Leveraging Diaspora Finances for Private Capital Mobilization

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Acknowledgments

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Overview

The growth of remittances to low- and middle-income countries (LMICs) slowed to 3.8 percent in 2023 after averaging about 9 percent over the previous two years. The $669 billion in remittances to LMICs exceeds the forecast given in *Migration and Development Brief 38* (published in June 2023), supported by the continued strength of job markets in the countries of the Organisation for Economic Co-operation and Development (OECD). and the Gulf Cooperation Council.

The growth of remittances in 2023 was particularly high in Latin America and the Caribbean (8 percent) because of a historically low rate of employment in the United States, and in South Asia (7.2 percent), largely due to a continued increase in remittances to India. Remittances' growth in 2023 was more moderate in East Asia and the Pacific (3.0 percent), although excluding China growth was 7 percent, and in Sub-Saharan Africa (1.9 percent), the same rate of increase as Nigeria, the region's largest recipient of remittances. After the huge, likely one-time money transfers from the Russian Federation to Europe and Central Asia in 2022, remittances to that region declined by 1.4 percent in 2023; the flows in the region were impacted by movement of oil prices and in particular, a weakening of the ruble against the US dollar. Remittances fell by 5.3 percent in the Middle East and North Africa, in part because large differences between the official and parallel exchange rate in some countries encouraged the diversion of flows to unofficial channels.

Remittances have become the premier source of finance for LMICs, exceeding the more volatile foreign direct investment flows in 2023 by more than $250 billion. The growing importance of remittances has spurred efforts to improve the timeliness and consistency of data on remittances flows, the main goal of the International Working Group on Improving Data on Remittances (RemitStat).

The growth of remittance flows to LMICs is expected to slow to 2.4 percent in 2024, mostly reflecting a slowing of economic growth in several high-income countries. As in 2023, remittances' growth is projected to be most rapid in South Asia (4.9 percent), although growth will be much slower than in 2023, and Latin America and the Caribbean (4.4 percent), in part due to transfers to transit migrants passing through Mexico. The growth of remittances is expected to turn positive in the Middle East and North Africa (2.1 percent), in part due to recovery of flows to Egypt, and to improve slightly in Sub-Saharan Africa (2.5 percent), but to slow down in East Asia and the Pacific excluding China (5 percent) and dip below zero in Europe and Central Asia, as flows to the region from Russia continue to decline. The risks to this forecast are tilted to the downside, given the potential for a further deterioration in the war in Ukraine and the conflict in the Middle East, increased volatility in oil prices and currency exchange rates, and a deeper-than-expected economic downturn in major high-income countries.

The cost of sending remittances to developing regions remained high in the second quarter of 2023, at 6.2 percent—more than twice the Sustainable Development Goal target of 3 percent by 2030. Average costs remained the highest in Sub-Saharan Africa (7.9 percent) and the lowest in South Asia (4.3 percent). Only two of the G20 (Group of Twenty) countries (the Republic of Korea and Saudi Arabia) met the G20 goal of reducing remittance costs to 5 percent.

The number of new, permanent immigrants to the OECD countries rose by 26 percent in 2022, with substantial increases in temporary migration as well (OECD 2023). Preliminary indications are that migration to the OECD countries remained strong in early 2023, driven by a recovery in employment, particularly in the United States, where the foreign-born employment rate has exceeded that of the native-born rate. The number of asylum seekers and irregular border crossings in Europe also appear to have increased in 2023.

The rapid increase in migration comes in the face of the recent adoption of policies to restrict immigration in both rich and poor countries. Examples include charging fees for entry or transit, imposing various restrictions on programs that provide for the entry of skilled migrants or family members, placing impediments in the way of asylum seekers, and deporting undocumented migrants *en masse.*

This brief's special section describes how diaspora finances can be mobilized for development and strengthening a country's debt position. Diaspora bonds can be structured to directly tap diaspora savings held in foreign destinations. Diaspora bonds are generally in small denominations and typically at a lower interest rate than issuances to international investors. While in some countries the amount of funds raised through diaspora bonds has been disappointing, these bonds have been quite successful in others. Problems have involved political opposition by diaspora members, issuance of local currency bonds with exchange rate risk, failure to register bonds in countries where the majority of overseas emigrants live, and inappropriate financial structures.

Many countries provide for nonresident deposits to attract foreign-currency-denominated diaspora savings. Such deposits can be large. For example, India has had a nonresident deposit program for the past few decades, with total deposits equaling $143 billion in September 2023. However, unlike diaspora bonds, such savings tend to be short term and volatile, and are therefore not appropriate tools for financing long-term development projects.

Future inflows of remittances can be used as collateral to lower the costs of international borrowing for national banks in developing countries. Remittances also can play an important role in improving a country's ability to repay debt, due to their large size relative to other sources of foreign exchange, countercyclical nature, and indirect contribution to public finances (e.g., by increasing revenues from consumption taxes, as well as seigniorage revenues as remittances are deposited in the banking system). The contribution of remittances to debt sustainability in low-income countries was recognized in the 2017 revision to the International Monetary Fund/World Bank debt sustainability analysis framework. This change was associated with a significant improvement in the evaluation of debt sustainability in some countries with large remittance inflows. Similarly, econometric results show that the inclusion of remittances in the denominator of the debt-to-export ratio in middle-income countries with large remittance receipts would improve the sovereign rating by one notch.

1. Trends in Remittance Flows

1.1 Remittance Flows Continued to Grow in 2023, albeit at a Slower Pace than in 2021–22

Remittance flows to low- and middle-income countries (LMICs) increased by an estimated 3.8 percent to reach $669 billion in 2023. This represents a slowdown in growth after the sharp increases in 2021–22. The remittance growth rate is projected to moderate further to 3.1 percent in 2024, resulting in total inflows of $690 billion (table 1.1). Remittance flows to high-income countries have shown almost no change since 2021. Global remittance flows are estimated at $860 billion in 2023; this is an increase of 3 percent from the previous year, and less than the growth of remittance flows to developing countries. Global remittance flows are projected to grow at a nearly constant rate in 2024.

Table 1.1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions, 2016–2024

$ billion	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023e**	**2024f**
Low- and middle-income countries	435	475	521	547	541	599	645	669	690
East Asia and Pacific	122	129	138	143	132	128	129	133	136
excluding China	61	65	70	75	72	75	78	83	87
Europe and Central Asia	43	52	59	62	58	66	79	78	77
Latin America and Caribbean	73	81	89	96	103	130	144	156	163
Middle East and North Africa	48	54	55	57	59	67	64	61	62
South Asia	111	117	132	140	147	157	176	189	198
Sub-Saharan Africa	39	42	49	49	43	50	53	54	55
World	591	640	695	727	717	792	836	860	887
Growth rate (percent)									
Low- and middle-income countries	-1.5	9.2	9.7	5.0	-1.0	10.6	7.7	3.8	3.1
East Asia and Pacific	-0.9	5.3	7.0	4.0	-8.0	-2.5	0.3	3.0	2.4
excluding China	3.1	5.8	8.4	6.4	-3.4	4.4	3.2	7.0	5.0
Europe and Central Asia	2.2	21.1	12.9	4.7	-6.9	15.5	18.5	-1.4	-1.2
Latin America and Caribbean	7.2	11.0	9.9	8.3	7.0	26.4	11.2	8.0	4.4
Middle East and North Africa	-1.2	13.4	1.8	3.9	4.1	12.8	-4.5	-5.3	2.1
South Asia	-5.9	6.0	12.3	6.1	5.2	6.7	12.2	7.2	4.9
Sub-Saharan Africa	-8.6	9.6	16.9	0.0	-12.9	17.1	5.0	1.9	2.5
World	-1.0	8.4	8.6	4.5	-1.4	10.5	5.5	3.0	3.1
Memo items: Remittances to LMICS according to the 2021 country classification used in MD Brief 36									
($ billion)	442	482	529	556	550	609	655	679	698
(% growth)	-1.3	9.2	9.7	5.1	-1.1	10.8	7.5	3.7	2.8

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

Note: e = estimate; f = forecast; LMICs = low- and middle-income countries.

* In the 2022 country classification of *Migration and Development Brief 37* (World Bank/KNOMAD 2022b), Panama and Romania moved to the high-income group from the upper-middle-income group. While Palau moved to the upper-middle-income group from the high-income group, the República Bolivariana de Venezuela has been unclassified due to a lack of available data.

Remittances continued to be the premier source of external finance for LMICs during 2023, relative to foreign direct investment and official development assistance (figure 1.1a). Excluding China, remittances stand as LMICs' largest source of external financing since 2015, exceeding other types of resource flows (figure 1.1b). The significant volume of remittances has spurred international efforts to improve the timeliness and consistency of their reporting (box 1.1).

Figure 1.1a Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, 2000–2024

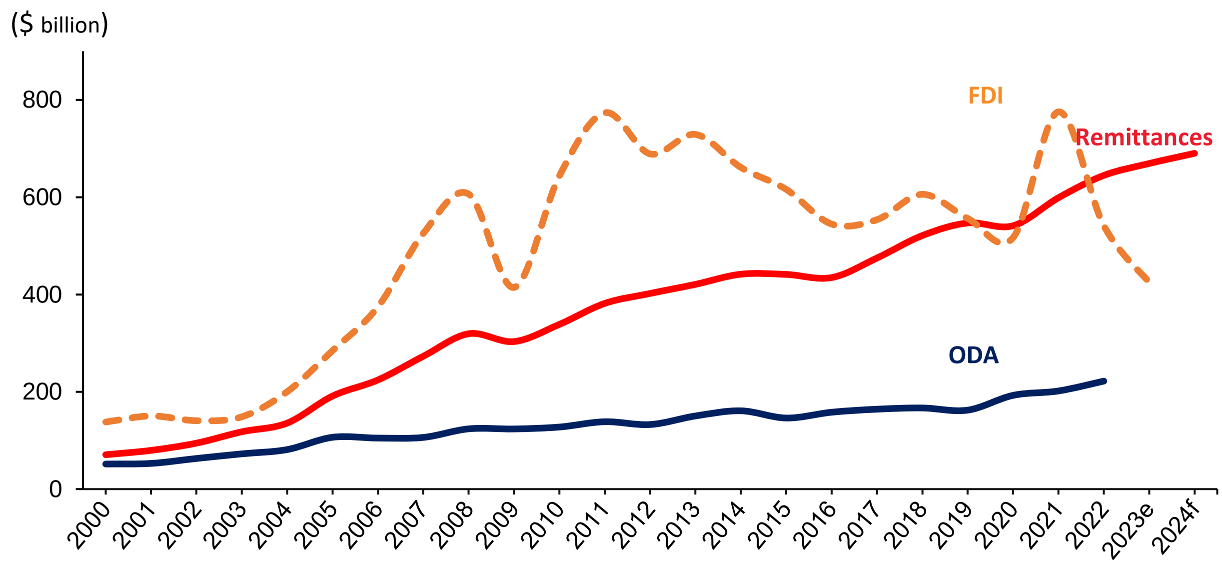
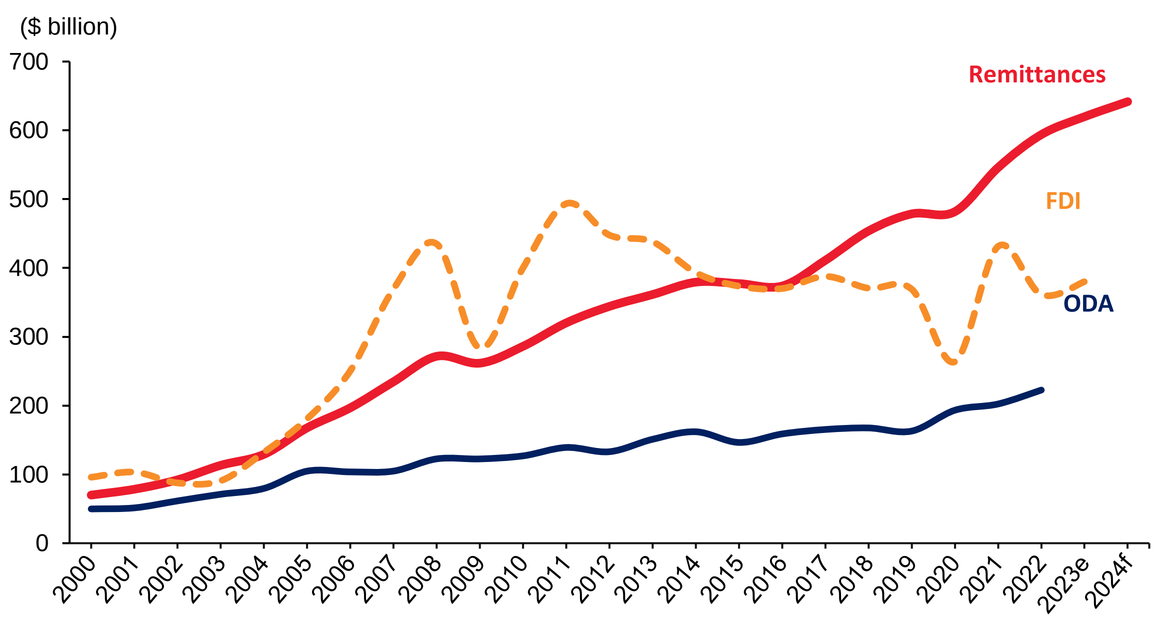


Figure 1.1b Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China, 2000–2024



Source: World Bank–KNOMAD staff; World Development Indicators; IMF Balance of Payments Statistics. Also see World Bank/KNOMAD (2016) for sources, methods, and challenges of collecting remittance data.
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Box 1.1 The International Working Group on Improving Data on Remittances (RemitStat)

The growing importance of remittances as a source of external finance for developing countries underlines the importance of improving the timeliness of reporting and resolving discrepancies in the classification of remittance flows data. Bringing parity and transparency to the process of data collection is the main goal of the International Working Group on Improving Data on Remittances (RemitStat). With the participation of over 45 countries, Eurostat, the International Monetary Fund (IMF), and the World Bank, the Working Group will look into the challenges of compiling accurate remittance statistics.

In recent years, there has been a considerable rise in new instruments and channels for money transfer for which data are not readily available. The paucity of data often results in a blind spot for regulators and authorities, especially while tracking cross-border payments and remittances. A prerequisite for improving remittance data is a proper understanding of demographic aspects, transmission channels, and the regulatory environment affecting the volume, frequency, and transaction modes of remittances. While today's technology enables data collection in real time, challenges remain in terms of monitoring progress in the implementation of the remittance data compilation guidelines per the IMF's *Balance of Payments and International Investment Position Manual,* Sixth Edition (BPM6); improving the timeliness and granularity of remittance data (frequency, corridors, channels, types of senders, and recipients); refining the comparability of cross-country and time series data on remittance inflows and outflows; and cultivating international cooperation in the collection, compilation, and dissemination of remittance statistics, including capacity building.

To address these issues, the Working Group met in May 2023 and assigned its six thematic groups to come up with a set of recommendations on the various challenges of remittance data collection. The group met again in November 2023 to take stock of progress. Over the past few months, these groups have conducted surveys and researched their respective topics to indicate a definitive direction for future Working Group efforts. Some of the key observations are as follows:

Thematic Group 1: Definition and data compilation guidelines. Remittance data are part of the Sustainable Development Goals. Uniformity in the methodology and framework for collecting data on remittance flows is decisive in formulating socioeconomic polices and regulations. Definitions will not change but enhanced compilation is needed.

Thematic Group 2: Estimation of unregulated flows. Disruption created by the COVID-19 pandemic presents an opportunity to refine estimates of unregulated remittance flows and enhance transparency and granularity.

Thematic Group 3: High-frequency data. Incentives to collect and compile remittance statistics more frequently must consider the trade-off between the frequency of data production and their granularity. Comprehensive efforts toward greater accuracy *and* regularity will require a supportive policy environment.

Thematic Group 4: Remittance channels and instruments. The 2009 report *International Transactions in Remittances: Guide for Compilers and Users* (RCG) is a comprehensive overview of remittance channels and instruments worldwide (IMF 2009). However, the emerging channels, their size, and their impact on the ease and nature of remittance payments are yet to be captured in a guide. The task is to identify issues and topics not covered sufficiently in the current RCG manual and elaborate the nuances.

Thematic Group 5: Bilateral remittance flows. Creating synergies between the models used in the compilation of remittance statistics, including migration/demographic models, models utilizing cash flow data, and econometric models, is key to consistent and timely remittance statistics. The focus should also be on data sources, parameters, and the strengths and weaknesses of these models.

Thematic Group 6: Types of senders and recipients. The level of remittances is influenced by the stock of migrants abroad and the composition of migrants (e.g., in terms of skill levels). There is a need for more information on migrants, senders, and recipients. Countries could publish additional information about migrants' characteristics.

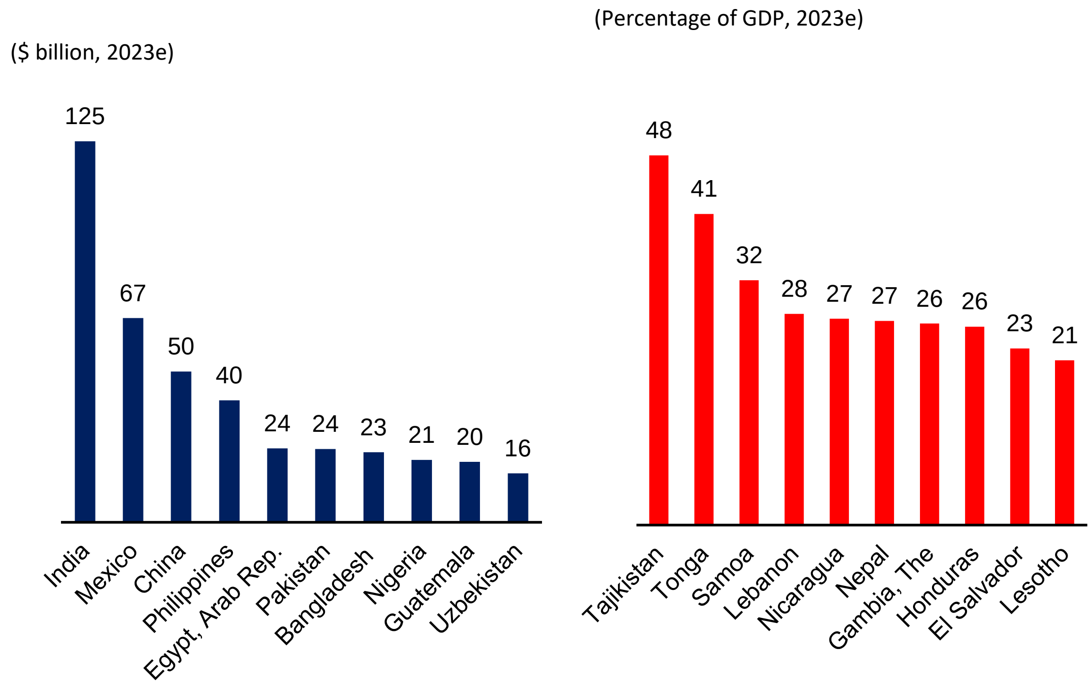
The findings and recommendations of these thematic groups will be adapted into chapters of the RemitStat report. The report will be launched in June 2024 after due validation and consultations.

While the overall purpose of the exercise is to present a set of practical recommendations for data handlers and compilers, policy makers, and international organizations alike, it will also serve as a resource guide on remittances for the seventh edition of the *Balance of Payments and International Investment Position Manual* (BPM7).

Over the past years, remittances have continued to represent an even larger source of external finance for low- and middle-income countries, relative to foreign direct investment, official development assistance, and portfolio investment flows (see figure 1.1a). Going forward, the stock of migrants is likely to increase globally due to income gaps, demographic changes, and climate change. Measuring/capturing remittance data in an accurate and timely manner is critical for policy makers, governments, and international organizations as they develop effective strategies for promoting sustainable development.

The top-five recipient countries for remittances in 2023 are expected to be India, with an estimated total of $125 billion in the year, followed by Mexico ($67 billion), then China ($50 billion), the Philippines ($40 billion), and the Arab Republic of Egypt ($24 billion) (figure 1.2a). Among economies where remittance inflows represent very large shares of gross domestic product (GDP)—highlighting the importance of remittances for funding current account and fiscal shortfalls—Tajikistan (48 percent of GDP), Tonga (41 percent), Samoa (32 percent), Lebanon (28 percent), and Nicaragua (27 percent) stand in the top five (see figure 1.2b).

Figure 1.2 Top Recipients of Remittances among Low- and Middle-Income Countries, 2023



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

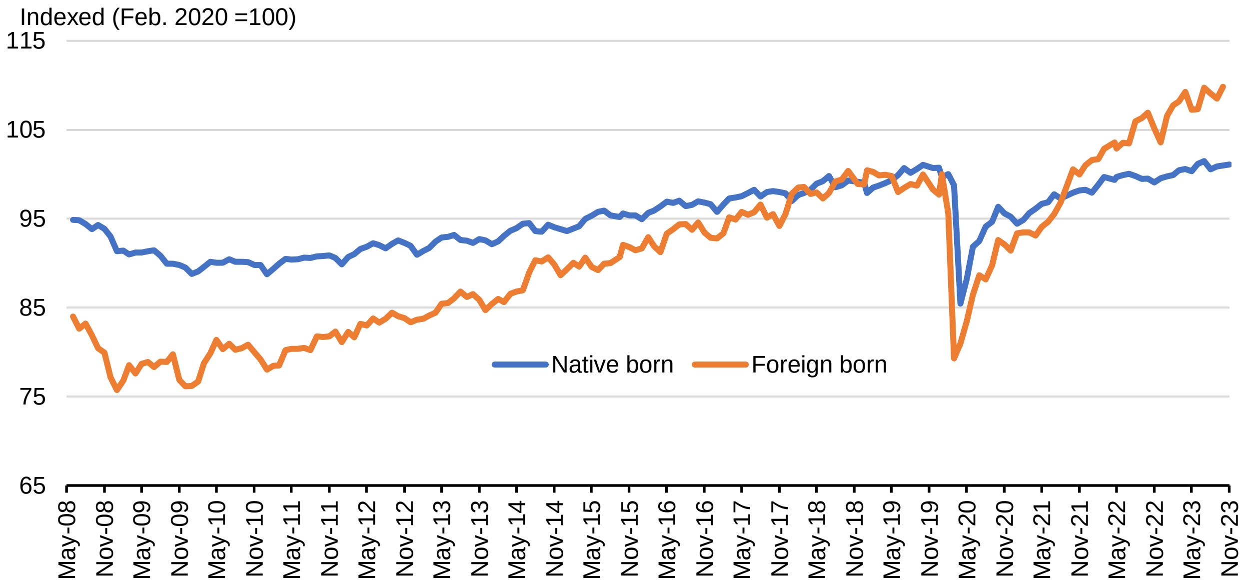
The United States has continued to be the largest source of remittances, followed by Saudi Arabia. As a share of GDP, however, Saudi Arabia has a significantly larger volume of outward remittances than the United States. Top remittance source countries include several countries of the Gulf Cooperation Council (GCC). However, data on outward remittances tend to overstate the size of the flows in countries that are offshore financial centers.

