

# MIGRATION AND REMITTANCES

Recent Developments and Outlook  
**Special Topic:** Return Migration

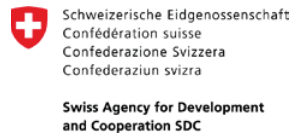


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Migration and Development Brief reports an update on migration and remittance flows as well as salient policy developments in the area of international migration and development.

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

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**WORLD BANK GROUP**

# MIGRATION AND DEVELOPMENT BRIEF 28

Migration and Remittances:  
Recent Developments  
and Outlook

Special Topic:  
Return Migration

October 2017



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## Summary

**T**his Migration and Development Brief reports global trends in migration and remittance flows, major policy developments, and the Sustainable Development Goal (SDG) indicators for reducing remittance costs and recruitment costs. The Brief reports new data on recruitment costs, a potential indicator for the SDG of promoting safe and regular migration. The special focus of the Brief is return migration, a challenging issue around the world amid a rise in asylum seekers and undocumented migrants.

*Migration crisis.* In 2016, the worldwide stock of refugees reached 17.2 million (or under 7 percent of 250 million international migrants). While the European migration crisis appears to be past its peak, elsewhere refugee movement continues to be significant. The number of first-time asylum seekers in the European Union (EU) has fallen by nearly two-thirds, from a peak of 167,190 in October 2015 to 51,325 in June 2017. Low- and middle-income countries (LMICs) continue to bear the brunt of forced displacement by hosting over 90 percent of refugees.

*Remittance trends.* In 2017, remittance flows to LMICs are projected to rebound by 4.8 percent to \$450 billion. Worldwide, remittance flows are projected to reach \$596 billion. The welcome rebound in remittance flows, after two successive years of decline, is driven by stronger economic growth in the EU, the Russian Federation, and the United States. In U.S. dollar terms, the recovery is further accentuated by the valuation effects of the recent strengthening of the euro, the British pound, and the ruble against the U.S. dollar. But structural constraints, such as de-risking behavior by international correspondent banks and increased regulatory burdens on money transfer operators (MTOs) continue to hinder the growth of remittances, especially through formal channels. Also, longer-term risks remain: rising anti-immigration sentiments and

stricter immigration policies in many remittance-source countries—including labor market “nationalization” policies in the Gulf Cooperation Council (GCC) countries—are slowing down the hiring of foreign workers and dampening remittance flows.

Remittance flows to Sub-Saharan Africa are projected to grow by 10 percent, to Europe and Central Asia by 8.6 percent, and to Latin America and the Caribbean by 6.9 percent in 2017; in the other world regions, remittances are expected to grow between 1 and 5 percent. The trend is expected to continue: in 2018, remittance flows to LMICs are expected to grow 3.5 percent to reach \$466 billion.

*Remittance costs.* The global average cost of sending remittances has remained nearly stagnant, at 7.2 percent in 2017 Q3, significantly higher than the SDG target of 3 percent (World Bank 2017b). Two major factors contributing to high costs are the de-risking behavior of commercial banks and exclusive partnerships between national post office systems and a single MTO. An exclusive partnership between the national post office or commercial banks of either the source or the recipient country and any single MTO stifles market competition. The share of the remittance fee received by the post office is equivalent to a highly regressive tax. Paradoxically, while

many developing countries have outlawed exclusivity contracts, most of the large remittance-source countries, especially in Europe, allow this anti-competition practice.

*Recruitment costs.* Surveys conducted by the International Labour Office–Global Knowledge Partnership on Migration and Development (ILO-KNOMAD) show that recruitment costs paid by low-skilled migrant workers can be exorbitantly high in some corridors. For example, a significant number of Pakistani construction workers in Saudi Arabia reportedly paid over \$5,000 to recruitment agents, an amount equivalent to 20 months (and at times over 30 months) of earnings. The structure of worker-paid recruitment costs is highly regressive—poor people pay progressively larger recruitment fees. Gender-specific differences, too, arise from migration policies targeting specific occupations. The admission policies of destination countries, meant to regulate the inflow of workers, have a noticeable impact on costs. High recruitment costs are common where a lack of opportunities at home and excess demand for foreign jobs at destination create a black market for opportunistic recruitment practices. Efforts to reduce recruitment costs would require curbing the exploitative practices and abuses of illegal recruitment agents (or subagents), allowing direct recruitment by certified, bona fide overseas employers. Bilateral coordination between labor-sending and destination countries would ensure greater pathways for regular migration at substantially lower costs.

*Return migration.* Following the surge in the number of asylum applications in Europe, the number of potential returnees—those denied asylum and migrants detected but lacking valid documents—has risen in recent months. In the EU, the number of potential returnees rose from 1.4 million in 2011 to over 5 million in 2016. But Europe is not alone. In the United States, the stock of potential returnees rose from around 1.5 million in 2011 to 3 million in 2016. Also, Saudi Arabia and South Africa annually deported more than 5 percent of their migrant stock, on average, in recent years.

Large-scale forced returns can have disruptive economic consequences for the host country. They can lead to

a shortage of workers, loss of productivity and price increases in sectors employing migrants, and overall loss of growth potential and competitiveness in the longer run. Forced expulsion can be administratively costly for host governments. Many destination countries offer financial incentives for migrants to return home, but the actual number of returnees tends to be low, and often, returnees migrate again. The success of return policies depends on the reintegration of returnees back in the country of origin. In general, reintegration is more likely to occur for returnees who were economically well off prior to migration, and who expected their stay abroad to be temporary, and so maintained strong social networks with origin communities. Forced returns are traumatic for the returnees, who may suffer psychological, social, and financial impacts.

The voluntary return of migrants to their home country supports economic development and job creation as returnees bring capital and knowledge back with them. Migrants who return voluntarily often have better employment possibilities in developing countries than those who never migrated in the first place. There is evidence that returnees enjoy upward occupational mobility. Also, most are self-employed, thus potentially contributing to employment generation and economic growth at home. Return migration has impacts on knowledge diffusion and innovation in countries of origin. This is further catalyzed if the origin country provides a framework and good conditions for returnees to make use of their skills and investments. The ability to secure jobs, access independent housing, and develop social contacts while abroad supports the social and economic reintegration of returnees. Integration in the destination country, in other words, supports reintegration and sustainable return. By extension, restrictive migration policies undermine return programs and may damage prospects for reintegration upon return.

The effectiveness of return programs depends on the efforts of both destination and origin countries. Aid conditionality, for example, is not an effective tool in managing return migration. Also, researchers express a general skepticism of the efficacy of assisted return programs. The effectiveness of deportations as a deterrent is also questionable since they do not address the fundamental drivers of irregular migration:



notably, an unfavorable economic and political environment in origin communities. Policies that promote voluntary return and successful reintegration include: the recognition of skills and qualifications acquired

abroad; the possibility to secure a permanent residency in the host country; antidiscrimination and equal access programs in the countries of origin, and the portability of social benefits.

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# Trends in Global Remittance Flows

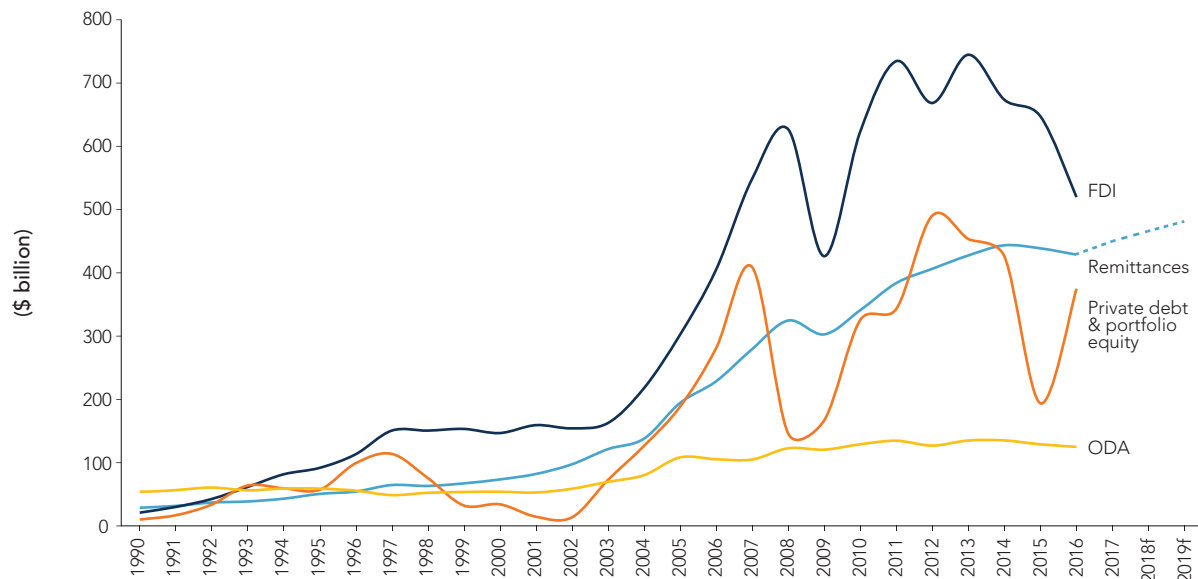
## 1.1. Remittances to Rebound in 2017

After two consecutive years of decline, remittance flows to low- and middle-income countries (LMICs) are projected to increase by 4.8 percent between 2016 and 2017, to \$450 billion (figure 1.1 and table 1.1). This modest recovery is likely to benefit from the cyclical growth recovery observed in Europe, Russia, and the United States.<sup>1</sup> But burdensome regulations and anti-immigration sentiments in many migrant-destination countries continue to constrain the growth of remittances.

Remittance flows in U.S. dollar terms seem to be impacted by the higher valuation effects of a weakening of the U.S. dollar against the euro and the ruble. In the Gulf Cooperation Council (GCC) countries—major destinations for low-skilled migrants from East and South Asia—fiscal tightening due to low oil prices, and policies discouraging the recruitment of foreign workers, have dampened outward remittance flows.

Anti-immigration sentiments have become more pervasive, affecting countries of various income levels

**FIGURE 1.1.** Remittance Flows to Developing Countries Are Larger than Official Development Assistance and More Stable than Private Capital Flows, 1990–2019



Sources: World Bank staff estimates; World Development Indicators. See appendix A for data and forecast methods.  
Note: FDI = foreign direct investment; ODA = official development assistance.

**TABLE 1.1.** Estimates and Projections for Remittances to Low- and Middle-Income Regions

Region	2010	2014	2015	2016	2017p	2018f	2019f
	(\$ billions)						
<b>Low and Middle Income</b>	<b>341.1</b>	<b>443.8</b>	<b>439.1</b>	<b>429.4</b>	<b>450.1</b>	<b>466.0</b>	<b>481.0</b>
East Asia and Pacific	95.9	121.2	125.9	122.7	128.0	132.4	137.3
Europe and Central Asia	37.8	51.7	40.5	39.5	42.9	45.8	47.9
Latin America and Caribbean	56.5	64.5	68.4	73.6	78.6	81.5	84.5
Middle East and North Africa	39.0	54.1	51.2	48.9	51.2	52.7	54.3
South Asia	82.0	115.8	117.6	110.4	111.6	114.4	117.5
Sub-Saharan Africa	29.9	36.5	35.4	34.4	37.8	39.2	39.6
<b>World</b>	<b>467.6</b>	<b>597.7</b>	<b>581.9</b>	<b>573.6</b>	<b>595.7</b>	<b>615.7</b>	<b>640.2</b>
<i>Developing countries<sup>a</sup></i>	335.1	435.4	431.5	421.9	442.0	457.2	471.4
	(Growth rate, percent)						
<b>Low and Middle Income</b>	<b>11.3</b>	<b>3.7</b>	<b>-1.1</b>	<b>-2.2</b>	<b>4.8</b>	<b>3.5</b>	<b>3.2</b>
East Asia and Pacific	19.4	4.9	3.9	-2.6	4.4	3.4	3.6
Europe and Central Asia	4.9	-5.3	-21.7	-2.5	8.6	6.8	4.6
Latin America and Caribbean	2.6	4.8	6.1	7.5	6.9	3.6	3.7
Middle East and North Africa	18.2	7.2	-5.3	-4.4	4.6	2.9	3.1
South Asia	9.4	4.5	1.5	-6.1	1.1	2.6	2.6
Sub-Saharan Africa	9.8	4.9	-2.8	-3.0	10.0	3.8	0.8
<b>World</b>	<b>8.4</b>	<b>3.8</b>	<b>-2.6</b>	<b>-1.4</b>	<b>3.9</b>	<b>3.4</b>	<b>4.0</b>

Source: World Bank.

Note: p = projection; f = forecast.

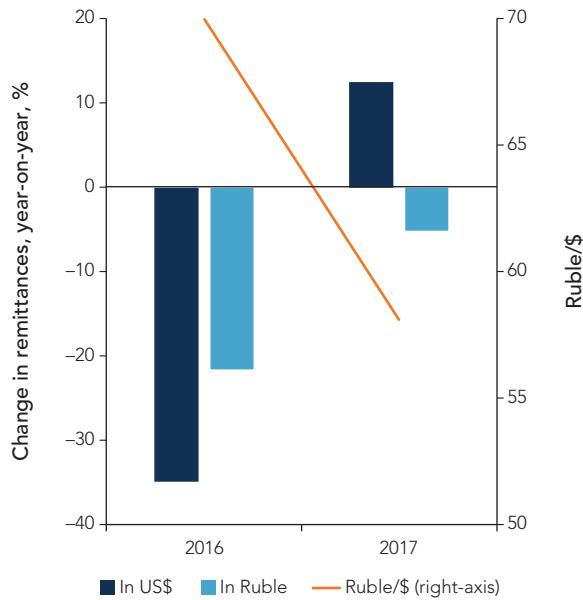
<sup>a</sup> Previous income classification: This group excludes Equatorial Guinea; the Russian Federation; Venezuela, República Bolivariana de; and Argentina, which were classified as high-income countries earlier. These countries are included in the group of low- and middle-income countries in the table. See appendix A for data and forecast methods.

and in different regions (see appendix B for more regional details). Voter concerns about immigration are widely believed to have influenced the outcomes of Brexit and the U.S. elections. In the European Union (EU), public surveys reveal a widespread perception of migration as one of the most important challenges facing society today. Thailand and Malaysia have been cracking down on undocumented migrants, and have recently started a regularization program. There is also large scale return of Afghan refugees from Pakistan. Countries in Latin America are also in the process of toughening their migration policies. Nations are discouraging the hiring of foreign workers, cracking down on undocumented workers, and tightening norms for refugees. This is increasing the potential for large-scale return migration, posing challenges for both origin and destination countries (the topic of special focus in section 3). This also has the potential to dampen remittance flows, especially through formal channels.

De-risking—when international correspondent banks close the bank accounts of money transfer operators (MTOs), to avoid risks of money laundering and financial crime—continues to place regulatory burdens on MTOs, especially smaller and newer players. This is preventing the diffusion of newer technologies and innovative remittance platforms. Furthermore, the persistence of exclusive arrangements between state-run agencies, such as post offices, and large remittance companies creates noncompetitive market structures. This raises remittance costs and diverts remittances to informal channels, thereby retarding their macroeconomic benefits.

Regional growth trends are summarized in table 1.1, and more detailed discussion is provided in section 4. Remittances to Sub-Saharan Africa are expected to increase by 10 percent, led by Nigeria, largely due to the devaluation of the naira. Latin America and the Caribbean is expected to register a strong growth

**FIGURE 1.2.** Outward Remittances from Russia and Ruble/\$ Exchange Rate



Source: World Bank's World Development Indicators.

