

# A War in a Pandemic

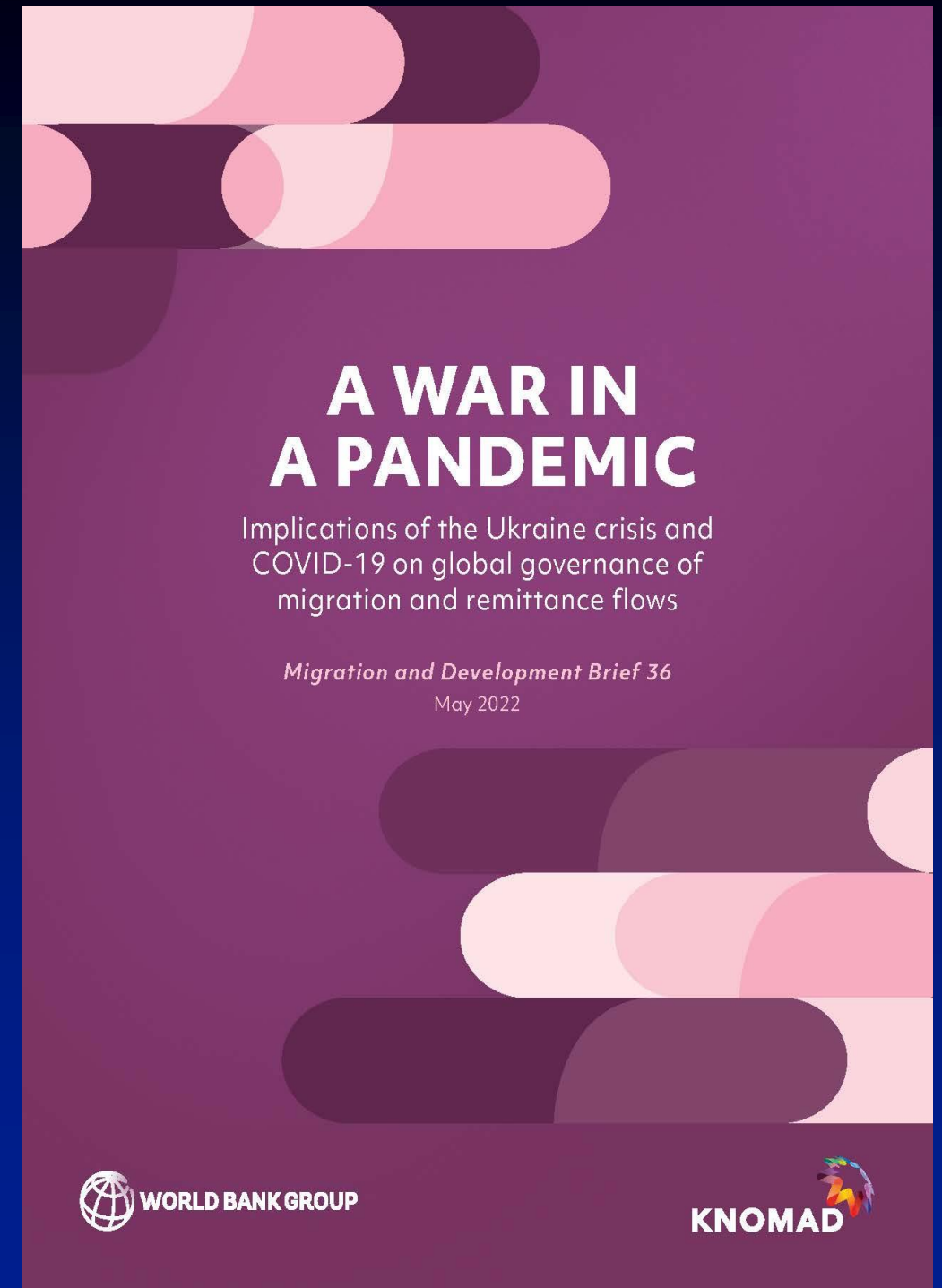
Implications of the Ukraine crisis and  
COVID-19 on global governance of  
migration and remittance flows

