REMITTANCES BRAVE GLOBAL HEADWINDS

Special Focus: Climate Migration

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Summary

This *Migration and Development Brief* (number 37 in the series) describes key developments in migration and remittance flows, and related policy and regulatory changes that have occurred since the previous brief, published in May 2022. The effects on migration and remittances of the Russia-Ukraine war, the COVID-19 pandemic, inflation, and other changes in the global economic environment are examined.

Remittances to low- and middle-income countries (LMICs) increased by an estimated 5 percent in 2022, to $626 billion. However, downside risks remain. Migration flows are rebounding from the pandemic-induced decline of 2020–21. Refugee flows have also increased, especially due to the Russia-Ukraine war. In a special feature, the Brief notes that climate change will increase migration, mostly within countries. The poorest are likely to be most affected. National and regional development strategies need to be viewed through a climate migration lens. Considering the global nature and expected trajectory of migration, the case for creating a global concessional financing facility for migration remains strong.

Remittances. The growth of global remittance flows is expected to be 4.9 percent in 2022. Remittance flows to developing regions were shaped by several factors in 2022. Besides the determination of migrants to help their families back home, a gradual reopening of various sectors in host countries' economies expanded many migrants' income and employment situation. On the other hand, rising prices adversely affected migrants' real incomes and their remittances. In Russia, rising oil prices and continued demand for migrant workers increased the flow of remittances to Central Asian countries. The appreciation of the ruble against the US dollar translated into higher value, in US dollar terms, of outward remittances from Russia to Central Asia. In Europe, a weaker euro had the opposite effect, reducing the US dollar valuation of remittance flows to North Africa and elsewhere. Remittances received by migrants in transit contributed to strong flows in Mexico and Central America. Finally, in many countries that experienced scarcity of foreign exchange and multiple exchange rates, officially recorded remittance flows declined as flows shifted to alternative channels offering better exchange rates. Growth in remittances is expected to moderate to 2 percent in 2023, as GDP growth in high-income countries continues to slow. Downside risks remain substantial, including a further deterioration of the war in Ukraine, volatile oil prices and currency exchange rates, and a deeper-than-expected downturn in major high-income countries.

Remittance costs (UN Sustainable Development Goal indicator 10.c.1). According to the World Bank's Remittance Prices Worldwide Database, the global average cost of sending $200 to LMICs was 6 percent in the second quarter of 2022, not very different from a year ago, and twice as high as the SDG target. Among developing country regions, the cost was lowest in South Asia, at about 4.1 percent, while Sub-Saharan Africa continued to have the highest average cost, about 7.8 percent. The burden of compliance with regulations governing anti-money laundering and combating the financing of terrorism (AML/CFT) continues to restrict access of new service providers to correspondent banks. These regulations also affect migrants' access to digital remittance services.

Migration. Preliminary data indicate that official migration flows are rebounding from the pandemic-induced decline during 2020–21. While the recovery in migration seems very strong in the United States, in the Euro Area migration flows have not returned to pre-COVID levels. However, undocumented migration to the European Union and the United States appears to be rising. Refugee flows also are increasing: 7.8 million Ukrainians have crossed into the EU since the start of the Russia-Ukraine war.

Climate migration. Climate change is emerging as a potent driver of mobility. Stronger storms, increased flooding, intensifying heat and drought, and rising sea levels are already forcing people to leave their homes, and sometimes their countries. Such extreme events are expected to increase in the years ahead. The World Bank's Groundswell report estimated that internal climate migration may reach up to 216 million people by 2050 due to slow-onset climate impacts.

While most climate-related mobility has been and is expected to be internal, it could spill over into neighboring countries, especially among small island nations facing risks to their habitability. Most vulnerable to the negative impacts of climate change are those who are immobile in threatened areas. Hazards may trap the most affected as moving requires resources, and vulnerability is inversely correlated with mobility. The poorest are likely to be most affected as they often lack the resources necessary to adapt or move.

Safe and regular migration needs to be considered as a part of adaptation strategies that include labor mobility and decent work, humanitarian admission and stay, family reunification, visa waivers, and legal pathways. Policy solutions must be considered for people who want to move, people who are already on the move, and people who would stay in place. Efforts are required across several aspects of migration policies at the local, country, and international level, including: (1) preparedness and anticipatory action, (2) planned relocation programs, (3) policy coherence and strategies, and (4) legal norms and the international institutional framework. All solutions must include disaster risk reductions and climate change adaptation.

Preparedness and anticipatory action will be required to manage displacement in affected regions as well as the influx of people into receiving communities. Policy makers need to plan for safe areas where migrants can be accommodated, and arrange adequate financing. Investments in the adaptation of out-migration hotspots, to enable potential migrants to stay in place, are also important. Remittances also have a role in helping recipient households in developing countries to build resilience, for example through stronger housing, and to cope with the losses in the aftermath of disasters. Planned relocations are difficult to execute in a way that enhances well-being, but if appropriately implemented can be a measure of last resort for people who would otherwise be trapped. More broadly, systematic planning at the nexus of climate, development, and migration can help broaden the opportunities for people to adapt where they live, or else enable them to move.

The Global Compact on Migration (GCM) mentions the importance of increasing legal paths for those affected by disasters, climate change, and environmental disasters caused by human activity. On the occasion of the 27th Conference of the Parties (COP27), the United Nations Network on Migration called on Member States to strengthen support to affected countries and people, including migrants, by effectively mobilizing adequate finance; enhancing climate-sensitive pathways for regular migration; and furthering international action and cooperation to address climate-related migration at local, national, regional and global levels.

Changes in the international legal norms and institutional framework for migration will be required to cope with the challenge of increased migration due to natural hazards and climate change events. These should include (1) humanitarian admissions programs; and (2) protection against nonreturn (similar to that provided to refugees) for persons who, due to environmental factors, would face severe consequences if returned home. Host communities experiencing rapid, unexpected influxes of migrants require support for the financial costs of services provided to the newcomers.

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1. Trends in Remittance Flows

1.1 Following a Surge in 2021, Remittance Flows Continued to Grow in 2022

Remittance flows to low- and middle-income countries (LMICs) are estimated to have increased by 4.9 percent to reach $626 billion in 2022 (table 1.1). The strong growth rate is noteworthy, coming as it does after a surge of 10.2 percent in 2021 (according to revised official data). For the world, remittance flows are expected to reach $794 billion in 2022.[i]

Remittances came to represent an even larger source of external finance for LMICs during 2022, relative to foreign direct investment (FDI), official development assistance (ODA), and portfolio investment flows (figure 1.1a). Excluding China, remittances stand as the premier source of external finance for LMICs since 2015, exceeding FDI flows and ODA (figure 1.1b).

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

Region	2015	2016	2017	2018	2019	2020	2021	2022e	2023f
					$ billion				
Low- and middle-income countries*	**447**	**440**	**477**	**524**	**546**	**542**	**597**	**626**	**639**
East Asia and Pacific	128	128	134	143	148	137	133	134	133
excluding China	64	67	70	76	79	77	80	83	84
Europe and Central Asia	42	43	52	59	62	56	65	72	75
Latin America and Caribbean	68	73	81	89	96	103	130	142	149
Middle East and North Africa	48	48	50	51	54	56	62	63	65
South Asia	118	111	117	132	140	147	157	163	164
Sub-Saharan Africa	42	39	42	49	47	43	50	53	55
World	602	596	638	694	722	711	781	794	815
					Growth rate (percent)				
Low- and middle-income countries*	**0.5**	**-1.4**	**8.3**	**9.8**	**4.3**	**-0.8**	**10.2**	**4.9**	**2.0**
East Asia and Pacific	3.7	-0.5	5.1	6.8	3.2	-7.5	-2.6	0.7	-1.0
excluding China	4.8	3.5	5.4	8.0	4.7	-2.8	3.7	3.7	0.8
Europe and Central Asia	-15.3	2.1	21.0	12.9	4.7	-8.9	15.7	10.3	4.2
Latin America and Caribbean	6.9	7.2	11.0	9.9	8.3	7.1	26.2	9.3	4.7
Middle East and North Africa	-6.6	-1.2	5.5	2.3	4.5	4.0	10.5	2.5	2.0
South Asia	1.6	-5.9	6.0	12.3	6.1	5.2	6.7	3.5	0.7
Sub-Saharan Africa	6.4	-8.6	9.6	16.9	-5.1	-8.5	16.4	5.2	3.9
World	-1.4	-0.9	7.0	8.8	3.9	-1.5	9.9	1.7	2.7
Memo item: Remittances to LMICs according to the 2021 country classification used in MD Brief 36									
($ billion)	453	447	484	531	555	550	607	638	651
(% growth)	0.5	-1.2	8.3	9.7	4.5	-0.9	10.3	5.2	2.1

Sources: KNOMAD/World Bank staff; IMF Balance of Payments Statistics. See appendix in *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: e = estimate; f = forecast.
*****In the World Bank's 2022 country classification used in this report, Panama and Romania moved to the high-income group from the upper-middle income group. While Palau moved to the upper-middle income group from the high-income group, Venezuela has been unclassified due to the unavailability of data.

Figure 1.1a Remittances, Foreign Direct Investment, Portfolio Flows, and Official Development Assistance Flows to Low- and Middle-Income Countries, 1990–2023f

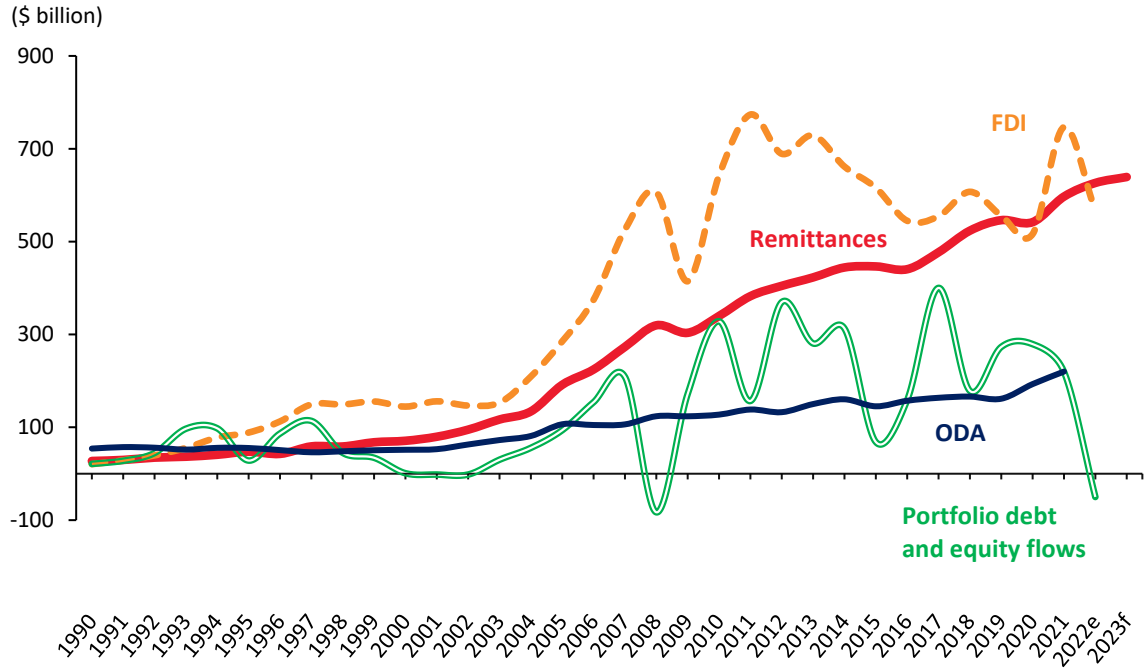
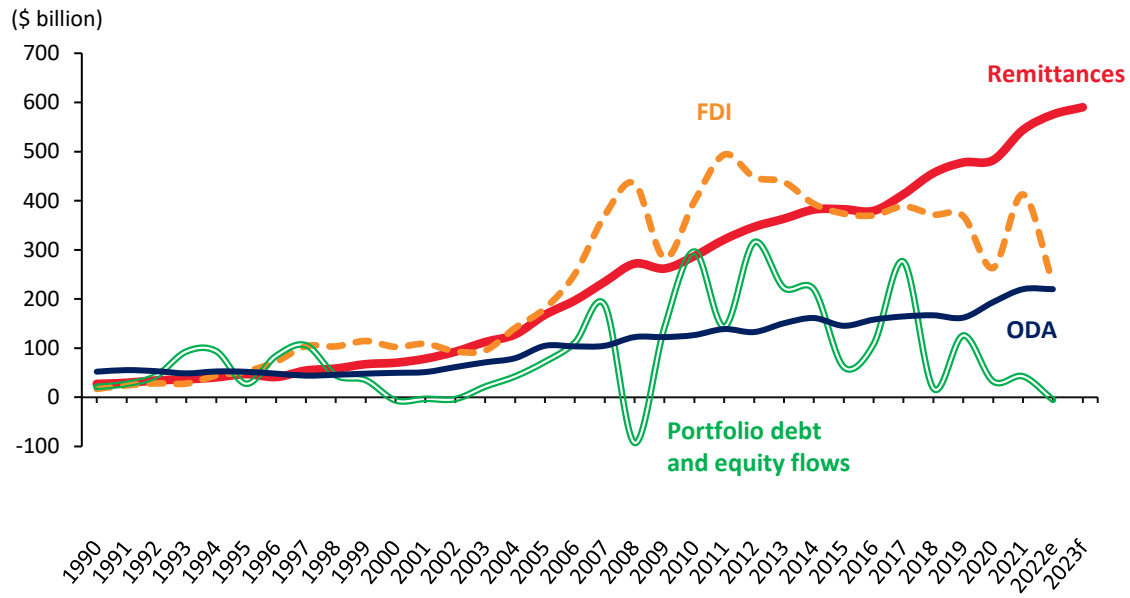


Figure 1.1b Remittances, Foreign Direct Investment, Portfolio Flows, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China, 1990–2023f

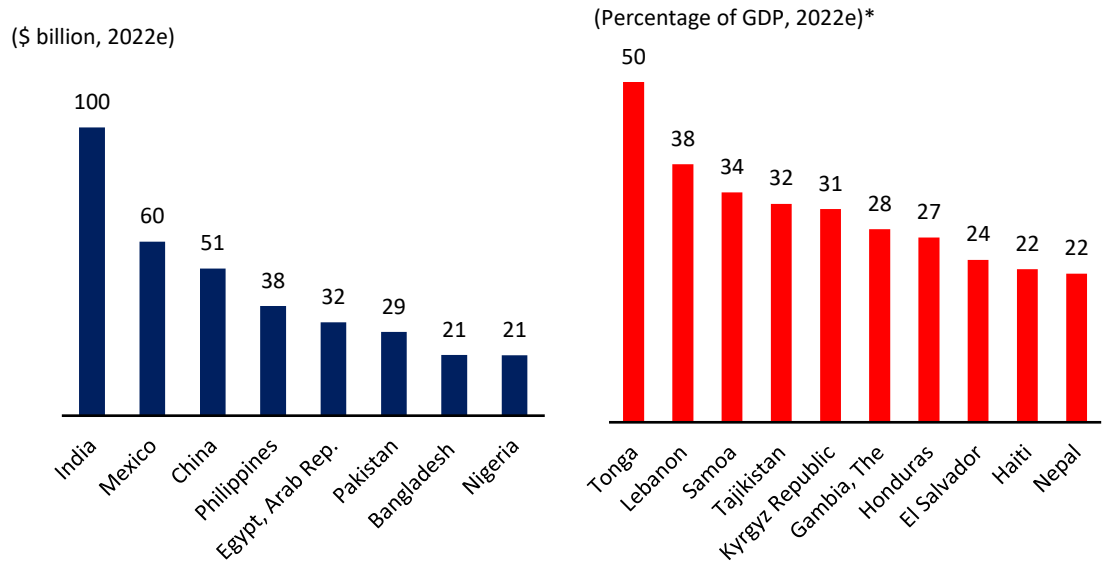


Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics. Also see World Bank/KNOMAD (2016) for sources, methods, and challenges of collecting remittance data.
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

The top five recipient countries for remittances in 2022 are expected to be India, establishing a benchmark of $100 billion in the year, followed by Mexico with a tally of $60 billion (which replaced

China in second position during 2021), and China, the Philippines, and the Arab Republic of Egypt (figure 1.2a). Among economies where remittance inflows represent very large shares of GDP—highlighting the importance of remittances for funding current account and fiscal shortfalls—Pacific Islands Tonga (50 percent of GDP) and Samoa (34 percent) stand in the top ten, given their exposure to the vagaries of tourism and vulnerability to disasters (figure 1.2b).

Figure 1.2 Top Recipients of Remittances among Low- and Middle-Income Countries, 2022e



Source: KNOMAD/World Bank staff.
Note: GDP = gross domestic product; e =estimate.
*South Sudan is excluded due to data validity.

1.2 Reasons for Sustained Growth of Remittances in 2022

Remittance flows to developing regions were shaped by several factors in 2022. First and foremost, a robust pace of growth in remittances is evidence of migrants' determination to help their families back home. Second, a gradual reopening of various sectors in host-country economies (following pandemic-induced closures and travel disruptions) improved migrant workers' incomes and employment situations and thereby their ability to send money home. Third, rising prices in general adversely affected migrants' real incomes and their remittances. Fourth, currency exchange rates affected remittance flows: in the case of Russia, an unexpected and strong appreciation of the ruble translated into higher value, in US dollar terms, of outward remittances to Central Asia and the Southern Caucasus countries. In the case of Europe, a weaker euro had the opposite effect of reducing the US dollar valuation of remittance flows to North Africa and elsewhere. Fifth, in many countries that experienced scarcity of foreign exchange and multiple exchange rates, officially recorded remittance flows declined as flows shifted to alternative channels offering better exchange rates.

Two other region-specific factors are of note. Transit migration and, therefore, remittances received by migrants in transit, continued to be strong in Mexico and Central America. In Europe and Central Asia, rising oil prices, in conjunction with the post-pandemic rebound in Russia's demand for migrant workers and payments to Russian individuals and companies that relocated abroad following the onset of the war, increased the flow of remittances to Central Asian and Southern Caucasus countries.

The 10.2 percent growth of remittance flows in 2021, the highest since 2010, occurred against the backdrop of the global pandemic, although the impact of COVID-19 eased across the world during the year. Stimulus measures enacted to underpin faltering high-income economies, notably in the United States and Europe, helped to support employment levels and maintain or increase incomes of migrant workers, facilitating their ability to send remittances—these trends were apparent through the first half of 2021.

Despite emerging adverse developments in the global environment, remittances continued to be robust. Uncertainties concerning global conditions emerged more forcefully during the second half of 2021. Direct effects of stimulus measures among member countries of the Organisation for Economic Co-operation and Development (OECD) were beginning to wane; difficulties in supply chains and logistics continued to hamper production and to boost costs to producers and consumers, and inflation was amplified by substantial increases in oil and food prices. In the case of oil, rising demand and constrained output stood out as key factors.

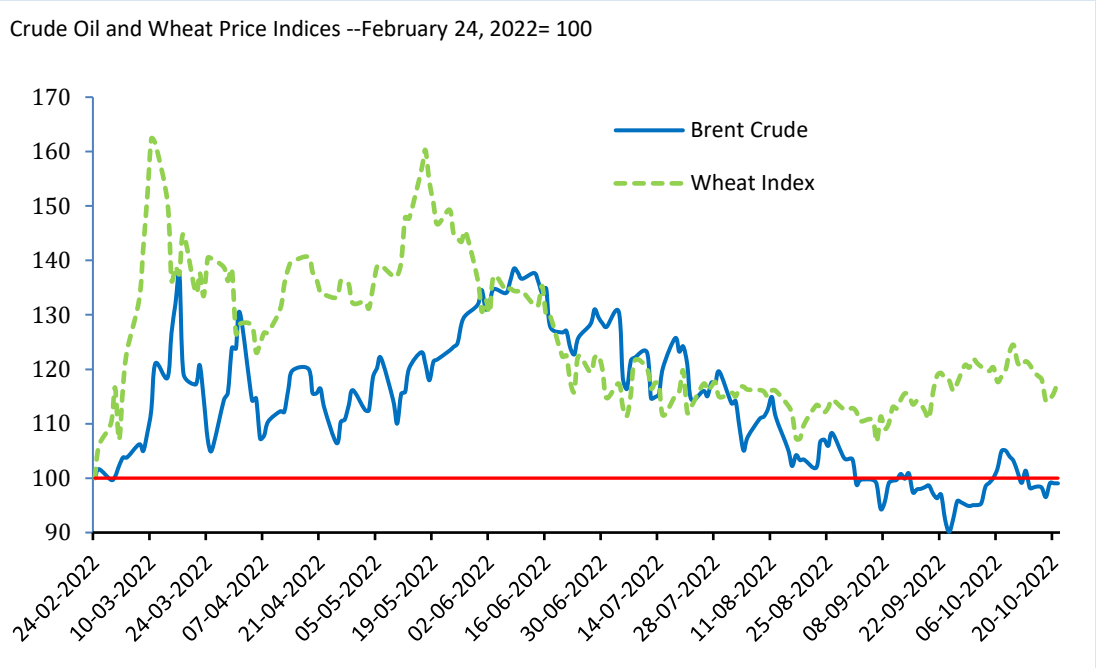
The growth of remittance flows to developing countries is anticipated to narrow to single-digit gains over 2022–23. The concerns of international market participants have increased substantially: that inflation will become imbedded in consumer and corporate expectations; that monetary authorities will be required to tighten policy to dampen such expectations; and that uncertainty in financial markets will adversely affect financing flows for developing countries, a large number of which are pressing the limits of debt sustainability. Box 1.1 highlights that, in large part, developments in 2022 validate these concerns, compounded by the unanticipated invasion of Ukraine by the Russian Federation in February.

Box 1.1 Global Economic Developments and Factors Affecting Remittances in 2022

Global economic conditions deteriorated markedly during 2022, as direct effects of fiscal stimulus in the high-income economies to support activity through the pandemic began to fade. The Russian invasion of Ukraine on February 24 augmented trends already underway: world energy and food prices ratcheted to new highs—with Brent crude oil up more than 50 percent to $130/barrel and wheat rising 60 percent to $12.94/bushel from February 24 through mid-June 2022 (figure B1.1). Though prices softened from late June through September, with oil prices falling below pre-war levels, risks to the upside must be taken into consideration, particularly given the cut in oil production announced by OPEC+. Hikes of this scale for strategic energy commodities and for agricultural products (notably wheat) critical to sustaining household consumption in low- and middle-income countries (LMICs), pose stark risks for global inflation.

Box 1.1 (CONT)

Figure B1.1.1 After Surging to Record Highs, Commodity Prices Have Eased



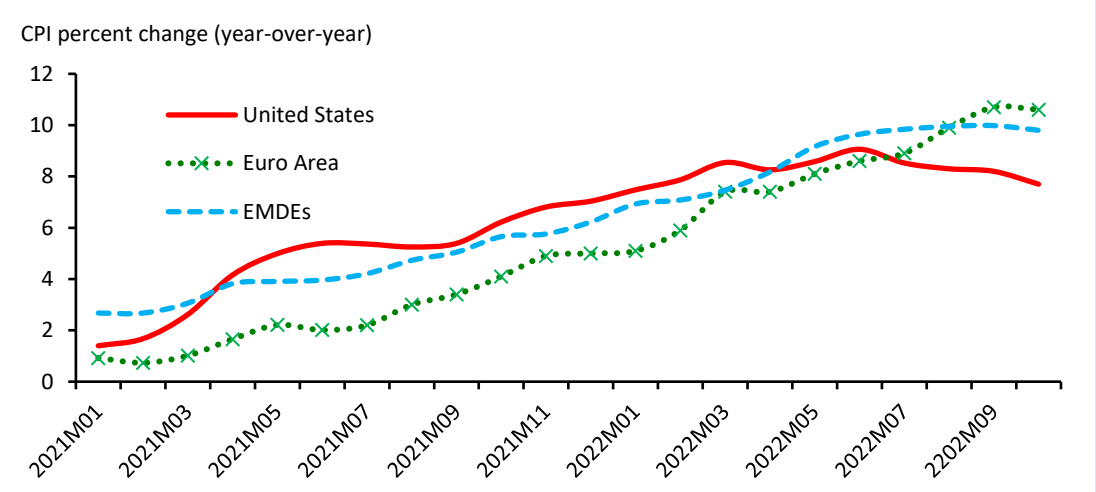
Sources: Business Insider, Macrotrends.

There has been a softening of economic activity in both high-income and developing economies. World growth has been marked down by a full 1.7 percentage points (to 2.5 percent), and by 2.3 and 2.4 percentage points respectively for key remittance source countries—the United States (to 1.6 percent) and in the Euro Area (to 1.7 percent). A concurrent growth slowdown among OECD member countries and other high-income (host country) economies will serve to restrain employment opportunities and wage increases for the migrant labor force, limiting funds available to be remitted to home countries.

