Migration and Remittances: A Lifeline for Small States

Dilip Ratha
World Bank

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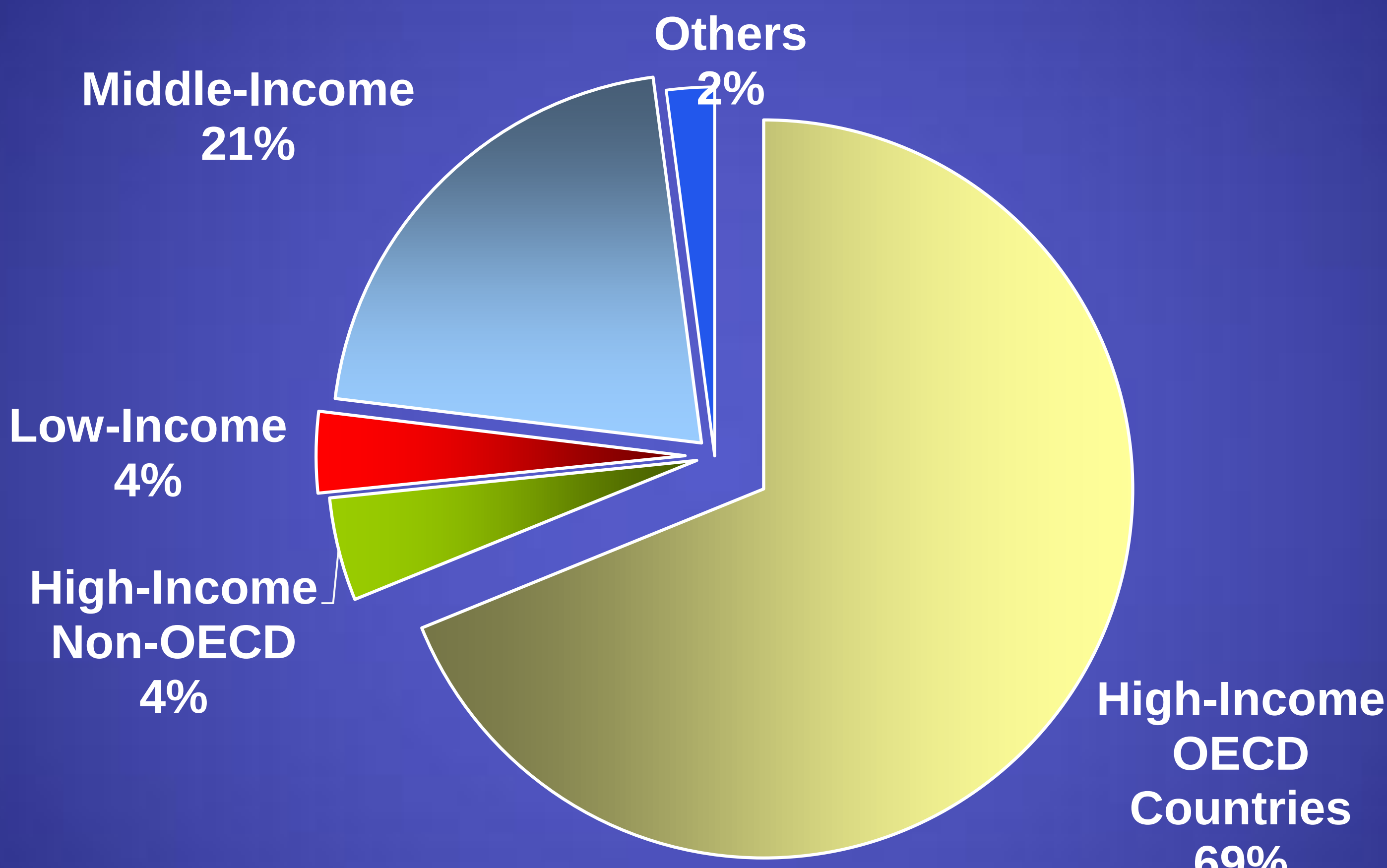
Key messages

- Migration and remittances provide a lifeline for Small States
- Migration can be leveraged for financing development in small states
- In the short-term, volatility in migration and remittance flows need to be managed carefully. In the medium-term, Small States should negotiate labor mobility partnerships with both destination and sending countries.

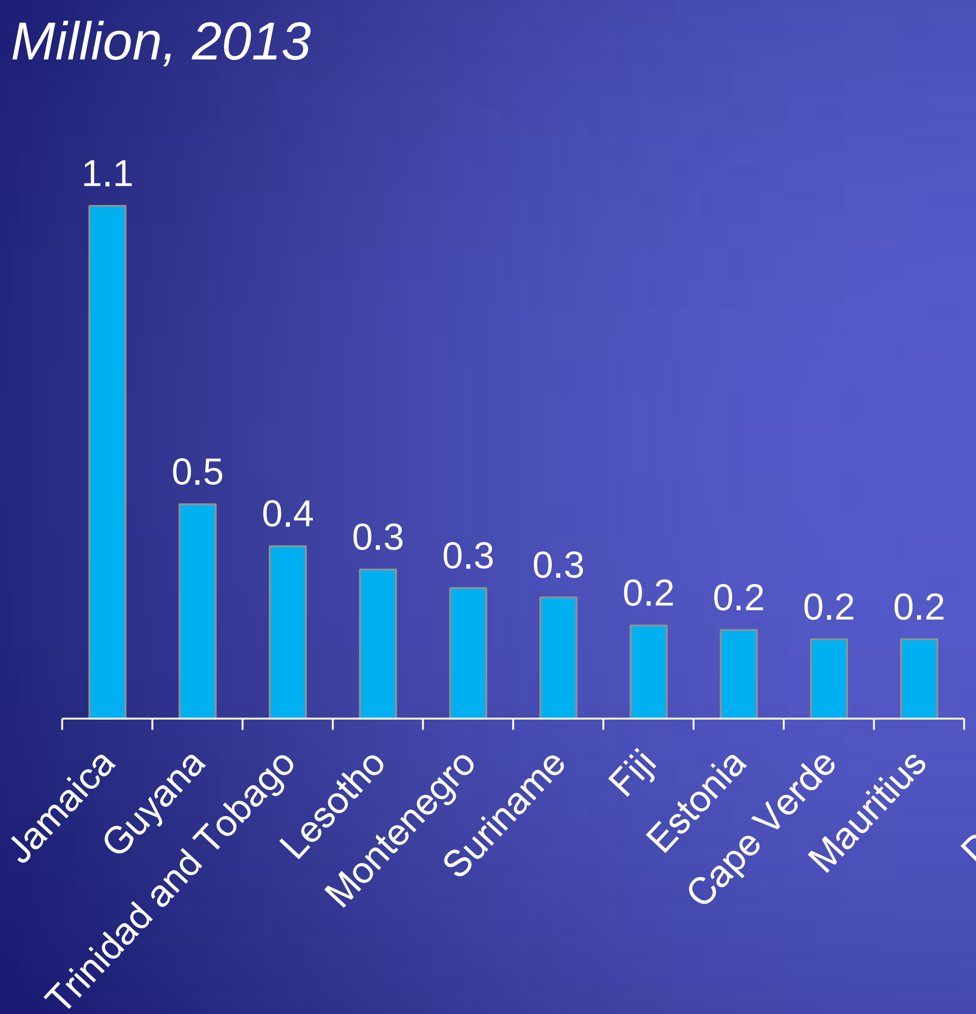
Destination of migrants from Small States

