Migration, SDGs, and Financing for Development

A Role for the World Bank Group

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Jobs & Migration Core Courses
Washington DC
May 9, 2018
Resources
Resources:

worldbank.org/migration
knomad.org

- Migration stock data
- Remittance flow data
- Bilateral migration matrix
- Bilateral remittances matrix
- Recruitment cost surveys in 20+ corridors
- Migrant household surveys in 6 countries in Africa
- Board paper on migration
- 4 books from Africa migration project
- 36 KNOMAD working papers and 6 books
Sustainable Development Goals

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies

10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent

17.3 Mobilize additional financial resources for developing countries from multiple sources
Financing for Development - AAAA

• Remittances cannot be equated to ODA
• Ensure adequate financial services for migrants
• Reduce cost of remittances by 2030 to less than 3%; no remittance corridor charges higher than 5%
• Address obstacles such as banks withdrawing services
• Remove obstacles to non-bank RSPs accessing payment system infrastructure
• Cheaper, faster and safer remittances through competitive, transparent market conditions
• Exploit new technologies, promote financial literacy and inclusion, and improve data collection
Outline

• Data, Drivers, Impacts

• Migration-related SDGs

• Financing for Development: Addis Ababa Action Agenda

• A Role for World Bank Group: Migration Diagnostic Tool
Stock of international migrants and refugees estimated to be 266 million in 2017

* Refugee data includes 5.3 mn Palestinian refugees reported by UNRWA

Source: UN DESA, UNHCR, World Bank staff estimates
Top Destination Countries of Migrants, 2017

Source: World Bank staff estimates
## Migration Pressure in the Developing World

<table>
<thead>
<tr>
<th>Region</th>
<th>Change in working age population, 2015-2050 (million)</th>
<th>Change in employment 2015-2050, needed to keep employment rates at 2015 level (million)</th>
<th>&quot;Migration pressure&quot; created by the unemployed (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing countries</td>
<td>(A)</td>
<td>(B)</td>
<td>(A–B)</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>2,119</td>
<td>1,243</td>
<td>875</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>179</td>
<td>109</td>
<td>70</td>
</tr>
<tr>
<td><strong>Middle East &amp; North Africa</strong></td>
<td><strong>204</strong></td>
<td><strong>84</strong></td>
<td><strong>120</strong></td>
</tr>
<tr>
<td>South Asia</td>
<td>600</td>
<td>317</td>
<td>283</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>928</td>
<td>595</td>
<td>333</td>
</tr>
<tr>
<td>High income OECD</td>
<td>78</td>
<td>44</td>
<td>35</td>
</tr>
</tbody>
</table>

Facts

1. 1 in every 7 persons in the world is a migrant

2. Over 92% of international migrants are migrants ("not-forced")

3. South-South migration is larger than South-North migration

4. Migration pressures will increase in the future
Drivers of migration

• Demographic changes
• Income gaps
• Environmental Change
• [Fragility, Conflict, Violence]
Impacts: Destination Countries

Benefits

• Increases incomes
• Increases labor supply
• Increases skills, entrepreneurship and innovation
• Alleviates aging problem
• Fiscal contributions often positive
• Diversity

Challenges

• Job competition for native workers
• Congestion and fiscal costs of social services
• Crime
• National security
• National identity
• Negative public perceptions
Impacts: Migrants

Benefits after migration

• Migrants’ income increased by 15-fold
• School enrollment doubled
• Child mortality reduced by 16-fold
• Women are empowered
• Better access to health, education, other services

Challenges

• Trafficking, abusive employers and recruiters
• Underutilization of skills
• Exclusion, discrimination, xenophobic attacks
• Family left behind (children and old parents)
Impacts: Origin Countries

- Remittances
- Investments
- Philanthropy
- Skills
- Trade
- Tourism
- Technology
- Values, Advocacy
Impacts: Origin Countries

Benefits

- Reduced unemployment, reduced poverty
- Remittances and diaspora investments
- Trade and FDI
- Skill and technology transfer

Challenges

- Family left behind
- Loss of skills
- Dutch disease
Remittances to low and middle income countries expected to reach $485 billion in 2018

(US$ billion)
Top recipients of remittances

(US$ billion, 2017)

India: 69
China: 64
Philippines: 33
Mexico: 31
Nigeria: 22
Egypt: 20
Pakistan: 20
Vietnam: 14
Bangladesh: 13
Indonesia: 9

(Percentage of GDP, 2017)

Kyrgyz Rep: 35
Tonga: 33
Tajikistan: 31
Haiti: 29
Nepal: 29
Liberia: 27
Comoros: 21
Gambia, The: 21
Moldova: 21
Honduras: 19

Source: World Bank, April 2018
Remittance costs remain high

First Quarter 2017
First Quarter 2018

Global average 7.1%
SDG target, by 2030
Remittance costs can be reduced rapidly

• Reduce entry barriers to new firms with efficient technology

• Eliminate exclusivity contracts between national post offices and leading money transfer operators

• Recognize that small remittances are not money laundering
Remittances Agenda – Miles to go

Retail payment system
- Payment platforms/instruments (mobile money, cryptocurrency)
- Clearing/settlement, capital adequacy, disclosure, cross-border arbitration
- De-risking, anti-money laundering (AML/CFT)

Financial access for households, SMEs
- Deposit and saving products
- Mortgage, consumer loans, microfinance
- Credit history for MFI clients
- Insurance products

Capital market access for countries, companies
- Sovereign credit rating
- Bonds backed by future remittances as collateral
- Diaspora bonds

