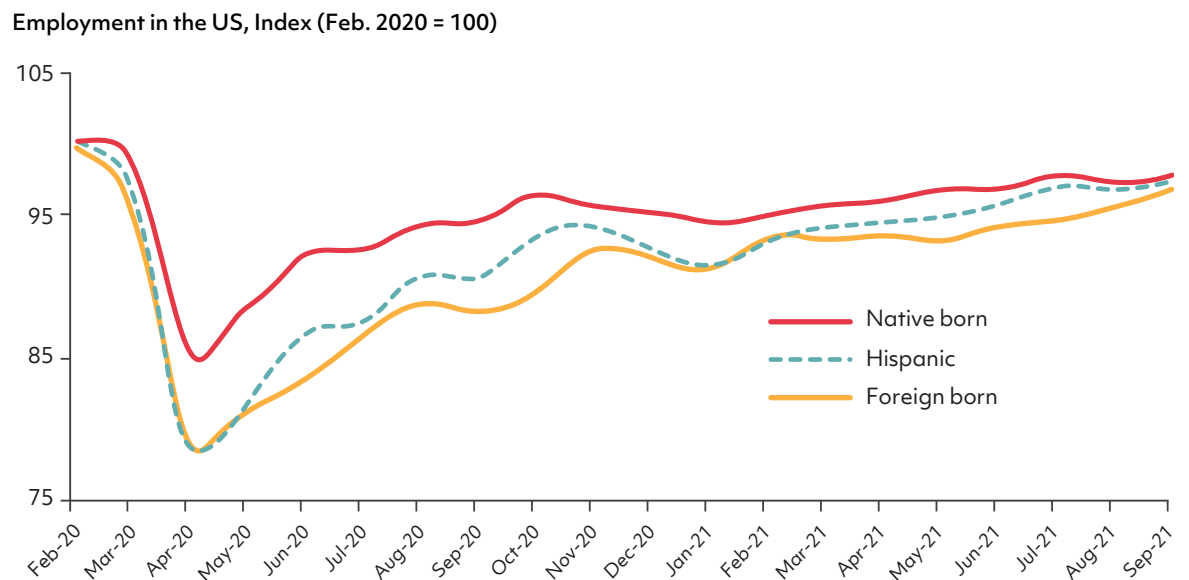
1.2 Reasons for Recovery

In all regions of the world **migrants seemed to have stepped up their support** to families back home, especially to countries affected by the spread of the COVID-19 Delta variant. Migrants' willingness to help was enabled by a welcome pickup in economic activity and employment in major destination countries, grounded in exceptional COVID-19 emergency **fiscal stimulus** and accommodative monetary

policy. In October 2021, world leaders attending the G-20 summit in Rome committed to "...take steps to support the full inclusion of migrants, migrant workers and refugees in their pandemic response and recovery efforts independently of migration status."⁵

In broad measure, signs of prospective easing in COVID-19 caseloads in the advanced economies during the early months of 2021 and the lessening of restrictions on activity, buoyed consumer and business sentiment as well as the employment prospects of international migrants. In the United States, the largest host country for migrants, with over 52 million foreign-born persons, the employment rate of foreign-born workers fell sharply and more than that of native-born workers in Q2 2020, but it has since recovered a great deal to close the gap (figure 1.3). Indeed, in most high-income countries of the Organization for Economic Cooperation and Development (OECD), though the unemployment rates of foreign-born workers tend to be higher than those of the native born, and it is even wider in Spain and Sweden.

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



Source: US Bureau of Labor Statistics.

In the Gulf Cooperation Council (GCC) countries and the Russian Federation, higher oil prices (more than doubling to \$82/barrel in October 2021 from a year previous) and stronger economic activity served to increase remittance flows to South Asia, Southeast Asia, and Central Asia (the latter largely from Russia). Substantial increases in the prices of food staples over the same period (maize, 28 percent; and wheat, 8 percent) are likely to have encouraged more remittances to support families back home, notably in Sub-Saharan Africa.

While economic recovery, fiscal stimulus, and higher oil prices favorably affected remittance flows in all regions, the exceptional growth rate of 21.6 percent in **Latin America and the Caribbean** (to reach a total of \$126 billion) merits additional clarification. Although timely data are not readily available on transit migrants and stranded migrants, an increase in their numbers and the remittances they receive from overseas to support themselves and pay smuggling fees seems to have been a significant factor behind the strong increase in remittances to the region, notably the 25 percent growth in remittances to Mexico in the first nine months of this year compared to the same period of last year (see box 4.1 in section 4.3). Indeed, many other transit countries—e.g., Guatemala and Colombia, and the Arab Republic of Egypt and Morocco in the Middle East and North Africa region—are experiencing strong growth in remittance inflows.

In Guatemala and Honduras, the increase in remittances during the first nine months of 2021 compared to the same period of 2020 was 37 percent and 33 percent respectively—remittances to these countries increased rapidly because of an effort by migrants to support families affected by recent hurricanes. In the Caribbean countries of the Dominican Republic and Jamaica, remittances grew by 34 percent and 24 percent, respectively, in the first nine months of this year. (A depreciation of local currencies against the US dollar could be a plausible reason for the strong increase in the Dominican Republic, alongside an increase in migration flows from Haiti due to the crisis in that country (Florián 2021). For all Latin American countries for which the United States is the top destination, labor shortages and increases in weekly earnings in the United States have also contributed to the increase in remittances.

An additional factor could be a resumption of travel and tourism to these destinations, which for long stays, in the case of “digital nomads”—people working remotely from these locations—could translate into remittance inflows (box 1.2). According to the Government of Mexico (2021), more than 7 million Americans entered the country during the first nine months of 2021. Though it is not stated how many remain in the country, a number of Americans have relocated to Mexico to work during the pandemic (Lopez 2021).

Box 1.2 Digital Nomads and Remittances

Mexico is not alone. Many tourist destinations have experienced an increase in long-stay tourists from high-income nations who have decided to take advantage of work-from-home arrangements. A new category of visa has emerged—the so-called “digital nomad” visa schemes that allow teleworking in the host countries. For example, Estonia launched a digital nomad program in August 2020, and

Costa Rica will offer a short-term visa for remote workers (OECD 2021). Fund transfers received by such digital nomads can be arguably counted as remittances. However, the developmental impacts of such transfers are more akin to those from tourism receipts (which mainly pay for one’s own living costs) than from migrant remittances (meant to support families). It is likely that a part of the increase in remittance flows to the Dominican Republic, Jamaica, and Morocco may be due to an increase in the number of teleworkers.

After displaying remarkable resilience through one of the sharpest economic downturns in its migrant host and home countries in 2020, the **South Asia region** experienced a surge in remittance inflows during 2021, though gains were spread unevenly across countries. Inflows to the region are likely to reach \$159 billion, growing by 8 percent in 2021. Economic conditions in host countries were pivotal in facilitating remittance inflows, as the surge in oil prices and modest opening of the GCC economies played a clear part in the 2021 outturns. Flows to India (the world’s largest recipient of remittances) are expected to reach \$87 billion, a gain of 4.6 percent—with the severity of COVID-19 caseloads and deaths during the second quarter (well above the global average) playing a prominent role in drawing altruistic flows (including for the purchase of oxygen tanks) to the country. As for all developing regions, the 2022 outlook for remittances includes risks on the downside, with high-frequency data signaling a slowdown for most South Asian countries over the last several months of 2021.⁶

Remittance flows to the **East Asia and Pacific** region, excluding China, are anticipated to recover modestly by 1.4 percent in 2021, after a decline of 3.3 percent in

2020. Indonesia is set to record a drop for the year, driven by decreasing flows from Malaysia and Saudi Arabia.

Remittance receipts among the developing economies of the **Middle East and North Africa** have been favorable over the first half of 2021, supported by a return to growth in the European Union (EU) and the GCC countries. Driven by surprisingly strong gains in inflows to Egypt and Morocco, developing economies in the region accrued remittances of \$62 billion with growth registering 9.7 percent in 2021.⁷ Risks for the region remain high, however, since mobility restrictions due to COVID-19 could be reinstated in key destinations. Geopolitical and regional tensions in Lebanon, Libya, the Syrian Arab Republic, and the Republic of Yemen persist, and may encourage flows through informal channels or even discourage remittances. As EU growth softens and oil prices recede moderately into 2022, inflows to the region are anticipated to slow to a moderate pace.

After falling by 8.6 percent in 2020, remittance receipts in **Europe and Central Asia** are seen to grow by 5.3 percent to \$67 billion in 2021. The strong performance has been due to strengthening economic activity in the EU, and in Russia on the back of surging energy prices. Ukraine

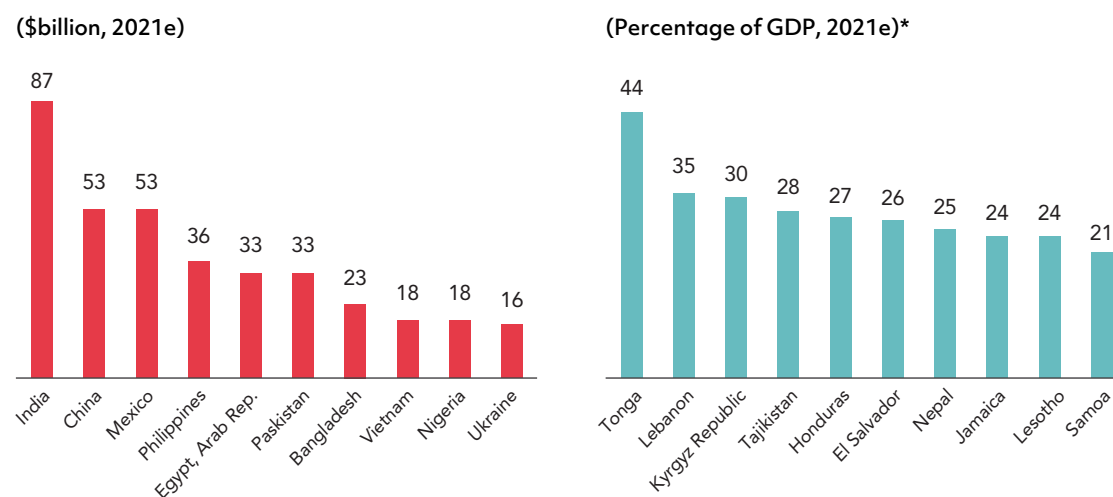
received inflows of \$16.3 billion in 2021, 7.1 percent higher than the previous year, driven by a sharp rise in flows from Poland. Outward remittances from Russia to Central Asian countries are expected to bounce back in the year, with the Russian economy posting stronger growth amid higher energy prices. And within Central Asia, Kazakhstan is now experiencing increasing demand for both high-skilled labor in the oil industry and education (Russia), and low-skilled labor in agriculture and the construction sector (other Central Asian economies). The outlook for 2022 is exposed to downside risks, including a more substantial slowdown in major remittance-source economies, or energy market turmoil arising from a sudden decline in oil prices—yielding a more sluggish advance in the year.

After contracting by 14.1 percent in 2020, remittance flows to **Sub-Saharan Africa** are expected to recover in 2021—registering a growth of 6.2 percent to reach \$45 billion. Nigeria, the largest recipient in the region, is experiencing a moderate rebound in remittance flows, in part due to the increasing traction of novel policies intended to channel inflows through the banking system.

1.3 Top Remittance Source and Recipient Countries

In 2021, the top five recipient countries for remittances are India, China, Mexico, the Philippines, and Egypt (figure 1.4, first panel). India experienced a substantial 4.6 percent gain in remittance inflows during 2021, as higher oil prices enabled stronger remittance payments from expatriate workers among the GCC economies, and the dramatic spread of COVID-19 yielded additional financial support from the diaspora. Mexico's surge in recorded inflows to \$53 billion is tightly linked to the US recovery—and gains in employment there for Mexican migrants—as well as to flows from home countries to the large number of Central American transit migrants. Remittances from Egyptian immigrant workers increased to \$33 billion in the year, a robust 12.6 percent advance, benefitting from higher oil prices and returns from expatriates in the Gulf, as well as the pickup in economic activity in Europe and the United States. And in Ukraine, remittance inflows increased sharply to \$16 billion, on stronger demand for labor services in Central and Eastern Europe.

Figure 1.4 Top Recipients among Low- and Middle-Income Countries



Source: World Bank-KNOMAD staff.

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

Among economies where remittance inflows stand at exceptionally large shares of gross domestic product (GDP)—and hence highlight intrinsic dependence upon inflows from expatriates—are countries from Central Asia (links to Russia), from Central America (ties to the United States), Lebanon with a substantial diaspora, and several island economies (Tonga, Jamaica, Samoa) where the vagaries of tourism revenues (and natural disasters) require substantial income augmentation from overseas workers (figure 1.4, second panel).

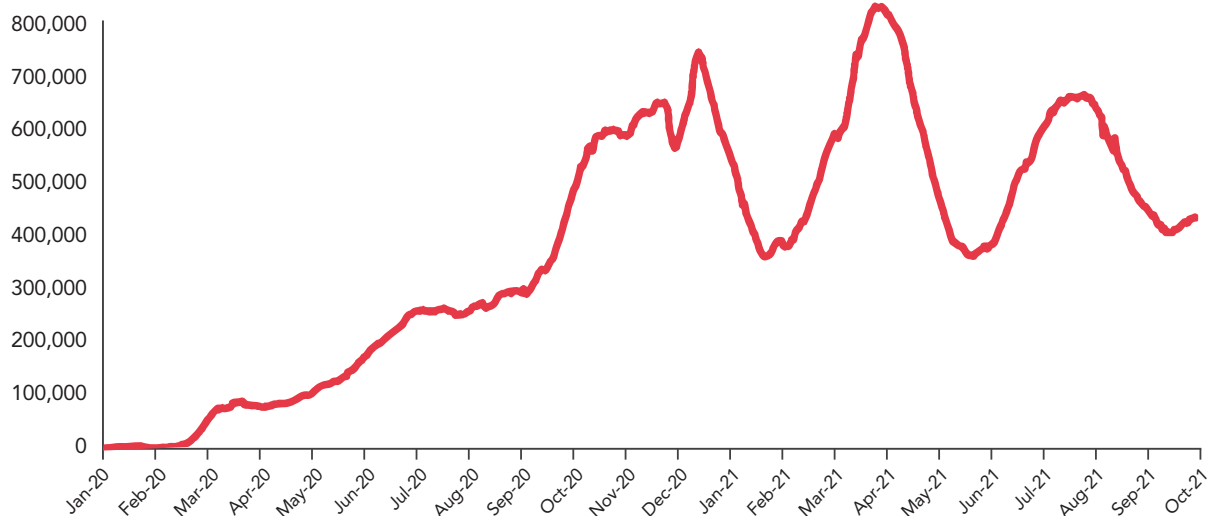
1.4 Outlook for 2022: Downside Risks

A resurgence of COVID-19 cases poses by far the most important downside risk to the outlook for global growth and employment,⁸ and hence remittance flows to LMICs. COVID-19 cases have increased sharply in the United States,

Japan, the ASEAN-5,⁹ and several EU countries, and notably among economies lacking access to vaccines in Sub-Saharan Africa and in parts of South and Southeast Asia (figure 1.5).¹⁰ Already the effects of the spread of the Delta variant are apparent in signs of slippage in global economic activity. Intensification of bottlenecks in supply chains tied to COVID-19 restrictions on manufacturing and transport/logistics, notably in East Asia, are affecting production in the advanced economies (figure 1.6a).¹¹ Shortages due to limited availability of critical inputs (notably microchips) for automobiles, electronic equipment, and related products are pushing consumer prices upward in high-income countries. Global inflation is being abetted by the recent surge in crude oil, natural gas, and coal prices—and global oil and energy markets are now expected to be undersupplied for the remainder of 2021, with oil prices remaining at lofty levels into 2022 (figure 1.6b).

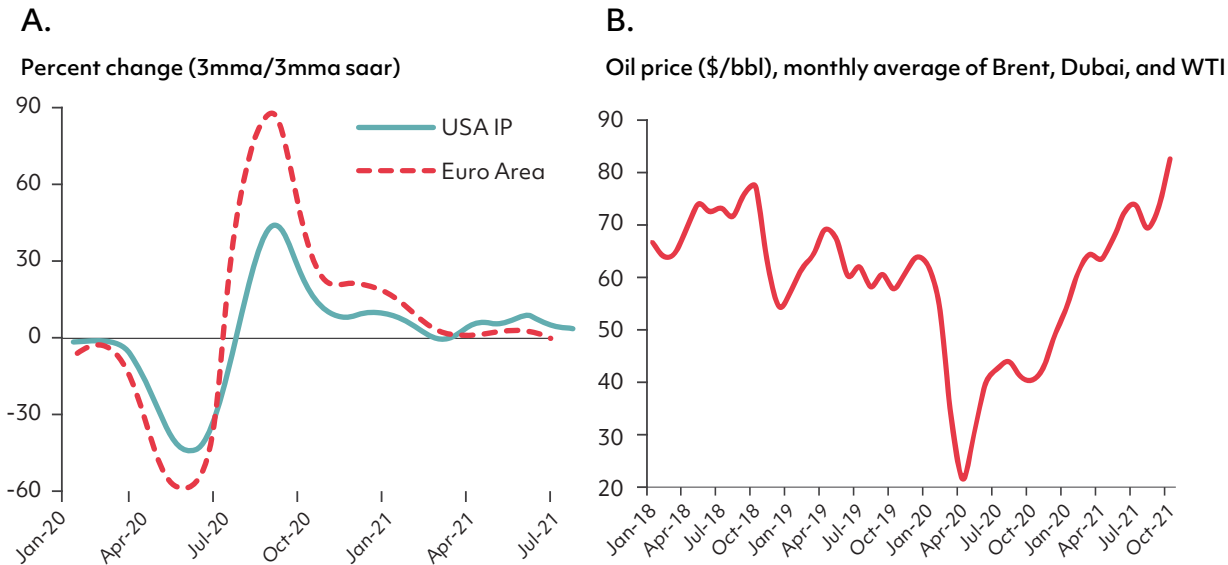
Figure 1.5 Daily New Confirmed COVID-19 Cases (rolling seven-day average)

The number of confirmed cases (rolling 7-day average)



Source: Our World in Data.

Figure 1.6 Changes in Industrial Production and Oil Prices



Sources: OECD and World Bank.