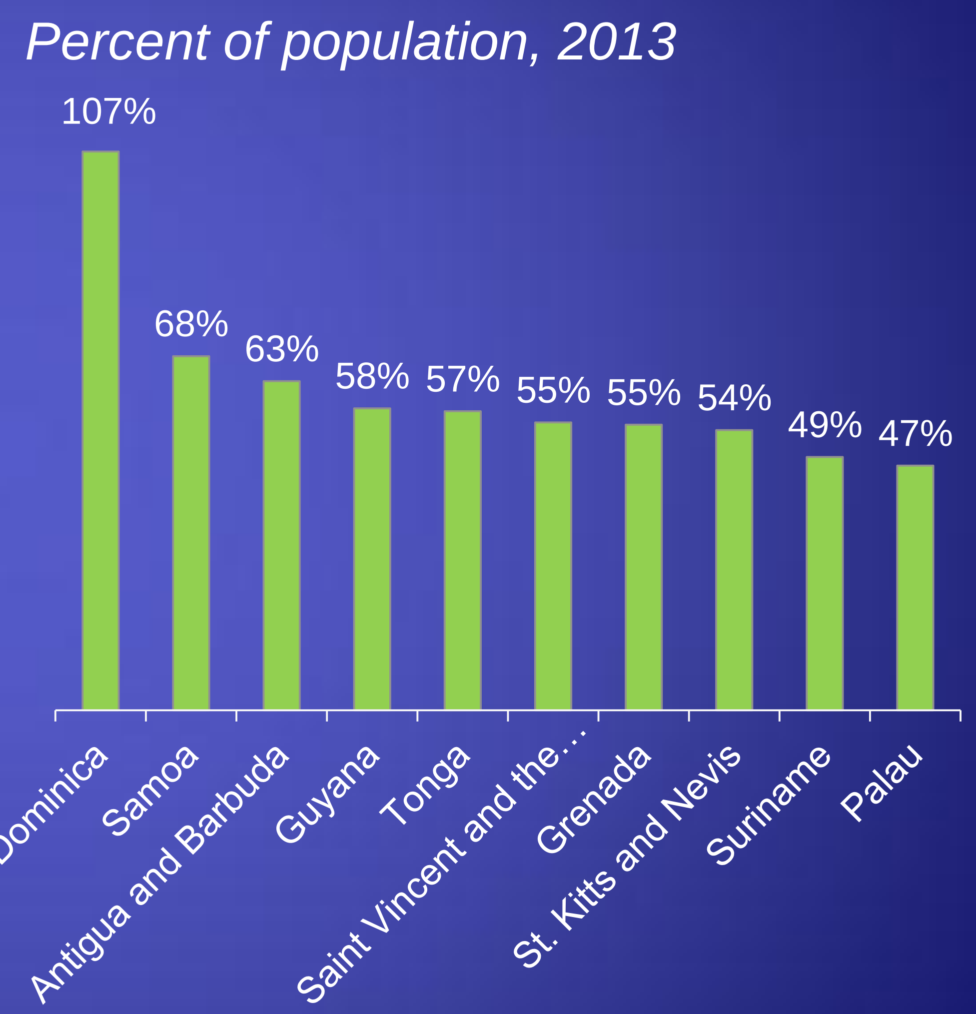


Stock of emigrants: 5 million

Source: **UNPD 2013**

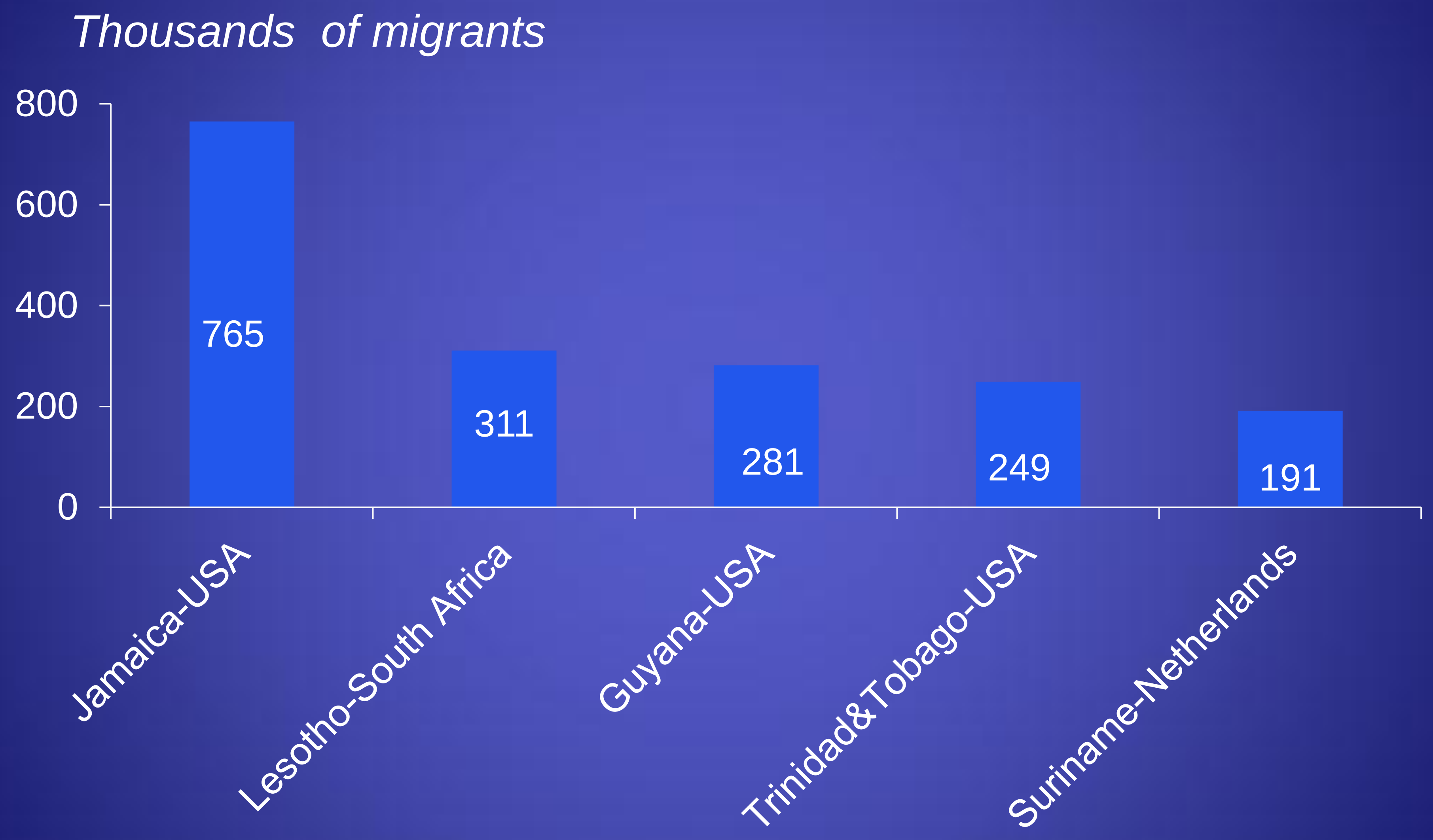
Small States with highest emigration