1.2 Moderate Growth of Remittances in 2023

Remittance flows to LMICs are estimated to reach $669 billion in 2023, exceeding the forecast given in *Migration and Development Brief 38* (published in June 2023; World Bank/KNOMAD 2023), helped by a higher-than-expected increase in flows to the South Asia and Latin America regions. The growth in remittances is estimated to have fallen to 3.8 percent in 2023, following a 7.7 percent gain in 2022, as resilient labor markets in advanced economies (especially the United States) and GCC countries continue to support remittance flows to LMICs.

The robust recovery of job markets in the high-income countries of the Organisation for Economic Co-operation and Development (OECD) following the onset of the COVID-19 pandemic has been the key driver of remittances, particularly as employment growth during the recovery was more rapid for immigrants than for the native born (figure 1.3). The relative strength in remittances to the Latin America region compared to other regions can be explained by strong growth in the US labor market, the region's main source of remittances (see figure 1.3 and section on Latin America and the Caribbean in the regional appendix to this brief).

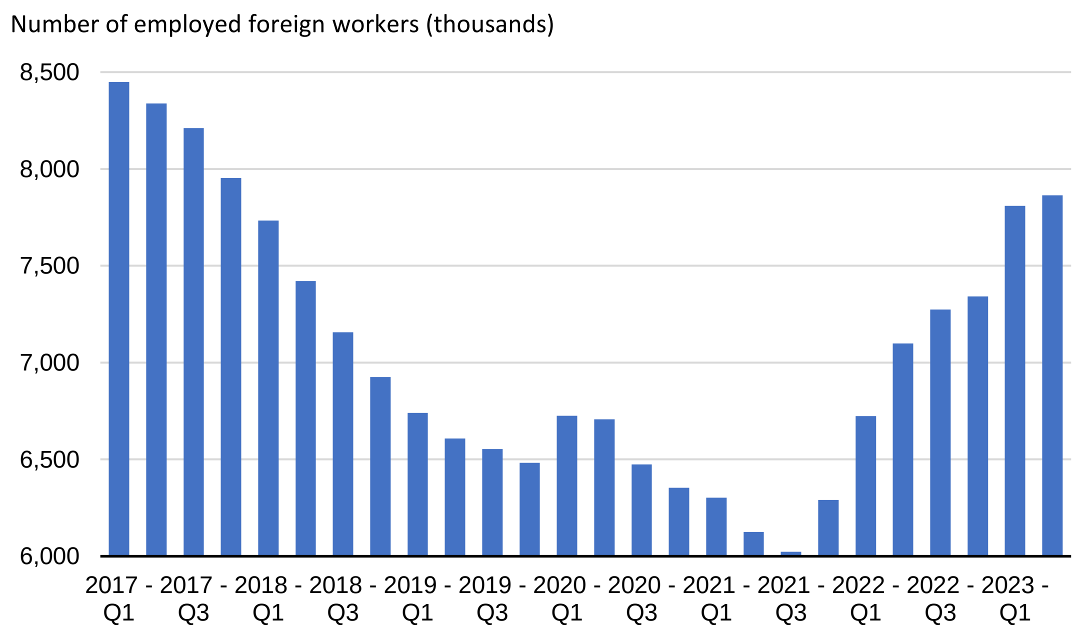
Figure 1.3 Employment Levels of Foreign and Native Born in the United States



Source: US Bureau of Labor Statistics and World Bank–KNOMAD staff calculations.

Despite strong employment of foreign workers in Saudi Arabia (figure 1.4), given a push for giga-projects, outward remittances from there to destination countries were down by 13 percent in the first half of 2023 compared with a year earlier. The decline likely reflects post-COVID adjustments, as well as Saudi Arabia's recent policy allowing foreign migrant workers to bring their families to the country when they work, possibly resulting in fewer remittances back home. This could have negative implications for remittance flows to Pakistan and most North African countries.

Figure 1.4 Number of Foreign Workers in Saudi Arabia Increased in 2023—A Reversal of Trend



Source: General Authority of Statistics, Saudi Arabia.

Building on the modest recovery in 2022, remittances to East Asia excluding China are estimated to grow robustly at 7 percent to $83 billion in 2023. Remittance flows to East Asia were shaped by host economy and domestic conditions in 2023. While still positive, the pace of growth was slower relative to 2022 in most East Asian economies except China, which was rebounding from low growth. Remittance flows to the Philippines – the largest recipient after China in the East Asia and Pacific region – are likely to reach $40 billion in 2023, growing at over 5 percent compared to under 4 percent in 2022. The sustained growth in remittances flows to the Philippines was an outcome of a well-diversified set of host destinations across the world. After growing 15.5 percent and 18.5 percent in 2021 and 2022, respectively, remittance flows to Europe and Central Asia are estimated to decline 1.4 percent to reach about $78 billion in 2023. But flows are still much greater than pre-war levels. The weak performance in the year is due mainly to a slowdown of money transfers from the Russian Federation to neighboring countries and the high base effect. Depreciation of the Russian ruble against the U.S. dollar have decreased the value of money transfers from Russia during 2023. Moreover, capital migration from Russian emigrants is slowing as they seem to be exhausting their Russia-based savings, with some of them electing to return home. After growing by 11.2 percent in 2022, remittance flows to Latin America and the Caribbean are expected to increase by 8 percent to reach $156 billion in 2023. The strong labor market in the United States had a positive impact on remittance flows during 2023. Remittances to Mexico are projected to reach about $67 billion in 2023, representing an increase of 9.7 percent. The growth of remittances varied widely across countries in 2023, ranging from a rise of 45 percent in Nicaragua, 14 percent in Peru, 9 percent in Guatemala, 8 percent in Colombia, to moderate growth of 2 percent in Costa Rica and the Dominican Republic and 0.6 percent in Jamaica.

After a fall of 4.8 percent in 2022, remittance flows to the Middle East and North Africa are estimated to have declined by 5.3 percent (to $61 billion) in 2023, driven mainly by a sharp drop in flows to Egypt. A significant gap between the official exchange rate and the parallel market appears to have resulted in a large share of remittances being unrecorded in the official statistics. (Box 1.2 discusses policies to encourage migrants to send remittances through formal channels). The current weakness is also tied in part to the slowdown in outward remittances from Saudi Arabia and the United Arab Emirates, which is related to some correction from the pandemic-related distortions. Meanwhile, remittance flows to the Maghreb countries experienced a modest gain, offsetting some of the decline in other countries.

Box 1.2 Encouraging Remittance Flows through Formal Channels

In countries with exchange controls that drive a significant difference between official and parallel exchange rates, migrants will tend to send a portion of remittances through informal channels that offer them a more favorable exchange rate (see various examples in the regional appendix to this brief, particularly for South Asia and Sub-Saharan Africa). Informal channels play a large role in remittance transfers within Africa (see annex table 2A.2). Some estimates suggest that the prevalence of informal transfers in Africa is the highest among all developing regions (Page and Plaza 2006; World Bank 2006: Ratha and Shaw 2007). In other countries, informal channels may be preferred to avoid fees on transfers or to hide income for tax purposes. Offering incentives to diaspora members to transmit remittances via official channels can bolster reserves and increase the foreign exchange available to the banking system. Similar incentives provided more widely to businesses may also facilitate cross-border payments for exports, imports, travel (airline receivables), and foreign investments. While unifying the parallel and official exchange rates is the best option to reduce incentives to send remittances informally, that may be difficult to achieve in the short term for countries facing severe balance of payment difficulties.

Various kinds of incentives can be used:

1. Pakistan, Bangladesh, Sri Lanka, and Nigeria have offered a small payment, either a fixed amount or a percentage (for large transactions), to intermediary banks to offset money transfer costs paid by remitters. According to one study, the Pakistan Remittance Initiative was associated with a 13 percent increase in formal remittance flows. Such incentives have little impact, however, in countries with large differences between parallel and official exchange rates.
2. Some countries with balance of payment problems require that recipients of foreign exchange surrender it, or a share of it, to the Central Bank. Reducing such requirements could encourage greater remittances through official channels.
3. Some countries impose restrictions or time-consuming procedures for a foreign resident to open a domestic foreign currency account. Allowing members of the diaspora to take advantage of a more simplified procedure, for example, opening accounts digitally using biometric features included in passports, could encourage greater official remittances. Similarly, restrictions on the ability of residents and nonresident diaspora members to repatriate foreign currency bank deposits could be lifted.
4. Restrictions on the purchase of shares in financial institutions, government bonds, and treasury bills could be lifted for nonresident members of the diaspora.
5. Finally, limits on the amount of foreign assets that citizens or immigrants can bring into the country could be increased, and related customs clearance processes could be simplified.

Remittance flows to South Asia are estimated to have grown 7.2 percent in 2023 to reach $189 billion, tapering off from the over 12 percent increase in 2022. The increase is attributable entirely to remittance flows to India, which are expected to beat previous forecasts by $14 billion and reach $125 billion in 2023. The key drivers of remittance growth in 2023 are a historically tight labor market in the United States, high employment growth in Europe reflecting extensive leveraging of worker retention programs, and a dampening of inflation in high-income countries. The slackening in remittance growth relative to 2022 is attributable to a near collapse in growth in 2023 in Saudi Arabia and Kuwait, and the halving of growth in the remaining GCC countries triggered by the drop in oil prices and production cuts in the OPEC+[1] countries.

Remittance flows to Sub-Saharan Africa are expected to grow by about 2 percent in 2023, to $54 billion. Regional growth in remittances in 2023 was largely driven by strong remittance growth in Rwanda (16.8 percent), Ethiopia (16 percent), and Mozambique (48.5 percent). Nigeria, the largest remittance recipient country in Sub-Saharan Africa, is expected to receive more than $20 billion in official remittances by the end of 2023, a slight increase compared with the previous year. The slowed growth in remittances observed in 2023 relative to 2022 is explained by the slow pace of growth in high-income economies where many Sub-Saharan African migrants earn their income.

A summary of trends drawing on global economic developments, particularly inflation and labor markets, is presented in box 1.3. The regional appendix of this brief offers greater detail on region-specific trends.[2]

Box 1.3 Global Economic Outlook in 2023 and 2024

A softening of economic activity is expected over the short term as global economic conditions remain in a precarious state amid relatively high inflation and lingering monetary policy tightening. Global output growth is expected to fall by 0.5 percentage points to 3.0 percent in 2023, and by 1.1 percentage points to 1.5 percent for advanced economies. Further slowing to 2.9 percent and 1.4 percent is forecasted in 2024 according to the latest *World Economic Outlook* from the International Monetary Fund (IMF 2023). Growth forecasts for 2024 are generally strongest in emerging Asian economies (4.8 percent), and weakest in high-income countries, especially for key remittance source countries—the United States (1.5 percent) and in the euro area (1.2 percent)—which remain below the historical (2000–19) average of 2.1 percent and 1.4 percent, respectively.

The global inflation rate is forecast to decline to 6.9 percent in 2023 and 5.8 percent in 2024, but inflation is not expected to return to the central bank target until 2025 in most cases. Global headline inflation has fallen sharply from its peak of 11.6 percent in the second quarter of 2022 to 5.3 percent in the second quarter of 2023, but core inflation (excluding volatile items such as food and energy) has not decisively lowered in many countries. Near-term inflation expectations have risen and could contribute—along with still tight labor markets—to persisting pressures on core inflation, requiring a continuation of tight monetary policies.

Despite uncertain global economic prospects, the global unemployment rate is estimated to rise only slightly in 2023, to 5.8 percent, and remain at that level in 2024. The labor market in the United States has been especially strong, but the recent decline in the ratio of vacancies to the number of unemployed indicates some easing. Employment and labor participation rates are expected to exceed pre-COVID trends in advanced economies but to remain much below them in developing countries, reflecting more severe economic losses. Countries that had the most limited fiscal space are also those where employment shortfalls are the largest (ILO 2023), which suggests increasing demand for overseas funding through remittances.

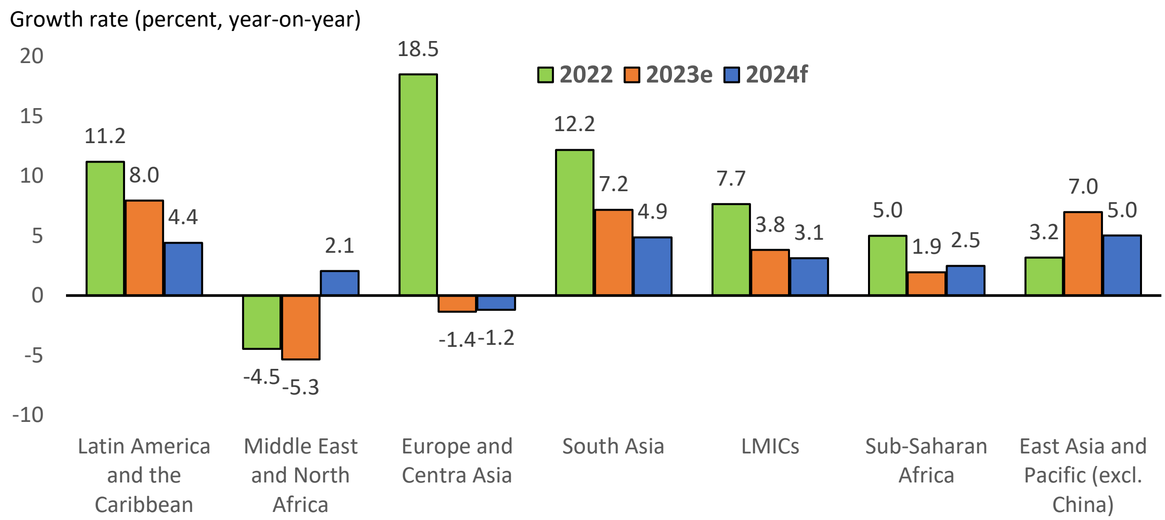
1.3 Remittances Outlook for 2024

Based on the trajectory of economic activities in many major migrant-hosting countries (box 1.1) along with several country-specific factors, the growth of remittance flows to LMICs is expected to slow to 2.4 percent in 2024, reaching $687 billion (figure 1.5 and table 1.1). The most important factors driving the slowing growth in remittances in 2024 are expected to be slow economic growth and weaknesses in labor markets in several high-income migrant-hosting countries, particularly the United States and euro area countries. And downside risks, including a further deterioration in the war in Ukraine and the conflict in the Middle East, volatile oil prices and currency exchange rates, and a deeper-than-expected downturn in major high-income countries, are significant.

Remittance flows to East Asia and Pacific are likely to inch up to $136 billion in 2024. Excluding China, the remittance growth rate is expected to drop from 7 percent in 2023 to 5 percent in 2024 (figure 1.5), leading to remittance levels of $87 billion in 2024. The constellation of global and domestic factors that shaped remittance growth in East Asia in 2023 is projected to continue in 2024 and is likely to be complemented by a few other factors. The downside risk to remittance flows in 2024 is related to dimmer prospects for the demand for less-skilled migrant labor from within East Asia's middle-income countries, especially China.

Remittance flows to Europe and Central Asia are projected to decline by 1.2 percent in 2024 due to a slowdown in outward remittances from Russia to its neighboring countries and lingering weakness in flows to Ukraine and Russia. Money transfers from Russia are expected to continue declining without major shocks or incidents that could prompt capital outflows from the country. The projections for 2024 are subject to downside risk, including a weaker-than-expected economic growth in major remittance-sending economies or sharper-than-expected drop in Russian outward remittances.

Figure 1.5 Remittance Flows by LMIC Region, 2022–24



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

Growth in remittances to Latin American and the Caribbean is projected to slow to 4.4 percent in 2024, with an expected slowdown in GDP growth for the United States. However, the labor market should remain strong, relative to its condition in previous episodes of slowing growth, and unemployment levels are expected to remain stable. Thus, remittances to Latin America are not likely to be severely impacted. Uncertainty related to the Russia-Ukraine and the conflict in the Middle East, inflationary pressures, and a potential slowdown in global growth represent significant downside risks to the forecast for remittance growth.

The prospects for remittances to the Middle East and North Africa will be affected by the difficult situations facing the region's oil-importing countries, such as Egypt, Jordan, Lebanon, Morocco, and Tunisia. Uncertain regional prospects amid the conflict in the Middle East may lead to increases in their fiscal and current account deficits and could impair political stability. Particularly in Egypt and Lebanon, the twin deficits have heightened pressure on currencies and foreign currency reserves. In contrast, the region's oil exporters, such as Iraq and Alegria, will benefit from the rise in hydrocarbon prices. On balance, we forecast a moderate gain of 2.1 percent in remittance flows in 2024.

Remittances' growth in South Asia is once again projected to be the highest among LMICs in 2024, even though it is projected to moderate to about 5 percent in 2024 from 7.2 percent in 2023. The overall projection for remittance flows is likely to be driven by three factors that represent a combination of host-economy and country-specific conditions: a slackening of growth and labor market conditions in South Asian migrants' high-income host economies; uncertainty related to ongoing global conflicts as well as climate change, which may exacerbate the labor market difficulties of South Asian migrants in all host economies; and migrants' preference for informal over formal channels of money transfer to countries embroiled in economic crises.

The pace of remittance flows to Sub-Saharan Africa is expected to rise to 2.5 percent in 2024, from a 1.9 percent increase in 2023. The expected rebound is driven by a 3 percent increase in remittances to Nigeria, the largest recipient in the region. The likelihood of further adverse international developments persisting into 2024 is high, and the deterioration in food affordability and financing conditions across African states indicates the need for financial support.

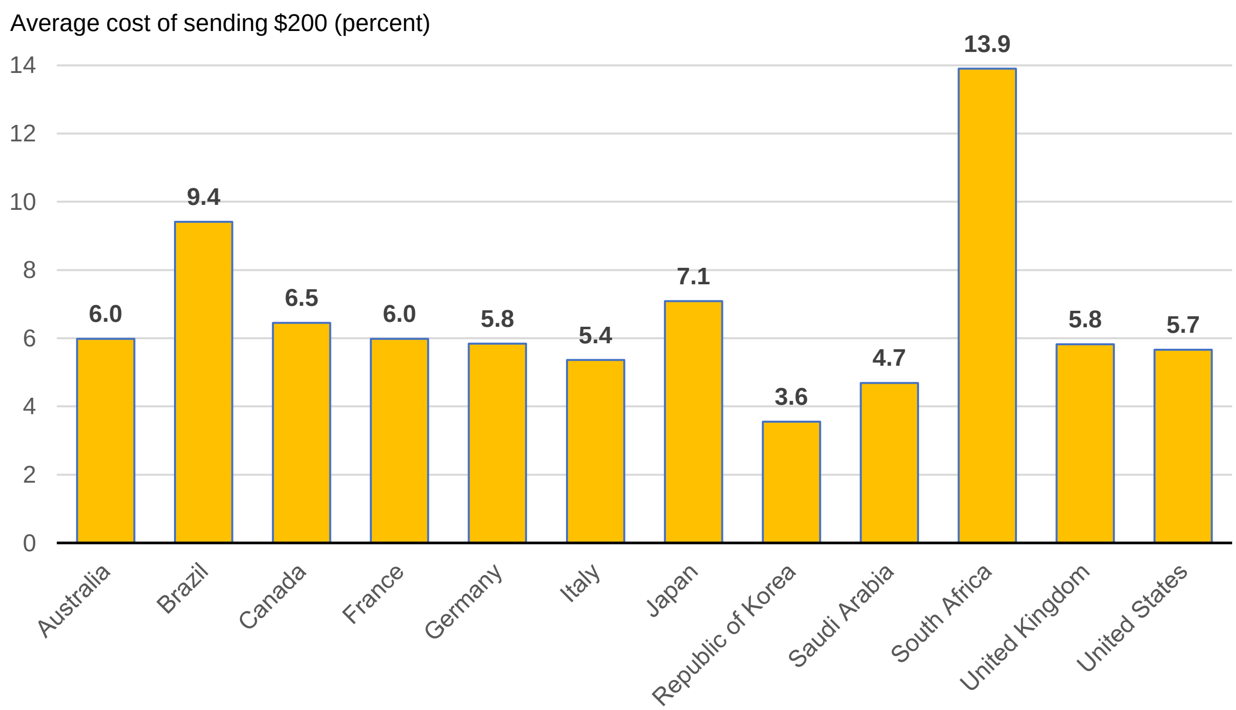
1.4 Remittance Costs

1.4.1 Trends in the Costs of Remittances (SDG Indicator 10.c.1)

Remittance costs remained high in the second quarter of 2023 (2023Q2), at more than twice the Sustainable Development Goal (SDG) target of 3 percent by 2030. According to the World Bank's Remittance Prices Worldwide (RPW) database, the global average cost of sending $200 was 6.2 percent in 2023Q2, up slightly from 6 percent a year earlier. The global average cost for digital remittances, which account for 30 percent of total transactions collected in the RPW database, was 4.6 percent in 2023Q2, while the cost for nondigital remittances was 6.9 percent. This trend reflects that remittance costs tend to be lower when remittances are sent through digital channels or through money transmitters offering cash-to-cash services than through banks (Beck, Janfils, and Kpodar 2022; Ratha and Riedberg 2005).

The cost of sending money from the G20 (Group of Twenty) countries, which represent a significant source of remittances globally, increased slightly to 6.3 percent in 2023Q2 compared with 6.1 percent a year earlier. It is higher than the global average cost and more than the G20 goal of 5 percent. There is substantial variance in the cost of remitting from G20 countries (figure 1.6). South Africa (13.9 percent) is the costliest source, followed by Brazil (9.4 percent). The cost is lowest in the Republic of Korea (at 3.6 percent), and Saudi Arabia (at 4.7 percent) is the only other G20 country that meets the G20 cost target of 5 percent.