Note: \$/bbl = US dollar per barrel; IP = industrial production; JPN = Japan; 3mma saar = seasonally adjusted annual rate; WTI = West Texas Intermediate.

A slowdown in the pace of visa/work permit issuance for the millions of returnees in the GCC countries, especially as some governments seek to promote employment of their own workers, is contributing to a depletion of the migrant stock. Consequences include lower remittance flows to South Asia and other regions in 2022 and the near term (see section 2 for more on this topic).

Remittance flows to LMICs are expected to grow at a moderate 2.6 percent pace to reach \$605 billion in 2022, with the regional

profile of growth ranging from 5.5 percent in Sub-Saharan Africa to 1.8 percent in South Asia. The view for South Asia is particularly uncertain. Migrants who returned to their home countries when lockdowns occurred in their host countries may not be able to return to their original jobs due to tightened immigration regulations and issuance of worker visas. The number of foreign workers in GCC countries has continued to decline (see section 2).



2. Migration Trends

In 2021 the stock of migrants is expected to fall for a second consecutive year, unprecedented in history. Data on migration flows are published with a lag, hence no authoritative figures can be cited for 2021. Data and trends gleaned from various sources suggest that return migration has increased in 2021, while new migration flows have remained subdued after decreasing sharply in 2020 due to the COVID-19 crisis.

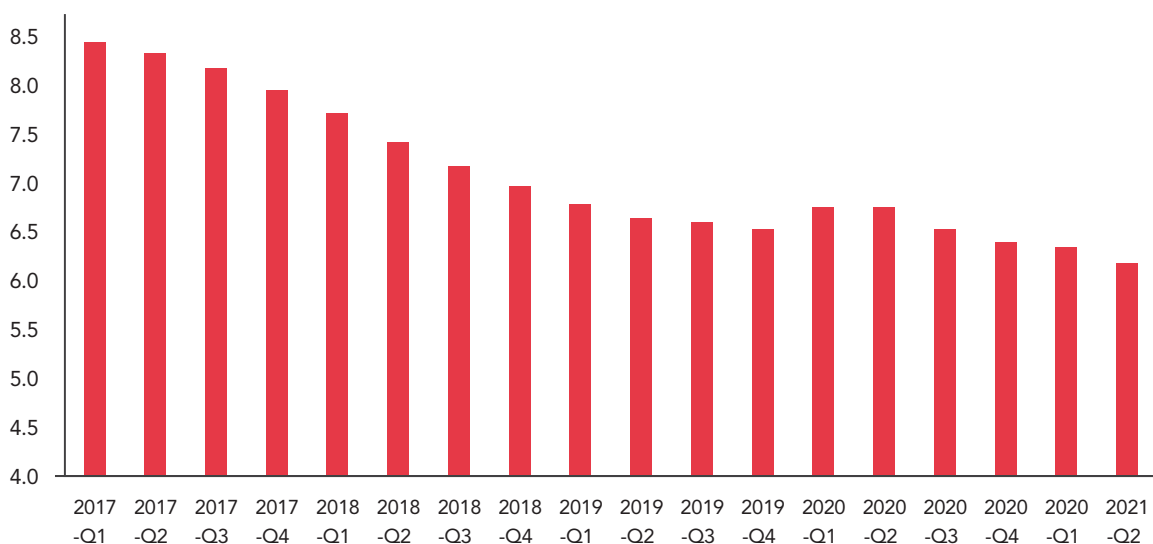
According to the United Nations Department of Economic and Social Affairs (UN DESA 2020), the international migrant stock decreased by about 2 million people in 2020. Recent data released by the OECD (2021) show that migration flows fell in all OECD countries in 2020. Permanent migration into OECD countries declined by 30 percent to reach 3.7 million, the lowest level since 2003. In the United Kingdom, the foreign-born population is estimated to have declined from 9.2 million in Q3 2019 to 8.3 million in Q3 2020 (Sumption 2021). In Germany, net immigration

decreased for the fifth year in a row, exhibiting the largest decline in 2020 (De Statist 2021).

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 lower-skilled foreign workers in the future. Saudi Arabia granted 12 percent fewer work visas in Q1 2021 relative to the same period in 2020, while Oman reported a 15 percent (y/y) decline in Bangladeshi workers in Q1 2021. Bahrain cut the number of flexi-permits from 47,000 in 2020 to 24,000 in 2021. The Kuwaiti cabinet has tasked its Manpower Authority with getting another 100,000 citizens to work in the private sector within four years to reduce the state's public sector wage bill. In Pakistan, deployment of workers to the GCC and other destination countries declined from around 626,000 in 2019 to 225,000 in 2020 and further to 152,000 in the first nine months of 2021.

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

Number of employed foreign workers (million)



Source: General Authority of Statistics, Saudi Arabia.

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

	Y/Y change (thousand persons)	Y/Y change (%)
Bahrain (Q2 21–Q2 20)	-41	-9.8
Qatar (Q1 21–Q1 20)	-122	-5.9
Oman (Q2 21–Q2 20)	-160	-10.3
Saudi Arabia (Q2 21–Q2 20)	-581	-8.6

Source: Local authorities.

Note: Y/Y = year-on-year.

Temporary labor migration also dropped sharply in Japan (66 percent), Republic of Korea (57 percent), Canada (43 percent), Australia (37 percent), and the United States (37 percent) (OECD 2021). Flows of seasonal workers decreased by 9 percent. According to the OECD (2021), new asylum application cases decreased by 31 percent in 2020, and preliminary data for the initial months of 2021 for EU countries indicate a similar trend. The United Nations High Commissioner for Refugees (UNHCR) reported that the number of international refugees reached

20.4 million in December 2020, not including 4.8 million Venezuelan migrants (and 5.7 million Palestinian refugees registered by the United Nations Relief and Works Agency).¹²

Return migration has increased due to falling employment and incomes for 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 (IOM) 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 UNHCR, the majority of those being returned are nationals of Sudan (17 percent), Mali (11 percent), and Bangladesh (11 percent).



3. Policy Issues

Policy efforts must continue to keep remittances flowing by lowering the cost of remittances, increasing access to banking for migrants and remittance service providers, and making policy responses to the COVID-19 crisis (in terms of access to vaccines, health care, housing, and education) inclusive of migrants. The Call to Action to Keep Remittances Flowing, launched last year by Switzerland and the United Kingdom in collaboration with the Global Knowledge Partnership on Migration and Development (KNOMAD)/World Bank, outlines a set of useful policy priorities in this area (box 3.1). As mentioned earlier, the G-20

Rome Leaders Declaration called for the monitoring of National Remittance Plans, gathering of more granular data, and continuing facilitation of the flow of remittances and reduction of average remittance transfer costs (G-20 2021).

Migrants may also need protection against overwork or underpayment by employers during the crisis. And many host communities that are facing unexpectedly large returns of migrants may need support to provide health care, quarantine facilities, and other social services. These policy recommendations were featured in the past two issues of this Brief (#33 and #34) and are summarized in table 3.1.

Table 3.1 Government Policy Responses during the Crisis

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

Source: World Bank/KNOMAD 2021.

Box 3.1 Call to Action: Keep Remittances Flowing

In May 2020, shortly after remittances began to plummet due to the pandemic-induced lockdowns, the governments of Switzerland and the United Kingdom joined forces to rally other governments (by now 31 governments), United Nations agencies, industry partners, and civil society around a call to action (C2A): “Remittances in Crisis: How to Keep Them Flowing.”

The C2A included specific policy recommendations, many of which were heeded by governments, such as recognizing remittance services as essential, stepping up efforts to reduce remittance costs, and not imposing

Source: C2A(2021).

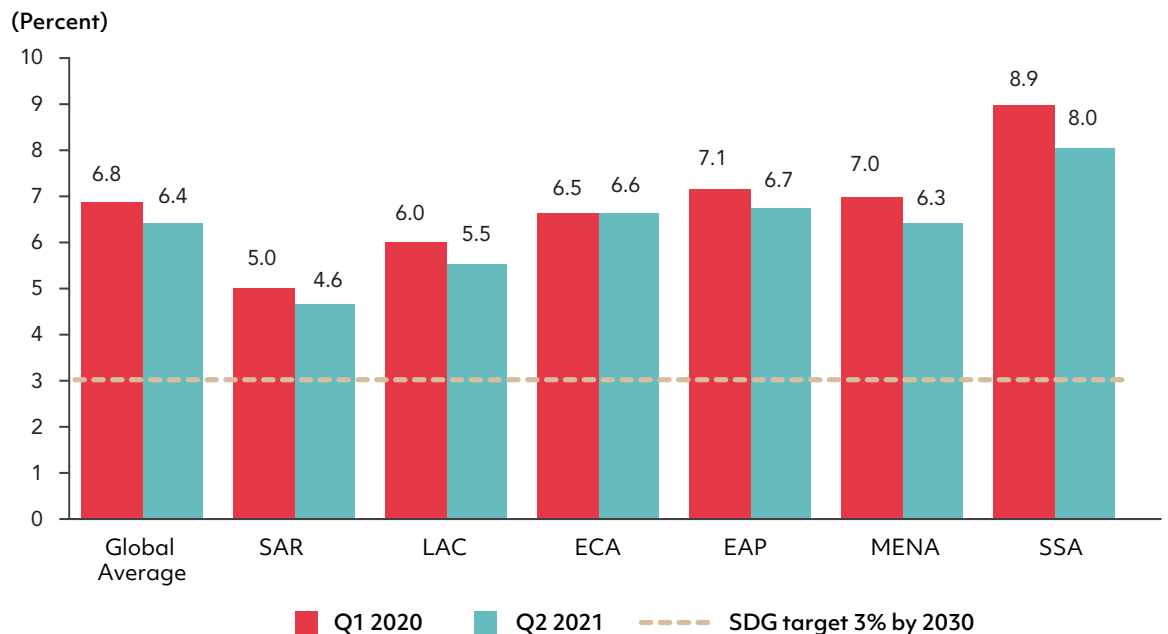
taxes on remittances. A year and a half later, with remittances proving to be resilient and serving as a financial lifeline during an unprecedented global crisis, the C2A continues to provide space for countries and stakeholders to share experience, learn from best practices, develop solutions, and take joint actions. “A change of course is needed to build a stronger case for the role of remittances as a gateway for financial inclusion and the achievement of the SDGs,” according to the annual stock-taking report. Also, the C2A recognizes the importance of timely and high-frequency monitoring of remittance flows and a need to improve statistical reporting systems in remittance-source and recipient countries.

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

The cost of sending money across international borders continued to remain high, around 6.4 percent on average in Q1 2021, or more than double the SDG target of 3 percent (figure 3.1). The cost of remittances

to Sub-Saharan Africa remained particularly high (above 8 percent). 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**.¹³

Figure 3.1 How Much Does It Cost to Send \$200? 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 Digital Remittances and De-risking

Digital Remittances

The COVID-19 crisis seems to have caused a huge shift away from handling cash to using digital payment channels that do not require physical contact. Hand carrying of both cash and in-kind remittances (i.e., goods instead of money) across national borders was affected by travel restrictions, increasing the importance of digital transfers. During the COVID-19 crisis, international remittances sent and received via mobile devices increased to reach \$12.7 billion in 2020 (up 65 percent compared to 2019). About 80 percent of that amount was in Sub-Saharan Africa. However, this amount is a small fraction of the total volume of remittances, implying that there is great potential for this channel to grow among the 5.2 billion mobile phone users in the world. Mobile

remittances tend to be cheaper, allowing smaller, more frequent, remittance transactions.

The World Bank uses the definition of digital remittances to refer to remittances sent via a payment instrument in an online or self-assisted manner and received into a transaction account maintained at a bank or non-bank deposit taking institution (say a post office), mobile money or e-money account (World Bank 2021a). According to the Remittances Prices Worldwide, in Q1 2021, the global average for digital remittances reached 5.1 percent, while the global average for non-digital remittances was 6.9 percent. Digital services account for 26 percent of all services RPW collected in Q1 2021.

Most remittance transactions, however, continue to involve cash, because digital remittances are only accessible through bank accounts. Many migrants do not have bank

accounts (and credit/debit cards) in their country of destination, and therefore are unable to use digital remittance channels. ID requirements remain onerous, often requiring face-to-face verification. Interoperability among telecommunications systems, and in general a reluctance among telecommunications companies to get into financial services, has also constrained the growth of international remittances via mobile devices.

In broad terms, remittance service providers do not have easy access to bank accounts. Financial technology (FinTech) startups continue to face difficulty in opening or maintaining accounts with international correspondent banks due to the practice of de-risking. The problem of de-risking is more acute in the case of companies that use cryptocurrencies. This is likely to affect the implementation of recent digital initiatives such as El Salvador's Chivo wallet (that uses the bitcoin lightning network) (Iavorskyi 2021). In some countries (Afghanistan, Lebanon, Turkey and Venezuela), people have started using cryptocurrencies for sending remittances. However, the use of cryptocurrencies is hampered by price volatility in addition to regulatory constraints. In the case of central bank digital currencies (CBDCs)—digital versions of national official currencies—such as Nigeria's eNaira, AML/CFT considerations may be less of an issue than cryptocurrency-based remittances.¹⁴ However, it remains to be seen to what extent retail CBDCs become popular for purposes of sending and receiving *international* remittances.¹⁵

Derisking

The Financial Action Task Force (FATF) defines de-risking as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk.” Banks have continued to take a risk-averse approach through the COVID-19 crisis, adversely affecting remittance service providers' access to correspondent banking. The FATF and some regulatory agencies have issued clarificatory statements and reports to discourage such approaches. For example, AUSTRAC proposes that with appropriate systems and processes in place, banks should be able to manage high-risk customers, including those operating remittance services. Similarly, the European Banking Authority published Guidelines on ML/TF Risk Factors (focused on money laundering and terrorism financing), clarifying that “the application of a risk-based approach to AML/CFT does not require financial institutions to refuse, or terminate, business relationships with entire categories of customers that are considered to present higher ML/TF risk” (EBA 2021).

The FATF launched a 2020 project on unintended consequences, noting that de-risking can result in increased costs of payments and concentration for correspondent banking and remittance services, and have particularly acute impacts on small states, emerging market economies, and fragile, conflict-affected countries (FATF 2021). The FATF's next step will be to examine what actions could mitigate the identified unintended consequences (FATF 2021).



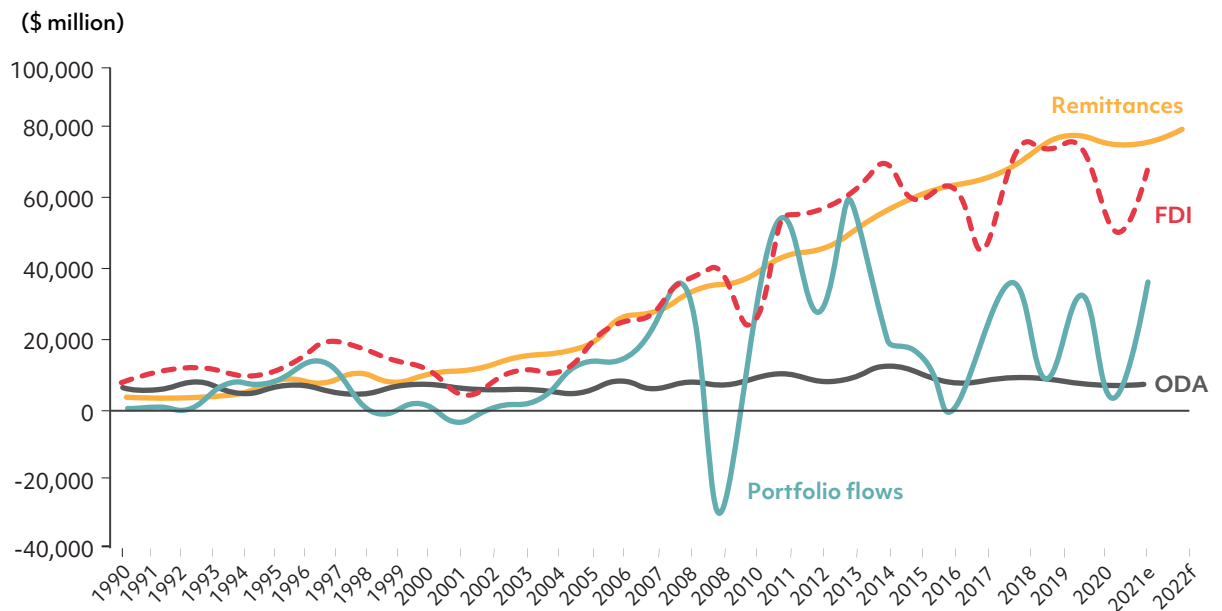
4. Regional Trends in Migration and Remittance Flows

4.1 Remittances to East Asia and the Pacific Declined in 2021

Remittance trends. Formal remittances to the East Asia and Pacific region are projected to fall by 4 percent in 2021 to \$131 billion due to the adverse impact of COVID-19. In 2022, remittances are anticipated to decline by 0.3 percent due to the anticipated continuation of containment measures in major destination countries and their effect on migrant-intensive sectors. Trends in receipts for the region have compared favorably, over differing intervals,

with other external resource flows, notably with ODA—remittances of some \$77 billion (excluding China) contrasted with bilateral and multilateral ODA of an estimated \$7 billion in 2020 (figure 4.1). FDI has proven much more volatile than remittance inflows, with dynamics tied more closely to the business cycle, and portfolio flows echo similar patterns. Despite expectations for an easing of flows in the near term, remittance receipts have evolved into a significant—and less volatile—source of external funding for the region.