Monitoring, analysis, projection
- Size, corridors, channels
- Counter-cyclicality
- Effects on poverty, education, health, investment
- Policy (costs, competition, exchange controls)
The wealth of the diaspora can be mobilized through diaspora bonds

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>Estimated savings ($ billions, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>116</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>93</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>146</td>
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<td>Middle East &amp; North Africa</td>
<td>47</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>37</td>
</tr>
<tr>
<td>South Asia</td>
<td>72</td>
</tr>
</tbody>
</table>

Source: Updated estimates based on De, Ratha and Yousefi 2014, peoplemove.worldbank.org
Estimates of diaspora savings, top 20 countries

Diaspora savings, 2017, $bn

Source: Updated estimates based on De, Ratha and Yousefi (2014), Ratha and Mohapatra (2011)
Rationale

• For issuing countries:
  – Patriotic discount
  – Diaspora investors more loyal than foreign investors
  – Diversification of funding sources
  – Support to sovereign credit rating

• For diaspora investors:
  – Patriotism & desire to do “good” in the country of origin
  – Diaspora investors are less worried about devaluation risk
Retail diaspora bonds often come with “patriotic” discount

Source: Ketkar and Ratha 2011
Challenges

• Cost of marketing to retail diaspora investors
• Understanding of diaspora profile
• Appropriate use of bond proceeds – need for credibility and oversight
• Debt management
Future-Flow Securitization of Remittances: Potential in Sub-Saharan Africa

<table>
<thead>
<tr>
<th>($ billion)</th>
<th>Receivable</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel exports</td>
<td>182</td>
<td>36</td>
</tr>
<tr>
<td>Agrl. raw materials exports</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Ores and metals exports</td>
<td>63</td>
<td>11</td>
</tr>
<tr>
<td>Travel services</td>
<td>26</td>
<td>2</td>
</tr>
<tr>
<td>Remittances</td>
<td>31</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>322</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>

*Source: Ratha, Mohapatra and Plaza (2008)*
*Note: Based on data for 2011-13*
Financing for Development: A $100 bn idea

• New: diaspora funding
  – Diaspora bonds ($50 bn)
  – Reducing remittance costs ($20 bn)
  – [Reducing recruitment costs ($20 bn)]
  – [Diaspora philanthropy ($10 bn)]

• Future-flow securitization
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1. Financing development programs

2. Addressing fundamental drivers

3. Maximizing benefits in line with the SDGS
   - Reducing recruitment costs
   - Reducing remittance costs
   - Improve data by migratory status

4. Knowledge for policy making and countering negative public perceptions
## Selected WB operations

<table>
<thead>
<tr>
<th>Migration Cycle</th>
<th>Issues addressed</th>
<th>Interventions/programs</th>
<th>Country/projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-departure</td>
<td>• Vulnerability</td>
<td>Pre-departure orientation seminar/campaigns</td>
<td>Bangladesh: Safe Migration for Bangladeshi workers Project</td>
</tr>
<tr>
<td></td>
<td>• Informed decision</td>
<td></td>
<td>Indonesia: Empowering Women Overseas Migrant Workers</td>
</tr>
<tr>
<td></td>
<td>• Empowerment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit</td>
<td>Vulnerability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry (destination)</td>
<td>Lack of information: jobs, legal, remittances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Migration Cycle</td>
<td>Issues addressed</td>
<td>Interventions/programs</td>
<td>Country/projects</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Stay/integration (destination)</td>
<td>• Lack of skills</td>
<td>Language courses</td>
<td>China Rural Migrants Skills Development and Employment Projects</td>
</tr>
<tr>
<td></td>
<td>• Unrecognized qualifications</td>
<td>Skills training &amp; recognition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of knowledge of local job markets</td>
<td>Employment services</td>
<td></td>
</tr>
<tr>
<td>Return and reintegration</td>
<td>Access to financial products</td>
<td>Information on investments/firms/job</td>
<td>Bangladesh Repatriation and livelihood Restoration for Migrant Workers Project</td>
</tr>
<tr>
<td></td>
<td>Access to facilities for creating self-employment</td>
<td>Training/retooling</td>
<td>Tunisia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Livelihoods</td>
<td></td>
</tr>
</tbody>
</table>
Global Compact on Migration

• Comprehensive draft with 22 objectives; includes climate migration

• Leaves out impacts on non-migrants:
  - national identity
  - job competition in destination countries
  - family left behind in origin countries

• Financing migration programs remains a challenge; implied conditionalities on aid, trade and investments may not work
Roadmap for the Global Compact on Migration – for International Financial Institutions

- Migration diagnostic tool
- Knowledge and data
- Financing – pilots
- Convening – facilitate dialogue among states
- Viewing from a rights perspective
- Need for innovative, game-changing solutions
What we are working on now

• Board paper
• Return migration
• Migration and the Law database and I2I report
• Recruitment costs of low-skilled migrants
• Remittance Platform
• Forward looking demographic projections
To summarize

• **Background**
  – Stylized Facts
  – Benefits and Challenges of Migration

• **Migration-related SDGs**
  – Reducing remittance costs (SDG 10.c)
  – Reducing recruitment costs (SDG 10.7.1)
  – Facilitating remittances (SDG 17.3.2)
  – Financing for Development

• **A Role for World Bank Group: Migration Diagnostic Tool**
  – Financing programs
  – Addressing fundamental drivers
  – Maximizing development programs
  – Data and evidence-based policy making
Thank you!

worldbank.org/migration

www.knomad.org