Figure 1.6 Average Cost of Sending Remittances from G20 Countries, 2023Q2

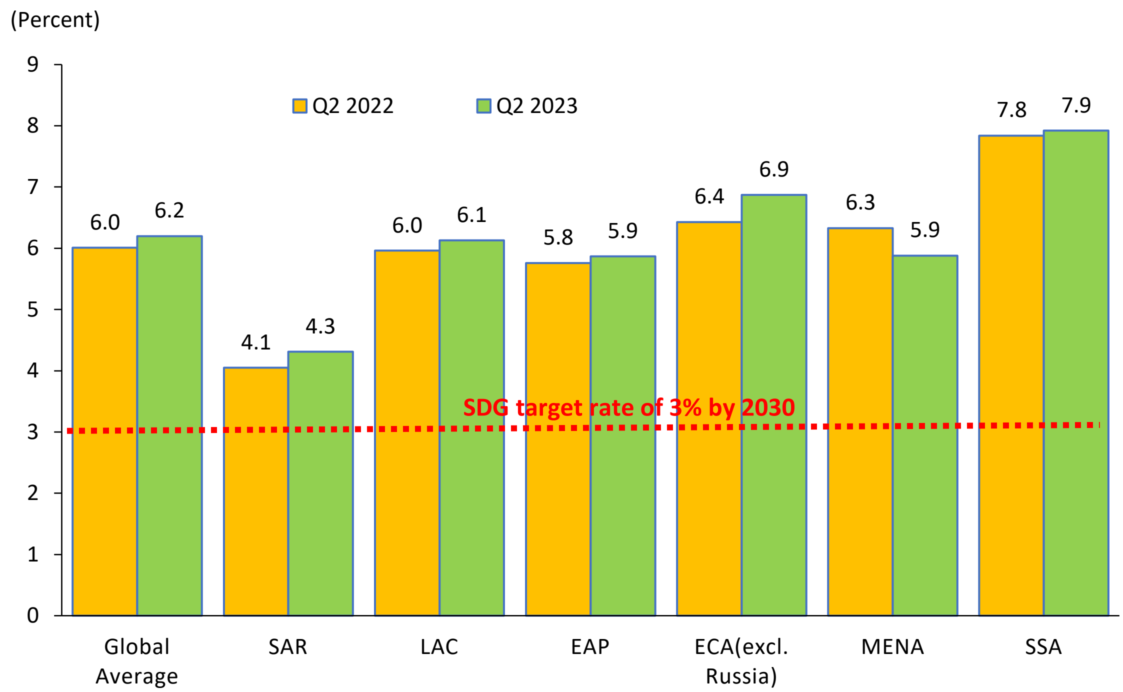


Source: World Bank's Remittance Prices Worldwide database.
Note: Red dotted line represents the G20 target of 5 percent. G20 = Group of Twenty.

Among developing-country regions, the average cost continued to be the lowest in South Asia at 4.3 percent and the highest in Sub-Saharan Africa at 7.8 percent (figure 1.7). The average cost of sending remittances to the Middle East and North Africa fell by half a percentage point. In contrast, all other developing-country regions posted an increase in total average costs, with Europe and Central Asia (excluding Russia) posting the largest increase. Remittance costs across many African corridors remain significantly high; Tanzania is the costliest African source country from which to send remittances to another country in the region.

Banks continue to be the costliest channel for sending remittances, with an average cost of 12 percent during 2023Q2. The average cost for post offices was about 7 percent, money transfer operators 5.3 percent, and mobile operators 4.1 percent. While mobile operations remain the cheapest type of service provider, they account for less than 1 percent of total transaction volume.

Figure 1.7 How Much Does It Cost to Send $200? Regional Remittance Costs, 2022–23



Source: World Bank's 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.

1.4.2 Developments in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and Countering the Financing of Proliferation of Weapons of Mass Destruction

At the fourth plenary of the Financial Action Task Force (FATF), which is the global standard-setting body for anti-money laundering and countering the financing of terrorism, Bulgaria was added to the FATF's List of Jurisdictions under Increased Monitoring, which publicly identifies jurisdictions with strategic deficiencies in their AML/CFT regimes. Albania, the Cayman Islands, Jordan, and Panama were removed from the list following successful on-site visits.

The FATF members (a global network of over 200 jurisdictions) agreed to publish a report on how terrorist groups use crowdfunding techniques to raise money for their attacks (FATF 2023). Members also agreed on revisions to FATF Recommendation 8 to clarify measures related to the protection of nonprofit organizations from misuse by terrorist financiers and other illicit entities.

The FATF also agreed on a significant set of amendments that will provide countries with a much stronger toolbox of measures to deprive criminals of the proceeds of crime. The FATF sets out recommendations to strengthen the tools available to law enforcement, asset recovery agencies, and the criminal justice system to target and recover criminal proceeds and improve mutual legal assistance in pursuing transnational money laundering cases. This also includes analyzing and sharing financial intelligence on terrorist financing networks and using financial sanctions and confiscation to cut off terrorists from their sources of revenue and weaken the infrastructure needed for these groups to accomplish their destructive goals.

2. Trends in Global Migration and Refugee Flows

2.1 Global Migration

According to the OECD (2023), the number of new permanent migrants in OECD countries increased by 26 percent in 2022, to a record high level. There were more than 6 million new permanent immigrants, not including Ukrainian refugees. There also was a substantial rise of temporary labor migration, particularly an increase in students and in migration for seasonal employment.

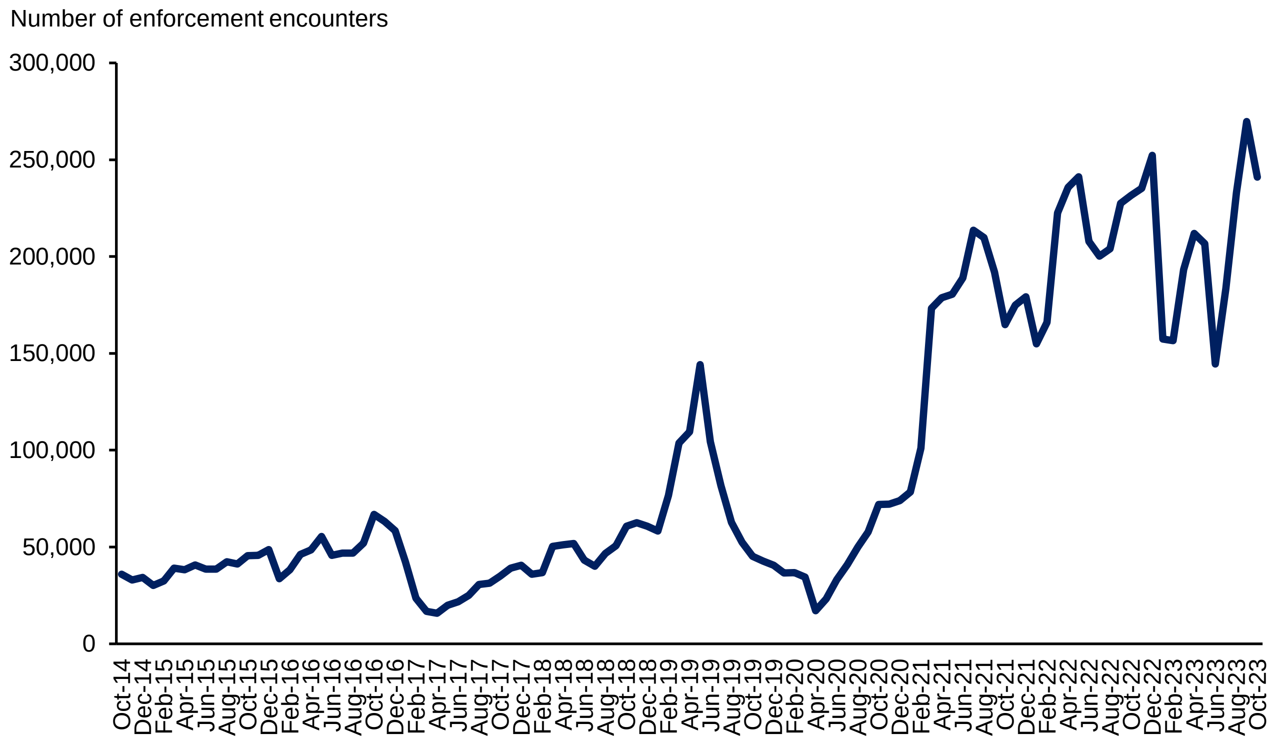
While data are sparse, there are some indications of strong migration inflows in 2023. For example, Canada will grant 526,360 new permanent residencies in 2023, up 20.3 percent from the 437,610 in 2022 (Singer 2023). According to the latest UK estimates, net migration in the first six months of 2023 was 672,000 higher than the level during the pandemic (Gov.UK 2023). The United States is making an additional 64,716 H-2B temporary nonagricultural worker visas available for fiscal year (FY) 2024 (on top of the statutory cap of 66,000 H-2B visa that are available each fiscal year). However, as far as 2023 is concerned, that will affect only the last three months of the year (FY 2024 runs from October 1, 2023, to September 30, 2024).

The rise in migration reflects a recovery of employment in OECD countries. During 2021–22, the Czech Republic, Greece, Hungary, Iceland, Finland, Germany, Italy, and Ireland recorded an increase in the foreign-born employment rate compared with the pre-COVID situation. In the United States, the foreign-born employment rate has responded strongly to the improvement in labor market conditions, and the recovery in the foreign-born employment rate has exceeded that of the native-born rate, as mentioned earlier, figure 1.3.

Asylum applications and the movement of refugees rose in 2022 and early 2023. The OECD countries saw a record level of asylum applications in 2022, twice the 2021 level. By the end of 2022, refugee movements into the European Union rose to 12.4 million refugees, 1.2 million asylum seekers, and 474,000 stateless persons (UNHCR 2022). The EU Agency for Asylum reported that in the first semester of 2023 about 519,000 asylum applications were received compared with 633,184 during the same period in 2016. According to the agency and based on those rates, asylum applications could surpass 1 million by the end of 2023 (Sorgi 2023).

Available data show mixed indications of trends in irregular border crossings. The number of irregular crossings in the Mediterranean of migrants going to Europe rose to 144,349 between January and October 2023; this is 69 percent above the level of the same period of 2022 and five times the level of 2020 (Frontex 2023). In the United States, the number of individuals crossing the southern border averaged 206,000 a month from October 2022 to September 2023, up from 194,245 a month from October 2021 to September 2022, but still well above 2020 levels (figure 1.6). The recent decline is attributed to the establishment of new regulations for the entry of Cubans, Nicaraguans, and Venezuelans. From the end of FY2015 to the end of FY2023, apprehensions and encounters increased from 444,859 persons to 2.4 million persons, an increase of 457 percent in nine years (figure 2.1).

Figure 2.1 US Southwest Border Apprehensions/Inadmissibles, FY15–FY23



Source: US Customs and Border Protection.

Restrictive measures. In response to the increase in migration flows, several countries started imposing pecuniary or restrictive measures. El Salvador charges $1,130 to migrants from Africa and India, while Pakistan charges $800 to each Afghan asylum seeker waiting to depart to a third country. Internal checks at the border in the European Union have been adopted by Italy, Slovenia, the Czech Republic, Poland, the Slovak Republic, Austria, Denmark, Germany, Norway, and Sweden. For skilled labor, Sweden will start a new four-tier process for work permits based on the applicant's profession and educational background instead of the Fast Track scheme that has existed since 2011.

The United Kingdom just announced key measures to cut net migration: (1) not allowing overseas care workers to bring family dependents (last year 120,000 dependents came via this route); (2) increasing the earning threshold for overseas workers by nearly 50 percent, from its current level of £26,200 to £38,700; and (3) increasing the minimum income required for British citizens and those settled in the United Kingdom who want their family members to join them. In addition, the United Kingdom just signed a treaty with Rwanda that allows the United Kingdom to send people to the country who would otherwise claim asylum in the United Kingdom. Rwanda will either grant them asylum or permanent residence. Under the treaty, relocated people cannot be removed from Rwanda unless they are being sent back to the United Kingdom (Gower, Butchard, McKinney, UK House of Commons Library 2023).[3]

In a recent brief, the United Kingdom reported that Pakistan ordered all illegal immigrants to leave the country by November 1, 2023, or face deportation. Pakistan has been detaining large numbers of undocumented Afghans and then transporting them directly to the border. Iran also announced deportations of Afghans by the end of the year.

2.2 Impacts of Transit Migration on Transit Countries

Transit migration—the temporary stay of migrants in a country that is not their final destination—constitutes a fundamental part of the migration cycle. However, the impacts of transit migration and the specific policies and responses toward it in transit countries generally receive less attention compared with the analysis of migration from countries of origin and to countries of destination. Besides mere mentions of it, transit migration is rarely included in migration-related debates and policy discussions. Where included, it is often approached from a security perspective and with the aim of blocking migrants before they reach their final destination country, rather than with an economic or development focus.

From the perspective of the transit countries, transit migrants could put additional pressure on municipalities and generate some tensions with communities, but they may also generate positive spillover effects on the local economy by creating jobs and income opportunities. As transit migrants are not expected to stay, their social and economic integration is rarely a priority for local governments in transit municipalities. Policy options are therefore limited, and these migrants' transitory presence rarely draws the empathy of local citizens. While many transit migrants do move on to other communities and countries, for local governments the continuous arrival of such migrants offers a perpetual challenge.

In this context, the latest study of transit migration provides an overview of the political, economic, and social impacts on transit countries, as well as pressures faced by these municipalities and communities, and provides recommendations and a research agenda for the way forward (KNOMAD 2023). The study is based on field surveys and secondary sources in four selected communities in Djibouti, Guatemala, Tunisia, and Türkiye. It considers the local economic dynamics induced by transit migration, and aspects of peaceful coexistence and social cohesion between migrants and transit communities.

Transit migration's impacts on local economies vary depending on migration dynamics. In localities where their stay is brief, migrants put money into the local economy by paying for goods and services. In places where their presence is protracted, they fill labor shortages. However, these positive impacts on local economies typically do not translate into direct additional revenues for local governments, since transit migrants' contributions mostly remain in informal economies. Moreover, limited evidence was found regarding whether migrants in transit represent an additional burden on public services.

The study suggests that, in most localities, there is no evidence that transit migration has any clear negative impact on security. However, local residents may have a vague sense of insecurity connected to the unknown background of the migrants in transit. A perceived threat to local security was often linked not to transit migration per se, but rather the role that transnational smuggling networks play in it.

In terms of social impacts, local residents have a more positive perception of migrants who are only in transit compared with those who decide to settle in their city or are perceived as potentially doing so in the future. In several localities, an attitude of generosity and solidarity toward migrants in transit was linked to the local population’s own experience of and connections with emigration or forced displacement. However, instances of discrimination and rejection were also noted, usually in connection to migrants who are perceived as being culturally distant from the local population or are accused of not respecting local customs.

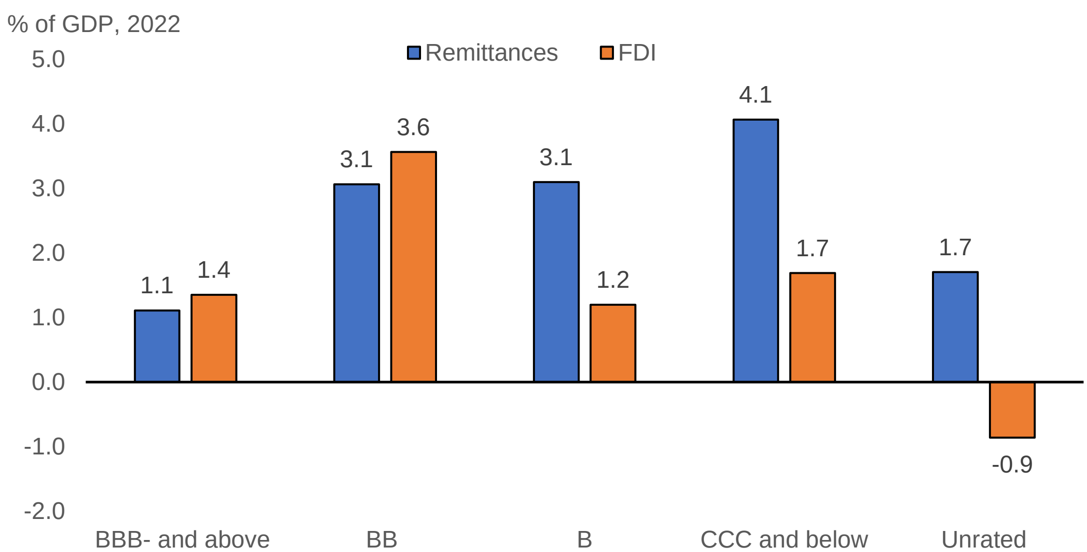
Despite being at the forefront of the global response to migration, according to the study, local authorities in transit communities often have very limited human and financial resources, and usually no legal mandate for a migration-specific response. Local development planning rarely accounts for the role of transit migration, and a proactive response to the phenomenon thus depends on the individual goodwill of public officials or advocacy by international organizations. Meanwhile, national authorities rarely get involved in the response to transit migration, except to enforce border control and immigration laws, particularly in localities near borders. The study highlights a strong disconnect between national and local authorities regarding how to respond to transit migration, and also local authorities’ lack of involvement in setting migration policy at the national level.

3. Special Focus: Leveraging Diaspora Finances to Mobilize Private Capital

Despite calls to increase private finance to address climate change, food insecurity, fragility, and other global challenges, private capital flows to LMICs have steadily decreased over the past decade (MIGA 2023). Remittances are one of the few sources of private external finance that are expected to continue to grow in the coming decade. As debt indicators have worsened in the LMICs, and sovereign risks increased, countries may benefit from efforts to attract diaspora investors who may view investment opportunities in their countries of origin through a more favorable lens than do institutional investors from the Global North.

Developing countries lacking access to international capital markets tend to depend on remittances as a major source of external financing. Unsurprisingly, in 2022, countries rated B or below received significantly larger amounts of remittances than foreign direct investment (figure 3.1). The degree of dependence on remittances was even greater in countries rated CCC or below, and especially so in unrated countries.

Figure 3.1 Reliance on Remittances Tends to be Greater in Sub-Investment-Grade Countries



Source: Staff estimates based on World Development Indicators and S&P. There were 12 countries in BBB- and above, 17 countries in BB, 27 in B, 13 in CCC and below, and 40 unrated countries.
Note: FDI = foreign direct investment; GDP = gross domestic product.

Below we discuss potential ways of directly mobilizing diaspora finances for development via nonresident deposits and diaspora bonds, or indirectly leveraging remittances for private capital mobilization via improving sovereign ratings and future-flow securitization of remittances.

3.1 Nonresident Deposits

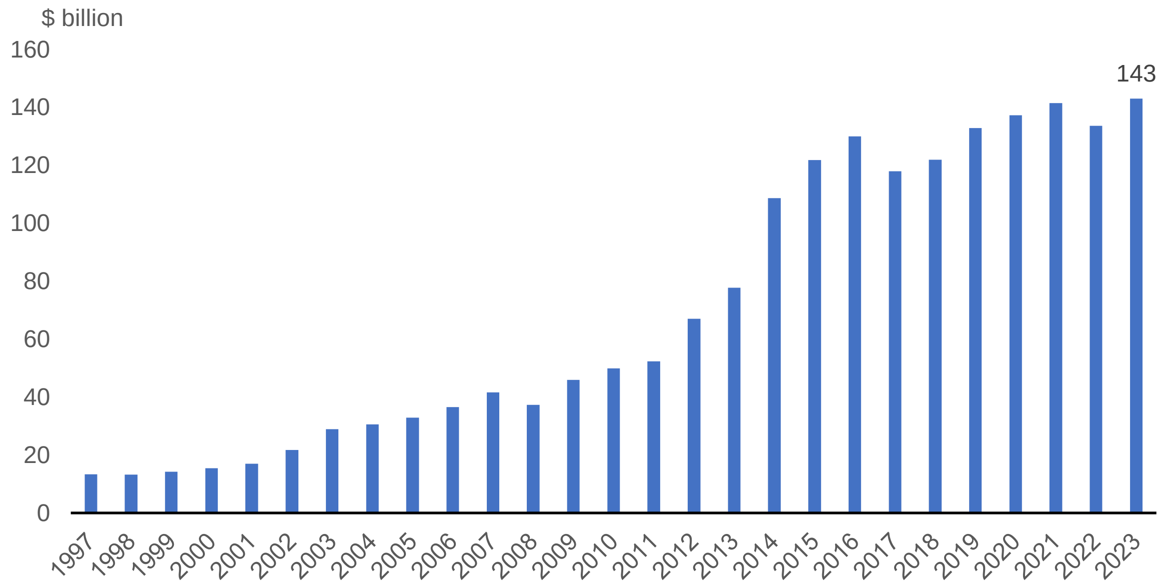
Many countries, notably India, have implemented savings programs to attract foreign currency deposits from their nonresident citizens. Such deposits are usually repatriable, yield higher interest rates than comparable international interest rates (e.g., US treasuries or term deposits in a US bank), and are tax exempt. Data on nonresident deposit schemes are not readily available, but such schemes are widespread among countries across developing-country regions (table 3.1). As of September 2023, nonresident Indian deposits in India amounted to $143 billion, registering an increase of over $10 billion in one year (figure 3.2).

Table 3.1 Nonresident Deposits around the Developing World

Country	Nonresident Deposit, Stock ($ million)
India	143,070
Sri Lanka	7,783
Mexico	6,766
Pakistan	3,715
Bangladesh	1,346
Gabon	534
Honduras	507
Cameroon	454
Costa Rica	300
Dominican Republic	158
Congo, Rep.	131
Equatorial Guinea	82
Chad	53
Nicaragua	40
Central African Republic	27

Source: Central banks of the respective countries. Data are from the latest monthly or annual data.
Note: Data for Bangladesh refer to nonresident bonds.

Figure 3.2 A Surge in Nonresident Deposits in India, 1997–2023



Source: Reserve Bank of India. Data are for the month of September of each year.

Nonresident deposit schemes are easy to implement as there is no requirement to register such programs in foreign jurisdictions. Because of that, however, such schemes cannot be actively marketed overseas. Anecdotally, countries rely on international commercial banks to mobilize nonresident deposits, but the commission paid to the banks can be exorbitant. Also, such deposits are short-term liabilities. Unlike remittances, they can be volatile and highly sensitive to international interest rate movements. As such, nonresident deposits are not appropriate tools for financing long-term development projects.