Dilip Ratha

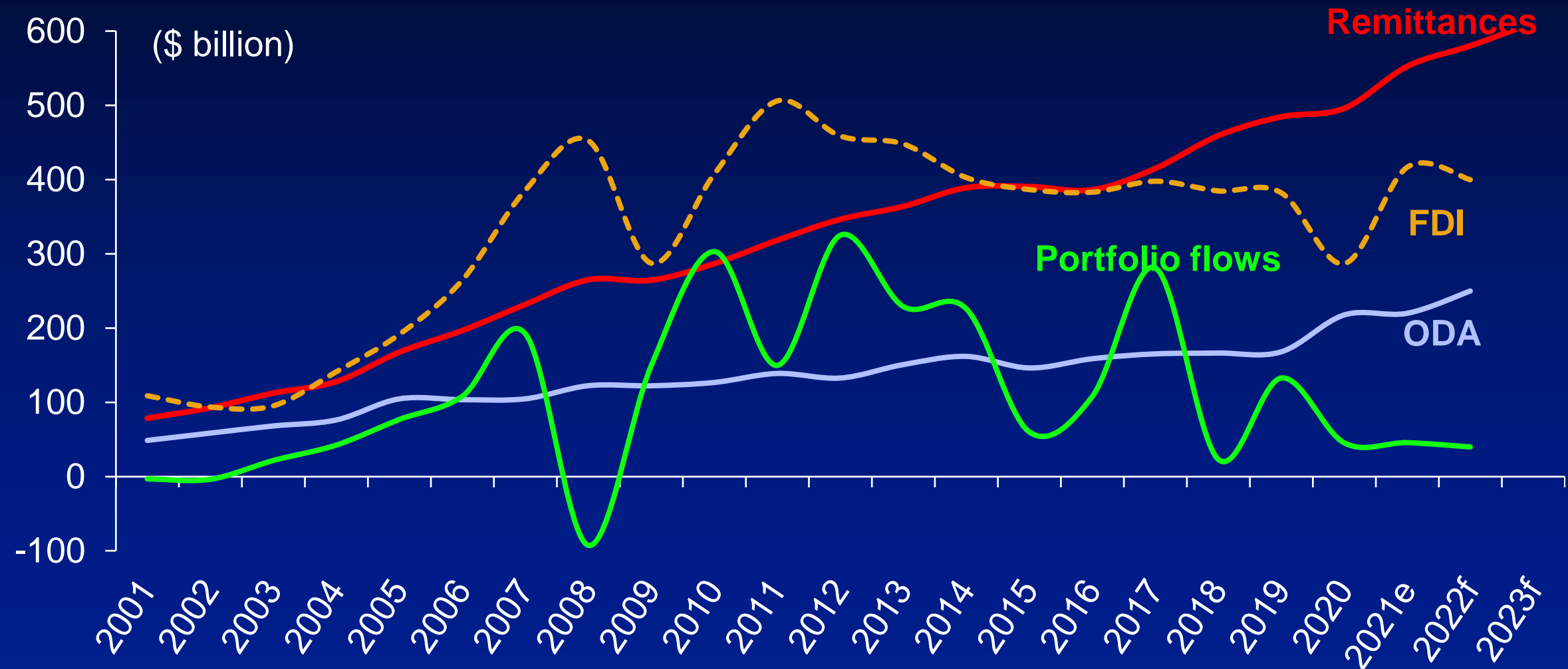
Report Launch

World Bank

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**Remittances to low- and middle-income countries are expected to reach \$630 bn in 2022. Remittance flows to LMICs excluding China larger than the sum of FDI and ODA.**