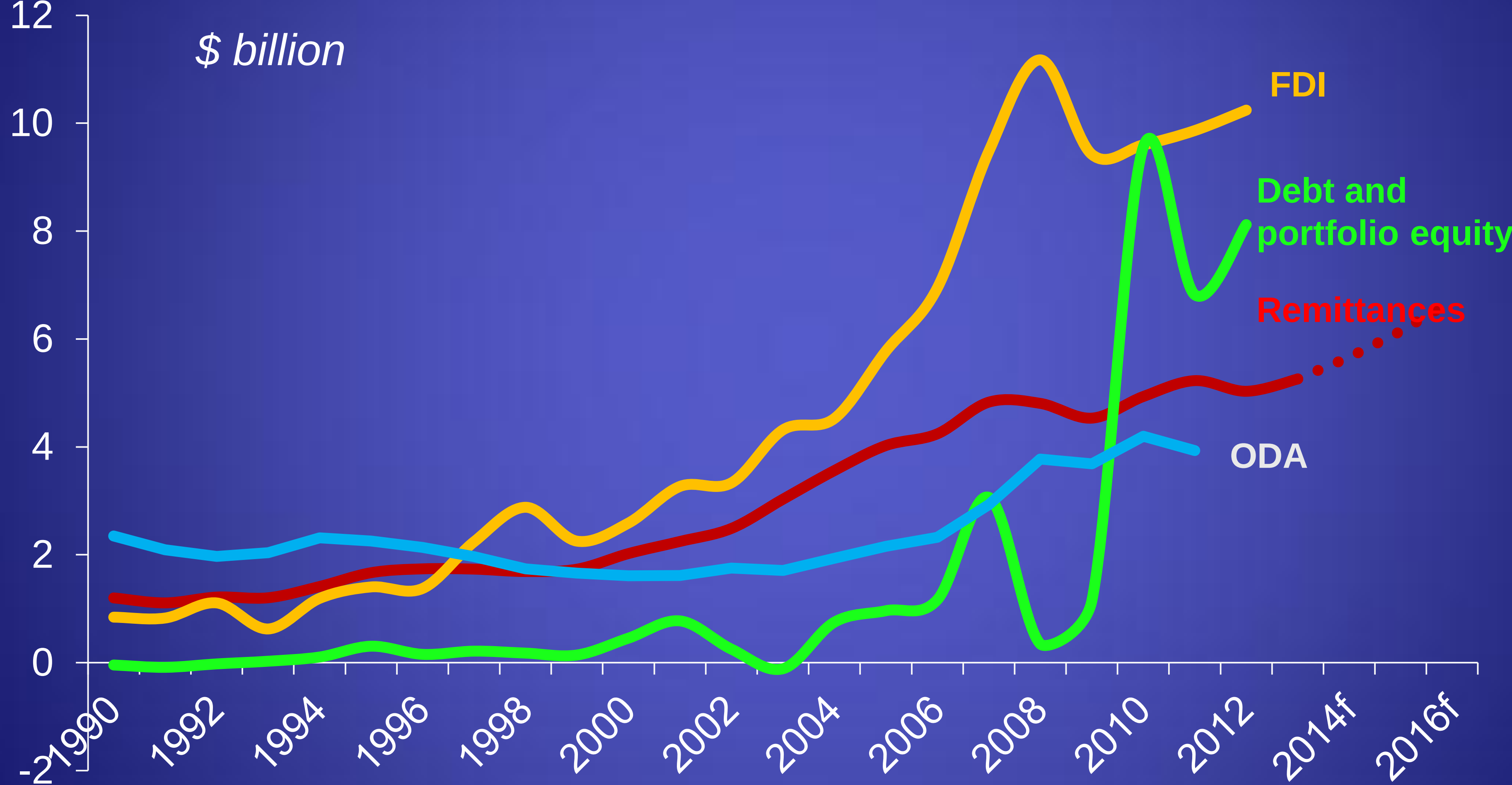
Source: UNPD 2013

Small States top migration corridors



Source: UNPD 2013

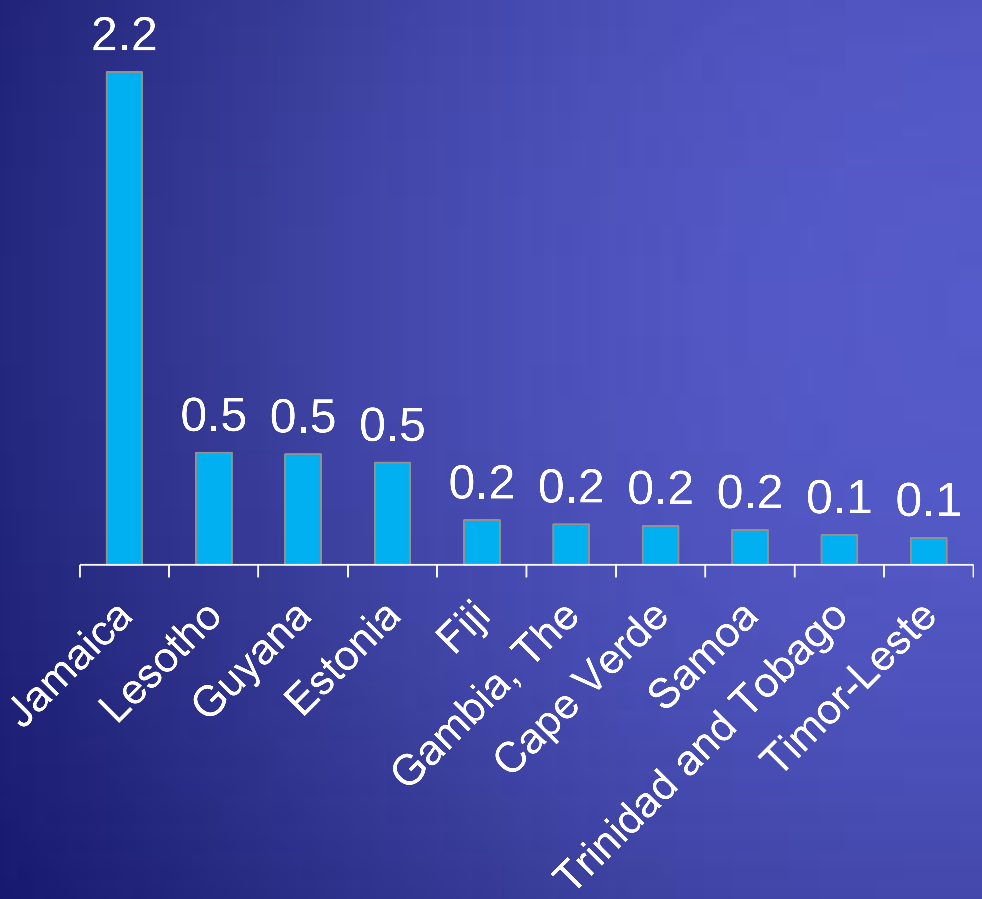