Figure 4.1 Resource Flows to East Asia and Pacific (excluding China), 1990–2022

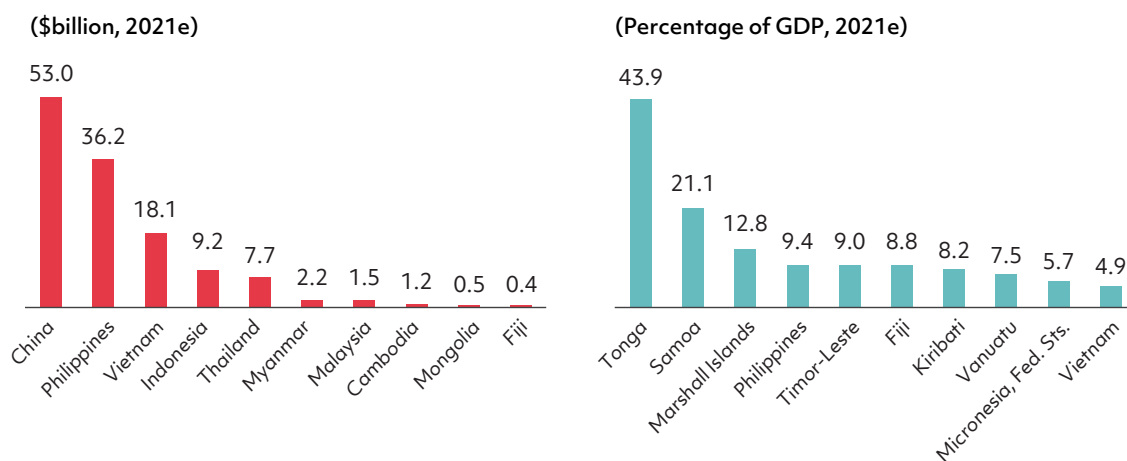


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

Inflows to the Philippines are estimated to grow by 3.8 percent in 2021 after declining by 0.7 percent in 2020. The United States remains by far the primary source of remittances for the Philippines (almost 40 percent in 2020). Remittance flows from the United States to the Philippines remain resilient, growing by 7 percent in the first eight months of 2021 compared to the same period of 2020. The sharp fall in remittances from the GCC observed in 2020 (11.2 percent) appears to be recovering, with

an increase of 0.7 percent observed during the first eight months of the year. Further declines of 5 percent are also anticipated for Indonesia in 2021, driven by falling remittance inflows from Malaysia and Saudi Arabia, which together contributed to 60 percent of its receipts in 2020. In 2021, the top regional recipients in terms of remittances' share of GDP include many smaller economies such as Tonga, Samoa, and the Marshall Islands (figure 4.2).

Figure 4.2 Top Remittance Recipients in the East Asia and Pacific Region, 2021

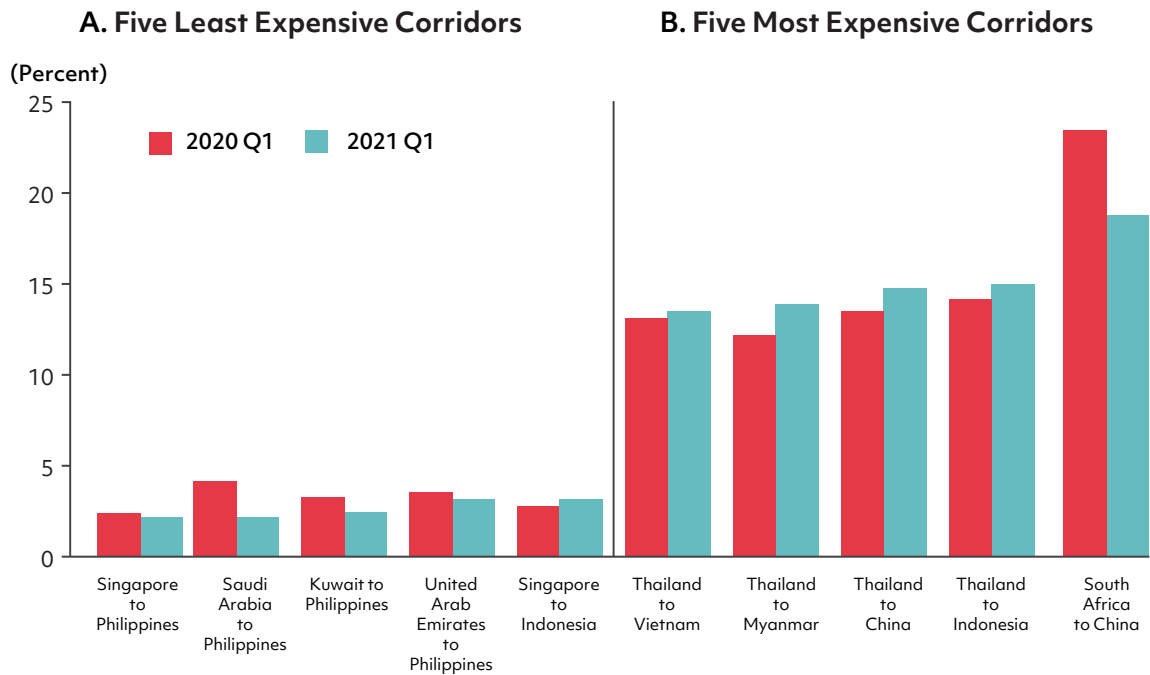


Sources: World Bank-KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
 Note: GDP = gross domestic product; e = estimate.

Remittance costs. The average cost of sending \$200 in remittances to the East Asia and Pacific region decreased slightly to 6.7 percent in Q1 2021, compared with 6.9 percent in Q4 2020. In Q1 2021, the five lowest-cost corridors for the region averaged 2.7 percent for transfers primarily to the Philippines, while

the five highest-cost corridors (excluding South Africa to China, which is an outlier) averaged 15 percent. Money transfer costs from Thailand to neighboring countries in Southeast Asia remained among the highest, averaging 13.8 percent in Q1 2021 (figure 4.3).

Figure 4.3 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.

Migration trends. Migrant workers are among the most vulnerable groups affected by the COVID-19 pandemic. From losing jobs to being stranded and lacking access to health care and support services, such workers are struggling to cope, even more with additional movement restrictions induced by the spread of the Delta variant. About 700,000 migrant workers in Thailand, mostly in the tourism, services, and construction industries, lost their jobs because of pandemic-related restrictions in 2020. The country’s Minister of Labor ceased proactive COVID testing and health care assistance for migrant workers in Bangkok and its surrounding provinces. In addition, an anticipated 2 million undocumented migrants were excluded from the national COVID-19 vaccination program.

Continued raids, arrests, and detention by authorities are deterring undocumented migrants in Malaysia, and even refugees, from coming forward to seek the treatment, testing, or vaccinations for COVID-19 that are being offered to them.¹⁶ The government has repatriated nearly 90,000 undocumented migrant workers since November 2020 under an amnesty program to either legalize or send such workers home. The Human Resource Ministry recently took issue with a jobs portal initiative by the Bangladeshi embassy to help its undocumented workers find (legal) jobs, asserting that only the government’s official portal and licensed private recruiters should be used. To speed up vaccination of documented migrant workers, a private-public partnership was launched wherein companies in key industries pay a modest fee to cover the cost of administering China’s Sinovac vaccine on site.¹⁷ Labor

shortages in the plantation sector compelled the Malaysian government in October to lift a ban on the entry of foreign workers imposed since June 2020 due to COVID-19.¹⁸ Workers will need to be fully vaccinated in addition to being tested and quarantined upon arrival.

After being categorized as Tier 3 in the US State Department's (June) "2021 Trafficking in Persons Report," the lowest ranking that a country can receive, the Malaysian government announced that it would increase supervision of labor operations, review contracts, and evaluate recruitment fees. The report highlighted the "debt bondage" that migrant workers experienced from paying exorbitant fees to recruitment agencies or agents. In the past year, the United States had imposed import bans on three Malaysian companies over allegations of forced labor in their operations, centering on the issue of exorbitant recruitment fees.

Starting in September, Hong Kong SAR, China, has allowed fully vaccinated foreign domestic workers from Indonesia and the Philippines into the city, but they will have to undergo 21 days of compulsory quarantine in a single designated hotel at a cost of HK\$16,800 (~US\$2,158) per worker. Australia is offering a new agriculture visa that provides a two-year pathway to residency. The visa was created to address pandemic-induced labor shortages and is aimed primarily at Pacific Islander and Southeast Asian workers. A shortage of frontline health care workers in richer countries is compelling many to recruit workers from abroad. Germany recently entered into a placement agreement with the Indonesian Migrant Workers Protection Board for Indonesian nursing staff to alleviate domestic shortages. Selected care workers will undergo professional training and learn German before leaving Indonesia. The first arrivals are expected by the second half of 2022 at the earliest.

Return migration. Sizeable numbers of East Asian migrant workers returned home in 2020 due to layoffs induced by the global

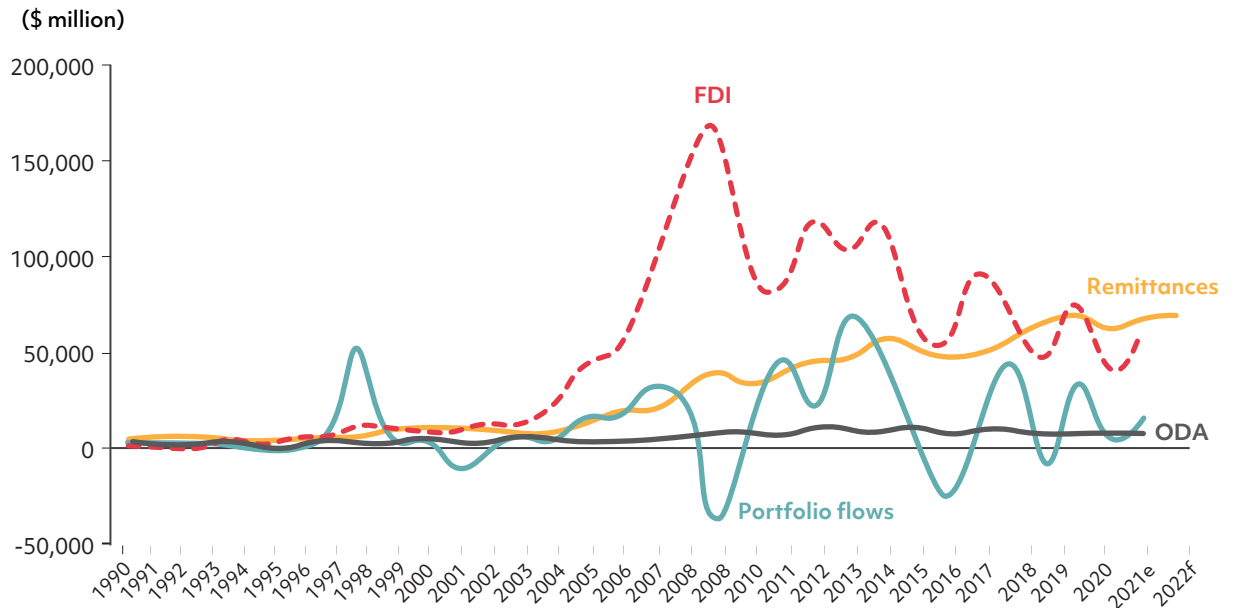
pandemic, and many are struggling to find gainful employment. Between May 2020 and July 2021, a reported 612,000 overseas Filipino workers returned due to the pandemic. Many were yet to find jobs, with unemployment rates among returnees at 83 percent three months after arrival. Nearly half of the returnees had not registered or accessed reintegration assistance from the government, which includes a one-time cash assistance payment of ₱10,000 (~US\$200) (IOM 2021a). In Indonesia, around 180,000 migrant workers returned home, with 75 percent still looking for and unable to find jobs (SBMI, IOM, and UNDP 2021). Most returnees to the region do not have any form of social protection to rely on, apart from Filipino workers, who are covered through membership in the Overseas Workers Welfare Administration.

4.2 Remittances to Europe and Central Asia to Rebound in 2021

Remittance trends. After falling 8.6 percent in 2020, remittance receipts in Europe and Central Asia are estimated to have gained 5.3 percent to reach \$67 billion in 2021. The strong performance was due to improved economic activity in the EU and surging energy prices. Looking forward, remittances to the region are projected to grow at a slower pace in 2022, posting 3.8 percent growth. The forecast is subject to downside risks, including a sharper-than-expected slowdown in major remittance-sending economies or energy market turmoil arising from a sudden decline in oil prices that could combine with deteriorating fundamentals and lingering vulnerabilities in some countries.

Remittances are the largest source of external financing in the Europe and Central Asia region. In 2020, remittances flows exceeded the sum of foreign direct investment (FDI), portfolio flows, and official development assistance (ODA), as recession exacted a toll on the former two flows (figure 4.4).

Figure 4.4 Resource Flows to Europe and Central Asia, 1990–2022

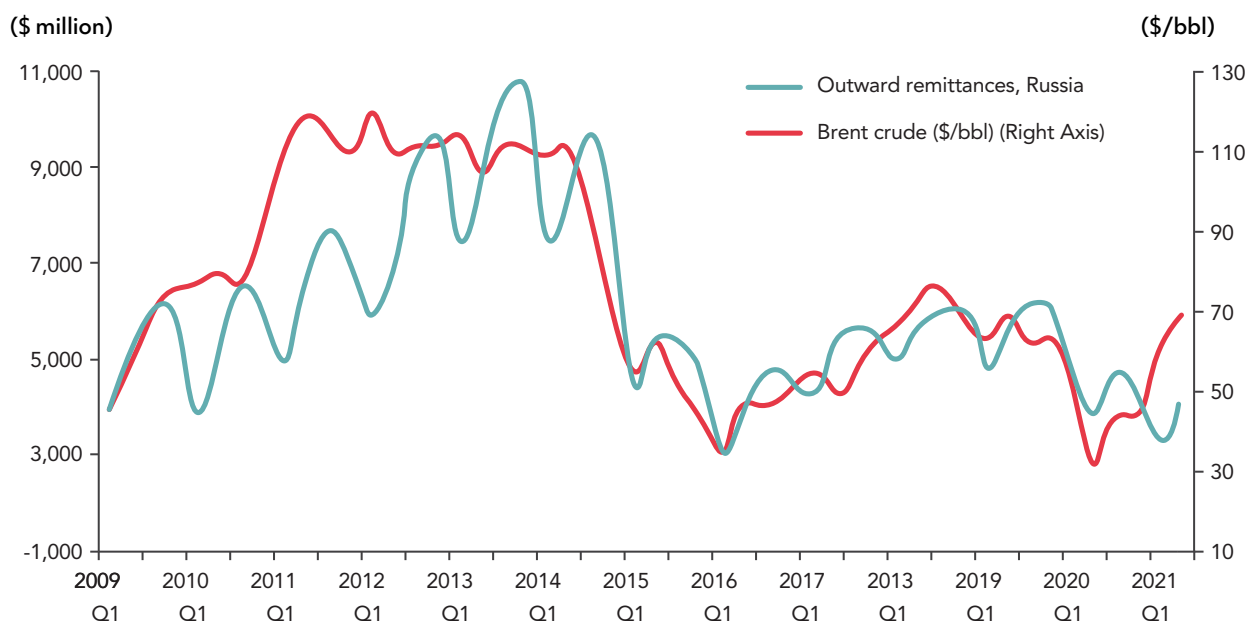


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

The economies of Central and Eastern Europe have benefitted particularly from the rebound in the Russian and Polish economies and rising oil prices. Remittances account for significant portions of Central and Eastern European economies. Remittances from

Russia seem to be closely correlated with activity in Russia's nontradable sector, where most migrant workers tend to be employed (Idrisov, Kazakova, and Polbin 2015). The nontradable sector has, in turn, been benefiting from higher oil prices (figure 4.5).

Figure 4.5 Higher Oil Prices Boosted Outward Remittances from Russia in 2021



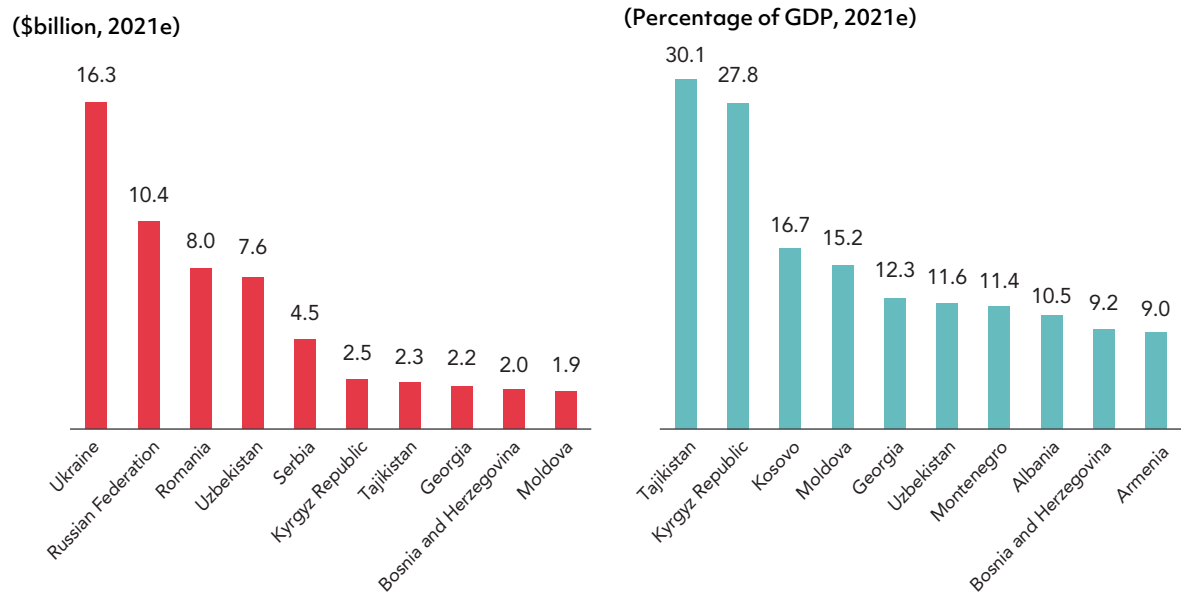
Source: Haver Analytics and World Bank-KNOMAD staff.
 Note: \$/bbl = dollar per barrel.

Ukraine, the region’s largest recipient of remittances (figure 4.6), is estimated to have received inflows of some \$16.3 billion in 2021, 7.1 percent higher than the previous year. This was driven by a sharp rise in flows from Poland, which is the largest source of remittances from Ukrainian migrant workers (accounting for more than 30 percent in recent years). Three-quarters of work permits issued to foreigners in Poland were handed out to Ukrainian migrant workers. Amid the COVID-19 pandemic, remittances to Ukraine declined by 3.6 percent in 2020. But this falloff was much smaller than initially expected, in part because of money sent by transit migrant workers left outside European countries by lockdowns. As a share of GDP, remittance receipts in the Kyrgyz Republic and Tajikistan lead among regional economies, near 30 percent each (figure 4.6).

