Remittance trends. The growth rate of remittances to developing countries is projected to fall from 3.3 percent in 2014 to 2.0 percent in 2015. The impact of slow growth on remittance outflows measured in dollars is compounded by the valuation effects of the U.S. dollar appreciation against the currencies of remittance-source countries, especially the ruble.

Outlook. Remittances to developing countries are expected to rise by about 4 percent in 2016 and 2017, buoyed by the continuing recovery in the United States and a modest acceleration of economic activity in Europe. However, the potential for further dollar appreciation against the currencies of remittance-sending countries and the possibility of reduced remittance flows from oil-exporting countries should oil prices remain low are important downside risks to this forecast.

Remittance costs. The global average cost of sending $200 remained at about 7.7 percent in the second quarter of 2015, or approximately 2 percentage points below the level in the first quarter of 2009. Remittance costs varied significantly by region, and within region by corridor. A major risk to the downward trajectory of remittance costs arises from the closure of accounts of money transfer operators by correspondent banks due to concerns related to regulatory compliance. Addressing these concerns would require a clearer distinction between the risks associated with remittance transactions and those with other financial transactions.

Major policy changes. The recently-adopted Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development endorse improvements in migration policies, efforts to end human trafficking and promote decent labor conditions for migrant workers, reductions in the costs of remittances and recruitment, and the collection of statistics on migration disaggregated according to migratory status. The Action Agenda also addresses the issue of de-risking by banks and adverse effects of financial regulations on financial inclusion.

*Prepared by Dilip Ratha, Supriyo De, Sonia Plaza, Kirsten Schuettler, William Shaw, Hanspeter Wyss, Soonhwa Yi, and Seyed Reza Yousefi. Many thanks to Ayhan Kose for guidance and constructive comments. We also received very useful comments or contributions from the regional chief economists, Emily Rose Adeleke, Colin Bruce, Vandana Chandra, Massimo Cirasino, Carlo Corazza, Kevin Cruz, Shanta Devarajan, Allen Dennis, Xavier Devictor, Alana Fook, Indermit Gill, Juan Gutierrez, Louie Limkin, J. Humberto Lopez, Manjula Luthria, Balakrishnan Mahadevan, Jean Pesme, Anna Prokhorova, Irina Rostovtseva, and Stepan Titov.
CONTENTS

1. Remittance trends and outlook .................................................................................................................. 3
  1.1 Remittances in 2015 .............................................................................................................................. 3
  1.2 Outlook and risks .................................................................................................................................. 5

2. Trends in the cost of remittances ......................................................................................................... 6

3. Major policy changes: Sustainable Development Goals, Financing for Development, and De-risking .... 8
  3.1 The Sustainable Development Goals and Financing for Development .............................................. 8
  3.2 De-risking by commercial banks ......................................................................................................... 9

4. Recent trends in refugees and migrants in Europe .............................................................................. 11

Annex 1: Regional trends in remittances and migration issue ............................................................... 14

Bibliography .............................................................................................................................................. 24

List of figures
Figure 1: Remittance flows are larger than ODA, and more stable than private capital flows ............... 3
Figure 2: Russia’s remittances outflows are closely related to the oil price ............................................ 5
Figure 3: The cost of sending $200 has fallen ......................................................................................... 7
Figure 4: Banks remain the highest-cost of remittance service provider ................................................. 7
Figure 5: The average cost of sending $200 is highest in Sub-Saharan Africa ....................................... 8
Figure 6: First time asylum applications in EU-28 has risen sharply ..................................................... 11
Figure 7: Six countries account for the bulk of EU-28 asylum requests, January-July 2015 ................... 11
Figure 8: The number of migrants and refugees crossing into the EU more than tripled since 2011 ........ 11
Figure 9: Number of world-wide refugees is close to highest during the past quarter century ............ 12
Figure 10: Stock of refugees in Europe ..................................................................................................... 12
Figure A1. China and the Philippines - Major recipients of remittances in EAP ...................................... 14
Figure A2. Pacific Islands: Remittances are an important source of foreign exchange earnings .......... 14
Figure A3. Costs of sending $200 are the highest in Pacific Island countries .......................................... 15
Figure A4: Dependence on remittances is high in the Central Asian states .......................................... 16
Figure A5: Dependence on remittances is high in Latin America and the Caribbean ......................... 17
Figure A6: Remittance costs - lowest and highest in Latin America and the Caribbean (average cost of
  sending $200) ........................................................................................................................................... 18
Figure A7: Egypt receives the most remittances in the MENA region ................................................. 20
Figure A8: Remittances to SAR countries are large relative to GDP and international reserves ........... 21
Figure A9: Highest and lowest cost remittance corridors in South Asia ............................................... 22
Figure A10: Several African countries are highly dependent on remittances ........................................ 23

Box figure 1: Bank accounts, mobile phones and mobile money usage in India and Kenya ............... 10

List of tables
Table 1: Estimates and projections for remittance flows to developing countries .......................... 4
Table 2: Peak refugee episodes ................................................................................................................. 12
Table A1: Apprehensions of unaccompanied children fell in 2015 in the US ...................................... 19

List of boxes
Box 1: Implications of India’s new payment banks for remittances ................................................. 10
1. Remittance Trends and Outlook

1.1 Remittances in 2015

Remittance flows to developing countries are projected to rise to $435 billion in 2015, an increase of 2 percent over the previous year (figure 1 and table 1). This represents a significant deceleration in the growth rate of remittances from the rise of 3.3 percent in 2014 and of 7.1 percent per year from 2010-13.

Figure 1: Remittance flows are larger than ODA, and more stable than private capital flows

Sources: World Bank Staff calculations, World Development Indicators, OECD. Private debt includes international bonds and borrowing through commercial banks.

The slowdown was anticipated in the Migration and Development Brief 24 published six months ago. Slower growth in remittances in 2015 is largely driven by difficult economic conditions and currency depreciation against the U.S. dollar in major remittance-source countries. Global growth struggled to gather momentum in the second quarter of 2015, with slowing activity in the euro area, China and Japan, outright contractions in Brazil and Russia, and broad-based weakness across other major commodity exporters. As a result, even the modest pick-up in global growth anticipated for 2015 in the World Bank’s Global Economic Prospects (issued in June) is now unlikely to materialize.

The impact of slow growth on remittance outflows measured in dollars is compounded by the valuation effects of the U.S. dollar appreciation against the currencies of remittance-source countries. The anticipated tightening of monetary conditions in the United States, coupled with monetary expansion by other major central banks, has been associated with a significant increase in the dollar’s value since the middle of 2014. The euro fell by 19 percent against the dollar from the second quarter of 2014 to the second quarter of 2015, and the ruble by 34 percent. Ruble depreciation had a significant impact on the
The dollar value of remittances to Europe and Central Asia (where a large share of remittances to the Central Asian countries come from Russia), which is expected to fall by 18.3 percent in 2015.