Remittances to small countries - $6 billion in 2013, stable flows



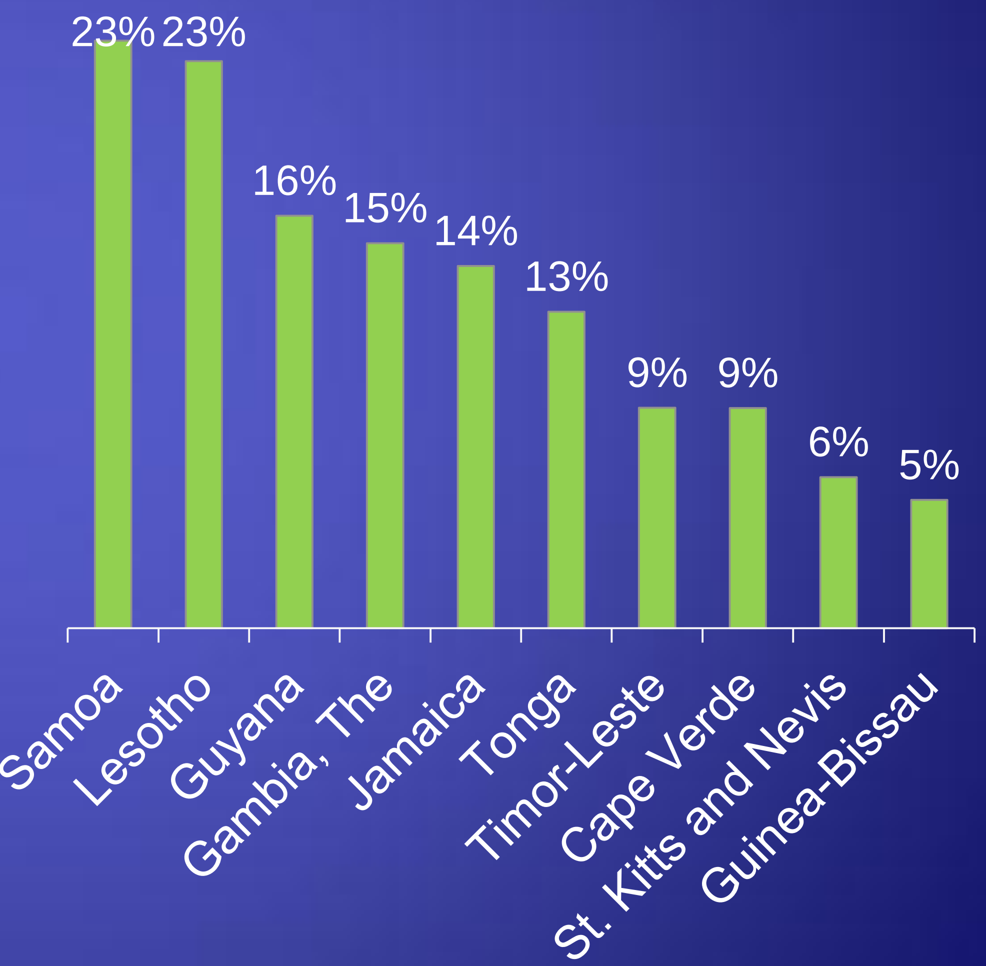
Source: Development Prospects Group, World Bank