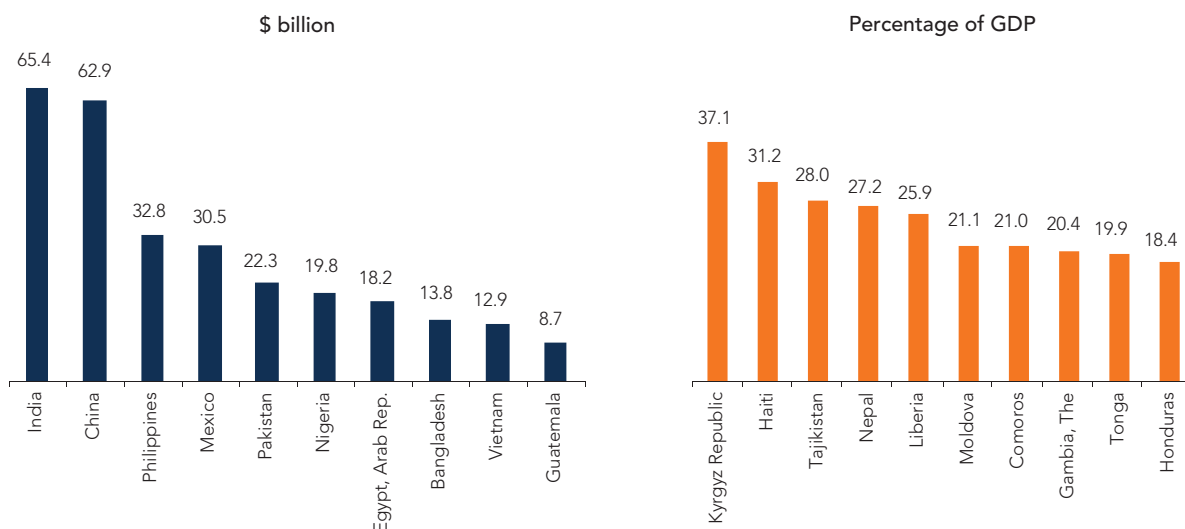
rate of 6.9 percent in 2017 on the back of the relatively strong U.S. economy. Remittance flows to Europe and Central Asia are expected to register a growth rate of 8.6 percent in U.S. dollar terms. This growth appears

to be an artifact of both the low base, given three years of decline, and of ruble/\$ exchange rate movements: in the first half of 2017, outgoing remittances from Russia, the main source of remittances to Central Asian countries, decreased in ruble terms, due to the appreciation of the ruble against the U.S. dollar (figure 1.2). Variations in the recovery of regional remittance flows mark a continuation of the “new normal” of slow growth—cyclical upswing and exchange rate effects partially offset by structural constraints (see previous issues of this Brief).

In 2017, the top five remittance recipient countries are expected to be India, China, the Philippines, Mexico, and Nigeria (figure 1.3). As a share of gross domestic product (GDP) for 2017, the top five recipients are smaller countries—the Kyrgyz Republic, Haiti, Tajikistan, Nepal, and Liberia.

Given the global economic outlook, remittances to LMICs are expected to grow at about 3.5 percent in 2018, to \$466 billion (table 1.1). (The methodology for forecasting remittance flows is outlined in appendix A.) Risks to this outlook, however, are mainly on the downside. No solutions are in sight yet for the de-risking of correspondent banks, or for antimigration sentiments and restrictive migration policy stances.

**FIGURE 1.3.** Top Remittance Receivers in 2017



Sources: International Monetary Fund; World Bank's World Development Indicators; staff estimates.  
 Note: GDP = gross domestic product.

## 1.2. Trends in the Cost of Remittances

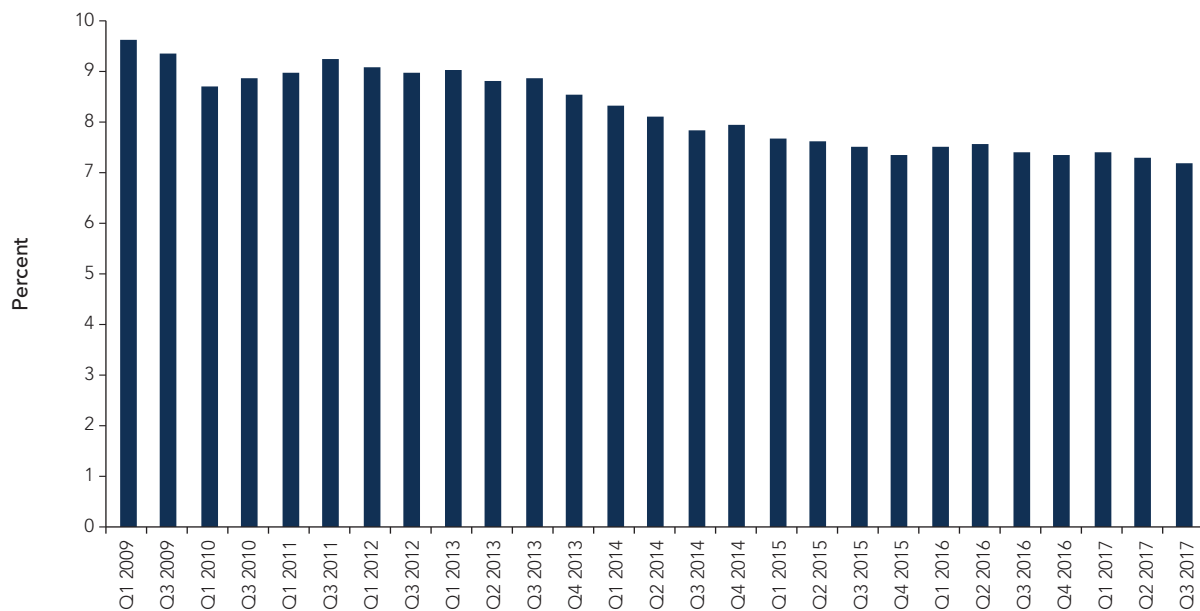
The cost of sending money to LMICs continues to be high, well above the Sustainable Development Goal (SDG) target of 3 percent. According to the Remittance Prices Worldwide database, the global average cost of sending remittances of \$200 (inclusive of all fees and charges) was 7.2 percent in 2017 Q3 (figure 1.4). Among the regions in 2017 Q3, South Asia had the lowest costs, at 5.4 percent, while Sub-Saharan Africa continued to have the highest average cost, at 9.1 percent (figure 1.5; see World Bank 2017a for details). Remittance costs across many African corridors and small islands in the Pacific remain above 10 percent, because of the low volumes of formal flows, inadequate penetration of new technologies, and lack of a competitive market environment.

Two major factors contributing to high costs are (i) exclusive partnerships between national post office systems and any single MTO; and (ii) the de-risking behavior by commercial banks.

## 1.3. Exclusivity Contracts Hinder Competition on the Remittance Market

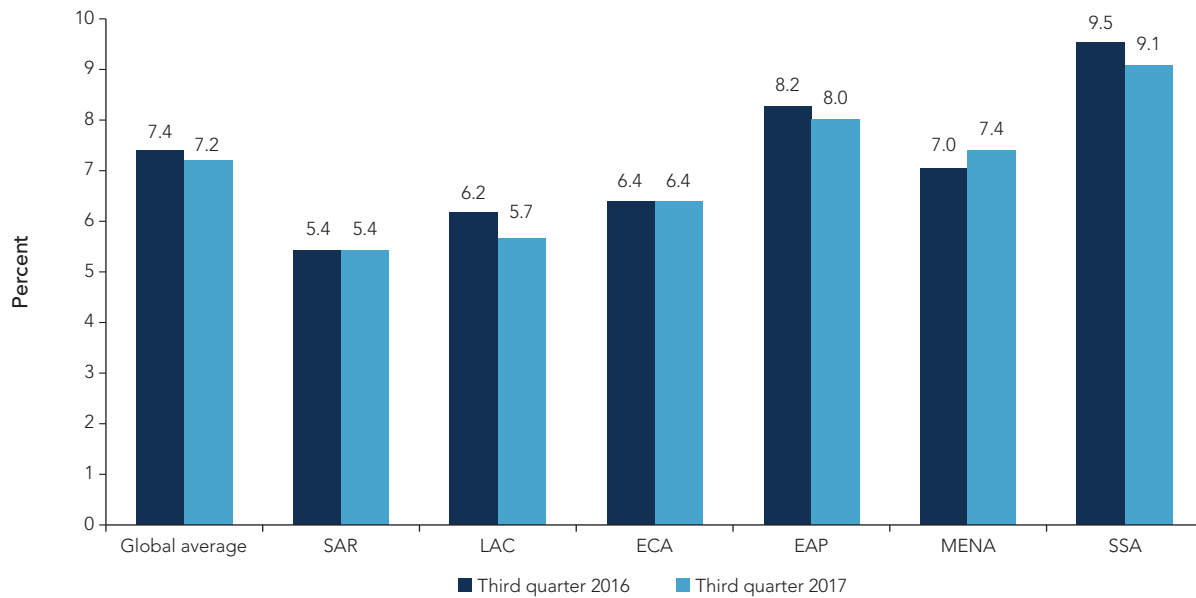
An exclusive partnership between the national post office of either the source or the recipient country and any single MTO stifles market competition and allows the MTO to raise remittance fees. The same is also true for exclusivity partnerships involving national commercial banks. Worse, the share of the remittance fee received by the post office or another entity of the state is equivalent to a highly regressive tax on poor migrants and their relatives. This practice directly contravenes the SDG goal of reducing remittance costs by 2030, and a similar goal of the European Union–African Union (EU-AU) Valetta Summit agreement with a deadline of 2020. Paradoxically, while many developing countries (for example, Bangladesh, Ghana, India, Nigeria, Pakistan, and Rwanda) have outlawed exclusivity contracts, most of the large remittance-source countries, especially in Europe, continue to allow this anticompetition practice (World Bank 2006; Ponsot 2011). A simple solution to this problem would be to

**FIGURE 1.4.** The Cost of Sending \$200 Has Remained Nearly Flat in 2017



Source: Remittance Prices Worldwide, World Bank.



**FIGURE 1.5.** Sub-Saharan Africa Continues to Have the Highest Cost of Sending \$200

Source: Remittance Prices Worldwide, World Bank.

open the partnerships to multiple remittance service providers.

## 1.4. De-risking by Commercial Banks Impacts Remittance Costs

During the past three years, regulations concerning anti-money laundering/countering financing of terrorism (AML/CFT) have impacted cross-border transfers, including remittance flows. In this context, de-risking includes closing the bank accounts of customers in countries or sectors deemed to pose a high risk of money-laundering or terrorist financing.

De-risking has created significant challenges, reducing remittance costs and constraining broader development objectives.<sup>2</sup> Meanwhile, the restrictions on regulated and legal remittance providers could divert flows toward informal channels, which in turn could increase AML/CFT risks.<sup>3</sup> MTOs have faced a reduction in the number of correspondent banks operating in small-volume corridors or in fragile countries. The 2015 World Bank surveys on correspondent banking relationships

and a survey of MTO account access showed a decline in the number of correspondent banks with relationships in several key areas.

The situation worsened in 2016, according to an International Finance Corporation (IFC) global survey of banks in emerging markets: 27 percent of banks surveyed globally—35 percent in Sub-Saharan Africa—reported a decrease in relationships with corresponding banks (IFC 2017). Banks also reported that they were raising fees and reducing credit lines to their customers. The data points to three primary challenges reported by banks: (i) several requests from multiple regulators; (ii) expensive software and system upgrades; and (iii) lack of harmonization in global, regional, and local regulatory requirements.<sup>4</sup> Banks perceived MTOs as high risk since not all MTOs have a good system of risk management. In the Pacific Islands, MTOs' compliance with customer due diligence requirements was cited as one reason banks withdraw correspondent banking relationships (Erbenová et al. 2016). In Sub-Saharan Africa, lack of customer information, including nonexistent national identification cards and the impossibility of verifying addresses in rural areas, was cited as the second-most-important challenge.

Based on the survey results, three suggestions to help mitigate de-risking have been proposed: (i) greater harmonization of regulatory requirements; (ii) a centralized registry for due diligence data, and (iii) assistance in understanding and adopting new compliance standards. In the end, and absent evidence of risks associated with

remittances, any solution to de-risking must adopt a two-pronged approach: develop risk metrics, and recognize that small remittances below certain thresholds do not represent significant AML/CFT risks. Almost certainly small remittances do not pose systemic risks, especially those going through small and start-up MTOs.

# 2

## Migration Issues

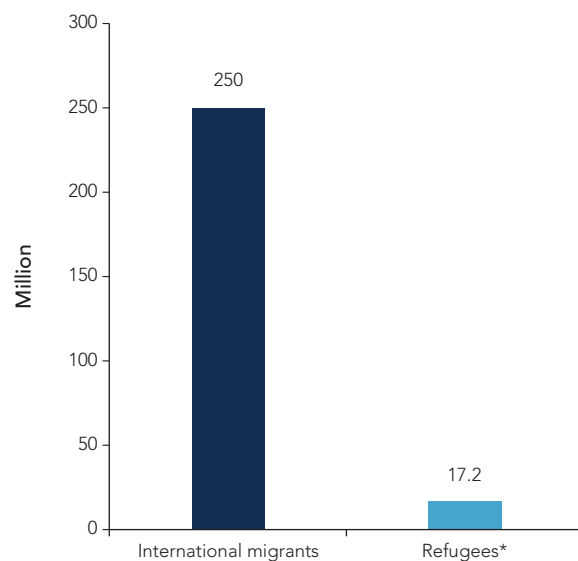
### 2.1. Large Movements of Refugees and Migrants Taper in the European Union

As of 2015, there were some 250 million international migrants throughout the world (figure 2.1), with women making up 48 percent of the total (World Bank 2016a). Approximately one-third of international migrants were under the age of 30 (UNDESA 2016). More than 150 million were migrant workers (ILO 2015). The total foreign-born population in the Organisation for Economic Co-operation and Development (OECD) rose from 120 million in 2013 to 124 million in 2015 (OECD 2017).

As shown in Figure 2.1, the global stock of refugees includes 17.2 million refugees recorded by the United Nations High Commissioner for Refugees (UNHCR), and an additional 5.3 million Palestinian refugees registered by the United Nations Relief and Works Agency (UNRWA). Although the stock increased significantly in 2014 and 2015, it has yet to reach the historical high recorded in the early 1990s.

The European migration crisis seems to be past its peak. The number of first-time asylum seekers to the 28 EU countries (EU-28) has fallen, from the peak of 167,190 in October 2015 to 51,325 in June 2017 (figure 2.2). The number of persons awaiting a decision on their asylum cases fell from about 1.2 million in September 2016 to 0.9 million in June 2017. While the pressure of new arrivals and the addition of refugees has weakened, the stock of refugees in the EU-28 rose to 1.9 million in 2016 (or 11 percent of the world refugee stock, figure 2.3). Frontex data on irregular entries into the European Union also shows an overall dip in

FIGURE 2.1. International Migrant and Refugee Stock



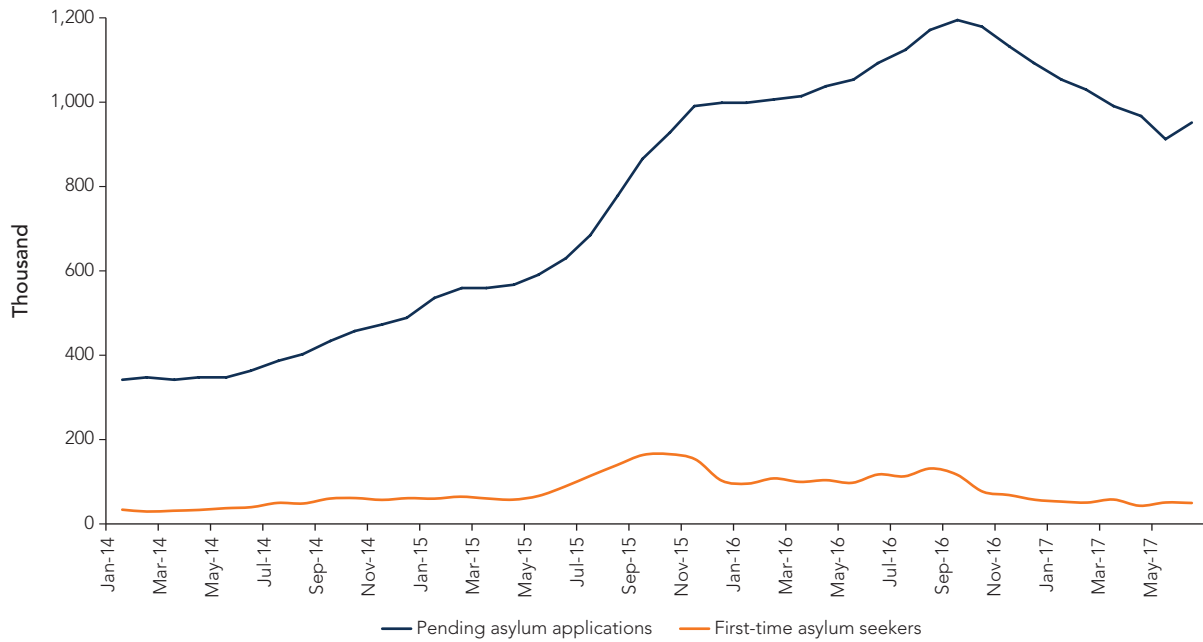
Source: World Bank, Migration and Remittances Factbook 2016 and UNHCR.