Inflation ramped up to more than 8 percent in the United States and 10 percent in the Euro Area through October (year over year) (figure B1.1.2), affecting real wages and thus migrants' ability to send money home (figure B1.1.3). This trend is driven in part by higher energy and food prices, but so-called core inflation has also risen, propelled by costs of persistent roadblocks to supply. Median inflation in LMICs has now surpassed that of the high-income economies, through depreciation of local currencies, as well as a buildup in financial pressures (widening fiscal and external deficits); this may exact a further toll on exchange rates.

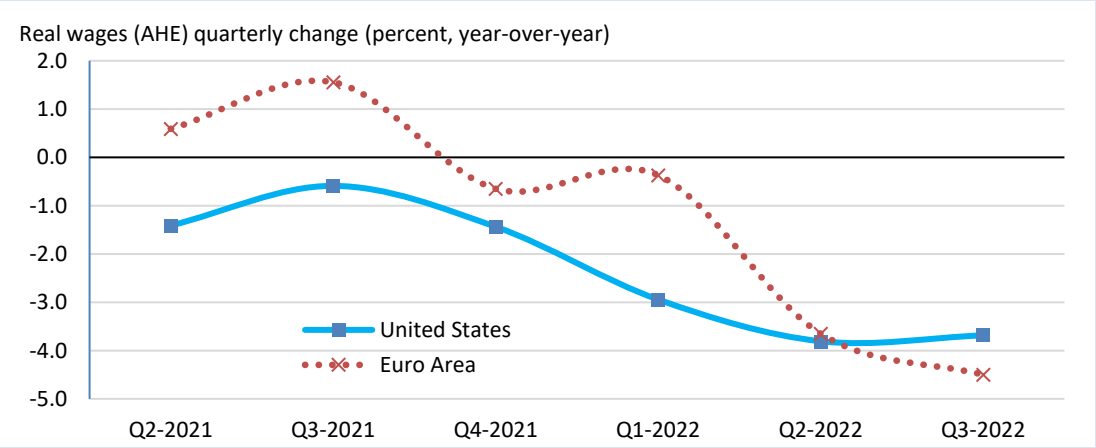
For LMICs, widespread depreciation of currencies against the US dollar heightened commodity-based inflation in domestic currency terms, constraining real household budgets significantly and increasing demand for overseas funding through remittances. To a degree, government subsidies for fuel and food may help to cushion a portion of the initial impact on households, but such practice is not sustainable in general from a fiscal and debt burden perspective.

Figure B1.1.2 Inflation Ramps Up Across High-Income Countries and EMDEs



Source: US Bureau of Labor Statistics, Eurostat, and World Bank GEM Database.
Note: CPI = Consumer Price Index; EMDE = emerging markets and developing economies.

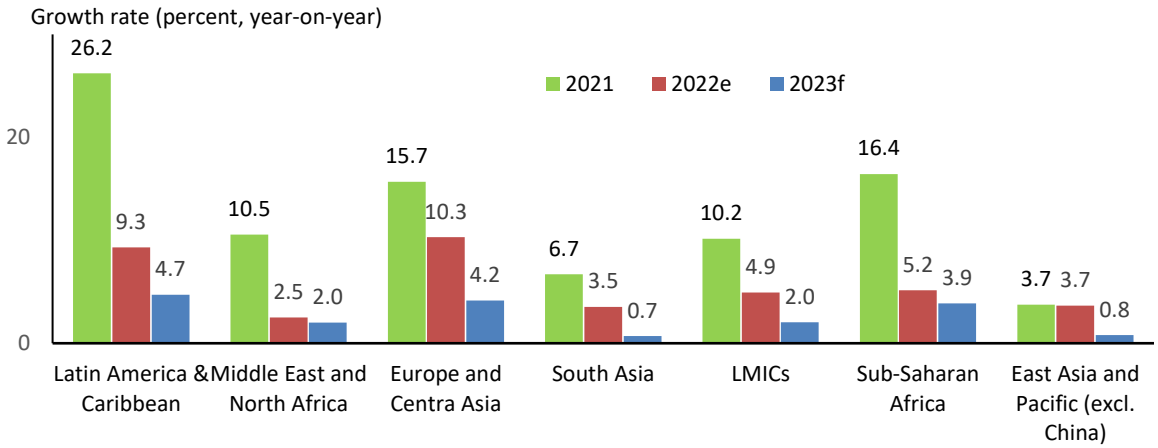
Figure B1.1.3 US and Euro Area Wages Compressed by Inflation



Sources: US Bureau of Labor Statistics and Eurostat.
Note: AHE = average hourly earnings.

Regional trends. The expected 4.9 percent growth rate of remittance flows to LMICs in aggregate masks a broad band of growth patterns across regions in 2022—from a 10.3 percent increase in Europe and Central Asia to below 1 percent growth in East Asia and Pacific (table 1.1 and figure 1.3). Appendix A provides greater detail on region-specific trends. A summary of trends drawing on global economic developments, commodity prices, and exchange rates is presented there.

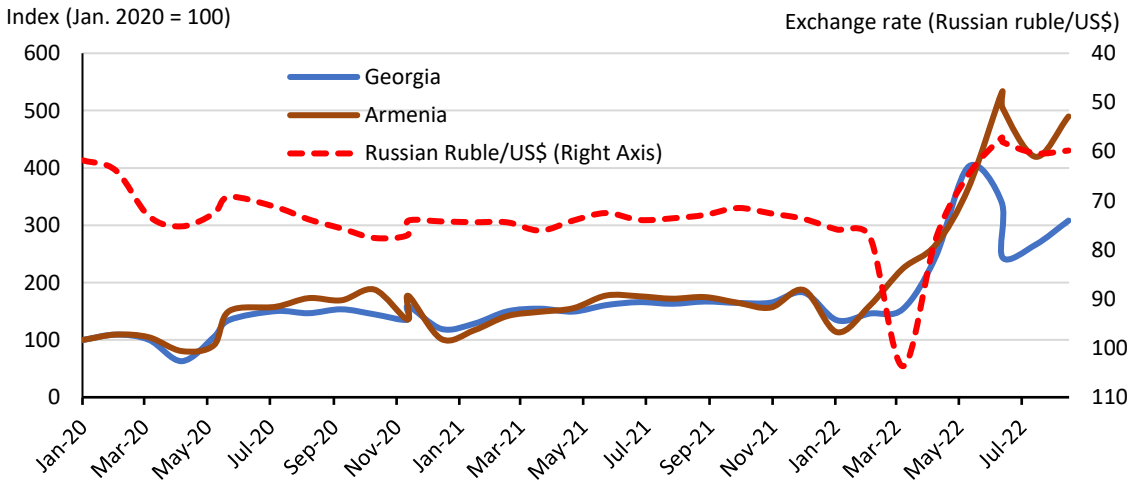
Figure 1.3 Remittance Flows by LMIC Region, 2021–2023f



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

Perhaps the most unexpected turnout is evident in **Europe and Central Asia**, where, instead of a decline due to the Russian invasion of Ukraine, remittance flows are expected to increase by 10.3 percent in 2022 following a strong 16 percent advance in the previous year. Despite the war, the healthy regional performance is due to record money transfers from the Russian Federation to neighboring countries in Central Asia and the Caucasus. Notably, the share of remittances received from Russia exceeded 95 percent in the Kyrgyz Republic, and this share is expected to increase from 54 percent in 2021 to 80 percent in 2022 in Uzbekistan, from 47 percent to 65 percent in Armenia, and from 20 percent to 40 percent in Georgia. On the one hand, the war and associated fiscal stimulus in Russia seem to have increased the demand for workers from these countries. On the other hand, there are also reports of Russian individuals and small companies relocating to neighboring countries, which would increase the flow of rubles to those countries. The ruble-denominated remittance inflows translated into higher values in US dollar terms due to the ruble's surprising strength against the dollar (figure 1.4).

Figure 1.4 A Stronger Ruble against the U.S. Dollar has Increased the Value of Remittance Flows in Many Countries of Europe and Central Asia



Source: KNOMAD/World Bank staff.

Official data for **Ukraine** indicate that remittance inflows will remain flat at $18.4 billion in 2022 (registering modest growth of 2 percent). Even at this level, remittances are over three times the size of the FDI and a multiple of the ODA received by Ukraine in 2021. Official data, however, almost certainly underestimate the true size of remittance flows, especially from Poland, the largest recipient of Ukrainian refugees and migrant workers. After posting a sharp 18.7 percent gain in 2021 amid the reopening of borders, remittances to Ukraine dropped sharply in March and April 2022 following the onset of war and restrictions on outward and inward transfers in the light of martial law. Some money transfer companies, for example, are allowing remittances sent to Ukraine to be picked up in bordering countries that are hosting many Ukrainian refugees, such as Poland and the Czech Republic. When migrant families are separated, with men staying and women and children moving to another country, money transfers in both directions are expected to be high. Such transfers are also likely to be carried by hand by people crossing back and forth between Ukraine and Poland (and Ukraine and other countries). Border crossings from and to Ukraine are very high, according to the UNHCR data cited in appendix A.

Remittance flows to **Latin America and the Caribbean** are projected to rise by 9.3 percent in 2022 to reach $142 billion (this follows the record 26 percent increase of the previous year). The strength of labor markets in the United States is the dominant factor supporting inflows to the region. Compared to a year ago, remittance flows increased by 9 percent in Colombia, 15 percent in Mexico, and 45 percent in Nicaragua during the first nine months of 2022; and by 20 percent to Guatemala during the first 10 months of 2022. Mexico continues as the second largest global recipient country of remittances. The unemployment rate of Hispanics in the United States declined dramatically from 18.5 percent in April 2020 to 4.2 percent by October 2022, enabling more outward remittances to countries in Latin America and the Caribbean. Also, the swelling volumes of transit migrants due to tight border controls in the United States is likely to have increased remittance flows to the region, especially to Mexico. About 2.7 million encounters were reported of people crossing the US southern border in FY22 compared to 1.7 million in FY21.

Remittances to the **East Asia and Pacific** region in 2022 are estimated to have increased by only 0.7 percent in 2022, or 3.7 percent excluding China. Employment conditions for migrants were robust for the first months of 2022, boosted by labor shortages in the hospitality and health sectors of high-income countries, while windfalls tied to higher oil prices benefitted the Gulf Cooperation Council (GCC), which boosted demand for migrant labor from South and East Asia. China's total commitment to a zero-COVID policy restricted travel and served as a drag on inflows of workers from East Asian countries. In contrast, flows to the Philippines are projected to rise by 3.6 percent, reflecting benefits of bilateral arrangements that the Filipino government forged recently with destination governments (including Saudi Arabia) to improve the treatment of Filipino workers.

The LMICs of the **Middle East and North Africa**, in company with Sub-Saharan Africa, are the *most severely exposed* to the adverse conditions now dominating the external environment. Rain-fed agriculture accounts for 70 percent of food output in the region, and MENA imports more than 50 percent of wheat required for human consumption. Higher inflation tied to the surge in global wheat and oil prices is affecting the region harshly. Following a record 10.5 percent increase in remittances during 2021, signs of a slowdown emerged over the course of 2022, tied in part to the erosion of real wage gains in the Euro Area—and despite a large upturn in demand for funds in home countries amid the degradation of regional conditions. These include a significant incidence of drought in the Maghreb, and adverse fiscal effects of food and fuel subsidies. Remittance inflows are anticipated to weaken to a gain of 2.5 percent for 2022.

Remittance flows to **South Asia** are expected to grow 3.5 percent to reach $163 billion in 2022, a notable slowdown from the 6.7 percent gain of 2021, but benefiting from strong performance in India and Nepal. India's remittances are expected to reach a milestone $100 billion in 2022. The easing of remittance returns reflects the discontinuation of the special incentives some regional governments had introduced to attract flows during the pandemic, as well as a deterioration of domestic conditions in some source countries (Bangladesh, Pakistan, and Sri Lanka). Migrants' increased preference for informal over formal currency exchange and money transfer channels also depresses official remittance flows. Remittance flows to India were enhanced by the wage hikes and a strong labor market in the United States and other OECD countries. In the GCC destination countries, governments ensured low inflation through direct support measures that protected migrants' ability to remit. Overall remittance growth in South Asia (3.5 percent in 2022) masks a large disparity across country results, from India's gain of 12 percent, Nepal's increase of 4 percent, to an aggregate decline of 10 percent for the remaining countries of South Asia.

Remittance flows to **Sub-Saharan Africa** surged 16.4 percent to $50 billion during 2021, the strongest increase since 2018. However, the region is exposed to the effects of the concurrent crises affecting the global economy in 2022. Remittance outturns will depend on the balancing of increasing needs for support from the African overseas labor force, and the availability of incomes in host countries to be remitted. Remittance gains are likely to be held to 5.2 percent in the year, an 11 percentage point falloff in growth from 2021.

Remittance flows to countries in fragile and conflict-affected situations (FCS) are expected to reach a record high of $58 billion in 2022 (box 1.2), continuing a post-pandemic rebound after reaching a low of $47.2 billion in 2020. The increase is due mainly to a sharp rise in flows to Armenia and Azerbaijan (both in the midst of what is classified as a "high-intensity conflict"), which offsets to a degree double-digit declines in flows to Ethiopia and Sudan.

Box 1.2 Remittance Flows to Countries in Fragile and Conflict-Affected Situations Bounce Back in 2022

The economic crisis induced by the COVID-19 pandemic caused a decline in remittances of 14 percent for countries in fragile and conflict-affected situations (FCS) in 2020. This is mainly due to the medium-intensity conflict (as well as regulatory change unfavorable to officially recorded flows) in Nigeria, the largest remittance-receiving country in Sub-Saharan Africa and eighth largest among low- and middle-income countries. The drop in remittances was initially expected to be sharper in 2021 but flows bounced back, helped again by countries with medium-intensity conflict, especially South Sudan.

At the current level of $58 billion, remittances to FCS countries are over three times the size of foreign direct investment, and they stand at similar levels as FCS countries' receipt of official development assistance (about $62 billion). Remittances have also been less volatile than other types of financial flows. As a result, remittances provide an important source of external financing for FCS countries, averaging more than 4 percent of GDP compared to a share of around 1.6 percent for low- and middle-income countries. In Comoros, Haiti, Lebanon, Somalia, and South Sudan, that share is more than 20 percent.

Box 1.2 (CONT)

Table B1.2.1 Remittance Flows to FCS Countries

	Stock of migration and refugees, 2020 (million)	Remittance inflows, 2021 ($ billion)	Remittance inflows, 2022e ($ billion)	Expected change in 2022 (%)	Memo: ODA, 2020 ($ billion)
Total	50.6	52.7	57.6	9.3%	61.7
High-intensity conflict	19.8	5.2	7.6	46.7%	20.0
Medium-intensity conflict	20.7	32.3	34.4	6.4%	31.8
High institutional & social fragility	10.1	15.3	15.7	2.8%	9.9

Source: World Bank-KNOMAD staff calculations.
Note: ODA = official development assistance.

1.3 Remittances Outlook for 2023

Growth in remittances is expected to fall to 2 percent in 2023, as GDP growth in high-income countries continues to slow (from a projected 2.4 percent in 2022 to 1.1 percent in 2023), further reducing migrants' wage gains in host countries. And downside risks, including a further deterioration in the war in Ukraine, volatile oil prices and currency exchange rates, and a deeper-than-expected downturn in major high-income countries, are substantial.

Factors shaping the 2023 outlook for **East Asia and Pacific** are likely to yield a moderately negative performance (a decline of 1 percent), with inflows totaling $133 billion. Excluding China, remittances are expected to grow slowly (0.8 percent) to reach $84 billion. Developments in destination countries will likely play the largest role in determining results. A low-growth/high-inflation scenario will depress East Asian migrants' ability to remit.

Remittance receipts in **Europe and Central Asia** are expected to gain 4.2 percent in 2023, reaching $75 billion. Increasing uncertainty about the course of the ongoing Russia-Ukraine war will be the principal concern, abetted by an anticipated slowdown in western European economic activity amid continued high inflation. These projections are subject to substantial downside risks, including a sharper-than-expected slowdown in major remittance-sending economies or energy market turmoil arising from a sudden and sharp decline in oil price. Also, the appreciation of the ruble is unlikely to continue, which may dampen the dollar valuation of remittances from Russia.

Inflows to **Latin America and the Caribbean** are anticipated to establish the strongest pace among developing regions during 2023, at 4.7 percent. But with prospects tightly linked to the tenor of the US economy, risks are substantial and skewed to the downside. Increased transit migration through Mexico represents another important remittance source, as transit migrants from Cuba, Nicaragua, and Venezuela—passing through Mexico on the way to the United States—receive funds from their families outside Mexico to support living and other expenses.

Persistent adverse trends in the global environment, and deeper financial difficulties in the **Middle East and North Africa** region, are anticipated to slow the pace of remittance receipts, to 2 percent in 2023. A balance of slowing economic activity—and of the real earning power of the overseas workforce,

especially in Europe—needs to be assessed against sharply increasing demand for finance in the region. Upside risks to the projections could emerge should the altruism on display during 2021 resurface. In a base case scenario, flows to Morocco are likely to be hardest hit, dropping from growth of 44 percent in 2021 to 4 percent in 2023; and Egypt is expected to see a moderate 2 percent gain.

The growth of remittance flows into **South Asia** during 2023 is expected to slow to 0.7 percent, supported by India. The year will stand as a test for the resilience of remittances from white-collar South Asian migrants in high-income countries. Higher inflation in the United States accompanied by an economic slowdown will soften remittance flows to India, with growth easing to 4 percent. The drop in oil prices from $98 to $85 per barrel (2002–03) combined with the decline in economic growth in the GCC will reinforce downward pressure on remittance flows to all South Asian countries.

The likelihood of further adverse international developments persisting into 2023 is high, and the pace of remittance flows to **Sub-Saharan Africa** may ease to 3.9 percent from the stellar 16.4 percent advance of 2021. Food affordability and deterioration of real incomes across African states indicate the need for financial support. But on the remitting side, the economic outlook is dimming, and real wages are expected to contract in the United States and the Euro Area upon higher inflation. These conditions are suggestive of continued but more sluggish gains in the year.

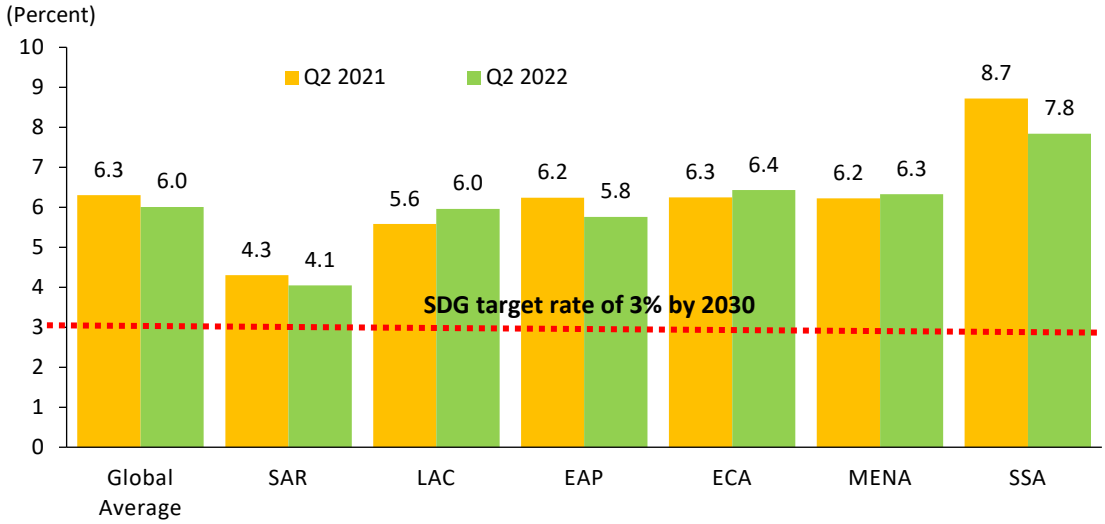
1.4 Remittance Costs

Remittance costs remained high during the second quarter of 2022, at twice the Sustainable Development Goal (SDG) target of 3 percent. According to the World Bank's Remittance Prices Worldwide Database, the global average cost of sending $200 was 6 percent in the second quarter of 2022, not very different from a year previous. Among developing country regions, the cost was lowest in South Asia, at about 4.1 percent, while Sub-Saharan Africa continued to have the highest average cost, about 7.8 percent (figure 1.5). Latin America and the Caribbean experienced the largest increase in total average costs, up from 5.6 percent to 6 percent, followed by Europe and Central Asia and the Middle East and North Africa. Meanwhile, the average cost of sending remittances to Sub-Saharan Africa, South Asia, and East Asia and the Pacific fell. But remittance costs across many African corridors and for small islands in the Pacific remain above 10 percent.

Banks continue to be the costliest channel for sending remittances, with an average cost of 11 percent during the second quarter of 2022; while post offices are recorded at 6.5 percent, money transfer operators at 5.2 percent, and mobile operators at 3.5 percent. Mobile operations remain the cheapest type of service provider, but they account for a small part of total transaction volumes (less than 1 percent).

The burden of compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) regulations continues to restrict new service providers' access to correspondent banks. These regulations also affect migrants' access to digital remittance services, particularly for migrants who do not have IDs. Recognizing small remittances as low-risk from the viewpoint of money laundering could increase migrants' access to digital remittance services and promote financial inclusion. That would also increase the access of new money transmitters to correspondent banking services and increase competition in the remittance markets.

Figure 1.5 How Much Does It Cost to Send $200? Regional Remittance Costs, 2021–22



Source: World Bank Remittance Prices Worldwide database.
Note: Red dotted line represents the Sustainable Development Goal 10 target of 3 percent.
EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SDG = Sustainable Development Goal; SSA = Sub-Saharan Africa.

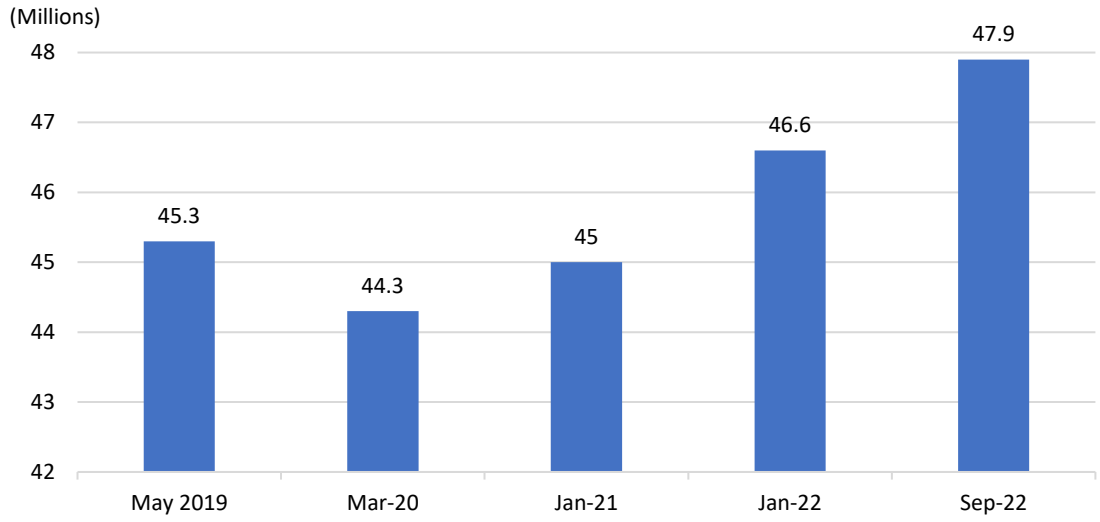
2. Migration Trends

2.1 Developments in Migration

There are about 287 million migrants globally, of which refugees represent 37 million. Migration flows declined during the pandemic, but this trend has since reversed. The global stock of international migrants and refugees increased in 2022 due to the restart of visa approvals after COVID-19, new permanent migrant flows, the increase in the number of border crossings by undocumented migrants, and the crossing of 7.8 million Ukrainians into the EU since the start of the Russian-Ukraine war (Info Migrants 2022).

The United States is the top destination country for foreign-born individuals, including documented and undocumented migrants. According to the US Current Population Survey, the foreign-born population in the United States reached 47.9 million in September 2022, an increase of 2.9 million from January 2021 (figure 2.1) (Camarota and Zeigler 2022). Indeed, in the United States, the increase in migration in the past two years is greater than that during the pre-crisis period, indicating a strengthening of migration pressures. In OECD countries, the foreign-born population reached 138 million in 2021 (OECD 2022a). Migrants represent 14.3 percent of the total population of the OECD countries, and almost 14.6 percent in the United States (World Bank 2016; Camarota and Zeigler 2022). According to the OECD, Chile (+5 percentage points), Iceland (+8 percentage points), Luxembourg (+5 percentage points) and Sweden (+4 percentage points) have had the largest increase in foreign-born population since 2015.

