Migration and Remittances: A Lifeline for Small States

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UN-WB High-Level Dialogue on Advancing Sustainable Development in Small Island Developing States
Washington DC
June 13, 2014
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

- High-Income OECD Countries: 69%
- Middle-Income: 21%
- Low-Income: 4%
- High-Income Non-OECD: 4%
- Others: 2%

Stock of emigrants: 5 million

Source: UNPD 2013
Small States with highest emigration

**Million, 2013**

- Jamaica: 1.1
- Guyana: 0.5
- Lesotho: 0.4
- Montenegro: 0.3
- Suriname: 0.3
- Fiji: 0.2
- Estonia: 0.2
- Cape Verde: 0.2
- Mauritius: 0.2

**Percent of population, 2013**

- Dominica: 107%
- Samoa: 68%
- Antigua and Barbuda: 63%
- Guyana: 58%
- Tonga: 57%
- Grenada: 55%
- St. Kitts and Nevis: 55%
- Suriname: 54%
- Palau: 49%
- St. Vincent and the Grenadines: 47%

Source: UNPD 2013
Small States top migration corridors

Thousands of migrants

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

- Jamaica: 2.2
- Lesotho: 0.5
- Guyana: 0.5
- Estonia: 0.5
- Fiji: 0.2
- Gambia, The: 0.2
- Cape Verde: 0.2
- Samoa: 0.2
- Trinidad and Tobago: 0.2
- Timor-Leste: 0.1

as % of GDP, 2012

- Samoa: 23%
- Lesotho: 23%
- Guyana: 16%
- Gambia, The: 15%
- Jamaica: 14%
- Tonga: 13%
- Timor-Leste: 9%
- Cape Verde: 9%
- St. Kitts and Nevis: 6%
- Guinea-Bissau: 5%

Large and Stable Remittances – example of Jamaica

Source: Bank of Jamaica
Cost of remittances to the Pacific Islands is exorbitant

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

- New Zealand to Fiji: 8.5%
- New Zealand to Samoa: 9.6%
- New Zealand to Vanuatu: 10.1%
- Australia to Tonga: 11.8%
- Australia to Fiji: 12.2%
- New Zealand to Tonga: 12.5%
- Australia to Samoa: 13.1%
- Australia to Vanuatu: 13.9%

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 markets

- 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, %**

<table>
<thead>
<tr>
<th>Country</th>
<th>Emigration Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guyana</td>
<td>89</td>
</tr>
<tr>
<td>Grenada</td>
<td>85</td>
</tr>
<tr>
<td>Jamaica</td>
<td>85</td>
</tr>
<tr>
<td>St. Vincent &amp; Grenadines</td>
<td>85</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>79</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>78</td>
</tr>
<tr>
<td>Samoa</td>
<td>76</td>
</tr>
<tr>
<td>Tonga</td>
<td>75</td>
</tr>
</tbody>
</table>

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

- Guyana: 93.8
- Dominica: 67.1
- Samoa: 55.2
- Tonga: 55.2
- Jamaica: 45.7
- Micronesia, Fed. Sts.: 42.8
- St. Vincent and the...: 42.0
- Grenada: 40.9

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.
Thank you

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