Table 1: Estimates and projections for remittance flows to developing countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing countries (Growth rate, percent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>10.8</td>
<td>3.6</td>
<td>3.3</td>
<td>2.0</td>
<td>3.9</td>
<td>4.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>19.9</td>
<td>5.5</td>
<td>5.8</td>
<td>4.8</td>
<td>3.5</td>
<td>3.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>1.5</td>
<td>10.3</td>
<td>-6.6</td>
<td>-18.3</td>
<td>7.7</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2.0</td>
<td>1.7</td>
<td>5.3</td>
<td>5.2</td>
<td>3.8</td>
<td>3.9</td>
<td>4.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>18.0</td>
<td>0.0</td>
<td>3.7</td>
<td>1.6</td>
<td>2.6</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>7.6</td>
<td>0.8</td>
<td>0.4</td>
<td>0.9</td>
<td>3.3</td>
<td>3.7</td>
<td>4.7</td>
</tr>
<tr>
<td>World Low-income countries</td>
<td>8.3</td>
<td>4.9</td>
<td>3.7</td>
<td>1.3</td>
<td>3.8</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Middle-income</td>
<td>15.8</td>
<td>9.8</td>
<td>6.2</td>
<td>10.2</td>
<td>4.1</td>
<td>4.6</td>
<td>5.2</td>
</tr>
<tr>
<td>High income</td>
<td>10.7</td>
<td>3.4</td>
<td>3.2</td>
<td>1.7</td>
<td>3.9</td>
<td>4.1</td>
<td>4.7</td>
</tr>
</tbody>
</table>

($ billions)

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>2010</th>
<th>2013</th>
<th>2014</th>
<th>2015f</th>
<th>2016f</th>
<th>2017f</th>
<th>2018f</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>336</td>
<td>413</td>
<td>427</td>
<td>435</td>
<td>453</td>
<td>471</td>
<td>493</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>34</td>
<td>47</td>
<td>44</td>
<td>36</td>
<td>39</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>55</td>
<td>61</td>
<td>64</td>
<td>67</td>
<td>70</td>
<td>72</td>
<td>75</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>39</td>
<td>49</td>
<td>51</td>
<td>51</td>
<td>53</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>South Asia</td>
<td>82</td>
<td>111</td>
<td>116</td>
<td>123</td>
<td>128</td>
<td>133</td>
<td>139</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>30</td>
<td>32</td>
<td>32</td>
<td>33</td>
<td>34</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>World Low-income countries</td>
<td>457</td>
<td>560</td>
<td>580</td>
<td>588</td>
<td>610</td>
<td>635</td>
<td>665</td>
</tr>
<tr>
<td>Middle-income</td>
<td>9</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>High income</td>
<td>327</td>
<td>400</td>
<td>413</td>
<td>420</td>
<td>436</td>
<td>454</td>
<td>475</td>
</tr>
</tbody>
</table>

*Developing countries (2010-2015 income classification)*

Memo: Developing countries (2010-2015 income classification)*

*$ This group includes countries classified as "developing countries" at any time during 2010-2015. Nine Upper Middle Income countries in 2010 are classified as High Income countries in 2015, and therefore, are no longer considered as developing countries. These countries are Antigua and Barbuda, Argentina, Chile, Lithuania, Russian Federation, Seychelles, St. Kitts and Nevis, Uruguay, and Venezuela. The group also includes Hungary which was classified as upper middle income in 2013 and 2014, and Latvia, which was in the same category in 2011 and 2012.

The depreciation of the euro in 2015 contributed to the projected 2 percentage point decline in the growth rate of remittances in dollar terms to the Middle East and North Africa, where countries receive substantial remittances from Europe. Euro depreciation also affected remittances to Latin America and the Caribbean and to Sub-Saharan Africa, albeit to a more limited extent. The euro depreciated by 19 percent against the dollar from the second quarter of 2014 to the second quarter of 2015, when remittances to Albania fell by 2.5 percent and to Morocco by 13.9 percent, while remittances to Romania rose by 1.9 percent.2 If the euro-dollar exchange rate had remained fixed at the level of the first quarter...
of 2014, then remittances would have increased by 21 per cent, 6.9 per cent and 26.4 per cent for Albania, Morocco and Romania, respectively.

Figure 2: Russia’s remittances outflows are closely related to the oil price

<table>
<thead>
<tr>
<th>Year</th>
<th>Remittances ($ bil, left scale)</th>
<th>Oil Price ($/bbl, right scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1996</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>1998</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>2000</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2002</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>2004</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>2006</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>2008</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>2010</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>2012</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2014</td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>

Sources: Remittance data are from IMF Balance of Payments Statistics. Oil price is the average crude oil price from World Bank Commodity Price data.

Oil prices fell below $46/bbl in August, to their lowest level since the 2008 crisis, driven by high levels of production from the U.S. shale oil industry and OPEC, the anticipated rise in Iranian oil exports if the agreement over its nuclear program is ratified, and slowing demand, particularly in China. The sharp decline in oil prices contributed to a reduction in economic activity in Russia, which accounts for over 60 percent of remittances receipts to the Kyrgyz Republic, Tajikistan and Armenia (figure 2 shows the relationship between oil prices and remittances outflows from Russia). However, remittance outflows from the major oil-exporting countries of the GCC continued to grow, as the GCC countries have used their substantial reserves to maintain spending levels, and also because the GCC currencies are linked to the US dollar.

The slowdown in remittances was driven by receipts in middle-income countries (which account for 96 percent of developing countries’ remittances receipts), where the growth rate of remittances was expected to fall from 3.2 percent in 2014 to 1.7 percent in 2015, despite more rapid growth in remittances to India (2.5 percent in 2015 compared to 0.6 percent in 2014), the largest receiver of remittances among developing countries. Remittances to low-income countries are expected to rise by 10.2 percent, 4 percentage points higher than in 2014, in part due to the rise in remittances to Nepal following the earthquake in April and May. Among geographical regions, South Asia achieved the most rapid growth rate of remittances, a projected 5.7 percent in 2015. Remittances to East Asia and the Pacific, and to Latin America and the Caribbean, are expected to rise by around 5 percent, while remittances to the Middle East and North Africa, as well as Sub-Saharan Africa, are expected to increase at a slower pace. The dollar value of remittances to Europe and Central Asia has declined dramatically, mainly because of sharp depreciation of the ruble against the dollar (see above).

1.2 Outlook and risks

In line with the forecasts prepared for the World Bank’s Global Economic Prospects, the growth rate of remittances to developing countries is projected to rise to about 4 percent over the next two years, or nearly twice the growth rate anticipated for 2015. The U.S. recovery is expected to continue, growth is
projected to rise somewhat in the euro area and Japan, and Russian GDP may rise slightly after the expected sharp decline in 2015. Moreover, the U.S. dollar exchange rates of remittance-source countries are expected to stabilize, removing an important driver of slow growth in dollar-denominated remittances during 2015.

Europe and Central Asia would enjoy the largest improvement in the growth rate of remittances among geographic regions, a projected increase of 7.7 percent in 2016 compared to an expected decline of 18.3 percent in 2015, as economic conditions in Russia improve. Remittances to Sub-Saharan Africa and the Middle East and North Africa are also projected to accelerate in 2016 and 2017, as the dollar value of remittances from Europe is no longer depressed by euro depreciation against the dollar. The growth rate of remittances to East Asia and the Pacific is forecast to decline in 2016, largely due to the weak outlook for remittance inflows to China, while the growth of remittances to South Asia is also expected to slow slightly. Finally, remittances to Latin America and the Caribbean are projected to continue to rise by just under 4 percent a year, as GDP growth in the United States remains roughly at the 2015 pace.