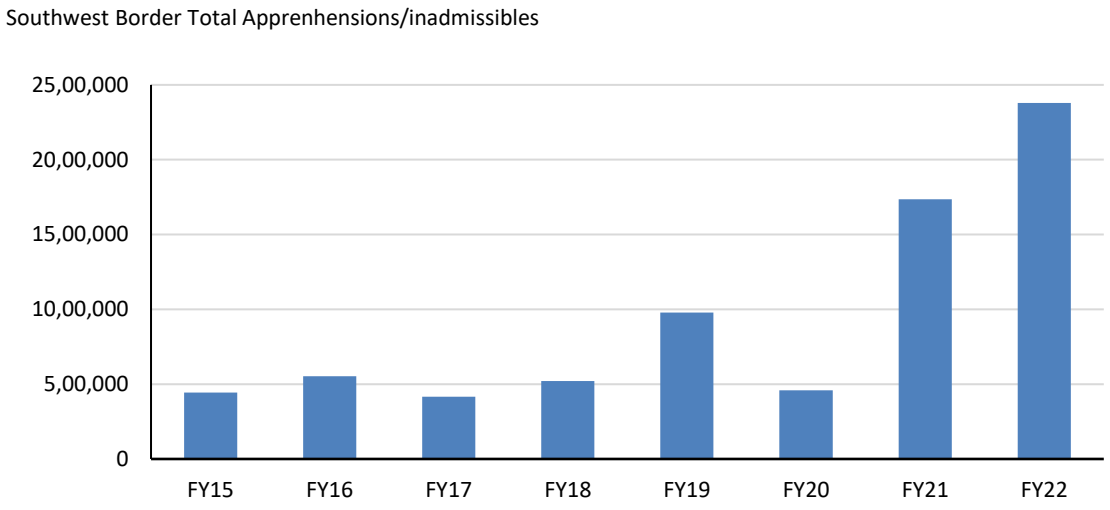
Figure 2.1 The Number of Foreign-Born Persons in the United States Decreased in 2020–21, but Has More than Recovered Since



Source: United States Census. Foreign-Born: Current Population Survey.

During 2022, migration—segmented into different types of flows—is expected to increase. For example, permanent-type migration to OECD countries increased by 22 percent in 2021, and even though preliminary data indicate a continuation of this trend in 2022 (OECD 2022b), flows have not returned to pre–COVID-19 levels. The United Kingdom granted 1.1 million visas during the first six months of 2022, the largest increase following the pandemic. Resettlement is one of the largest categories granted to 230,000 people, with Afghanistan the largest source country.

Figure 2.2 US Southwest Border Apprehensions/Inadmissibles, FY16–FY21



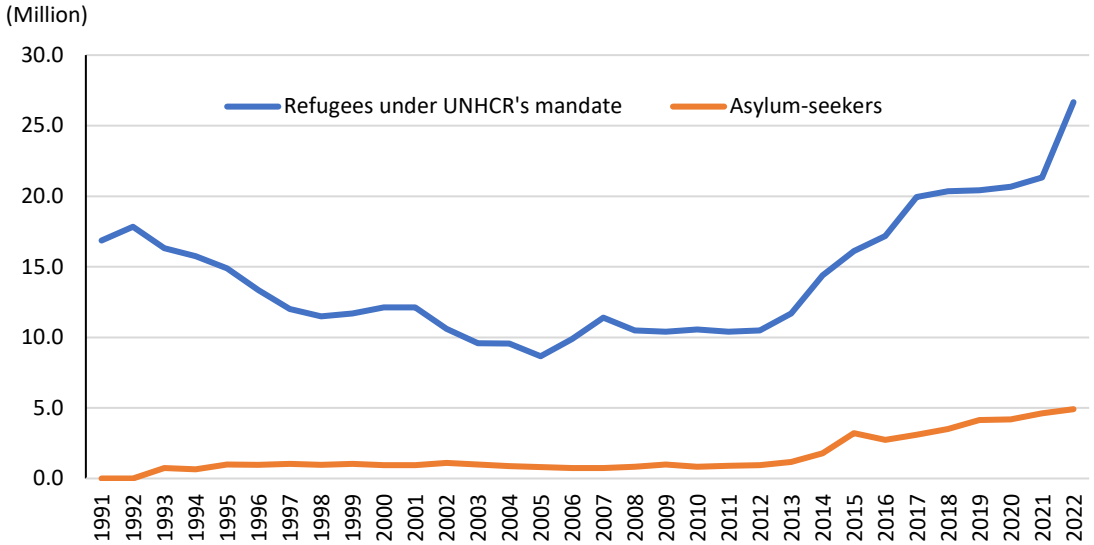
Source: US Customs and Border Protection.

Irregular entries around the world have also increased. Over 228,240 irregular arrivals were registered at EU borders during the first nine months of 2022. This is the highest number registered since 2016 (Frontex; Info Migrants 2022). In the United States, about 2.7 million encounters were reported of people crossing the southern border in fiscal year (FY) 22 compared to 1.7 million in FY21 (Ainsley 2022) (figure 2.2). Cubans, Nicaraguans, and Venezuelans constituted the majority of irregular migrants arriving in the United States in FY22, a new profile compared to the historical source countries of Mexico, El Salvador, Guatemala, and Honduras in FY21. In September 2022, of 182,704 encounters nationwide, 77,302 were from Venezuela, Cuba, and Nicaragua. This represented a 245 percent increase over September 2021, contrasted with a decrease of 23 percent for migrants from Mexico and the northern states of Central America (CBP 2022). Finally, the entry of undocumented migrants into Mexico increased by 5 percent (to around 280,000) during the first nine months of 2022 compared with the same period of 2021.

2.2 Refugee Movements

By mid-2022 the global stock of refugees and asylum seekers recorded by the United Nations High Commissioner for Refugees (UNHCR) reached 26.7 million, with the number of asylum seekers an additional 4.9 million (figure 2.3). Before the Ukrainian crisis, LMICs continued to be the top recipients of refugees in 2021, hosting around 83 percent of the worldwide total (UNHCR 2022a). According to UNHCR, Türkiye hosted nearly 3.8 million refugees, the largest population worldwide, followed by Uganda (1.5 million), Pakistan (1.5 million), and Germany (1.3 million). Colombia hosted 1.8 million Venezuelans displaced abroad.

Figure 2.3 Refugees and Asylum Seekers Worldwide, 1991–2022



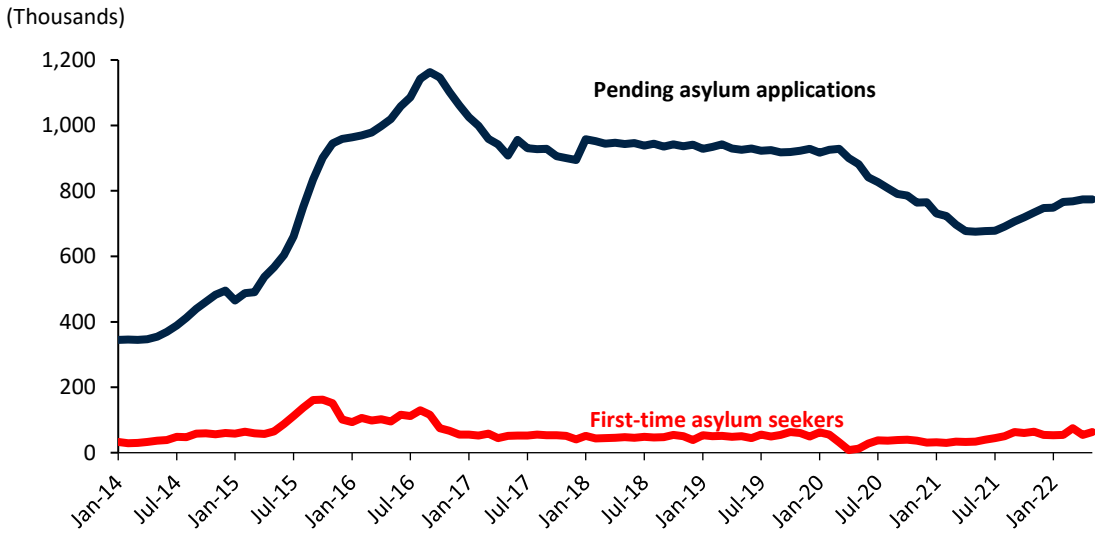
Source: UNHCR

The war in Ukraine has displaced millions of persons. According to the UNHCR, as of October 25, 2022, there had been 11.7 million border crossings from Ukraine and 7.1 million border crossings to Ukraine since the war began (UNHCR n.d.). The majority of Ukrainians who have crossed to other neighboring countries are women between 30 to 39 years old, many with children and elderly parents. Within Ukraine, there are over 6.2 million people displaced by the war (UNHCR 2022b). As of October 20, 2022, there were 7.7 million Ukrainian refugees in Europe and 4.4 million had been registered for temporary protection (UNHCR 2022b).

Several regions have seen dramatic increases in refugee numbers. In Latin America, Cuban, Haitian, Nicaraguan, and Venezuelan migrants have requested asylum in very large numbers while trying to cross to the United States. Costa Rica is processing over 250,000 asylum petitions, mostly from Nicaragua, Venezuela, Cuba, and Colombia. Across the region, there are more than 7.1 million refugees and migrants from Venezuela as of October 2022 (UNHCR 2022c). The number of first-time asylum seekers in the EU-27 is now rising after the opening of borders during the pandemic (figure 2.4), and the number of first-time asylum seekers increased from 7,990 entering in April 2020 to 66,280 in June 2022. This represents half of the first-time asylum application cases during the peak of the Syrian crisis in October 2015. The highest numbers of asylum applications were from the Syrian Arab Republic, Afghanistan, and Iraq.

Refugee flows continue to increase due to conflict. For example, since October 12, 2022, more than 12,000 refugees escaping conflict reached Uganda from the Democratic Republic of Congo, while refugees from the conflict in South Sudan continue to arrive. New refugees arrived from Ethiopia to Sudan in September following the resumption of hostilities. Most of the refugees are from the Tigray area (UNHCR 2022e).

Figure 2.4 First-Time and Pending Asylum Applications in the EU-27, 2014–22



Source: Eurostat.

In addition, displacement due to climate change is growing (see section 3 on climate migration). Several million farmers and pastoralists have been displaced by the drought in the Horn of Africa. In Somalia, about 1 million people had been displaced as of June 2022. In Pakistan, about 8 million people were displaced due to the recent massive flood. Afghan refugees living in Pakistan have also been severely affected by the floods. In South Sudan, about two-thirds of the population are experiencing flooding after four consecutive years of rains and floods (UNHCR 2022d).

2.3 Developments in Migration Policy

Recent changes in migration policy include measures to support skilled migration, as in Australia and Germany, given the shortage of labor in OECD countries. For example, in Australia, the planning level for the 2022–23 Migration Program increased from 160,000 to 195,000 visa places. According to the government, the program will facilitate the hiring of skilled migrants to address domestic labor shortages. About 142,400 visa places have been allocated to skills visas compared to 109,900 in 2021 and to 79,600 in 2020 (Department of Home Affairs n.d.). Germany's Federal Cabinet adopted a skilled labor strategy. This is part of a broader strategy including the simplification of procedures, the recognition of professional qualifications, facilitation of family visas, integration into the labor market, as well as provision of language courses for immigrants in their own countries.

A group of countries are implementing regularization programs and providing support for safe regular migration. Spain modified its immigration regulations to streamline procedures and to facilitate safe migration. The regulations came into force on August 15, 2022 (European Commission 2022). Foreign workers who have lived in Spain for two years can regularize their situation if they are trained (European Commission 2022). On October 18, 2022, the United Kingdom introduced changes to immigration rules including a request for entry visas from Colombia, Peru, and Guyana (Butchley 2022). In the United States, recent migration policies focus on facilitating the safe migration of Venezuelans. On October 12, 2022, the United States announced a new process that allows Venezuelan nationals and their immediate

family members to come to the United States. Meanwhile, Venezuelans who enter the United States without authorization will be returned to Mexico (USCIS n.d.).
Many countries are grappling with post-pandemic labor shortages. In 2021-22, to resolve its farm labor shortage, Australia initiated a new visa scheme that allowed its farms to employ skilled, semi-skilled, and unskilled ASEAN farm workers on a longer-term basis. In an apparent response to Australia's announcement, the Malaysian government announced efforts to recruit low-skilled workers from Indonesia and Bangladesh. Also, it launched a new short-term Social Visit Pass program to allow foreign nationals to work in Malaysia for up to 30 days in a wide range of sectors.

Regarding the global governance of migration, one of the most important developments took place at the first International Migration Review Forum (IMRF) in May 2022. The meeting took stock of progress made in the implementation of the Global Compact on Migration (GCM). A remarkable achievement of the Forum was the adoption of a progress declaration recognizing climate change as a driver of migration. However, the declaration falls short of describing a pathway for those impacted. Many countries do not accept international migration as an adaptation strategy.

The IMRF noted that little progress has been made on the promotion of fair and ethical recruitment. Few countries have collected data on worker-paid recruitment fees. The IMRF progress declaration underscores that remittance costs remain too high compared to the SDG target. The declaration also proposes "a limited set of indicators," drawing on the global indicator framework for the SDGs and targets for 2030, to assist member states in conducting inclusive reviews of progress related to the implementation of the GCM. Creating new indicators should be carefully thought through, as using existing SDG indicators would avoid controversy and enhance policy coherence.

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3. Special Focus: Climate Migration

In the context of the current global attention on climate change and the 27th Conference of the Parties of the UNFCCC (COP27), the Brief highlights the issue of climate migration and the varying forms in which migration may take place as air and sea temperatures continue to warm in the coming years. Most of the displacement due to climate change will be internal. This section also focuses on international or cross-border migration due to climate factors.

3.1 Climate Impacts on Mobility

Stronger storms, increased flooding, intensifying heat and drought, and rising sea levels are already forcing people to leave their homes, and sometimes their countries. Such extreme events are expected to increase in the years ahead. The World Bank estimates that internal climate migration may reach up to 216 million people by 2050 due to slow-onset factors. The most vulnerable areas, where most of the poorest are located, include low-lying cities, coastlines exposed to sea level rise, and areas of high water and agricultural stress (Clement et al. 2021; Rigaud et al. 2018). Sub-Saharan Africa is among the global regions most exposed to climate change, with West Africa the most vulnerable. In a recent report, scenarios depicting large climate change impacts indicated that by 2070, up to 15 percent of West Africa's population could be living in areas where agricultural productivity has dropped by 20 percent or more (McMahon et al. 2021).

Increase in average temperatures and heat stress. Human activities have caused global surface temperature to increase by 1.1°C since the Industrial Revolution. Increases in average temperatures could lead to populations' extended exposure to temperatures beyond the threshold of human tolerance (Pal and Eltahir 2016; Im et al. 2017; and Xu et al. 2020 in IPCC 2022c). The health impacts could be severe: open-air manual labor, as in agriculture, could become unbearable, and indoor ventilation would be too expensive for most of the poor (Dunne, Stouffer, and John 2013). Such increasing temperatures are likely to displace a growing number of at-risk groups, including subsistence farmers, while many others could end up trapped in dire conditions.[ii]

Water scarcity, desertification, and land degradation. Rising temperatures are associated with less water, higher evaporation, and greater agricultural water demand. In global dryland zones, population growth, marginalization, challenged productivity, and drought often combine. Droughts can directly or indirectly interact with other drivers contributing to migration. While there is less evidence of the effects of desertification and land degradation as direct drivers (Jónsson 2011; Neumann and Hermans 2017), these could affect population patterns and migration more widely in the future in combination with other factors (IPCC 2022c).

Melting glaciers. Climate change has contributed to rapid deglaciation worldwide (Pörtner et al. 2019). Combined with growing populations and rising water demand, the threats to water security, livelihoods, and (im)mobility are significant. Melting glaciers coupled with shifting patterns of precipitation and variability in runoff could increase the risk of floods (WWF 2003; Fox 2022). Though runoff may increase initially with continued melting, once glacier loss reaches a tipping point, meltwater runoff decreases acutely (World Bank Group 2014). Poor rural smallholders, hydropower and mining companies, larger agricultural producers downstream, and cities will be impacted by the declining meltwater (Buytaert et al. 2017; Odell, Bebbington, and Frey 2018; World Bank Group 2014).

Sea level rise and increasing salinization. Since 1901 the global mean sea level has risen by 0.20 meters (Pörtner et al. 2022). Sea levels could rise at least 0.3 meters above 2000 levels by 2100. On a pathway with very high rates of emissions that trigger rapid ice sheet collapse, sea level could be as much as 2 meters (6.6 feet) higher in 2100 than it was in 2000 (IPCC 2022b: 22). Impacts from sea level rise include coastal erosion, salinization, and losses of coastal habitats and ecosystems—compounded by storm surges, floods, and other extreme weather events. More than a billion people live on coasts this century. In small islands, losses of habitability and displacement are key regional risks (IPCC 2022a). In the western Pacific Ocean, the sea level is rising at a rate of 12 millimeters per year, which increasingly results in migration to larger countries (Nunn, Kohler, and Kumar 2017; Roy and Gallagher 2019). Many small Pacific island states have already taken proactive roles in integrating mobility within the context of climate change into national policy frameworks, to anchor the ability of people to remain where viable, while ensuring continued opportunities to migrate for those who choose to do so (Shepherd 2022).

Storms and flooding. Average precipitation has risen at an increasing rate, and so has the frequency and intensity of rainfall events over most land areas (IPCC 2022b). In the future, heavy rain and associated flooding, as well as storms, will become more frequent and severe in many parts of the world (Pörtner et al. 2022). Data from the Internal Displacement Monitoring Center demonstrate that floods and storms have been the major sources of internal disaster displacement over the past years, forcing close to 300 million displacements in 200 countries and territories during 2008–21. In 2021 alone, 21.6 million persons were displaced due to these hazards (IDMC 2021, 2022). Future displacement is particularly likely where storms and flooding hazards combine with high vulnerability and low adaptive capacity (Cissé et al. 2022).

3.2 Migration Drivers and Climate Risks

Immobility. Rising pressures from climate change will both drive increases in migration and impair the livelihoods of those who lack the resources necessary to move. Immobility is often involuntary, as moving requires resources. “Vulnerability is inversely correlated with mobility,” and hazards may trap the most affected (Adger et al. 2014, 767; Kaczan and Orgill-Meyer 2020; Morrissey 2014). Some immobility is voluntary. Even during *abrupt* extreme events, displacement is often a last resort (Foresight 2011). People choose to stay as well, despite *gradual* hazards, and employ a variety of alternative coping strategies, such as on-farm adaptation or informal credit (Cattaneo et al. 2019).

Permanent versus temporary migration. The form that migration takes in response to the effects of climate change differs, depending on several factors. Rapid-onset events, such as floods, often result in temporary and short distance movements. However, not all people return home soon after being displaced by rapid-onset events; protracted displacement has also occurred, as well as circular and permanent migration, if the disaster does not allow return to the place of origin (e.g., by making it uninhabitable) or permanently changes or destroys the economic opportunities in the area. In contrast, migration in response to slow-onset events, such as drought and erosion, is more likely to be permanent (Cattaneo et al. 2019; Berlemann and Steinhardt 2017; Cardona et al. 2012; Wodon et al. 2014). In Central America, for example, rising numbers of people are choosing to migrate as a result of dwindling farming jobs owing to droughts, storms, and intense heat (see Baez et al. 2017; Castellanos 2022; Spencer and Urquhart 2018). A deeper understanding is needed of protracted displacement triggered by disasters and climate change impacts. In addition, compounding shocks, such as pandemics and conflict, highlight increasingly complex and interconnected drivers of mobility (Clement et al. 2021; IDMC 2022).

Government policies in the home and host countries of migrants also help to determine whether migration is permanent or temporary. Oliver-Smith (2006) finds that permanent migration is usually due to a deficient government response to assure a rapid and effective recovery of affected areas or other factors, rather than the disaster itself. Host country policies on admissions—for example, granting temporary protected status—can also affect the duration of migration.

Challenges of identifying migration driven by climate change. The absence of general definitions and methodologies for measuring figures on displacement and migration due to rapid and slow onset disasters impedes formulating a global estimate of people impacted, and policies (Gemenne 2011). This is partly because it is difficult to isolate disasters from other factors that cause migration, and to differentiate between voluntary and forced migration, especially for slow-onset disasters (Adger et al. 2019). Disasters can also trigger or accelerate migration patterns already underway before the disaster, by increasing income gaps and variability that propel migration (Cattaneo et al. 2019; Oliver-Smith 2006), making it difficult to isolate the impact of the disaster. For example, disasters in rural areas may accentuate an existing trend of rural-urban migration (Paul 2005). Continued investment to improve understanding of climate-related mobility at scale will continue to be critical to inform well-targeted policies.

3.3 Policy Recommendations

Safe and regular migration needs to be considered as a part of adaptation strategies, including those covering labor mobility and decent work, humanitarian admission and stay, family reunification, visa waivers, and legal pathways (UN Network on Migration 2022). Available studies indicate that migration can play a role in coping with disasters, first by providing an escape from danger and hardship and also through remittances and other forms of support to affected households (World Bank/KNOMAD 2016). Migration can help those vulnerable to climate change to become more resilient, if well enabled (Black et al. 2011; Cissé et al. 2022). Unfortunately, research also shows that migration can still leave those who move in vulnerable situations (Bergmann 2022).

Policy solutions must be considered for people to move, people who are already on the move, and people who would stay in place. Efforts are required across several aspects of migration policies at local, country, and international levels, including in: (1) preparedness and anticipatory action, (2) planned relocation programs, (3) policy coherence and strategies, and (4) legal norms and the international institutional framework. All solutions must include disaster risk reductions and climate change adaptation to build resistance.

Preparedness and anticipatory action. Forward-looking policies will be required for both rapid and slow-onset climate factors, including measures for managing displacement from the affected regions as well as the influx of people in the receiving communities. Most displacement will occur due to disasters. But displacement due to slow-onset climate change will be more gradual, manifested through low growth, economic hardships, and challenges to habitability in affected areas. A first step is to have a game plan to allow mobility, identifying where people would go, and how to share the burden. Policy makers need to plan for safe areas where migrants can be accommodated and arrange adequate financing. For example, it will be important that urban development plans in cities that are likely to attract climate migrants or internally displaced persons plan ahead for the provision of services. In large countries, the displaced populations tend to be housed within national boundaries, but in smaller ones, they are more likely to spill over into neighboring countries.

Investments in the adaptation of out-migration hotspots, to enable potential migrants to stay in place, are also important. Remittances have a role in helping recipient households in developing countries to build resilience, for example through financing stronger housing for ex ante preparedness and to cope with the losses in the aftermath of disasters (Mohapatra et al. 2012). As often-stable inflows, remittances can provide insurance against shocks or buffer them; they can thus also support recovery from—and to some extent preparedness for—climate impacts (Banerjee et al. 2017; Bendandi and Pauw 2016; Rigaud et al. 2018).[iii]

Systematic planning at the nexus of climate, development, and migration can help broaden the opportunities for people to adapt where they live, or else enable them to move to better circumstances. Attention should be given to the development of urban policy to accommodate climate (im)mobility. Cities will be disproportionately affected in two principal ways. First, many cities are along coastlines and their populations may well be displaced by the effects of sea level rise. While some of these movements will be temporary, others may mean a shift in the demographics of these cities. Second, cities will likely experience substantial in-migration from rural areas that are adversely affected by climate change. Preparing for these increased movements now will help cities cope in the years ahead.

Planned relocation, if appropriately implemented, can be a measure of last resort to enable people who would otherwise be trapped to minimize the human costs arising from climate change (Ferris and Weerasinghe 2020; Bergmann 2021). In larger countries, national plans could include preparedness solutions such as identifying areas for resettling voluntary migrants.[iv] In small island states, there may be no effective domestic policies that enable people to remain in place; in these cases, international solutions, including movement to another country, will be needed. However, planned relocation can also lead to poor outcomes for those who are relocated and those already resident in their new communities. Greater attention is needed to ensure that affected persons are involved fully in decisions regarding relocation. Careful planning and effective implementation strategies are needed to help the relocated adapt to their new environment. Guidance and a toolkit on protecting people from disasters and environmental change through planned relocation provides useful information to achieve this goal (KNOMAD 2017; Brookings, Georgetown University, and UNHCR 2015; UNHCR, Georgetown University, and IOM 2017).