3.2 Diaspora Bonds

The primary objective of a diaspora bond is to raise foreign currency financing at a lower cost than borrowing from institutional investors, as diaspora members may be willing to accept a somewhat lower return than institutional investors would, for several reasons: the implications of devaluation or government decisions to convert its bond liabilities to local currency are less for the diaspora than for foreigners,[4] since diaspora members are likely to have uses for local currency (e.g., sending money home, investing on their return); diaspora members may be treated by the government more favorably than foreigners, in terms of access to land and other assets, in case of default;[5] and migrants with low incomes (in host country terms) may lack access to high-yielding financial instruments, so that even a relatively low-interest-rate diaspora bond may be more attractive than alternative investments, such as bank deposits. Issuance of diaspora bonds also can help to diversify funding sources and strengthen links with the diaspora that can be harnessed for trade, foreign direct investment, and skill and technology transfer.

The distribution of retail diaspora bonds can be more costly than a bond sold to institutional investors. However, the cost of retailing has decreased significantly during the past decade, and the widespread use of mobile phones can facilitate transactions.

Globally, there are many successful cases of diaspora bond issuances, notably those of Israel (since 1951, raised over $50 billion); India (raised around $11 billion in 1991, 2000, and 2003); and Nigeria (raised $300 million in 2017).[6] The Philippines has raised bond financing from its overseas foreign workers, and Pakistan has a diaspora savings certificate now under issuance. However, the amount raised by developing countries via diaspora bonds so far has been minuscule compared to the volume of remittance inflows. There remains enormous potential to tap diaspora savings.

Diaspora bonds have not always been successful. Ethiopia, Nepal, and Kenya issued diaspora bonds, but they did not succeed in raising the amount of funds expected. In Ethiopia, a large portion of the diaspora belonged to a political party that opposed the government. In Nepal, the interest rate was too low and the bond was in local currency terms and thus subject to currency risk. In both cases, they could not market the bond overseas because the bonds were not registered with the respective securities and exchange commissions. In Kenya, the bond was denominated in Kenyan shillings; was not registered in the United Kingdom or United States, where many Kenyan residents reside, and thus could not be marketed in those countries; and was not structured to fit the diaspora members' financial profile (it was linked to an ongoing infrastructure bond).[7]

Diaspora bonds are retail bonds sold in small denominations to a large number of people who may not be savvy investors. The cost of distribution of the bonds may be higher than plain sovereign bonds sold to institutional investors, although the possibility of distributing bonds via mobile phones and digital platforms can lower such costs significantly. It is likely that many diaspora investors would hold the bond until maturity and liquidity for secondary trading may be thin, implying a need for a facility enabling selective redemption of the bonds.

Chances for the success of an issuance can be improved by consulting with the diaspora ahead of time. Such consultations can provide valuable information on the potential market, the most suitable denominations, and the appropriate financial structure and interest rate. Consultations also can help dispel any distrust about the use of bond proceeds, which can be a barrier to diaspora participation.

Multilateral guarantees, for example, against breach of contract, can also be used to support bond issuance. If needed for risk mitigation purposes or to meet eligibility criteria for guarantee support, a special purpose entity may be set up offshore for issuing the bond and remitting the proceeds to the government.

3.3 Leveraging Remittances to Improve Country Creditworthiness

Because of their volume and countercyclical nature, remittances improve a country's ability to repay external debt, in other words, the country's creditworthiness. Like exports, remittances represent sizable foreign exchange earnings in many countries. Moreover, remittances tend to be stable and even countercyclical during economic downturns in the recipient country. And remittances, although private transfers, can contribute to public finances. The receipt of remittances by households: (1) increases their consumption of goods, thus increasing revenues from consumption- and trade-based taxation; (2) increases their demand for banking sector liabilities, thus increasing seigniorage revenues to the government; and (3) increases private savings which, if channeled through the domestic banking system, may be devoted to financing government debt (Abdih et al. 2009). Chuku et al. (2023) argues that the increase in remittances to low-income countries over the past few decades (from 32 percent of private financial flows in 1996 to 44 percent in 2020) contributed to higher reserves and helped to stabilize currency fluctuations, thus mitigating rising debt vulnerabilities.

In low-income countries, the contribution of remittances to debt sustainability has been explicitly recognized. A revision to the International Monetary Fund (IMF)/World Bank debt sustainability analysis (DSA) framework in 2017 placed greater emphasis on the importance of remittance receipts for debt sustainability. The indicator of debt-carrying capacity was modified to include remittances (among other factors) to better reflect the repayment capacity of countries receiving large remittances, and the likelihood of debt distress found to be negatively associated with remittance receipts (IMF 2017). This change had a significant impact on the evaluation of debt sustainability in some countries with large remittance inflows. For example, the 2015 DSA for Comoros (where remittances exceeded 25 percent of GDP) found that the full inclusion of remittances was the main reason for reducing the risk of debt distress from high (in the 2013 DSA) to moderate (IMF 2017). Similarly, the 2022 DSA rated Haiti's debt-carrying capacity as "medium," but stated that the classification would be "weak" if remittances were not so high relative to GDP (IMF and World Bank 2022).

In middle-income countries (as well as low-income countries) that have been rated by major credit rating agencies, the role of remittances in enhancing creditworthiness is being increasingly noticed. In many countries where remittances exceed exports of goods and services (or the number one export category), the ratio of debt to exports of goods and services, a key indebtedness indicator, would decrease significantly if remittances were included in the denominator (Ratha and Mohapatra 2007). This impact is found to be econometrically significant in the case of Standard & Poor's (S&P) ratings (table 3.2). In general, accounting for remittances in the ratio of debt to exports would improve sovereign rating by one notch. For a country rated B or below, that can reduce borrowing costs by 100 basis points or more.[8] Note that an improvement in sovereign rating is likely to translate into an improvement in the rating of private sector borrowers.

Countries considering external borrowing should pay attention to the role of remittances, in particular by improving the timely availability of data on remittances for use by the rating agencies and international investors. Encouraging the flow of remittances through formal channels will also improve the recording of remittances.

Table 3.2 Impact of Remittances on Sovereign Rating

	(1)	(2)
Log of per capita GNP	-1.137^{**}	-1.122^{**}
	(0.463)	(0.438)
Log of population	-0.380^{**}	-0.360^{**}
	(0.177)	(0.171)
GDP growth	-0.0553^{**}	-0.0449^{**}
	(0.021)	(0.021)
Debt/Exports + Remittances)	0.831^{***}	
	(0.270)	
Debt/Exports		0.736^{***}
		(0.210)
Reserves/Imports	-1.789^{*}	-1.728^{*}

	(0.979)	(0.947)
Inflation	0.143***	0.143***
	(0.045)	(0.044)
Rule of law	-3.075***	-2.961***
	(0.596)	(0.570)
Constant	26.65***	26.05***
	(5.879)	(5.564)
Adjusted R-Squared	0.727	0.734
Number of observations	56	56

Note: Following Ratha, De, and Mohapatra (2007), sovereign ratings are converted to numeric ratings (e.g., AAA is 1, AA+ is 2, and B=15); a higher number indicates a lower rating. Dependent variable is the S&P sovereign rating. GDP.GR = gross domestic product growth rate; GNIPC = gross national income per capita; S&P = Standard & Poor's. The dependent variable is sovereign rating by Standard & Poor's as of August 31, 2023. More than 50 low- and middle-income counties were unrated in 2023.
*** p<.01, ** p<.05, * p<.1. Robust standard errors are in parentheses.

3.4 Leveraging Remittances to Access International Debt Markets

There are instances where the use of collateral can secure external borrowing. This is especially true at times of economic downturn when access to international debt is reduced or when international interest rates are high (as now). In many developing countries, available collateral (which is likely to be denominated in local currency terms) may not be viewed favorably by international creditors. Under such circumstances, many commercial banks in developing countries (e.g., Brazil, Egypt, El Salvador, Guatemala, Kazakhstan, Mexico, and Türkiye) have leveraged their access to *future* remittances to issue international bonds (Ketkar and Ratha 2005). In recent years, such future-flow securitization has evolved to include diversified payment rights for foreign investments and cross-border payments in addition to remittances.[9]

A remittance transaction provides the bank with a foreign currency asset while creating an immediate local currency liability. At times of a currency crisis, such access can greatly mitigate the currency convertibility risk, a key component of the sovereign risk. The foreign currency asset is used as security for bond issuance, although the securitization structure does not absolve the bank of its local currency liabilities to the remittance beneficiaries. Use of an offshore special purpose entity and overcollateralization (which limits the size of the bond issuance to a fraction of the remittance receipt) can mitigate credit, expropriation, and transfer risks.

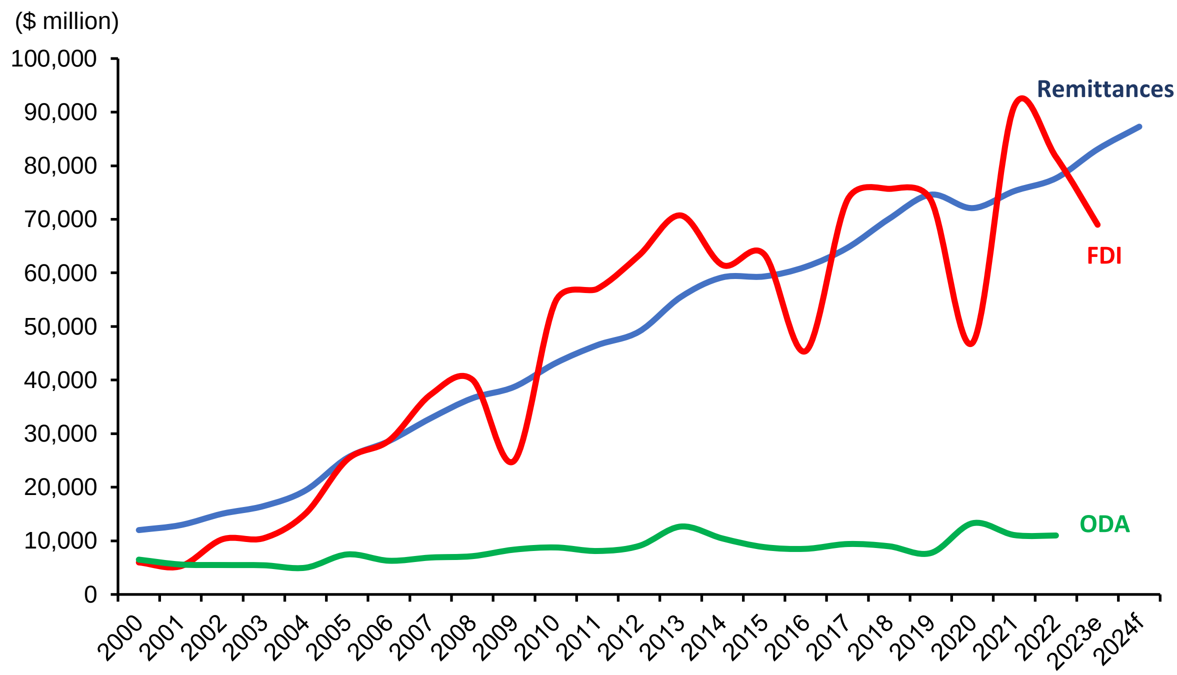
A future flow securitization structure allows securities to be rated better than the sovereign credit rating. Such securities are typically rated investment grade, which makes them attractive to a wider range of investors, and thereby lowers the interest cost and lengthens the maturity. This in turn may allow a bank to undertake projects that may have low economic returns but high social impact. Moreover, by establishing a credit history for the borrower, these deals enhance the ability and reduce the costs of accessing capital markets in the future.

Appendix A. Regional Trends in Migration and Remittance Flows

A.1 East Asia and Pacific

Remittance trends. Building on the modest recovery in 2022, remittances to East Asia excluding China (for which recent official data are not available) are estimated to grow robustly at 7 percent to $83 billion in 2023 (figure A.1). Once again, remittance flows to East Asia excluding China are poised to claim headline news in 2023 as they surpass foreign direct investment (FDI) flows to become the single-largest private resource flow to the region after the pandemic. Since 2000, remittance flows to East Asia have generally charted a positive and steady trend in sharp contrast to FDI flows that have registered large swings. FDI to the region last peaked in 2021. Shaped by the combination of domestic and external market conditions, FDI has since continued to decline, firmly establishing the primacy of remittances as the key resource flow in recent years.

Figure A.1 Resource Flows to the East Asia and Pacific Region Excluding China, 2000–2024

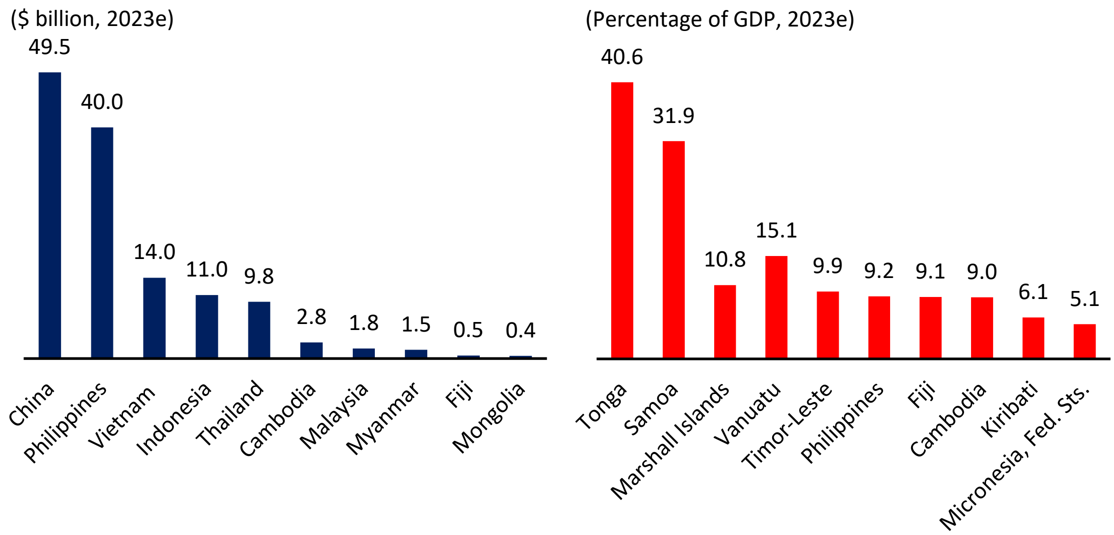


Source: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: e = estimate; f = forecast; FDI = foreign direct investment; ODA = official development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

As in 2022, the Philippines is once again projected to feature among the top-10 recipients of remittances globally in 2023 (figure 1.2a in main text). Within East Asia, Vietnam and Indonesia are projected to claim third and fourth place (figure A.2).

Remittances are likely to remain a critical source of private finance for East Asia's small and large countries in 2023. At 41 percent of GDP, the predominance of remittances in Tonga's economy is estimated to place it in second place among countries that are most dependent on remittances globally (figure 1.2b in main text). With a share of remittances equaling 32 percent of GDP, Samoa is likely to rank third in 2023 (figure A.2). Remittances are also quite large across some of East Asia's larger economies in 2023. In addition to the four smaller Pacific Island economies (Marshall Islands, Vanuatu, Timor-Leste, and Fiji), remittances amounted to 9–10 percent of GDP in the Philippines and Cambodia, indicating the growing dependence of the East Asian economies on labor markets in the high-income countries of North America, Europe, East Asia, and Australia as well as the Gulf Cooperation Council (GCC).

Figure A.2 Top 10 Remittance Recipients in East Asia and Pacific, 2023

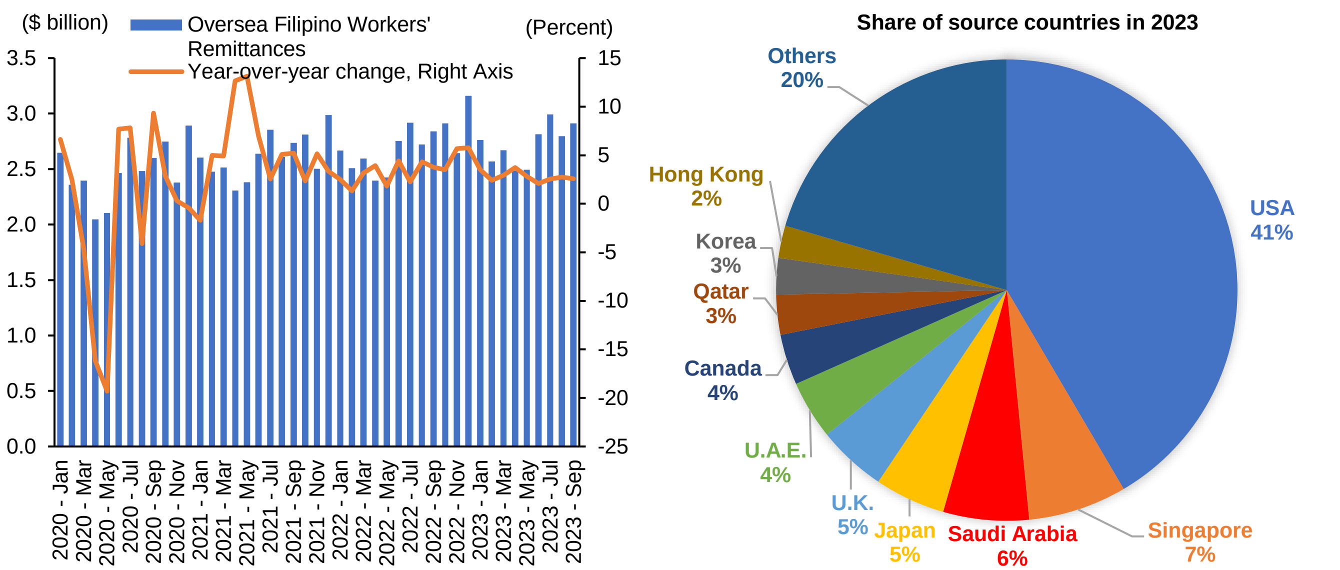


Source: World Bank–KNOMAD staff estimates and International Monetary Fund's *World Economic Outlook*.
Note: e = estimate; GDP = gross domestic product.

Remittance flows to East Asia were shaped by host economy and domestic conditions in 2023. While still positive, the pace of growth was slower relative to 2022 in most East Asian economies except China, which was rebounding from low growth. In addition to slowing global growth and tight financial markets, East Asia's growth was also affected by protectionist measures that curtailed the demand for its manufactured exports. Almost 3,000 new restrictions were imposed on global trade in 2022, almost 300 percent more than in 2019 (World Bank 2023b).). As factories producing manufactured exports in East Asian lost business, their demand for East Asian migrant workers also slowed, leading to a decline in remittances within East Asia. However, low demand for East Asian manufactured goods was offset by high demand for East Asia's migrants that continued to benefit from record low unemployment rates projected at 4.4 percent in key high-income countries—the United States, Australia, and select countries in the euro area and East Asia (IMF 2023, table B). In addition to an unemployment rate of 3.6 percent in the United States, East Asia's skilled migrants also enjoyed wage hikes that facilitated greater remittances despite high but declining inflation. Remittance flows to East Asia were also fueled by tight labor market conditions in high-income economies of the East Asia and Pacific region, such as Australia, Singapore, and Hong Kong, China, which are key destinations for East Asian migrants. Policy measures to limit the rise of food prices increased remittance flows from the countries of the GCC, which remain prime destinations for East Asia's less-skilled migrants.

Remittance flows to the Philippines—the largest recipient after China in the East Asia and Pacific region—are likely to reach $40 billion in 2023, growing at over 5 percent compared with under 4 percent in 2022. The sustained growth of remittance flows to the Philippines was an outcome of a well-diversified set of host destinations across the world (figure A.3). Remittance flows from key East Asian destinations—Hong Kong, China; Korea; and Singapore—and the Middle East were particularly strong (Maybank Securities 2023). The impact of the Filipino government's proactive stance in negotiating specific deals with foreign governments such as Saudi Arabia to protect its workers also contributed to facilitating emigration to that country.

Figure A.3 Remittance Flows to the Philippines Remained Steady in 2023



Source: Haver, World Bank–KNOMAD staff

Growth in remittance flows to Vietnam is likely to increase from under 4 percent in 2022 to 6 percent in 2023 and reach $14 billion. A similar trend is projected for Indonesia, where growth in remittances is estimated to rise from under 6 percent in 2022 to over 10 percent and reach $11 billion in 2023.

In Cambodia, remittance growth is likely to double to 7 percent in 2023 to reach almost $3 billion. In Myanmar, growth is projected to reverse from a two-year negative trend and grow at 19 percent to $1.5 billion in 2023. Growth in remittances is likely to register 10 percent in Mongolia ($440 million) and 13 percent in Lao PDR ($225 million) in 2023.

In the middle-income countries of Thailand and Malaysia, which are both origin countries for relatively skilled migrants departing to high-income countries of the Organization for Economic Co-operation and Development (OECD) and destination countries for less-skilled migrants from within East and South Asia, remittances are likely to grow at 8–10 percent in 2023. They are estimated to register a level of $9.8 billion in Thailand and $1.7 billion in Malaysia in 2023.

In recent years, offsetting factors have shaped migration and remittance flows to the Pacific Island countries of East Asia. While mounting climate disasters have continued to drive emigration, the revival of tourism has provided potential emigrants the opportunity to work in their origin country instead of migrating overseas. In

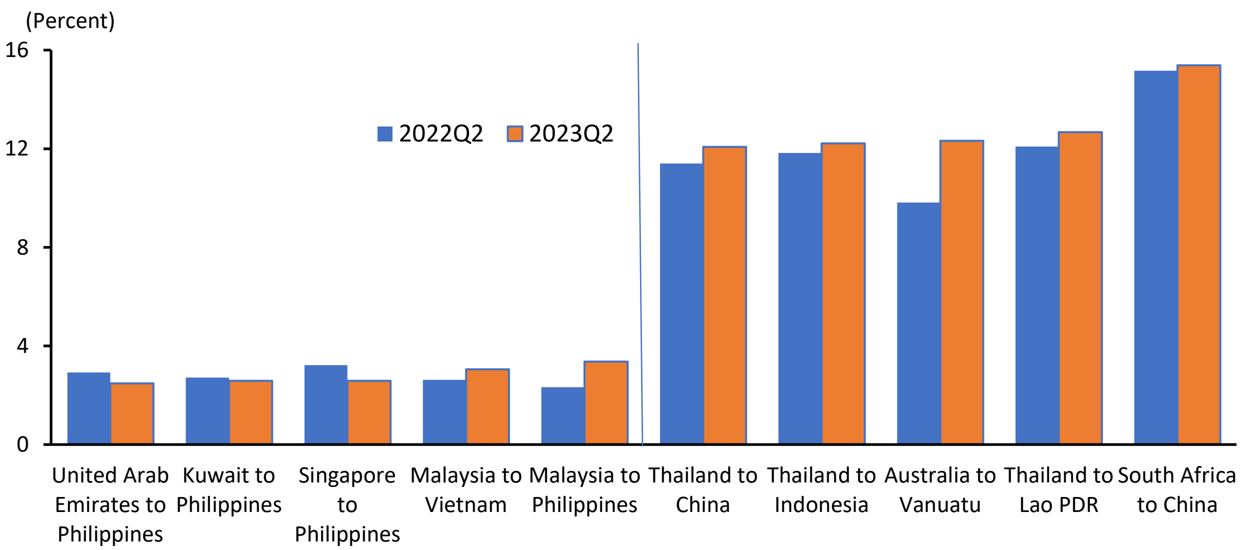
2023, remittances are estimated to grow at 9 percent to $500 million in Fiji; at 7 percent to $300 million in Samoa; at 7 percent to $200 million in Timor-Leste; and at 5 percent to $85 million in the Soloman Islands. In Tonga, remittances are likely to grow at 2 percent to $222 million in 2023. Remittances are expected to remain flat at their 2022 levels in the Federated States of Micronesia ($23 million) and Papua New Guinea ($3 million). Finally, remittances to Kiribati are likely to increase at 12 percent to $15 million, and to the Marshall Islands to recover to their pre-pandemic level of about $30 million.