The major downside risks to the forecast concern the evolution of GDP in the major remittance-source countries and the outlook for the price of oil. Growth in the United States could be disrupted by a possible rise in volatility around monetary policy normalization, while further dollar appreciation could slow the U.S. economy more than expected. In Europe, underlying weaknesses and legacies from the global financial and euro area crises have yet to be fully resolved, and the potential remains for renewed economic and financial stress in the periphery countries. Slower growth in the United States or Europe would have an important impact on labor markets, and thus the earnings of migrants from developing countries. Remittance receipts in Latin America and the Caribbean are particularly dependent on the U.S. recovery, and remittances to the Middle East and North Africa, as well as Sub-Saharan Africa, are particularly dependent on Europe.

Oil prices are expected to increase from recent levels, although the average price in 2016 is projected to remain well below 2014 levels. A further decline in oil prices would place greater pressure on the GCC countries to cut expenditures and also could reduce remittances flows from Russia, which could significantly slow the growth of remittance receipts in Central Asia, the Middle East and North Africa, East Asia and the Pacific, and South Asia.

2. Trends in the cost of remittances

According to Remittance Prices Worldwide (RPW), the global average cost of sending remittances (including all fees and charges) was 7.68 percent in second quarter of 2015, remaining essentially stable compared to the previous quarter when the average was 7.72 percent, and below 8 percent for the fourth consecutive quarter (see figure 3). This represents a decline of approximately 2 percentage points since the level of 9.67 percent in the first quarter of 2009. Average costs remain far above the targets in recent documents prepared for the Sustainable Development Goals (see below).

Over the same period, the International Money Transfer Operators (MTO) Index, which tracks the prices of money transfer organizations that are present in at least 85 percent of corridors covered in the RPW database, experienced a decline of 2.2 percentage points, from 10.5 percent in the first quarter of 2009 to 8.2 percent in the second quarter of 2015.
Figure 3: The cost of sending $200 has fallen

Source: Remittance Prices Worldwide, the World Bank

Costs also vary by the type of remittance service provider (RSP) used to make the transfer. Despite considerable declines in the cost of transferring money through commercial banks in recent years, banks remain by far the most expensive RSP type, with an average cost of 11 percent in the second quarter of 2015 (figure 4). Transfers done through money transfer operators (MTOs) and post offices tend to be much cheaper and were recorded to cost, on average, 6.6 percent and 5.1 percent of the amount sent, respectively, in the second quarter of 2015.

Figure 4: Banks remain the highest-cost of remittance service provider

Source: Remittance Prices Worldwide, the World Bank

The cost of sending remittances varies quite significantly among regions: the average cost of sending $200 in the second quarter of 2015 was the lowest in South Asia (5.7 percent), which represents a marginal decline from the previous quarter (figure 5). The cost of sending remittances declined in all regions during the last quarter, with the notable exception of the Latin America and Caribbean region (LAC) region, where costs rose from 6.1 to 6.8 percent. Despite declines in the recent quarter, the average cost of sending $200 still exceeds 8 percent in East Asia and Pacific (EAP) and the Middle East and North Africa (MENA). Although Sub-Saharan Africa (SSA) experienced the largest decline in costs among developing regions in
the last year – from 11.55 in the second quarter of 2014 to 9.74 in second quarter 2015, it remains the most costly region in the world to send remittances to.

Figure 5: The average cost of sending $200 is highest in Sub-Saharan Africa

<table>
<thead>
<tr>
<th>Region</th>
<th>Q2 2014</th>
<th>Q2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Average</td>
<td>8.1</td>
<td>7.7</td>
</tr>
<tr>
<td>SAR</td>
<td>6.5</td>
<td>5.7</td>
</tr>
<tr>
<td>LAC</td>
<td>6.8</td>
<td>6.0</td>
</tr>
<tr>
<td>ECA</td>
<td>8.4</td>
<td>8.1</td>
</tr>
<tr>
<td>EAP</td>
<td>8.3</td>
<td>8.2</td>
</tr>
<tr>
<td>MENA</td>
<td>11.6</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Source: Remittance Prices Worldwide, the World Bank.

3. Major policy changes: Sustainable Development Goals, Financing for Development, and De-risking

Recent, important policy changes include the integration of migration and remittance issues into the post-2015 Sustainable Development Goals (SDGs), which will serve as the yardstick for progress in development for the next 15 years, and the growing trend towards de-risking by commercial banks that could increase remittances costs and reduce access to formal remittances channels.

3.1 The Sustainable Development Goals and Financing for Development

Migration and remittances are included as development goals in the outcome document of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and in the outcome document “Transforming our world: the 2030 Agenda for Sustainable Development.”

The Addis Ababa Action Agenda (4A) expresses a commitment to cooperate internationally to ensure safe, orderly and regular migration with full respect for human rights; to end human trafficking; to increase the number of scholarships available to students in developing countries and ensure that migrant and refugee children are reached by quality education; to increase the portability of earned benefits and the recognition of qualifications and skills; to lower the costs of recruitment; to protect the human rights and fundamental freedoms of all migrants, regardless of status; and to implement social communication strategies to combat xenophobia, facilitate social integration and protect human rights.

Particular attention is given to remittances. The 4A includes commitments to ensure that adequate and affordable financial services are available to migrants and their families, and to promote financial inclusion and literacy; to reduce average transaction costs to less than 3 percent of the amount transmitted, with no corridor having average costs higher than 5 percent; to address obstacles to flows of remittances, including banks withdrawing services and obstacles to non-bank remittance service providers, while
mitigating the potential impact of the anti-money laundering and the combating financing of terrorism standards on access to financial services; to promote cheaper, faster and safer transfers, including by promoting competition, transparency and the use of new technology; and to improve data collection.

The Sustainable Development Goals include explicit targets to ensure safe, orderly and regular migration, including through well-managed migration policies (10.7); efforts to end human trafficking (5.2; 8.7; and 16.2) and promote decent labor conditions for migrant workers, including women migrants (8.8); reductions in the costs of remittance transfers (10.c); and the collection of statistics on migration disaggregated according to migratory status (17.18).

### 3.2 De-risking by commercial banks

The closure of correspondent relationships with commercial banks due to concerns related to regulatory compliance (referred to as “de-risking”) threatens the sustainability of business transactions by many money transfer operators (MTOs). The extent of de-risking and how many remittances transactions could be affected is unclear, although anecdotal reports over the past few years have indicated that de-risking is having a significant, negative impact on remittance services providers.

The World Bank is coordinating two surveys in order to collect data and verify the extent of de-risking, its key drivers, most affected sectors, and identify effective policy responses:

- A survey on correspondent banking relationships (CBRs), in coordination with the Financial Stability Board (FSB) and Committee on Payments and Market Infrastructures (CPMI)
- A survey on money transfer operator (MTO) account access, at the request of G20 Global Partnership for Financial Inclusion (GPFI) and Development Working Group (DWG)

Preliminary data from the CBR survey (which is still in progress) shows a decline in the number of correspondent banking relationships in some areas – not an overall or systemic wave of retrenchment. Thus far, all respondents mentioned both anti-money laundering and sanctions regimes and profitability/cost as factors in the decline of CBRs; higher capital and liquidity requirements were also frequently mentioned. The services most affected include US dollar international wire transfers and check clearing. At this stage of the survey it is premature to conclude whether policy intervention is necessary – notably because more information is needed on whether alternatives are found and, if so, at what cost and with what impact on overall transparency.