With substantial fiscal deficits, these countries cannot afford to increase public expenditure to support domestic demand, and thus are highly dependent on overseas remittances.

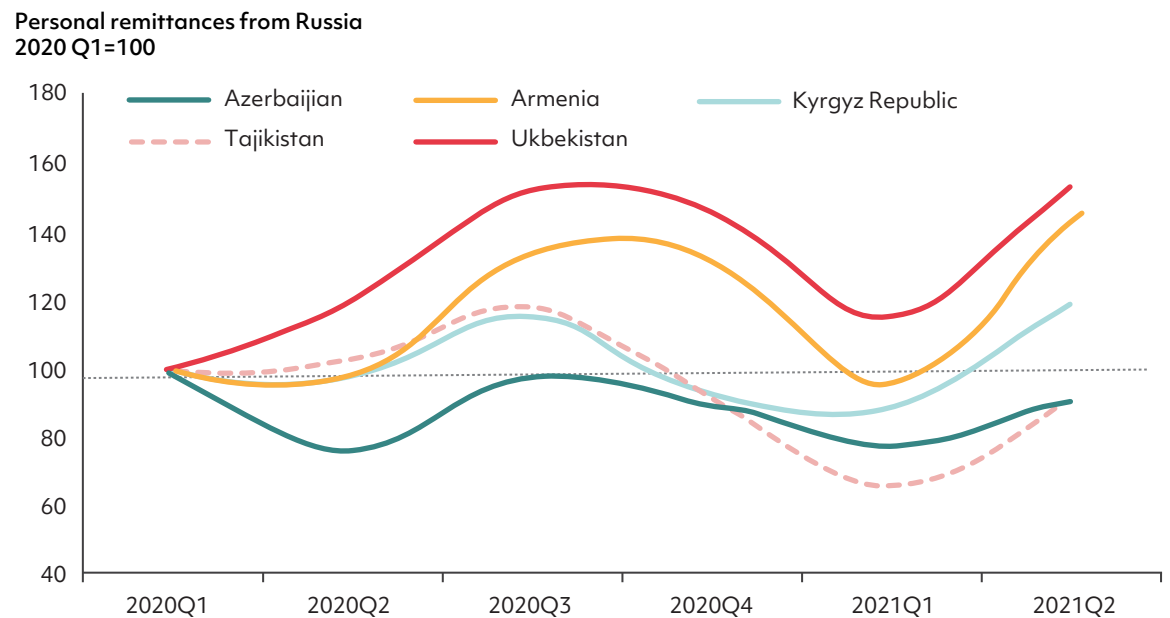
Outward remittances from Russia to several Central Asian countries are expected to bounce back this year, with the Russian economy posting stronger growth amid higher energy prices. Money being remitted to Armenia and Uzbekistan, for example, rose by 22 percent and 23 percent, respectively, in the first half of 2021 compared to the same period in 2020 (figure 4.7). The Kyrgyz Republic also saw its remittances from migrant workers in Russia rise by 6 percent. Job losses among Central Asian migrants in Russia during the COVID-19 pandemic in 2020, along with the weakness of the Russian ruble, caused a sharp drop in labor remittances to origin countries at that time.

Figure 4.6 Top Remittance Recipients in Europe and Central Asia, 2021



Source: World Bank-KNOMAD staff; IMF, *World Economic Outlook*.
 Note: GDP = gross domestic product; e = estimate.

Figure 4.7 Outward Remittances from Russia to Central Asian Countries Bounced Back in 2021



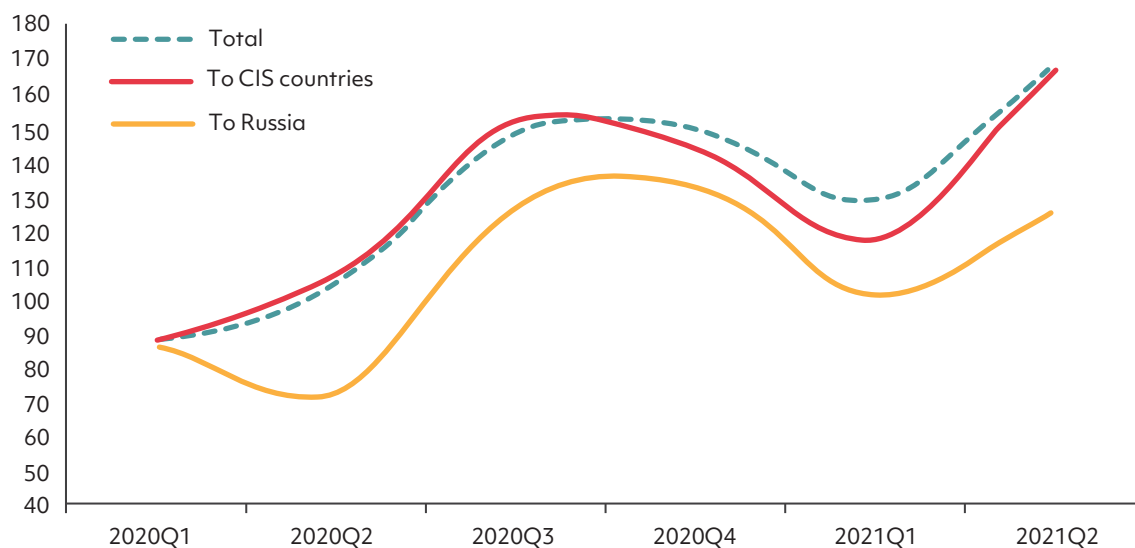
Source: Haver Analytics and World Bank-KNOMAD staff.

The Kazakh government took an accommodating stance toward migrant workers from Central Asia and Europe last year, resulting in an increase in outward remittances from Kazakhstan to the Kyrgyz Republic and Russia, which are typically among the largest recipients of the country's remittances (figure 4.8). In 2021, remittances from Kazakhstan to the region are estimated to have remained strong at

more than \$1.5 billion, with the strengthening of oil and gas prices (oil and related products account for more than 75 percent of the country's exports). Kazakhstan is now experiencing growing demand for both high-skilled labor in the oil industry and education (mostly from Russia), and low-skilled labor in agriculture and the construction sector (mostly from the Kyrgyz Republic, Uzbekistan, and Tajikistan).

Figure 4.8 Outward Remittances from Kazakhstan Remained Strong in 2021

Personal remittances from Kazakhstan
2020 Q1=100



Source: Haver Analytics and World Bank-KNOMAD staff.
Note: CIS = Commonwealth of Independent States.

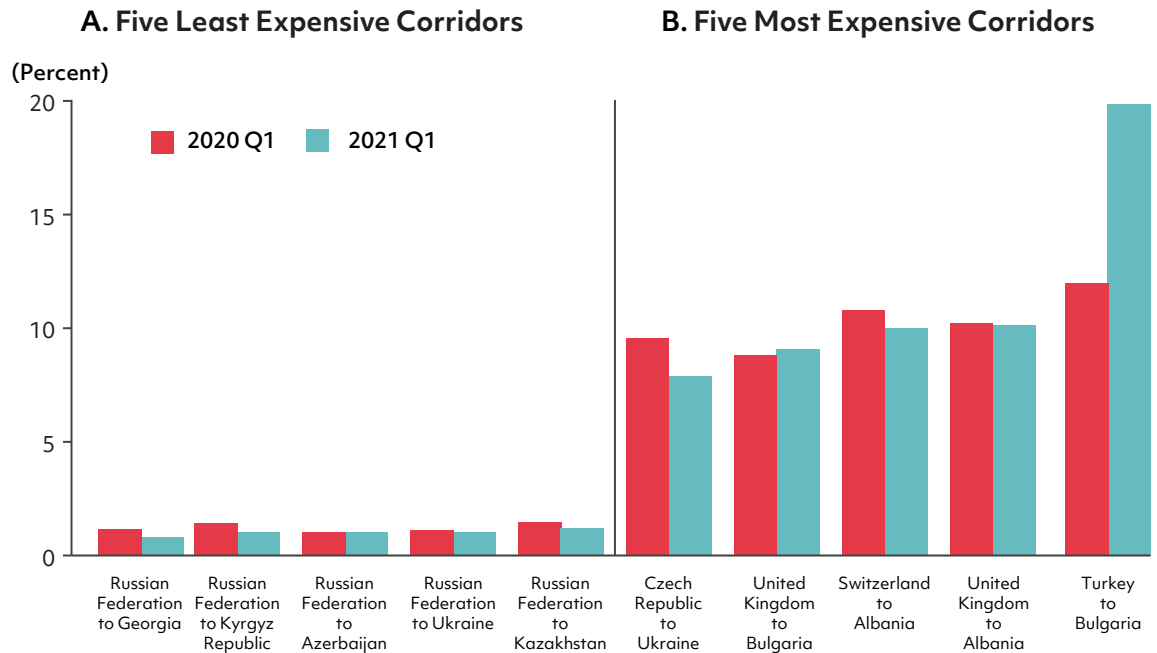
Remittance costs. The average cost of sending \$200 to the Europe and Central Asia region rose modestly to 6.6 percent in Q1 2021 from 6.5 percent a year earlier, mostly reflecting a sharp increase of costs in the Turkey-Bulgaria corridor. Russia remained one of the lowest-cost senders of remittances globally, with the total cost of remitting from the country falling from 1.8 percent to 1.0 percent. 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 were from Russia to Georgia (figure 4.9).

Migration trends. Russia has taken various measures to address labor shortages; the government estimates that around 5 million foreign workers have left the country since the onset of the COVID pandemic. The government has lifted the reentry ban for 300,000 migrant workers from Tajikistan and Uzbekistan, introduced a special program to recruit 10,000 construction workers from Uzbekistan, and announced a plan to vaccinate Uzbek migrants prior to their arrival in Russia. The construction sector has been particularly affected due to its dependence on Central Asian low-skilled migrants. Consequently,

there was a significant increase in the number of work permits and patents granted in the period January–September 2021, compared

to the same period of 2020. Most work permits were issued to nationals of Uzbekistan, Tajikistan, and the Kyrgyz Republic.

Figure 4.9 Russia Remained the Least Expensive Country from Which to Send Money



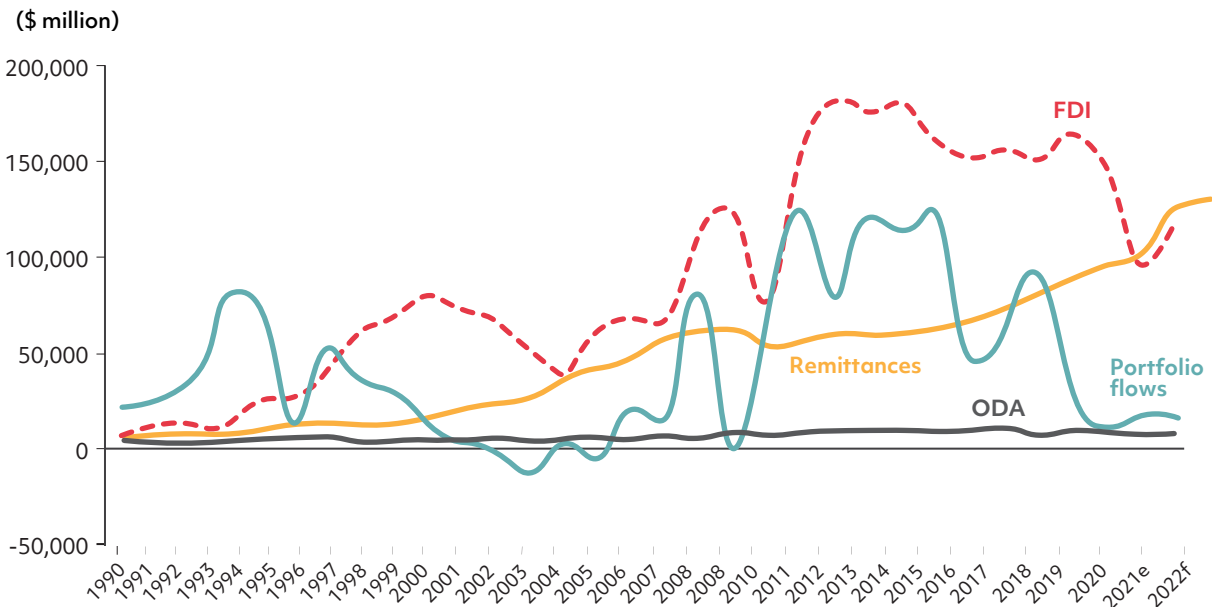
Source: World Bank–KNOMAD staff calculations and Remittance Prices Worldwide.
 Note: Cost of sending \$200 or equivalent.

4.3 Remittances to Latin America and the Caribbean Surged in 2021

Remittance trends. Officially recorded remittance flows into Latin America and the Caribbean are expected to reach a

new historic high of \$126 billion in 2021, registering an exceptionally strong growth rate of 21.6 percent compared to 2020. FDI and portfolio investment flows also marked a recovery, but remittances continued to outpace these flows (figure 4.10).

Figure 4.10 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Latin America and the Caribbean, 1990–2022

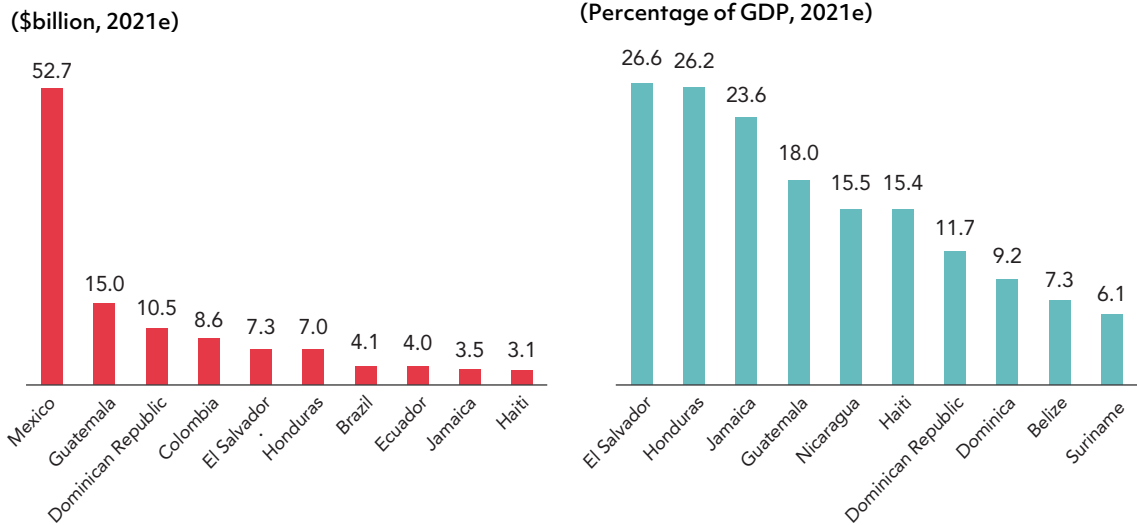


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

Mexico, the region’s largest recipient of remittances, accounting for about 42 percent of the regional total, is projected to post record remittances estimated at \$52.7 billion in 2021. Remittances are even more important as a source of hard currency for several smaller economies in the region for which remittances represent more than 20 percent of GDP (figure

4.11). During times of economic crises and disasters, migrant workers save and remit a larger portion of their paychecks than they would during normal times (KNOMAD 2015). The adverse effects of COVID-19 on countries and the damage brought by hurricanes Grace and Ida have contributed to an increase in remittance flows to Mexico and Central America.

Figure 4.11 Top Remittance Recipients in Latin America and the Caribbean, 2021



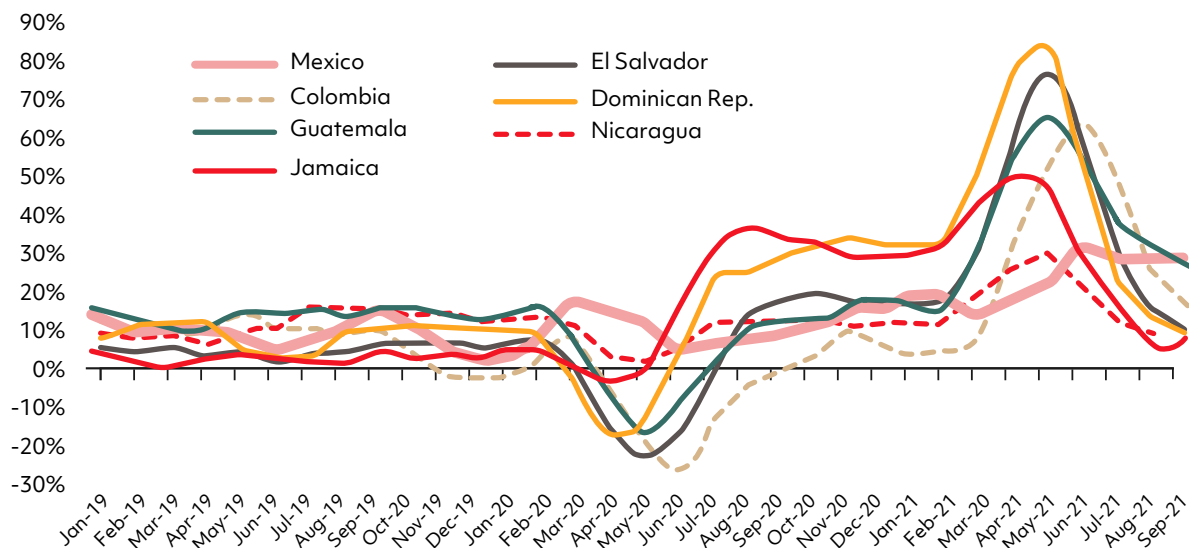
Sources: World Bank-KNOMAD staff estimates; World Development Indicators; and IMF Balance of Payments Statistics.
 Note: GDP = gross domestic product; e = estimate.

Monthly data point directly to the importance of conditions in the US economy for remittances to the region. During the first eight months of 2021, US recovery was accompanied by a large increase of 17 percent in remittances to Brazil and 16 percent in Nicaragua compared with the same period of 2020. Moreover, an increase of 37 percent accrued

to Guatemala, 34 percent to the Dominican Republic, 33 percent to Honduras, 31 percent to El Salvador, 26 percent to Colombia, 25 percent to Mexico, and 24 percent to Jamaica, during the first nine months of 2021 compared to the same period of 2020 (figure 4.12). Remittances to Ecuador surged by 43.6 percent during the first semester of 2021.