Note: \*Refugee data excludes 5.3 million Palestinian refugees reported by UNRWA. Refugees data for end of year 2016.

arrivals from around 1.8 million to 0.5 million between 2015 and 2016 and a change in route preferences with sharp falls in the Eastern Mediterranean and Western Balkans and a slight rise in the Central Mediterranean. The EU-Turkey agreement has resulted in low numbers of irregular arrivals in Greece and enabled almost 10,000 Syrians to be resettled in the European Union. Irregular crossings and deaths in the Central Mediterranean decreased significantly.

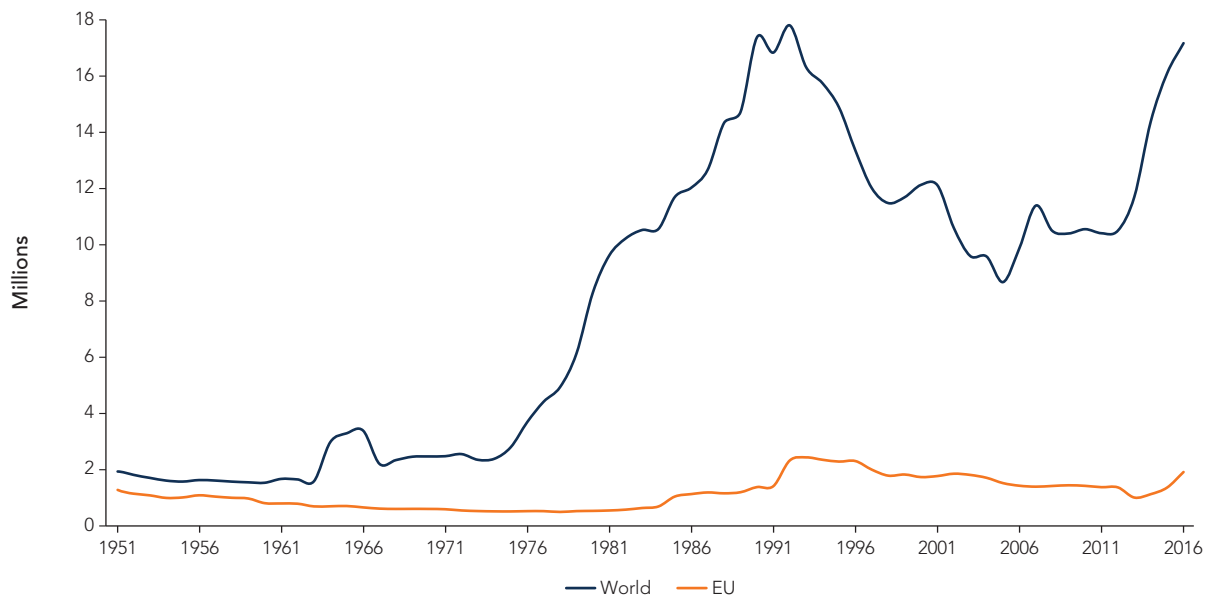
While the global policy dialogue is focused on the EU migration crisis, LMICs outside the European Union continue to bear the brunt of forced migration (figure

**FIGURE 2.2.** First-Time and Pending Asylum Applications in the EU-28



Source: Eurostat.

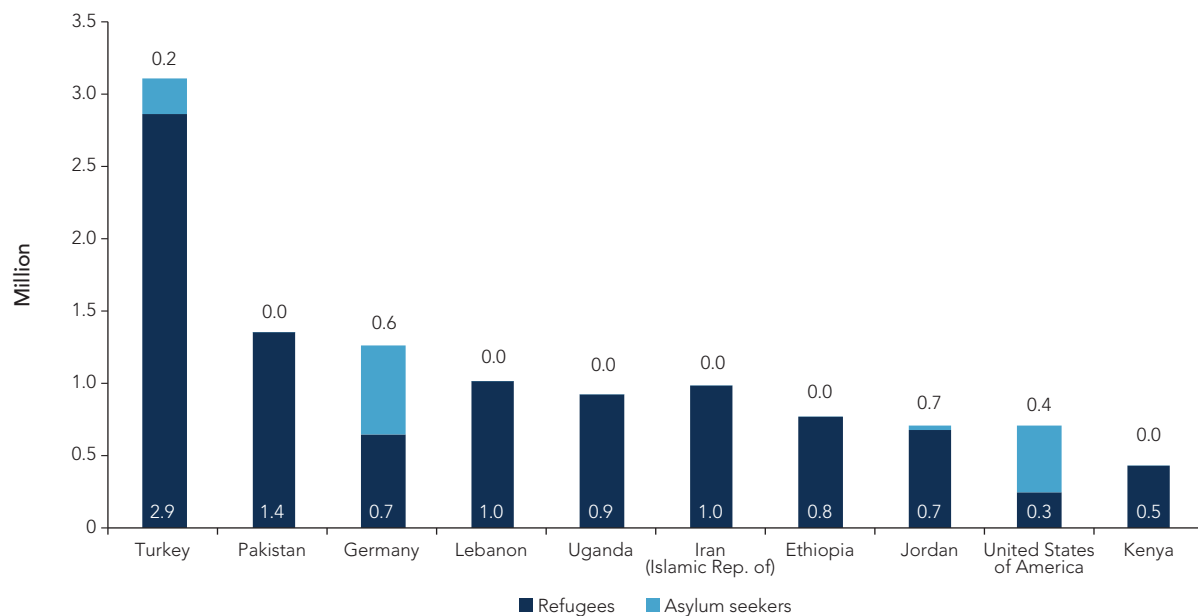
**FIGURE 2.3.** Refugee Stock in EU-28 and Worldwide



Source: United Nations High Commissioner for Refugees.

2.4). Turkey and Pakistan are the top two refugee and asylum seeker host countries, followed by Germany. Countries such as Lebanon, Uganda, Iran, Jordan,

Ethiopia, and Kenya face significant strain on their limited resources given the presence of many refugees and asylum seekers. Sub-Saharan Africa faces

**FIGURE 2.4.** Top Country Hosts of Refugees and Asylum Seekers in the World, 2016 (in millions)

Source: UNHCR.

a comparable yet more burdensome rise in refugee and asylum seeker numbers from 2.6 million in 2006 to 5.6 million in 2016. During the first half of 2017, Sub-Saharan Africa had 2.6 million new displacements (2.1 million caused by conflict and violence, and about 0.5 million by environmental disasters, according to the Internal Displacement Monitoring Centre). The Democratic Republic of Congo is the most affected country in the region, with almost a million newly displaced people. In the Lake Chad Basin, there are almost 2.3 million internally displaced persons (IDPs), mostly from Nigeria (UNHCR 2017). In the Horn of Africa, major refugee flows are from South Sudan and Somalia. In East Asia, the evolving Rohingya crisis has seen over 400,000 persons move from Myanmar to Bangladesh. (More details are provided in section 4.)

## 2.2. Worker-Paid Recruitment Costs

Migration costs—in particular, recruitment costs borne and paid for by workers—has been identified as a key indicator of the SDG promoting safe, orderly, and regular migration (SDG indicator 10.7.1). Reducing such costs would put billions of dollars back into the pockets of poor migrant workers and

their families, and could also enhance the efficiency and mutual benefits that can be reaped from labor migration regimes. The previous Migration and Development Brief reported on ongoing efforts by the Global Knowledge Partnership on Migration and Development (KNOMAD) and the International Labor Organization (ILO) to measure worker-paid recruitment costs incurred by workers in low or unskilled positions (see World Bank 2017a).

Survey data were collected between 2014 and early 2017 using a standardized questionnaire as part of the methodological work to develop a new SDG indicator (10.7.1). An explanation of recruitment costs, a proposed indicator, and data sources are summarized in box 2.1. The proposed Recruitment Cost Indicator (RCI) is the average worker-incurred recruitment cost paid for securing an overseas job, expressed as a multiple of monthly foreign earnings.

The survey data reveal the following messages. First, recruitment costs can be exorbitant, greatly reducing the benefits accruing to migrants and their families. In the case of Pakistani construction workers in Saudi Arabia, for example, worker-paid recruitment costs varied widely, exceeding in some cases more than 20

### BOX 2.1: Definition and Measurement of Recruitment Costs

Worker-paid recruitment costs can be defined as all the monetary costs incurred by workers (above and beyond those incurred by employers) to establish an employment relationship. Such costs broadly encompass placement fees paid to the recruitment agency or to their agents, documentation fees (such as to cover a passport, visa, medical certificate, security clearance, or language test), transportation costs, and informal payments. The cost of servicing migration loans is currently excluded.

The proposed Recruitment Cost Indicator (RCI) is the average worker-incurred recruitment cost paid for securing an overseas job, expressed as a multiple of monthly foreign earnings. While numerous countries legally restrict the amount that workers should pay, poor enforcement often results in excessive up-front payments. The International Labour Organization's (ILO's) Fair Recruitment initiative calls for no recruitment fees or related charges to be incurred by workers.

Until recently, there was no systematic effort to document worker-paid recruitment costs. Purposeful surveys conducted with migrant workers since 2014 as part of a joint initiative involving the Global Knowledge Partnership on Migration and Development (KNOMAD) and the ILO have produced new evidence on costs paid in more than 30 bilateral corridors, involving interviews with over 5,500 workers. Surveys were conducted with migrants at various performance sites: in the destination country or in the origin countries at their residence or at the airport—both on arrival from abroad or prior to their departure for jobs overseas. Lessons learned from these experiences are being used to produce guidelines to support national statistical agencies in collecting data on a regular basis as part of efforts to monitor progress toward the Sustainable Development Goals.

While these data have greatly enhanced our understanding of recruitment costs, challenges remain in terms of identifying a representative sample, accessing migrant workers, and obtaining accurate and timely information on the various costs that are incurred by workers, who may not be willing to talk freely or may not be fully aware of what they paid for. Random representative sampling is nearly impossible to conduct, so a snowball sampling strategy was used. That is likely to have skewed the data reported here, as the most vulnerable migrants may not have responded, and as such the RCI reported above should be treated as a lower bound of actual recruitment costs in terms of monthly earnings.

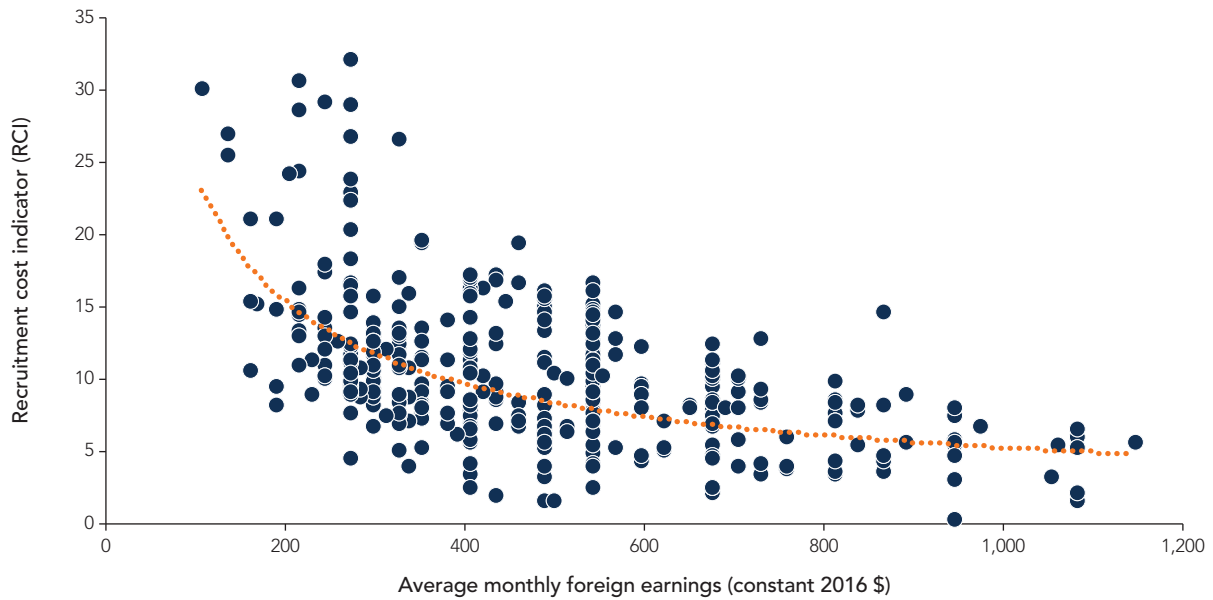
months (and at times 30 months) of earnings (figure 2.5). Second, the scatter plot reveals the highly regressive nature of recruitment costs, that is, these costs are proportionally higher for workers with lower earnings. Third, there is considerable heterogeneity in paid recruitment costs across migration corridors. These can be attributed to the regulatory practices and policies of both origin and destination countries. Also, there are gender-specific differences that likely arise from migration policies targeting specific occupations. Finally, the admissions policies of destination countries regulating the inflow of workers have a noticeable impact on costs.

The Pakistan to Saudi Arabia corridor remains one of the costliest in terms of up-front recruitment costs. Costs of over \$5,000 or the equivalent of 12 months

of a worker's foreign earnings can be observed in the fourth quintile of the distribution (see figure 2.6). Saudi Arabia was, until the recent workforce nationalization policy (*Nitaqat*), the primary destination for Pakistani migrants, followed by the United Arab Emirates. Pakistani migrants paid less to move to the United Arab Emirates, though still far more than in other migration corridors. In contrast, workers from the Philippines to Saudi Arabia and Qatar incurred some of the lowest fees, averaging below 1.5 times their monthly overseas income.

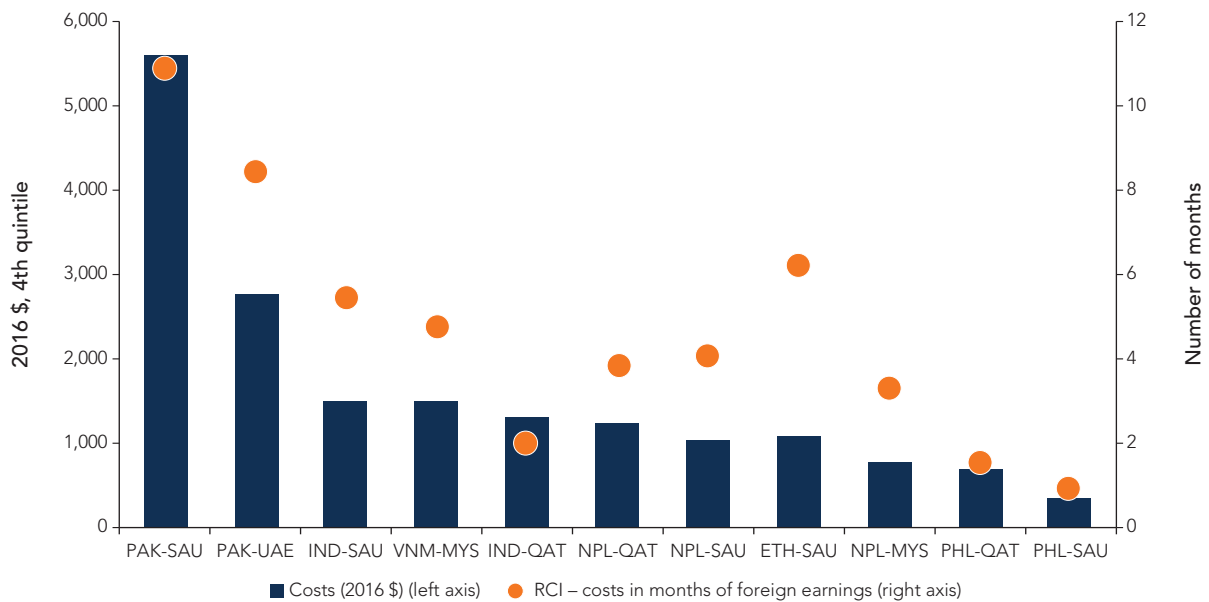
The data show that Filipino women who moved to work in Saudi Arabia and Qatar in the fourth quarter of 2016 paid relatively lower fees to recruitment agencies than their male compatriots (see figure 2.7). This could be indicative of the Philippines' policy of exempting

**FIGURE 2.5.** Worker-paid Recruitment Costs for Pakistani Workers in Saudi Arabia



Source: Authors' calculation from KNOMAD/ILO migration costs surveys.