Remittance costs. The average cost of sending $200 to East Asia in the leading least cost corridors was generally under 3 percent in 2023Q2 (figure A.4), thus achieving the Sustainable Development Goal (SDG) target. The fees for sending money to the Philippines were the lowest among the least expensive destinations. Among the most expensive corridors, the cost of money transfers increased for most destinations and was in the range of 12–16 percent in 2023Q2. The costs of sending money from Thailand to several countries within East Asia were among the highest and increased between 2023Q2 and 2022Q2. Remitting money from South Africa to China was the most expensive, at 15.4 percent in 2023Q2.

Figure A.4 Cost of Sending Money in East Asia and Pacific Region Rose Slightly in 2023Q2

a. Five Least Expensive Corridors

b. Five Most Expensive Corridors



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

Remittance outlook. The constellation of global and domestic factors that shaped remittances' growth in East Asia in 2023 is projected to continue in 2024 and is likely to be complemented by a few other factors. As a result, remittances to East Asia and the Pacific Islands are likely to increase by 2.4 percent to reach $136 billion in 2024. Excluding China, remittances are expected to rise by 5 percent to over $87 billion in 2024.

Inflation is projected to slide further, and the prevailing tight labor market conditions are likely to persist in most high-income host economies of East Asian migrants. A marginal rise in unemployment in the United States in 2024 is expected to be offset by even lower inflation, thus preserving migrants' ability to continue to send remittances to East Asia. The prevailing labor market conditions in the GCC countries are also likely to be maintained as governments resort to stimulus measures to counter lower oil prices and production cuts.

The downside risk to remittance flows in 2024 is related to dimmer prospects for the demand for less-skilled migrant labor from within East Asia's middle-income countries, especially China. Goods exports already fell in 2023 by more than 20 percent in Indonesia and Malaysia, and by more than 10 percent in China and Vietnam from their levels in the second quarter of 2022. As the effects of protectionist measures accelerates, demand for East Asian manufactured exports will slide. Global goods' trade growth is already projected to have decreased by about 4 percentage points in 2022–23 (East Asia Economic Outlook 2023). Growth in China will also be affected by elevated domestic debt and challenges in the real estate sector. These factors are likely to curtail the demand for foreign workers from East Asia's lower-income countries, directly eroding their remittance flows.

Demand for workers in nonmanufacturing sectors within East Asia is likely to vary across sectors in 2024, with direct implications for remittances from less skilled workers. The ongoing revival of tourism that contributed to services exports in the Philippines, Thailand, and many Pacific Island countries is projected to plateau, as the number of tourist arrivals approach pre-pandemic levels in most countries. Output in the relatively labor-intensive transportation, accommodation, and catering sectors in the Philippines and Thailand, and construction and real estate in Malaysia, Philippines, and Thailand, is still well below pre-pandemic levels. A pick-up in economic activity in these labor- intensive sectors is likely to create job opportunities for migrants from the poorer East Asian countries and increase remittance flows to the region. In contrast, in all East Asian countries, the demand for workers in the modern services sectors—business services, information and communication technology and finance, and digitally based services, is escalating. Between 2010 and 2021, the share of employment in services increased from 35 percent to 47 percent in China, and from 42 percent to 49 percent in the rest of the East Asia and Pacific countries. Between 2010 and 2019, in all East Asian countries except Vietnam, growth of service exports exceeded growth of manufactured exports, and growth of FDI in services exceeded the growth of FDI in manufacturing by a factor of 5 (East Asia Economic Outlook 2023). These prevailing trends do not bode well for the 2024 outlook of remittances sourced within East Asia, as the production of many services exports requires tertiary-level skills. As an example, in Vietnam, 40 percent of the workers in these services sectors in 2019 had a tertiary education degree, compared with 10 percent in manufacturing and 1 percent in agriculture.

Remittance flows to the Philippines, which accounts for about 48 percent of the total remittances to East Asia and the Pacific Islands, excluding China, are projected to grow by about 5 percent to reach $42 billion in 2024. Remittances to Vietnam are likely to grow by over 4 percent to $14.6 billion, and remittances to Indonesia are projected to rise by 9 percent to $12 billion. Remittance growth in these countries will be fostered largely by labor market conditions in high-income countries such as the United States as well as destinations in Europe, high-income East Asia, and the GCC.

In Cambodia, growth in remittances is projected to rise slightly to $2.9 billion in 2024, while in Lao PDR, remittances are likely to increase by almost 16 percent to $260 million. Remittances are projected to remain flat at their 2023 levels of $1.5 billion in Myanmar and rise marginally to $450 million in Mongolia in 2024. These trends are likely to be supported mainly by demand for workers in the GCC and East Asian countries with vibrant tourism sectors.

Remittances to Thailand are expected to inch up by 2 percent to $10 billion and grow by 8 percent to $1.9 billion in Malaysia in 2024. Much of the increase in remittances will be due to positive labor market conditions in the OECD and high-income East Asian countries, as well as for less skilled Thai workers in newer destinations such as

Israel. About 30,000 Thai workers are registered to work in Israel, earning around $1420–1700 a month, many times the wages they would earn on a farm in Thailand (Dechabuddharungsi, Sridharan, and Jones 2023).

Remittance flows to the six small Pacific Island countries (Kiribati, Marshall Islands, Federated States of Micronesia, Solomon Islands, Tonga, and Tuvalu) are projected to be flat in 2024. In the remaining Pacific Islands, remittance growth in 2024 is likely to vary between 2–3 percent in Papua New Guinea, Timor-Leste, Samoa, and Vanuatu, and reach 10 percent in Fiji. As sources of employment are relatively few in these economies, relatively less skilled workers migrate within the region (to Australia and New Zealand) during seasons when local demand for work declines. In 2024, the main driver of remittance growth is likely to be tourism. However, as tourism peaked in 2023 in most of the larger East Asia countries, demand for migrant labor from the Pacific Island countries is likely to be low, depressing remittance flows to these economies.

A.2 Europe and Central Asia

Remittance trends. After growing 15.5 percent and 18.5 percent in 2021 and 2022, respectively, remittance flows to Europe and Central Asia (ECA) are estimated to decline 1.4 percent to reach about $78 billion in 2023. But flows are still much greater than prewar levels. The weak performance in the year is due mainly to a slowdown of money transfers from the Russian Federation to neighboring countries (Russian transfers accounted for the majority of remittances to the region in 2022, especially to the Commonwealth of Independent States), and the high base effect. For countries that received large amounts of Russian remittances, such as Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, and Uzbekistan, normalization is taking place from high levels moving gradually lower, while flows to Ukraine and Russia remain weaker than expected. Depreciation of the Russian ruble against the US dollar decreased the value of money transfers from Russia (figure A.5). Moreover, capital migration from Russian emigrants is slowing as they are exhausting their Russia-based savings, with some of them electing to return home. Officials in some destination countries are restricting transfers from Russia over concerns of additional sanctions. Finally, the number of migrants arriving in Russia in the first half of 2023 fell by about 20 percent compared with the same period of 2022, lowering the potential for migrant workers to send their earnings back home.

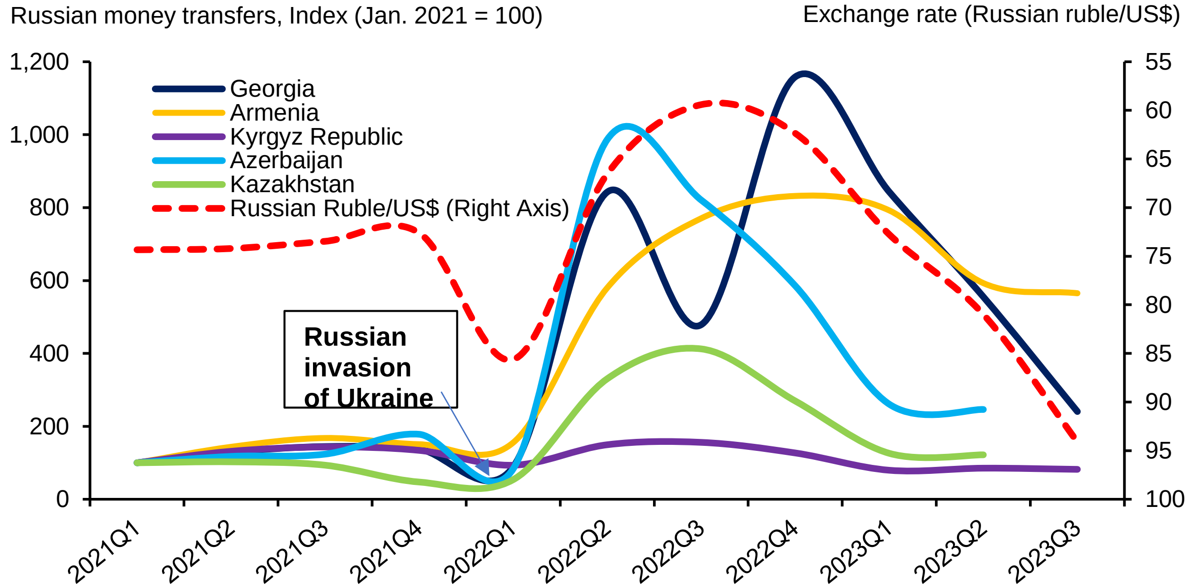
Other major influences on remittances to ECA countries in 2023 have been a decline in transfers from the United States and an increase in remittances from Europe. However, some of the transfers from Europe may be indirectly related to Russia.

Looking forward, remittances receipts in the region are projected to decline by 1.2 percent in 2024, as normalization of Russian flows to the region and weakness in flows to Ukraine and Russia are likely to continue. Money transfers from Russia are expected to continue declining without major shocks or incidents that could prompt capital outflows from the country. Projections for 2024 are subject to downside risk, including a weaker-than-expected economic growth in major remittance-sending economies or sharper-than-expected drop in Russian outward remittances.

Remittances remain the largest source of external financing for the ECA region in 2023, providing an important buffer for current account deficits across a number of regional economies (figure A.6).

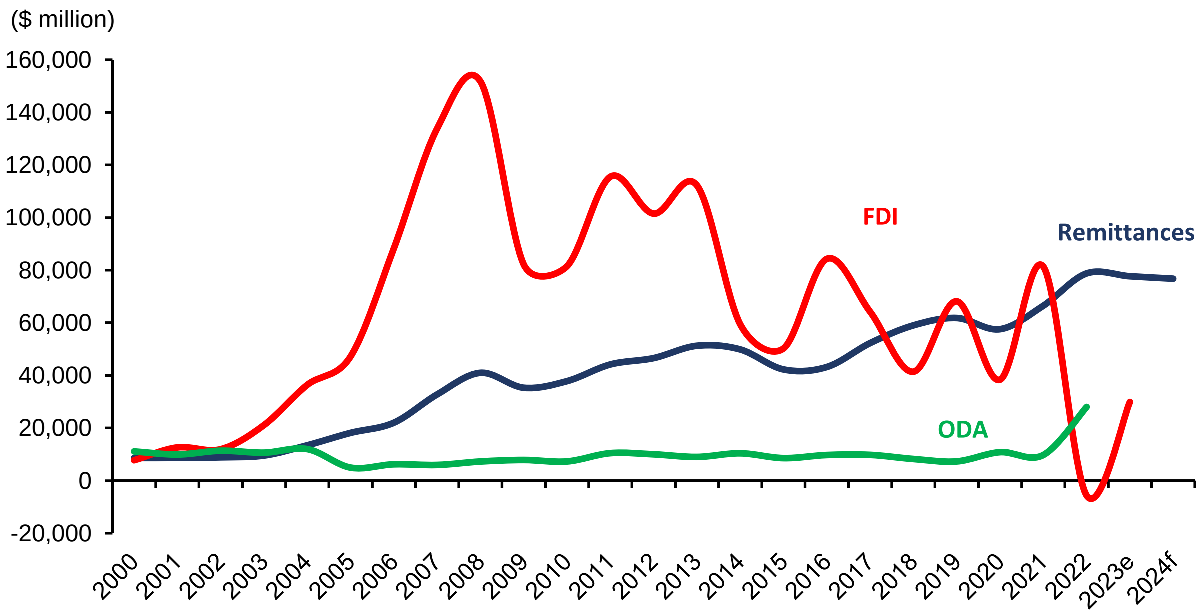
After tumbling to negative flows of about $6 billion in 2022, due mainly to negative flows of $40 billion for Russia, FDI bounced back to about $28 billion in 2023, supported by a sharp rise in flows to Ukraine (increased by nearly $4 billion from 2022). However, overall FDI volume for the region is about $30 billion less than the prewar average of $59 billion during 2017–21, partially due to lower investment from Russian companies.

Figure A.5 The Depreciation of the Ruble against the US Dollar Is Associated with Normalization of Russian Transfers



Source: Respective central banks, World Bank–KNOMAD staff estimates.

Figure A.6 Resource Flows to Europe and Central Asia, 2000–2024

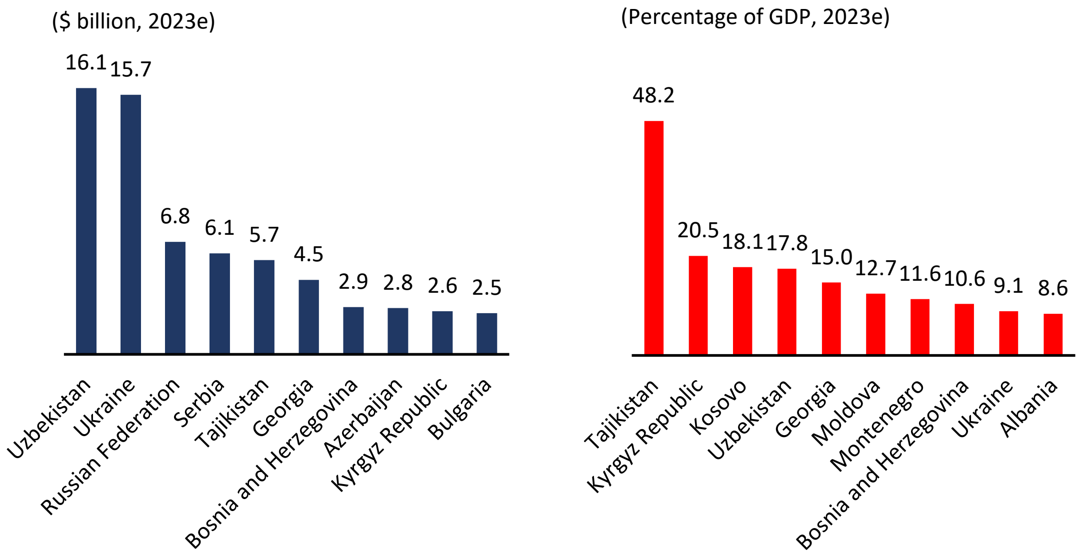


Source: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

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

Flows to Uzbekistan, the region's largest recipient of remittances, are estimated to decline from $16.7 billion (about 21 percent of GDP) in 2022 to $16.1 billion (about 18 percent of GDP) in 2023 (figure A.7). The decline in remittances can be ascribed to a slowdown of money transfers from Russia due to declining number of Uzbek workers in Russia, higher inflation in Russia, and the appreciation of the Uzbek som against the Russian ruble. That being said, Uzbek's remittances in 2023 are still much higher than prewar levels during 2020–21. Russia remains Uzbekistan's biggest source of remittances, accounting for about 80 percent of total flows to the country—Russian remittances accounted for only about half of the country's total in 2019–21.

Figure A.7 Top 10 Remittance Recipients in Europe and Central Asia, 2023

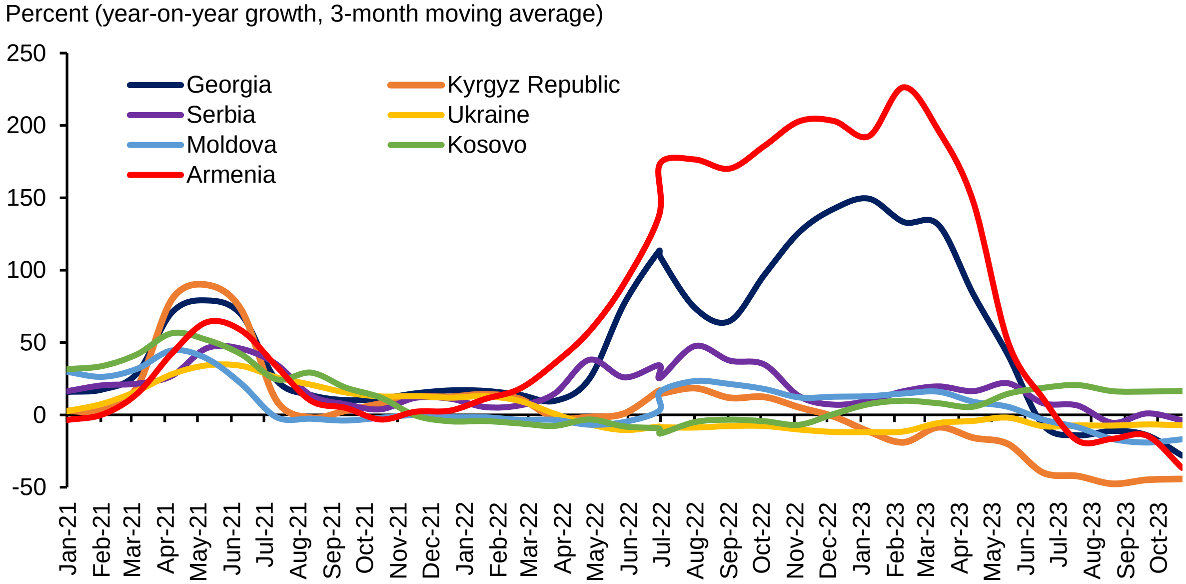


Source: World Bank–KNOMAD staff estimates and International Monetary Fund's *World Economic Outlook.*
Note: e = estimate; GDP = gross domestic product.

The slowing down of remittances from Russia in 2023 also led to a decline in remittances to Azerbaijan and the Kyrgyz Republic, which are highly dependent on Russian remittances. Money transfers from the United States to these economies have declined significantly as well, contributing to further weakness in overall remittances. In addition, monthly data points to a slowdown of remittance growth for other countries in the region as normalization of Russian money transfers continue throughout the year (figure A.8).

As a share of GDP, remittance receipts in Tajikistan and the Kyrgyz Republic lead among regional economies, at 48 percent and 21 percent, respectively (figure A.7b), as remittances remain by far the largest source of hard currency earnings for these countries. For Ukraine, the region's second-largest recipient in volume terms, remittances are trending lower rather than higher as initially expected. In contrast, remittances to Kosovo and Georgia are expected to post double-digit growth in 2023.

Figure A.8 Remittance Growth in ECA Countries Decelerated in 2023



Source: World Bank–KNOMAD staff estimates and respective central banks.

Figure A.9 Cost of Sending Money in the ECA Region Rose Slightly in 2023Q2

b. Five Least Expensive Corridors b. Five Most Expensive Corridors

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

Remittance costs. The average cost of sending $200 to the ECA region climbed by more than 40 basis points to 6.9 percent in the second quarter of 2023 from 6.4 percent a year earlier, in large part reflecting a sharp increase of costs in Türkiye to Bulgaria and Italy to the Moldova corridors. Amid the ongoing Russia-Ukraine war, the average cost for the ECA region excludes data on corridors originating in Russia, which used to be one of the lowest-cost senders of remittances globally. The differences in cost across corridors in the region are substantial;

the highest cost for sending remittances is from Türkiye to Bulgaria, while the lowest cost for sending remittances is from Germany to Ukraine (figure A.9). Notably, the cost of sending money to Ukraine remained lower than the prewar level in the third quarter of 2022, but it increased considerably compared with the second quarter of 2022—ranging from 4.1 percent in Germany and 4.2 percent in the United States to 4.9 percent in the Czech Republic and 5.3 percent in Italy.

Migration trends. The number of inward migrants to Russia declined by 20,000 in the first six months of 2023 compared with the first six months of 2022, according to a report by the Gaidar Institute in Russia. Most migrants to Russia are coming from neighboring Central Asian countries, and the number of migrants from these countries fell this year with the exception of Tajikistan. The number of Tajiki migrants arriving in Russia rose from 84,000 to 88,000, while Ukraine saw the steepest decline in the number of migrant arrivals. Although the number of immigrants to Russia fell, the number of emigrants declined at an even faster pace, with 202,000 leaving Russia in the first half of 2023, down sharply from about 420,000 in the same period the previous year.

Russia is likely to need a large influx of migrant workers to avoid labor shortages across its growing economy. Traditionally, the largest number of migrants have come from the neighboring former Soviet Union states to Russia, providing labor supply in low-skilled occupations in sectors including construction, housing and public services, agriculture, and retail. The weakening of the ruble in 2023 made Russia a less attractive destination to many migrant workers who plan to send their wages back home. Meanwhile, wage gaps between Russia and worker-exporting countries in Central Asia remain very large. Average monthly wages in US dollar terms as a percentage of Russian levels are only about 42 percent in Uzbekistan, 39 percent in the Kyrgyz Republic, and 20 percent in Tajikistan.