Figure 4.12 Remittance Flows to Latin America and the Caribbean Continue Strong

Year-on-year growth, 3-month average (percent)



Sources: Central banks of the respective countries.

The United States is the largest recipient of migrants from developing countries as well as the largest source of remittances. The US economy has resumed growth, with GDP reaching a robust annualized rate of 6.7 percent in Q2 2021 but easing to a 2 percent pace in Q3 2021 as spending on consumer durables fell sharply (US Bureau of Economic Analysis 2021). Hispanic and Latino employment in the United States picked up considerably to almost precrisis levels (see figure 1.3 in section 1). Recovery in employment levels—together with government assistance through loans to small and medium enterprises, grants to local governments, social benefits, and savings—enabled migrants to send remittances to family and friends in origin countries.

One of the reasons for the buoyancy of remittances to Latin America and the Caribbean in the face of the COVID-19 pandemic is the economic stimulus packages legislated in the United States (see *Migration and Development Brief 34*). Similarly, recovery in US employment explains the large increase in remittances to Mexico and to the region (US Bureau of Labor Statistics). In addition, the 8 percent increase in average weekly earnings for all employees in the construction sector, where Hispanics are widely employed, has also contributed to the surge in remittances from March 2020 to September 2021 (US Bureau of Labor Statistics 2021).¹⁹ Moreover, policies put in place by the US government were effective in buoying some small and medium enterprises affected by COVID-19 (Gourinchas et al. 2020). And data on housing show that the output of the construction sector surpassed its precrisis level, as growth increased by 17.4 percent from one August to the next (US Census Bureau 2021).

Another reason for the increase in the volume of remittances is the shift from informal to formal channels (World Bank/KNOMAD 2021).²⁰ Due to containment measures and

cross-border restrictions during the COVID-19 crisis, it was not possible to carry cash physically to Mexico. Dinarte et al. (2021) found that municipalities that used to receive remittances through informal channels (i.e., those near the border) saw an increase in recorded remittances and in the number of bank accounts opened since the beginning of COVID-19.

Another significant factor behind the increase in the volume of remittances to Latin America and the Caribbean is likely the increase in the number of transit migrants in the region en route to the United States. In particular, the spectacular increase in remittances in Mexico may reflect funds received by transit migrants from Honduras, El Salvador, Guatemala, Haiti, Venezuela, Cuba, and many other nations (box 4.1). During the first nine months of 2021, the number of foreign-born undocumented persons in Mexico increased to 264,772 compared to 142,694 in all of 2020 (table B4.1.1). Since migrants are staying longer in transit locations, they need to receive 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.²¹ Colombia, Costa Rica, and Panama have received a significant number of transit migrants from Haiti and Venezuela.

According to Colombian migration statistics, more than 25,000 migrants crossed into Colombia during the first nine months of 2021, while Costa Rica and Panama received about 55,000 and 32,000 migrants, respectively (a large portion of these from Haiti) (Castro 2021). According to the Working Group of Refugees and Migrants coordinated by UNHCR and IOM, the number of Venezuelans in Ecuador will reach 52,550 and transit migrants will reach 90,000 by the end of 2021.

Box 4.1 Could the Surge in Remittances to Mexico Be Explained by an Increase in Transit Migration?

Remittance flows to Mexico rose by an extraordinary \$7.3 billion (25 percent) in the first nine months of 2021, compared to the same period in 2020. The most likely explanation is the increase in transit migration. 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. This includes those 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.

Using 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 \$4 billion (table B4.1.1). These preliminary calculations may understate the number of undocumented migrants in Mexico and the level of coyote fees.

Table B4.1.1 Back-of-the-Envelope Calculation of Remittances Sent to Transit Migrants and Mexican Returnees in Mexico in 2021 (January–September)

	# of Persons	Per person cost assumed (US\$)	Cost (\$, millions)
Living costs for temporary residents, regional visitors, and undocumented migrants in Mexico	388,272	2,400	932
Payments to smugglers by undocumented migrants in Mexico (assuming 70% of undocumented paid fees)	185,340	10,000	1,853
Payments to smugglers by single adult Mexicans apprehended (assuming 70% of them paid such fees)	111,599	10,000	1,116
Total living and smuggling costs			3,901

Sources: Original calculations based on Mexican Migration Statistics; Government of Mexico (2020).

Note: Living costs for temporary residents, regional visitors, and undocumented migrants in Mexico: Since many migrants have families in the United States and at home, they receive remittances to support their living costs in Mexico. According to Mexican Migration Statistics, 388,272 foreign-born persons registered in Mexico as temporary residents, regional visitors, and undocumented foreign born (many were in transit to the United States). Using a conservative approach, we can assume that these migrants could be receiving \$200 per month in remittances for their living costs.

Smuggling payments by undocumented migrants in Mexico: We use data on three variables: (i) the number of undocumented migrants in Mexico; (ii) a percentage of those migrants who hire coyotes, and (iii) the typical payments made, per migrant, to smugglers.

According to the US Customs and Border Protection Agency, 478,280 Mexican individuals were apprehended/encountered at the US southern border in the period January–September 2021. To account for repeated border crossing attempts by the same individual, we assume that one-third of the single adults apprehended pay smuggling fees. This number does not include unaccompanied children and individuals in a family unit.

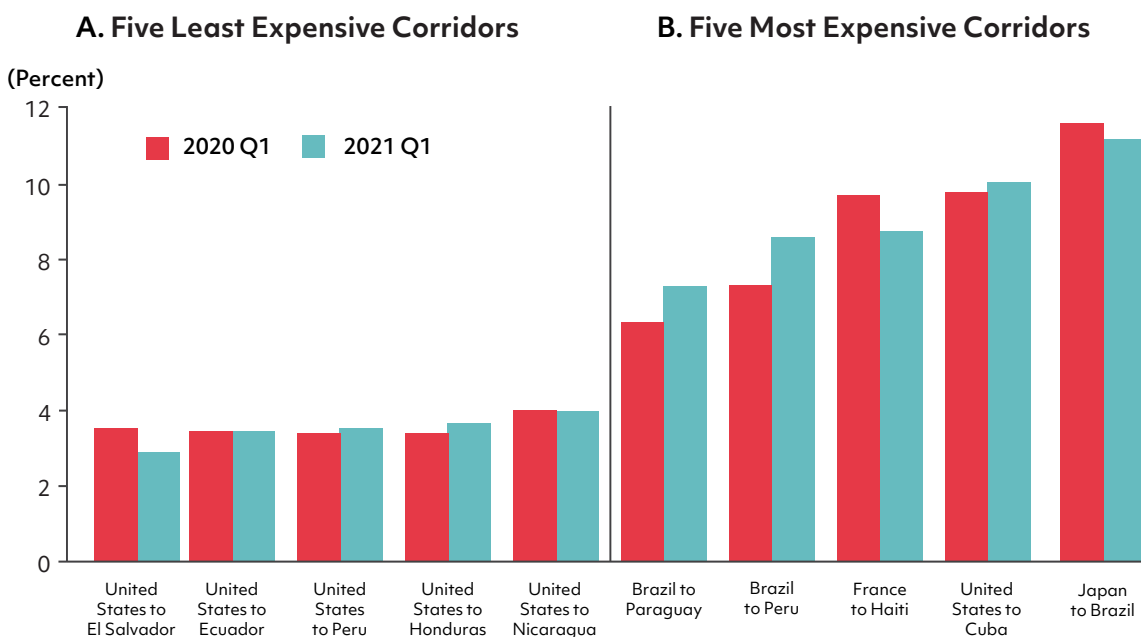
Data on undocumented migrants in Mexico are from the Unidad de Política Migratoria, Registro e Identidad de Personas de la Secretaría de Gobierno de Mexico. For smuggling fees, we used data from the Migrant Border Crossing Study (which found that more than 70 percent of recent deportees in five border cities had used a coyote).

The smuggling costs to cross from Mexico into the United States have been increasing, commensurate with the increase in staffing of US border control agents. According to Andreas (2011), smuggling costs were a few hundred dollars in 1994. The costs increased to over \$3,000 as reported in the Mexican Migration Project (2019). Smuggling costs are differentiated by the nationality of the migrant. For example, Central Americans were charged about \$6,000 to \$7,000 to cross Mexico (Vogt 2018). The 2017 Survey of Migration at Mexico's Southern Border (El Colef 2017) reported that the average coyote payments for migrants from Guatemala, Honduras, and El Salvador were about \$10,700, \$10,600, and \$8,000, respectively. Due to COVID-19, costs have increased dramatically and now range up to \$20,000 (Cooper 2021).

Remittance costs. According to the Remittance Prices Worldwide Database, Mexico remained the least expensive receiving market in the G-20, with remittance costs recorded at 3.7 percent—for sending \$200 to the country. For Latin America as a whole,

the cost of remittance transfers was 5.5 percent in Q1 2021 (World Bank 2021a). In many smaller remittance corridors, however, costs continue to be exorbitant. For example, the cost of sending money from Japan to Brazil or Peru is also expensive (figure 4.13).

Figure 4.13 Cost of Sending Money to Latin America and the Caribbean Remained Stable



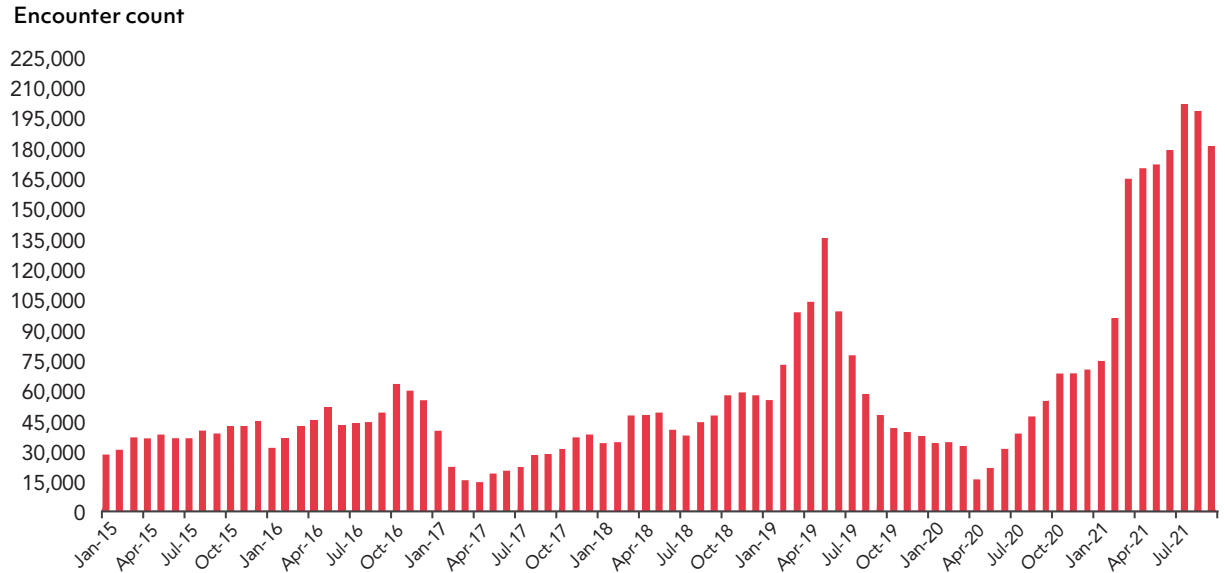
Source: World Bank Remittance Prices Worldwide database.
 Note: Cost of sending \$200 or equivalent.

Remittance outlook. Due to expectations of weaker growth in the United States, remittances to Latin America and the Caribbean are expected to grow at 4.4 percent in 2022. Downside risks dominate, including the risk of the COVID-19 pandemic continuing, policy uncertainty and geopolitical risks, increased restrictions on mobility, and a slowdown in global growth.

Migration trends. According to the US Customs and Border Protection, about 1.7 million apprehensions and encounters with migrants along the US-Mexico border occurred

during FY21, the highest total for any fiscal year in the United States (figure 4.14).²² 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.) Since March 20, 2020, 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. During FY2021, the US Border Patrol carried out more than 1 million expulsions.

Figure 4.14 Border Patrol Southwest Border Apprehensions/Inadmissibles, FY15–21



Source: US Customs and Border Protection.

About 30,000 Haitians tried to cross into the United States during September 2022 but were apprehended. Of these, some 2,000 were deported to Haiti, 8,000 returned to Mexico, and 12,000 entered the United States with an asylum application (Alden 2021). Several of these Haitian migrants started out from Chile, where it is increasingly difficult to get a work permit due to changes in migration regulations (Doña-Reveco 2021; Chile Atiende 2021).

The increased number of migrants from El Salvador, Honduras, Guatemala, as well as returnees to Mexico are also tied to the “Remain in Mexico” policy of the United States. That policy was terminated in February 2021. Mexico received a record number of asylum applications from different nationalities, totaling over 90,000 in 2021. Other developments in migration policies include: the automatic extension of Temporary Permit Status for El Salvador, Haiti, Honduras, Nepal, Nicaragua, and Sudan; and its extension for 18 months through March

17, 2023, for citizens of Somalia. The Latin America region has faced an increase in the number of asylum applications. For instance, Mexico’s government received 90,314 asylum applications during the first nine months of 2021. The monthly average of asylum cases increased from 108 to 10,000 in 2021, with countries of origin including Honduras, Haiti, and Cuba (Refugees International 2021).

New migration routes in the region have emerged recently. Nearly 17,000 Haitians who were living in Chile attempted to enter the United States and ended up applying for asylum in Mexico. Many Venezuelans are also migrating from Peru to Chile due to the economic and political situation in Peru. The recent flow of more than 20,000 undocumented migrants to Chile has created anti-immigration sentiments.²³

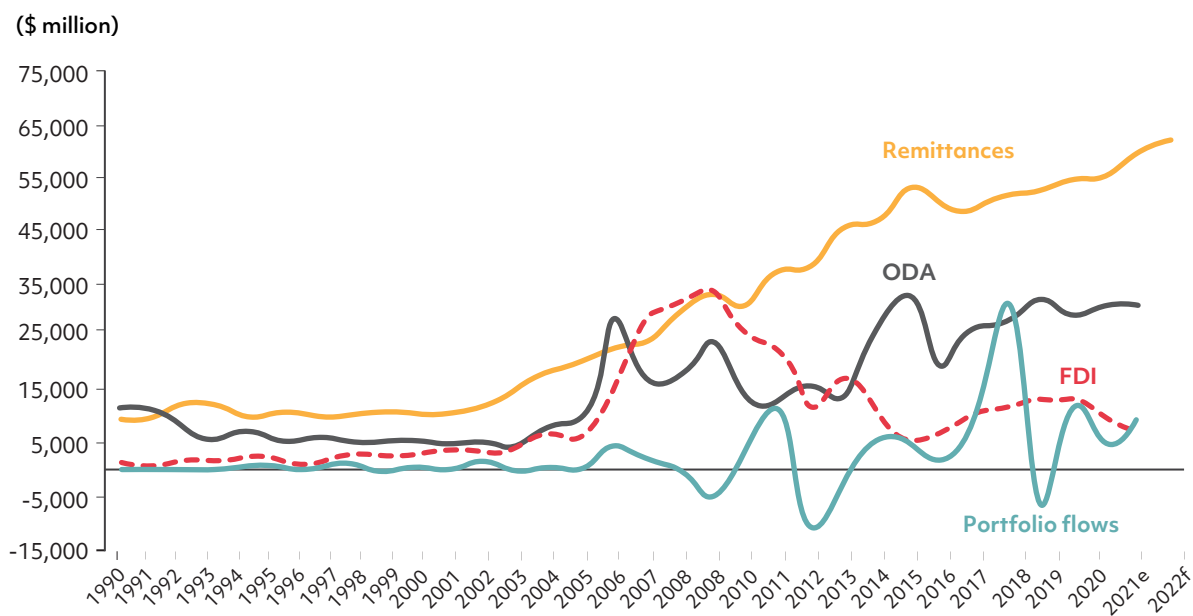
4.4 Remittances to the Middle East and North Africa Lifted by EU Rebound and Oil Prices

Remittance trends. The LMICs of the Middle East and North Africa region accrued remittances totaling \$62 billion during 2021 with growth registering 9.7 percent. For the region’s developing economies, remittances have long constituted the largest source of external resource flows—among ODA, FDI, and portfolio equity and debt flows—making the region second only to South Asia in this respect (figure 4.15). As FDI and portfolio flows to the region declined sharply during the global recession of

2020, remittance inflows exceeded the sum of other sources by more than \$13 billion, underscoring the importance of these receipts to both the private and public sectors. Remittances and ODA are likely to remain paramount for the region in the medium term. For countries and territories in which remittances amount to significant shares of GDP—Lebanon, the West Bank and Gaza, and Jordan—the transmission of funds from large diasporas not only assists in sustaining household consumption, but also protects external accounts from excessive deterioration, bolsters reserve levels, and helps to diminish the amount of external debt-creating flows needed to fund fiscal positions.

Figure 4.15 Remittances Provide a Financial Lifeline in the Middle East and North Africa Region

Sources: World Bank–KNOMAD staff estimates; 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.