**FIGURE 2.6.** Worker-paid Recruitment Costs by Origin-Destination Corridors

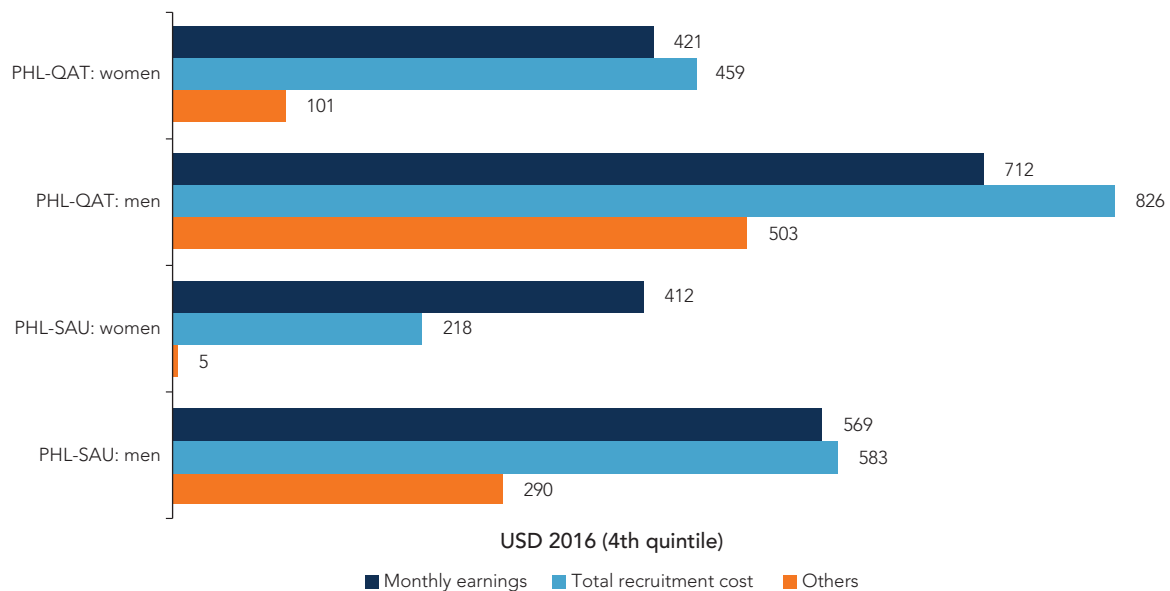


Source: Authors' calculation from KNOMAD/ILO migration costs surveys.

Note: IND = India; PAK = Pakistan; PHL = the Philippines; SAU = Saudi Arabia; MYS= Malaysia; UAE= United Arab Emirates; QAT=Qatar; ETH=Ethiopia; VNM= Vietnam.

placement fees for its citizens hired to work abroad as domestic workers, caregivers, and seafarers. However, the enforcement of the no-fee policy seems to vary

across corridors—for example, \$5 in the Philippines–Saudi Arabia corridor vs \$100 in the Philippines–Qatar corridor. Anecdotally, recruitment agents at times

**FIGURE 2.7.** Female Filipino Migrant Workers in the Domestic Sector Pay Much Lower Placement Fees

Source: Authors' calculation from KNOMAD/ILO migration costs surveys.  
 Note: PHL = the Philippines; QAT = Qatar; SAU = Saudi Arabia.

circumvent the no-fee policy by imposing additional charges for training. A related regulation that restricts placement fees from being no higher than one month's salary for other sectors of employment, other than document-processing costs, seems to be borne out in the data. The notion of requiring a "zero" placement fee, regardless of occupation, is currently being explored by the Philippines government.

Corridor-specific recruitment costs incurred by workers also vary annually. A possible explanation is the policies in destination countries that regulate the inflow of foreign workers by country of origin. The GCC countries are believed to implement country-specific quotas for low-skilled workers though these are not explicitly published or stated.<sup>5</sup> Assuming steady demand for foreign jobs among prospective low-skilled migrant workers, changes in the quota would affect the supply of jobs. Consequently, the outflow of emigrants and the market-clearing fees charged by recruiters would be affected as potential migrant workers bid for a limited supply of foreign positions. Costs incurred by migrant workers would be higher were the quota to be lowered, which would reduce emigration outflows. By contrast, migrants would pay lower fees were the country-specific quota to be relaxed.

This pattern of association appears to be played out in the data. Recruitment costs are higher when prior year emigration flows are lower (a proxy for a binding quota level) and vice versa (figure 2.8).<sup>6</sup> In the case of Pakistan, more than 80 percent of recruitment costs takes the form of "visa fees." While formal visa fees are fixed by the receiving country, there is a widespread practice of "visa trading" or "free visas": visas are sold in the black market for sponsored jobs in the GCC that do not exist but provide a means for a worker to "freely" pursue jobs without being bound to a particular employer.<sup>7</sup>

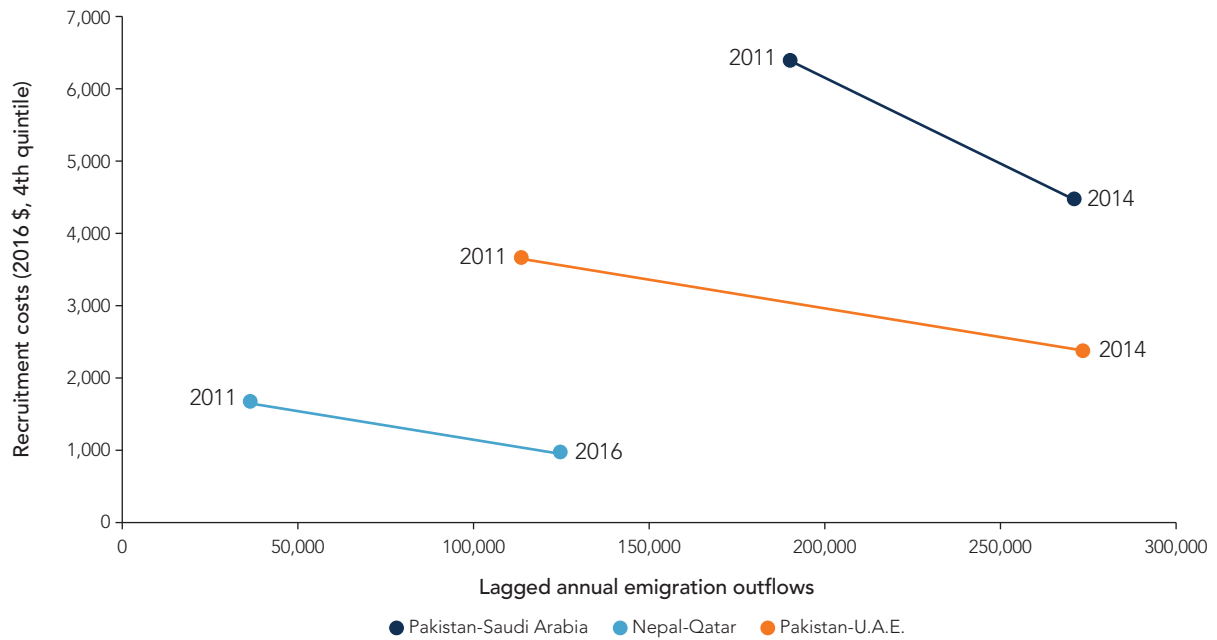
Efforts to reduce recruitment costs would require curbing the exploitative practices and abuses of illegal recruitment agencies (or subagents), allowing direct recruitment by certified, bona fide overseas employers. Bilateral coordination between labor-sending and destination countries would ensure greater pathways for regular migration at substantially lower costs.

### 2.3. Global Compact on Migration

The development of a global compact for safe, orderly, and regular migration, as called for in the New York Declaration for Refugees and Migrants, will provide



**FIGURE 2.8.** Worker-paid Recruitment Costs are Higher When Immigration Quotas Are Enforced



Source: Authors' calculation from KNOMAD/ILO migration costs surveys.

a critical opportunity to enhance international cooperation on migration and to achieve the SDGs and targets related to migrants and migration (see World Bank 2017a). The UN Secretary General has issued a report on the progress made by the United Nations in implementing the commitments in the New York Declaration. It outlines ways of achieving greater efficiency, operational effectiveness, and system-wide coherence, as well as ways of strengthening the

engagement of the United Nations with international financial institutions and the private sector.

A series of six informal thematic sessions on facilitating safe, orderly, and regular migration are taking place between April 2017 and November 2017 to gather substantive input and concrete recommendations to inform the development of the global compact on migration.



# 3

## Special Topic: Return Migration

### 3.1. Conceptualizing and Quantifying Return Migration

Return migration has gained increased attention in many migrant-receiving countries due to the recent surge in the number of refugees, asylum-seekers, and undocumented economic migrants. According to the European Commission, the approval rate for more than 2.6 million asylum applications during 2015–16 was 50–60 percent, implying that the number of potential returnees in the medium term is about 1 million people.<sup>8</sup> Destination countries grapple with the issue of how to send back people in a compassionate, sustainable, and cost-effective manner. On the flip side, origin countries to which the migrants may eventually return are likely to face issues of reintegration and economic sustenance.

The objective of the section is to provide a basic analysis of drivers and impacts of return migration together with existing and possible policy options. The drivers, benefits, costs, and policy options related to return migration are touched upon. It covers migrants (as well as asylum

seekers and refugees) who are forcibly deported, those asked to return without incentives, those offered financial incentives to return, and those who voluntarily return to their country of origin or a third country.

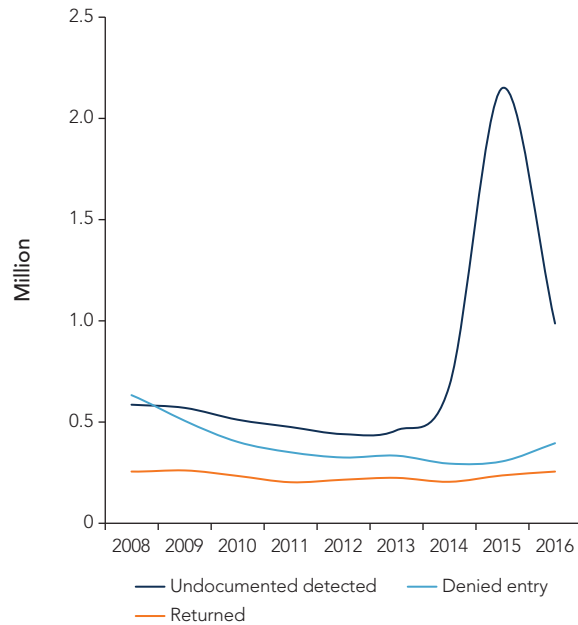
For analytical purposes, we divide return migrants into two categories: forced and voluntary. Forced return includes all cases where migrants are denied legal stay in the intended destination (including withdrawal of permanent residency and citizenship) and are sent out through deportation, official persuasion, or with financial incentives. By contrast, voluntary return occurs where the migrant has a valid right to remain in the destination country but chooses to return by his/her own free will and volition.<sup>9</sup>

Conceptually, the detection of potential forced returnees could be at the border, in the interior, or when the persons report themselves as asylum seekers (figure 3.1). Following detection, administrative and judicial processes are undertaken to determine their legal status and whether they can stay or would have to return. In some cases, these could involve political decisions

**FIGURE 3.1.** Detection of Potential Forced Returnees and Forced Returns

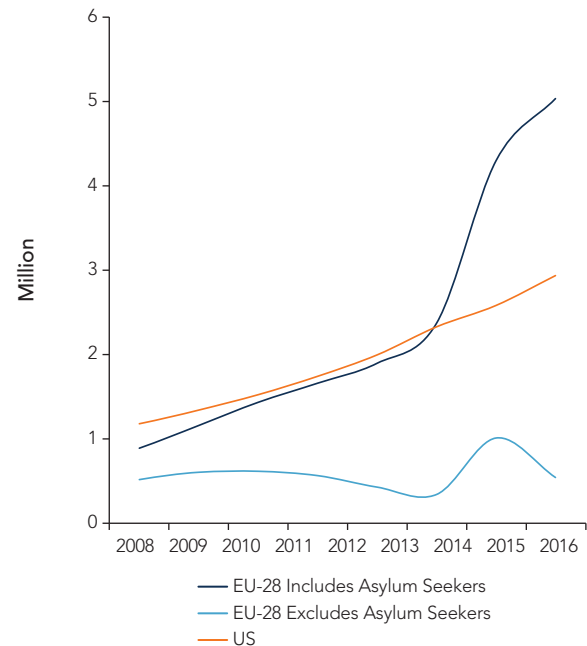


**FIGURE 3.2.** European Union—Increase in Potential Returnees (Undocumented Detected), 2008–16



Source: Eurostat.  
 Note: Denied entry = third-country nationals refused entry in the European Union and Schengen external border; undocumented detected = illegally present third-country nationals within the European Union; returned = both enforced and nonenforced; European Union = EU-28 countries. Data in calendar years.

**FIGURE 3.3.** European Union and United States—Potential Returnees Have Risen at Varying Pace, 2009–16



Source: Calculations using data from Eurostat and Department of Homeland Security.  
 Note: Asylum seekers are first-time asylum applicants from non-EU-28 countries. Undocumented detected stock = undocumented detected stock-1 + new undocumented detected - returned.

based on balancing humanitarian concerns with issues of domestic sentiment, national security, and economic sustainability. If the persons are to be returned, the process could be enforced (deportation), assisted with incentives, or nonassisted. At times, there are also political decisions that lead to mass expulsions.

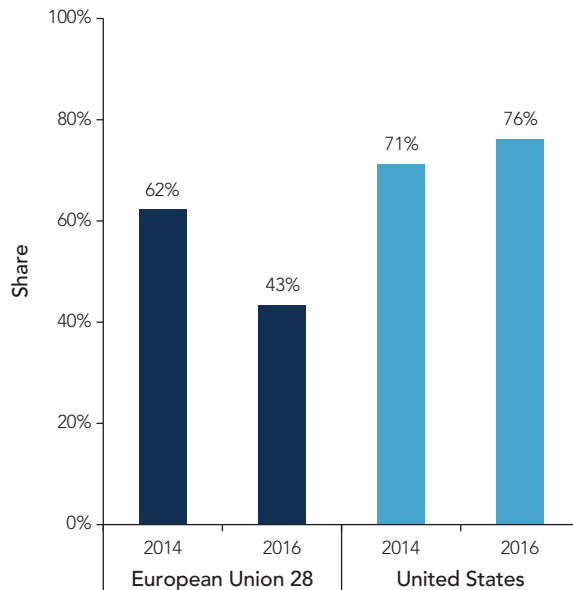
For the European Union, potential returnees are: (i) those “denied entry,” that is, third-country nationals refused entry in the European Union (EU) and Schengen external border; and (ii) “undocumented detected,” namely, illegally present third-country nationals within the European Union. Returned persons are both enforced (deportees) and nonenforced (incentivized or not incentivized). Based on the detection of undocumented persons, the European Union saw a sharp increase in potential forced returnees in recent years (figure 3.2).

Figure 3.3 shows that the increase in the estimated stock of potential returnees in the European Union was

mainly due to the presence of asylum seekers.<sup>10</sup> This figure also shows a gradual and substantial increase in the (estimated) stock of potential returnees in the United States, from around 1.5 million in 2011 to 3 million in 2016.

Interestingly, while the share of deportations in total involuntary returns decreased in the European Union in recent years, it has increased in the United States (figure 3.4). Also, it is often overlooked that deportations are not limited to Europe and the United States. Saudi Arabia and South Africa also had average annual deportations in excess of 5 percent of the migrant stock (figure 3.5).