Small States with highest remittances in 2013

$ billion, 2013e



as % of GDP, 2012

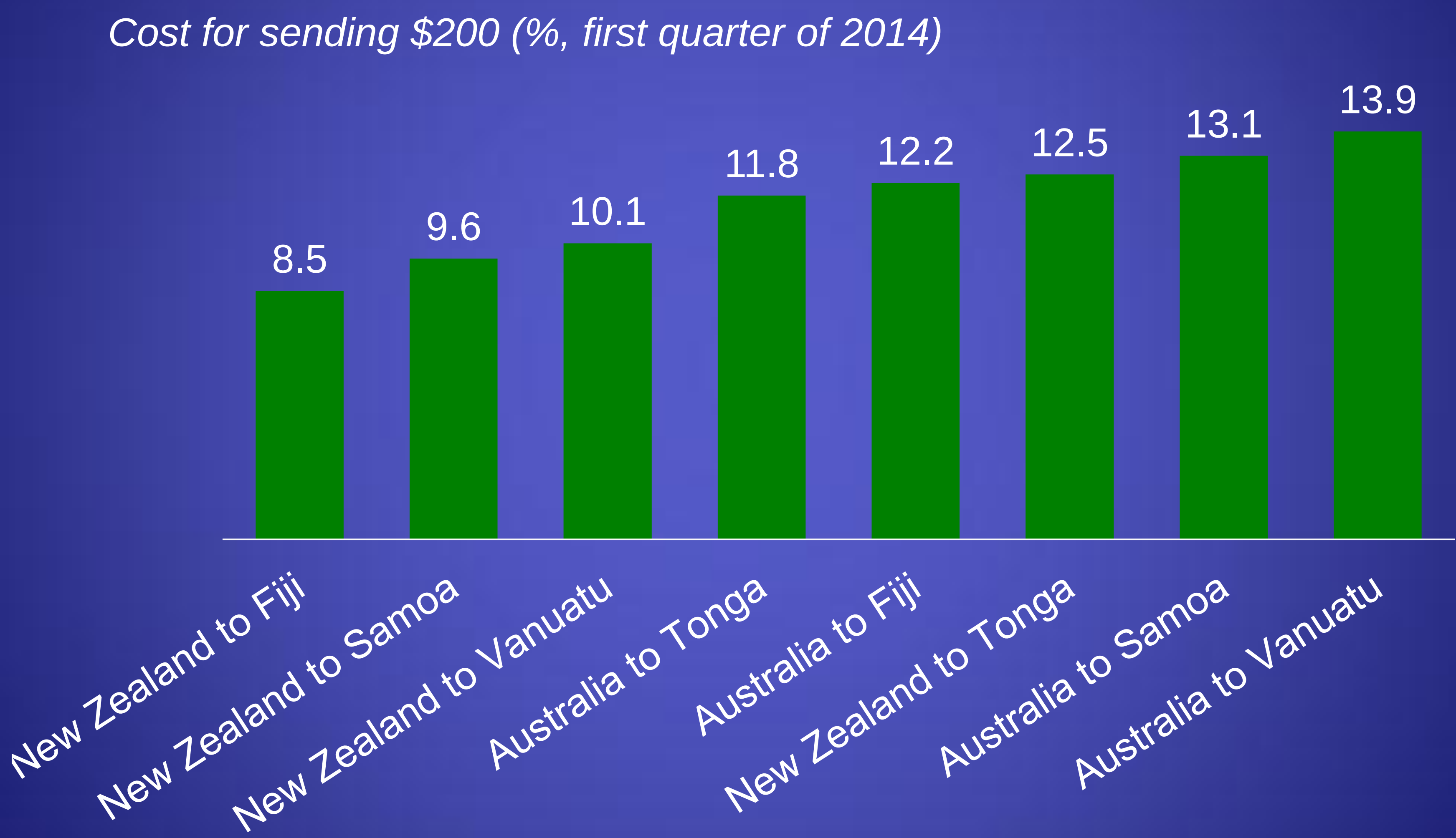


Source: World Bank, *Migration and Development Brief 22*, October 2013.