The MTO survey indicates that account closures for MTOs have become more pronounced over the last few years in some countries (including Australia, Canada, Germany, France, Italy, Mexico, the UK, and the United States). The data points to three primary drivers for MTO account closure: (1) banks fear increased scrutiny by supervisory authorities; (2) the profitability of providing these services has fallen; and (3) banks consider the reputational risks to be high. Banks perceived MTOs as high risk since not all MTOs have a good system of risk management.

Based on the survey results, three suggestions to help mitigate de-risking of MTOs have been proposed:

1. a clearer distinction between the risks associated with remittances and those of other financial flows;
2. a genuine implementation of a risk-based approach by banks when dealing with money transfer operators, although this is difficult due to the high compliance costs (Commonwealth Forum Report 2015);
3. a more effective risk-based, proportionate supervision by authorities to reduce the burden on banks to perform this role.
Box 1: Implications of India’s new payment banks for remittances

More than half of India’s population lack formal bank accounts, and the vast majority of villages lack last mile banking services. One result is that an estimated 70 percent of total domestic remittances are transmitted through informal channels (Tumbe, 2011). Mobile phone operators have achieved much greater penetration: half of persons surveyed had access to a mobile phone, compared to only a quarter with an active bank account. However, such entities cannot directly provide appropriate financial services, including remittances, due to regulatory constraints. Thus, mobile money usage is only 0.3 percent overall and 1.3 percent for Delhi, the state with the highest usage. By contrast, in Kenya only about one-fifth of those surveyed had active bank accounts, but some three-quarters used mobile phones to transfer money.

Box figure 1: Bank accounts, mobile phones and mobile money usage in India and Kenya

![Bar chart showing active bank account holders, mobile phone ownership, and mobile money use in India and Kenya]

The decision by the Reserve Bank of India to grant ‘in principle’ approval for 11 entities to set up payments banks, which would be directed at small savers in underserved (largely rural) markets, could help transform the rural remittances market. These banks would be subject to regulatory requirements that limit credit risk (75 percent of deposit balances are to be in eligible government securities or treasury bills, while loans, credit card issuance, and acceptance of non-resident Indian deposits are prohibited) but would be subject to lighter prudential norms (minimum paid up capital of Rupees 1 billion, or about $15 million, compared to five times that amount for universal banks). The payments banks would have simplified Know-Your-Customer (KYC)/Anti Money Laundering (AML)/ Countering Financing of Terrorism (CFT) norms commensurate with the small accounts and bottom of the pyramid customers they are expected to handle (RBI 2014, Deloitte 2014). The payments banks are permitted to provide remittance services, including through mobile telephones, and many of the approved entities are mobile operators.

The entry of new players is likely to increase competition, lower remittance costs, and extend the formal market for remittances. Currently, post office money orders cost about 6.4 percent, hawala channels around 4.6 percent, and banks 3 percent of the money transferred (IFMR CFM 2010). The extension of banking services and mobile money transfer to rural areas could thus significantly reduce remittances costs in rural areas. Channeling government subsidy payments and other benefits (e.g. pensions and rural work program payments) electronically and through these new entities would encourage greater investments in banking services in rural areas, adoption of complementary systems by commercial establishments (such as POS machines) on a wider scale, and help formalize much of India’s rural payment systems.

Sources: Reserve Bank of India, Deloitte Tohmatsu Touche, IFMR Center for Micro-Finance.

At this stage there are mixed signals as to whether de-risking will increase or decrease in the near future. Most national authorities are not currently monitoring the phenomenon adequately – and efforts should be prioritized on a national level to do so. Overall there is a need to achieve progress on the overall architecture for risk perception, allocation, and management, in order to move beyond what appears at the moment as an impasse. It is clear there are different perspectives among governments, banks and MTOs on the risks and vulnerabilities. Increased communication and outreach on supervisory practices...
and actions, particularly in the case of MTOs, could further contribute to more differentiated risk decision making by banks.

A noteworthy development in the efforts to provide remittance and other financial services to underserved communities is the recent decision by the Reserve Bank of India to grant ‘in principle’ approval for 11 entities to set up payments banks (box 1). These banks, directed at small savers in largely rural areas, could transform the rural remittances market.

4. Recent Trends in Refugees and Migrants in Europe

Over 500,000 refugees and migrants have been recorded this year (as of August) at EU’s external borders—a record high of 156,000 people registered in August alone, according to Frontex. By comparison, 280,000 refugees and migrants were recorded in 2014. The number of first-time asylum seekers in the EU-28 is now rising rapidly (figure 6).\textsuperscript{10,11} Six European countries (Germany, Hungary, Italy, France, Austria and Sweden) received 83 percent of all EU-28 requests by asylum seekers in the first seven months of 2015 (figure 7).

**Figure 6: First time asylum applications in EU-28 has risen sharply**

![Graph showing the increase in first-time asylum applications in EU-28 from January 2014 to July 2015.](image1)

Source: Eurostat

**Figure 7: Six countries account for the bulk of EU-28 asylum requests, January-July 2015**

![Pie chart showing the distribution of first-time asylum requests by country for January-July 2015.](image2)

Source: Eurostat

**Figure 8: The number of migrants and refugees crossing into the EU more than tripled since 2011**

![Graph showing the increase in the number of migrants and refugees crossing into the EU from 2011 to 2015.](image3)

Source: Frontex, as of August 2015
Three-quarters of those who reached Europe via Italy or Greece by August 2015 are from Syria (182,085), Afghanistan (50,177), Eritrea (30,708) and Iraq (9,059). More people crossed via the Eastern Mediterranean route in 2015 (70 percent), arriving in Greece from Turkey and then continuing over land through the Western Balkans, than via the Central Mediterranean route through Italy (28 percent) (figure 8).

A historical perspective

Refugees equal 19.5 million or less than 8 percent of the total of more than 250 million international migrants, and 0.2 percent of the global population. Excluding Palestinian refugees, the number of refugees in 2014 was 14.4 million. The number of Syrian refugees has reached 3.8 million, the largest currently, but it is lower than the high of 5.6 million Afghan refugees in 1989 (table 2). The largest origin countries for refugees during the last 25 years were Afghanistan, Ethiopia, Rwanda, Mozambique and Somalia.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of refugees, * million)</td>
<td>14.7 mn</td>
<td>17.8 mn</td>
<td>15.7 mn</td>
<td>14.4 mn</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>5.6</td>
<td>Afghanistan</td>
<td>4.5</td>
<td>Afghanistan</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1.4</td>
<td>Iraq</td>
<td>1.3</td>
<td>Rwanda</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1.1</td>
<td>Mozambique</td>
<td>1.3</td>
<td>Liberia</td>
</tr>
</tbody>
</table>

*Excluding Palestinian refugees (5.1 million in 2014)

Source: UNHCR

The vast majority of international refugees remain in countries close to their origin country. Around 86 percent of refugees worldwide are hosted by developing countries. In 2014, the top 10 host countries for refugees were all developing countries: in descending order, and excluding Palestinian refugees, Turkey, Pakistan, Lebanon, Iran, Ethiopia, Jordan, Kenya, Chad, Uganda, and China.