Policy coherence and strategies. Issues of human (im)mobility (or immobility) must be integrated into climate policy and processes, particularly in the context of adaptation. At the same time, issues related to climate change must be better integrated into migration policies and processes. At the country level, national and regional development strategies should be viewed through a climate migration lens. Climate mitigation and adaptation strategies should also be viewed through a migration lens (box 3.1). Emphasis should be placed on (1) adaptation programs to help people remain in their home communities; and (2) safe and orderly pathways of migration to help those unable to remain at home in sending and receiving countries. This dual approach should help ensure that people are not trapped at home in the face of debilitating conditions or need to resort to dangerous or irregular pathways, whether their movements are internal or cross-border.

Changes in the international legal norms and institutional framework for migration will be required to cope with the challenge of increased migration driven by climate change. Unlike forced migration driven by conflict and human rights violations, the international community has not developed the principles and agreements required to deal with migration due to natural hazards and climate change events (Martin 2012). There have, however, been some first steps toward supporting those who migrate due to climate change. Temporary protection has been used, for example in Latin America, to respond to

displacement caused by disasters, while a 2020 UNHCR decision could provide some protection for people displaced by climate events.[v]

Box 3.1 Country Climate Diagnostic Reports and Migration

The World Bank's Country Climate Diagnostic Reports (CCDRs) aim to identify the main pathways to reduce greenhouse gas emissions and lessen climate vulnerabilities. Some of the diagnostics address migration as a critical intervention. Some examples of how migration is treated in selected CCDRs are provided below.

Box 3.1 (CONT)

China. Climate change is already affecting densely populated low-elevation coastal cities, due to rising sea levels and risks related to coastal flooding, coastal erosion, and storm surges. In addition, provinces in northern and western China are exposed to frequent and extreme heat waves and droughts that intensify water security risks and impact agriculture adversely. Direct annual losses from natural hazards are estimated to have averaged $76 billion over the past five years (World Bank Group 2022). At the same time, achieving carbon neutrality will imply a labor market transition that will impact mainly males in rural areas. To support the transition, it will be important that labor mobility within the country be facilitated, for example, by introducing reforms to *the hukou* system to eliminate barriers for migration to large municipalities. And allowing for portability of benefits would also facilitate the transition to a green economy.

G-5 Sahel countries. In Burkina Faso, Chad, Mali, Mauritania and Niger, repeated droughts are driving rural migration, but cities can offer only limited economic opportunities to rural migrants. Climate change will drive further involuntary migration from rural to urban areas. For these countries, increasing financial resilience to disasters with risk sharing and risk transfers could provide liquidity after a climate shock. These mechanisms will also support the poor to be better prepared and undertake migration as an adaptation measure. Improving resilience requires efforts to promote the inclusion of new migrants in cities.

Nepal. Emigrants from Nepal will be affected by the higher temperatures in major destination countries, including Qatar, Saudi Arabia, and the United Arab Emirates. The diagnostic suggests a diversification of host countries for migrant labor away from the Gulf Cooperation Council (GCC) countries. The analysis suggests a need to better understand the impacts of rising temperatures and the transition away from fossil fuels in host countries on remittances, and implications for shifts in the migrant workforce away from GCC countries.

Vietnam. Several models show that climate change could increase internal migration in the country. In this context, it will be important to prioritize social services and investment in infrastructure. Early action is necessary in low-lying areas in the Mekong and Red River deltas, which will be most affected by climate migration. Major coastal urban centers will also require climate-resilient planning, according to differentiated needs.

Source: CCDRs on China, G-5 Sahel, Vietnam, and Nepal.

Efforts should be targeted toward developing international legal norms regarding access and stay arrangements for climate migrants forced across borders. These should include (1) humanitarian admissions programs; and (2) protection against nonreturn, similar to those provided to refugees, to

persons whom, due to environmental factors, would face severe consequences if returned home. The Nansen initiative, a state-led process on disaster-related cross-border displacement, and the Migrants in Countries in Crisis (MICIC) Initiative have offered initial attempts to deal with cross-border populations affected by disasters and climate events.

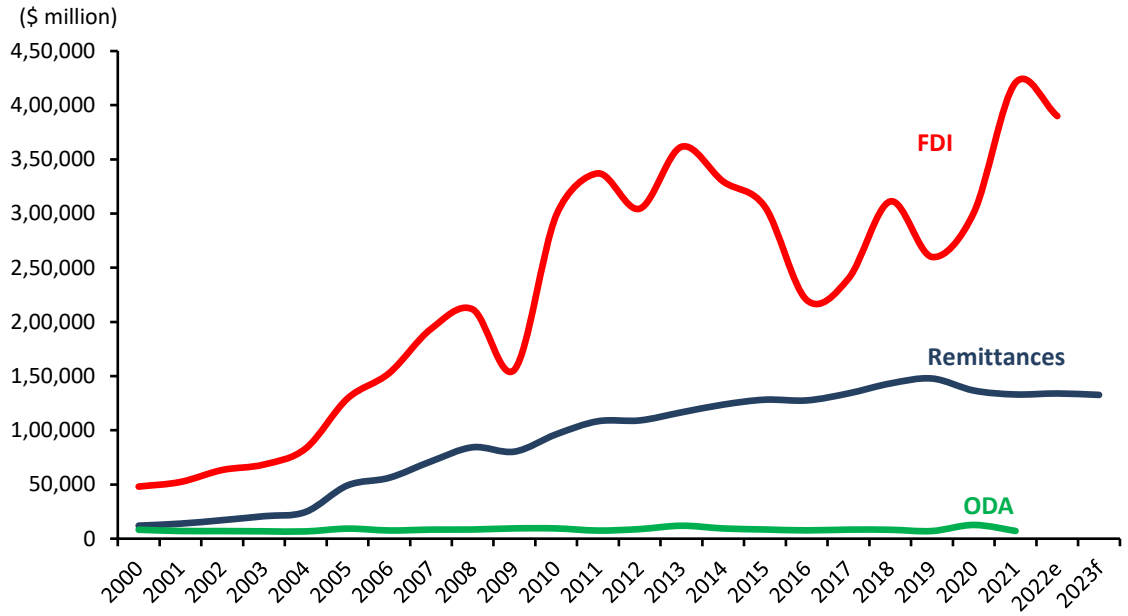
The Global Compact on Migration (GCM) mentions the importance of increasing legal paths for those affected by disasters, climate change and environmental stresses (see Martin et al. 2018). On the occasion of the COP27, the United Nations Network on Migration called on Member States to strengthen support to countries and people affected, including migrants, by effectively mobilizing adequate finance; enhancing climate-sensitive pathways for regular migration; and strengthening international action and cooperation to address climate-related migration at the local, national, regional and global levels (UN Network on Migration 2022). For example, support could be in the form of resettlement of people or the sharing of the financial costs of services provided to newcomers. Considering the global nature and expected large magnitude of migration, the case for creating a global concessional financing facility for migration remains strong (Ratha 2021; GFMD 2020).

Appendix A. Regional Trends in Migration and Remittance Flows

A.1 East Asia and Pacific

Remittance trends. Remittances to the East Asia and Pacific region are estimated to have increased marginally (0.7 percent) in 2022, arresting the declining trend of the previous two years. When China is excluded, overall growth in remittances is expected to be about 3.7 percent, close to the rate achieved in 2021. Officially recorded remittance flows to East Asia in 2022 are estimated at $134 billion of which China accounted for 38 percent ($51 billion). Remittances were the second largest resource flow in East Asia after foreign direct investment (FDI), which measured $390 billion in 2022. As a share of FDI, remittances stood at 34 percent in 2022 (figure A.1). Portfolio flows exceeded remittances from 2017 to 2021, but portfolio flows are estimated to have dropped steeply in 2022.

Figure A.1 Resource Flows to the East Asia and Pacific Region, 2000-2023f

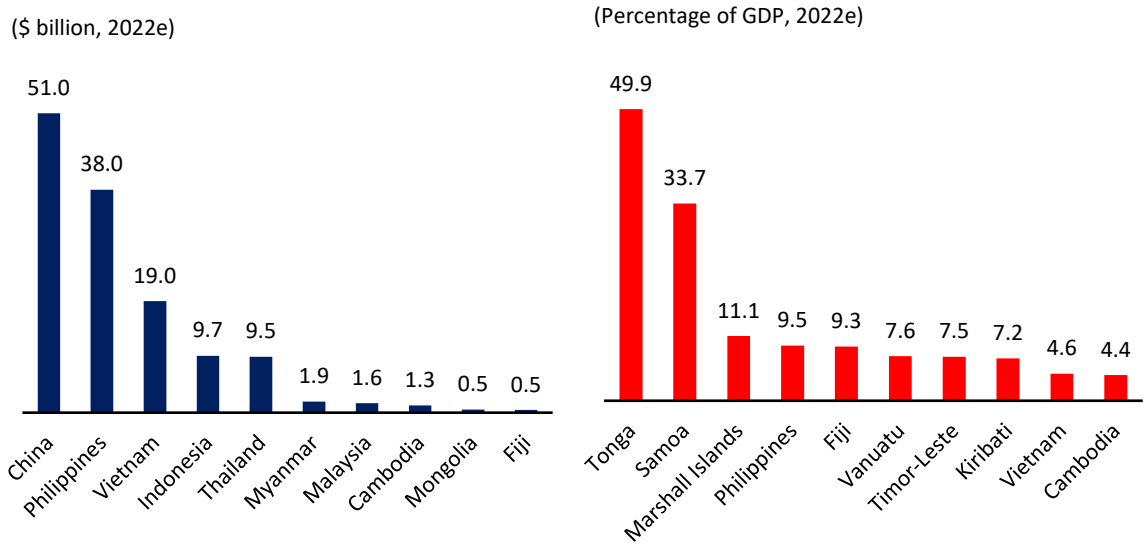


Sources: World Bank-–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the Migration and Development Brief 32 for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

Several structural shifts in East Asia's labor dynamic have muted remittance growth in the region in recent years. Demographic change (aging) has slowed the pace of emigration, particularly in China and Malaysia. FDI-enabled economic diversification and prosperity have narrowed the income-gap between several East Asian source countries and their migrants' destinations, reducing incentives to migrate. Some of the larger East Asian economies, including China, are both sources of high-skilled emigrants for high-income OECD countries, and a destination for low-skilled migrants from within East Asia and other regions. China, Malaysia, and Thailand are thus, both recipients and sources of remittances.

As in previous years, Tonga and Samoa are expected to rank among the top ten *global* recipients of remittances as a share of GDP (figure 1.2 in chapter 1). In 2022, as a share of GDP, Tonga's remittance receipts are expected to increase to 50 percent and Samoa's to 34 percent (figure A.2a). Within East Asia and Pacific, as a share of GDP, remittances are expected to register 11 percent in the Marshall Islands, 9.5 percent in the Philippines and 9.3 percent in Fiji. In the smaller Pacific islands, the share of remittances in GDP is expected to range between 7.2 and 7.6 percent in Kiribati and Vanuatu. Remittances are estimated at about 4.6 percent of GDP in Vietnam and 4.4 percent of GDP in Cambodia.

Figure A.2 Top Remittance Recipients in the East Asia and Pacific Region, 2022e



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

Early 2022 seemed poised for strong growth in remittances, and though outturns at this point appear much weaker, this was a welcome reversal of the previous two-year trend. Buoyant real GDP growth of 5.2 percent on average in the high-income countries in 2021 unleashed growing labor shortages in 2022, particularly in the hospitality and health sectors of the OECD countries. As 21 of the 23 East Asian countries had high vaccination rates (60 – 92 percent), it was easier for their migrants to resume or take up new jobs in high-income overseas destinations (OECD, GCC, Australia, New Zealand, and high-income economies in East Asia) compared to migrants from countries (in South Asia, for example) with lower vaccination rates. Labor demand in the GCC countries escalated in response to the windfall from higher fuel prices supporting higher incomes and more job opportunities for East Asian migrants. And strong global demand for the region's manufactured exports (from Malaysia, Thailand, and China) increased the income opportunities of migrants from lower-income East Asian countries.

Three factors dampened growth in remittances to East Asia. Remittances to China, East Asia's largest recipient with a 38 percent share of total remittances, are expected to drop nearly 4 percent to $51 billion in 2022 compared to almost $53 billion in 2021; this trend is expected to persist as the working-age population shrinks due to ongoing demographic change. A more immediate reason for the decline in remittances is attributable to China's zero-COVID policy, which restricted emigrants from travelling abroad. A broad-based appreciation of the dollar is the third factor expected to depress remittance flows to East Asia.

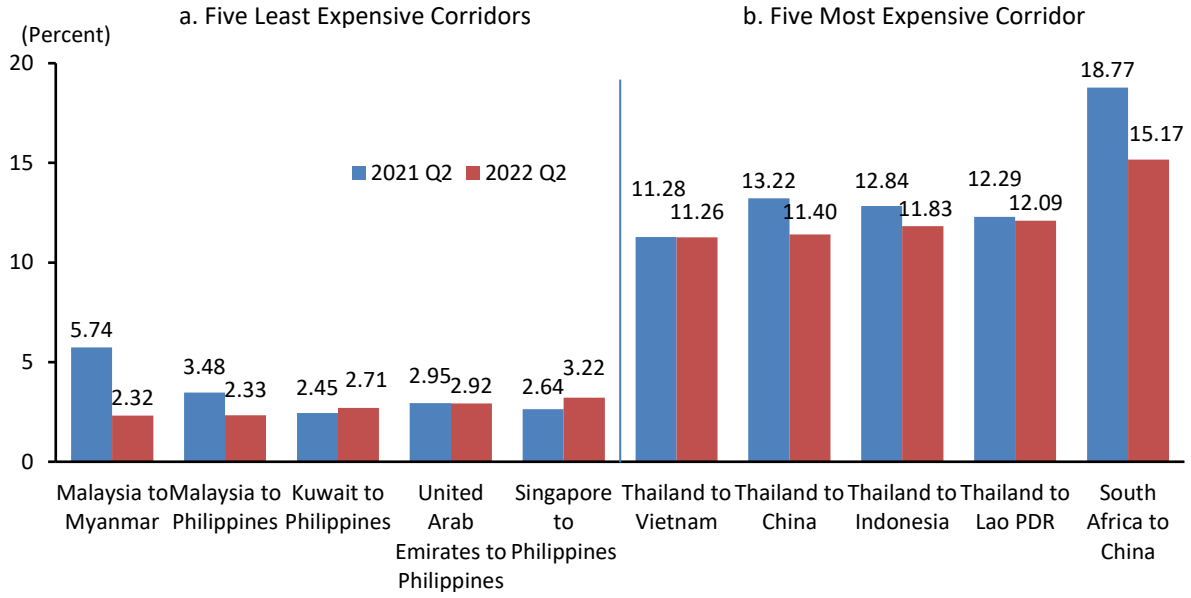
Remittances to the Philippines, the second largest recipient in the East Asia and Pacific region, are estimated to grow almost 4 percent to $38 billion, relative to $36.7 billion in 2021, reflecting the benefits of bilateral deals that the Filipino government forged with destination governments. The ban on emigration to Saudi Arabia due to the abusive treatment of workers was finally lifted in 2022. And demand for skilled Filipino workers in the health and hospitality sectors from new OECD destinations boosted remittances. The peso's depreciation (16 percent on an effective basis between January 2021 and August 2022) is believed to have depressed remittances in 2022.

Remittance growth in 2022 is expected to be higher in Vietnam at 5.2 percent, measuring $19 billion compared to $18 billion in 2021. With nearly 40 – 60 percent of their emigrants employed in the United States and the United Kingdom, the Philippines and Vietnam benefited from the wage hikes and labor shortages in these countries, even as the pandemic-related stimulus subsidies were phased out and record-high inflation eroded their remitting ability.

Remittance flows to Indonesia are estimated to grow at about 3 percent in 2022 to $9.7 billion, as demand conditions improved in the GCC and Malaysia, which jointly account for 75 percent of total remittances. In both destinations, low inflation rates due to heavy market-support price schemes enabled migrants to fuel remittance growth. Remittances to Thailand are expected to grow slowly to $9.2 billion in 2022, shaped by conditions in migrants' destination countries. Even though Thai migrants have a diversified set of high-income destinations, soaring food and fuel inflation in 2022 in all countries except Malaysia is believed to have curtailed migrants' ability to send more remittances.

At least 13 of the region's Pacific island states are estimated to collectively receive $1.2 billion (9 to 10 percent of GDP) in remittances in 2022, a drop of 8 percent from 2021. In general, their remittances inflows are estimated to have grown 70 percent since 2015. The recent collapse of tourism and other services has motivated residents to seek jobs in overseas destinations and send remittances to support their families. Residents have also fled in desperation due to mounting climate-related disasters that have destroyed their sources of livelihoods and homes.

Figure A.3 Remittance Fees to the Philippines are among the Lowest in East Asia and Pacific



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

Remittance costs. Remittance costs for East Asia tended to decline in the most expensive corridors but showed considerable variation in the least expensive corridors. The average cost of sending $200 to the region declined for some of the highest-cost corridors in Q2 of 2022 relative to Q2 of 2021 (figure A.3). While small, the cost of money transfers from Thailand to several countries within East Asia dropped. Notable among them was a 14 percent reduction in the cost of sending funds from Thailand to China, and 8 percent from Thailand to Indonesia. The costs of remitting to the region through some of the lowest-cost corridors also declined. The costs of sending $200 from Malaysia to Myanmar fell by 60 percent, and from Malaysia to the Philippines by 33 percent. On the other hand, the cost of remitting from Singapore to the Philippines, while small in absolute terms, rose by 22 percent from $2.64 to $3.22. Remittance costs from Kuwait to the Philippines increased by 11 percent from $2.45 to $2.71.

Remittance outlook. Three factors in migrants' destination countries are expected to affect remittance receipts in East Asia in 2023. First, real GDP growth in high-income countries is projected to halve from 2.4 percent to 1.1 percent, with inflation remaining high at 4.4 percent. This will curtail East Asian migrants' ability to remit, especially if job losses occur. Second, lower oil prices in 2023 are expected to dampen growth in remittances from the GCC to East Asia. And third, decelerating demand for the region's manufactured exports is expected to depress remittance flows to the lower-income East Asian countries. The higher-income East Asian countries (China, Malaysia, and Thailand), which are the main exporters of these products employ migrants from the lower-income East Asian countries. When global demand for manufactured products slumps and migrants lose their jobs, remittance flows to the lower-income countries are adversely affected. The combined impact of these factors suggests that remittance growth in East Asia will be marginally negative (1 percent) in 2023 with inflows totaling $133 billion. Excluding China, remittances are expected to grow sluggishly (0.8 percent), totaling $84 billion contrasted with $82.9 billion in 2022.

Remittance inflows to the Philippines are expected to grow by 2 percent to $39 billion, and in Vietnam by 3 percent to $20 billion in 2023. Remittance inflows to Thailand are expected to decline marginally (2.1 percent) to $9.3 billion in 2023. In Malaysia, flows are expected to decline by 4 percent to reach $1.6 billion in 2023. The slump in global demand for manufactured products is expected to negatively impact remittances flows to Cambodia, Myanmar, and Lao PDR. Of total remittances to these countries, Thailand's share is 60-70 percent of the flows to Cambodia, Myanmar, and Lao PDR; Malaysia's share is 10–24 percent of the flows to Thailand, Myanmar, and Indonesia; and China's share is critical for remittance flows to Mongolia, Lao PDR, and Myanmar, as their emigrants are employed in large numbers in Chinese factories. These countries are expected to see poverty worsen in 2023, as they are already reeling under double-digit inflation.

East Asia migration trends. Should East Asia's richer countries restrict outward migration or encourage more inward migration? Like most OECD countries, Singapore and Malaysia, the region's relatively rich countries, are also grappling with *post-pandemic labor shortages that further exacerbated an ongoing paucity of workers due to the region's aging population.* Australia's announcement of a new visa scheme that allowed its farms to employ skilled, semi-skilled, and unskilled Southeast Asian farm workers on a longer-term basis presented the Malaysian government with an interesting dilemma: should it restrict outward migration or encourage greater labor mobility? As Malaysia was also facing farm worker shortages exacerbated by population aging, it could lose valuable Malay agricultural workers to Australia and be forced to increase its dependence on unskilled migrants. However, the Australian initiative could benefit Malaysia in the medium term when a critical mass of Malaysian farmers enriched with technological know-how in areas such as precision agriculture return and help raise Malaysia's farm productivity. In response to Australia's announcement, the Malaysian government announced that thousands of low-skilled workers from Indonesia and Bangladesh would soon arrive in Malaysia to take

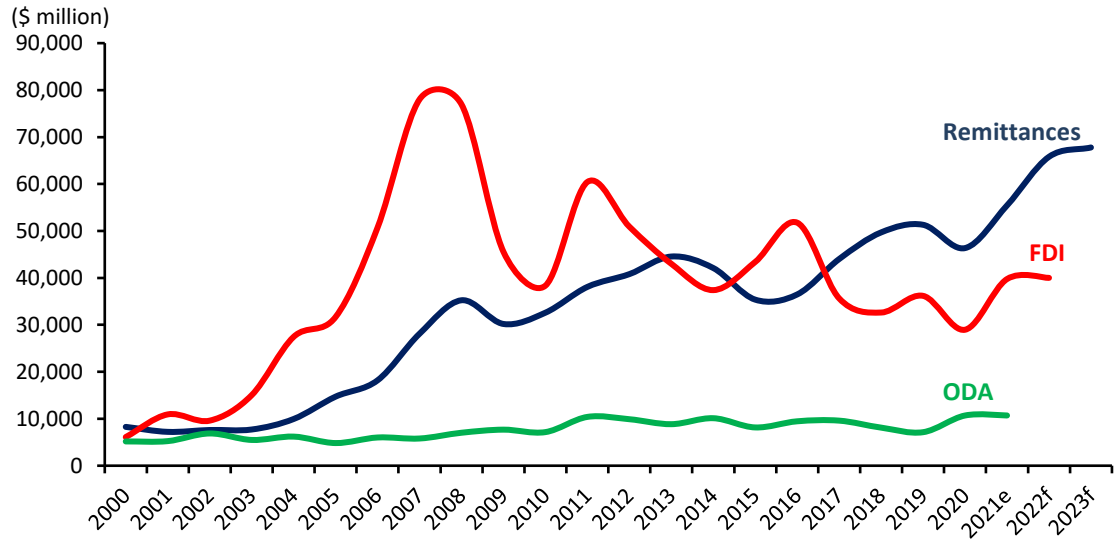
up plantation jobs. The Australian program, however, was reversed by the new government in May 2022. [vi] In general, Malaysia is heavily focused on automation as a means of reducing reliance on foreign workers (including in agriculture)—in fact, the 12th Malaysia Plan has reduction of foreign labor as a specific policy objective.

A.2 Europe and Central Asia

Remittance trends. After increasing 15.7 percent in 2021, remittance flows to Europe and Central Asia are estimated to gain 10.3 percent to reach about $72 billion in 2022. The robust performance in the year, despite Russia's war on Ukraine, is due mainly to record-high amounts of money transfers from the Russian Federation to neighboring countries, especially to CIS members. Consequently, some CIS countries' dependence on remittances from Russia spiked in 2022 (see figure A.5). The jump in flows from Russia in part, and in the short term, reflects efforts by Russian individuals and companies to relocate abroad following the onset of war. The strong Russian ruble against local currencies, and the post-pandemic rebound in Russia's demand for migrant workers, also contributed to the strength of remittance flows for the broader region.

In 2022, remittance flows are likely to exceed, significantly, the sum of FDI and official development assistance (ODA) as a sharp drop in FDI flows to Russia is expected to turn the regional FDI aggregate to large negative flows (figure A.4). Given the strong cyclicality of FDI, it is difficult to say whether worker remittances will continue to represent the prime source of financial flows, especially against the background of war in the region. However, remittance flows from Russia to its neighboring countries are likely to increase, at least for some time.