Remittance receipts in the developing economies of the region have been favorable over the course of 2020 and the first half of 2021, supported by a return to growth of prominent host countries in the EU (notably France and Spain), and the upsurge of global oil prices positively

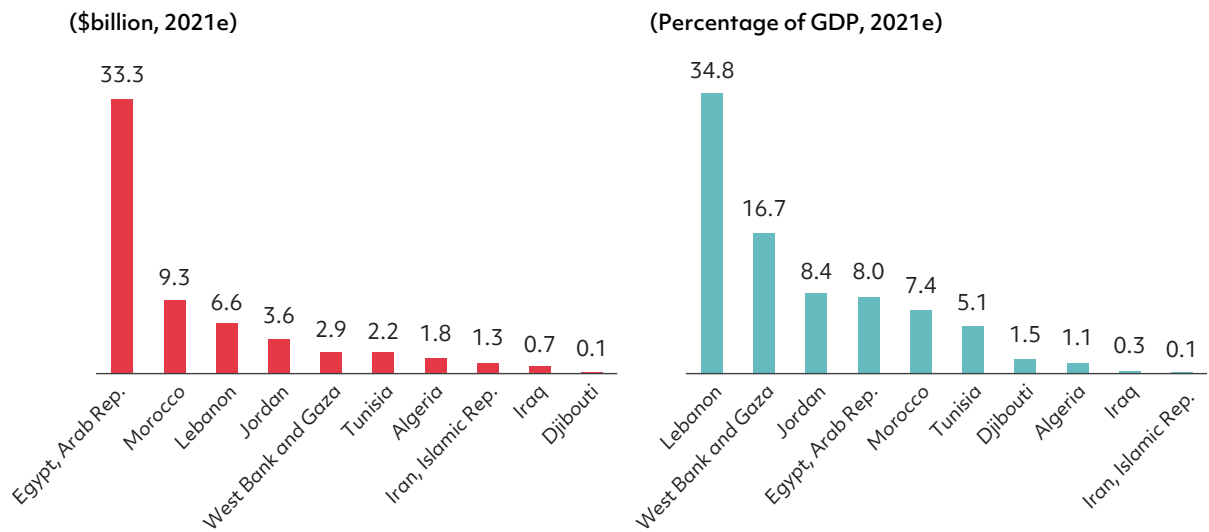
affecting the GCC countries within the region.²⁴ Remittance receipts in the Maghreb surged by 15.2 percent.²⁵ Though GCC immigration policy has tightened over recent years, countries such as Egypt and those of the Mashreq have benefitted from supplying more highly

skilled workers for public and private sector positions.²⁶ Though direct information is difficult to come by, return migration from the Gulf may be driving the increase in remittances recorded in countries such as Egypt.²⁷

Egypt is by far the largest recipient of remittances among developing countries of the region (54 percent of the total), garnering \$33 billion during 2021, with stronger ties than those of the Maghreb to the GCC and other Arab countries (figure 4.16). Remittances, accounting for 8.4 percent of GDP, are of paramount importance for the country in

providing a source of foreign exchange, as tourism revenues have collapsed during the pandemic. Risks remain for a downward correction as several GCC countries are not allowing unvaccinated expatriates to enter their countries. For **Morocco**, the second-largest recipient among developing countries in the region, despite the heavy concentration of expatriates in Europe, the United States leads the list of countries from which remittances are sent (14 percent), followed by Saudi Arabia (12 percent) and France (10 percent). But return migration (especially from the GCC countries) has increased during the COVID-19 crisis.

Figure 4.16 Top Remittance Recipients in the Middle East and North Africa, 2021



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

The EU remains the dominant destination for migrant workers from the Maghreb, with Morocco the largest provider of migrants in absolute and relative terms. France and Spain are the key destinations, populated by 1.5 million and 850,000 Moroccan expatriates, respectively. Europe was hard hit by the COVID-19 global recession during 2020, with GDP plummeting by 6.3 percent, on the back of a pandemic-induced falloff in exports, and a dramatic decline in consumption and industrial production tied to restrictions on activity.

Nevertheless—and in concert with the response of migrant workers across the globe—remittance inflows to the Maghreb were resilient in 2020, advancing by 6.4 percent, abetted by a drawdown of savings in addition to current wages, to support families in origin countries as the COVID-19 Delta variant emerged.

Signs of firming growth in the euro area are now in view, with GDP gaining a robust 8.8 percent (annualized) during Q2 2021, as stimulative fiscal outlays continue, and the EU will be pursuing disbursements from the “Next

Generation” Trust Fund.²⁸ Euro area GDP is expected to register a solid 5 percent advance for the year, and still-robust 4 percent gains for 2022—developments of promise for additional near-term increases in flows from Maghreb expatriates. At the same time, a momentous rise in global oil prices has served to buoy fiscal positions and prospectively support a rebound in economic activity among GCC countries. The average oil price more than doubled to reach \$82/bbl in October 2021 compared to the same period of 2020. Global oil markets are now anticipated to be undersupplied for the remainder of 2021 and the average crude price could hover at lofty levels into early 2022.

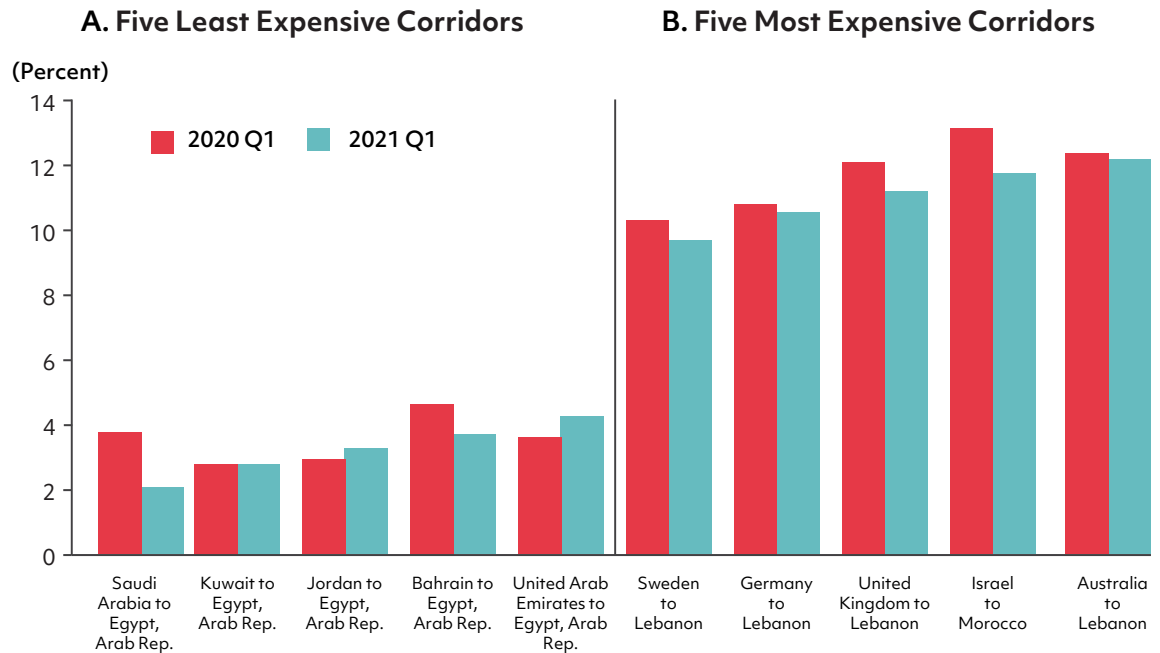
Remittances outlook. During the final months of 2021 and into 2022, risks for the region remain substantial, as the Middle East and North Africa region is exceptionally vulnerable to the spread of the Delta wave of COVID-19 and caseloads have increased sharply in recent months; acquisition and logistics for the transport and distribution of vaccines to remote areas of the region present special challenges.²⁹ Moreover, geopolitical and regional tensions in Lebanon, Libya, Syria, and Yemen persist, and may act as a deterrent to needed inflows for these economies. Continued resilience in remittance flows to developing countries of the region in 2022 will hinge upon the path of global economic recovery, and risks facing prospects

for Europe and the United States, the tenor of world oil markets, and, importantly, the effectiveness of combined sovereign and multilateral policy actions against the pandemic.

A growth slowdown in high-income countries tied to a scaling back of fiscal stimulus measures is the baseline view for 2022. In turn this suggests that remittance inflows to developing countries in the Middle East and North Africa will ease toward growth of 3.6 percent in the year from 9.7 percent in 2021, registering \$64 billion. Softening of European activity will dampen inflows to the Maghreb to a degree, though the 2022 advance in remittances is anticipated at a still-strong 5.8 percent. The easing of crude oil prices, tied to increased supply from OPEC+³⁰ and the United States, should constrain inflows to Egypt and the Mashreq toward a gain of 3 percent following the 8.6 percent performance of 2021.

Remittance costs. The cost of sending \$200 in remittances to developing countries in the region eased to an average of 6.3 percent in Q1 2021, from 7.0 percent in Q1 2020. The within-region (including GCC) cost of sending remittances continues to stand well below that of sending transfers from outside the region—3.5 percent vis-à-vis 9.7 percent in the latest readings (figure 4.17).

Figure 4.17 Sending Money within the 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. A “Nation Without Violators Campaign,” initiated in Saudi Arabia in 2018, was intended to encourage illegal expats to leave the country, without requiring payment of penalties. This program has been replaced by new directives that the authorities believe put an end to *kafala*, the sponsorship system for expatriates. Under the earlier framework it is estimated that over 1 million expatriates departed the country from February 2018 through June 2020. A labor reform initiative introduced in March 2021 allows foreign workers in the private sector to seek another employer if their current contract expires without first obtaining the consent of the original employer. But the initiative excludes migrant workers not covered by the labor law—a substantial group that encompasses, for example, 3.7 million domestic workers.

North Africa and Egypt stand as prime

locations for transit migration. Transient and irregular migration to Egypt is through its borders with Sudan, Palestine, and Libya, with destinations in Europe. Migrants from Western Africa and the Sahel transit through Morocco and Tunisia toward Europe. These developments serve to boost remittance inflows to host economies in the Middle East and North Africa, as migrants from third countries receive supporting remittances from their countries of origin. The Migration Policy Institute estimates that transit migrants to Europe may account for 20–38 percent of the 65,000–120,000 Sub-Saharan African citizens entering the Maghreb countries yearly (MPI 2006).

The Migration Policy Institute notes that migration within North Africa in historical context suggests that Algeria, Morocco, Tunisia, and Libya are also countries of destination for *seasonal migratory flows* from

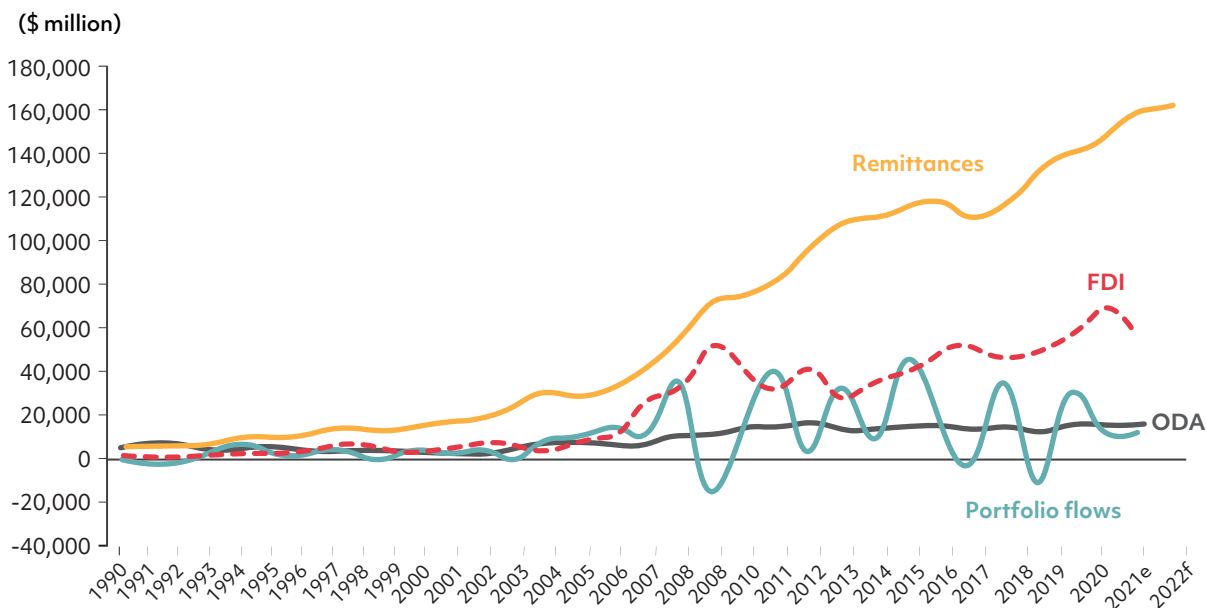
Sub-Saharan Africa, involving persons without intention of moving on to Europe. Remittances from origin countries of these migrants help to supplement incomes and bridge periods of slack employment. Transit migration to Europe through North Africa is likely to rise through 2022, amid the sharp decline in African living standards tied to the pandemic, rising food prices, and governments' lack of fiscal space to fund appropriate safety nets. This implies that remittances credited to the Maghreb countries on behalf of transient migrants "stuck" in these host nations will continue.

4.5 Remittances to South Asia Advanced in 2021

Remittances trends. After displaying remarkable resilience through one of the sharpest economic downturns in host and home countries in 2020, remittance inflows to South Asia increased by 8 percent to \$159 billion in 2021 (figure 4.18).

In 2021 remittances were almost three times as large as FDI. Since 2008 the gap between remittances and all other financial flows combined has systematically widened in South Asia, making remittances the dominant source of foreign exchange for the region (figure 4.18). In 2021, for every \$1 of FDI, South Asia received \$2.9 of remittances. In the International Development Association (IDA) countries of South Asia, for every \$1 of ODA in 2020, the region received between \$9.2 and \$9.8 in remittances.

Figure 4.18 Resource Flows to South Asia, 1990–2022

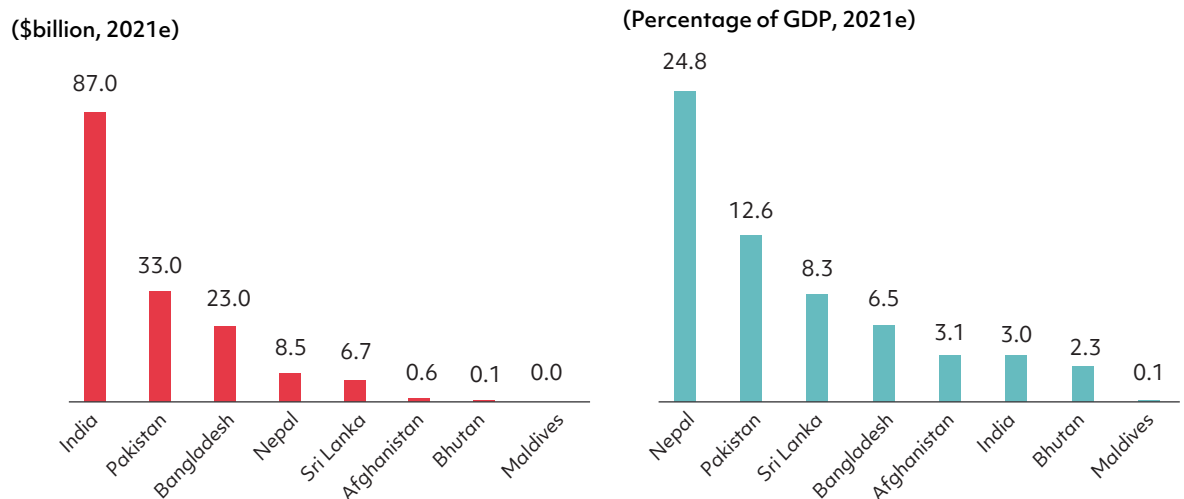


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
 Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

In comparison with the overall economy (GDP), the importance of remittances varies across South Asian countries (figure 4.19). In 2021 remittance inflows were most critical for Nepal, where they represent about 25 percent of GDP. India was once again the top recipient of remittances globally although in comparison to its economy, the share

of remittances was only 3 percent of GDP. Pakistan, Bangladesh, Nepal, and Sri Lanka featured in the list of top 50 recipients of remittance inflows in the world. The significance of remittances in their economies ranged from about 13 percent for Pakistan to 6–8 percent of GDP for Bangladesh and Sri Lanka.

Figure 4.19 Top Remittance Recipients in South Asia, 2021



Sources: World Bank–KNOMAD staff estimates; World Development Indicators, and IMF Balance of Payments Statistics.
 Note: GDP = gross domestic product; e = estimate.

Host and home country factors underpinned the surge in remittances to South Asia in 2021. The emergence of COVID-19’s Delta variant in the summer of 2021 wrought large-scale agony and death in South Asia, once again motivating an altruistic uptick in migrants’ remittances. In India, the severity of caseloads and deaths from April to July of 2021 was astronomical by global standards, with the cumulative caseload reaching 34 million persons and cumulative deaths reported at 425,000.³¹ The reimposition of mobility restrictions aided in directing more remittances to flow through formal money transfer channels and boost official inflows. Alternatively, progress in vaccinations and the lifting of mobility restrictions in the aftermath of the havoc wrought by the Delta variant renewed the popularity of informal means of money transfer, gnawing into official

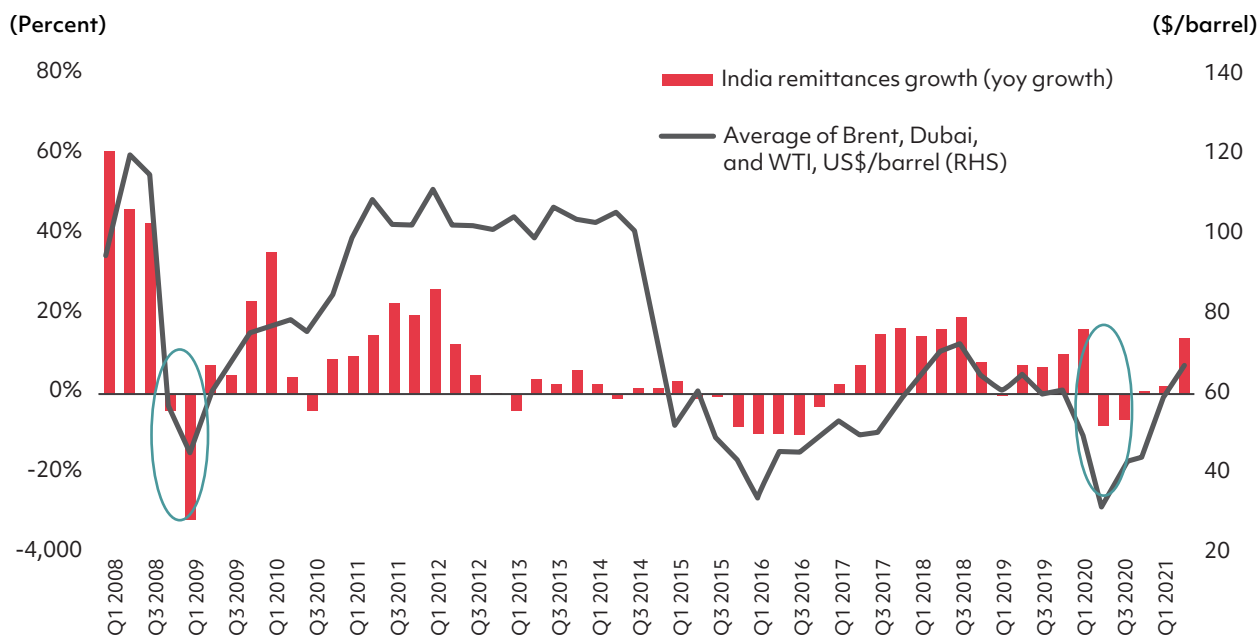
receipts in several South Asian countries. Economic conditions in host countries were also pivotal in facilitating remittance inflows. A more than doubling of crude oil prices to \$82/bbl by October (y/y) aided in the reopening of GCC economies, which employ over half of South Asia’s migrants. While still slow and uneven, the return of South Asian migrants to the Middle East contributed to the growth of remittances in 2021. Rapid economic recovery and generous stimulus checks in the United States also spurred growth in remittance outflows to South Asia, whose migrants in the United States are mostly educated, high-wage earners.³²

The 2021 upsurge in remittance inflows, however, was not spread uniformly across

South Asian countries. In **India**, the recovery in remittances is estimated to have reversed the flat trend of 2020 and advanced by 4.6 percent in 2021, reaching \$87 billion. Two factors were particularly instrumental: one, the tight nexus between energy prices and remittances from the GCC, especially during Q3 2020 (figure 4.20); and two, the economic recovery in the United States, which is the source of almost 20 percent of India’s remittances.³³ **Pakistan** had another year of record

remittances with growth at 26 percent, and levels reaching \$33 billion in 2021. In addition to the common drivers, the government’s proactive Pakistan Remittance Initiative to support the transmission of remittances through formal channels was successful in attracting large inflows in 2021. Afghanistan’s fragile economic and political situation emerged as an unexpected prompt of remittance inflows into Pakistan in 2021 (box 4.2).