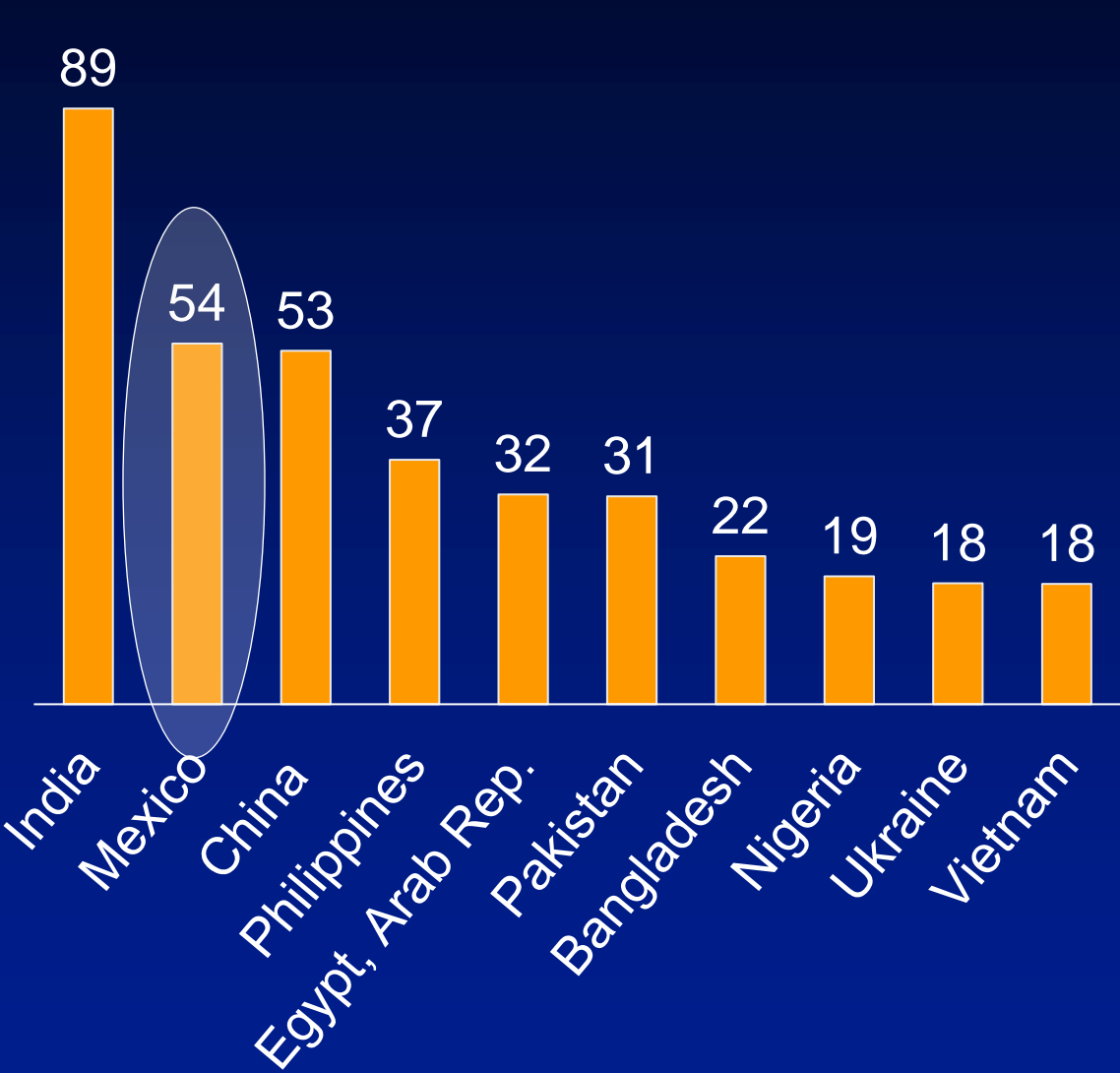
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

