Migration and Remittances: Global Trends, Outlook, and State of Play
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This is Dilip Ratha from the World Bank and I wanted to welcome you to this session on remittances. The way I would like to organize this session is to start with ... I would like to speak for maybe 8 minutes or so about the global migration and remittance trends and outlook and afterwards I am really pleased to have Hugo Cuevas-Mohr from the IMTC join us in this event and I would like him to then speak for around 7 or 8 minutes and after that we will have questions and answers. With that I would like to start by saying that I am really happy that there is now a day marked for, a day dedicated to international family remittances. Thanks to IFAD for starting the process. It happens to be the first anniversary after the big Global Remittance forum we had last year in Milan at the expo. I hope that this plan continues, and that we continue to deliberate about remittances, taking stock every year and try to see how we can benefit, look at the flows and benefit a large number of migrants out there.

We know by now that there are 250 million international migrants, somewhere from 180 million to 200 million of them are from developing countries. Most of them send money home. And the global [*inaudible* 00:01:51] flow of remittances are in excess of 600 billion dollars. The flows of remittances to developing countries are over 430 billion dollars. At that level, the remittances are more than 3 times the size of official amount of aid that comes out of donor countries. That number is roughly about 130 billion, according to [*inaudible* 00:02:14]. In fact, the developing countries, before, they receive less than 100 billion dollars per year. That becomes 430 billion dollars, more than 3 times the size of official aid.

Indeed, of late we have realized that if you excluded China then remittances [*inaudible* 00:02:34] also more than foreign direct investment closed to developing countries. The one sum feature this year is that for the first time after the global financial crisis of 2009, remittances have migrated to almost no growth. We used to see, the growth in remittance flows in double digits through the entire 2000s, and since 2009, that was a [*inaudible* 00:03:10] of about 5% during the global financial crisis.

After that, it began to recover, but last year, 2015, again marked a second dip in remittances, almost close to zero. Immediately, [*inaudible* 00:03:29] particularly in

Europe and central Asia, it fell below zero. That is a worrisome feature, because when remittances come to [*inaudible* 00:03:36], to a number of poor countries, in many countries they are larger than the number one export item. In many countries they are over 10%, 15% of the national income. In some countries, remittances are almost 50%, half of the national income of the country. In those countries, a fall of [*inaudible* 00:04:01] remittances actually pose a significant risk, a significant hardship for the people. A few reasons why we have seen that. The number one reason of course is the global economic outlook. There we know that the whole world is recovering from the economic crisis that we talked about, the global economic crisis.

Recovery has not been firm or solid, and yet the United States seems to be doing a little better than others. We have, a most generalized weakening of the economy of Europe, and beyond that, almost all commodity exporters. That you see in the remittance patterns [*inaudible* 00:04:58]. So from US, to Latin America and the Caribbean remittance trends, is going at a fairly strong [*inaudible* 00:05:04], in fact, because they weren't with it before, [*inaudible* 00:05:11], so you see, almost a whole visit, go in some parks. Mexico is the largest [*inaudible* 00:05:17] country is about 8% growth.

In [*inaudible* 00:05:23] and north Africa, and part of eastern Europe, where flows mainly originate in Europe, and then they become [*inaudible* 00:05:32] because of the weakness of Europe. On top of that, the fact that euro, the currency euro, is weaker against the US dollar, remittances are [*inaudible* 00:05:46] weaker. Then you have the story of central Asia, and the gulf countries. It's an oil story, a story of oil prices and related to that, the story of economic strength. There, you see it differentiated pattern.