Figure 9 : Number of world-wide refugees is close to highest during the past quarter century

Figure 10 : Stock of refugees in Europe

Source: UNHCR. Data on asylum seekers are available since the year 2000; chart does not include the 5.1 million Palestinian refugees (2014) UNRWA provides with assistance and protection.
The number of refugees increased from the 1950s (after the refugees involved in the huge population transfers that followed War II were resettled) until the peak of 17.8 million persons following the collapse of the Soviet Union. The number of refugees then diminished, but has shot up again in the past couple of years (figures 9 and 10).

The number of Syrian refugees in Turkey, Lebanon and Jordan is eight times higher than those in all European countries together (0.4 million Syrian refugees in 2014). As of August 2015, Turkey had 1.9 million Syrian refugees (2.5 percent of population), Lebanon 1.1 million (35 percent of population) and Jordan 0.6 million (41 percent of population), according to the UNHCR.¹³
Annex 1: Regional trends in migration and remittance flows

The growth of remittances to East Asia and the Pacific is expected to slow

Remittance trends. The growth rate of remittances to the EAP region, which accounts for about one-third of remittances to developing countries, is projected to fall to 4.8 percent in 2015, down from 5.8 percent in 2014. Remittances to China, which accounts for about half the regional total (figure A1), are expected to decelerate sharply, although the Philippines (almost a quarter of regional remittances) is expected to see a continued expansion in remittances after the 6 percent rise in 2014. The slowing of remittances growth in dollar terms in part reflects the depreciation of the currencies of remittance-sending countries against the dollar, coupled with efforts to comply with anti-money laundering/combating the financing of terrorism (AML/CFT) regulations. Remittances are important sources of foreign exchange earnings (particularly in the Pacific Islands—figure A2), cushioning shortfalls in goods trade from waning global demand (for example, in the Philippines and Samoa); and remittances continue to underpin economic growth through supporting private consumption and housing markets (for example, in Vietnam).

Figure A1. China and the Philippines - Major recipients of remittances in EAP

Figure A2. Pacific Islands: Remittances are an important source of foreign exchange earnings

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

Some countries in the region have seen rising remittances in recent months. In spite of gradually declining migrant outflows, Indonesia enjoyed a stellar 15 percent increase in remittances during the first half of 2015 (year-on-year), benefiting from the greater availability of various money transfer modes. Remittances to Samoa were 14 percent higher during the first half of 2015 compared with the same period in 2014, on the back of increased employment in New Zealand and Australia. Remittances to the Philippines accelerated in recent months, amounting to $15.7 billion during the first seven months of 2015, up by 4.6 percent from the first seven months of 2014. Nonetheless, this expansion is slower than during the corresponding period in 2014, suggesting adverse impacts of the closure of money transfer operators’ bank accounts by Australia, the United States, and the UK. Myanmar appears to be receiving large remittances through informal channels: while official estimates are that Myanmar will receive only $118 million in remittances in 2015, the Ministry of Labor, Employment and Social Security suggests that remittances total about $8 billion annually.
The growth rate of remittances to the EAP region is forecast to decline by about one percentage point in 2016, and remain at 3.5 percent in the following year. Upside risks to the regional forecast include a stronger-than-expected rebound of the euro area and higher demand for EAP workers in the United States. Downside risks include weak local currencies of EAP remittance-sending countries against the US dollar, prolonged low oil prices dampening labor demand from the GCC countries, stronger impact of tighter labor migration policies in Malaysia and Singapore, and the Philippine authorities’ tighter scrutiny of deployment to protect domestic helpers (the deployment of Filipino domestic helpers fell by 20 percent during the first five months of 2015 compared to the same period in the previous year).

Remittance costs. Despite global efforts to reduce remittance costs to below 5 percent, the average cost to send $200 to the EAP region has remained around 8 percent, recorded at 8.11 percent in the second quarter of 2015. The cost of sending $200 from Australia and New Zealand to remittance-dependent Pacific Island countries averaged about 11.5 percent, compared to 5.9 percent for Filipino workers (and only 3 percent for remittances from Malaysia, Singapore and United Arab Emirates—see figure A3), due to strong competition among banks and MTOs in the corridor and the large number of Filipinos abroad.

*Figure A3: Costs of sending $200 are the highest in Pacific Island countries*

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>To the Philippines</th>
<th>To Pacific Islands</th>
<th>To Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>3</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Singapore</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Spain</td>
<td>5</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>United States</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Australia</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Qatar</td>
<td>11</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>New Zealand</td>
<td>11</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Japan</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Remittance Prices Worldwide, the World Bank.

Migration topics. Efforts are underway to facilitate easier, safer labor migration. The Thailand Overseas Employment Administration established branches in 10 provinces to process overseas job placements, in order to curb practices by illegal recruitment agencies. The Labor Ministry reported that this resulted in a reduction in recruitment costs of Bt 226 billion ($6 billion) in total, for example halving the cost of obtaining a job in Taiwan. A private sector-led group in the Philippines aims to lower recruitment costs incurred by workers, by making overseas job information available free on a user-friendly website. On the migrant-receiving country side, Hong Kong announced new measures to attract Chinese/foreign talents and Chinese/Hong Kong diaspora, e.g., the Quality Migrant Admission Scheme (a points-based test) to allow foreign talents to reside in Hong Kong without securing employment prior to their entry.

Ongoing irregular migration, including Rohingya migrants from Myanmar, in the Southeast Asia region calls for urgent action by the Association of Southeast Asian Nations to establish a common framework to address broader irregular migration challenges, and in particular to limit exploitation and abuse of migrants.
Remittances are expected to decline in Europe and Central Asia

Remittances trends. Remittances to developing countries in ECA fell by 6.6 percent in 2014 and are expected to decline by 18.3 percent in 2015. Remittances are expected to increase by 7.7 percent in 2016. The largest drops in remittances are projected for Uzbekistan (-59.3 percent), Turkmenistan (-56.4 percent), and Kyrgyz Republic (-22.4 percent). The decline in remittances to Central Asian countries reflects their strong dependency on Russia, by the depreciation of the ruble coupled with an economic downturn. Remittances are projected to rise in 2015 for only one ECA country, namely Bulgaria (by 4.0 percent). Ukraine and Tajikistan are still leading the ECA countries in terms of absolute volume of remittances and as a percentage of GDP, respectively (figure A4).

Figure A4: Dependence on remittances is high in the Central Asian states

Remittance costs. Remittance costs for ECA countries decreased marginally, from 6.1 percent in the first quarter of 2015 to 6.0 percent in the second quarter, and by 0.4 percentage points on a year-on-year basis. Excluding the relatively low-cost corridors from Russia, ECA’s average remittances costs would be 7.2 percent.

Migration topics. The Federal Migration Service of the Russian Federation (FMS) reports a migrant stock of 11.1 million foreign citizens staying in Russia as of 2 July 2015, suggesting a mild increase of 1.4 percent during the first half of the year. This increase is explained more by seasonal factors (migration tends to rise during the summer) than by recovery from the downward trend in the number of migrants, as the year-on-year evolution still shows a 2.5 percent drop. The Russian Federation received an estimated 275,000 applications for asylum in 2014, and was the world’s largest recipient of new individual applications, followed by Germany (173,100), and the United States (121, 200).