Figure A.4 Resource Flows to Europe and Central Asia, Excluding Russia, 2000-2023f



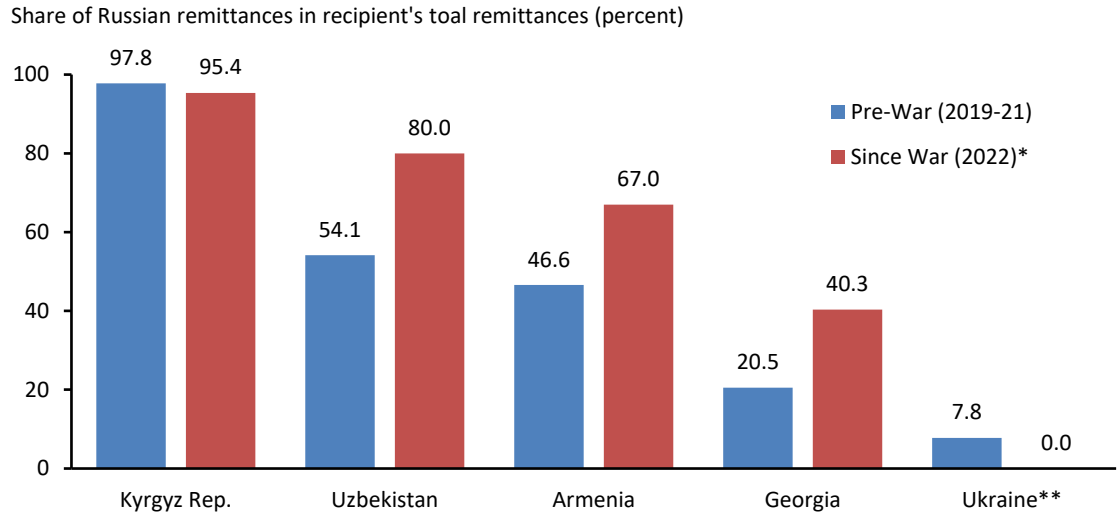
Source: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix to the Migration and Development Brief 32 for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

For many Central Asian and Southern Caucasus countries within the Commonwealth of Independent States (CIS), Russia has been a major source of remittances, accounting for more-than half of total flows

for Armenia, Azerbaijan, Kyrgyz Republic, Tajikistan, and Uzbekistan, and over 20 percent for Georgia and Belarus (figure A.5).[vii] It was anticipated that remittances to the CIS would plummet in the wake of the Russian invasion of Ukraine. But the Kyrgyz Republic, Tajikistan, and Uzbekistan likely received record high amounts of remittances from Russia in 2022, as the number of migrant workers in Russia from Central Asia remained strong (in part due to a strong ruble). For Uzbekistan, it is reported that a substantial part of this increase reflects migrant workers' greater use of formal channels to send money home, resulting in improved recording of cross-border flows.

The earlier basis for weaker remittance flows in 2022 (see *Migration and Development Brief 36* [World Bank/KNOMAD 2021a]) was grounded in three assumptions: (1) the Russian ruble was forecasted to depreciate by about 30 percent against the US dollar in 2022 (based on Consensus Forecasts figures); (2) the Russian economy would suffer a substantial decline amid Western sanctions in the wake of the invasion; and (3) disruptions to the transfer of hard currency abroad would follow Russia's ban from the global SWIFT payments system. On balance, a drop in remittances from Russia by as much as 40 percent had been posited for 2022, yielding a sharp decline in transfers to Central Asia. None of these factors appears to have been realized, due to unforeseeable developments over the course of the year.

Figure A.5 Some CIS Countries are Highly Dependent on Remittances from Russia



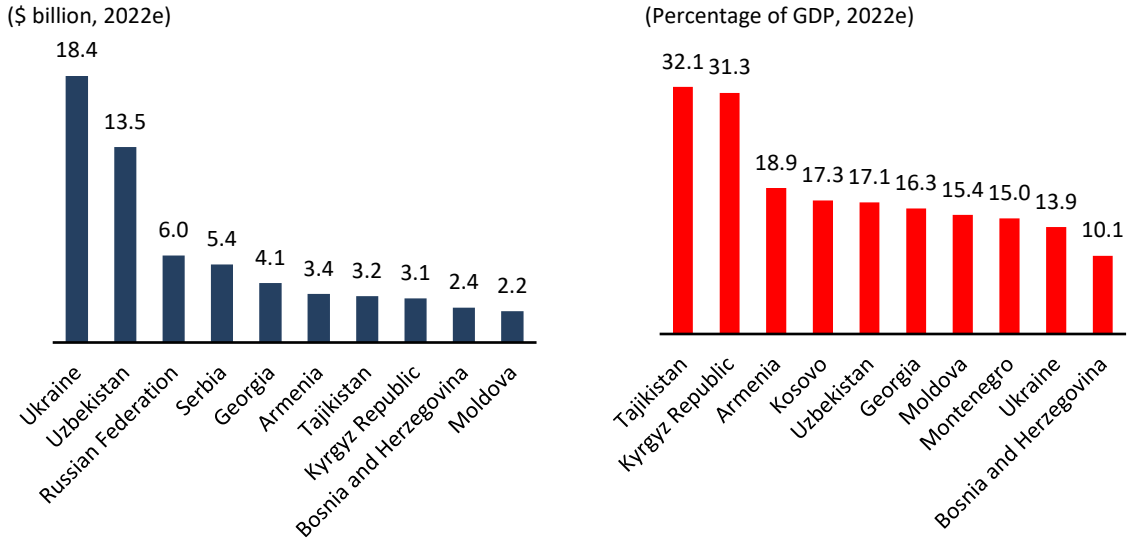
Source: Respective central banks.
*Data up to August 2022 for Uzbekistan, Kyrgyz Republic, and Ukraine. Data up to September 2022 for Armenia and Georgia.
**Transfers from the Russian Federation to Ukraine are prohibited by the National Bank of Ukraine (Regulation N18).

Many countries in Europe and Central Asia benefit from Russian individuals trying to obtain global payment cards (credit/debit cards) and place their hard currency assets in neighboring countries that offer visa-free entry. The issue of access to global money transfer became dire for many Russians after global financial institutions stopped working in the country in the wake of the attack on Ukraine. A sizeable proportion of smaller Russian companies are also relocating and moving their businesses to Central Asian countries. For example, money transfers from Russia to Armenia and Georgia nearly tripled during the first nine months of 2022 from a year previous.
Ukraine, the region's largest recipient of remittances (figure A.6a), is estimated to have received inflows of some $18.4 billion in 2022 on growth of 2 percent. This outturn is tied to a continued increase in remittances from Poland, the largest recipient of Ukrainian refugees and migrant workers. After posting

a sharp 18.7 percent gain in 2021 amid the reopening of borders, remittances to Ukraine grew more slowly in 2022 as money transfers dropped sharply in March and April following the onset of the war—but they bounced back in the second half of the year. The trend reflects restrictions related to transfers in the light of martial law in Ukraine so that some money transfers are likely to have been carried by hand or other informal channels. Official data on remittances were not published from February until April 2022, presumably due to closure of businesses including those of money transmitters.

When migrant families are separated, with men staying and women and children moving to another country, money transfers in both directions are expected to be high. Such transfers are also likely to be carried by hand by people crossing back and forth between Ukraine and Poland (and Ukraine and other countries). Border crossings from and to Ukraine are very high—according to UNHCR data, as of November 8, 2022, border crossings from Ukraine to Poland were 7.4 million, and those in the reverse direction were 5.4 million. The restrictions on fund transfers also imply that some remittances to Ukraine are routed through other countries. Some money transfer companies, for example, are allowing remittances sent to Ukraine to be picked up in bordering countries that are hosting a large portion of Ukraine refugees, such as Poland and the Czech Republic.

Figure A.6 Top 10 Remittance Recipients in 2022e



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

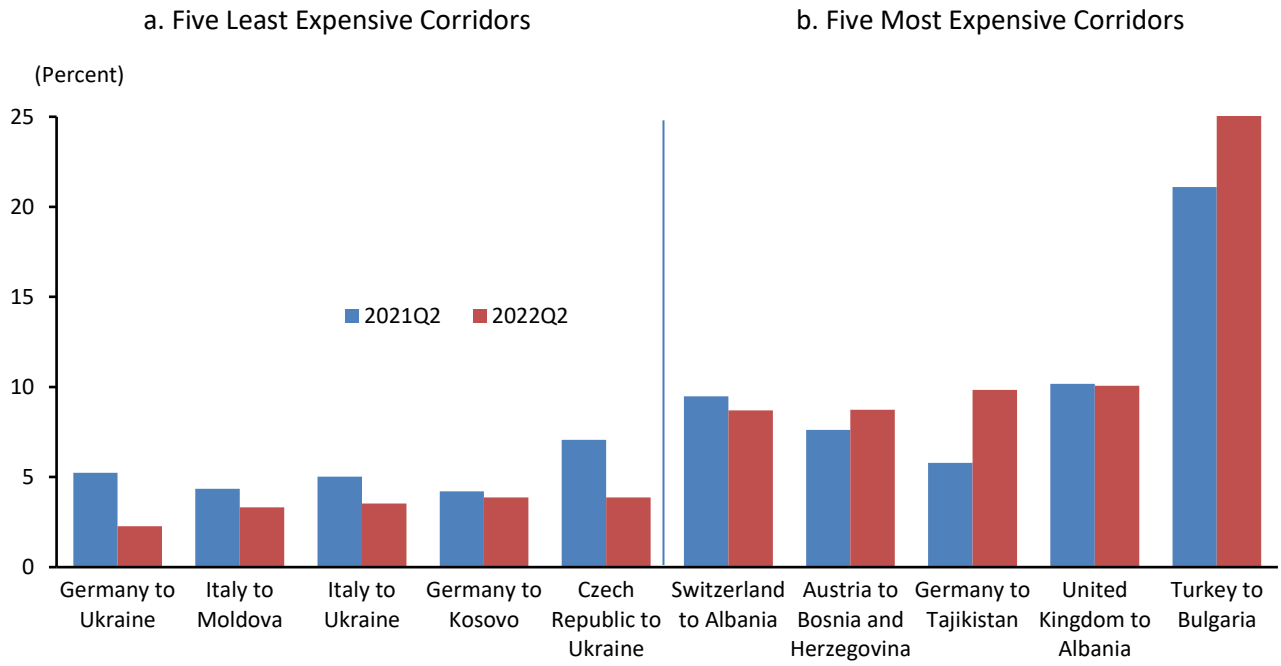
As a share of GDP, remittance receipts in Tajikistan and the Kyrgyz Republic lead regional economies, at 32 and 31 percent respectively (figure A.6b), as remittances remain by far the largest source of foreign currency earnings for these countries. For Uzbekistan, the most populous country in Central Asia, remittances are estimated to compose about 17 percent of GDP in 2022, up sharply from 13 percent in 2021. And in the first eight months of 2022, remittances to Uzbekistan nearly doubled to $10.6 billion from $5.7 billion in the same period of 2021—with remittances from Russia accounting for 80 percent of total inflows. The increase in part represents goods sold in Russian rubles, with the ruble thereafter sold domestically.

Remittance costs. The average cost of sending $200 to Europe and Central Asia rose to 6.4 percent in the second quarter of 2022 from 6.3 percent a year earlier, in large part reflecting a sharp increase in costs along the Türkiye-Bulgaria corridor. Amid the ongoing Russia-Ukraine war, the average cost for the

Europe and Central Asia region excludes data on corridors originating in the Russian Federation, which once was one of the lowest-cost senders of remittances globally. According to the World Bank Remittance Price Worldwide database, Europe and Central Asia now stands as the second-most expensive region for sending remittances after Sub-Saharan Africa. And the differences in cost across corridors in the region are substantial: the highest cost for sending remittances is from Türkiye to Bulgaria, while the lowest cost for sending remittances is from Germany to Ukraine (figure A.7).

In an effort initiated by the European Commission (EC), a number of financial institutions signed a joint Statement on September 27, 2022, pledging to lower total costs of sending remittances to Ukraine—at least for the course of the war. These firms have committed to help bring about convergence in remittance fees at a target rate of 3 percent (as established in the G20's Sustainable Development Goals and Roadmap for Enhancing Cross-Border Payments). Almost a quarter (24 percent) of all funds transferred to Ukraine from abroad between January and July of 2022 were channeled via international money transfer systems. This is a welcome development, and hopefully could be emulated by other remittance-service providers.

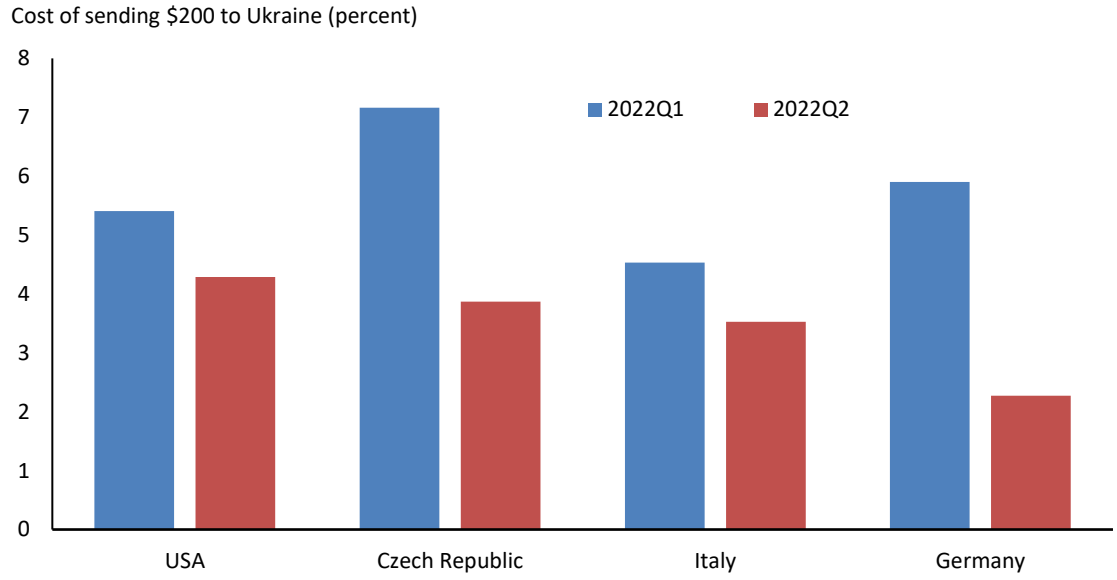
Figure A.7 Cost of Sending Money in Europe and Central Asia Rose Slightly in the Second Quarter of 2022



Source: World Bank Remittance Price Worldwide.
Note: Cost of sending $200 or equivalent; due to the ongoing Russia-Ukraine war, the Remittance Price Worldwide database contains no data on corridors originating in the Russian Federation for the second quarter of 2022; this was also the case for Q1 of 2022.

Reducing fees on remittances by 2 percentage points could save Ukrainian migrants $400 million per year. Following the onset of the Russia-Ukraine war, most money transfer systems have offered their customers special conditions for sending remittances to Ukraine from major donor countries, hence reducing the cost of sending money significantly. The cost of sending money to Ukraine ranged from 2.3 percent in Germany to 4.3 percent in the United States during the second quarter of 2022 (figure A.8), down sharply from the first quarter of 2021 as well as from a year earlier.

Figure A.8 Costs of sending money to Ukraine have fallen sharply following start of the war



Source: World Bank Remittance Price Worldwide

Remittance outlook. Looking forward, remittance receipts in the region are projected to grow at a slower 4.2 percent pace in 2023, as the economies of major remittance-sending countries are expected to weaken further in the year amid increased uncertainty linked to the Russia-Ukraine war and higher inflation. Moreover, the surge in Russian money transfers is not expected to last through 2023. These projections are subject to substantial downside risks, including a sharper-than-expected slowdown in major remittance-sending economies or energy market turmoil arising from a sudden and sharp decline in the oil price. A movement of the Russian ruble against the recipient countries' currency is likely to affect the outlook as well. For example, regional currencies collapsed in the wake of the Russia-Ukraine war, but they have largely bounced back to their pre-war levels. Also, the appreciation of the ruble is unlikely to continue, which may dampen the dollar valuation of remittances from Russia.

Migration trends. According to the UNHCR, as of November 15, 2022, about eight months into the war, more than 7.8 million people were believed to have fled Ukraine for other European countries, representing Europe's largest refugee exodus since the end of World War II. [38] The majority of Ukrainian refuges are women between 30 and 39 years old, many with children and elderly parents. Most refugees moved on to wealthier European countries after initially crossing into neighboring countries, but Poland has still borne the majority of refugees (about 1.5 million). Other top hosting countries include Germany (1 million), the Czech Republic (460,000), Italy (173,000), Spain (153,000), Türkiye (145,000), the United Kingdom (143,000), and France (119,000). More than 4.7 million Ukrainian nationals registered for temporary protection in European countries. If the present phase of the war lasts for a year or longer, millions more are expected to migrate to—or seek asylum in—Poland and other European countries. The exodus has been compounded by Russia's forcible deportation of Ukrainian citizens, estimated to be between 900,000 and 1.6 million. Within Ukraine, there are over 6.2 million people displaced by the war.[39]

Countries across Europe have been supportive regarding the safety and immediate needs of Ukrainian refugees, but the growing number of refugees is placing evident strains on existing resources and

capacity. There are already some signs of wobbling support toward Ukrainian refugees among host citizens as the war continues. For instance, 70 percent of Polish adults were involved in helping Ukraine refugees in the early months of the war, with the estimated total spending for refugees by the Polish government and private individuals amounting to nearly 1 percent of the country's GDP (Baszczak et al. 2022).

But the Polish government recently announced changes to its refugee policy, with refugees required to cover a part of living expenses for collective accommodation, while the government intends to end housing subsidies for people hosting Ukraine refugees. The Bulgarian government also suspended its housing accommodation program for Ukrainian refugees during the summer. The falloff in support can be attributed to factors ranging from "moral exhaustion" (i.e., people feel exhausted by the persistent need of helping refugees) to the perception that, as more refugees settle in, they need less help. Rising "refugee fatigue" is often cited as a normal phenomenon, but the drop-off in support comes as many European governments are reconsidering their spending on refugees in the face of economic headwinds, including record-high inflation, and potential public frustration.

The upsurge in Russian citizens escaping the partial mobilization of military reservists is carrying significant spillovers to bordering countries, especially in Central Asia, which provide visa-free access. Over 30,000 Russian citizens have crossed the border into Georgia since late September 2022 and about 282,000 Russian citizens crossed the Kazakh border between September 21 and October 3, of which 135,000 people left Kazakhstan for other countries, using it as a transit point, according to official figures. A total of 372,086 Russians arrived in Armenia during the first six months of 2022, according to official Armenian figures, up from 156,496 during the same period of the previous year. Many of these arrivals have not settled, often moving on to destinations in Europe or returning to Russia. The new arrivals from Russia have resulted in soaring housing markets and inflation at the same time as supporting a mini-economic boom in recipient countries.

A.3 Latin America and the Caribbean

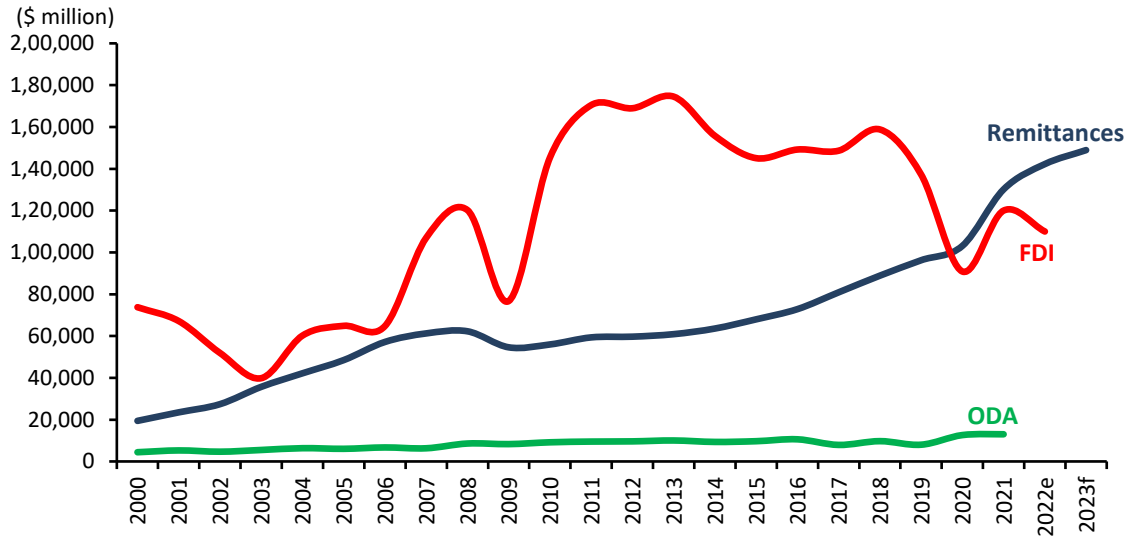
Remittance trends. Remittance flows into Latin America and the Caribbean are expected to increase by 9.3 percent in 2022, reaching $142 billion (figure A.9). The strong labor market in the United States had a positive impact on remittance flows during 2022.

Mexico, the region's largest and the world's second-biggest recipient of remittances, is projected to post record inflows of $60.3 billion in 2022, representing growth of 11 percent over the previous year (figure A.10). However, remittances constitute a much larger share of GDP for a number of countries in the Caribbean and Central America (figure A.10).

Economic conditions in the US economy in 2022 have had an important, but not completely determining, impact on remittances to Latin America and the Caribbean (figure A.11). During the first nine months of 2022, the robust US labor market was accompanied by a rise of 15 percent in remittances to Mexico, 9 percent to Colombia, 20 percent to Guatemala, and 3.5 percent (in the first 10 months) to El Salvador, compared with the same period of 2021. Remittances to Nicaragua surged by 45 percent during this period, but this was likely driven by the political situation in the country. However, despite the strong US labor market, remittances declined in the Caribbean region, notably including a 6 percent falloff in the Dominican Republic during the first 10 months of 2022 and a 2 percent decline for Jamaica during the first nine months of 2022. Remittances are projected to increase in Brazil, Ecuador, Honduras, and Peru in 2022; but declines for Bolivia and Paraguay by 1 percent and 5 percent,

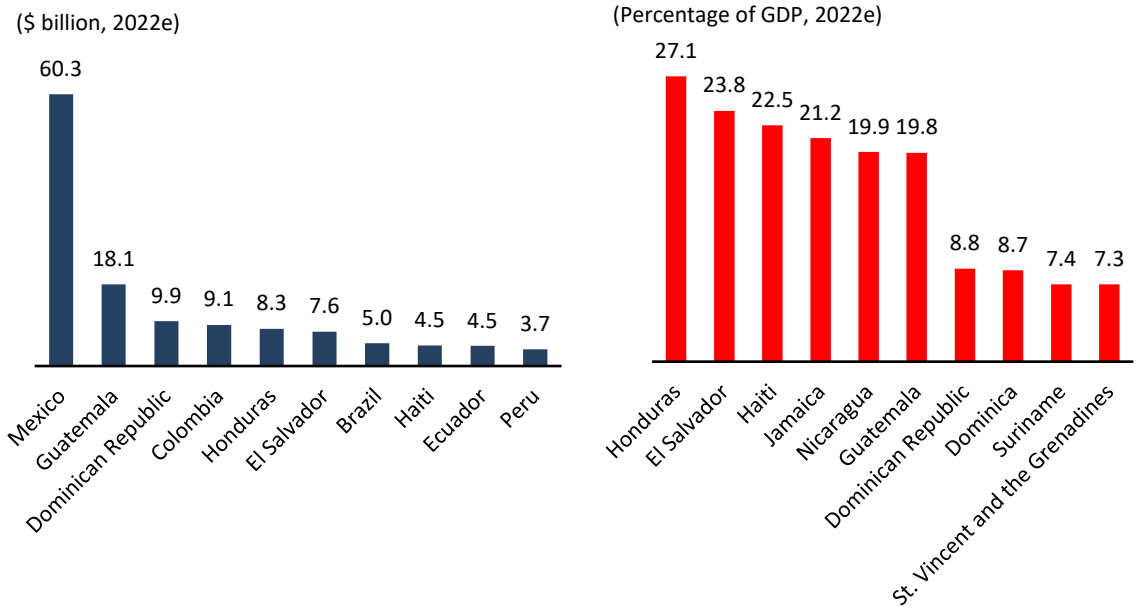
respectively, are tied to the economic situation in Argentina and in Spain, since many Bolivians and Paraguayans live in these countries.