Large and Stable Remittances – example of Jamaica

Source Bank of Jamaica

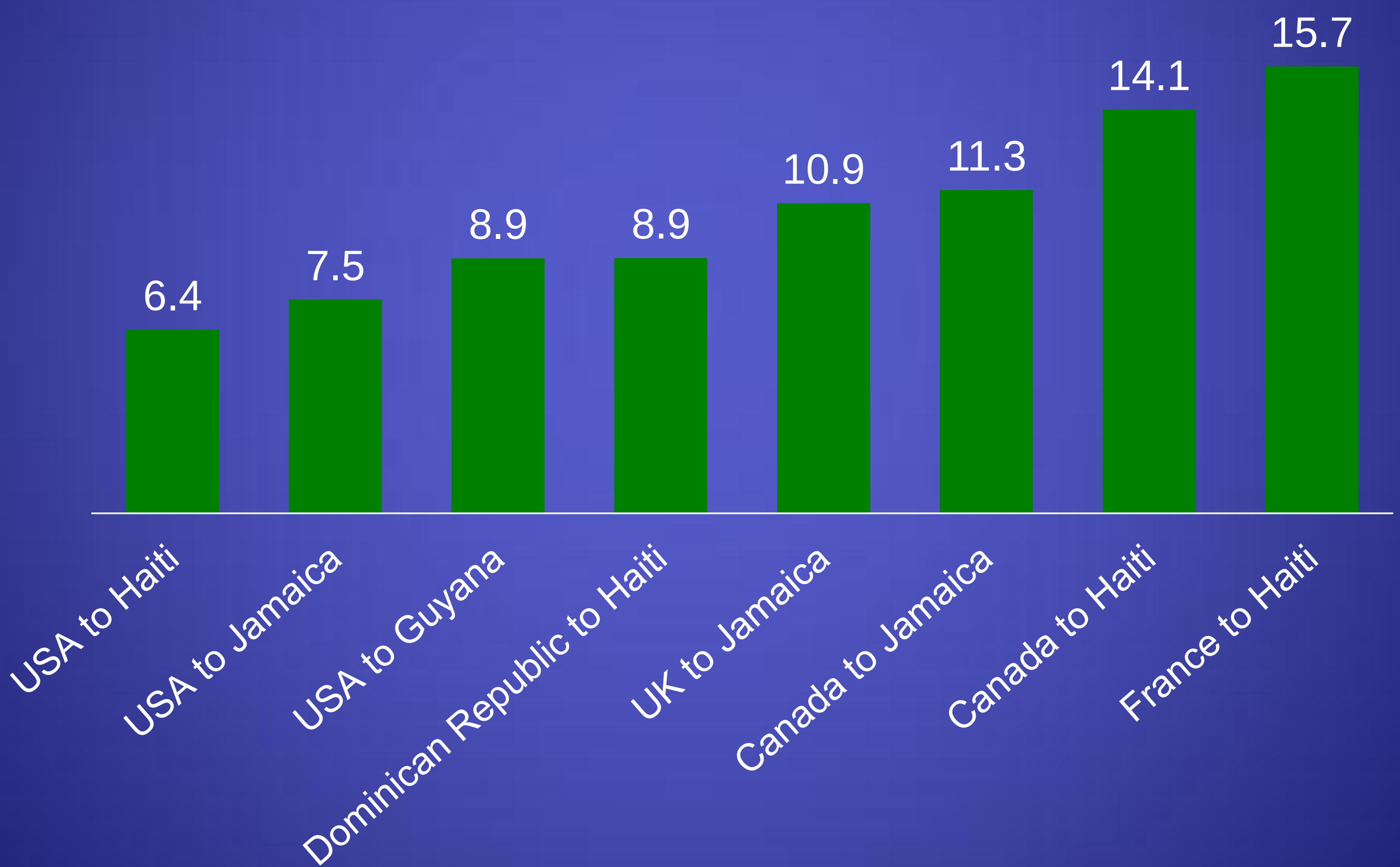
Cost of remittances to the Pacific Islands is exorbitant



Source World Bank Remittance Prices Worldwide

Cost of remittances to Small States in LAC is also very high

Cost for sending $200 (%, first quarter of 2014)



Source World Bank Remittance Prices Worldwide

Policies to reduce remittance costs

- Size of remittance market is a constraint in Small States
- Avoid exclusive arrangements between post offices and money transfer companies
- Use new technologies (credit cards, mobile banking)
- Anti-money laundering regulations in remittance-source countries require rebalancing