Besides deportations of individuals, many countries have exercised mass expulsion based on nationality, ethnicity, or religion.<sup>11</sup> Xenophobic attacks often precede such expulsions. These are often driven by political events such as the regime of Idi Amin in Uganda

**FIGURE 3.4.** Share of Deportations in Total Forced Returns, 2014 and 2016

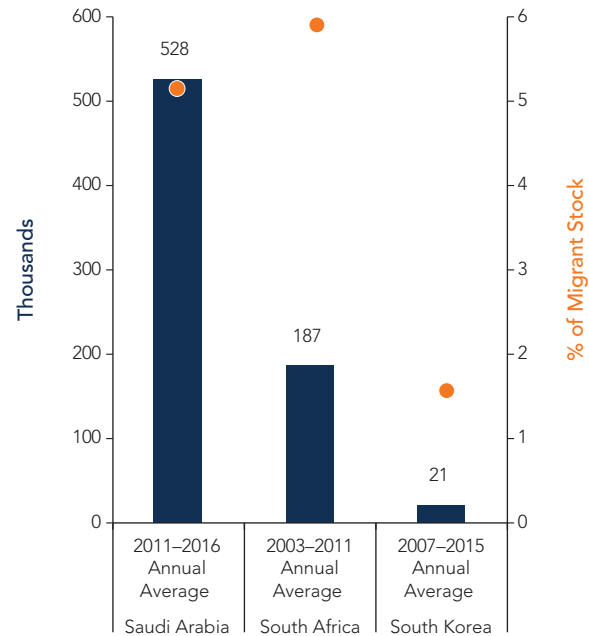
Source: Eurostat and U.S. Department of Homeland Security (DHS); shares calculated using data from Eurostat and DHS.  
 Note: Data for EU-28 include 20 countries: Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Ireland, Spain, France, Croatia, Italy, Latvia, Luxembourg, Hungary, Malta, Poland, Portugal, Romania, Slovenia, Slovakia, and Sweden.

and reorganization of national boundaries like those following World War I and II, the partition of British India, or the breakup of Yugoslavia. In Europe, the last major population transfer was the deportation of 800,000 and the displacement of 250,000 other ethnic Albanians during the Kosovo war in 1999.

### 3.2. Forced Return—Challenges for Destination Countries

Forced return often coincides with political and economic crisis (for instance, Nigeria in 1982–83 and the GCC countries in 2015–16). The rise of ethnic nationalism in host countries could also force migrants to return to their home countries. Socioeconomic crises could be translated into xenophobic attacks against migrants or foreign descendants.<sup>12</sup>

Large-scale forced returns can have economic consequences in the host country. In many ways, these are a

**FIGURE 3.5.** Deportations from Saudi Arabia, South Africa, and South Korea, Various Years

Source: Calculations using data from the United Nations, Saudi Arabia's Ministry of Interior and the Gulf Labor Markets and Migration database, South Africa's Department of Home Affairs, and the Korean Ministry of Justice Immigration Service.  
 Note: Bar graphs reflect the average of annual deportations over the years indicated per country. Share = average of annual deportations in the years indicated divided by the total migrant stock in the country in 2015.

reversal of the gains that migrants, even undocumented, bring to a country. For instance, in Côte d'Ivoire, the mass expulsion of foreign fishermen resulted in a 60 percent decline in fish production and an increase in fish prices by 50–150 percent (Vanga 2004). It is projected that for the United States, the removal of undocumented migrants could lead to the immediate reduction of the GDP by 1.4 percent, and ultimately by 2.6 percent—a cumulative GDP reduction of \$4.7 trillion over 10 years.<sup>13</sup>

Forced expulsion can be costly for the host government. Deportation costs for the European Union in 2015 were estimated to be \$1 billion a year. In 2015, the American Action Forum estimated that removing 11.2 million undocumented migrants from the United States over a 20-year period would cost \$420 billion–\$620 billion. The Center for American Progress estimates that the removal of 11.3 million undocumented immigrants would cost \$114 billion (\$10,070 per person on average).

### 3.3. Forced Return—Challenges for Origin Countries

How do forced returnees fare after returning to their countries of origin? Existing literature suggests that it would depend on their ability to reintegrate in a manner that is deemed to be sustainable.<sup>14</sup> In fact, a common yardstick for measuring the “success” of return programs is whether returnees remigrate and the extent to which their return deters others from migrating illegally. In a study of 178 assisted returnees in six home countries, 76 percent of the return migrants wanted to reemigrate even after spending two years at home (Ruben, van Houte, and Davids 2009).<sup>15</sup>

For refugees, an obligation to leave the destination country can be traumatic. A longitudinal study of refugees in Germany who participated in an assisted return program found an increase in the rate of psychiatric disorders: from 53 percent prior to returning to their home country to 88 percent nine months after returning (von Lersner, Elbert, and Neuner 2008). Forced returnees to countries of the Maghreb were found to have a higher likelihood of unemployment than voluntary returnees (David 2017).

**Factors affecting reintegration.** In general, studies have shown that reintegration is more likely to occur for returnees who were economically well off prior to migration, and who expected their stay abroad to be temporary, and so maintained strong social networks with origin communities. Also, younger, more educated migrants, and families with children are more likely to reintegrate (Black et al. 2004; Ruben, van Houte, and Davids 2009; Koser and Kuschminder 2016). Living and working conditions in the host country play a dominant role in reintegration. The ability to secure jobs, have access to independent housing, and the freedom to develop social contacts while abroad are likely to be important factors in supporting the social and economic reintegration of returnees (Ruben, van Houte, and Davids 2009). Therefore, integration in the destination country supports reintegration and sustainable return. By extension, restrictive migration policies undermine return programs and may damage prospects for reintegration upon return.

### 3.4. Evaluating Forced Return Policies

**Cooperation and coordination.** The exchange of information, coordination, and cooperation between entities at the national and subnational levels, as well as among subnational entities, facilitates the return of migrants. More exchange of information and good practices among countries might also help.<sup>16</sup> Examples of such collaboration are return partnerships between the EU and African countries, and migration (and mobility) partnerships between the EU and Turkey, and the United States and Mexico.

**Financial incentive programs.** Financial incentive programs to promote voluntary returns are more successful if they are set up with a long-term perspective, and if they are oriented to the reintegration of the migrants in their home countries.<sup>17</sup> Reintegration depends on the socioeconomic characteristic of the returnee, circumstances prior to migration, and living conditions in the destination country. Researchers express general skepticism of the efficacy of assisted return programs (van Houte and De Koning 2008; van Houte and Davids 2014; Koser and Kuschminder 2016).

**Deportations.** Deportations are costly for all concerned; the deporting country, the receiving country, and the migrants themselves. Their effectiveness as a deterrent is questionable since they do not effectively address the fundamental drivers of irregular migration: limited avenues for regular migration, lack of economic opportunities in origin countries, instability and governance gaps in transit countries, prevalence of people smuggling activities, and violence or conflict.

**Aid conditionality and return migration.** The scope and duration of aid programs are too limited to have a significant effect on migration. Therefore, aid conditionality may not be an effective tool in managing return migration.

**Origin country reintegration policies.** Until recently, countries have been unprepared to receive large numbers of deportees. The Mexican government in 2014 launched a program called *Somos Mexicanos* (We’re Mexican) to assist returning migrants find jobs, start businesses, and deal with the emotional trauma of

leaving families behind in the United States. However, there are limited government resources to deal with an expected increase in returning migrants in the coming years. Analogous to destination countries recognizing the qualifications acquired by migrants in their home country, origin countries need to develop efficient processes to recognize education obtained at destination by returning migrants.

### 3.5. Voluntary Return

Voluntary return far exceeds forced return. Studies indicate that around 20 percent to 50 percent of immigrants leave OECD countries within five years of their arrival (Dumont and Spielvogel 2008). The Mexican 2010 census showed that 31 percent of migrants who moved to the United States had returned. The rate of return is estimated to be similar in the Philippines (Wahba 2015b).

**Factors driving voluntary return.** The economic, political, and social situation in the countries of origin and destination influence a migrant's decision to return. Key factors are peace and security, and access to jobs, services, and housing in the origin countries. A deterioration of migrants' situation in destination countries, for example, due to an economic crisis, can encourage return, but only if the situation in the countries of origin is not assessed as worse. Several individual characteristics of the migrant influence the rate of return—age, gender, status (low skilled, high skilled, refugee, student), educational attainment, attachment to the origin country, degree of integration in the society of the destination country, networks in the origin and destination countries, family ties (marriage, children left behind or children in destination country, elderly parents left behind), options for mobility after return, accumulation of savings, and so on. Return is more likely between countries at a similar level of development (Dumont and Spielvogel 2008). The rate of return is greater among the young and retirees but does not seem to vary much by gender (Dumont and Spielvogel 2008; Gaulé 2014). The least and the most educated seem to return in higher numbers compared with those with an intermediate level of education. After having finished their studies, students return in higher numbers than those who migrated to work or for family reunification purposes (Bijwaard and Wang 2016).

Those with a lower and higher income are more likely to return (Bijwaard and Wahba 2014). There is empirical evidence that unemployment is a key driver of return. On the other hand, returns can also be the result of the achievement of a savings objective or the acquisition of skills, combined with the prospects of obtaining a job back home (Wahba and Zenou 2012).

**Impacts of voluntary return.** The return of migrants to their home country supports economic development and job creation as returnees bring capital and knowledge back with them. This is further catalyzed if the origin country provides a framework and good conditions for returnees to make use of their skills and investments. This can offset a decline in remittances because of returns. The return of Albanian migrants due to the Greek crisis, for example, increased Albania's labor force by 5 percent between 2011 and 2014, had positive effects on the wages of low-skilled nonmigrants, and overall positive effects on the employment of those who stayed (Hausmann and Nedelkoska 2017). Return migration also has impacts on knowledge diffusion and innovation in the countries of origin and destination (Bahar and Rapoport 2017, forthcoming). Examples often cited are returnees in Taiwan's Hsinchu Science and Industrial Park and the Indian software industry. Researchers and other employees returning from intrafirm assignments abroad also boost innovation (Choudhury 2017). Factors that influence the impact are, among others, bureaucracy, business and investment climate, labor market situation, recognition of skills gained abroad, and ability to employ knowledge gained abroad. Return migrants also have an impact on governance and the quality of political institutions (Docquier et al. 2009; Li and McHale 2009; Beine and Sekkat 2013; Batista and Vicente 2011). Social norms are also impacted by return migrants (Bertoli and Marchetta 2015).

Studies suggest that return migrants often have better employment possibilities in developing countries than those who never migrated in the first place.<sup>18</sup> There is evidence that returnees enjoy upward occupational mobility. Also, most are self-employed, thus potentially contributing to employment generation and economic growth at home (Mattoo and Amin 2007; McCormick and Wahba 2001; Wahba and Zenou 2012). Savings increase the probability of becoming an entrepreneur among illiterate returnees in Egypt, whereas for literate

returnees the duration of the stay abroad, with implications for skill acquisition, may matter more (McCormick and Wahba 2001).

***Policies for promoting voluntary return.*** Several policies have been found to promote voluntary return and successful reintegration. These include the recognition

of skills and diplomas acquired abroad, dual citizenship, the possibility to secure a permanent residency permit even if the migrant leaves the country for more than 6 months (long-term multiple-entry visa arrangements to encourage circular migration), antidiscrimination and equal access programs in the countries of origin, and the portability of social benefits.



# 4

## Regional Trends in Migration and Remittance Flows

### 4.1. Remittances to the East Asia and Pacific (EAP) Region to Rebound in 2017

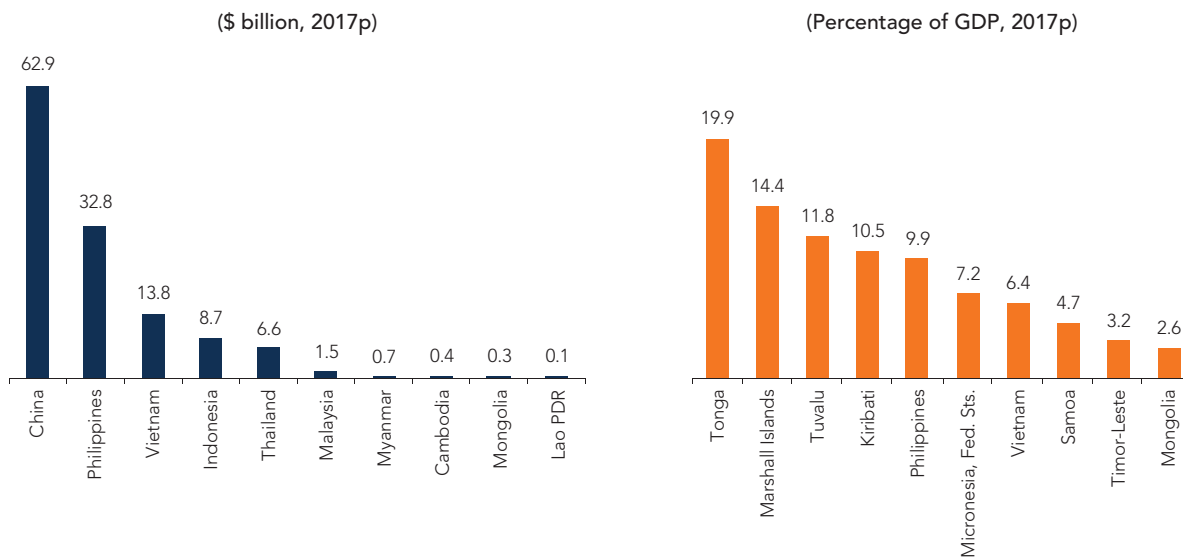
**Remittance trends:** Formal remittances to the East Asia and Pacific (EAP) region are expected to rebound by an estimated 4.4 percent in 2017, reversing its decline of 2.6 percent in 2016. Remittances to the Philippines continue to remain resilient despite the political uncertainties in the Middle East, and are expected to grow by 5.3 percent in 2017, slightly higher than the estimated 4.5 percent increase in 2016. Declining remittances from Saudi Arabia have been more than compensated by increasing levels from other Gulf Cooperation Council (GCC) countries, particularly Qatar.

Remittances to Indonesia are forecasted to continue its downtrend with the maintenance of a ban on female domestic workers from traveling to the Middle East. Inflows are expected to fall by a further 3.5 percent in 2017 on the heels of an estimated decline of 7.1 percent in 2016. Vietnam's remittances dropped by an estimated 10 percent in 2016, which is being attributed to a fall in domestic interest rates and lingering expectations of interest rates hike in the United States, dampening incentives for overseas Vietnamese to remit. The U.S. accounts for an estimated 60 percent of total remittances sent to Vietnam. Remittances to Vietnam are anticipated to recover by 16 percent in 2017 (figure 4.1).

**Remittance costs:** Remittance costs to the East Asia and Pacific region have been persistently high with

the cost of sending \$200 averaging 8 percent in 2017 Q3 (World Bank 2017b). Costs in the Pacific Island corridors originating from Australia and New Zealand continued in the double digits.

**Migration trends:** In 2017, both Malaysia and Thailand embarked on regularization programs targeting undocumented migrant workers. Unauthorized migrants are separately estimated at nearly 2 million in both countries, and have been subjected to crackdowns and deportations in prior years. Most low-skilled foreign workers are in sectors shunned by locals, such as construction, plantation, agriculture, and fishing. In Malaysia, a total of 155,680 applicants were received by the June dateline, far less than the anticipated 600,000 temporary work permits that authorities intended to issue.<sup>21</sup> By the end of July, more than 5,000 foreigners were detained. In Thailand, a new law on the recruitment of foreign workers initially came into effect on June 23, 2017, which required employers to register all undocumented workers as an initial step toward legalizing them. The law introduced increased fines, which many considered prohibitive.<sup>22</sup> Fearing detention, more than 60,000 irregular migrants were reported to have fled the country, mainly to Cambodia and Myanmar in the week following the passage of the law. Subsequent appeals by employers and intervention by the Cambodian government persuaded the Thai regime to postpone enforcement raids until January 2018. As of mid-August, more than 772,000 undocumented migrants registered, of which 58 percent were from Myanmar and about 27 percent from Cambodia.