Figure A.9 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Latin America and the Caribbean, 2000–2023f



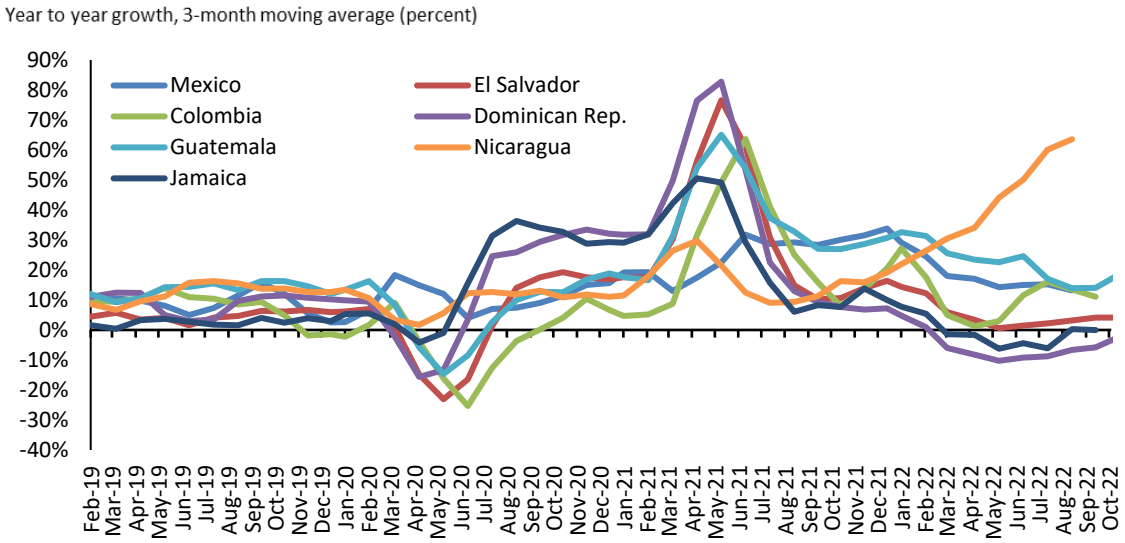
Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See appendix in the *Migration and Development Brief 32* for forecast methods (World Bank/KNOWMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate;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

Figure A.10 Top Remittance Recipients in Latin America and the Caribbean, 2022e



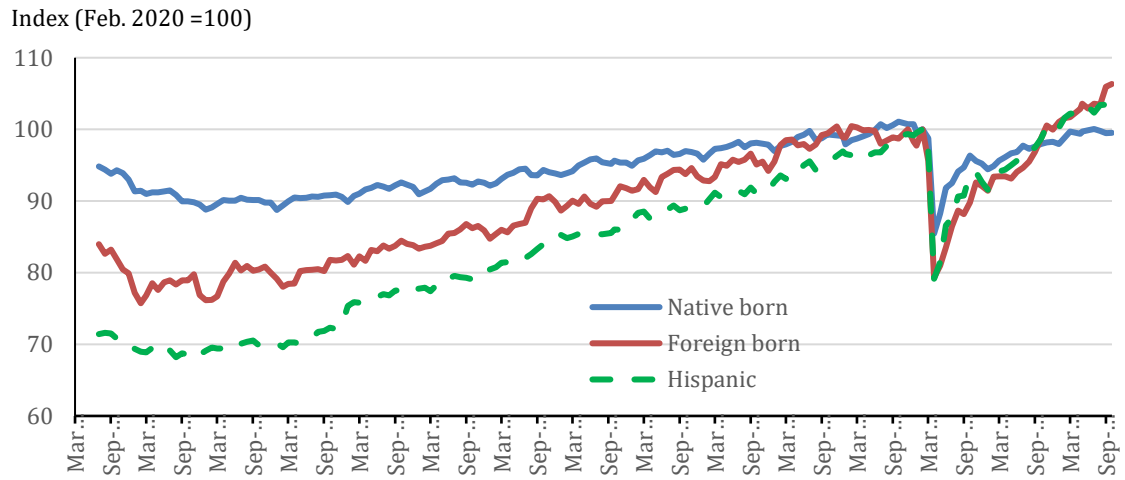
Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product; e = estimate.

Figure A.11 Remittance Flows to Latin America and the Caribbean Growing at a Slower Pace in 2022 with the Exception of Nicaragua



Source: Central banks of the respective countries.

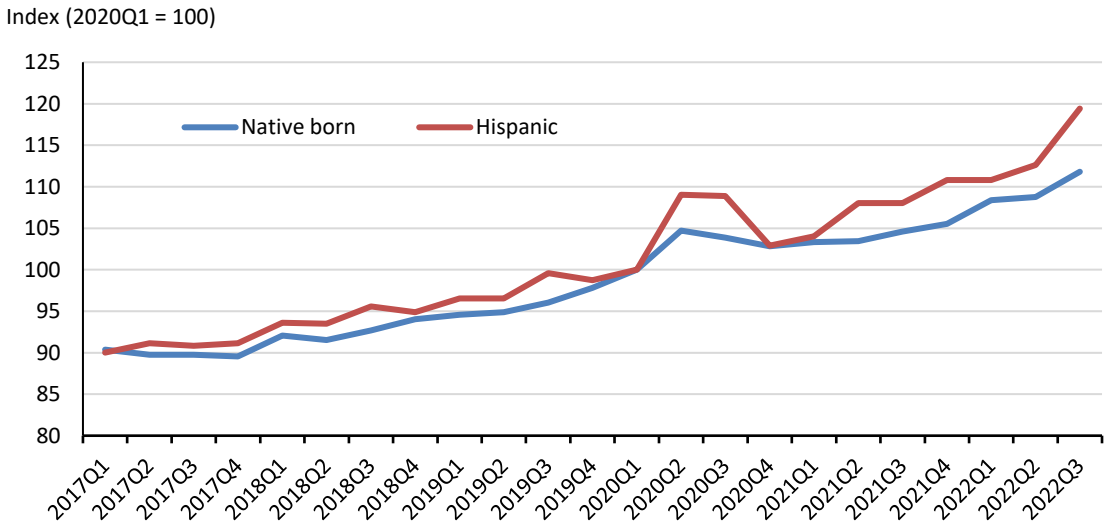
Figure A.12 Employment Levels of Hispanic, Foreign Born, and Native Born in the United States



Sources: US Bureau of Labor Statistics and World Bank-KNOMAD staff calculations.

In the United States, the unemployment rate of Hispanics declined dramatically from 18.5 percent in April 2020 to 4.2 percent in October 2022 (US Bureau of Labor Statistics 2022). Employment rates of both foreign-born and native-born groups dropped during the COVID-19 crisis from 2020 to mid-2021, but since October of that year, employment of migrants recovered faster than employment of native workers. Employment of foreign workers and Hispanics has surpassed pre-crisis levels (figure A.12) while employment of US nationals has not yet returned to pre-pandemic levels. In October 2022 the largest increase in jobs occurred in the leisure and hospitality sector; and employment in construction also increased sharply in September but was little changed in October 2022. Migrants largely work in these sectors. For example, an average 78,000 positions in food and drink services were added per month in 2022, while employment in construction returned to its February 2020 levels.

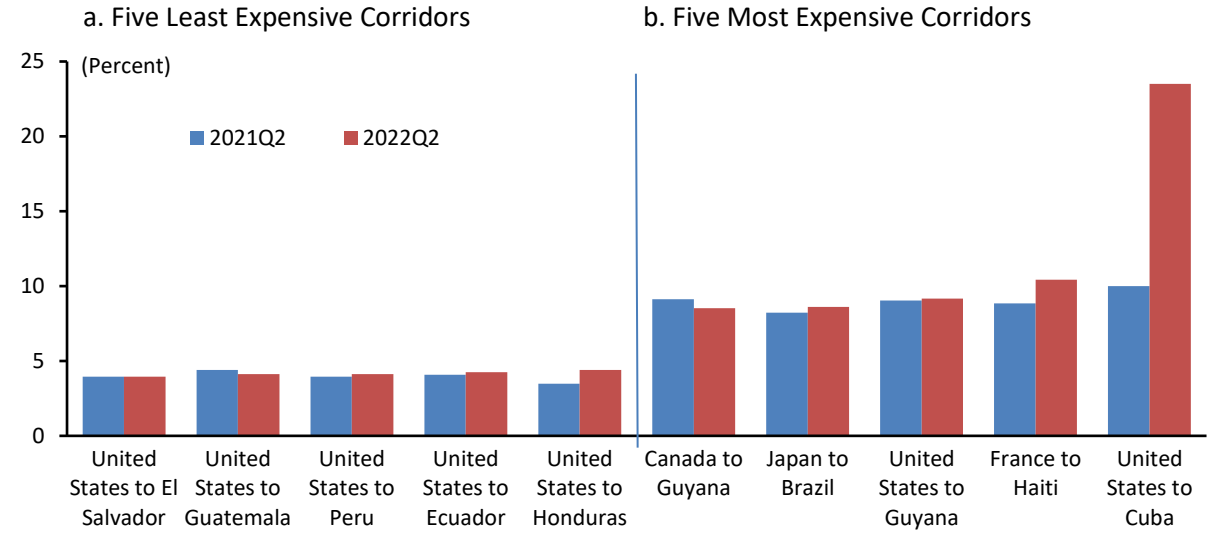
Figure A.13 Median Weekly Earnings of Hispanic- and Native-Born Workers in the United States



Source: US Bureau of Labor Statistics and World Bank-KNOMAD staff estimates.

The median weekly earnings of full-time wage and salary workers registered $1,070 in the third quarter of 2022. For the Hispanic population, median weekly earnings were $861. However, the increase in earnings is larger for the Hispanic population (10.5 percent year-to-year) compared to the total population (6.9 percent year-to-year). The median weekly earnings have surpassed the pre-COVID levels showing a greater degree of recovery among the Hispanic population (figure A.13). Real wages, however, seem to have fallen due to high inflation, as pointed out in chapter 1 (box 1.1).

Figure A.14 The Cost of Sending Money to Latin America and the Caribbean Has Remained Stable



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

Remittance costs. According to the Remittance Prices Worldwide Database, the average cost of remittance transfers to Latin America was 5.9 percent in the second quarter of 2022, a slight increase from the 5.6 percent registered a year earlier. Brazil improved to become the second least expensive country among G-20 receiving economies, with remittance costs for sending $200 to the country recorded at 6.3 percent. In many smaller remittance corridors, however, costs continue to be exorbitant. For example, the cost of sending money from the United States to Cuba was 17 percent while from France to Haiti it was 7.8 percent during the third quarter of 2022. Although some of the restrictions on sending remittances to Cuba have been eased, the costs remain high (figure A.14).

Remittance outlook. Growth in remittances is projected to return to pre-COVID rates at 4.7 percent in 2023, with the outlook for GDP growth in the United States substantially weaker than previously projected. This represents a 1 percentage point reduction in growth for 2023 contrasted with the May 2022 Brief. Risks are substantial and to the downside. Transit migrants from Cuba, Nicaragua, and Venezuela, passing through Guatemala and Mexico on the way to the United States, correspond to the large remittance flows to those two transit countries. As noted in *Migration and Development Brief 36* (World Bank/KNOMAD 2021a), migrants are staying longer in Mexico. One explanation is the application of Article 42 of the United States, under which migrants cannot cross the border due to COVID-19 measures. As a result, Mexico accepts the US Title 42 land-border expulsions from five countries: Mexico, El Salvador, Guatemala, Honduras, and most recently Venezuela. The transit migrants are receiving funds from their families outside Mexico to support living and travel expenses, and in many cases, to pay smugglers ("coyotes"). In addition, the impacts of the Russia-Ukraine war, policy uncertainty, inflation pressures, and a slowdown in global growth could impact remittance flows to the region as well as intraregional flows. A resurgence of COVID-19 represents still another downside risk to flows.

Migration trends. According to the US Customs and Border Protection Agency, some 2.7 million encounters were reported with people crossing the United States' southern border in FY22 compared to 1.7 million in FY21 (Ainsley 2022). The profile of migrants apprehended crossing the border has changed. In the three months to September 2022, more asylum seekers from Cuba, Nicaragua, and Venezuela reached the southern border of the United States (Flores 2022). According to the Department of Homeland Security, in FY22 there were over 25,000 encounters with Venezuelans in August and 33,000 in September. These numbers are large compared to the monthly average of 127 encounters in FY2019.[viii] For those Venezuelans already in the United States, their Temporary Protected Status has been extended for 18 months.

Recent policies have outlined that a single adult will be returned to Mexico if they are from Mexico or from El Salvador, Guatemala, and Honduras (if they are from other countries, they are deported to those).[ix] From October 12, 2022, Venezuelans who enter the United States without authorization will also be returned to Mexico (DHS 2022). A similar initiative is being discussed for Cuba and Nicaragua. The United States is also undertaking some steps to increase immigration that are likely to affect regional countries. An additional 65,000 new H-2B visas (for temporary nonagricultural workers) have been included in FY23 on top of the 66,000 that are available each year; 20,000 of such visas will be reserved for migrants from Central America and Haiti. Historically, Mexicans were issued 90 percent of all the H-2B visas (DHS 2022).

The flow of undocumented migrants to Mexico increased from 264,772 to 279,185 people during January–September 2022 compared to the same period of the previous year. To reduce the number of transit migrants, Mexico started requesting entry visas for migrants from Ecuador and Venezuela (Verza 2022). And increased emigration from Venezuela is changing migration patterns in the region. Chile has

moved up to the fourth-highest destination country in Latin America, as the country has become a destination for about 500,000 Venezuelan migrants. The Darien region has a high volume of migrants en route to the United States via Panama. Migrants from Venezuela, as well as from Haiti, Senegal, and Cuba, continue to cross the Darien Gap from Colombia to Panama en route to the United States. According to data from the Interagency Flow of Mixed Migration and migration in Panama, around 32,000 migrants crossed the country in August compared to 4,415 migrants in January 2022. US DHS reports that crossings into Panama from Colombia reached 3,000 migrants, largely from Venezuela (DHS 2022). Mexico received more than 8,000 asylum applications from Venezuelans during the first nine months of 2022, an increase of 42 percent from the same period of 2021 (INM and Gobernación 2022).

In response to the large volume of migrant flows from Cuba, Haiti, Nicaragua, and Venezuela crossing through Central America in passage to the United States, countries have stepped up enforcement at regular border crossings. For example, Guatemala deported more than 13,000 foreign-born people, out of which 76 percent were Venezuelans (SWI 2022). About 57,000 Haitians were deported between January 2022 and July 2022 from the Dominican Republic, the United States (20,309), the Bahamas, Cuba, and Mexico (Human Rights Watch 2022). The Dominican Republic has started construction of a border wall between Haiti and itself (France 24 2022). With rapidly deteriorating conditions in Haiti, the Dominican Republic has reinforced the border to avoid large inflows of migrants.[x] Nationals from Haiti and Nicaragua have increased their asylum applications to OECD countries due to the current difficult conditions in both countries. Recent data suggest that the number of asylum applications from Nicaragua increased sixfold in 2021 while for Haiti it increased fourfold compared to 2020 (OECD 2022c).

Given the current migration crisis in the region, 21 countries endorsed the Los Angeles Declaration on Migration and Protection (US Department of State 2022). The Declaration is built around four pillars: (1) stability and assistance for communities, (2) legal pathways and protection, (3) humane migration management, and (4) emergency response. The measures initially include a package of $25 million for crisis response mechanisms on migration in Costa Rica and Ecuador from Global Concessional Financing (White House 2022). Additional resources have since been mobilized.

A.4 Middle East and North Africa

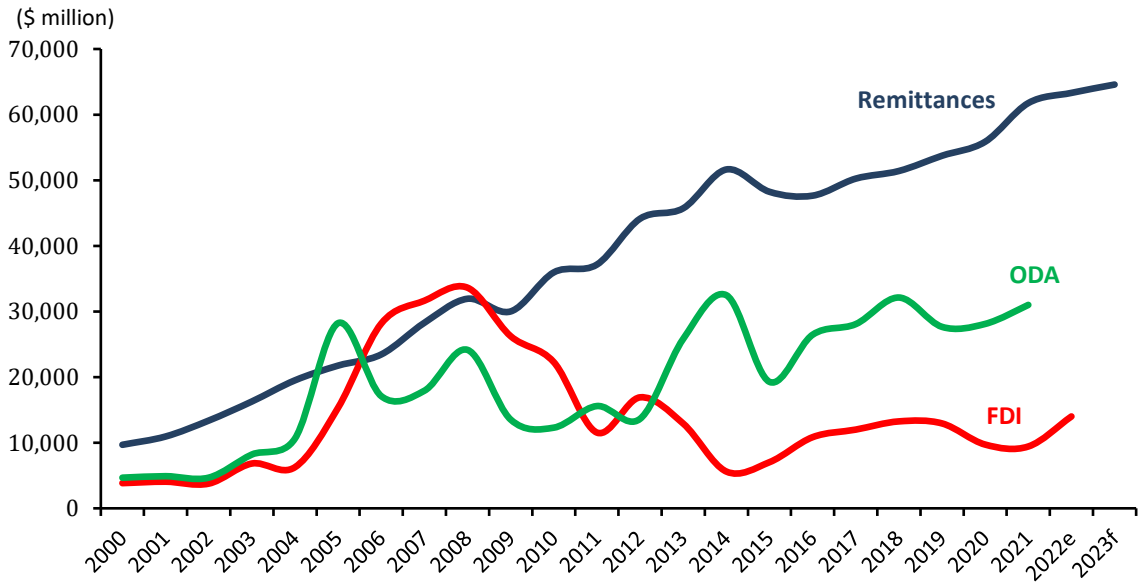
Remittance trends. Following vibrant performance in 2021, with developing Middle East and North Africa countries accruing remittance receipts of $62 billion, up 10.5 percent from the preceding year—signs of a slowdown emerged over the course of 2022.[xi] In Morocco, where inflows gained a robust 44 percent in 2021, monthly data now point to declines beginning in April of this year, falling a sharp 6.5 percent (y/y) during the second quarter of 2022. However, August figures surprised to the upside, likely working to restrain to a degree the easing anticipated for 2022.[xii] And for Egypt only weak advances have materialized since the third quarter of 2021, yielding a modest 2.7 percent gain for the first half of 2022. The slowing of flows is tied to both the dramatic changes unfolding in the international economic context—higher inflation among OECD host countries (wheat, fuel price increases)—as well as important country-specific developments. These include significant incidence of drought across Middle East and North Africa countries and adverse fiscal consequences of food and fuel subsidies. Remittance inflows are anticipated to weaken to gains of 2.5 percent in 2022 and to 2 percent in 2023.

Euro Area GDP growth emerged from a decline of 3.7 percent in 2020 to 5.2 percent in 2021 on the back of fiscal stimulus; notably for major remittance-sending countries, France grew by 6.8 percent and Spain by 5 percent in the year. Inflows to the Maghreb, with a sizeable population of workers in western Europe, jumped by 28 percent.[xiii] But with the phase-out of pandemic-related fiscal stimulus, higher

inflation, and energy supply concerns in the Euro Area, GDP gains there are anticipated to narrow to 1.2 percent in 2022, pointing to a prospectively large falloff in flows to the Middle East and North Africa, as job growth and real wages among the migrant labor force contract. In contrast, windfall gains accruing to GCC countries on the surge in oil price (GDP growth for the group is expected to register 5.2 percent in 2022) offer some prospect for a pick-up in flows to migrant workers from Middle East and North Africa countries that are more established in the GCC labor markets, for example Egypt and economies of the Mashreq.

The Middle East and North Africa region, in company with Sub-Saharan Africa, is among the *most severely exposed* regions to the adverse conditions dominating the global environment. Notably, the sharp rise in oil and critical non-oil commodity prices are exacting a direct toll on developing MENA economies. Rain-fed agriculture accounts for 70 percent of food output in the region, and MENA imports more than 50 percent of wheat requirements for consumption. Exchange rate depreciations have come to amplify inflation in domestic currency terms, leading (in several countries) to a tightening of monetary policy and increasing financial fragility. Double-digit inflation is now witnessed in Algeria, Egypt, Lebanon, and Tunisia, with Egypt experiencing a 15 percent advance in September (y/y), reinforced by a 20 percent devaluation of the Egyptian pound in spring 2022.[xiv] Household budgets in real terms have been compressed sharply, and fiscal space is much depleted. Importantly, these developments are set against a background of substantial and continuing drought in the Maghreb. Such conditions underpin the urgent need for *additional funding* from remittances to cover heightened living expenses.

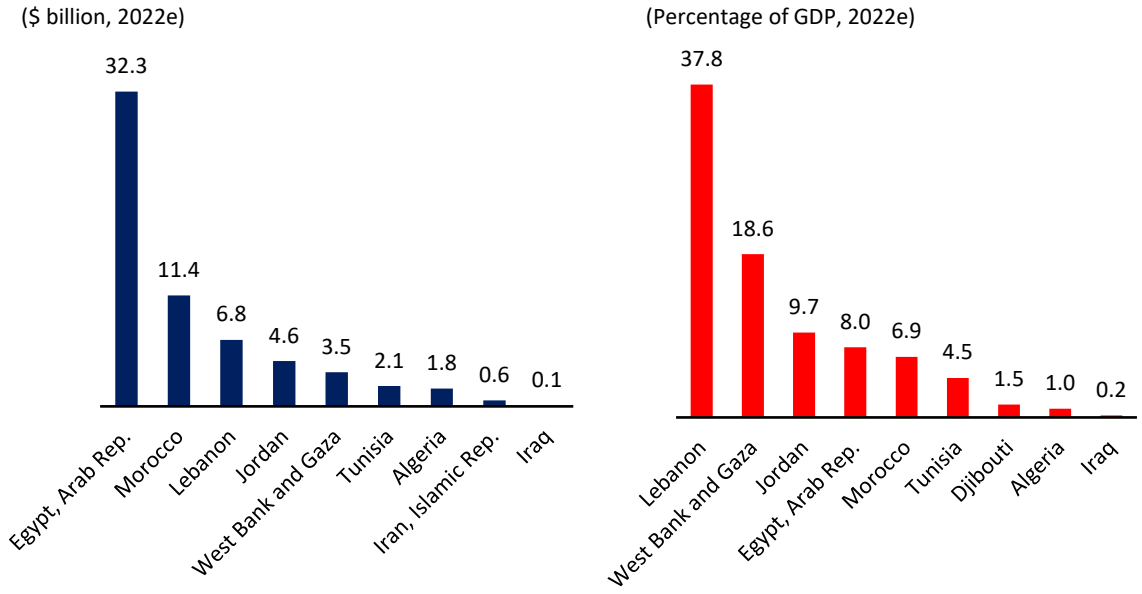
Figure A.15 Remittances to MENA offer Support against High Volatility of Other Flows, 2000-2023f



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

Since 2009, remittances have constituted the largest source of external resource flows for developing MENA, accounting for 60 percent of total inflows in 2022, well eclipsing the sum of ODA, FDI, and portfolio equity and debt flows (figure A.15). Remittances and ODA are likely to remain paramount for the region into the medium term, given the uncertainty that the war in Ukraine has imparted to the global outlook. Moreover, fiscal and external financing difficulties, which are likely to require near-term support from the International Monetary Fund (IMF), are now apparent in Egypt, Morocco, and Tunisia, which may dim immediate prospects for private sector flows. For countries and territories in which remittances amount to substantial shares of GDP—for example, Lebanon, the West Bank and Gaza, and Jordan—the receipt of funds from large numbers of overseas migrant workers is hoped to assist in sustaining household consumption and continuing to offset the severe effects of the crisis (figure A.16a).[xv]

Figure A.16 Top Remittance Recipients in the Middle East and North Africa, 2022e



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

Egypt is expected to gain about 2.7 percent in remittance flows for 2002 to reach $32 billion (figure A.16). This development may reflect a rebalancing of flows among host countries and regions. Among OECD economies, erosion of real wages among the Egyptian migrant workforce is likely dampening the remittance of earnings. But Egypt's strong ties to the GCC and other Arab countries has probably more than offset the weaker performance of OECD hosts. Fully one-half of Egypt's migrant labor force resides in the GCC and sends back the bulk of remittances inflows to the country.[xvi] Crude oil price-related windfalls are accruing to MENA's high-income exporters (reducing external and fiscal deficits and spurring economic activity) and serving to support Egypt's inflows. These in turn are now of critical importance to the country in offsetting persistent shortfalls on external and fiscal accounts.[xvii]

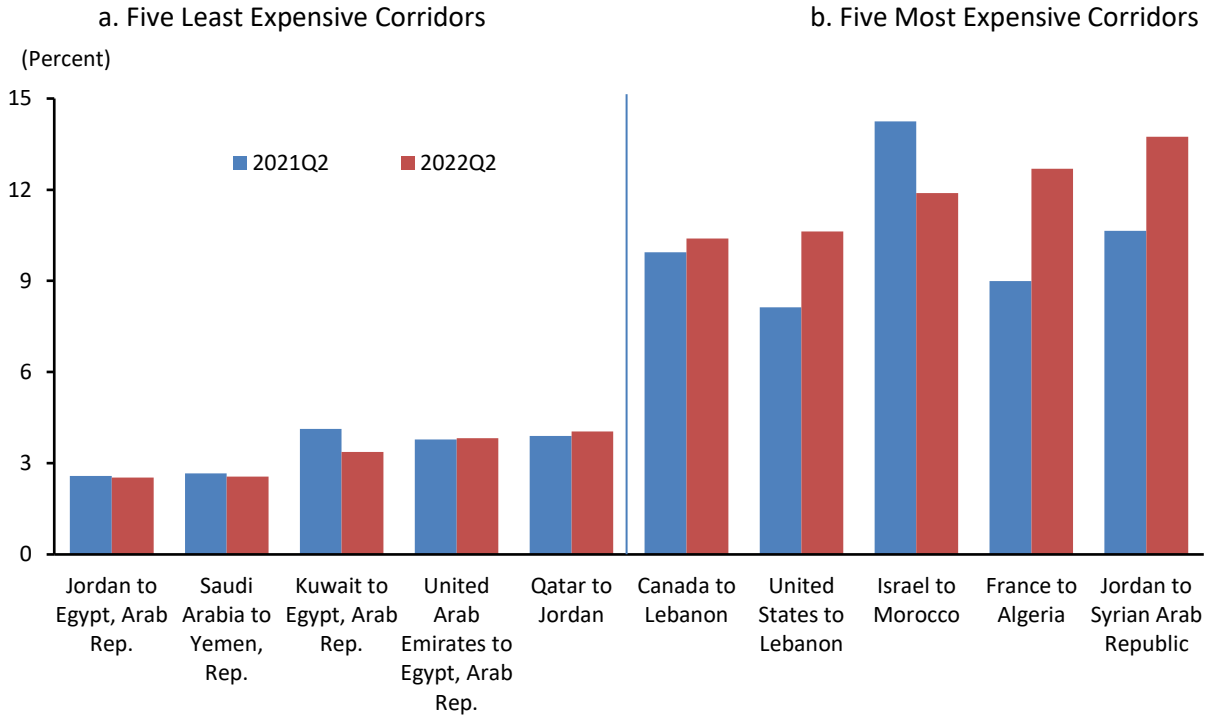
Morocco enjoyed robust 7.4 percent GDP growth in 2021, on 20 percent gains in agricultural output (strong recovery from two consecutive years of drought). This underpinned consumer confidence and spending, which were abetted by a dramatic 44 percent surge in remittances, in part attributed—by the Ministry of Finance—to flows into investment opportunities. Strong economic activity in the Euro Area provided further fundamental support. Unfortunately, domestic conditions deteriorated in 2022, and

hoped-for continuation of robust inflows are not fully apparent in high-frequency information. Drought has resurfaced and Moroccan GDP growth is viewed to ease to 1 percent. International market participants view the likelihood of a request for support to the IMF as having increased in recent months.