Remittances can be leveraged for accessing international capital market s

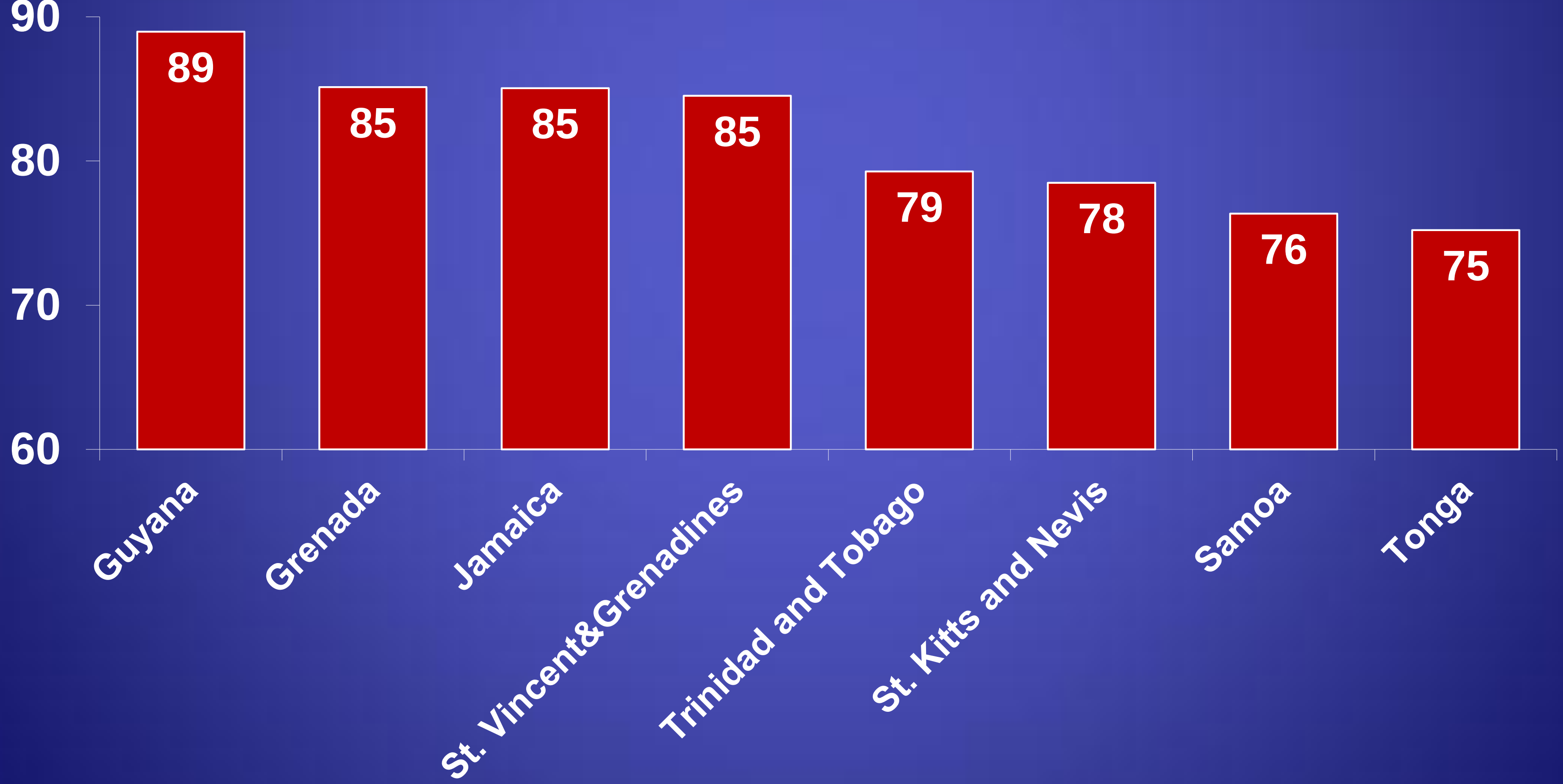
- Remittances can improve country risk rating
- Remittances are now a part of debt-sustainability analysis
- Future remittance inflows and diversified payment rights can be used as collateral to reduce borrowing costs and lengthen debt maturity

Global remittances agenda

1. Monitoring, analysis, projection	• Size, corridors, channels • Counter-cyclicality • Effects on poverty, education, health, investment • Policy (costs, competition, exchange controls)
2. Retail payment system	• Payment platforms/instruments • Clearing/settlement, capital adequacy, disclosure, cross-border arbitration • Anti-money laundering (AML/CFT)
3. Financial access for households, SMEs	• Deposit and saving products • Mortgage, consumer loans, microfinance • Credit history for micro-credit clients • Insurance products
4. Capital market access for countries, companies	• Sovereign credit rating • Bonds backed by future remittances as collateral • Diaspora bonds

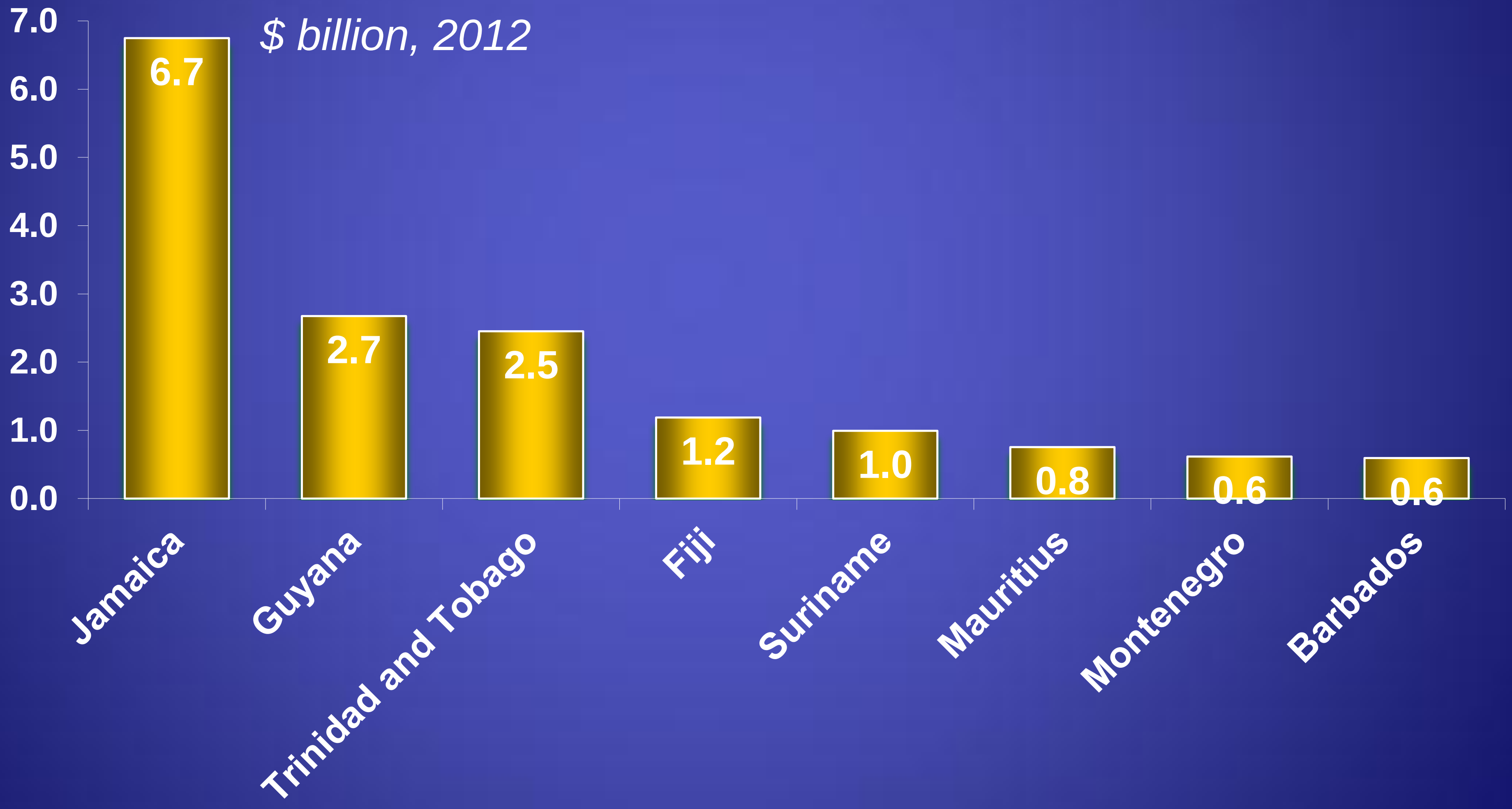
High-skilled emigration (of tertiary educated) from Small States tends to be larger – highlighting the need to invest in training and relaxation of immigration policies