The number of migrants from Armenia, Belarus and Kazakhstan increased in the first half of 2015 by 10.9 percent, 9.7 percent and 16.2 percent respectively, and from the Kyrgyz Republic, Moldova and Uzbekistan decreased by 4.6 percent, 2.3 percent, and 2.7 percent respectively. While migration from Tajikistan appears to have stabilized (the number of migrants from Tajikistan increased by 0.16 percent in
the first half of 2015), the number of Tajik migrants in Russia remains 15 percent below the July 2014 level.

As of July 2015, an unprecedented 2.63 million Ukrainian citizens were staying in Russia, 41.1 percent higher than in the first half of 2014 (the rise in immigration was particularly large in the second half of 2014). Over 1 million Ukrainians come from the conflict-ridden southeastern territories of Ukraine. Over 570 thousand of these migrants were granted asylum status, which allows them to stay and work in Russia for more than one year without any additional work authorization. In addition, more than 100 thousand people have participated in the Russian Federal Program for the Return of Compatriots.\(^1\)

The Russian Federal State Statistics Service (Rosstat) estimates Russia’s population at 146.3 million people in June 2015, an increase of 13.7 thousand people in the first half of the year. Migration makes an important contribution to population growth in Russia, compensating for the natural decrease in the population. In January-May 2015, over 79 thousand migrants came to Russia, or 21 percent larger than the decline in the resident population. Members of the Commonwealth of Independent States (CIS) accounted for 99 percent of net migration into Russia from January to May 2015.

**Remittances to Latin America and the Caribbean are expected to rise**

*Remittance trends*. Officially recorded remittance flows to the Latin America and the Caribbean region are expected to reach $67.2 billion in 2015, a growth of 5.2 percent over the previous year. This growth rate is almost the same as in 2014, but significantly higher than in 2013. Growth in remittances is projected to moderate to around 4 percent in 2016 and 2017. Remittances to the region were supported by a recovering economy and improving labor market in the United States, but were restrained by a fragile recovery in Europe (Spain hosts one-tenth of all migrants from the LAC region). Mexico receives the largest amount of remittances in the region, but remittances are highest compared to GDP in the Caribbean and Central America (figure A5).

![Figure A5: Dependence on remittances is high in Latin America and the Caribbean](image)

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

The monthly data indicate the importance of economic conditions in the U.S. economy for remittances in the region. During the first eight months of this year, the U.S. recovery was accompanied by a rise of 6 percent in remittances to Mexico,\(^{22}\) 12 percent in Guatemala, 8 percent in Colombia, and 3 percent in
Nicaragua, although only 1 percent in El Salvador, compared to the same period in 2014. Remittances to Honduras surged by 17 percent in the first quarter. Remittances are also projected to increase in Brazil, Bolivia, and Paraguay in 2015, but decline in Ecuador by 1.6 percent due to the depreciation of the euro with respect to the dollar, since many Ecuadorians live in Spain and Italy.

**Remittance costs.** According to Remittance Prices Worldwide, the United States experienced the largest increase among G8 countries in the price of sending remittances in the second quarter of 2015. In Latin America, which accounts for 37 percent of U.S. remittance outflows, the cost of remittance transfers rose from 6.1 percent in the first quarter of 2015 to 6.8 percent in the second quarter. The cost of sending money from Spain to Latin America also increased in the second quarter of 2015. Although there was an expansion of remittance service providers (mainly internet-based products), the closing of bank accounts of small transfer operators appears to be having an impact on prices.

**Figure A6: Remittance costs - lowest and highest in Latin America and the Caribbean (average cost of sending $200)**

In many smaller remittance corridors, however, costs continue to be exorbitant. For example, the cost of sending money in the Canada-Haiti and the Dominican Republic-Haiti corridors exceeds 12 percent. Sending money from Japan to Brazil and Peru is also expensive (see figure A6).

Renewed efforts to tighten the regulations governing remittance transfers appears to be resulting in the closure of bank accounts of money transfer operators, thus raising remittances costs. El Salvador just approved a new regulation where all money transfer operators will be regulated by the Superintendency of Banking. The cost of compliance with regulations to prevent money laundering and terrorist financing also appears to contribute to the increase in prices, since money transfer operators are passing the costs to customers.

**Migration topics.** According to the data from US Customs and Border Protection, apprehensions of unaccompanied children from Central America trying to cross into Texas increased during the last months of 2013 and in 2014. However, the number of apprehensions of unaccompanied children more than halved in fiscal year 2015 (Table A1). The majority of the children detained are from El Salvador, Guatemala and Honduras.
Table A1: Apprehensions of unaccompanied children fell in 2015 in the US

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>El Salvador</td>
<td>1,121</td>
<td>1,910</td>
<td>1,394</td>
<td>3,314</td>
<td>5,990</td>
<td>16,404</td>
<td>6,669</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1,115</td>
<td>1,517</td>
<td>1,565</td>
<td>3,835</td>
<td>8,068</td>
<td>17,057</td>
<td>10,756</td>
</tr>
<tr>
<td>Honduras</td>
<td>968</td>
<td>1,017</td>
<td>974</td>
<td>2,997</td>
<td>6,747</td>
<td>18,244</td>
<td>3,838</td>
</tr>
<tr>
<td>Mexico</td>
<td>16,114</td>
<td>13,724</td>
<td>11,768</td>
<td>13,974</td>
<td>17,240</td>
<td>15,634</td>
<td>9,146</td>
</tr>
</tbody>
</table>

Source: US Customs and Border Protection

There are four main explanations for the surge in the number of unaccompanied children in 2013-14:25 a) the implementation of the Deferred Action for Child Arrivals (DACA) Act starting in June 2012 raised hopes that children would have access to work permits and social security; b) the increase in violence in countries of origin; c) the delay of immigration reform in the United States and in the family reunification process; and d) a misperception that children will be granted authorization to remain in the United States, as the 2008 US immigration law allowed unaccompanied children from non-border countries to have a hearing to review their request for asylum, at a minimum delaying their deportation until their court appearance. In addition, mothers and children are increasingly making requests for asylum on the grounds that they face domestic violence in their countries of origin. The motives for migration of recent unaccompanied minors are similar to the motives of other unaccompanied minors who move for economic and security reasons around the world.

The reduction in the crossing of the border of unaccompanied children in 2015 is attributed to the enforcement measures by Mexico and the United States, and the communication campaign to explain that children will not get automatic permission to stay. Nevertheless, only 5 percent of the unaccompanied children who have entered the United States have been returned to their countries of origin.