**FIGURE 4.1.** China Remains the Top Recipient of Remittances in East Asia and Pacific

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

## 4.2. Remittances to Europe and Central Asia (ECA) Projected to Increase in 2017

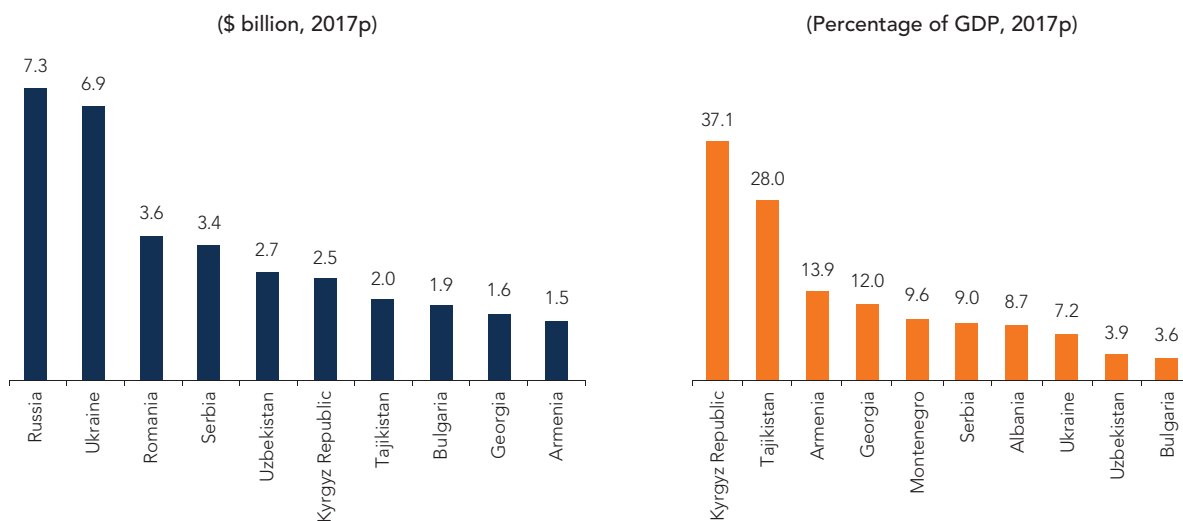
**Remittance trends:** After declining for three consecutive years, remittances to countries in Europe and Central Asia (ECA) are expected to grow by 8.6 percent in 2017. Besides a low-base effect, the recovery is mainly due to appreciation of the ruble against the dollar (figure 1.2). While outward remittances from Russia increased by over 10 percent in dollar terms in the first part of 2017, remittances in ruble terms continued to decline. Going forward, however, the economic recovery in Russia after two years of recession, continued recovery in Kazakhstan, and a robust activity and increased employment in the euro area imply a positive outlook for remittances during 2018–19. Risks to the outlook are mainly on the downside, including an appreciation of the U.S. dollar.

Russia and Ukraine are the largest remittance recipients in the ECA region. Kyrgyz Republic and Tajikistan are the most dependent on remittances, relative to their GDP (figure 4.2).

**Remittance costs:** The average cost for sending money to the ECA region remained stable at 6.4

percent in 2017 Q3, below the global average (7.2 percent). Among the G-8 and G-20 countries, sending money from Russia is the cheapest, with costs at 2.1 percent in 2017 Q3.

**Migration trends:** Since the European Union and Turkey deal in 2016, Italy has been the main destination for migrants crossing the Mediterranean Sea. Until the end of August 2017, 98,266 people arrived in Italy, compared to only 14,382 in Greece and 9,738 in Spain. However, new arrivals in Italy have fallen sharply since July. This decline might be due to adverse weather conditions, increased patrols by the Libyan coast guard, financial support from the European Union for the United Nations (UN)-backed government to prevent trafficking, and support by Italy to control entry via Libya's southern border. At the same time, arrivals in Spain coming from Morocco through August 2017 have tripled compared to the same period last year, according to the International Organization for Migration (IOM). The nationalities of those crossing the Mediterranean have changed compared to the last two years, with Syrians only making up around 7 percent of all arrivals. In 2015 top arrivals were from Syria, Afghanistan, Iraq, Pakistan, and Eritrea. In 2017, the arrivals are from Nigeria, Guinea, Côte d'Ivoire, Bangladesh, and Syria.

**FIGURE 4.2.** Remittance-dependent ECA Countries Will Benefit from Recovery in 2017

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

Since the Brexit referendum, net immigration to the United Kingdom appears to have declined, driven by an increase in EU nationals leaving Britain, notably from Eastern and Central Europe. Besides Brexit, the slowing UK economy and a weaker sterling, as well as improved conditions in Central and Eastern Europe played a role.

The share of respondents citing immigration as the most important issue facing the European Union in the Eurobarometer survey rose from around 10 percent in 2011–12 to a peak of 58 percent in November 2015, coinciding with the sharp rise in refugees and migrants arriving in Europe through the Mediterranean Sea. By May 2017 this share had fallen to 38 percent, with terrorism seen as a more important issue.

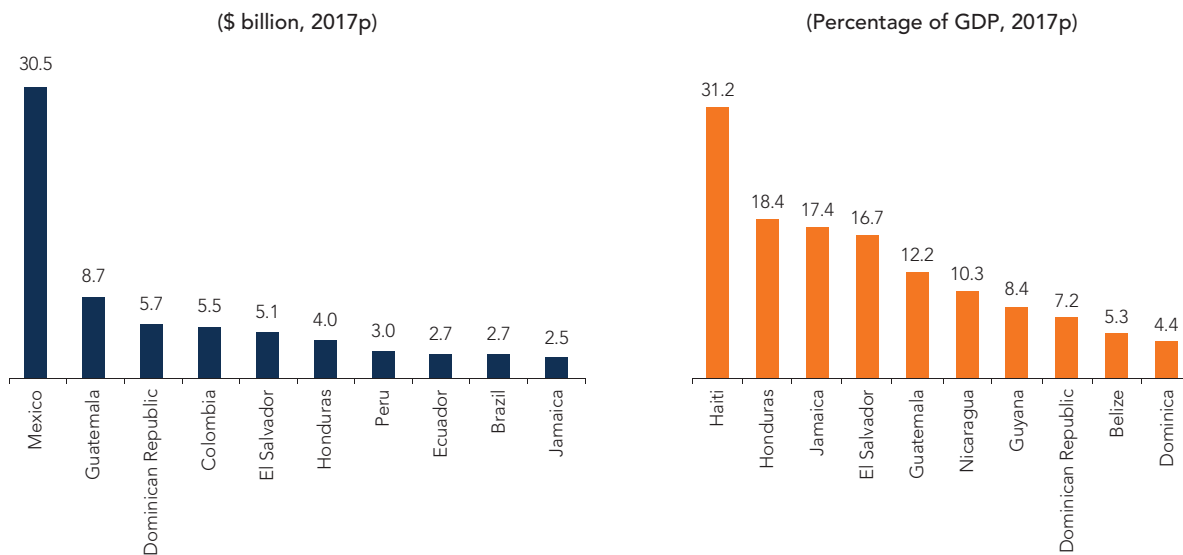
### 4.3. Remittance Flows into Latin America and the Caribbean to Continue Rising in 2017

**Remittance trends:** Remittance flows into Latin America and the Caribbean (LAC) are expected to increase by 6.9 percent in 2017, reaching \$79 billion. Economic growth and improvement in the labor market in the United States is having a positive impact

on the outlook for remittance flows to Mexico, Central America, and South America. However, growth in remittances is projected to moderate to around 4 percent in 2018 and 2019.

Mexico, the region's largest and the world's fourth-biggest recipient of remittances, is projected to post record remittances of \$30.5 billion in 2017, a growth of 6.5 percent over the previous year (figure 4.3). Remittances are even more important as a source of hard currency for several smaller economies in the region. Data for the Dominican Republic, Honduras, El Salvador, and Nicaragua show that remittance inflows grew by more than 10 percent in the first seven months of 2017 compared with the same period in the previous year. Remittances to Colombia and Guatemala grew by 13 percent and 16 percent, respectively, over the first eight months of 2017 compared with the same period in 2016. Despite the increase in the number of deportations from the United States to Mexico, El Salvador, Honduras, and Guatemala, remittances received by these countries continue to rise. This is in part due to possible changes in migration policies. Migrants are sending their savings back home in case they must return.

An improving labor situation for the foreign-born population and Hispanics in the United States bodes well for the immediate prospects for remittances to

**FIGURE 4.3.** Remittance Inflows to Latin America Were Strong Led by Mexico

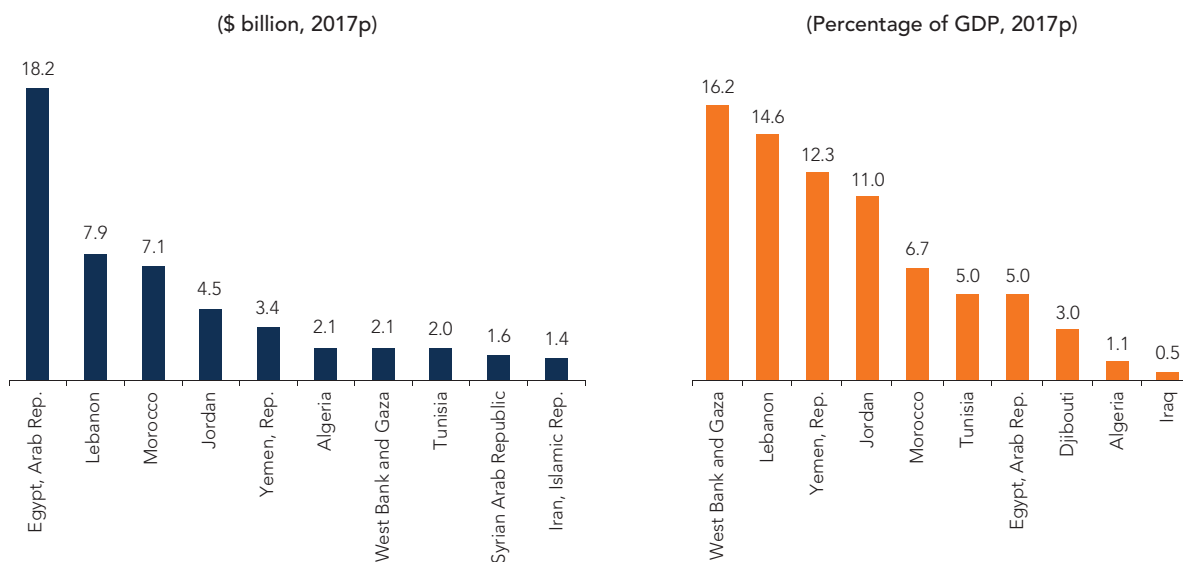
Sources: IMF, World Bank World Development Indicators, and staff estimates.

the region. In August, the unemployment rate for the foreign-born population in the United States was 4.2 percent compared to 4.6 percent for the native-born. Furthermore, a tighter U.S. labor market, which is close to reaching full employment, seems to be facilitating higher compensation in some sectors, especially in the construction sector, which tend to favor the average volume of remittances.

**Remittance costs:** The average cost of sending money to LAC was 5.7 percent in the third quarter of 2017, down slightly from the 6.2 percent recorded in the year-ago period, according to the Remittance Prices Worldwide (RPW) data (World Bank 2017b). The region continues to have the second-lowest average remittance costs among low- and middle-income regions following South Asia. The average cost of sending money from the United States, where the majority of LAC migrants reside, was 5.7 percent in the third quarter, still higher than the 3 percent target of the Sustainable Development Goals (SDGs). The cost of sending money to LAC has gradually declined over the past few years due to a combination of high volumes and increased competition once exclusivity contracts were eliminated. However, given the available technologies, remittance costs have not declined as fast as in other regions. Remittance costs are higher still for the Caribbean countries.

**Migration trends:** New international migration patterns are emerging in the Latin America region: (i) new flows of Haitians into Brazil and Chile; (ii) Venezuela turning into a sending country instead of a receiving country for Latin America; and (iii) return migration to Mexico and Central America. In 2016, nearly 49,000 Haitians entered Chile where Peruvians and Bolivians are the major group of immigrants.<sup>23</sup> With the worsening of the political situation in Venezuela, several neighboring countries are providing special measures to receive Venezuelans.<sup>24</sup> Finally, the number of deportations and apprehensions have increased in the United States, returning Mexicans, Salvadorans, and Honduras to their countries.

Latin America is not different from other countries in the world were the antiprotectionist measures are being enacted or under consideration. Although Argentina and Ecuador have a more open migration law that provides migrant rights and access to social services, this pattern is being reverted. For example, Argentina, Brazil, and Chile are in the process of toughening their migration policies. In July 2017, the Dominican Republic granted a one-year extension for Haitian migrants trying to obtain their residency permits. About 230,000 Haitians are facing this situation.

**FIGURE 4.4.** Recovery of Remittances to the MENA Region Is Driven by Egypt

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

On September 5, 2017, the U.S. Department of Homeland Security rescinded DACA (Deferred Action for Childhood Arrivals), offering some provisions for winding up the program.<sup>25</sup> DACA recipients will retain both the period of deferred action and their employment authorization documents (EADs) until they expire, unless terminated or revoked. As of March 2017, more than 800,000 undocumented youth have been granted DACA which allows them to obtain a driver's license, a Social Security number, and a two-year work authorization. Mexican children are the largest beneficiaries under the umbrella program (689, 029). The U.S. administration has given the Congress a 6-month window in which to pass legislation protecting these individuals.

#### 4.4. Remittances to the Middle East and North Africa (MENA) Region to Recover in 2017

**Remittance trends:** After two years of decline, remittances to the Middle East and North Africa (MENA) region are expected to grow by 4.6 percent in 2017. Besides a low-base effect, the recovery is driven by more stable exchange rate expectations in

the Arab Republic of Egypt, the largest remittance receiver in the MENA region (figure 4.4). Together with the removal of almost all capital controls and an increase in domestic interest rates, the introduction of a flexible exchange rate regime in Egypt last November 2016 has encouraged sending remittances through official banking channels. Due to robust growth in the euro area, we also expect remittances to Maghreb countries, which receive the bulk of their remittances from Europe, to remain stable or grow modestly.

The growth outlook is dampened by the situation in the GCC countries. Remittances from GCC countries will be partly impacted in 2017 by lower growth due to oil production cuts and fiscal consolidation, which still weighs on activity in the non-oil sector. Remittances from Saudi Arabia declined by 8 percent until July 2017, compared to the same period in 2016. A new fee on expat dependents in Saudi Arabia introduced this year and the 2018 value added tax (VAT) introduction are likely to further reduce remittances in the future. Nationalization programs in Saudi Arabia and the United Arab Emirates, favoring employment of nationals over foreign workers, are increasingly gaining traction. However, remittances from Kuwait, where a significant number of Egyptians

work, increased by 7.4 percent year-on-year in the first quarter of 2017. Only a small number of migrants from the MENA region work in Qatar and are thus likely to be affected by the sea, land, and air embargo on Qatar. Remittances to Jordan, which receives over two-thirds of its remittances from GCC countries, have grown modestly until July 2017, by around 1 percent, due among others to increases in interest rates that increased deposits by Jordanians abroad. Remittances to the MENA are expected to continue to grow by 2.9 percent in 2018. The main downside risks include renewed declines in oil prices and further nationalization policies.

**Remittance costs:** Sending money to the MENA region cost 7.4 percent in 2017 Q3, slightly above the global average of 7.2 percent (World Bank 2017b). On average, it continues to be much cheaper to send money within the MENA region than from outside the MENA region. Saudi Arabia is among the least expensive G-20 sending countries (4.7 percent). Sending money from outside the region to Lebanon is the most expensive, but has slightly decreased over the last quarters. De-risking may have an impact on costs, as foreign banks have ceased corresponding banking relationships with a few smaller Lebanese banks owing to anti-money laundering/countering financing of terrorism (AML-CFT) concerns, IMF 2017b. Remittance costs to Egypt also remain high for some corridors, due to increased exchange rate margins of some providers since the fluctuation of the pound in 2016 Q4.

**Migration trends:** Over 600,000 Syrians, have returned to their places of origin between January and July 2017 (IOM 2017). The majority, 84 percent, had been internally displaced; the remaining 16 percent returned from Turkey, Lebanon, Jordan, and Iraq. According to the United Nations High Commissioner for Refugees (UNHCR), there are still over 5.16 million registered Syrian refugees. Nearly 2 million people have been internally displaced in Yemen due to conflict since March 2015. On the other hand, regardless of the war, already over 50,000 migrants and refugees have arrived in Yemen this year, trying to reach Saudi Arabia, mainly from Ethiopia and Somalia. The IOM estimates that there are around 2 million migrants and refugees in Yemen.