Figure 4.20 Oil Prices Have Affected Remittance Flows to India



Source: World Bank-KNOMAD staff.
 Note: yoy = year-on-year; WTI = West Texas Intermediate.

In **Bangladesh**, although remittances rose above pre-COVID-19 and 2020 levels by almost 6 percent to reach \$23 billion in response to the government’s tax cuts and other incentives in 2021,³⁴ a slowdown in growth is distinct. In **Nepal** remittances recovered to \$8.5 billion in 2021, growing at 5 percent compared with a minor drop in 2020. The rebound was fueled by sharp economic growth in India and a decent pace of recovery in Malaysia, the two host destinations that account for about 40 percent of Nepal’s inflows. In **Sri Lanka**

the 2020 recovery in remittances was not sustained and inflows dropped 6.2 percent to their pre-COVID-19 level of \$6.7 billion in 2021, explained mostly by the popularity of informal channels of money transfer. In **Bhutan**, remittances returned to the pre-COVID-19 level of \$58 million, marking a sharp decline of 31 percent relative to 2020, when altruism bolstered their jump of 47 percent. And remittances in the **Maldives** too declined in 2021 to their pre-COVID-19 level of \$4 million.

Box 4.2 Afghanistan Crisis Boosted Remittance Inflows to Pakistan

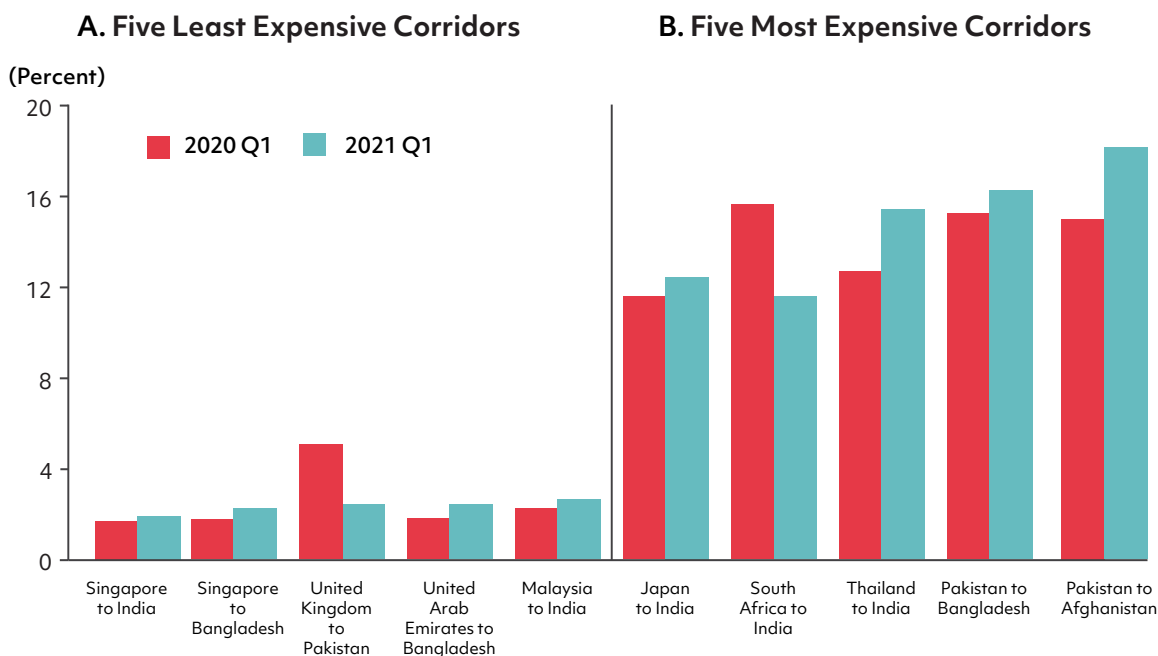
Afghanistan's fragile economic and political situation gave a special impetus to remittance inflows in Pakistan. Following the breakdown of official channels of money transfers to Afghanistan, remittances intended for Afghan refugees in Pakistan, as well as for families in dire stress in Afghanistan, flowed into Pakistan. According to one report, about 50,000 Afghans crossed the border into Pakistan and Iran some weeks before Pakistan temporarily closed its borders (Schlein 2021). In the Gohati and Gandaf refugee camps alone, which once

housed around 60,000 Afghans, the numbers soared with the arrival of their relatives in recent months. Most of the Afghans leaving do not intend to return to Afghanistan because of the lack of security, fulfillment of basic needs, and access to education and health care for their families. Their physical presence in Pakistan enables them to receive remittances from their relative migrants abroad. Until conditions in Afghanistan stabilize, these factors are likely to maintain a steady flow of remittances into Pakistan (Dawn, October 29, 2021). In late October 2021, Pakistan imposed several restrictions on outward remittances to Afghanistan, especially in US dollar terms.

Remittance costs remain high. Although South Asia still has the lowest average remittance costs of any world region, at 4.6 percent, the cost of remitting money to South Asia through official channels is high, and informal channels remain popular. Figure 4.21 displays the wide variation in the fees/costs of sending \$200 across countries, as well as to the same country from different source countries. Barring a few exceptions, in most cases the costs increased in 2021. While the high costs of sending money

from Pakistan to Afghanistan have a rationale, neither the absolute cost nor the cost increase of sending money from Japan, Thailand, Singapore, or Malaysia to India can be justified. Cost-reducing policies would create a win-win situation welcomed by migrants and South Asian governments alike. Governments in South Asia routinely face large current account deficits that could be funded increasingly by remittances as more of them flow through official channels of money transfer.

Figure 4.21 The Costs of Sending Remittances to South Asia Varied Widely across Corridors



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

The remittance outlook for South Asia in 2022 is uncertain. High-frequency data show signs of a slowdown in most countries. The pairing of forecasts of positive oil prices with moderate GDP growth in the GCC countries paints a lackluster picture of 2022 with ample scope for slippages due to host-country-specific circumstances. There is a serious downside risk associated with any factor that translates into lower demand for South Asian migrants in the GCC countries.³⁵ In most host countries, despite labor shortages, governments have been slow in issuing work permits. Requirements of travel-related COVID-19 tests and quarantine periods upon arrival at destination are also discouraging migrants from returning to work. On the positive side, forecasts of a still-robust recovery in the United States (5.2 percent growth in 2022 on the heels of 6 percent in 2021) offer good news for India—but will benefit other South Asian countries less as they have

fewer skilled migrants in the United States.

In **India**, remittances are projected to grow 3 percent in 2022 to \$89.6 billion, reflecting a drop in overall migrant stock, as a large proportion of returnees from the GCC await return. In **Pakistan**, remittances are likely to remain flat at the presently high levels in 2022, as the one-off effects of government incentives to attract them fade, though the Afghanistan factor will continue to sustain flows. In **Bangladesh**, slowing growth in remittances in the first nine months of 2021 already suggests downside risks for 2022, fueled mostly by the slow outmigration of return migrants, keeping remittances flat in the year. In the other South Asian countries, as migrants continue to opt for greater use of unofficial channels for money transfer, the decline in recorded remittance inflows will accelerate in 2022 unless the GCC countries enjoy a stronger than expected economic recovery. Due to the significant

uncertainty created by these offsetting effects, the outlook for remittances in 2022 ranges from growth of 7 percent in the **Maldives** to between 1 percent to 2 percent in **Bhutan**, **Nepal**, and **Sri Lanka**. Sri Lanka's government has recently announced an initiative to stem the leakage in official remittance channels: SL-Remit hopes to increase the annual inflow of remittances from \$7 billion to \$9 billion.

COVID-19's Blow to South Asian Migration and Looming Challenges

COVID-19 depleted the stock of South Asian migrants and will affect remittances in the near term. The GCC countries alone employ around 35 million or 10 percent of global migrant workers, mostly from South Asia. In the wake of the initial waves of the pandemic, millions of migrants from South Asia returned home in 2020. As a large proportion were unable to go back to work, in the near term, the depleted stock of migrants will lead to declining remittance inflows. High airfares and COVID-19 requirements (multiple pre-travel RT-PCR tests) are financially costly for migrants from countries where testing is expensive. Around 40,000 Bangladeshis who came home on vacation could not return this year. Another hurdle to outmigration is the slow pace of visa issuance in the GCC countries.

To cope with the fiscal crunch and prepare for a future with lower oil prices, governments of the GCC countries are encouraging their own citizens to replace migrants. Bahrain cut the number of flexi-permits from 47,000 in 2020 to 24,000 in 2021 and described the expatriate workforce benefiting from this system as “surplus” manpower that the labor market did not need.³⁶ The Kuwaiti cabinet has tasked its Manpower Authority with getting another 100,000 citizens to work in the private sector within four years to reduce

the state's public sector wage bill, which accounts for approximately 60 percent of the government's budget.³⁷ Saudi Arabia started charging firms a monthly fee of SRI 400 for each foreign worker they hired in 2018. Firms that employed an equal or greater number of Saudis than expatriates paid SRI 300. The fee was increased to SRI 500–600 per worker in 2019 and SRI 700–800 per worker in 2020.³⁸ By raising the cost of migrant labor, these policies will discourage local employers from hiring foreign workers in the future.

Several looming challenges face less-skilled South Asian migrants in the medium term.

To prepare for a future with low oil prices, GCC governments are considering a variety of diversification policies that will require large numbers of skilled migrants. The United Arab Emirates recently announced green visas that will offer more attractive terms for skilled migrants.³⁹ Saudi Arabia's Vision 2030 plan is expected to create 400,000 new jobs requiring mostly skilled workers. These strategies provide an early warning to South Asian governments to begin investing now in training their workforce for more skilled jobs in the GCC countries in the medium term.

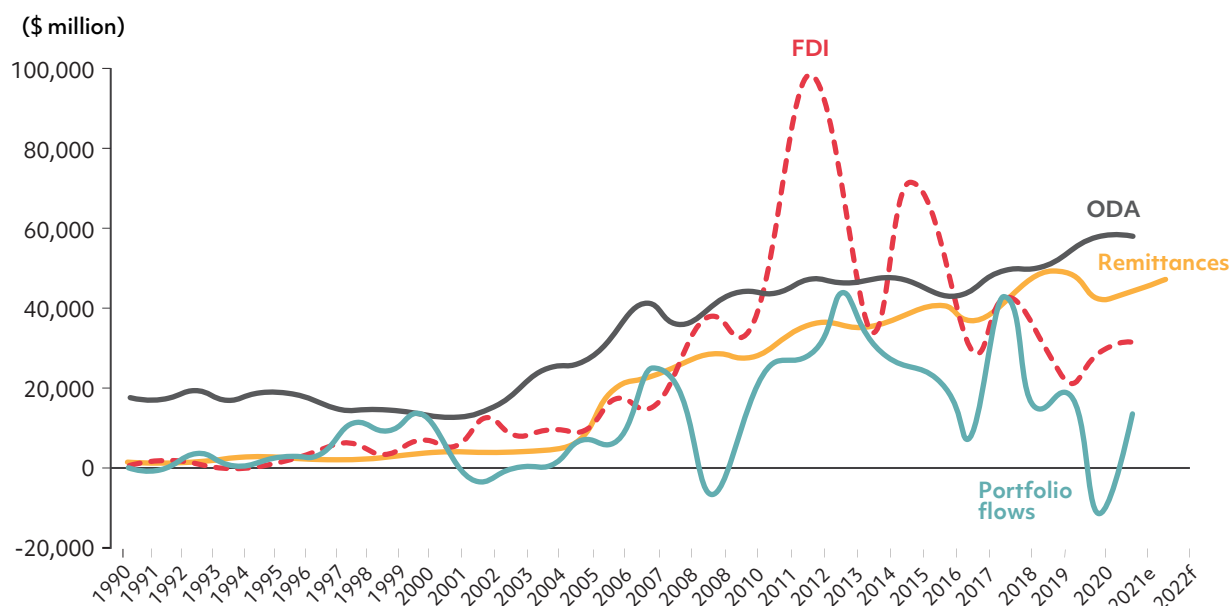
As at least 50 percent of Bangladesh's 5 million migrants in the GCC countries are less-skilled workers, the benefits of this win-win retooling strategy will be huge for the migrants and the government alike. Presently, the average monthly remittance of a Bangladeshi migrant who performs manual work is only \$203 compared to \$276 for a Pakistani, \$396 for an Indian, \$564 for a Filipino, and \$533 for a Chinese.⁴⁰ The hike in remittances from more-skilled Bangladeshi migrants could be a windfall for Bangladesh and its migrants.

4.6 Remittances to Sub-Saharan Africa Regain Momentum

Remittance trends. Several developments are supporting a return to growth in remittance inflows during 2021, estimated at 6.2 percent to \$45 billion. Aggregate remittance inflows to Sub-Saharan Africa declined by a sharp 14.1 percent during 2020, due to a \$6.6 billion (28 percent) falloff in officially recorded flows to Nigeria, which accounts for 50 percent of remittances to the region. Were Nigeria's data to be discounted, as they clearly underestimate "actual" inflows to the country, African remittance receipts would have displayed a modest 1.4 percent decline for the year. The region

has been hit especially hard by the pandemic-induced global downturn of 2020 and 2021, with GDP falling by 1.7 percent in 2020 (the worst performance on record) on the back of a 6.4 percent decline in South Africa. Moreover, Africa is mired in a worsening debt crisis, relying on external support to meet financing requirements. But the broader resilience of migrant-worker remittances in the face of deterioration in economic conditions has been clearly demonstrated in the region (figure 4.22). Strong performances in Ghana (5.9 percent gain to \$4.3 billion), Kenya (9.2 percent advance to \$3.1 billion), and Zimbabwe (31.2 percent hike to \$1.2 billion) provided a foundation for regional receipts in 2020.

Figure 4.22 Resource Flows to Sub-Saharan Africa, 1990–2022



Sources: World Bank–KNOMAD staff estimates; 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.

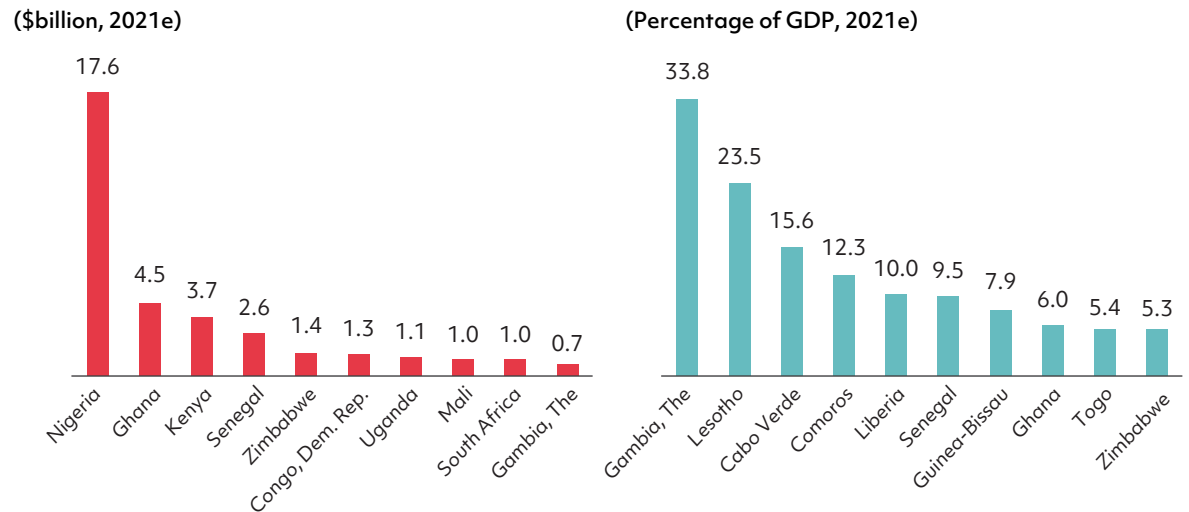
Nigeria continues to dominate remittance inflows into Sub-Saharan Africa given the exceptional size of the Nigerian migrant base (an estimated 800,000 persons) concentrated in two key host countries, the United States (375,000) and the United Kingdom (220,000) (figure 4.23). The case of Kenya is also of

note, as the country recorded more than 15 percent annual growth in receipts from 2015 through 2021, with a robust 19 percent gain in the current year. For those countries where remittance inflows make up a substantial proportion of GDP—Lesotho, the Gambia, and the island states of Cabo Verde and

Comoros—continuing or special factors are involved. A downturn in revenues of the Southern Africa Customs Union⁴¹ has required migrants from smaller member states in southern Africa

to increase the amount of their personal transfers. The collapse of tourism revenues in several island states with small populations has prompted increases in flows to home countries.