In the case of Russia, which is highly dependent, highly coordinated, in terms of the vitality of the economy, to oil prices, the decline in oil prices have meant a slow economy in Russia, a significant decline in remittance outflows [*inaudible* 00:06:31] from Russia to central Asia countries, in particular, Tajikistan and Kyrgyzstan, two countries which are highly dependent on remittances. There, not only is [*inaudible* 00:06:44] have fallen, on top of that, if you check off the weaker ruble against the US dollar, such that the fall is actually quite, remarkably worse, than the fall in remittances [*inaudible* 00:07:06]. We are looking at a decline of nearly 30%, or even in some cases 40%, in US dollar counts in remittances [*inaudible* 00:07:14] to Central countries.

That is a [*inaudible* 00:07:17] weakening, and a chronic weakening. In the gulf countries, the GCC countries, so far, oil prices [*inaudible* 00:07:33] have not resulted in lower remittance flows, because these countries have a large system buffer. They would continue to maintain [*inaudible* 00:07:46] the plan, if money activities, [*inaudible* 00:07:48] using the government reserves as a cushion. Unfortunately, the falling oil prices now seems to have gotten into a tightening of the financial situation. With that tightening, a dwindling of the fiscal buffer. Dwindling is not the right word, since you still have a large system buffers. But, that willingness to continue subsidies, continue infrastructure development [*inaudible* 00:08:22], employers, so that they will continue to recruit [*inaudible* 00:08:29] willingness has recognizably weakened. If oil prices continue to stay weak for the next six months or a year, we might be getting to see a decline in the remittance flows from one [*inaudible* 00:08:46]. In particular, that would impact south Asia. In particular, it would impact Pakistan, Bangladesh and India. In India, for the first time, there was a [*inaudible* 00:09:03] global hands of crisis. But after that, this is the first time that there has been a slight decline in remittances flows to India. India sees about 70 billion dollars in remittances. A more decline could mean a billion dollar, 2-billion-dollar decline, but that also means [*inaudible* 00:09:22] and their people. That may be a broad claim.

Global income flows: what are some risks that are emerging from this process? There are two risks that are worth highlighting. One is, a number of commodity exporters [*inaudible* 00:09:40] exchange controls to cope with payments to people. That means there is an emergence of parallel market rate and official exchange rate. The country in point is Nigeria, where the parallel market rate is somewhere around 350 to 370 naira to the dollar, but officially it is more like bellow 200. That total by working in the official way and the parallel exchange rate means that money is going to go underground. Remittances are going to go underground. Also consider [*inaudible* 00:10:15] a country like Angola, and the exchange rate premium, which means that money flows are going underground. Similarly, there is risk coming from the so called real estate, that is, commercial banks getting very worried about money laundering, issues that might affect remittance companies, and therefore commercial banks are closing bank accounts of money transferred companies. That trend is much more structured, and it is not based on facts, and it is beginning to affect the operations of a large number of remittance operators.

There is technology now that can immediately reduce remittance costs, and yet those technologies cannot be applied [*inaudible* 00:11:22] cannot enter the market [*inaudible* 00:11:23] without a bank account [*inaudible* 00:11:29] structured and continue for a while. The only solution to that in my view is to have the international community come together and recognize that small remittances are not money laundering. Small remittances are not money laundering. That is the only solution going forward. So I wanted to stop there, but I want to mention quickly thinking about long-term action in related to remittances, we could actually take the recently negotiated [*inaudible* 00:12:11] development goals as a guideline, and in particular, I allude to one of the goals of reducing remittance costs to less than 3% by 2030. And in no corridor should the costs be more than 5%. That could be a guideline, but you will also recall that in the context of [*inaudible* 00:12:32] 5% Euro, EU, AU, Europe Africa dialogue in Jareta also decided to not only end up this goal of 3%, but they also wanted to bring forward the deadline from 2030 to do that by 2020. So there is the urgent call for action; remittance technology is out there, what we need is a regulatory environment [*inaudible* 00:13:05] actually facilitates the [*inaudible* 00:13:07] of new technology into the remittance market, and entry of new players into the market.

Let me stop there, and let me request Hugo make his remarks, and keep it short. Hugo, please, the floor is yours. Will you please pick up so we can see if the line is working?