## 4.5. Remittances to the South Asia Region (SAR) to Remain Modest in 2017

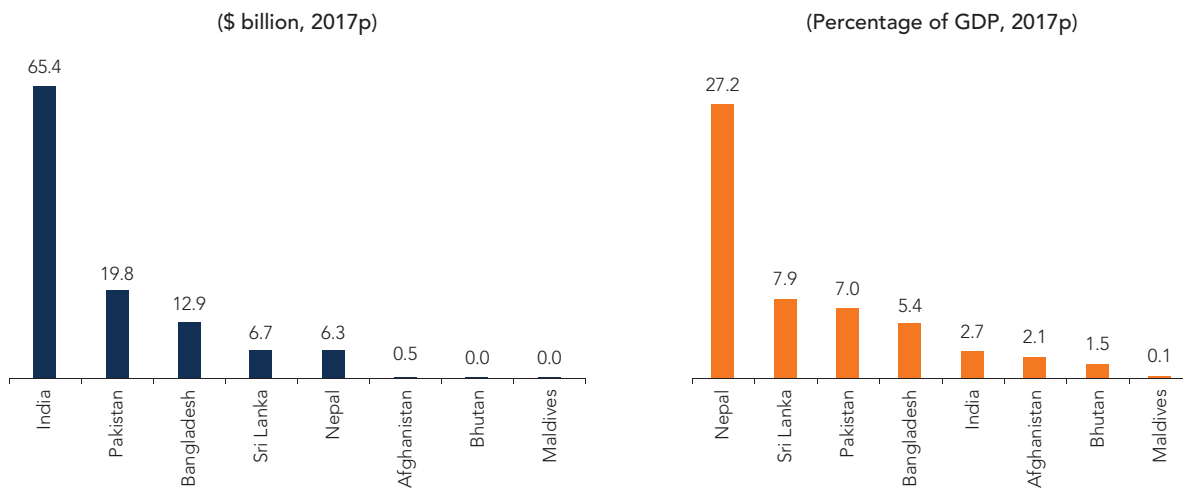
**Remittance trends:** Remittance growth in the South Asia region is expected to remain weak with a modest 1.1 percent growth in 2017 due to the continuing impact of lower oil prices and “nationalization” policies leading to constrained labor market conditions in the GCC. This represents a slight improvement over the 6.1 percent remittance fall seen in 2016.

Oil price declines started impacting the region from 2015 onward and intensified in 2016. India witnessed an 8.9 percent remittance decline in 2016. Its remittance growth is expected to remain moderate at 4.2 percent in 2017 amounting to about \$65 billion. Pakistan is projected to have 0.2 percent remittances growth in 2017 compared to 2.4 percent growth in 2016. For Bangladesh, remittances would decline by 5.2 percent in 2017 following a 11.4 percent decline in 2016. For Nepal, a projected decline of 4.0 percent in 2017 would follow a 1.8 percent decline in 2016. For Sri Lanka, the 3.7 percent remittance growth in 2016 is projected to deteriorate to an 8.1 percent fall in 2017.

Remittance growth in the region is projected to remain moderate due to cyclical and structural factors. The main cyclical driver of the remittance slowdown is low growth in GCC source countries. In the longer run, structural factors such as labor market adjustment in the GCC countries and anti-immigration sentiment in many destination countries pose a considerable downside risk. For the region, an increase of remittances of only 2.6 percent is expected in 2018. Bangladesh’s remittance growth in 2018 is forecast at 3.1 percent, India’s at 2.5 percent, Pakistan’s at 2.4 percent, and Sri Lanka’s at 2.2 percent.

The region remains significantly dependent on remittances. Remittances would exceed 5 percent of GDP in 2017 for Pakistan, Bangladesh, Sri Lanka, and Nepal (figure 4.5).

**Remittances costs:** The South Asia Region (SAR) had the lowest average regional remittance costs of 5.4 percent in the third quarter of 2017. Some of the

**FIGURE 4.5.** Remittances to SAR Countries Are Large in Absolute Terms and Relative to GDP

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

lowest cost corridors originating in the GCC countries have costs below the SDG target of 3 percent. But there is little room for complacency. The highest cost corridors have costs well above 10 percent. Burdensome regulations (AML-CFT) that raise the risk profile of countries such as Afghanistan contributes to this. A less competitive market environment also leads to high costs.

**Migration trends:** Persistence of fragility and conflict in Afghanistan created forced displacement since the 1980s. Recent reports indicate that many Afghan refugees from Pakistan, Iran, and Europe are returning. The number of returnees is projected to soar from 700,000 in 2016 to over 3 million in 2017 (IMF 2017a). This has serious implications for the welfare of the returnees given the limited resources and capacity of the government. Moreover, the region is facing another intensified refugee situation as over 400,000 Rohingyas have moved from Myanmar to Bangladesh.

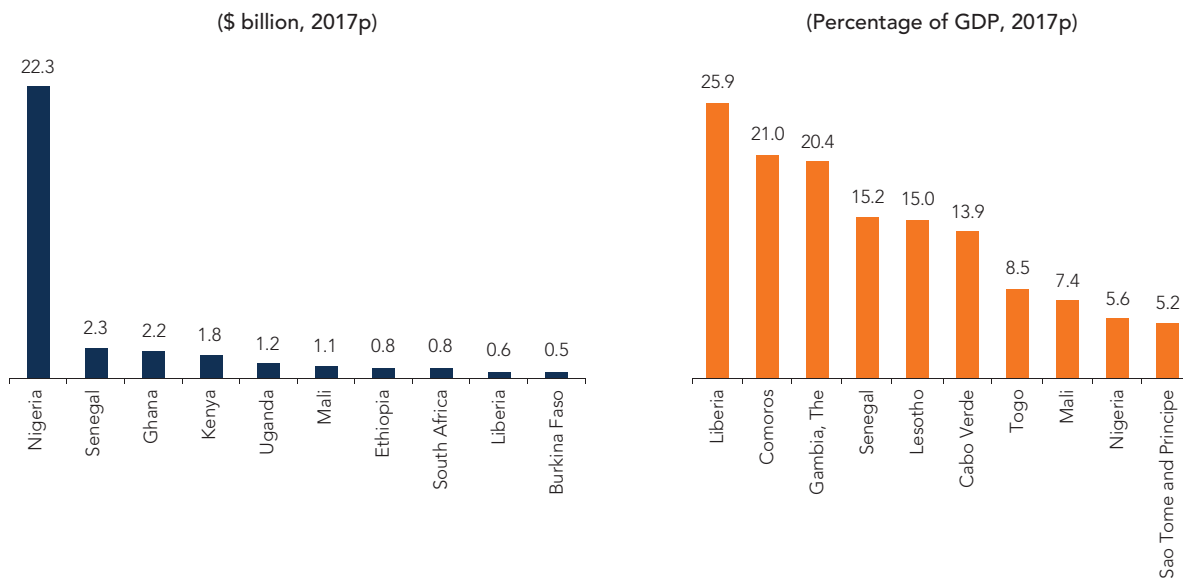
The economic slowdown in the GCC has adversely impacted migrant worker flows from the South Asia Region. For Pakistan, registered migrant workers in Saudi Arabia dropped from 522,750 in 2015 to 462,598 in 2016; those in the United Arab Emirates fell from 326,986 in 2015 to 295,647 in 2016. With only 89,624 registered for Saudi Arabia up to July 2017, a steep

fall in Pakistani migration to that country is anticipated. The number of Indian workers emigrating to Saudi Arabia dropped from 306,000 in 2015 to 162,000 in 2016; those going to the United Arab Emirates decreased from 225,000 in 2015 to 159,000 in 2016. Total Indian worker outflows fell from 781,000 in 2015 to 506,000 in 2016. Bangladesh bucked the trend somewhat given earlier Saudi plans for recruitment of 400,000 workers (half of them female) from Bangladesh (reported in World Bank 2016b). Its migrants to Saudi Arabia jumped from 58,270 in 2015 to 143,913 in 2016, but those to the United Arab Emirates dropped from 25,271 to 8,131.

## 4.6. Remittances to Sub-Saharan Africa Accelerated in 2017

**Remittance trends:** Formal remittance inflows to the Sub-Saharan Africa region are projected to increase by 10 percent from about \$34 billion in 2016 to \$38 billion in 2017.<sup>26</sup> This is partly because of improvement in economic activities in the high-income Organisation for Economic Co-operation and Development (OECD) countries that are the major remittance-sending countries for Sub-Saharan Africa. In addition, regarding intraregional inflows, Sub-Saharan Africa's economic



**FIGURE 4.6.** Countries with High Remittance Inflows and Remittances as Percentage of GDP

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

outlook is expected to rebound in 2017 driven by the three largest regional economies: Nigeria, Senegal, and Ghana. The West African Monetary Union countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo) are expected to experience an upswing due to the appreciation of the euro against the U.S. dollar. The region's major remittance-receiving countries are all projected to have remittance growth in 2017: Nigeria is expected to have 11.1 percent growth, Ghana 4.3 percent, and Kenya 4.1 percent. But, remittances also account for a significant share of GDP for some countries such as Liberia (26 percent), Comoros (21 percent), the Gambia (20 percent), Senegal (15 percent), Lesotho (15 percent), Cabo Verde (14 percent), and Togo (9 percent) (figure 4.6).

Nigeria, with projected remittances of \$22.3 billion in 2017 would continue to be the largest remittance recipient in the region. It is experiencing a recovery in oil production with an increase in oil output during the recent months leading to improved confidence for investment-oriented remittances. In addition, the Central Bank of Nigeria has managed to maintain a greater stability in the foreign exchange market during the recent months, by reducing the gap between the parallel market and the official exchange rates. As a

result, more official remittances are expected to flow into the country in 2017 compared to last year. In addition, the Nigerian Government has successfully raised \$300 million in diaspora bonds to finance the country's development projects (See box 4.1).

**Remittance costs:** Sub-Saharan Africa has always recorded the highest remittance costs in the world. Recent months have seen a moderate decline in remittance costs from 9.4 percent in 2017 Q2 to 9.1 percent in 2017 Q3, compared to global averages of 7.3 percent and 7.2 percent respectively. In comparison, these costs are almost the double of those in South Asia (5.4 percent) and are still very far from the SDGs' goal of achieving less than 3 percent by 2030. But remittance costs are heterogeneous across remittance corridors. Remittances sent from the United Arab Emirates to Sudan or South Sudan tend to have the lowest costs. On the other hand, intraregional corridors originating in Nigeria, Angola and South Africa are among the most expensive.

**Migration trends:** Over the first half of 2017, Sub-Saharan Africa has registered about 2.6 million new displacements with 2.1 million caused by conflicts and violence and about 500,000 due to environmental



**BOX 4.1: Diaspora Bonds for Nigeria—Successes and Shortfalls**

The Government of Nigeria issued its first diaspora bond to raise \$300 million on June 19, 2017. A diaspora bond is a retail savings instrument marketed only to members of a diaspora (Ketkar and Ratha 2010). The bonds were issued at a coupon rate of 5.625 percent for a tenure of five years. The Nigerian Government designated the Bank of America, Merrill Lynch, and the Standard Bank of South Africa as joint lead managers for the sale. In July 2017, Fitch ratings rated the bond at B+ with a negative outlook. The bond was oversubscribed by 130 percent indicative of investors' favorable perspectives of the Nigerian economy's future prospects. It is the first time that a Sub-Saharan African country reached such an important milestone in the stock market. Nigeria's diaspora bond is also the first that a Sub-Saharan African country registered in the U.K. Listing Authority and the U.S. Security and Exchange Commission, specifically targeting retail investors (Vanguard 2017).

Nigeria's government issued this bond as a new alternative to finance development projects. This initiative follows a decline in foreign exchange earnings due to a sharp decline in the prices of global crude oil which reached a 13-year low this year combined with a decline in oil production caused by the crisis in the Niger Delta. Nigeria's economy is heavily dependent on the oil industry: in 2016, oil revenues accounted for 7 percent of total gross domestic product (GDP), 75 percent of foreign reserves, and 80 percent of total export earnings (Central Bank of Nigeria 2017). In the period 2010–15, oil revenues accounted on average for 75 percent of government revenues, but in 2016, this contribution dropped to 53 percent. This placed the public budget under distress and led to the devaluation of the naira.

According to some critics, commercial banks may not know if buyers/investors are actually expatriate Nigerians or Nigerian migrants as the bonds were issued outside the country.

disasters (IDMC 2017). About 46 percent of global new displacements due to conflicts happened in Sub-Saharan Africa. The Democratic Republic of Congo is the most affected country with almost a million newly displaced people.<sup>27</sup> The Gambia's conflict caused 162,000 new displacements between January and June 2017. But as the political crisis was resolved on January 21, 2017, those who fled are now returning home.<sup>28</sup> In the Lake Chad Basin, there are almost 2.3 million internally displaced persons and the majority come from Nigeria (more than 1.8 million), Chad (118,804), and Niger (127,299) (UNHCR 2017).<sup>29</sup> In the Horn of Africa, major flows are from South Sudan and Somalia. Since the eruption of the crisis in South Sudan in December 2013, the country accounts for about 2 million refugees

and asylum seekers by end of July 2017.<sup>30</sup> Somalia on the other hand accounts for about 2.4 million forcibly displaced by a conflict that has lasted for the last two decades.<sup>31</sup>

Recent climate-related disasters have also caused about 588,000 new displacements over the first half of 2017. Countries that are the most affected include: Madagascar (247,000), Mozambique (167,000), Malawi (34,000); Kenya (25,000), Sudan (9,000), and the Democratic Republic of the Congo (5,400). When a disaster hits poor countries in the Sub-Saharan African region, the affected population becomes more vulnerable to extreme poverty and governments are often ill-equipped to face such catastrophes.<sup>32</sup>



# Appendix





# Appendix A. Data Notes and Forecast Methodology

**A**n extended discussion of data on migration and remittances is provided in the *Migration and Remittances Factbook 2016* (World Bank 2016a). The following is an extract from the *Factbook* relating to the data on remittances cited in this Brief.

## Data on Remittances

The main source for data on remittance inflows and outflows is the International Monetary Fund (IMF) Balance of Payments (BoP) database, which provides information on annual and quarterly remittance flows. Many countries are starting to use a new notion of remittances introduced in the sixth edition of the IMF Balance of Payments and International Investment Position Manual (BPM6) (IMF 2009). According to the new definition, personal remittances are the sum of two main components: “compensation of employees” and “personal transfers.” Secondary sources of remittance data are the websites of countries’ central banks or statistical offices, which provide high-frequency (monthly and/or quarterly) data on one or both of the above two categories. Personal remittances also consist of a third item: “capital transfers between households,” but data on this item are difficult to obtain and hence reported as missing for almost all countries.

Compensation of employees, unchanged from the earlier BPM5, “represents remuneration in return for the labor input to the production process contributed by an individual in an employer-employee relationship with the enterprise.” The definition of “personal transfers,” however, is broader than the old “workers’ remittances”—it comprises “all current transfers in cash or in kind made or received by resident households to or from nonresident households.” Therefore, “personal

transfers” include current transfers from migrants not only to family members, but also to any recipient in the home country. If migrants live in the host country for one year or longer, they are considered residents, regardless of their immigration status. If migrants have lived in the host country for less than one year, their entire income in the host country should be classified as compensation of employees.

## Caveats

Although the above residency guideline in the manual is clear, this rule is often not followed for various reasons. Many countries compile data based on the citizenship of the migrant worker rather than on their residency status. Further, data are shown entirely as either compensation of employees or personal transfers, although they should be split between the two categories, if the guidelines were correctly followed. The distinction between these two categories appears to be entirely arbitrary, depending on country preference, convenience, and tax laws or data availability.

Some countries do not report data on remittances in the IMF BoP statistics. Several developing countries (for example, Cuba, Turkmenistan, Uzbekistan, and Zimbabwe) do not report remittance inflows data to the IMF, although it is known that emigration from those countries takes place. Some high-income

countries (notably Singapore and the United Arab Emirates) do not report data on remittance outflows, although the countries are important destinations for migrants. Some countries, such as China, have gaps in data following the transition from BPM5 to BPM6. Past data and some current trends are used to arrive at estimates in such cases.

A global survey of central banks reveals significant heterogeneity in the quality of remittance data compilation across countries (Irving, Mohapatra, and Ratha 2010). Some central banks use remittance data reported by commercial banks, but do not adequately capture flows through money transfer operators (MTOs), post offices, and emerging channels such as mobile money transfers. Even when data are available and properly classified, in some cases, these data are out of date. The methodologies used by countries for remittance data compilation are not always publicly available. It is hoped that the increased awareness about the importance of remittances and the shortcomings in the data on remittances and migrant workers will result in efforts to improve data collection.

Perhaps the most difficult aspect of remittance data is estimating informal flows. One way to estimate the true size of remittances is to undertake surveys of remittance senders and recipients. Without new, adequately randomized and representative surveys of recipients and senders, evidence from existing household surveys will only be indicative rather than comprehensive.

## Estimating Remittances for 2017

The 2017 estimates are based on IMF BoP data supplemented by data from central banks. Where current data are not yet available, estimates and forecasts are used. For 2017, since only partial data are available, estimates of remittance inflows are obtained by comparing two different projections. One projection of the remittances inflows for the current year is based on partial quarterly or monthly year-to-year growth rates (usually based on data from the central bank or national statistical office), and applying that growth rate to the previous year for which the data are available. Another projection is based on forecasts from

the methodology described in the next subsection. By taking into account both of these projections, and the current political and economic circumstances for each country, the Migration and Remittances team arrives at estimated remittances for the year.