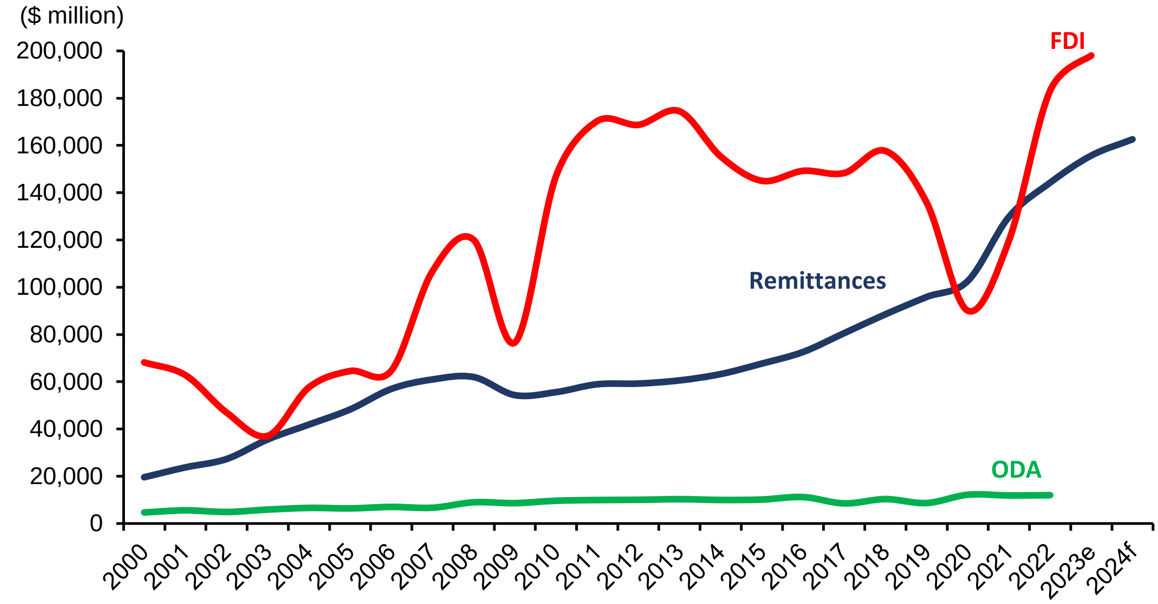
A.3 Latin America and the Caribbean

Remittance trends. Remittance flows into Latin America and the Caribbean increased by an estimated 8 percent in 2023, reaching $156 billion and surpassing $100 billion for the past three years (figure A.10). Improvement in the labor market in the United States is having a positive impact on remittance flows to Mexico, Central America, and South America. Remittances to the region were well below FDI inflows in 2023, although remittances have been a more stable source of foreign exchange over the past several years. Growth in remittances to the region is expected to slow down to 4.4 percent in 2024.

Mexico, the region's largest and the world's second-largest recipient of remittances, is projected to post record remittances of $67 billion in 2023, a growth of 9.7 percent over the previous year. Remittances are even more important as a source of hard currency for several smaller economies in the region. Guatemala receives the second-most remittances in the region by far, followed by the Dominican Republic (figure A.11).

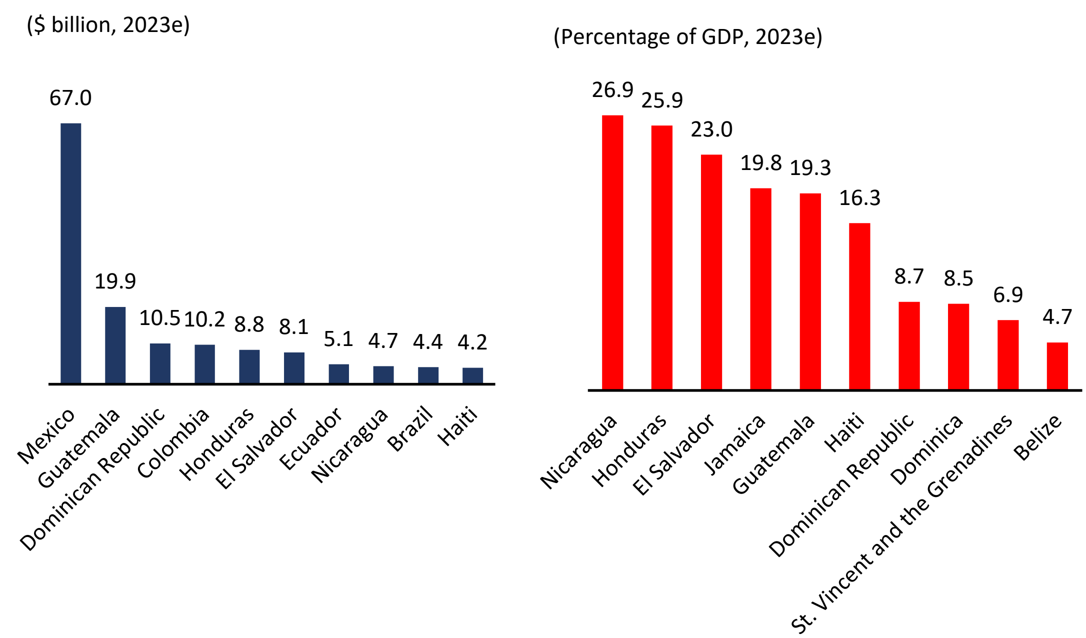
The growth of remittances varied widely across countries in 2023, ranging from a rise of 45 percent in Nicaragua, 26 percent in Argentina, 14 percent in Peru, 9 percent in Guatemala, and 7 percent in Colombia, to a moderate growth of 2 percent in Costa Rica and the Dominican Republic and 0.6 percent in Jamaica. Remittances to Nicaragua surged by 45 percent during this period, driven by the country's political situation. However, remittances constitute a much larger share of GDP for a number of countries in Central America and the Caribbean (figure A.11).

Figure A.10 Resource Flows to Latin American and the Caribbean, 2000–2024



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

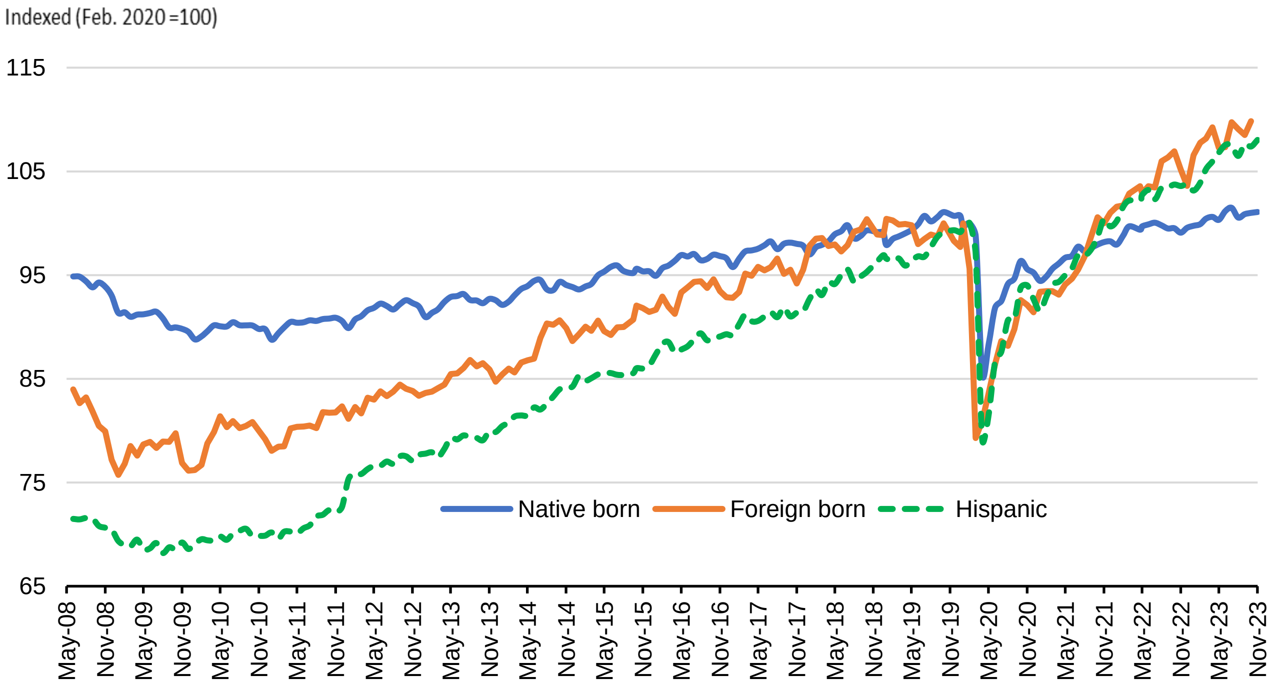
Figure A.11 Top Remittance Recipients in Latin America and the Caribbean, 2023



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

An improving labor situation for the foreign-born population and Hispanics in the United States bodes well for immediate prospects for remittances to the region (figure A.12). [10] Employment in the construction sector, where a large share of migrants' work, continued to rise over the past 12 months, providing a significant impetus to remittances.

Figure A.12 Employment for Hispanics Continues to be Strong in the United States, 2008–2023

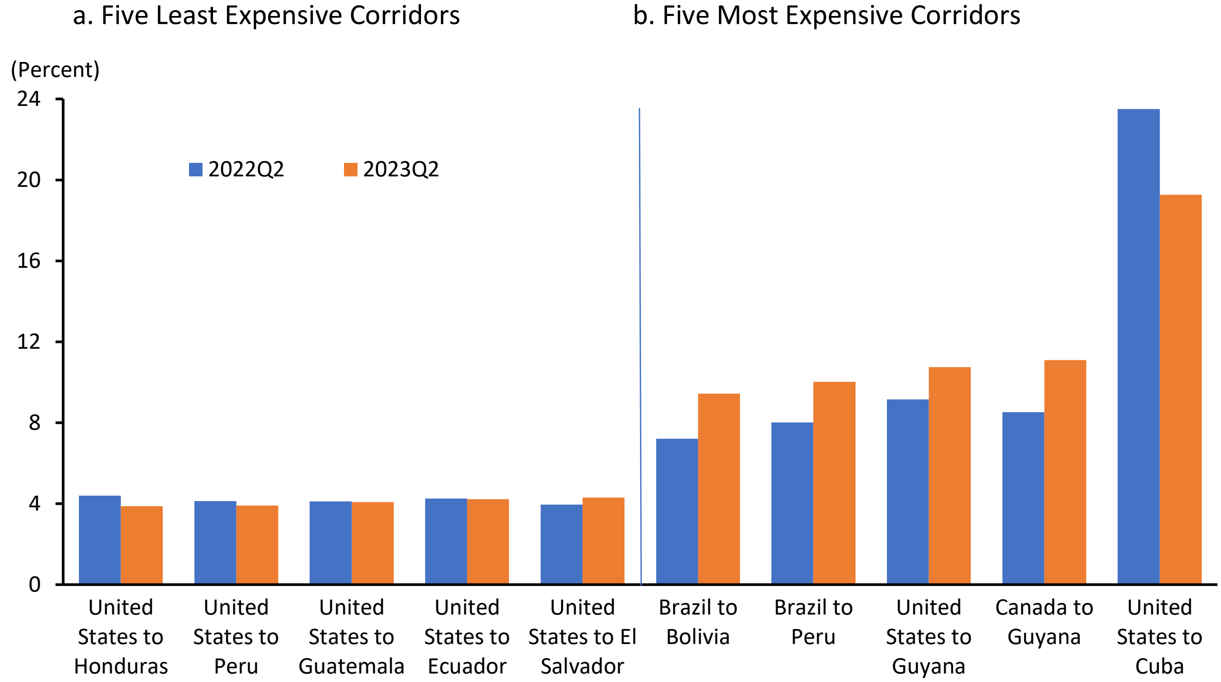


Source: US Bureau of Labor Statistics; World Bank–KNOMAD staff calculations.

Remittance costs. The average cost of sending money to Latin America and the Caribbean was 6.1 percent in the second quarter of 2023, up slightly from the 5.6 percent recorded in the same period a year ago, according to the Remittance Prices Worldwide data (World Bank 2023). The region has the third-most-expensive average remittance costs among low- and middle-income regions, after Sub-Saharan Africa and Europe and Central Asia. The average cost of sending money from the United States, where the majority of migrants from Latin America and the Caribbean reside, was 5.6 percent in the third quarter, still higher than the 3 percent target of the SDGs. Remittance costs are still higher for the Caribbean countries.

Costs remained higher than before the COVID-19 pandemic and much higher in the smaller remittance corridors. For example, the cost of sending money from Canada to Guyana exceeded 11.9 percent in 2023Q2, higher than the 8 percent in 2015Q4. The cost of sending money from the United States to Cuba remained high at 19.2 percent in 2023Q2 (figure A.13).

Figure A.13 The Cost of Sending Money to Latin America and the Caribbean Has Remained Stable



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

Remittance outlook. Growth in remittances to the region is projected to slow to 4.4 percent in 2024, with an expected slowdown in GDP growth for the United States. However, the labor market should remain strong, relative to its condition in previous episodes of slowing growth, and unemployment levels are expected to remain stable. Thus, remittances to Latin America are not likely to be severely impacted. Uncertainty related to the Russia-Ukraine war and the conflict in the Middle East. inflationary pressures, and a potential slowdown in global growth represent significant downside risks to the forecast for growth in remittances.

The growth of remittances will be supported by the large number of transit migrants stranded in Mexico and Guatemala. Transit migrants from Cuba, Nicaragua, República Bolivariana de Venezuela, and other nations passing through Guatemala and Mexico on the way to the United States account for the large remittance flows to those two transit countries.

Migration trends. International migration patterns are continuously changing in the Latin America region. Examples include: (1) the movement of Haitians who initially migrated to Brazil and Chile transit through the Darién gap to reach the United States; (2) the fact that the República Bolivariana de Venezuela has become a major sending country of migrants for Latin America; (3) the increase in transit migration in Guatemala, Mexico, Costa Rica, and Honduras; and (4) return migration to Mexico and Central America.

The difficulties involved in crossing the Darién Gap on the Panama-Colombia border, a region of rainforests, mountains, and swamps, have encouraged migrants to fly into Nicaragua, which does not require visas for most countries' visiting citizens. As a result, El Salvador started charging a fee of $1,130 to all travelers coming from

African countries and India (Janetsky 2023). The number of Venezuelans passing through the Darién Gap and arriving in the United States declined following the US reestablishment of deportation flights to Caracas.[11]

The Circumvention of Lawful Pathways Rule, under which migrants are to seek asylum or other protection in another country through which they travel before entering the United States, is in place since the termination of Title 42. This new regulation is impacting migrants trying to cross into the United States via Mexico after traversing other countries on their way (Department of Homeland Security and Department of Justice 2023).

The foreign population with irregular migratory status in Mexico increased to 588,626 in 2023, almost five times the level of 2020 (table A.1). Venezuelans are the largest group of migrants in an irregular situation, followed by migrants from Honduras, Guatemala, Cuba, Nicaragua, Colombia, and El Salvador.

Table A.1 Migration Statistics of Mexico

Foreign-Born, According to Their Migratory Status	January–December 2020	January–September 2021	January–October 2023
Temporal residents	95,656	75,876	110,681
Permanent residents	60,175	52,374	61,027
Regional visitor	32,333	47,624	57,048
Border worker	3,683	3,239	5,627
Undocumented			
Presented to the authority	82,379	190,476	413,563
Deported from Mexico	2,816	1,520	
-Deported from Mexico with assisted return	48,789	65,645	
Children under 18 years old by assisted return	8,710	7,131	
Total undocumented migrants	142,694	264,772	588,626
Repatriated Mexicans	184,402	168,498	188,076

Source: Government of Mexico 2020, 2023.

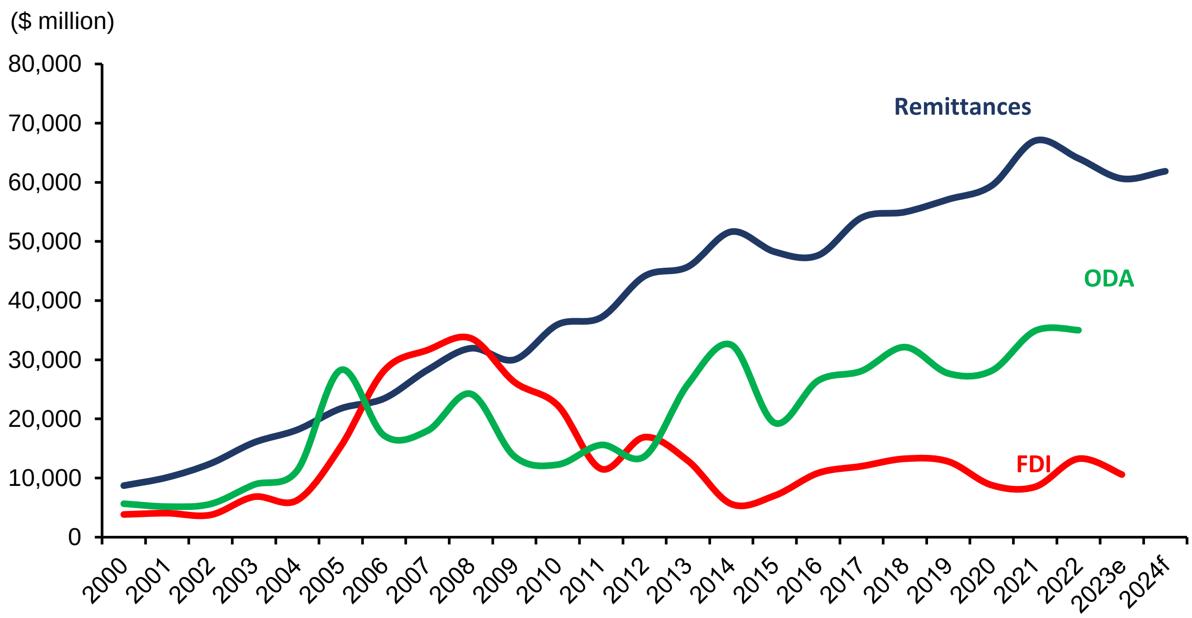
According to the US Customs and Border Protection Agency, monthly border apprehensions showed considerable volatility in 2023, but increased steadily from June to September, with a slight decline in October (figure 2.1). The US Customs and Border Protection temporarily closed south and northbound traffic to vehicle and pedestrians on December 4 at the remote Lukeville, Arizona, border crossing with Mexico, in order to devote more resources to processing a surge in asylum seekers. The increase in desert crossings in that area is due to a new route being utilized by migrants from Senegal, China, and India (*The Guardian* 2023).

A.4 Middle East and North Africa

Remittance trends. After falling by 4.5 percent in 2022, remittances to Middle East and North African countries are expected to decline further by 5.3 percent to about $61 billion in 2023. The 2023 weakening is driven mainly by a sharp decline in flows to the Arab Republic of Egypt, the region's largest recipient by far, as remittances to the country are likely channeled through nonofficial channels as a reflection of a wide gap between the official and parallel foreign exchange markets. The current weakness is also tied in part to the slowdown in outward remittances from Saudi Arabia and the United Arab Emirates, which is related to some correction from the pandemic-related distortions. Flows to Jordan, Lebanon and Tunisia are also estimated to decline as a reflection of a weak economic growth in the euro area and the key remittance source. In contrast, remittances to Morocco are likely to reach another record high level, highlighting the earthquake's impact on the country's remittances.

Remittances have been the largest source of external resource flows for the region, outstripping the sum of FDI and official development assistance (ODA) since 2010 (figure A.14). In 2023, remittance inflows are likely to be twice the sum of these flows to the region, underscoring the importance of remittances to both the private and public sector. FDI flows are projected to decline even more sharply amid elevated political risk across the region. Thus, remittances are likely to remain vital for the region into the near and medium term, particularly as fiscal and current account deficits are creating debt concerns for oil-importing countries of the Middle East and North Africa, which may dim immediate prospects for private sector flows.

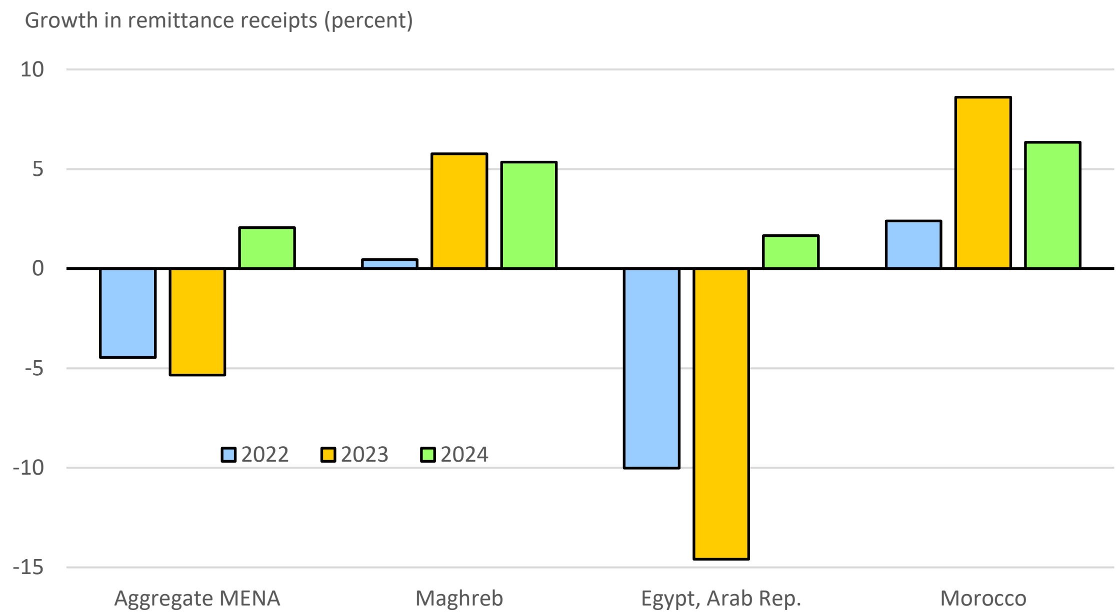
Figure A.14 Resource Flows to Middle East and North Africa, 2000–2024



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

The prospects for remittances in 2024 will be affected by the difficult situations facing the region's oil-importing countries, such as Egypt, Jordan, Lebanon, Morocco, and Tunisia. Uncertain regional prospects in the wake of the conflict in the Middle East may lead to increases in their fiscal and current account deficits and could impair political stability. Particularly in Egypt and Lebanon, the twin deficits have heightened pressure on the currencies and foreign currency reserves. The already dire conditions of Lebanese and Syrian economies are likely to deteriorate further. Morocco will need to continue efforts to recover from the September 2023 earthquake. In contrast, the region's oil exporters, such as Iraq and Alegria, will benefit from the rise in hydrocarbon prices. The region's overseas labor force will be subject to conflicting pressures from the desire to help families back home in difficult times versus the anticipated declines in real wages. On balance, we forecast a moderate gain of 2.1 percent in remittances flows in 2024 (figure A.15). The view is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher energy/food prices, and fiscal and external financial difficulties.