Economies of the region for which remittance receipts constitute a large proportion of GDP include Lebanon, West Bank and Gaza, and Jordan (figure A.16). In **Lebanon**, remittance receipts represent the largest financial inflow to the country, comprising 60 percent of the aggregate of other classifications of inflows. During 2021 the **West Bank and Gaza** enjoyed a 33 percent surge in flows, carrying remittances to $3.4 billion. The employee compensation component of remittances (for example, wages earned in Israel and transferred to the West Bank and Gaza) increased by a robust 37 percent in the year. A much more modest 3 percent overall gain is expected for 2022, carrying the ratio of remittances to GDP to 18.6 percent.

Remittance costs. The cost of sending $200 in remittances to Middle East and North Africa eased to an average 6.4 percent in the fourth quarter of 2021 from 6.6 percent a year earlier. This stands as the largest decline in costs among developing regions. However, costs vary greatly across corridors: the cost of sending money from high-income OECD countries to Middle East and North Africa countries continues to stand in double digits (figure A.17, panel b). Yet, sending money within the region (including GCC countries) remains low, ranging below 3 percent in some corridors (figure A.17a).

Figure A.17 Sending Money within MENA is Less Expensive than Sending Money from Outside



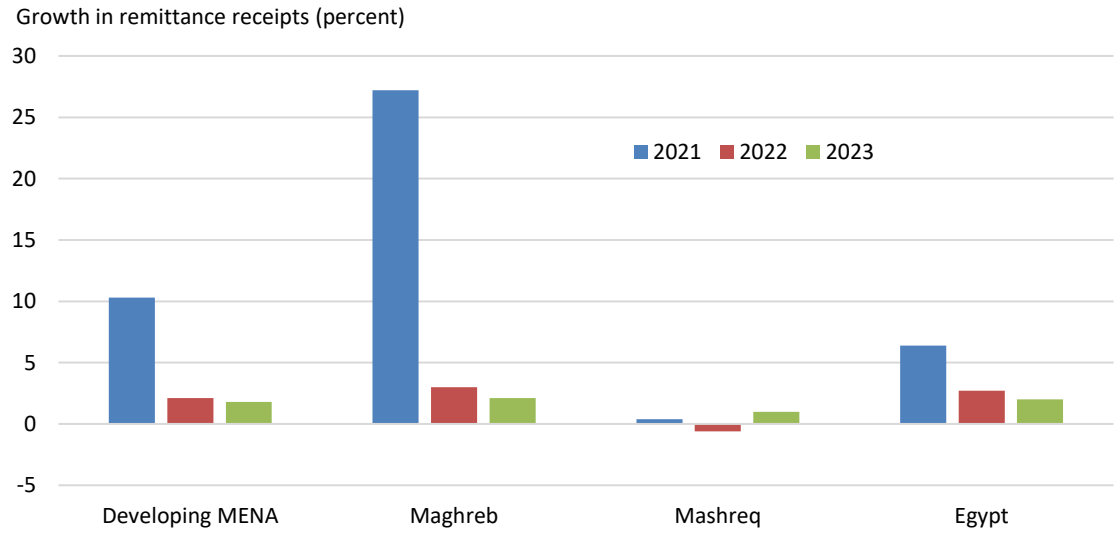
Source: World Bank Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Remittance outlook. The continuation of adverse trends in the global environment, as well as the prospect of deeper financial difficulties in the region, are anticipated to pressure the pace of remittance receipts lower, to 2 percent in 2023. A falloff in activity among OECD remittance-sending countries and

erosion of real wages there will challenge the migrant workforce in Europe and the United States to maintain the strong pace of flows witnessed in 2021.[xviii] At the same time healthy activity and financial performance among the GCC in 2022 is anticipated to wane at the turn of the year and into 2023, on weaker global growth and slower derived demand for hydrocarbons.[xix] Constraints on the ability to remit funds from host economies must be viewed against the exigent requirement for finance *within the region* to help households manage the steep increase in staple food prices.

These driving and restraining forces for remittance flows—a desire to help families back home on the part of the overseas labor force pressured by real wage declines, and the pronounced need for additional funding in home countries—may be key during 2023; and a moderate gain in flows is expected to be the result. Figure A.18 highlights that the falloff in remittance growth for the region is anticipated to be sharp in 2022–23. The view is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher energy/food prices, and financial volatility.

Figure A.18 Remittance Flows to MENA Region to Decelerate in 2022–23 Amid Surging Prices



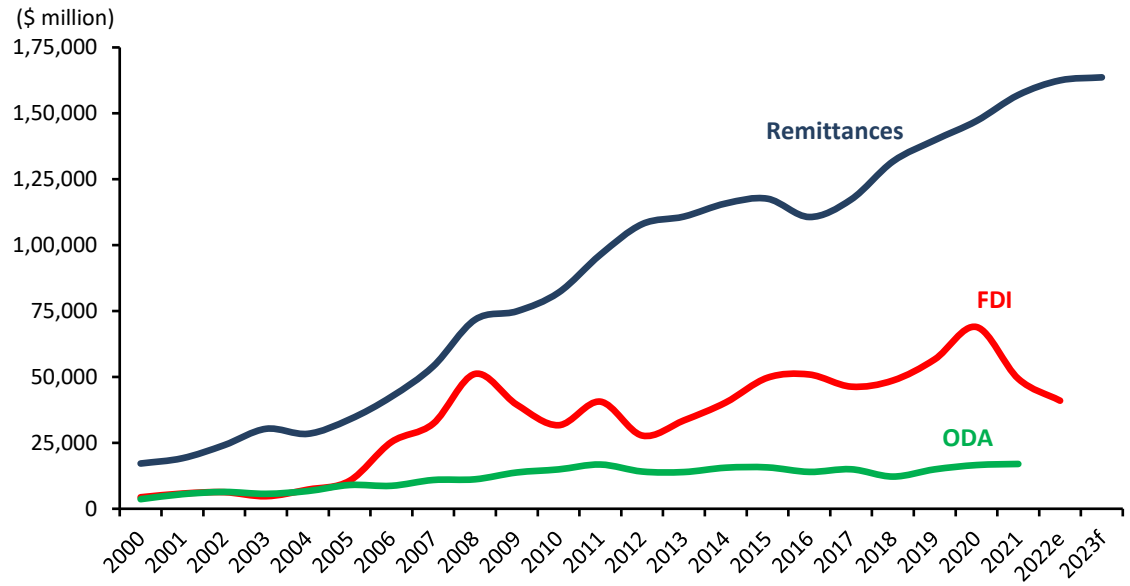
Source: KNOMAD/World Bank staff estimates and projections.
Note: MENA = Middle East and North Africa.

Migration trends. The key issue of climate change and migration in the region is highlighted in a paper recently published by the Arab Center of Washington DC (Gowayed 2022). The Middle East and North Africa region stands as an important node in the global migration network, as an origin-, destination- and transit region for migrant workers. But climate change is exacting a toll on the environment, with the region heating up *twice as fast* as the global average. As the majority of the population cannot afford to move to another country, the climate crisis in the region is largely one of internally displaced people. Climate-motivated migration from other countries is also what makes the region a destination for migration—notably for nationals from the Sahel moving into North Africa with Europe as the intended final destination.

A.5 South Asia

Remittance trends. Remittance flows to South Asia are expected to grow 3.5 percent to reach $163 billion in 2022, benefiting from a heavy lift from India and Nepal. *India's remittances are anticipated to reach a milestone $100 billion in 2022*. Still, growth in the region's remittances is expected to be less than half of the growth recorded in 2021, reflecting the impact of an amalgam of external global shocks (inflation, slowing demand) in destination and source countries alike, as well as domestic factors. Following strong inflows during early 2022, destination-country conditions played an increasingly important role in shaping remittance flows. In the OECD, especially the United States, the dampening impact of high inflation was offset to a degree by wage hikes and a strong labor market; while in GCC destination countries, governments ensured low inflation. In Bangladesh, Pakistan, and Sri Lanka, the joint effect of parallel exchange markets prompted by domestic economic crises, and re-emergence of informal money transfer channels in the aftermath of the pandemic, further diminished official remittance flows.

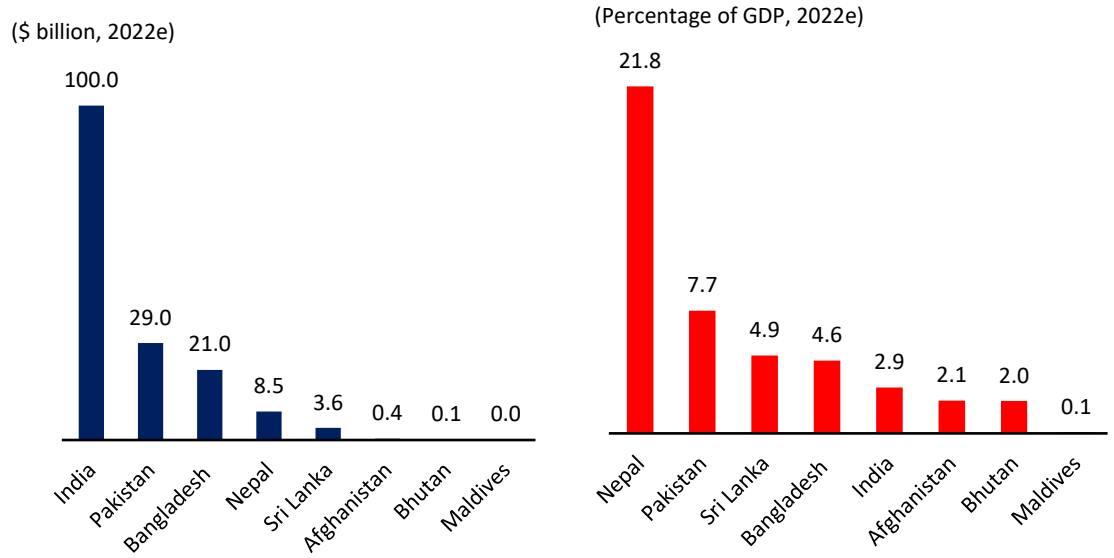
Figure A.19 Resource Flows to South Asia, 2000–2023f



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

The primacy of remittance flows to South Asia is expected to be sustained in 2022, with remittances accounting for nearly 73 percent of total resource flows to the region (figure A.19), although there was substantial variation across countries. As a share of GDP, remittances in 2022 are projected to rise to 22 percent in Nepal, and to range from 8 percent in Pakistan to 4–5 percent in Bangladesh and Sri Lanka (figure A.20b). Despite reaching a historic milestone at $100 billion and retaining its position as the top recipient of remittances globally, India's remittance flows are expected to account for only 3 percent of its GDP in 2022.

Figure A.20 Top Remittance Recipients in South Asia, 2022e



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

Box A.1 India's Remittance Receipts are on Track to Reach $100 Billion in 2022

2022 The year 2022 will be a memorable one for India as its remittance flows soar to $100 billion from $89.4 billion in 2021, growing at 12 percent compared to 7.5 percent in 2021 (figure A.20a). Several longer- and short-term trends that were obscured by the pandemic were catalytic in spurring remittance flows to India. First, remittances have benefitted from a gradual structural shift in Indian migrants' key destinations from largely low-skilled, informally employment in the Gulf Cooperation Council (GCC) countries to a dominant share of high-skilled jobs in high-income countries such as the United States, the United Kingdom, and East Asia (Singapore, Japan, Australia, New Zealand). Between 2016–17 and 2020–21, the share of remittances from the United States, United Kingdom, and Singapore increased from 26 percent to over 36 percent, while the share from the 5 GCC countries (Saudi Arabia, United Arab Emirates, Kuwait, Oman, and Qatar) dropped from 54 to 28 percent (Fifth Round of the Survey on Remittances for the year 2020–21, Reserve Bank of India).

With a share of 23 percent of total remittances, the United States surpassed the United Arab Emirates as the top source country in 2020–21. About 20 percent of India's emigrants are in the United States and the United Kingdom. According to the US Census, of the approximately 5 million Indians in the United States in 2019, about 57 percent had lived in the nation for more than 10 years. During this time, many earned graduate degrees that groomed them to move rapidly into the highest-income-earner category. The Indian diaspora in the United States is highly skilled. In 2019, 43 percent of Indian-born residents of the United States had a graduate degree, compared to only 13 percent of US-born residents. Only 15 percent of Indian-born residents aged 25 and older had no more than a high school degree, compared to 39 percent of US-born residents in that age group. Meanwhile, 82 percent of all Indians in the United States (compared to 72 percent of all Asians) and 77 percent of foreign-born Indians were proficient in English. Higher education mapped on to high income levels with direct implications for remittance flows. In 2019, the median household income for Indians in the United States was nearly $120,000 compared to about $70,000 for all Americans.

The structural shift in qualifications and destinations has accelerated growth in remittances tied to high-salaried jobs, especially in services. During the pandemic, Indian migrants in high-income countries worked from home and benefitted from large fiscal stimulus packages. Post pandemic, wage hikes and record-high employment conditions supported remittance growth in the face of high inflation.

Second, the economic conditions in the GCC (30 percent share of India's remittances) also played out in India's favor. The majority of the GCC's Indian migrants are blue-collar workers who returned home during the pandemic. Vaccinations and the resumption of travel helped more migrants to resume work in 2022 than in 2021. GCC's price support policies kept inflation low in 2022, and higher oil prices increased demand for labor, enabling Indian migrants to increase remittances and counter the impact of India's record-high inflation on the real incomes of their families. Third, Indian migrants may have taken advantage of the depreciation of the Indian rupee vis-à-vis the US dollar (10 percent between January and September 2022) and increased remittance flows.

Remittances to Nepal are expected to increase by 3.6 percent to $8.5 billion in 2022, up from $8.2 billion in 2021, surpassing pre-pandemic levels. The main drivers are an increase in vaccinations and lifting of travel restrictions in the GCC, which is the main destination for Nepali migrants—paired with conducive conditions in the GCC. While high global inflation did not spare Nepali households in Nepal, thanks to strong market price support policies in the GCC, Nepali migrants enjoyed low inflation and maintained a steady flow of remittances to Nepal in the year. Remittance growth was aided by high oil prices ($98 a barrel) and employment opportunities in the construction projects for the FIFA World Cup 2022 in Qatar. Considering the centrality of remittances in the Nepali economy, the government offered an incentive for remittances of an additional 1 percent in interest on remittance deposits, increased the daily threshold for money remitted from abroad from NPR 1 million to NPR 1.5 million, and allowed nonresident Nepalese to open foreign currency savings accounts in Nepal.

Remittances to Bangladesh, Pakistan, and Sri Lanka are expected to decline in 2022 as domestic and external shocks hit these countries simultaneously. Demand for migrant workers remains strong in GCC countries, the predominant destination for these countries' migrants. However, migrants responded to exchange rate depreciations in home countries by sending less money through formal channels and opting for black-market premia in the parallel exchange markets. They saved remittance fees by using more informal than formal money transfer channels. In Bangladesh and Pakistan, while remittances exceeded pre-pandemic levels they fell compared to 2021, exacerbating a balance of payments crisis.

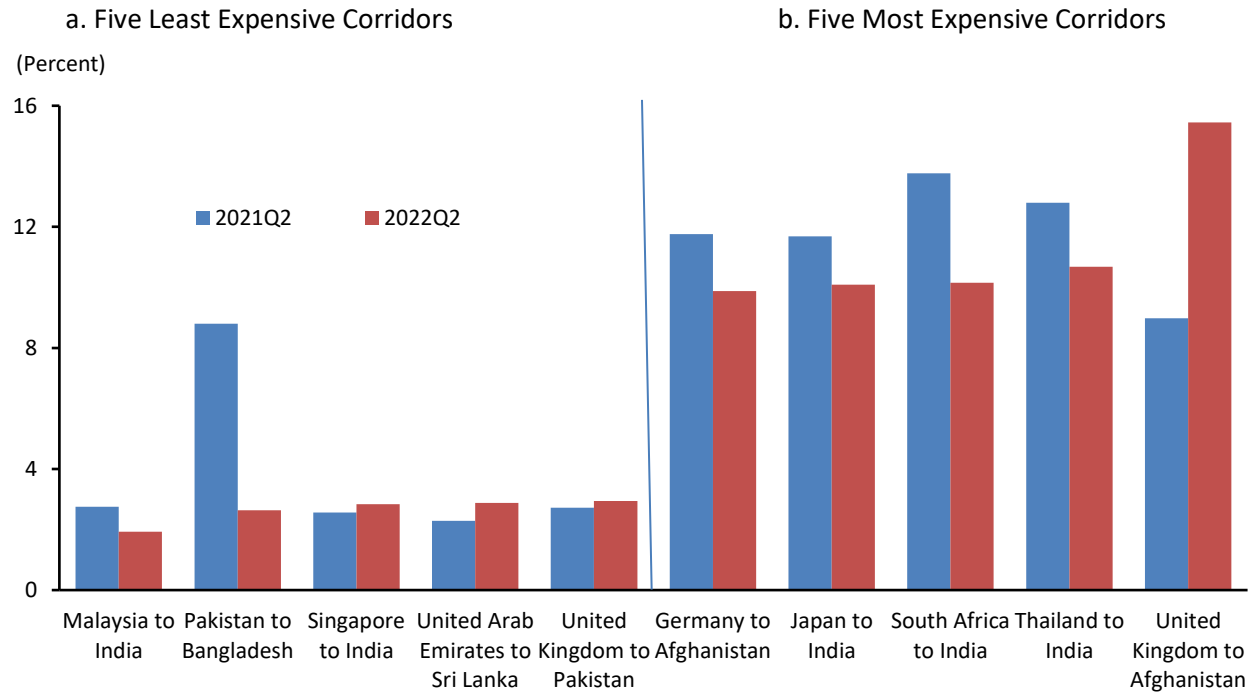
Remittance flows to Bangladesh are anticipated to drop to $21 billion in 2022, down from $22 billion in 2021. Heightened global commodity prices and widened balance-of-payment deficit depleted have led to a substantial decline in Bangladesh's foreign reserves. To arrest the drop in remittances, the government offered incentives to migrants by withdrawing the interest ceiling on nonresident foreign currency deposits, the ceiling on internet banking transfers, and removing proof of source of income requirements for remittances.

In Pakistan, remittances are expected to drop by 7.4 percent to $29 billion in 2022 from $31 billion in 2021. Pakistan's currency depreciated by 36 percent against the dollar between January and September 2022, and 14 percent against its trading partner currencies between January and July 2022. As inflation raged and a balance of payments crisis seemed imminent, the government sought financial assistance from the IMF to stabilize the exchange rate. Loss of confidence contributed to migrants' preference for the parallel exchange market and informal channels of money transfer, which further decreased official remittance flows to Pakistan. The record devastation wrought by the floods in Pakistan offered the ideal incentive for migrants to boost official remittance flows in 2022, especially because the destination

market conditions in the GCC were highly favorable. Yet, unlike the experience of the pandemic when informal channels had collapsed, in 2022 they were prolific. Pakistani migrants seem to prefer informal over formal remittance channels in assisting their families at home.

Remittances to Sri Lanka plummeted by 35 percent in 2022 to $3.6 billion from $5.5 billion in 2021 reflecting a full-blown economic crisis triggered by an earlier political crisis and the more recent global economic slowdown. Sri Lanka is besieged with economic challenges. Soaring inflation and continued depreciation of over 80 percent against the dollar and 40 percent against trading partners' currencies from January to July 2022 curtailed foreign currency inflows including remittances. Poverty at $3.65 per day is projected to double between 2021 and 2022. Yet migrants have been reluctant to remit through formal channels to support families facing such extreme conditions back home, reflecting a preference for informal money transfer channels.

Figure A.21 The Costs of Sending Remittances to South Asia Vary across Corridors



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

Remittance costs. South Asia has the lowest remittance costs of all regions in the world, but they are still well above the SDG target of 3 percent. In Q2 of 2022, there were several significant cuts in the cost of remitting $200 to South Asia along the highest-cost corridors (figure A.21b). The reduction in the cost of remitting to India from South Africa was 26 percent, from Thailand about 17 percent and from Japan 14 percent between Q2 of 2021 and 2022. The increase of 72 percent (from $9.00 to $15.45 for every $200) in the cost of remitting from the United Kingdom to Afghanistan was huge at a time when migrants' families were already living in dire poverty. On the other hand, the cost of remitting $200 from Germany to Afghanistan declined from $11.8 to $9.88 (16 percent).

Remittance outlook. The growth of remittances to South Asian countries is projected to fall from 3.5 percent in 2022 to 0.7 percent in 2023, supported largely by India. Developments in major destination

countries for South Asian migrants will limit the growth of remittances. Higher inflation in the United States exacerbated by an economic slowdown will limit remittance flows to the region. The GCC countries, also an important destination for South Asian migrants, are likely to see a softening of remittance outflows.

Despite relatively high oil prices, economic growth is forecasted to more than halve in Saudi Arabia and Kuwait and decrease significantly in Qatar, the United Arab Emirates, and other GCC countries. In addition, the demand for migrant labor is likely to soften as construction of facilities for the FIFA 2022 World Cup ends. Official remittances from GCC countries also will be depressed due to the increasing preference of South Asian migrants for informal over formal channels of money transfer, particularly given the likelihood of continued currency depreciation in home countries. Finally, remittances from the increasing share of South Asian migrants working in the manufacturing sectors of East Asia's upper-middle-income countries (Thailand, Malaysia) are bound to decline as the global slowdown in demand for manufactured products translates into a loss of jobs.

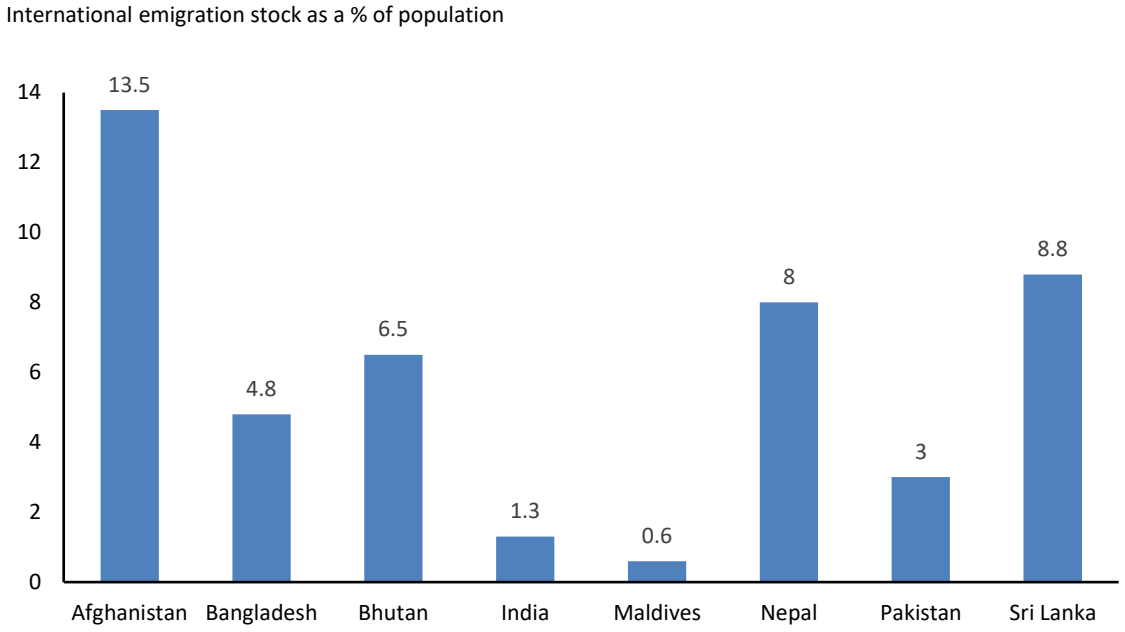
These forces will have varying effects on remittances to home countries. Remittances to India are forecast to rise by 4 percent, supported by the large share of Indian migrants earning relatively high salaries in the United States, United Kingdom and East Asia (whose remittances may be more resilient than those of lower-wage migrants, for example in the GCC) (see box A.1). In Sri Lanka, the recent improvement in the political situation and the implementation of an IMF program should boost confidence in the banking system, leading to a small upturn in officially recorded remittances, expected to grow 2.8 percent to $3.7 billion. By contrast, the growing preference for informal remittances channels is expected to contribute to the 7 percent decline in remittance flows to Bangladesh and the 3.4 percent fall in flows to Pakistan. Remittances to Nepal are projected to decline by 5 percent with the conclusion of construction projects related to the World Cup.