Figure 4.23 Top Remittance Recipients in Sub-Saharan Africa, 2021

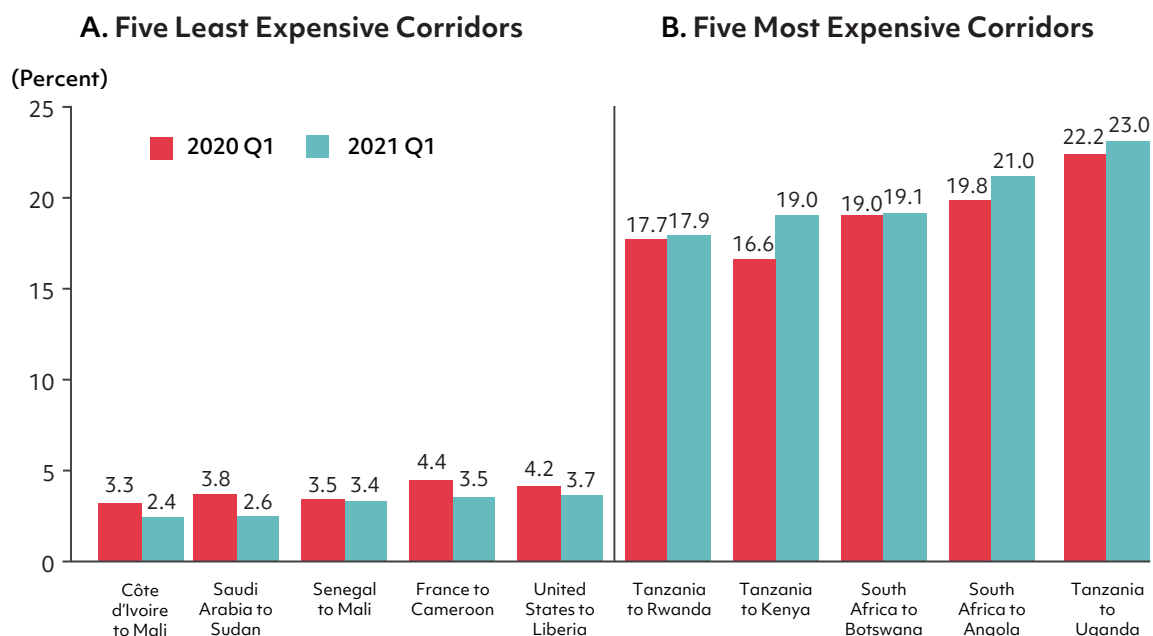


Sources: World Bank-KNOMAD staff estimates; IMF; World Bank's World Development Indicators.

Signs of a modest pickup in officially recorded inflows to Nigeria support a positive regional forecast. Economic recovery in Europe and the United States in 2021—just as most Sub-Saharan African counties suffered significant debt difficulties and anemic growth—should enable and incentivize increased economic and *altruistic* remittance flows from the large African diaspora. The number of extreme poor in the region is likely to have increased by more than 32 million from 2020 through mid-2021, and economic growth is expected to be 3.7 percent for the year—the slowest among developing regions in 2021 (World Bank 2021c).

Remittance costs. Sub-Saharan Africa remains the costliest region to send remittances to: costs averaged 8 percent during Q1 2021, down from 8.9 percent from Q1 2020. The cost of remitting from the United States to Kenya amounts to 6.7 percent, and from France to Cameroon it is 3.5 percent (figure 4.24). Though intraregional migrants in Africa comprise more than 70 percent of all international migration in the region, intraregional remittance costs are quite high due to 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 23 percent (up 100 basis points in the year).

Figure 4.24 The Costs of Sending Remittances to Sub-Saharan African Countries Varied Widely across Corridors



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

The COVID-19 Delta variant stands as a substantial risk to cross-border mobility of people and flow of remittances. Africa is now being rapidly infected with the Delta variant of COVID-19. The original COVID-19 virus initially was less transmittable in Sub-Saharan Africa due in large part to the relative youth of the population (with a median age of 18 years). However, the early spread of the Delta variant of COVID-19 was first noted in South Africa, then moved to East Africa, after which caseloads increased dramatically. A moving average of daily new cases skyrocketed from 9,000 in May 2021 to 38,000 in July and August. A total of 8.5 million recorded infections and 250,000 deaths have been reported in Sub-Saharan Africa since the onset of the pandemic. South Africa is the most severely affected, experiencing an increase of 750,000 cases in September 2021 to reach an aggregate caseload of 2.9 million. Other countries now affected include

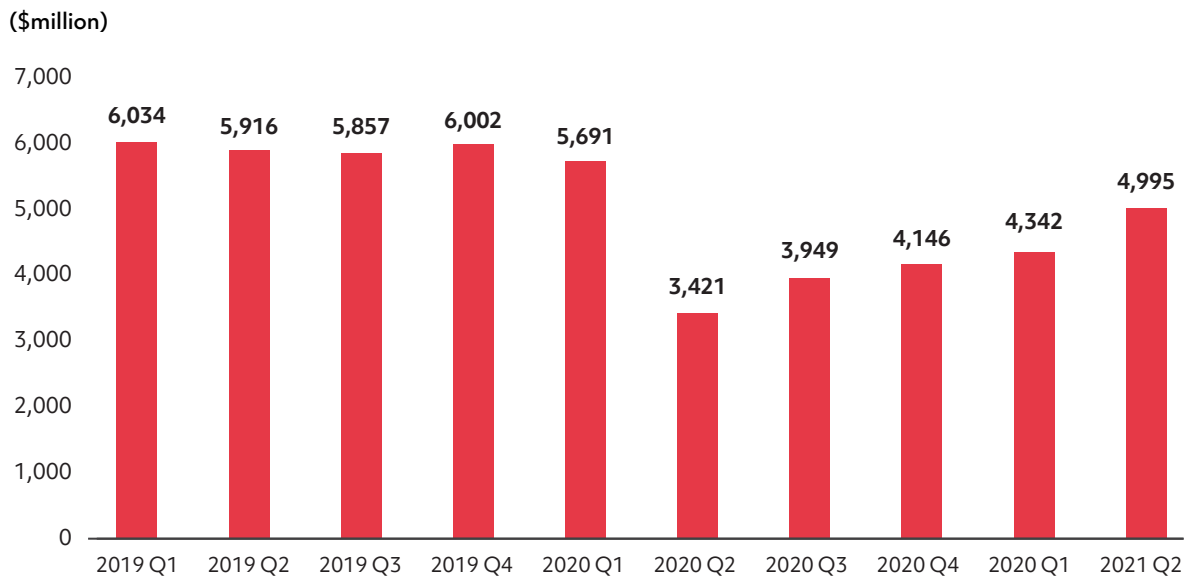
Ethiopia, Kenya, Nigeria, Mozambique, Uganda, and Zimbabwe. The situation remains urgent in the absence of sufficient quantities of vaccine facilities, human capital, and logistics capacity for needed rollouts.

Remittance outlook. Despite easing economic growth in host regions of the world, and continued uncertainty regarding the course of the pandemic, remittance receipts in Sub-Saharan Africa are projected to accelerate in 2022, on the back of a gradual movement toward the use of official channels for inflows to Nigeria. Following the country's substantial adjustment of 2020, there are now signs that recent policy changes may be achieving some traction. For example, an increase in official remittances of 2.5 percent in the first half of 2021 contrasted with the same period of 2020 (figure 4.25).⁴² An anticipated 7.3 percent increase in remittances during 2022 would carry Nigerian receipts to \$19 billion, still well below the average \$23 billion that characterized the immediate

pre-pandemic period. Inflows to the remainder of the region are anticipated to maintain favorable growth, though at a more muted pace

of 4.4 percent, bringing African receipts to \$48 billion for the year, an increase of 5.5 percent.

Figure 4.25 Quarterly Remittance Inflows, Nigeria



Source: Central Bank of Nigeria.

Risks in 2022 look relatively high—although several developments may offer potential to support flows. The uncertain path of the pandemic, slowing host-country growth, and intraregional conflict amplify the risk profile. But developments in commodity markets may have two influences on remittance receipts in late 2021 and into 2022: (i) further support for altruistic migrant flows to households, given high food prices, amid the general concern for food security in Africa; and (ii) a revival of intraregional remittance flows, from the large stock of migrants from the rest of Africa residing in countries that will benefit from improved terms of trade.⁴³ The doubling of global crude oil prices and increases in several metals (including copper, 48 percent over the year to October) are serving to improve fiscal revenues and—prospectively—growth for countries such as Nigeria, South Africa, Ghana, Côte d’Ivoire, and Uganda. Alternatively, the substantial increase in the prices of food

staples—key imports for the region (maize, 28 percent; wheat, 8 percent)—are amplifying the need for remittance support as household budgets come under increasing strain.

Migration trends. Though changes in legislation in the United States and the EU have tightened requirements for immigration, movement of African nationals to key host countries has continued at a quick pace. Between 2010 and 2018, the African-born population in the United States surged by 52 percent to more than 2 million, versus 12 percent growth for the total foreign-born population. Immigrants to the United States have included refugees from conflict-ridden countries, and highly skilled workers and students from Ghana, Kenya, Nigeria, and South Africa. Asylum applicants have driven the flow of migrants to Europe, amounting to 1 million between 2010 and 2018. Migrants from East Africa constitute 27 percent (9.8 million)

of all migrants from Sub-Saharan Africa, with a majority residing in other African countries such as Ethiopia, Kenya, Sudan, and Uganda. Migration out of the region is oriented toward several EU countries and the GCC countries.

In the past year, East Africa has become a locus for internally displaced persons and cross-border refugees, grounded in politico-military developments in Mozambique and Ethiopia. Against the background of an armed insurgency in the Cabo Delgado province of Mozambique, with attacks centered on new infrastructure investment related to liquefied

natural gas, the IOM noted in August that support will need to be continued for more than 800,000 internally displaced persons (IOM 2021b). Domestic conflict in Ethiopia has resulted in 5.2 million displaced persons within the country, with refugees spilling over into Sudan. The UNHCR is requesting \$165 million to fund support for 96,000 Eritrean refugees, 650,000 internally displaced persons in the Tigray province of Ethiopia, in addition to 120,000 Ethiopian refugees in Sudan.

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Endnotes

- ¹ In spring 2021, remittance receipts for LMICs were anticipated to advance by 2.1 percent to reach \$553 billion in the year (World Bank/KNOMAD 2021). In 2021, Romania was reclassified as a middle-income country from a high-income country, which accounts for the higher figure for remittances (\$548 billion) for 2020 in this Brief, compared to \$540 billion reported in Brief 34.
- ² Remittances may also be viewed as a complement to FDI, which tends to augment private domestic investment, and to ODA, which can assist in underpinning public spending and capital outlays. Moreover, all such flows serve as a source of non-debt-creating finance for fiscal and external funding needs, diminishing the call on nonconcessional sources of credit and so easing the pressure on low-income countries' debt and debt-servicing obligations.
- ³ China appears to be the second-largest recipient of remittances after India, but its official remittance data are not consistently reported.
- ⁴ A large number of households surveyed in Q2-2020 reported receiving lower remittances since the start of COVID-19 in Mexico (35 percent) and the Dominican Republic (54 percent) even as the central banks recorded higher inflows (10 percent and 18 percent respectively). This is consistent with a hypothesis that flows shifted from informal (unrecorded) channels to recorded channels although the extent of the impact of COVID-19 on informal flows is unclear. In Somalia, 94 percent of households reported a decrease in remittance receipts in July 2020, but the central bank reported an increase of 7 percent (year-on-year) during the same month. Separately, based on phone surveys of households in Bangladesh and Nepal, conducted in April–May 2020, Barker et al. (2020) reported 25 percent greater declines in earnings and fourfold greater prevalence of food insecurity among migrant households since March.
- ⁵ The G-20 leaders meeting in Rome also called for preventing irregular migration flows and the smuggling of migrants (G-20 2021).
- ⁶ In October 2021, remittances to Bangladesh were down 21.7 percent year-on-year.
- ⁷ In the case of Egypt, return migration seems to have increased, which could also lead to a temporary increase in remittance flows due to migrants coming home with their savings.
- ⁸ In October 2021, IMF (2021) projected the global economy to grow by 5.9 percent in 2021 and 4.9 percent in 2022 (0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook (WEO) Update). Beyond 2022 global growth was projected to moderate to about 3.3 percent.
- ⁹ ASEAN-5 refers to the five countries of the Association of Southeast Asian Nations—Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
- ¹⁰ The global increase in confirmed caseloads over the month to October 20, 2021, is beginning to ease, but carried total confirmed cases to 242 million. This number includes a 3 million jump in the United States; more than 1 million in the United Kingdom; and 400,000 to 800,000 in Brazil, Iran, and Turkey. Hospitalizations doubled in the United States during August (Johns Hopkins COVID-19 Resource Center and Our World in Data)..
- ¹¹ Japan, China, and the ASEAN countries are experiencing a stretch weak economic activity tied to a resurgence of COVID-19 caseloads and the implementation of

strong restrictions, notably in China.

- ¹² By the end of 2020, the total number of forcibly displaced persons was 82.4 million (UNHCR 2020). According to UNHCR, Pakistan and Iran hosted 1.5 million, and 780,000 Afghans were hosted by these neighboring countries in 2020. According to the BBC, an estimated 3.5 million Afghans are internally displaced within the country.
- ¹³ 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.
- ¹⁴ As of mid-November 2021, less than three weeks after its launch, eNaira wallet was reportedly downloaded 566,000 times in 160 countries. Before Nigeria, China and Sweden are among the notable countries with their own CBDCs.
- ¹⁵ For an interesting discussion of digital currencies, see Prasad (2021).
- ¹⁶ There were about 1.7 million documented migrant workers in Malaysia during 2020 according to the Human Resource Ministry, while the undocumented count is anywhere between 2 and 4 million workers according to IOM. As of June 2021, about 180,000 refugees were registered with the UNHCR, mostly from Myanmar. If found outside official refugee camps, refugees are considered by local authorities as “undocumented” foreigners and are treated as such.
- ¹⁷ One state, Selangor, has approved the same vaccine to be purchased by companies for their employees, effectively allowing them to jump the queue while nationals must register and be notified of an appointment.
- ¹⁸ The National Chamber of Commerce and Industry of Malaysia reported that the plantation sector requires 70,000 foreign workers, the construction sector needs 200,000, the furniture industry is short of 30,000 workers, and the manufacturing and rubber-glove industries need 50,000 workers.
- ¹⁹ <https://data.bls.gov/pdq/SurveyOutputServlet>.
- ²⁰ In 2021, FATF stated that Mexico has taken multiple measures to improve compliance against money laundering and terrorist financing.
- ²¹ During 2020 there were 27,200 returnees from the United States to Guatemala and 26,149 deportees from Mexico to Guatemala.
- ²² According to the American Immigration Council, since migrants are attempting to cross the border several times, the number of people apprehended after crossing the border is only 24 percent higher.
- ²³ According to the Ministry of Interior, about 23,673 migrants crossed the northern border, an increase of 7,000 over last year (France 24 2021).
- ²⁴ 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.
- ²⁵ Algeria, Morocco, and Tunisia.
- ²⁶ Jordan, Lebanon, and Syria.
- ²⁷ Net emigration for Egypt (the difference between leaving and arriving persons per 1,000 population) has halved from a recent peak of -.68 in 2015 to -.34 in 2020, possibly indicative of substantial return migration from the GCC (CIA Factbook, December 2020).

- ²⁸ The trust fund was established to provide the EU with the necessary means to mediate challenges posed by the COVID-19 pandemic, and to support a revitalization of growth in the wake of the pandemic. The European Commission is authorized to borrow funds up to €750 billion, and all Member States ratified the decision by May 31, 2021. The fund offers some promise for stronger growth into the medium term and support for remittances.
- ²⁹ Many countries reimposed partial lockdowns in late 2020 but following a decline in caseloads in early 2021, infections and deaths are again on the rise in the Maghreb, Mashreq, and GCC countries. Examples include Morocco with an increase of 110,000 cases in September 2021 to a total caseload of 925,000; Jordan's increase of 25,000 to 815,000; and a rise in the United Arab Emirates of 25,000 to 735,000.
- ³⁰ OPEC+ is an amalgamation of the Organization of the Petroleum Exporting Countries (OPEC) and 10 other oil-exporting nations such as Russia and Kazakhstan.
- ³¹ Johns Hopkins Resource Center, October 19, 2021.
- ³² The March 2021 American Rescue Plan (\$1,844 billion, about 8.8 percent of 2020 GDP); the December 2020 Consolidated Appropriations Act (\$868 billion, about 4.1 percent of GDP); and the CARES Act (\$2.3 trillion, 11 percent of GDP) are some examples.
- ³³ US real GDP growth slowed considerably from a robust 6.7 percent annualized pace in the second quarter of 2021 to 2 percent during the third quarter, as shortages of durable goods, notably automobiles, yielded falloff in consumer spending.
- ³⁴ See *Migration and Development Brief 34* for a good discussion of these factors.
- ³⁵ As an example, Saudi Arabia granted 12 percent fewer work visas in Q1 2021 relative to the same period in 2020, whereas Oman reported a 15 percent year-on-year decline of Bangladeshi workers in Q1 2021. Additionally, there are other frictions in migrant labor flows, like establishing rapid PCR testing in the airports to comply with new procedures in host countries (the United Arab Emirates is an example) (World Bank 2021b).
- ³⁶ *Gulf Daily News*, October 26, 2021.
- ³⁷ *Saudi Gazette*, October 4, 2021.
- ³⁸ *Saudi Gazette*, September 15, 2021
- ³⁹ *Daily Star*, October 29, 2021.
- ⁴⁰ *Daily Star*, October 29, 2021.
- ⁴¹ 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.
- ⁴² The new "Naira-4-Dollar" policy of the Central Bank of Nigeria, launched in March 2021, offers an N 5 reward for every US dollar transferred through the banking system—a policy aimed at shoring up foreign exchange liquidity in the financial system and encouraging Nigerians to use official channels. Moreover, the introduction of the e-naira has attracted substantial attention from financial markets recently.
- ⁴³ In Sub-Saharan Africa, intraregional immigration well surpasses international migration—70 percent of immigration in Africa is from within the region, with South Africa, Côte d'Ivoire, Uganda, Nigeria, and Ethiopia the main destinations (MPI 2019).