# Estimates and projections flows to LMIC regions

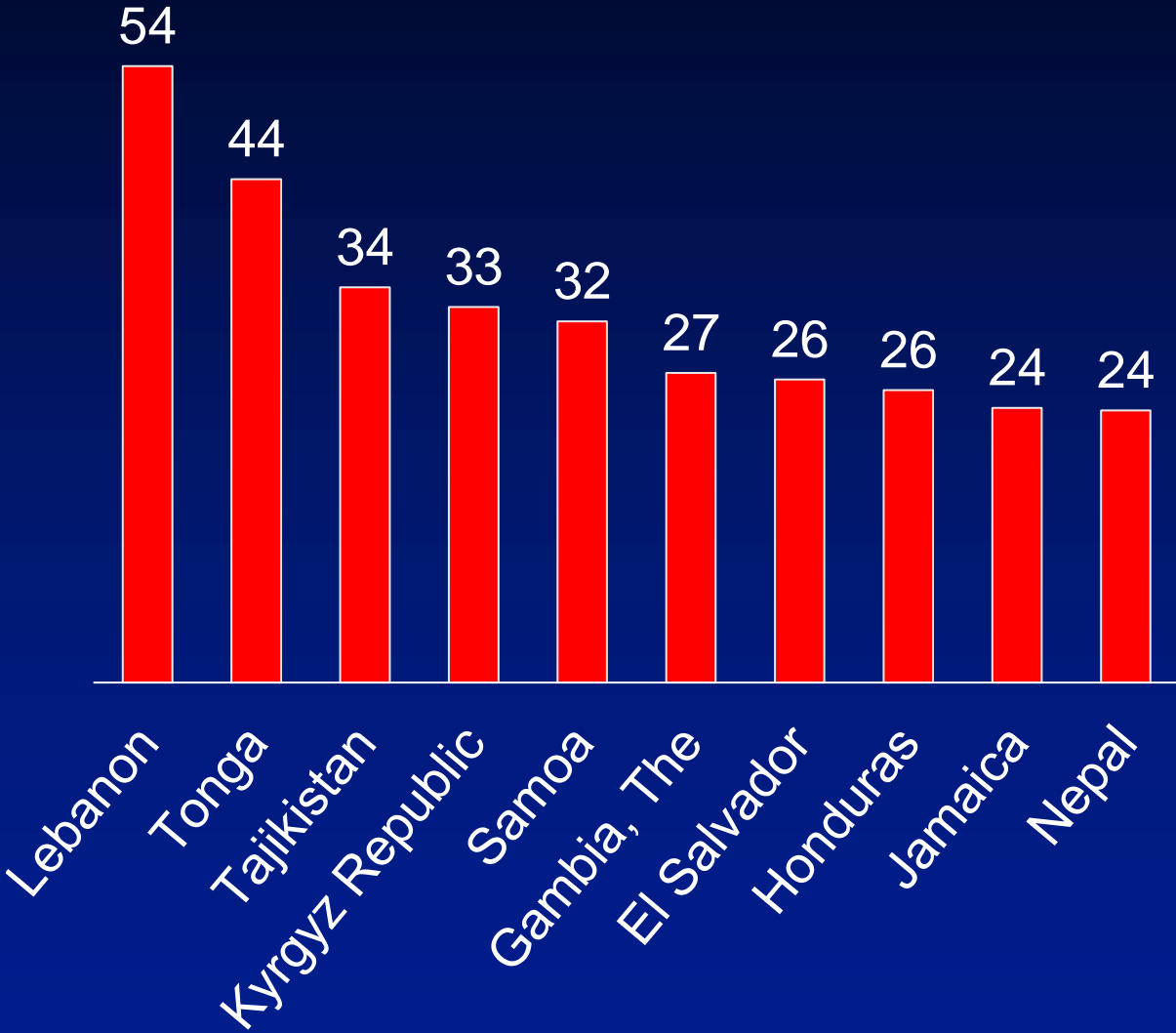
(\$ billion)	2015	2016	2017	2018	2019	2020	2021e	2022f	2023f	
<b>Low- and middle-income countries</b>	<b>454</b>	<b>447</b>	<b>479</b>	<b>527</b>	<b>553</b>	<b>558</b>	<b>605</b>	<b>630</b>	<b>659</b>	
East Asia and Pacific	128	128	134	143	148	137	133	133	134	
excluding China	64	67	70	75	80	78	80	83	86	
Europe and Central Asia	49	48	55	62	68	69	74	73	77	
Latin America and Caribbean	68	74	81	89	96	104	131	143	153	
Middle East and North Africa	50	49	52	52	54	57	61	65	68	
South Asia	117	111	116	131	139	147	157	164	172	
Sub-Saharan Africa	42	39	42	49	47	43	49	53	55	
World	611	597	631	683	714	719	773	802	842	
			Growth rate (percent)							
<b>Low- and middle-income countries</b>	<b>0.7</b>	<b>-1.6</b>	<b>7.1</b>	<b>10.0</b>	<b>5.0</b>	<b>0.8</b>	<b>8.6</b>	<b>4.2</b>	<b>4.5</b>	
East Asia and Pacific	3.9	0.0	4.6	6.7	4.0	-7.3	-3.3	0.3	0.3	
excluding China	5.4	4.6	4.6	7.8	6.2	-2.4	2.5	3.8	3.5	
Europe and Central Asia	-13.5	-3.1	14.5	14.1	9.2	1.5	7.8	-1.6	5.0	
Latin America and Caribbean	6.7	7.4	10.2	10.1	7.9	8.2	25.3	9.1	7.7	
Middle East and North Africa	-5.7	-1.3	5.3	1.3	4.0	5.2	7.6	6.0	4.3	
South Asia	1.7	-5.6	5.0	12.9	6.0	5.4	6.9	4.4	4.8	
Sub-Saharan Africa	6.5	-8.5	8.1	17.0	-4.3	-8.1	14.1	7.1	5.5	
World	0.5	-2.3	5.6	8.3	4.6	0.6	7.6	3.7	4.9	

# Top recipients of remittances globally in 2021

(\$ billion, 2021)