## Methodology for Forecasting Remittances

The forecast of remittance flows is based on stocks of migrants in different destination countries and estimates of how changes in the migrants' income influence remittances sent by these migrants.<sup>19</sup> Remittances received by country  $i$  from country  $j$  can be expressed as:

$$R_{ij} = R_i \frac{r_{ij} M_{ij}}{\sum_{i=1}^k \sum_{j=1}^k r_{ij} M_{ij}}$$

where  $R_i$  is the total amount of remittances into country  $i$  (as reported in the balance of payments),  $M_{ij}$  is the stock of migrants from country  $i$  in country  $j$ , and  $r_{ij}$  are the assigned weights to all remittance corridors.<sup>20</sup> The weights  $r_{ij}$  are to be understood as remittance intensities for each corridor  $ij$ , and these depend on the levels of gross national income (GNI) per capita in migrant-sending countries ( $y_i$ ) and migrant-receiving countries ( $y_j$ ):

$$r_{ij} = f(y_i, y_j)$$

The elasticities ( $\epsilon_j$ ) of total remittance outflows ( $R_j$ ) are estimated to measure the reaction of remittances to the growth of migrant incomes, approximated by economic growth in migrant-receiving countries ( $Y_j$ ). These remittance elasticities are used to forecast remittance outflows from each migrant-receiving country based on the most recent available forecasts of gross domestic product (GDP) from the World Bank, using the following formula:

$$R_{i(t+1)} = R_{i(t)} \left( 1 + \epsilon_j \frac{Y_{j(t+1)} - Y_{j(t)}}{Y_{j(t)}} \right)$$

where  $Y_{j(t)}$  is the nominal GDP of country  $j$  in period  $t$ . Forecasts of outflows from all countries and estimated remittance intensities are then used to arrive at the

estimates of projected inflows for each remittance-receiving country  $i$ :

$$R_{i(t)} = \sum_{j=1}^J r_{ij} R_{j(t)}$$

## Data on Remittance Prices, Refugees, GDP, and Other Variables

The main source of data for monitoring the cost of making remittances through formal channels is the Remittance Prices Worldwide database (World Bank 2017b). Other than the data on migration and remittances, the Brief uses forecasts of GDP growth prepared by World Bank (Development Prospects Group) and

IMF World Economic Outlook, and estimates of the countries' GNI per capita from the World Development Indicators. Portfolio flows and foreign direct investment data are taken from the World Bank Data Group's International Debt Statistics. The 2017 estimates of those flows are based on the quarterly BoP data of 25 major economies (which account for about 85 percent of total volumes) to estimate an aggregate trend.

Flows of refugees and asylum seekers are taken from the United Nations High Commissioner for Refugees (UNHCR) and Eurostat.

## Data on Recruitment Costs

See box 2.1 in main text.

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## Endnotes

1. See World Bank's Global Economic Prospects, June 2017, for global growth outlook.
2. The Financial Action Task Force (FATF), the international standard setter on anti-money laundering, defines de-risking as: "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk (. . .). De-risking can be the result of various drivers, such as concerns about profitability, prudential requirements, anxiety after the global financial crisis, and reputational risk" (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/rba-and-de-risking.html>).
3. In 2015, the World Bank published results from two surveys on this subject with the support of the Committee on Payments and Market Infrastructure and the Financial Stability Board. Both surveys found that financial institutions were terminating their relationships with respondent banks and remittance companies. The drivers for this behavior were found to vary: bottom-line profitability decisions, perceived AML/CFT risks, or more traditional prudential issues; <http://www.worldbank.org/en/topic/financialmarketintegrity/brief/de-risking-in-the-financial-sector>.
4. The Asociación de Supervisores Bancarios de las Américas also reported that remittances to LAC have been affected (about 60 percent of their members indicated the impact of bank accounts closures).
5. These implicit country-specific migrant quotas may reflect the desire to control the size of various foreign nationalities, rising and falling depending on factors such as security considerations, demand for certain occupations, or bilateral negotiations between sending and receiving countries.
6. It would be instructive to see if costs incurred rise again for countries such as Pakistan whose emigration flows to Saudi Arabia have fallen due to a weaker Saudi economy and its workforce nationalization program.
7. GCC countries admit migrant workers based on a sponsorship (kafala) system which ties temporary work visas to an employer (or sponsor). Migrant workers cannot change jobs without the explicit permission of the employer.
8. Following the large increase in the number of asylum seekers in the OECD countries, return migration initiatives including forced and voluntary return have been implemented in several countries. In March 2017, the EU Commission launched a renewed Action Plan on Return; [https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170704\\_action\\_plan\\_on\\_the\\_central\\_mediterranean\\_route\\_en.pdf](https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170704_action_plan_on_the_central_mediterranean_route_en.pdf).
9. Within the category of forced returnees, there are various subcategories based on the extent to which the departure is enforced, assisted, or unassisted. This also impacts migrants' willingness and readiness to return. In the case of deportation, the persons are removed by force; they have the lowest willingness and readiness to return. In the case of assisted return, financial incentives are given to encourage return. Persons without a legal right to stay may also return without any assistance. These definitions are in line with recent literature (Cassarino 2004; Haase and Honerath 2016) on "willingness to return" and "readiness to return." Forced returnees are disadvantaged on both counts and are likely to face more psychosocial, financial, and labor market reintegration challenges. In some circumstances, migrants' right to stay expires. The returnees in that case have more readiness to return (since they are aware that the time to depart is approaching), and, in cases where they could have potentially renewed their visa, also more willingness to return (since they have not opted for renewal). Voluntary returnees could be: (i) temporary residents with valid visas, permanent residents, or naturalized citizens, or (ii) first- or second-generation diaspora. The underlying drivers of these returns are likely to be different. The former is usually linked to life-cycle plans such as retirement or return to family but might also be driven by economic reasons like unemployment in the country of destination. The latter may be driven by entrepreneurial, altruistic, or cultural motives.
10. In the European Union, the rejection rate of asylum applications can be as high as 97 percent for Albanians, 64 percent for Afghans, and 14 percent for Syrians.
11. Mass expulsions are usually based on political decisions targeting foreigners or certain ethnic groups. Several mass expulsions have occurred post-World War II. They may or may not be state driven, but involve massive forced movement of groups often from traditional homelands into nations to which their ethnic or religious identity ascribes them to (for example, ethnic Germans from Eastern Europe to Germany, Hindus from Pakistan to India, and Muslims from India to Pakistan).
12. In the case of Côte d'Ivoire, a social or identity crisis led to the expulsion of hundreds of thousands of migrants and resulted in political crisis and conflict. For the Dominican Republic, ethnic nationalism led to changes in the country's constitution detrimental to foreign descendants: changes in the constitution for the denationalization of Haitian descendants going back to 1929. In the case of Pakistan, increasing violence and insecurity attributed to Afghan refugees raised tensions between Pakistan and Afghanistan and led to a massive exodus of Afghans back to their home country.
13. <https://www.usnews.com/news/the-report/articles/2017-03-10/mass-deportations-could-hurt-the-economy>; <https://www.americanprogress.org/issues/immigration/reports/2016/09/21/144363/the-economic-impacts-of-removing-unauthorized-immigrant-workers/>.
14. There are several definitions of reintegration, two are which are pertinent to our discussion. Reintegration, therefore can be approached as:
  - "..the process through which a return migrant participates in the social, cultural, economic and political life in the country of origin" (Cassarino 2008).
  - "..a process that should result in the disappearance of difference in legal rights and duties between returnees and their compatriots and the equal access of returnees to services, productive assets and opportunities" (UNCHR 2004).
 Sustainable return for the individual is:
  - ".. when returnees' social economic status and fear of violence or persecution is no worse, relative to the origin population, a year after their return" (Black et al. 2004).
  - "..the ability [of returnees] to secure the political, economics, [legal] and social conditions needed to maintain life, livelihoods and dignity" (UNHCR 2004).
15. A study by Majidi (2009) of returned Afghan asylum seekers whose applications were rejected found that 74 percent of the respondents wanted to migrate again irregularly, suggesting that their reintegration was unsuccessful.
16. See Sachverstaendigenrat deutscher Stiftungen fuer Integration and Migration (2017).
17. Germany's incentive program—Reintegration and Emigration Program for Asylum-Seekers in Germany (REAG)/Government Assisted Repatriation Program (GARP), implemented by the International Organization for Migration (IOM)—provides a financial assistance of €200, and according to the country, between €300 and €500 as financial assistance to "start" again in the country of origin. Excluded from this financial incentive program are persons who can enter Germany without a visa (for example, migrants from the five Balkan countries as well as Kosovo). To these persons only the travel costs are covered. A person can benefit from REAG/GARP only once, and is obliged to leave Germany forever. Persons who do not follow this are obliged to pay back the REAG/GARP financial support. Since February 1, 2017, Germany introduced the "StarthilfePlus" program, which is designed for persons whose asylum request is still pending or whose status allowing a stay in Germany is still effective. This program provides €1,200 to persons who leave Germany before the end of the asylum procedure, and €800 for those whose deadline for staying in Germany has not yet passed. The European Reintegration Instrument

Network (ERIN) is the EU's Program for Reintegration for returnees to Afghanistan, Iran, Iraq, Morocco, Nigeria, Pakistan, Russia, Somaliland, Sri Lanka, and Ukraine. The objective is to avoid new migration due to economic reasons. Therefore, ERIN provides integration in the labor market. Germany's development cooperation agency has received €50 million for reintegration programs in 2017. See Sachverstaendigenrat deutscher Stiftungen fuer Integration and Migration (2017).

18. There is strong evidence that in Egypt temporary migration results in a wage premium upon return compared with nonmigrants (Wahba 2015a). Mexicans returning from the United States also get a wage premium (Reinhold and Thom 2013).

19. For this purpose, the bilateral migration matrix, based mostly on the estimates prepared by the United Nations Population Division (with adjustments made for certain countries), is used to provide the most comprehensive estimates of bilateral immigrant stocks worldwide. See World Bank (2016a).

20. See Ratha and Shaw (2007) for a fuller explanation of the methodologies used to estimate the bilateral remittance matrices.

21. In Malaysia, employers were given 5 months' notice until June 30, 2017, to obtain temporary work permits (or E-cards) for their undocumented employees. Registered workers have until mid-February 2018 to submit the necessary documents for proper work permits or risk detention and deportation. Most of the applicants were migrants from Bangladesh, followed by those from Indonesia, Myanmar, and Nepal. Since the passing of the dateline, local authorities conducted multiple raids in major cities. By the end of July, 5,065 workers were detained and 108 employers were arrested. Employers complained that they paid agents to make applications on their behalf which were never processed and expressed concern that the crackdown would further dilute labor supply and raise wages in the construction sector. Between 2014 and 2016, a total of 146,000 undocumented workers in Malaysia were detained from 26,870 enforcements raids.

22. In Thailand, low economic growth has contributed to rising resentment against migrants. The country is also grappling with a shrinking workforce due to a fast-aging society and declining fertility rates. An employer could be fined up to 800,000 baht (\$24,000) per undocumented worker and workers could be jailed for up to 5 years or be fined up to 100,000 baht (\$3,000) or both. Registered workers must also pass an interview with the Thai Employment Department to verify if they are working for their stated employers, failing which they have to return to their home country. According to Thai sources, nearly 7,700 irregular Cambodian workers will have to return, having failed their interviews. The Cambodian government has also announced plans to send 360 officials to Thailand between mid-September and December for a 100-day campaign to assist a targeted 160,000 of their undocumented citizens in Thailand to obtain proper paperwork. Irregular migration from Cambodia to Thailand is blamed on costly documentation fees and a poor understanding of formal procedures. According to Cambodia's immigration police, nearly 14,332 undocumented Cambodians were deported from Thailand in the first quarter of 2017, up by 27 percent over the same quarter a year ago. In prior years, an estimated 52,000 Cambodians were deported by Thai authorities in 2016, another 67,087 in 2015, and more than 270,000 in 2014.

23. <https://www.usnews.com/news/best-countries/articles/2017-07-10/south-americas-progressive-immigration-laws-begin-to-fray>

24. <https://www.theguardian.com/world/2017/jul/17/venezuela-migrants-americas-leaving-home>. For example, Colombia grants a special border area migration permit for 90 days. In February 2017, Peru granted "Permisos Temporal de Permanencia (PTP) for one year for all Venezuelans residing in Peru at that time: <http://www.reuters.com/article/us-peru-venezuela/peru-to-give-visas-to-thousands-of-crisis-weary-venezuelans-idUSKBN15I2OL>.

25. DACA was signed as an executive order in June 2012 to protect children from being deported. It is only a short-term protection that does not provide for a legal status or a path to citizenship. <https://www.dhs.gov/news/2017/09/05/memorandum-rescission-daca>.

26. The total amount of remittances to Sub-Saharan Africa may not be well recorded in official remittance data. Migrants can use official channels as well as unofficial or informal channels to remit their money back home. Very often, official remittance data are problematic and have a lot of discrepancy depending on which source they come from. One major reason for such discrepancy is that remittances sent through informal channels are often very difficult to capture. The World Bank has been helping some countries to improve their remittance data collection.

27. As of June 2017, the Democratic Republic of the Congo had 3.7 million IDPs, an increase of about 2 million compared to last year. The situation in the Central African Republic has deteriorated with a resurgence of violence since September 2016, which has led to more than 206,000 new displacements. Resource-based tensions are emerging and about 60 percent of the country is under the control of armed groups.

28. Following the outcome of presidential elections in December 2016, where the former president contested the outcomes, over 200,000 Gambians had fled the capital fearing possible armed conflict in the country.

29. Most of these IDPs are forcibly displaced by insurgency in the region. In Nigeria, the escalation of terrorist attacks by Boko Haram since 2014 has caused the displacement of millions of people within and beyond the country's borders. The first half of 2017 has seen 142,000 new displacements across the country.

30. Over the past 12 months, about 1,800 South Sudanese have arrived every day in Uganda, and they totaled 1 million by August 17, 2017 (UNHCR 2017). In addition to these South Sudanese refugees in Uganda, more than 1 million are hosted in Sudan, Ethiopia, Kenya, the Democratic Republic of the Congo, and the Central African Republic. Ethiopia is another country with high number of new conflict-related IDPs, estimated at about 213,000 in June 2017 with a total of 588,000 IDPs in the country. Ethiopia has experienced civil unrests since November 2015, as a result of disputes around land issues. As the situation escalated, the government declared a state of emergency on October 8, 2016, which was recently lifted on August 4, 2017.

31. There are 1.5 million IDPs in Somalia, and another 900,000 refugees in neighboring countries, including Kenya (308,700), Yemen (255,600), and Ethiopia (246,700). In addition to the IDPs due to conflicts and famine, Somalia is also facing important inflows of returnees from Kenya (60,800) and Yemen (30,600). Projections indicate that by the end of December 2017, Somali refugees including IDPs and returnees will reach 2.97 million.

32. Even high-income countries face challenges in rehabilitating disaster victims. These are more amplified in poor countries. Recent climate disasters include Hurricane Harvey, which hit Texas on August 25, 2017. This was the most powerful storm to hit the city in 50 years. It killed an estimated 50 people, damaged some 200,000 homes, and forced more than 1 million people to evacuate. But 12 years before, on August 29, 2005, Hurricane Katrina made landfall in New Orleans leaving 80 percent of the city underwater. At least 400,000 residents were forced to evacuate, some for few days and some forever. By September 2005, about 1.36 million applications had been submitted to the Federal Emergency Management Agency (FEMA) by former Gulf Coast residents for Katrina-related disaster assistance. The federal government spent about \$110 billion to cover all the damages caused by Katrina. However, according to the Texas governor, Harvey's damages were much more than Katrina's and could cost the government between \$150 billion and \$180 billion.



# MIGRATION AND REMITTANCES

## Recent Developments and Outlook

This Migration and Development Brief reports global trends in migration and remittance flows, major policy developments, and the Sustainable Development Goal (SDG) indicators for reducing remittance costs and recruitment costs. The Brief reports new data on recruitment costs, a potential indicator for the SDG of promoting safe and regular migration. The special focus of the Brief is return migration, a challenging issue around the world amid a rise in asylum seekers and undocumented migrants.



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