Figure A.15 Remittance Flows to the Middle East and North Africa Region to Recover Slightly in 2024



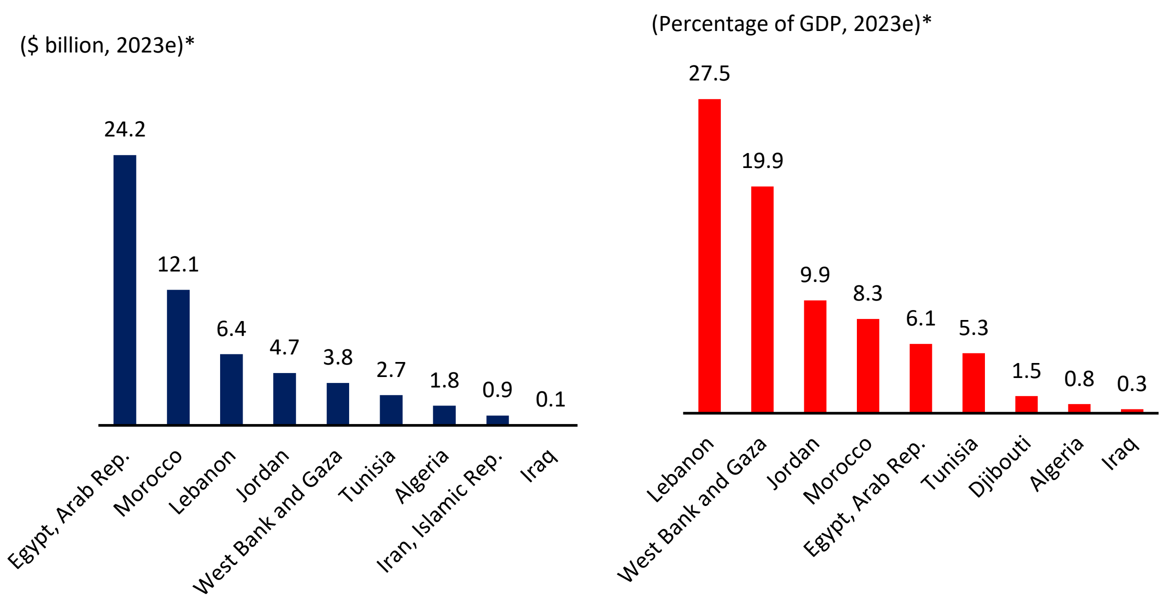
Source: KNOMAD/World Bank staff estimates and projections.
Note: MENA = Middle East and North Africa.

Remittances to **Egypt** are expected to decline about 15 percent in 2023 to reach $24.2 billion (figure A.17). The downward trend is due mainly to the sharp drop of remittances through official channels as a reflection of the significant gap between the official and parallel foreign exchange rates. In the first half of 2023, remittance flows fell by 38 percent to $10 billion compared with $16.3 billion a year earlier, which was the lowest level the country had recorded since the first half of 2017, according to data from the Central Bank of Egypt. Remittances, a key source of foreign currency, faltered as the country's central bank reverted to a fixed exchange rate in March, combined with high and rising inflation and a rating downgrade by Moody's that reflected the country's worsening debt burden and the persisting foreign currency shortfall.

In an effort to encourage Egyptian diaspora to use formal channels for their money transfers, the Egyptian government is trying to implement several measures including: (1) the government's March affirmation that there is no plan to tax remittances; (2) an offer of land and housing owned by the government agency, the New Urban Communities Authority, in exchange for payment in US dollars; (3) banks plan to launch savings products and funds that exempt commissions for Egyptian diasporas, and offering saving funds and insurance policies in US dollars; and (4) efforts to encourage the use of digital channels that can place remittances in the formal sector.

Morocco's remittances are expected to rise by 8.6 percent to $12.1 billion in 2023, maintaining the upward trajectory over the past seven years. Remittance inflows to the country have consistently exceeded FDI inflows, providing a vital source of income to Moroccan families during the COVID-19 pandemic. The pace of remittances to Moroccans abroad has been strong throughout this year, especially after the earthquake in September. The flows of remittances from Moroccans abroad increased by 6.1 percent to DH 96.4 billion ($9.5 billion) in the first 10 months of 2023 from a year earlier, according to data from Morocco's Exchange Office (OE). Indeed, some studies have shown that natural disasters can increase remittances. Remittances tend to move countercyclically, meaning that they increase after natural disasters in migrants' home countries (Bettin and Zazzaro 2017). Along with international assistance, remittances from Morocco's diasporas will help to mitigate the adverse effects of natural disasters—alleviating some of the reconstruction costs and supporting the country's external financial stability.

Figure A.16 Top Remittance Recipients in the Middle East and North Africa, 2023



Source: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: e = estimate; GDP = gross domestic product.
* The Islamic Republic of Iran, the Syrian Arab Republic, and the Republic of Yemen are excluded due to data availability.

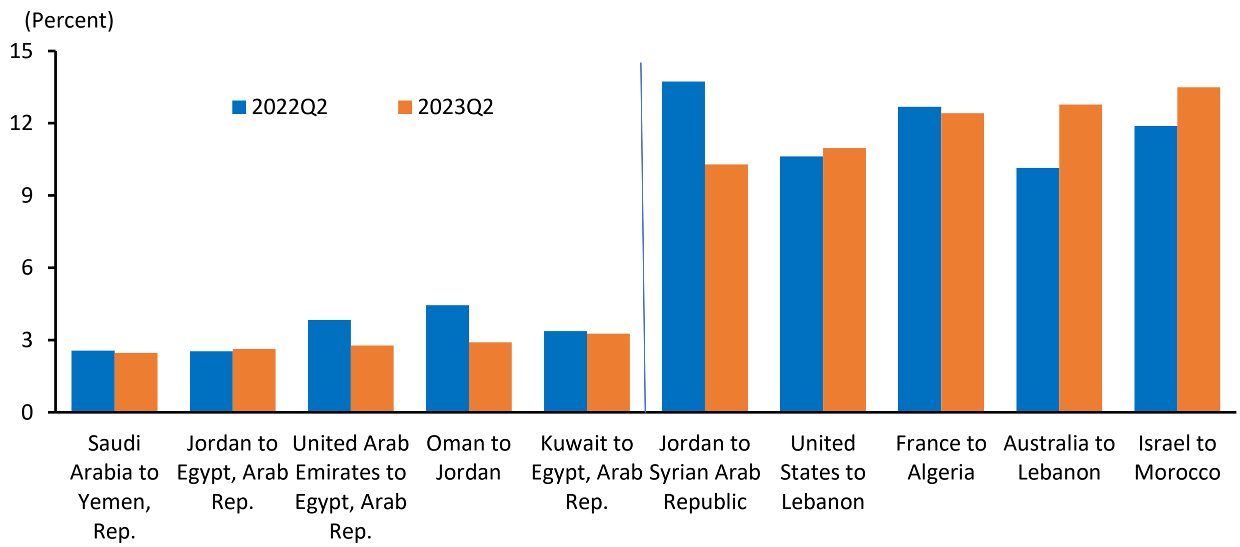
Economies of the region for which remittance receipts constitute a large proportion of GDP include Lebanon, the West Bank and Gaza, and Jordan (figure A.16). In **Lebanon**, remittance receipts represent 27.5 percent of GDP and account for more than 80 percent of the aggregate of external resource flows (sum of remittances, FDI, and ODA), highlighting the importance of the Lebanese diaspora's impact on the economy. Lebanon remains the most vulnerable economy in the region as the country is facing debt restructuring, hyperinflation without reforms, and a sharp devaluation of its currency. Remittances to **Jordan** are likely to rise slightly to $4.9 billion in 2023, representing 9.9 percent of the country's GDP. Remittances from Jordan's expatriates totaled $2.6 billion in the first nine months of 2023, up by 0.9 percent from the same period of 2022.

Remittance costs. The cost of sending $200 in remittances to Middle East and North Africa eased to an average 5.9 percent in 2023Q2 from 6.3 percent a year earlier. This stands as the only decline in costs among developing regions during 2023Q2. However, costs vary greatly across corridors: the cost of sending money from high-income OECD countries to Middle East and North Africa countries remains high at double digits (figure A.17b). Yet, sending money within the region (including GCC countries) remains low, ranging below 3 percent in some corridors (figure A.17a).

Figure A.17 Sending Money within the Middle East and North Africa is Less Expensive than Sending Money from Outside

a. Five Least Expensive Corridors

b. Five Most Expensive Corridors



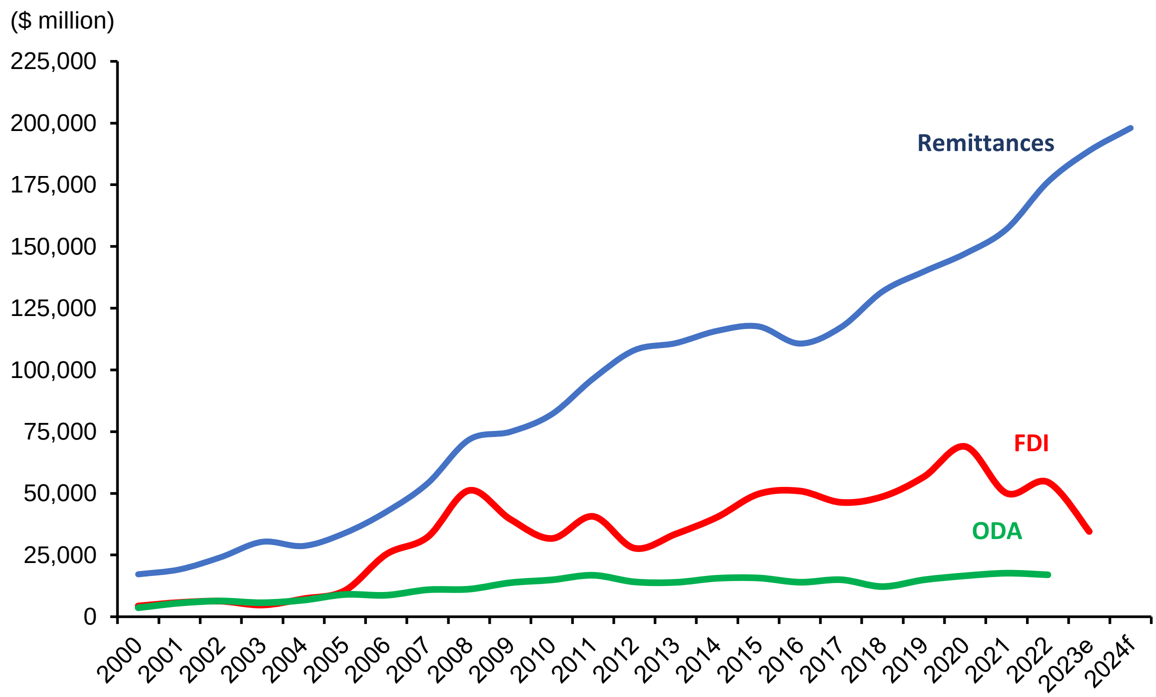
Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Migration trends. In July this year, the European Union and Tunisia signed a memorandum of understanding known as the "migrant deal," aiming to curb the arrival of irregular migrants in Europe. Under the agreement, the European Union agreed to provide €105 million for efforts to intensify border surveillance and more than €1 billion of extra financial support amid the country's unprecedent economic crisis. In 2022, Tunisia became the primary country of departure for migrants trying to reach the European Union via Italy through the central Mediterranean route. For example, according to data from the United Nations High Commissioner for Refugees, the number of refugees and migrants arriving in Italy by sea in the first half of 2023 increased by 137 percent from the same period in 2022, with rising instability in Tunisia as a key driving factor. In October, however, the Tunisian government rejected the EU installment of funds set in the July agreement, heightening concerns over the country's worsening financial conditions.

A.5 South Asia

Remittance trends. At almost $189 billion in 2023, remittance flows to South Asia once again are likely to exceed expectations, outstripping previous forecasts in *Migration Development Brief 38* by $13 billion. As in 2022, this remarkable increase is attributable entirely to remittance flows to India, which are expected to beat previous forecasts by $14 billion and reach $125 billion in 2023. After growing at 12.2 percent in 2022, growth in remittances to South Asia is likely to decelerate to 7.2 percent in 2023. This regional average is the outcome of high growth in one half of the South Asian countries (Bangladesh, India, Nepal, and Sri Lanka) and declines in the other half (Afghanistan, Bhutan, Maldives, and Pakistan). The key drivers of remittance growth in 2023 are a historically tight labor market in the United States, high employment growth in Europe reflecting extensive leveraging of worker retention programs, and a dampening of inflation in high-income countries. The slackening in remittance growth relative to 2022 is attributable to a near collapse in growth in 2023 in Saudi Arabia and Kuwait, and the halving of growth in the remaining GCC countries triggered by the drop in oil prices and production cuts in the Organization of the Petroleum Exporting Countries (OPEC)+.

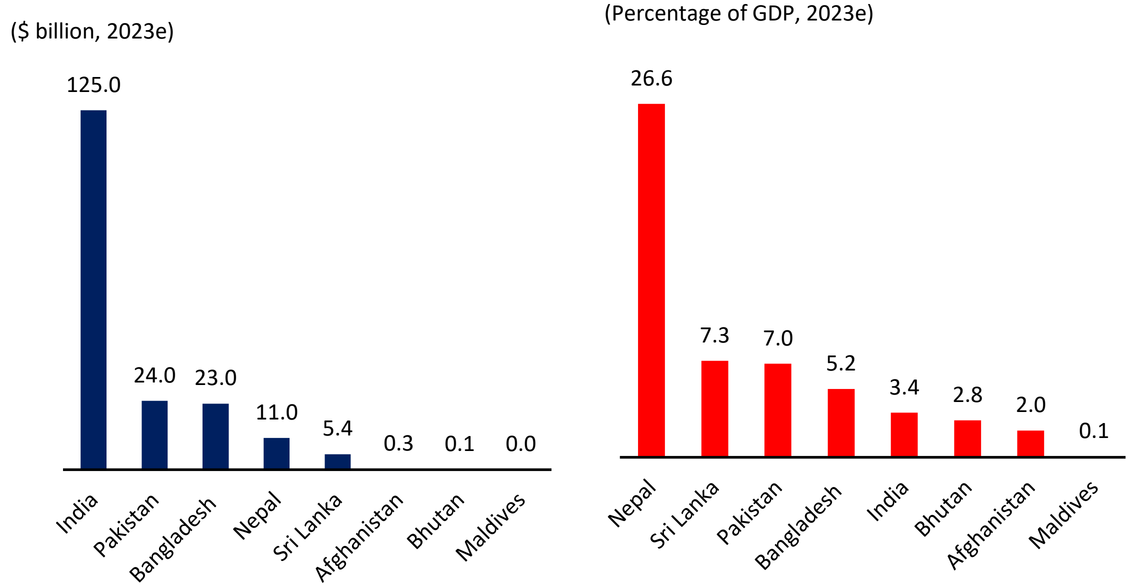
Figure A.18 Resource Flows to South Asia, 2000–2024



Source: 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: f = forecast; FDI = foreign direct investment; ODA = official development assistance.

Figure A.19 Top 10 Remittance Recipients in South Asia, 2023



Source: World Bank–KNOMAD staff estimates and International Monetary Fund's *World Economic Outlook*.
Note: e = estimate; GDP = gross domestic product.

Remittances remained a critical private financial flow and source of foreign exchange for most South Asian countries, as FDI plummeted by 31 percent between 2022 and 2023 (figure A.18). Relative to 2020, when it peaked in South Asia at $69 billion, FDI levels dropped by 45 percent to $38 billion in 2023. Remittances equaled almost five times the level of FDI inflows in 2023, up from more than three times the level of FDI in 2022. As a share of GDP, there was wide variation in remittances across South Asia. At 27 percent, Nepal continued to have the highest share of remittances relative to GDP in South Asia (figure A.19). It also featured in fifth place among countries that are most dependent on remittances globally (figure 1.2). In comparison, remittances as a share of GDP ranged around 7 percent in Sri Lanka and Pakistan, and 5.2 percent in Bangladesh in 2023. In India, the share of remittances in the economy was only 3.4 percent, despite its position as the largest recipient of remittances globally (figure A.19).

Growth in remittances in India is expected to halve to 12.4 percent in 2023 from a historic peak of 24.4 percent in 2022. Remittances are expected to increase by $14 billion and rise to $125 billion in 2023 (figure A.19), increasing India's share in South Asian remittances to 66 percent in 2023 from 63 percent in 2022. The main contributing factors are declining inflation and strong labor markets in high-income source countries, which boosted remittances from highly skilled Indians in the United States, United Kingdom, and Singapore, which collectively account for 36 percent of total remittance flows to India (RBI 2022; and *Migration and Development Brief 37*, box A.1). Remittance flows to India were also boosted by higher flows from the GCC, especially the United Arab Emirates, which accounts for 18 percent of India's total remittances and is the second-largest source of them after the United States. Remittance flows to India benefited particularly from its February 2023 agreement with the United Arab Emirates for establishing a framework to promote the use of local currencies for cross-border transactions and cooperation for interlinking payment and messaging systems. The use of dirhams and rupees in cross-border transactions would be instrumental in channeling more remittances through formal channels. More generally, despite low oil prices and production cuts, and a near collapse in GDP growth in the GCC from 8 percent in 2022 to 1.5 percent in 2023, lower inflation (2.6 percent in 2023 compared with 3.3 percent in 2022) (IMF 2023, MENA statistical annex, tables 1 and 7) orchestrated by domestic policy played a key role in sustaining Indian migrants' ability to continue to send remittances to India. In addition to the United Arab Emirates, Saudi Arabia, Kuwait, Oman, and Qatar account for 11 percent of India's total remittances (RBI 2022).

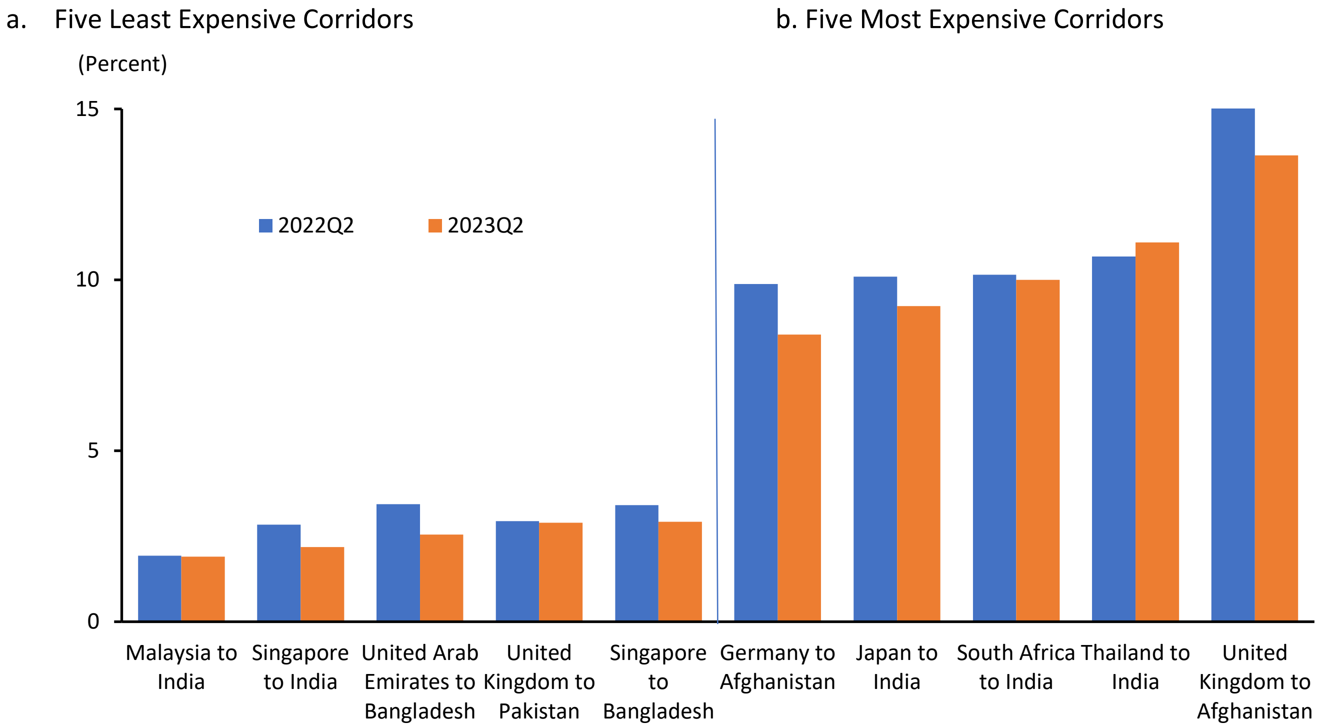
Remittance inflows to Nepal in 2023 are expected to surpass pre-pandemic levels to reach $11 billion in 2023. The growth of 18 percent in 2023 will come on top of remittance growth of 13 percent in 2022. The rise in remittances is partly explained by low inflation in the GCC countries, prime destinations for Nepali migrants, which boosted their ability to send remittances. In addition, the sharp deceleration in GDP growth and continuing high inflation, especially high food prices, in Nepal encouraged Nepali migrants to increase remittances. After growing at 20 percent in 2022, remittance growth in Bhutan is expected to drop to (-)15 percent reaching $75 million in 2023.

In 2023, Bangladesh and Sri Lanka are heading to turn the tide of negative growth in formal remittance flows from 2022 triggered by balance of payment crises. With improvements in domestic economic conditions following the implementation of IMF-supported policy programs, migrants' confidence in the official banking system seems to be gradually increasing as evident in more remittances being sent through formal channels (see the South Asian region section in *Migration and Development Brief 38* for a discussion of how the parallel market exchange rate premium affects the flow of remittances to Bangladesh and Sri Lanka). In Bangladesh, remittances are growing at 7 percent and are expected to reach $23 billion in 2023. In Sri Lanka, as the impact of an IMF-supported program takes effect, macroeconomic stability is being restored and migrants seem to be responding positively with an escalation in remittances. In 2021–22, remittances grew at (-)23 and (-)31 percent, respectively. Formal remittances in Sri Lanka in 2023 have skyrocketed at a growth rate of 41 percent and are expected to record $5.4 billion, although this level will still be short of the pre-pandemic and pre-crisis peak of $7.1 billion.