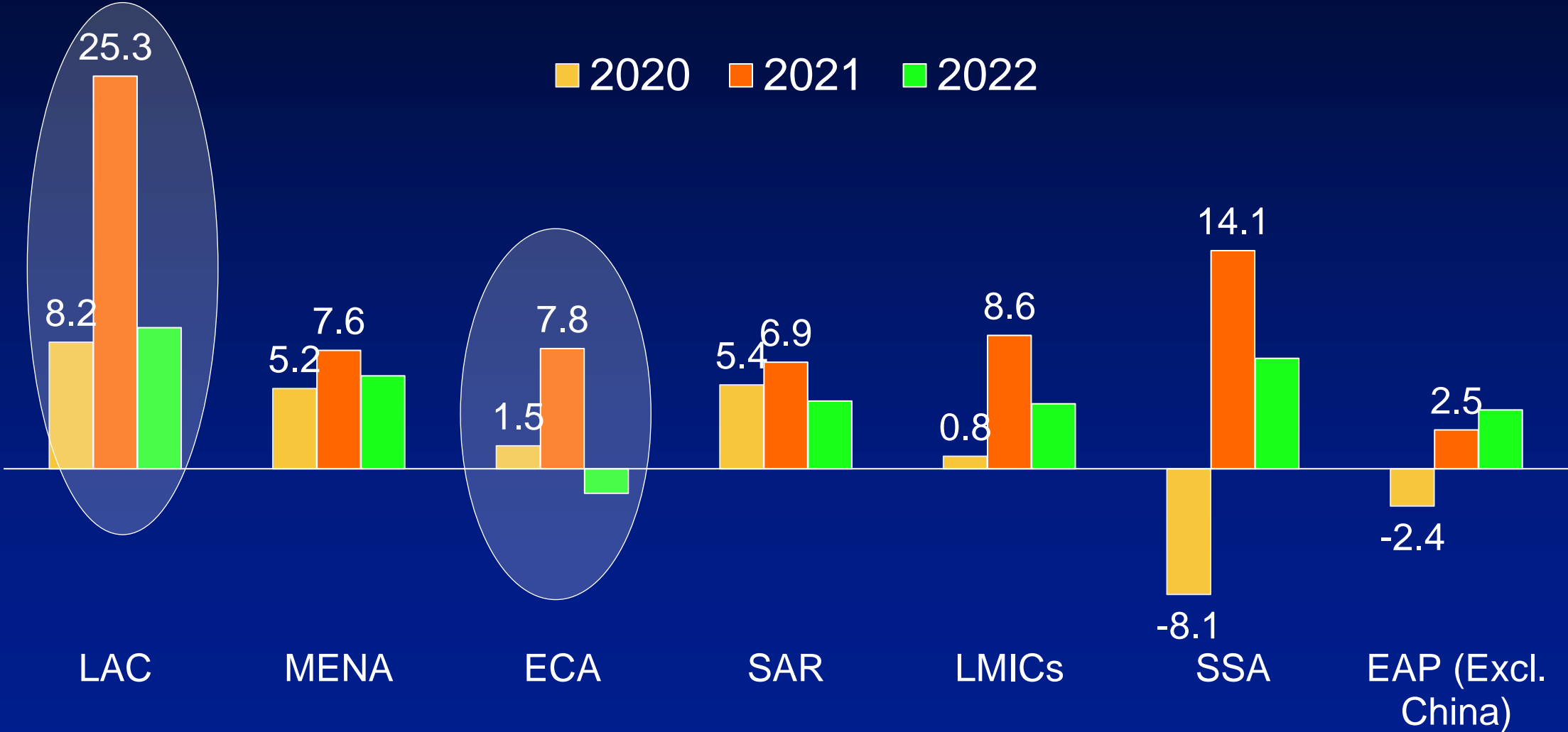
(% of GDP, 2021)



Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

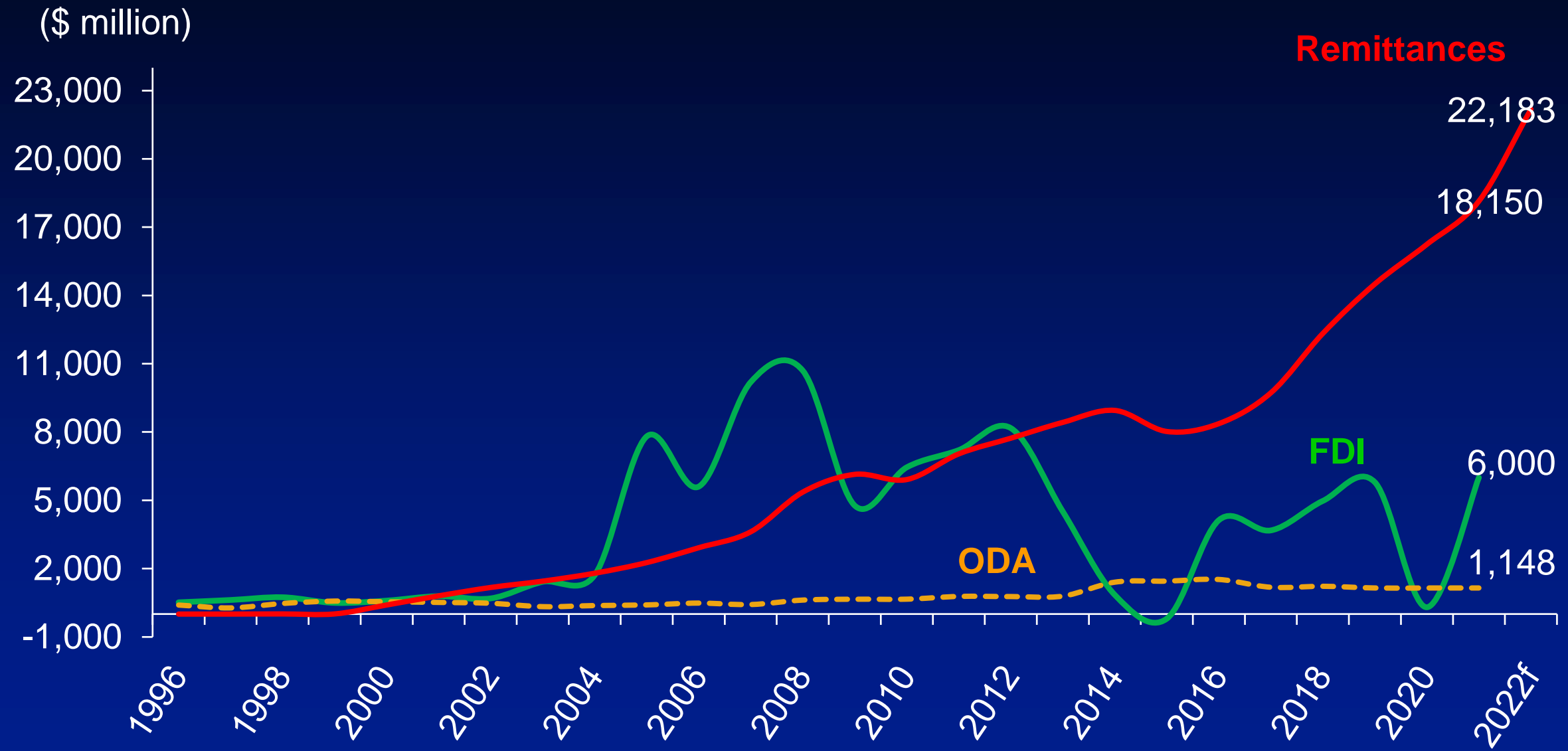
# Growth in remittances to moderate in 2022, especially in ECA

Annual growth (percent)



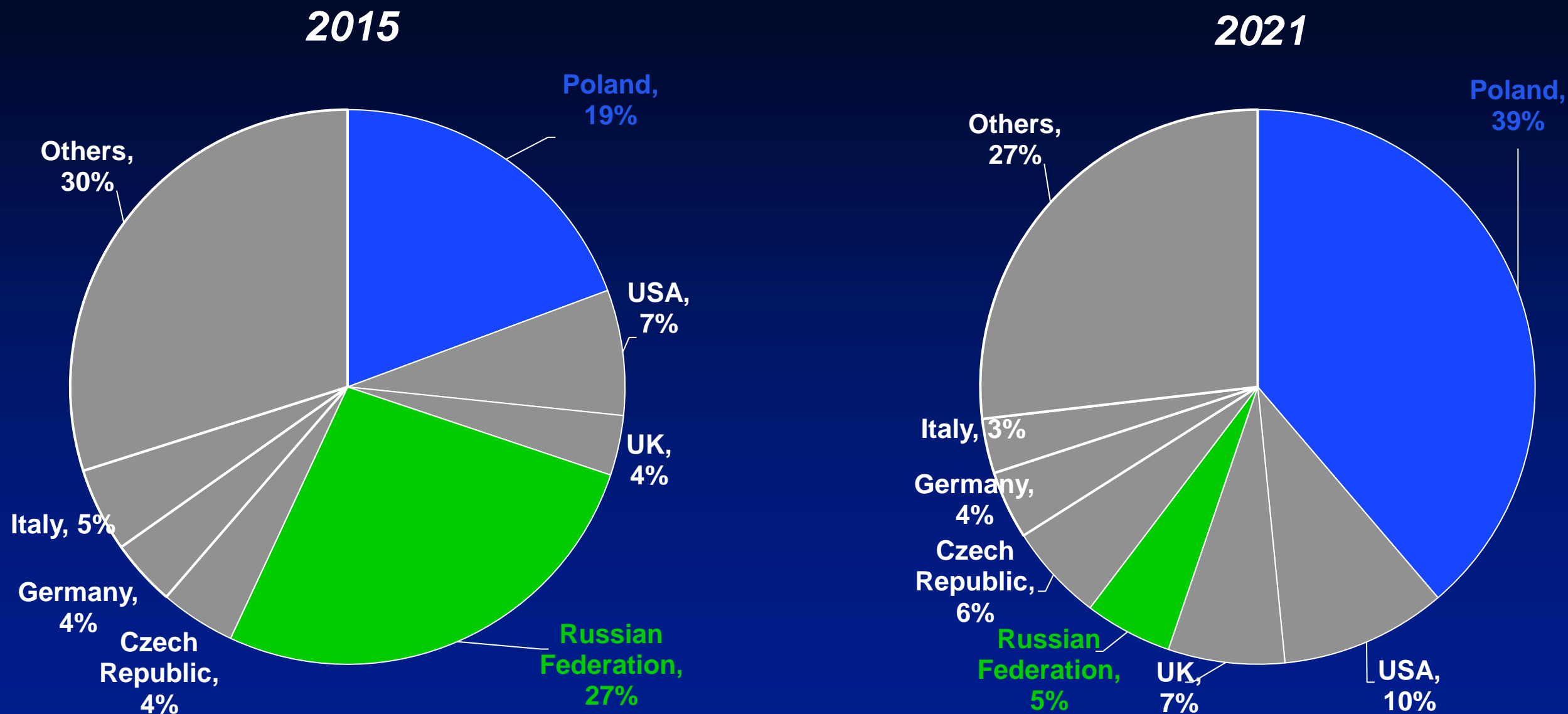
Source: World Bank-KNOMAD Staff estimates, IMF's BOP statistics.