Emigration rate of tertiary-educated population, %



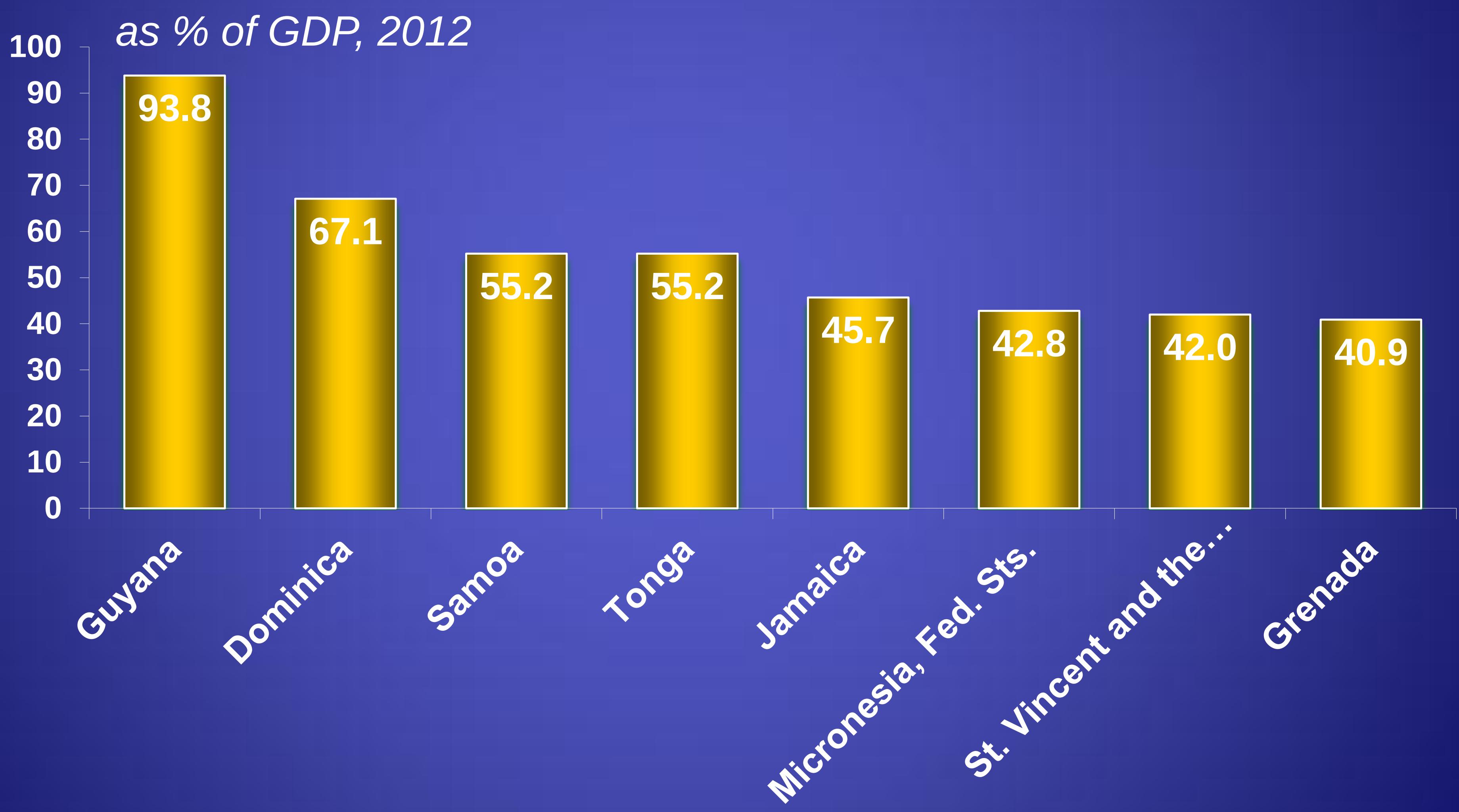
Source: **Migration and Remittances Factbook (2011).**

Diaspora savings are estimated to be over $20 billion for Small States – can be mobilized for financing development programs



Source: World Bank, Migration and Development Brief 23, forthcoming

Small States with highest diaspora savings to GDP ratios in 2012



Source: World Bank, Migration and Development Brief 23, forthcoming

Small States should negotiate mobility partnerships with partner countries

- Seasonal workers programs for their own nationals
- There may be a need to reduce high recruitment costs for migrant workers
- In the long-term, environmental change can induce migration out of some Small States. Labor mobility partnerships can easily accommodate such migrations when the time comes.

Summary

- Migration and remittances provide a lifeline for Small States, in terms of employment opportunities and income from remittances. They act as insurance against economic volatility and natural disasters to which small states are often exposed.

- Migration can be leveraged for financing development in small states, through improvement in debt sustainability, sovereign risk ratings, future-flow securitization of remittances and mobilization of diaspora savings.

- In the short-term, volatility in migration and remittance flows need to be managed carefully. Small States should negotiate labor mobility partnerships with both destination and sending countries.

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Thank you

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