In Pakistan, the growing economic turmoil sparked by a balance of payment crisis and high debt have led to a worsening loss of public confidence reflected in a diversion of remittances from formal to informal channels. Formal remittance flows plummeted by 20 percent in 2023 on top of a decline of 5 percent in 2022. Remittance flows in 2023 are expected to drop to $24 billion. The rupee depreciated sharply between early 2022 and early 2023, and the government's attempts to limit capital outflows through import and capital controls diverted remittance inflows from formal channels, contributing to shortages of foreign currency (see *Migration and Development Brief 38* for a discussion of how the parallel market exchange rate premium affects the flow of remittances to Pakistan).

Remittance costs. South Asia can continue to boast the lowest remittance costs of all regions in the world in 2023, albeit with wide variations between countries (figure 1.7 in global section). While at 4.3 percent, the cost of sending $200 to South Asia is 30 percent lower than the global average of 6.2 percent in 2023Q2, it is still above the SDG target of 3 percent or lower (figure A.20). In 2023, the five least costly corridors achieved the SDG target of 3 percent, with Malaysia to India being the cheapest cost corridor at 1.9 percent. However, the cost of sending $200 in 2023Q2 ranged between 8.4 and 13.6 percent in the five most expensive corridors. Although costs declined by 12 percent between 2022Q2 and 2023Q2, at 13.5 percent, the United Kingdom to Afghanistan corridor was the costliest. Interestingly, the cost for the Germany to Afghanistan corridor was 8.4 percent. Except for Thailand to India, in general, the cost of sending $200 to South Asia declined along all corridors.

Figure A.20 Cost of Sending Money within South Asia Remains Lower in 2023Q2



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

Remittance outlook. As in 2023, remittances' growth in South Asia is once again projected to be the highest among low- and middle-income countries in 2024, even though it is projected to moderate to 5 percent in 2024 from 7.2 percent in 2023. The overall projection for remittance flows to South Asia in 2024 is $198 billion and is likely to be driven by three factors that represent a combination of host-economy and country-specific conditions: a slackening of growth and labor market conditions in South Asian migrants' high-income host economies, uncertainty related to ongoing global conflicts as well as climate change, which may exacerbate labor market difficulties of South Asian migrants in all host economies, and migrants' preference for informal over formal channels of money transfer for countries embroiled in economic crises.

The remittance outlook for India for 2024 is strong. Growth in remittances is expected to moderate to 8 percent, taking remittance levels to $135 billion in 2024. This trend will be shaped by labor market conditions and inflation in the main host economies for its high- and less-skilled migrants. The United States, United Kingdom, and Singapore alone account for 36 percent of India's remittance flows. The economic growth outlook for 2024 is lackluster for the United States and United Kingdom but significantly better for Singapore, while inflation is expected to decline in all three countries (IMF 2023). With unemployment rates edging up marginally in the United States and United Kingdom and declining in Singapore, remittance flows from India's highly skilled migrants should be sustained in 2024 barring further fragmentation of commodity markets and geopolitical tensions spawning new global shocks. Growth in remittances to India will also hinge on developments in the GCC, as almost 29 percent of the flows originate from its mostly less-skilled migrants employed in the GCC countries. In 2024, economic growth is projected to recover in the GCC and inflation to drop even further from its already low level. Both factors bode well for remittances flows to India. In addition, mobile phones and digitalization have revolutionized India's Fintech ecosystem, which has positive spillovers for Indian migrants and how they remit funds to India. The government's initiatives such as the Unified Payments Interface (UPI-PayNow) linkage for cross-border remittances between India and Singapore, launched in February 2023, is being extended to other countries (Das 2023) to reduce transactions costs and facilitate higher remittance flows through formal channels to India.

After two years of double-digit growth, remittance flows to Nepal are projected to moderate and grow at 9 percent, reaching $12 billion in 2024. While economic conditions in the GCC, the main destination for migrants from Nepal, Bhutan, and Maldives, are projected to be positive, low oil prices will restrain large-scale expansion in new hires, thus curbing growth in remittances. Remittances to Bhutan are projected to stabilize at $75 million (2023 levels). In Maldives, remittances are expected to fall to the pre-pandemic level of $4 million in 2024 due to mounting debt and fiscal challenges that erode migrants' confidence and lead them to opt for informal channels of money transfer.

Growth in formal remittances to Bangladesh is projected to remain flat on account of the lingering impacts of the recent balance of payment crisis that triggered exchange controls and led to parallel market exchange rate premia. Depreciation and exchange rate management policies have led migrants in Bangladesh, Pakistan, and Sri Lanka to take advantage of the black-market premia and transfer funds through informal and formal channels. In addition, while the growth outlook in the GCC countries is positive, new job creation for South Asian migrants in 2024 is expected to be constrained by low oil prices. Remittance flows to Bangladesh are projected to remain at $23 billion in 2024. Recovering after two years of a continuous and steep decline, remittance flows to Sri Lanka are expected to continue to increase to $6 billion in 2024, although growth is projected to moderate to 11 percent from its peak in 2023. In Pakistan, low expectations of a return of positive economic growth as the IMF-supported program takes effect, are likely to weigh on public confidence, leading remittances to decline by 10 percent and drop below $22 billion in 2024.

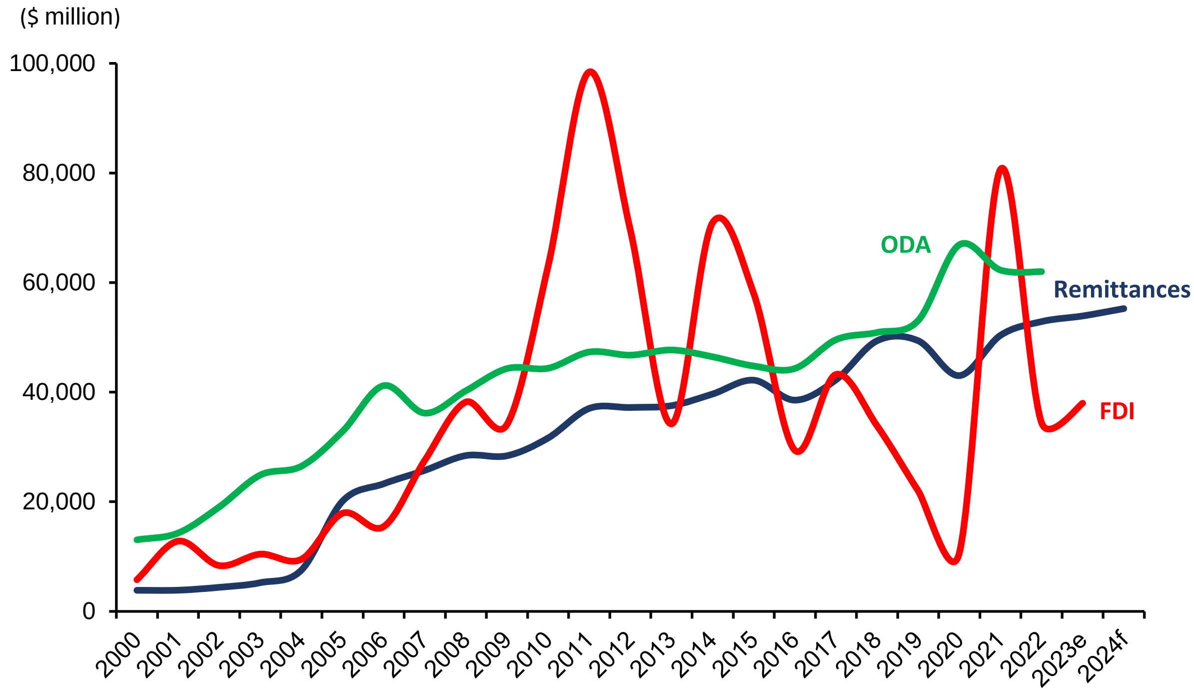
A.6 Sub-Saharan Africa

Remittance trends. Remittances to Sub-Saharan Africa are estimated to grow by 1.9 percent from $53 billion in 2022 to $54 billion in 2023. Projections indicate that remittances to the region will keep increasing, to $55 billion by 2024. The slowed growth in remittances observed in 2023 is explained by the slow pace of growth in the high-income economies where many Sub-Saharan African migrants earn their income. Remittances from the United States have remained stable. Although the euro area has recovered, its output remains 2.2 percent below pre-pandemic projections.

Remittances are an important source of financing for Sub-Saharan Africa. Remittances have been more stable than FDI, which has demonstrated considerably volatility over the past two decades (figure A.21). Remittances to the region significantly exceeded FDI flows in 2023, but in 2022 (the latest available year for data) remained slightly less than ODA flows.

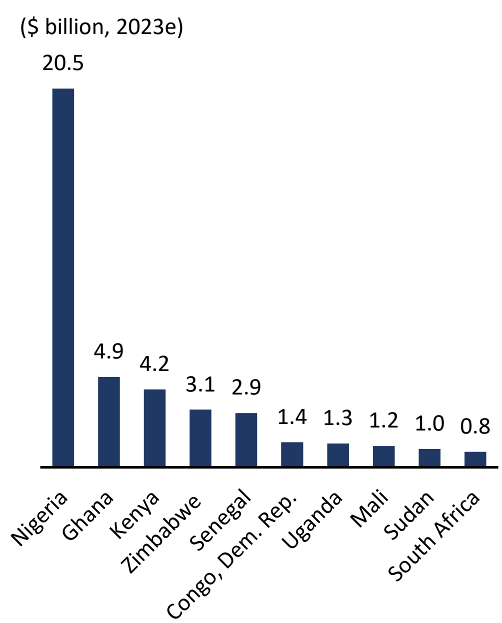
The largest recipients of remittances in the region during 2022—measured in US dollar terms—include Nigeria, Ghana, Kenya, and Zimbabwe (figure A.22). Looking at remittances as a share of GDP, the Gambia has the largest share, followed by Lesotho, Comoros, Cabo Verde, Guinea-Bissau, and Zimbabwe.

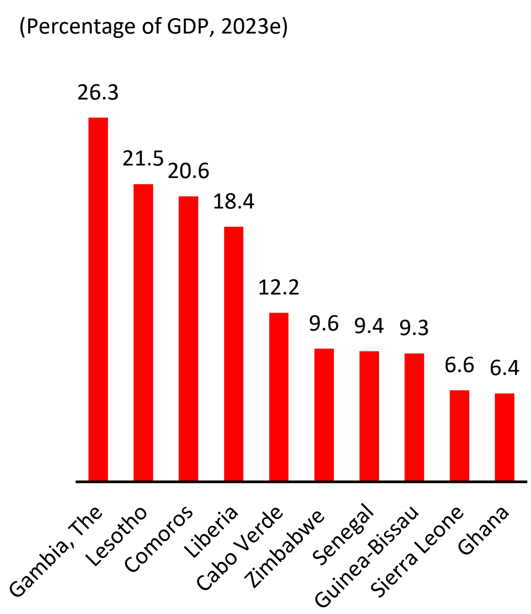
Figure A.21 Resource Flows to Sub-Saharan Africa, 2000–2024



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

Figure A.22 Top Remittance Recipients in the Sub-Saharan Africa Region, 2023





Source: World Bank–KNOMAD staff estimates and International Monetary Fund's *World Economic Outlook*.
Note: e = estimate; GDP = gross domestic product

Regional growth in remittances in 2023 was largely driven by strong remittance growth in Rwanda (16.8 percent), Ethiopia (16 percent), and Mozambique (48.5 percent). Nigeria, the largest remittance-recipient country in Sub-Saharan Africa, is expected to receive more than $20 billion in official remittances by the end of 2023, a slight increase compared with the previous year. In Ghana, the second-largest recipient, remittances increased to $921.17 million in 2023Q2, from $691.60 million in 2022Q2.

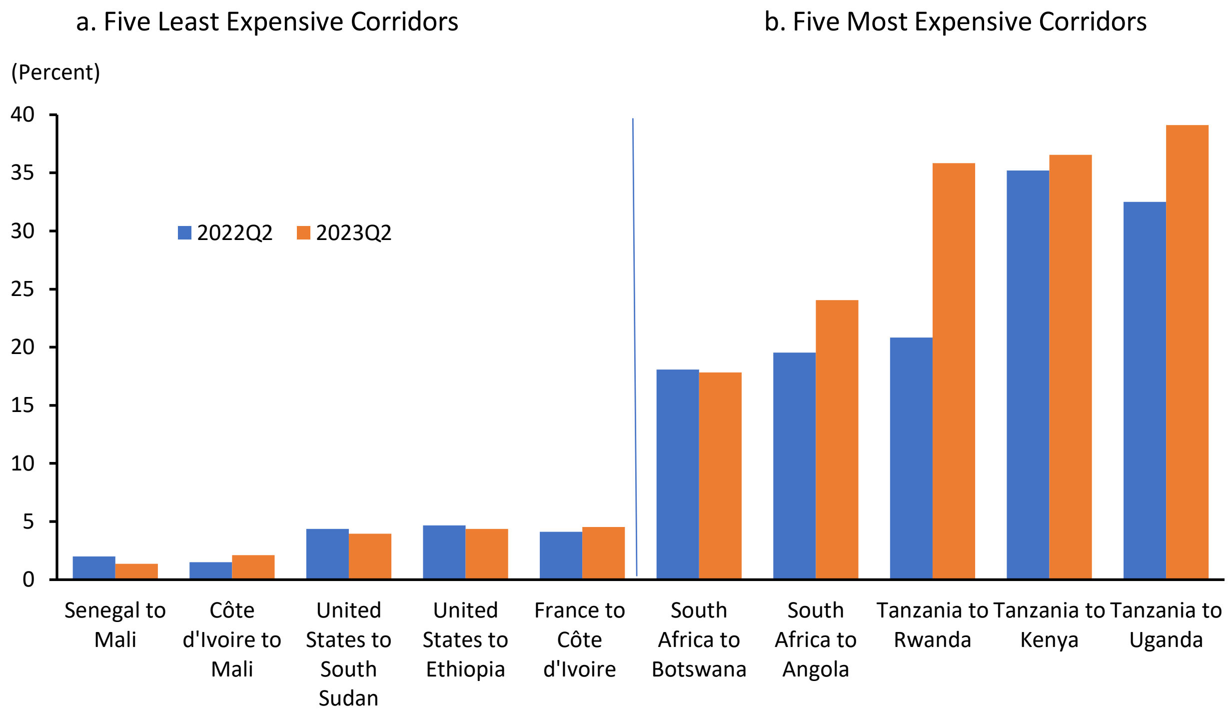
High-frequency remittance data for 2023 in Kenya illustrate the importance of intra-Africa remittance flows. Remittances increased strongly in the first 10 months of 2023 compared with the same period in 2022, mainly due to a doubling of remittances from Uganda and Zambia, as well as increases of 60 percent from Côte d'Ivoire and 62 percent from Nigeria.

Fixed exchange rates and capital controls are diverting remittances from official to unofficial channels. For example, the National Bank of Ethiopia implemented import and exchange rate restrictions as a part of its foreign reserve management, and the parallel premium had widened by almost 90 percent as of July 2023. Consequently, remittance transactions were moved to the black market (World Bank 2023a). In Nigeria, the Central Bank's interventions in the foreign exchange market led to an increasing divergence of the parallel and official exchange rates until the liberalization program in June 2023 (World Bank 2023a). However, resistance to the increasing pressure on the Nigerian naira coupled with limited supply of foreign exchange at the official window has led to the reemergence of the parallel market premium. It is likely that the substantial parallel market premium has significantly diverted remittances to unofficial channels.

Remittance costs. Sub-Saharan Africa remains the region with the highest remittance costs. The average cost of sending $200 to the Sub-Saharan Africa region slightly increased, averaging 7.9 percent in 2023Q2 compared with 7.2 percent in 2022Q2. A stable price has been observed in remittance costs in the region since 2021, but this average remains far above the global average of 6.9 percent and the SDG target of 3 percent by 2030. Costs vary substantially across the region, ranging from 1.3–4.5 percent in the lowest cost corridors to 17–36 percent in the highest (figure A.23) For example, sending $200 in remittances from Tanzania to neighboring Uganda would have cost a migrant 39.1 percent in 2023Q2. Banks charge the highest costs, thus emphasizing the importance of cross-border mobile money transactions. In Kenya, Rwanda, Tanzania, and Uganda, such transactions are constrained by limited interoperability among telecom operators and money transfer operators.

The Pan-African Payment and Settlement System (PAPSS) is a platform that works in conjunction with central banks to facilitate direct transactions among the more than 40 currencies used throughout the continent. PAPSS is an African Union organization developed in collaboration with the African Export-Import Bank (Afreximbank) to complement trading under the African Continental Free Trade Area.[12] Ten African countries—Nigeria, Ghana, Kenya, Liberia, Guinea, Sierra Leone, The Gambia, Djibouti, Zimbabwe, and Zambia—have joined the platform.

Figure A.23 Costs of Sending Remittances to African Countries Vary Widely across Corridors



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

Remittance outlook. Growth of remittances to Sub-Saharan Africa is estimated to grow by 1.9 percent in 2023 and slightly increase to 2.5 percent in 2024. Risks to the outlook include measures to control foreign exchange, parallel markets, and sanctions. Toughening regulatory standards has led international banks to reduce the number of their correspondents in Africa, partly due to perceived high African risk.

Migration trends. New flows of migrants from Senegal are being reported arriving in the Canary Islands since June as a result of the social unrest in Senegal (Martín and Vega 2023). As of November 2023, about 32,000 Senegalese arrived in Spain (Africa News 2023). The number already surpassed the 22,819 people that arrived in 2022.

Similarly, migrants from Guinea, Côte d'Ivoire, Burkina Faso, Mali, and Cameron accounted for more than 40 percent of arrivals in Italy in the first eight months of 2023, compared with around 5 percent during the same period in 2022 (Mixed Migration Centre 2023). An increase in migrants from West Africa is expected after coup leaders in Niger overturned the law that criminalizes migrant smuggling in the region (Ewokor and Hancock 2023).

Similarly, the recent conflict in Sudan created a large flow of cross-border population movements. The country is host to 3.7 million internally displaced persons and about 1.3 million refugees (mainly from South Sudan). Several Sudanese and refugees are moving to neighboring countries that are already hosting a large number of refugees.

Malawi has become a transit and sending country. Several migrants passed through Malawi on their way to South Africa in dangerous situations mainly from Ethiopia and Somalia. Just recently, the Malawi government made an agreement with Israel to send farmers (Pensulo 2023).

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Endnotes

[1] Organization of the Petroleum Exporting Countries members plus other oil-producing countries (Azerbaijan, Bahrain, Brunei Darussalam, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan).
[2] The report does not address the implications of various ongoing conflicts on remittance and migration flows, for example, the Russian invasion of Russia (which was dealt with in three previous editions of this report series), Armenia-Azerbaijan conflict, and the Israel-Gaza conflict. In all these cases, movement of people as well as money is impacted, and in the case of the latter, flows tend to go underground. Anecdotally, more than a million Russian citizens have left the country for neighboring countries. Flow of remittances to Ukraine has stopped growing according to available official data, but anecdotally flows through in-kind or hand-carry seems to be continuing.
[3] https://commonslibrary.parliament.uk/research-briefings/cbp-9568/.
For instance, Australia pioneered the concept of holding asylum seekers in offshore detention centers. Denmark has signed a similar agreement with Rwanda but has yet to send any migrants there. Israel scrapped a similar deal with Rwanda in 2018 after five years, with the Israeli Supreme Court declaring it unlawful because Rwanda had not complied with assurances it had given. Some of the implications will include less remittances send to the asylum seekers' home countries as well as implications for access to health, education and jobs of the asylum seekers.
[4] Ketkar and Ratha (2005) discuss the reasons why sovereign risk perception, especially of currency devaluation risks, may be more favorable in the case of diaspora investors than institutional investors.
[5] The "home bias" of the diaspora population is a significant determining factor in the purchase of diaspora bonds and can take many forms. From one angle, home bias is a product of patriotism, where the deeply seeded loyalty and willingness to give back to the home country drives migrant purchases of the bond. From an alternative angle, home bias drives the purchase of diaspora bonds through the migrant's perceived privileged access to information and knowledge of the domestic context, giving them an advantage in terms of their assessment of the expected returns. Lastly, the migrant's pride or desire for social acceptance outweighs the monetary incentives for acquiring the bonds (Perez-Armendariz & Burgess 2013).
[6] The interest rate Nigeria's diaspora bond issued in 2017 (with 5-year maturity) was 5.625 percent, lower than the interest rates in excess of 7 percent for sovereign bonds issued in 2017 and 2018 (Rustomjee 2018).
[7] The governance quality on part of the issuing country is an important determining factor in the successful issuance of diaspora bonds. From one perspective, the issuing country's capacity to maintain macroeconomic stability – particularly in managing inflation and sustaining sufficient solvency – act as a signaling mechanism that affects the diaspora population's perception of their origin country's capacity to repay its debts. Additionally, transparency and enforcement of the rule of law are also important. These two factors empower the migrant bondholders to monitor the fiscal and monetary policies within their home countries, greatly reducing the risks associated with the state capture of the Central Banks (Perez-Armendariz & Burgess 2013).
[8] The relationship between risk of default and rating follows an exponential curve, implying that the risk of default rises exponentially if the rating is downgraded. The risk of default jumps significantly when the rating falls below the investment grade threshold (BBB-).
[9] Ketkar and Ratha (2005) documented that banks raised more than $15 billion during 2000–05 via securitization of future remittances and diversified payment rights.
[10] Expanded data for detailed Hispanic or Latino groups now available at: https://www.bls.gov/blog/2023/expanded-data-for-detailed-hispanic-or-latino-groups-now-available.htm (BLS 2023).
[11] The numbers are dry numbers. Migration is complex but migration is very complex on migrants' welfare during the transition process. Especially accross the Darien Gap transit route.
[12] PAPSS is an African Union infrastructure developed in collaboration with the African Export-Import Bank (Afreximbank) to complement trading under the African Continental Free Trade Area (https://au-afcfta.org/operational-instruments/papss/).