# Remittance flows are significantly larger than FDI and ODA flows to Ukraine



Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

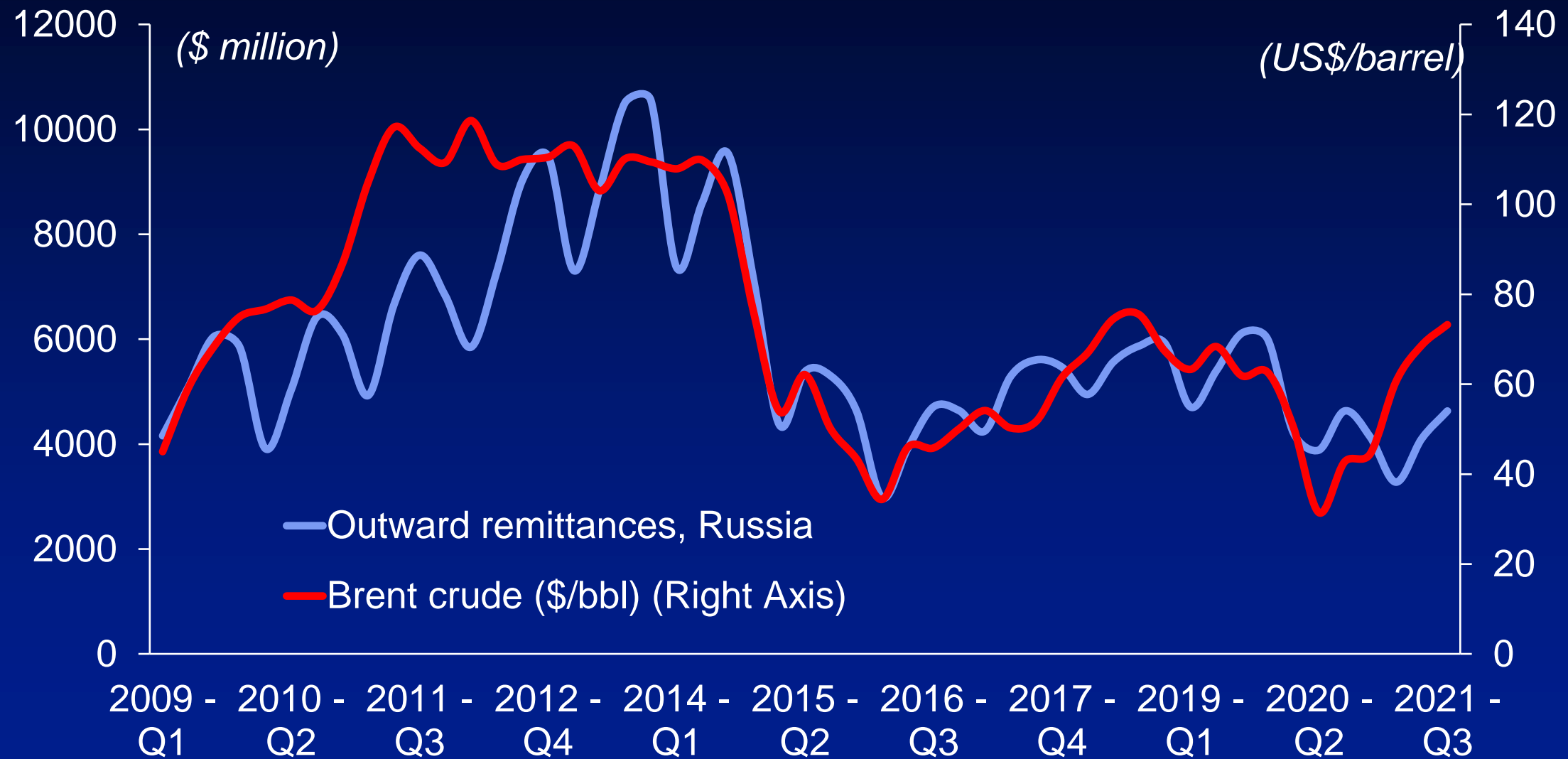
# Sources of remittances to Ukraine, 2015 vs. 2021