Migration trends. Consistent with its size, South Asia had the largest number of emigrants globally in 2019— about 41.2 million people from the region lived outside their country of origin. However, as a share of the population, South Asia's numbers were small, averaging only 2.2 percent (World Bank 2022). Only East Asia and North America had smaller shares. In India, the share of emigrants in the population was only 1.3 percent compared to significantly larger shares in all other countries in the region except the Maldives (figure A.22). The share was over 8 percent of the population in Afghanistan, Nepal, and Sri Lanka, and sizeable in Bhutan (6 percent) and Bangladesh (5 percent). Except Afghanistan, where emigration is forced by conflict, most of South Asia's emigration is motivated by economic reasons (World Bank 2022).

Historically, the GCC countries have been the main destination for migrants from South Asia but a gradual structural shift is occurring in favor of higher-income countries for Indian migrants. For the majority of the migrants from other South Asian countries, the GCC is still the main destination.

They have temporary contracts for low-skilled jobs mostly in the construction and other labor-intensive sectors (Ahmed and Bossavie 2022). In 2019, about 50 percent of emigrants from Pakistan and 42 percent from Bangladesh were in GCC countries. Saudi Arabia employed more than 25 percent of Sri Lankan emigrants and 20 percent of Nepali emigrants (UNDESA 2019). Every year 400,000 Nepalis leave for Kuwait, Saudi Arabia, and the United Arab Emirates. Since 2010, every fourth Nepali leaves for Qatar. In East Asia, Malaysia and Thailand are emerging as popular destinations for South Asian low-skilled migrants.

Figure A.22 Stock of International Emigrants Varies across South Asian Countries



Source: World Bank staff calculations based on UNDESA (2019) and World Bank (2022).
Note: Vertical axis measures international emigrant stock, as defined in figure 2.1, divided by total population (reported in percentages).

Nepal recently started checking those who leave as migrant workers and created job contracts and made salaries public information to prevent recruiters from scamming migrant workers. About 8–10 percent of the South Asian emigrants work in countries within South Asia. In Bangladesh, demand for basic digital skills is emerging as a potential constraint to future emigration, particularly for migration to the East Asian countries, where they are employed in factories. About 70 percent of all surveyed employers reported that basic and applied digital skills are now a workplace essential, highlighting the growing importance of advanced digital skills. To meet its demands in the construction sector, Bosnia and Herzegovina has started recruiting migrant workers from Bangladesh.

A.6 Sub-Saharan Africa

Remittance trends. Remittance flows to Africa in 2021 registered a strong 16.4 percent increase to reach $50 billion, exceeding expectations in the May 2022 *Migration and Development Brief 36* (World Bank/KNOMAD 2021a). This was due in large part to a resumption of stronger flows to Nigeria, reaching $19.5 billion on growth of 13.2 percent.[xx] The sharp turnaround was especially welcome as an addition to financial resources (figure A.23), in the context of continuing effects of the COVID-19 pandemic;[xxi] slowing growth in prominent host economies (second half of 2021); severe drought in several countries; intensification of the increase in global energy and food commodity prices through currency depreciation; and the spread of debt-servicing difficulties. Most of these factors were intensified following the Russian invasion of Ukraine.[xxii]

Africa stands as the developing region *most severely exposed* to the effects of the concurrent crises afflicting the global economy.[xxiii] Growth in inward remittances is expected to decrease to 5.2 percent in 2022. And as adverse conditions in the global environment persist, and uncertainty regarding major

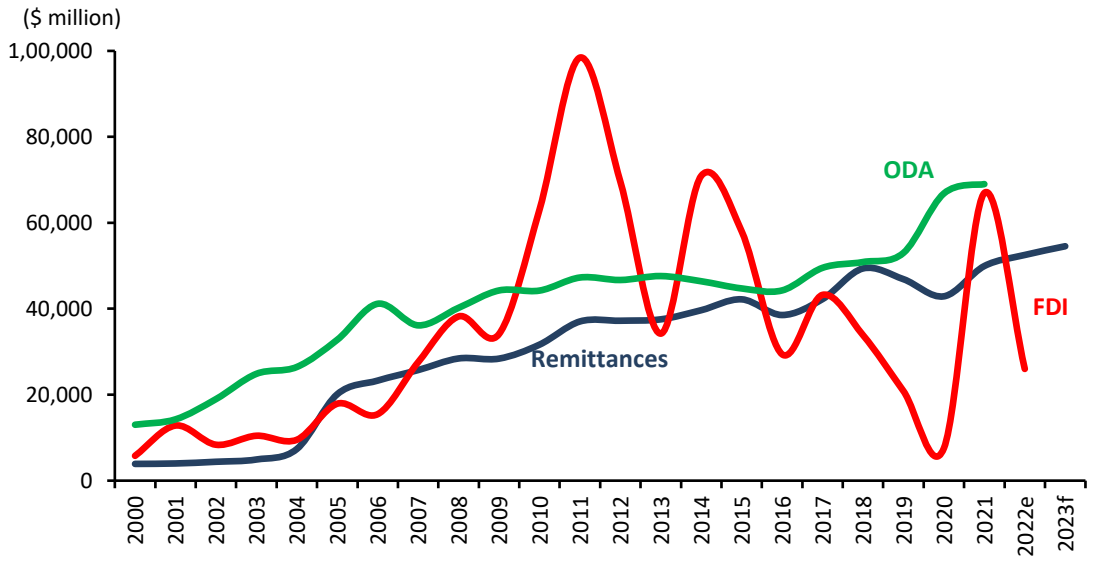
county-specific developments in Africa heighten, remittances are projected to ease further to a gain of 3.9 percent in 2023.

High-frequency remittance data for 2022 for Kenya and Nigeria show a falloff of remittance growth over the course of 2022. In **Kenya** (the third largest recipient of remittances in the region), monthly information displays a slowing of growth from 19 percent in April (y/y) to a decline of 5 percent in July. Since that time there has been increasing evidence of an upturn, although still incomplete. The United States accounted for 56 percent of remittance flows to Kenya in 2021, and a softening in US GDP growth in the first half of 2022 (with the labor force facing real wage compression) has placed additional pressure on sending remittances. Moreover, Kenya's financial situation has become increasingly risky, given generous fuel subsidies—leading to depletion of fiscal space, with debt concerns mounting. Flows to Kenya are expected to gain 8.5 percent in 2022, a substantial easing from the 21 percent advance of 2021.

Nigeria (the largest recipient of remittances in the region), which witnessed a sharp recovery in flows during 2021 (13.2 percent), maintained the improved momentum of 2021 into to the first quarter of 2022. However, growth fell in Q2 data to 0.5 percent vis-à-vis the same period of 2021. Moreover, the country is reaping little benefit from the surge in crude oil prices, while the expatriate community faces real income losses in the United States, the United Kingdom, and the Euro Area. A falloff in remittance flows to growth of 7.5 percent is likely for 2022.

Financial flows to Africa have been exceptionally volatile over the longer term and continuing into the 2020s (figure A.23), particularly for FDI and portfolio flows. Remittances are expected to constitute 38 percent of total flows in 2022, with ODA standing at 53 percent. Remittance flows to Africa have maintained secular growth of a favorable 12.5 percent over 2000–22, contrasted with 7 percent gains for FDI, and 8 percent for ODA. Subject to less volatility than other sources of foreign inflows, remittance receipts have offered a degree of support for overall financial flows.

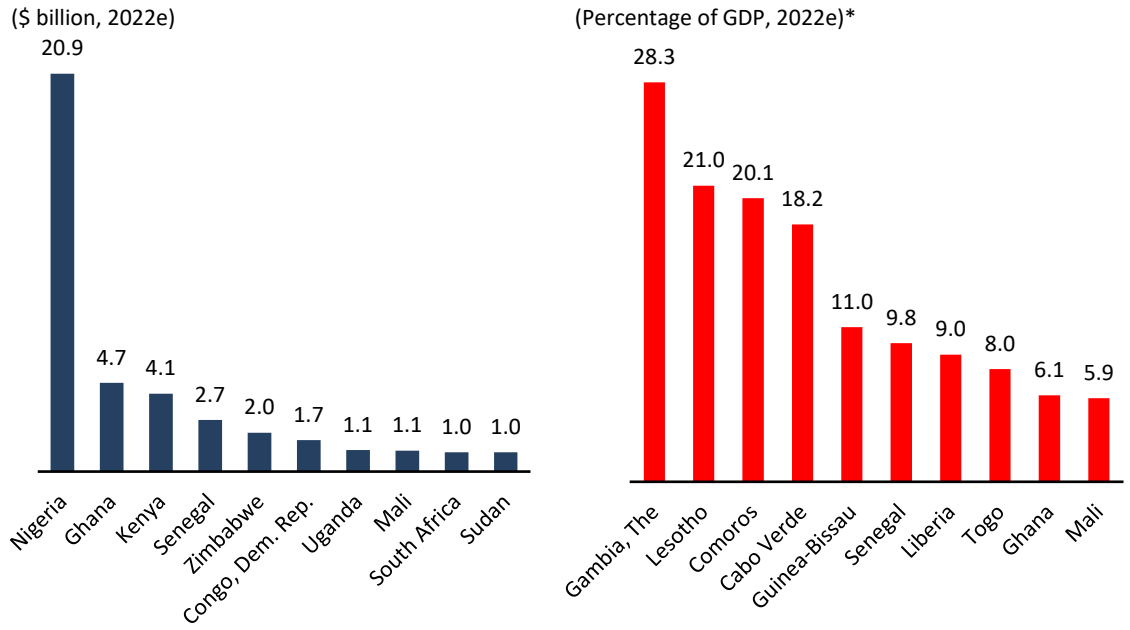
Figure A.23 Resource Flows to Sub-Saharan Africa, 1990–2023f



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

The largest recipients of remittances in the region during 2022—measured in US dollar terms—include Nigeria, Ghana, Kenya, and Senegal (figure A.24a). Those countries more dependent on receipts as a proportion to GDP include the Gambia, Lesotho, Comoros, and Cape Verde (figure A.24b). Relative rankings of the top 10 recipients have changed little in recent years, though the Gambia has moved up in the remittances/GDP group given the dramatic political-economy changes there in recent years. Notably, Ghana receives the second-largest remittance inflow in dollar terms and the ninth-largest level in relation to GDP.

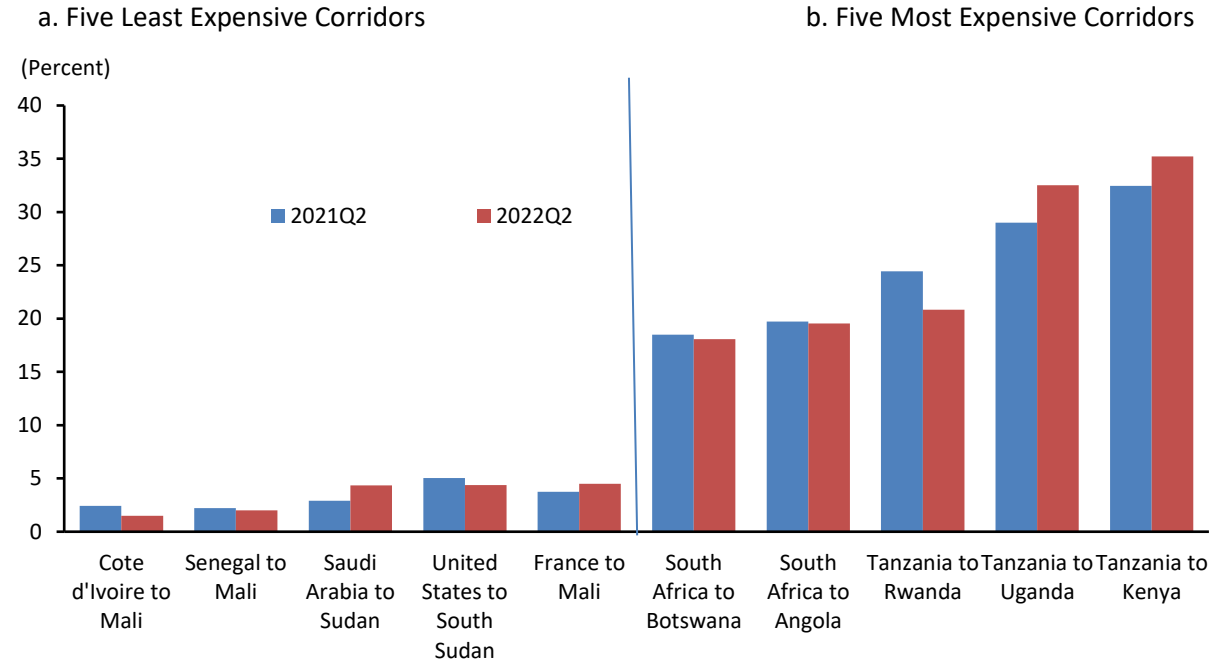
Figure A.24 Top Remittance Recipients in the Sub-Saharan Africa Region, 2022e



Sources: KNOMAD/World Bank staff; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product; e = estimate.
*South Sudan is excluded due to data validity issues.

Remittance costs. Sub-Saharan Africa remains the most expensive region to send money to. Senders had to pay 7.8 percent to send $200 to African countries during Q2 2022. The average difference between the five most expensive and five least expensive corridors is astounding (figure A.25), and significantly higher than in any other developing region. The average cost of remitting $200 from countries in the least expensive corridors amounted to 3.4 percent in the second quarter of 2022. In contrast, costs for the most expensive corridors registered 25.2 percent. Though intraregional migrants in Africa comprise more than 70 percent of all migration from or within the region, intraregional remittance costs are quite high due to the small quantities of formal flows and utilization of black-market exchange rates. For example, sending $200 in remittances from Tanzania to neighboring Uganda would have cost the migrant 35.2 percent in the second quarter of 2022.

Figure A.25 Costs of Sending Remittances to African Countries Varies Widely across Corridors



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

Remittance outlook. Risk of further adverse developments in the external environment will persist through 2023, and act to lower the pace of remittance flows to Africa to 3.9 percent. Price pressures for wheat, oil, and fertilizers are likely to continue into 2023, although ebbing from peaks of the previous year. Food affordability and deterioration of real incomes across African states will place a damper on economic growth, while government spending on subsidies and support for farmers will widen fiscal gaps. Little easing of current account deficits is seen given continuing adjustment to the large terms of trade changes of 2022. And depreciating currencies against the US dollar will magnify the rise in import prices measured in local currency.[xxiv]

Remittance outturns will depend on the balancing of increasing needs for support from the African overseas labor force, and the availability of incomes in host countries to be remitted. Real wages are now declining in the United States and the euro area (box 1.1), indicating the likelihood of softening remittance flows. For larger countries, Nigeria is anticipated to see continued moderation in flows to a 4.5 percent pace in 2023. Kenya should experience a modest slowing to gains of 5.5 percent.

Migration trends. A recent change in migration patterns noted for Sub-Saharan Africa is an increase in East African migrant workers in the GCC, spurred in part by policy shifts in Uganda and Kenya, as well as in the GGC (*The Economist* 2022a). For GGC governments, East African workers are viewed as less expensive than other groups, notably from East and South Asia. The large majority of migrant workers in the Gulf are Asian, but East Africans are joining them at a rapid pace. In 2021, 87,000 Ugandans relocated to GCC countries under the Ugandan government's Labor Externalization Program, and a like number of Kenyans took similar steps. Under bilateral agreements (between Uganda and individual GCC economies) a Ugandan maid in Saudi Arabia receives $240/month in contrast with $400/month for a national of the Philippines. Whether this trend gains momentum will depend on whether outturns are viewed as satisfactory by governments, and by East African workers.

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Endnotes

[i] Note that the list of countries classified as LMICs has changed in 2022, with Panama and Romania moved to the high-income group from the upper-middle income group. While Palau moved down to the upper-middle income group from the high-income group, Venezuela has been unclassified due to the unavailability of data.

[ii] McMahon et al. (2021) find a complex and context-dependent relationship between rising temperatures and migration: in Northern Africa the duration and severity of heat waves are found to be positively associated with displacement, but not in areas where the population is expanding; in West Africa this relationship does not hold outside of the Sahel; and in East Africa the relationship is obscured because a significant share of migration is driven by conflict.

[iii] Melde, Laczko, and Gemenne (2017) find that remittances contribute to poverty reduction but less so to adaptive capacity, while Scheffran et al. (2012) are more positive on the benefits of remittances for adaptation.

[iv] For example, in Vietnam, the "National Strategy for Natural Disaster Prevention, Response and Mitigation to 2020" states the aims to "complete the relocation, arrangement and stabilization of the life for people in disaster prone areas according to the planning approved by authorized government agencies" (KNOMAD 2017).

[v] For Latin America, see Cantor (2015). A UN Human Rights Committee (HRC) 2020 ruling recognized that forcible return to a place where a person's life would be at risk due to the adverse effects of climate change may violate article 6 of the International Covenant on Civil and Political Rights (UNHCR 1966;.

[vi] In 2022, the newly elected Australian government replaced the announcement with an expanded Pacific Australia Labour Mobility (PALM) that will be focused on Pacific island countries, not Southeast Asian countries. The PALM will also provide pathways to permanent residency in order to make it more like the agriculture visa the previous government had announced.

[vii] In Kazakhstan, remittances received from Russia were 56 percent of total remittances in 2021.

[viii] The level of irregular migration of Venezuelans has increased in the past several years. "Unique encounters of Venezuelan nationals rose 293 percent between FY 2021 and FY 2022, while unique encounters of all other nationalities combined increased 45 percent. Panama is currently seeing more than 3,000 people, mostly Venezuelan nationals, crossing into its territory from Colombia via the Darién jungle each day" (DHS 2022).

[ix] In March 2022, the United States deported 600 Colombians under Title 42 (DW 2022). https://www.dw.com/es/ee-uu-expulsa-a-600-migrantes-de-colombia-bajo-el-t%C3%ADtulo-42/a-61266516

[x] The situation remains fairly complex amid growing polarization, mutual distrust, and a protracted situation of 90,800 people of Haitian descent who remain stateless. On the other hand, the Dominican Republic has also reduced human trafficking by 78 percent within the past four years, one of the highest reduction rates globally, leading regional efforts and providing important lessons for other countries facing similar challenges.

[xi] Low- and middle-income economies in the Middle East and North Africa region (which also includes the high-income GCC economies) are Algeria, Djibouti, the Arab Republic of Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Tunisia, the West Bank and Gaza, and the Republic of Yemen (lack of sufficient historic data for the Islamic Republic of Iran has served to exclude the country from this analysis). A number of these developing economies are hydrocarbons exporters—Algeria and Egypt (emerging net oil exporters), and Iraq and Libya (the latter not producing in quantity). The discussion does not distinguish sharply along lines of oil exporter or importer, but rather by those countries that are recipients of large volumes of remittances (developing MENA) and those which stand among large providers of remittances (GCC countries).

[xii] The unprecedented 44 percent advance in remittance flows to Morocco during 2021 surprised the government as well as private sector analysts. Several factors are likely to have accounted for this development, importantly including valuation effects of the depreciating euro. The secretary general of a nongovernmental organization, the Council of the Moroccan Community Abroad (Abdallah Boussouf, quoted by Al Jazeera/Bloomberg 2022), made

note of more "metaphysical" links to the homeland, underscoring the value of expatriate workers for the country. Ministry of Finance figures were referenced, underscoring that 17 percent of Moroccan expatriate workers hold the equivalent of masters' degrees, and for this reason, in part, the United States stands in primary position among host countries for the value of remitted funds (14% in 2020), followed by Saudi Arabia (12%) and France (10%). Other issues that may have contributed to record inflows in 2021 were the sharp recovery of Moroccan GDP growth to 7.4 percent on the back of a bountiful harvest, which may have attracted remittance flows into investment opportunities. Among technical factors, there is an absence of unofficial channels for transferring funds to Morocco. Finally, consideration needs to be given to recent changes in major exchange rates—the 8.8 percent rise of the US dollar on an effective basis from October 2021 to September 2022, and the dramatic 13–14 percent fall of the euro to below par vis-à-vis the dollar since October 2021.

[xiii] Maghreb: Algeria, Morocco, and Tunisia.

[xiv] For a sample of nine developing MENA countries, the average change in exchange rates against the dollar has registered *depreciation of 14 percent* through August (y/y). In contrast, the same currencies measured vis-à-vis the euro have recorded average *appreciation of 1.4 percent*.

[xv] Lebanon, which imports 80 percent of its wheat from Ukraine, is effectively in a solvency crisis, and will prospectively be engaged with the IMF to shore up its resources. Up until April 2022, the government laid out the equivalent of $500 million to support the lire. At that time, it was announced that continuation of grain subsidies would be funded through withdrawal of SDRs from the IMF's enhanced global reserves.

[xvi] Tech-Cabal notes that in 2021, Egypt's remittances inflows of $31.5 billion far outstripped Suez Canal earnings, which were diminished by transport and logistics difficulties, tied to COVID-19 production issues and weaker world demand (Tech-Cabal 2022)

[xvii] Against the background of much higher food prices and a falloff in tourism, Egypt devalued the pound by 16 percent in late March 2022, raised policy interest rates by 100 basis points, and introduced a "mitigation package" (1.6 percent of GDP) to support the economy in the face of multiple shocks. Egypt and the IMF are reportedly close to agreement on a new extended program of fiscal and related reforms supported by financing and technical assistance from the IMF.

[xviii] A broader consensus view for *world real GDP growth* in 2023 highlights the United States falling to a gain of 1.0 percent in the year from 1.6 percent in 2022 (potentially encompassing a brief spell of recession); the Euro Area is projected to drop more abruptly, from a 3.1 percent advance to 0.5 percent—given closer proximity to the Russia-Ukraine war and the prospective effects of much higher energy prices.

[xix] For those MENA countries with closer connections to the GCC group, the robust 7.5 percent GDP gain in Saudi Arabia during 2022 is viewed to halve in 2023, as oil prices subside to a degree and falling demand for hydrocarbons affects the economies of the group.

[xx] The $2.3 billion rise in flows to Nigeria contrasted with 2020 may be attributable to several factors. Regulatory change in early 2021 required that remittances processed by dealers would be denominated in US dollars, and that the local recipient of dollar proceeds would convert to naira as seen fit within country. Nigeria also repaid $300 million in a five-year diaspora Bond in July 2021, in part as an effort to improve the country's reputation in financial markets, but with the prospective benefit that a portion of funds would be returned to the country as remittance flows.

[xxi] Although severe anti-COVID-19 measures have been eased in many countries, the region remains well behind other developing economies in vaccination counts: just 15 percent of the Sub-Saharan African population has been vaccinated as of May 2022, contrasted with 60 percent in other LMIC regions. Lower vaccination rates increase the chance of development and spread of new variants, a risk that Africa cannot afford at this juncture.

[xxii] Over 60 percent of Sub-Saharan African countries stand in "debt distress" or at "high risk" of debt distress—scores resulting from application of the World Bank/IMF Debt Sustainability Analysis (DSA) framework and empirical tool. These circumstances, especially with further deterioration in global economic and financial conditions on the horizon, heighten the risk of default and/or debt workouts for a number of countries.

[xxiii] The United Nations' Global Crisis Response Group (GCRG) identified Sub-Saharan Africa as the developing region with the " . . . most countries significantly vulnerable to a *perfect storm* of all 3 transmission channels of the crisis." Rising food prices, rising energy prices, and tightening of global financial markets are the channels designated by the group. Africa is most severely exposed to food price (55% of countries) and financial risk (63% of countries) according to GCRG (2022).

[xxiv] A large sample of African countries displays average depreciation against the US dollar of 15.5 percent through August 2022 (year-over-year).