**Remittances to Middle East and North Africa are expected to increase, but at a slower pace than in 2014**

**Remittance trends.** Remittances to the MENA region are expected to grow by 1.6 percent in 2015, to $51.5 billion. Remittances to Mashreq countries (Egypt, Jordan and Yemen), that receive over 70 percent of their remittances from the GCC, do not appear to have been negatively affected by the fall in oil prices. For example, remittances to Egypt, the largest receiver of remittances in the MENA region (figure A7), are projected to rise by 4.2 percent in 2015. Despite falling oil prices in the second half of 2014, remittance outflows from the GCC continued to grow as the GCC countries used their fiscal buffers to maintain their spending. This trend is expected to continue, as fiscal adjustment is likely to be slow in Saudi Arabia, UAE, and Kuwait where the majority of the migrants from the MENA region reside. Nationalization policies are also not likely to have an impact on the job prospects for migrants, at least in the short term. However, remittances could decline if the reduction in government spending with lower oil revenues is sharper than predicted or a remittance tax is implemented, as recently discussed in UAE, Kuwait and Oman.
Remittances to Maghreb countries (Algeria, Morocco and Tunisia) are projected to decline in US dollar terms in 2015 due to the depreciation of the euro against the dollar (these countries receive around 90 percent of their remittances in euros). For Morocco, for example, the latest Central Bank data show a rise of 5.4 percent in remittances so far this year in dirham, but a fall of 11 percent in dollars.

**Remittance costs.** The cost of sending remittances to the MENA region remains higher than the global average, according to the Remittance Prices Worldwide (RPW) database. The average cost remained roughly stable in the second quarter of this year, at just over 8 percent. The cost of remittance transfers for sending money from various OECD countries to Lebanon, from Germany to Morocco, and from France to Algeria exceeds 10 percent, mainly due to high costs charged by most commercial banks in these corridors. The average cost of sending money from Saudi Arabia and UAE is only between 3-5 percent.

**Migration topics.** The number of refugees and internally displaced persons from the MENA region is expected to rise to more than 19 million in 2015. More than 4 million refugees have fled from Syria, and more than 360,000 from Iraq. The vast majority of refugees that cross borders are hosted by neighboring countries, with Turkey, Lebanon and Jordan among the 6 major refugee-receiving countries worldwide. Tunisia also hosts a large number of refugees from Libya. As tighter entry rules were imposed in neighboring countries, the situation for refugees already in those countries worsened, and given that returning was not an option, more and more Syrians fled (and continue to) to Europe (see main text).

Around 14 million people are internally displaced in the MENA region, according to the Internal Displacement Monitoring Centre (IDMC). Syria (7.6 million) and Iraq (4 million) are the first and third countries with the highest number of IDPs worldwide. At least 434,000 people are displaced through conflict in Libya. There were 330,000 IDPs in Yemen at the end of 2014, but due to the recent conflict the number has risen to nearly 1.5 million this year.27

**Remittances to South Asia Region (SAR) are expected to accelerate in 2015**

**Remittance trends.** Remittances to the SAR are expected to rise by 5.7 percent in 2015, compared to 4.5 percent in 2014. Remittances to India, the region’s largest economy and the world’s largest remittance recipient, are projected to increase by 2.5 percent in 2015, below the regional average but well above the 0.6 percent increase in 2014. Stronger remittance growth in India reflects improving economic prospects.
in the United States and continued fiscally-supported economic resilience in the GCC countries. (According to the Reserve Bank of India, about 35 percent of remittances to India originate in North America, and another 35 percent in the GCC countries). The rise in regional remittances also reflects continued strong growth in remittances to Pakistan (a 17.8 percent increase in 2015 compared to 16.7 in 2014) and a dramatic rise in remittances to Nepal in response to the earthquake (projected at 14.3 percent in 2015 versus 5.2 percent in 2014). According to Nepal’s central bank, the average daily remittance rate surged by over 30 percent following the earthquake (14th April to 14th May compared to the previous 30 days). Remittances are extremely important to several countries in the region: remittances to Pakistan, Sri Lanka, Nepal and Bangladesh exceeded 6 percent of GDP and 60 percent of reserves in 2014 (figure A8).

Remittances to the SAR are growing despite concerns that lower oil prices might dampen remittance flows from GCC countries. For example, remittances to Pakistan (which receives over 60 percent of its remittances from GCC countries) from Saudi Arabia and the UAE grew by 19.6 percent and 34.4 percent, respectively, in the first 11 months of the Pakistani fiscal year 2014-15 (compared to the same period in the previous year). However, if lower oil prices persist, and economic activity in GCC countries declines and their fiscal buffers are exhausted, outward remittances from these countries may eventually decline.

Figure A8: Remittances to SAR countries are large relative to GDP and international reserves

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

The recent depreciation of the Indian rupee may have boosted investment-oriented remittances to India. Nevertheless, the regional growth rate of remittances is projected to moderate to about 4 percent over the next two years, in part because remittances to Nepal and Pakistan are expected to decelerate after the large inflows following the earthquake, while lower oil prices may reduce remittance inflows from the GCC countries eventually.
Figure A9: Highest- and lowest cost remittance corridors in South Asia

Source: Remittance Prices Worldwide, World Bank

Remittance costs. The average cost of sending $200 in the second quarter of 2015 was 5.7 percent, a marginal decline from the previous quarter and the lowest rate among the developing regions. The three lowest-cost corridors (Saudi Arabia-Pakistan, Singapore-Bangladesh, and UAE-Pakistan) in South Asia all have costs below 3 percent. However, the three highest cost corridors (Singapore-Pakistan, Switzerland-Sri Lanka, and Japan-India) have costs well above 10 percent (figure A9). This difference may be due partly to low volumes, lack of competition in the remittance markets in some sending countries, and policy rigidities that limit competition in some market segments. It is hoped that India’s new payments banks will expand penetration of the banking sector in rural areas, thus increasing competition in the remittances market (see box 1 in main text).

Migration topics. The Indian government announced the establishment of a fund to assist the Indian diaspora in legal cases, and of a web portal to facilitate low-skilled migration. The government also raised the permissible limit on outward remittances from $125,000 to $250,000 (with further allowances for education and medical expenses), and eased limits on investment by the diaspora.29

Bangladesh faces both an influx of undocumented migrants (largely Rohingya from Myanmar) and also trafficking of its own citizens brought to the fore by incidents in the Andaman Sea. Bangladesh and Malaysia agreed to work closely to tackle risky, undocumented migration during a meeting between their respective foreign ministers. They are also exploring means to streamline the existing government-to-government and business-to-business formal migration systems.

Remittances to Sub-Saharan Africa are expected to increase only slightly in 2015

Remittance trends. The projected 0.9 percent rise in remittances to Sub-Saharan Africa (SSA) in 2015 represents only a small improvement from 0.4 percent growth in 2014. Remittances to Nigeria, which
accounts for around two-thirds of total remittance inflows to the region, are expected to decline by 0.3 percent, to roughly $20.8 billion in 2015. Regional growth in remittances in 2015 would largely be driven by strong remittance growth in South Africa (9.8 percent) and Kenya (9.1 percent). Ethiopia and Uganda are expected to show moderate growth in remittances (1.8 percent and 2.3 percent, respectively), while remittances are expected to remain flat in Senegal. The growth rate of remittance flows to the region is projected to rise to 3.3 and 3.7 percent in 2016 and 2017.

**Figure A10: Several African countries are highly dependent on remittances**

The level of remittance dependency varies across countries. Remittances to Liberia, the Gambia, Lesotho, and Comoros are almost a fifth of GDP (see figure A10). Remittances also finance a substantial share of imports in some of the larger countries; for example, in 2014 remittances financed around one-fourth of imports in Nigeria and about one-fifth in Senegal.

**Remittance costs.** While Sub-Saharan Africa remained the highest remittance cost region, the average cost of remittance transfers declined from 11.6 percent in the second quarter of 2014 to 9.7 percent in the second quarter of 2015. Technology, especially the increasing spread of mobile money transfer services, may be playing a role. The costs of sending money from South Africa to Zambia, Malawi, and Botswana are the most expensive in the region.

**Migration topics.** Forced migration remains a serious problem for Sub-Saharan Africa. The EU proposes to invest $1.15 billion in aid to West Africa to check illegal migration from the region to Europe. Nigeria and the European Union signed a Memorandum of Understanding to tackle illegal migration from Nigeria to Europe. It aims to facilitate legal migration and legal mobility, combat networks of illegal migration, human trafficking and other organized crimes, maintain compliance with international law in terms of protection of migrants, and promote use of migration as a tool for development. Ethiopia is also contemplating a proclamation to curb illegal migration. Conflict, civil strife, economic deprivation and natural calamities are contributing to a record increase in risky migration. The Nigerian Federal Commissioner for Refugees has estimated that about 50,000 Nigerians have become displaced in their own country, and to Cameroon, Chad and elsewhere due to the conflict with Boko Haram in the north-east of the country.
Bibliography


Enghoff, Martin, Bente Hansen, Abdi Umar, Bjørn Gildestad, Matthew Owen, and Alex Obara. 2010 “In Search of Protection and Livelihoods. Socio-Economic Impacts of Dadaab Refugee Camps on Host Communities


Quartz India. 2015. “Everything you need to know about India’s brand new payments banks”.


1 The list of developing countries now includes fewer countries than during the spring of 2015 as many countries, notably Argentina and Venezuela, are now reclassified as high-income countries. If a broader list comprising countries classified as developing at any point during 2010-2015 is used, the size of remittance flows would reach $451 billion, shown as a memo item in table 1.

2 We focus on individual countries because we lack robust source-country data on remittance outflows. These countries are selected because they receive a large share of remittances from the euro area (86 percent for Albania and Morocco, and 75 percent for Romania), and their remittance data is of sufficiently high frequency that we can generate a close approximation of the prevailing exchange rate for most transactions. Data for total remittances for Albania, Morocco and Romania are based on IMF BPM6 Balance of Payments statistics updated with data from respective central banks and World Bank staff estimates.

3 Contributed by Massimo Cirasino and Alana Fook.


5 https://sustainabledevelopment.un.org/content/documents/7891Transforming%20Our%20World.pdf

6 Contributed by Jean Pesme and Emily Rose Adeleke.

7 The World Bank Group is preparing a consolidated report on the CBR and MTO surveys to present to the G20 Leaders Summit in November 2015. Given the global reach and interest in the issue, the World Bank Group will continue engagement with relevant international organizations and standard setting bodies, as well as provide technical assistance to client countries upon request.

8 The MTO survey is closed and a draft report has been submitted to G20 GPFI and DWG for comment. It focused on G20 governments, banks and MTOs operating in G20 countries.


10 According to the latest report from IOM, over 432,000 refugees and migrants have crossed the Mediterranean so far in 2015. According to the International Organization for Migration (IOM), more than 2,800 refugees and migrants have died attempting to cross the Mediterranean.

11 Interpretation of the data on refugees and asylum seekers is often subject to three pitfalls: confusion as to the definitions of refugees and economic migrants, internally-displaced persons (IDPs) vs international refugees, and stocks vs flows. Refugees are those fleeing conflict, violence or persecution across an international border. Asylum seekers are those still in the process of having their refugee status determined. Migration is also driven by economic reasons, family reunification, or other reasons not included in the legal definition of a refugee. Besides refugees, forced migrants are displaced also by natural or environmental disasters, human-made chemical or nuclear disasters,
famine, and/or development projects (See Migration and Development Brief 23 for more details). By the end of 2014, there were 19.5 million international refugees, 1.8 million asylum seekers, and 38.2 million IDPs, a total of almost 60 million people who were living away from home due to conflict, the highest number since World War II. Including those displaced due to environmental causes, the number of forced migrants rises to 79 million.

12 Source: IOM “Missing Migrants Project”, as of August 31, 2015
13 As of October 2, 2015, Turkey had 2.1 million Syrian refugees, according to the UNHCR.
14 Benefiting from a recent change in law, allowing foreigners and overseas Vietnamese to buy houses in Vietnam.
15 This would be a result of the Bank Indonesia’s new banking regulations that would allow banks to outsource deposit and withdrawal functions to third-party agents, thus enabling telecom companies and hybrid models to provide money transfers.
16 See Balakrishnan, Ravi, Mai Dao, Juan Sole, and Jeremy Zook, 2015, “Lost Workers”, in Finance & Development, September, Vol. 52, No. 3, IMF.
17 For this corridor, MTOs tend to charge less fees than banks – e.g., MTOs charging 8.6 percent for a $200 remittance to Pacific Island countries, as opposed to 15.5 percent charged by banks.
19 Exchange rate movements in 2015 have important implications for the level of remittances denominated in dollars, and for household receiving remittances. For example, from the second quarter of 2014 to the second quarter of 2015, remittances from Russia to the Kyrgyz Republic fell by 29 percent in dollar terms, while they rose by 7 percent in ruble terms. Since the local currency appreciated against the ruble, Kyrgyz households experienced a 18 percent fall in the local currency value of their remittance receipts from Russia, and a decline of 23 percent after adjusting for CPI inflation. In general, the currencies of most remittance-receiving countries in Europe and Central Asia (except the Ukraine) appreciated against the ruble. Therefore, remittances from Russia to these countries measured in local currencies fell by more than remittances measured in rubles. Remittances measured in dollars declined even more severely, posing hardships to governments in meeting their external payment obligations.
20 GDP in Russia rose by only 0.6 percent in 2014 and is expected to fall by 2.7 percent in 2015. Factors affecting the economic downturn in Russia include low energy prices, structural economic problems, and economic sanctions following the conflict in Ukraine.
21 Launched in 2007, the program supports resettlement of former citizens of the USSR republics and their relatives to one of the 55 designated regions within Russia. Beneficiaries acquire Russian citizenship under simplified procedures, get assistance in searching jobs and receive financial support from the government.
22 In August 2015, Mexico received the largest monthly remittances since 2007. Remittances in the first 8 months of 2015 were larger than oil exports in Mexico.
27 http://www.internal-displacement.org/middle-east-and-north-africa/yemen/
28 Overseas Indians find investment opportunities, for example in real estate, more affordable with a depreciation of the Indian rupee. Past and recent remittance trends especially from the GCC point to this effect. See Faini (1994) for a discussion on remittances and the real exchange rate. The empirical results indicate that in the long run the impact of a real depreciation on remittances is positive. Faini, R. (1994). Workers remittances and the real exchange rate. Journal of Population Economics, 7(2), 235-245.
29 First, overseas citizens of India (OCIs—essentially the long-term diaspora) were made at par with non-resident Indians in terms of FDI norms. Secondly, non-repatriable investments by the diaspora were to be treated at par with domestic investments by residents. Consequently, the FDI caps applicable to investments in many sectors would not apply to non-repatriable investments from the diaspora.