Sources: National Bank of Ukraine and KNOMAD–World Bank

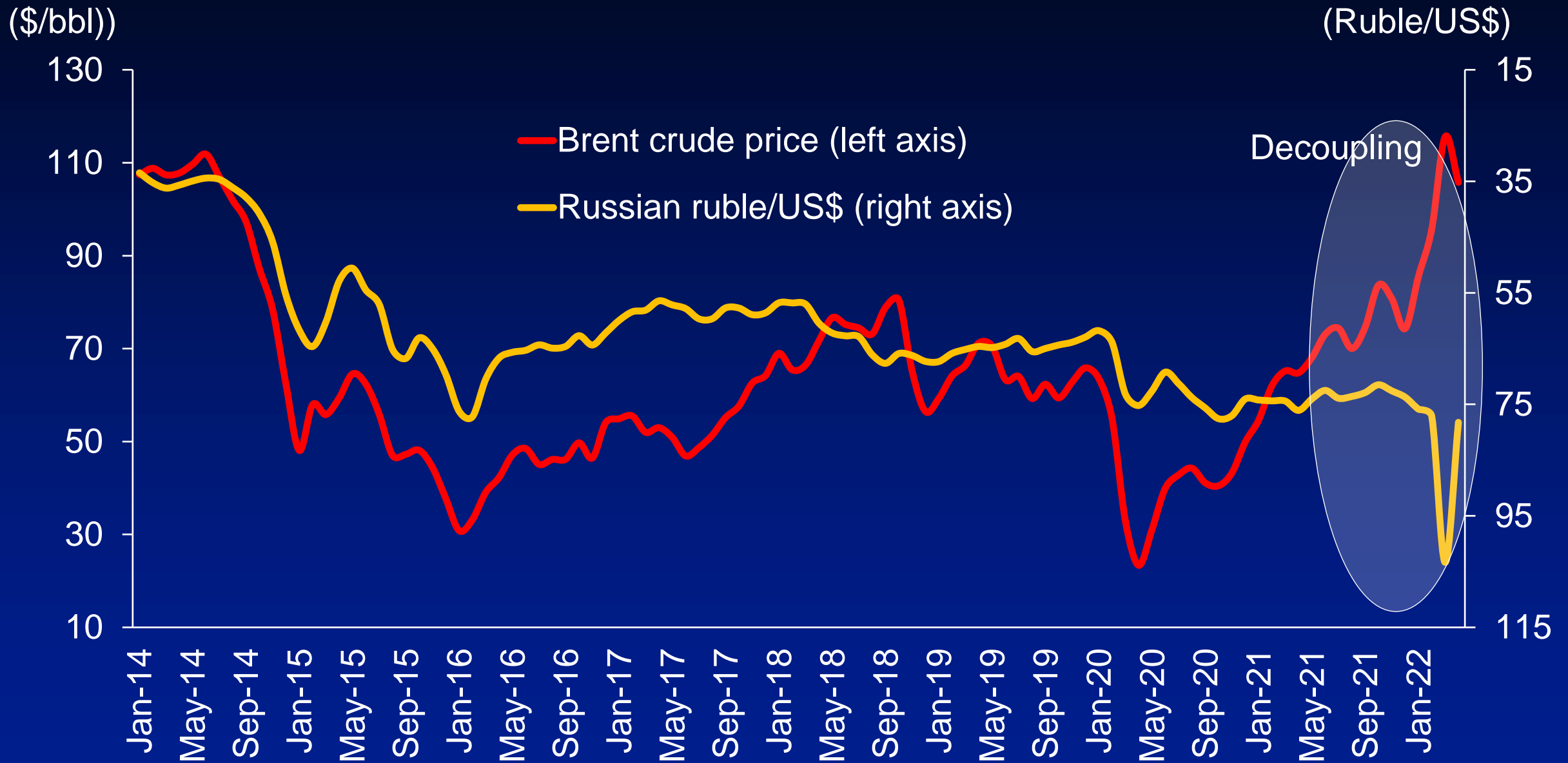
Note: Data for the last quarter of 2021 not yet available. Both charts show data for the first three quarters of the year

# Higher oil price boosted outward remittance flows from Russia in 2021





# Correlation between the Ruble/US\$ exchange rate and oil Prices has changed in recent years



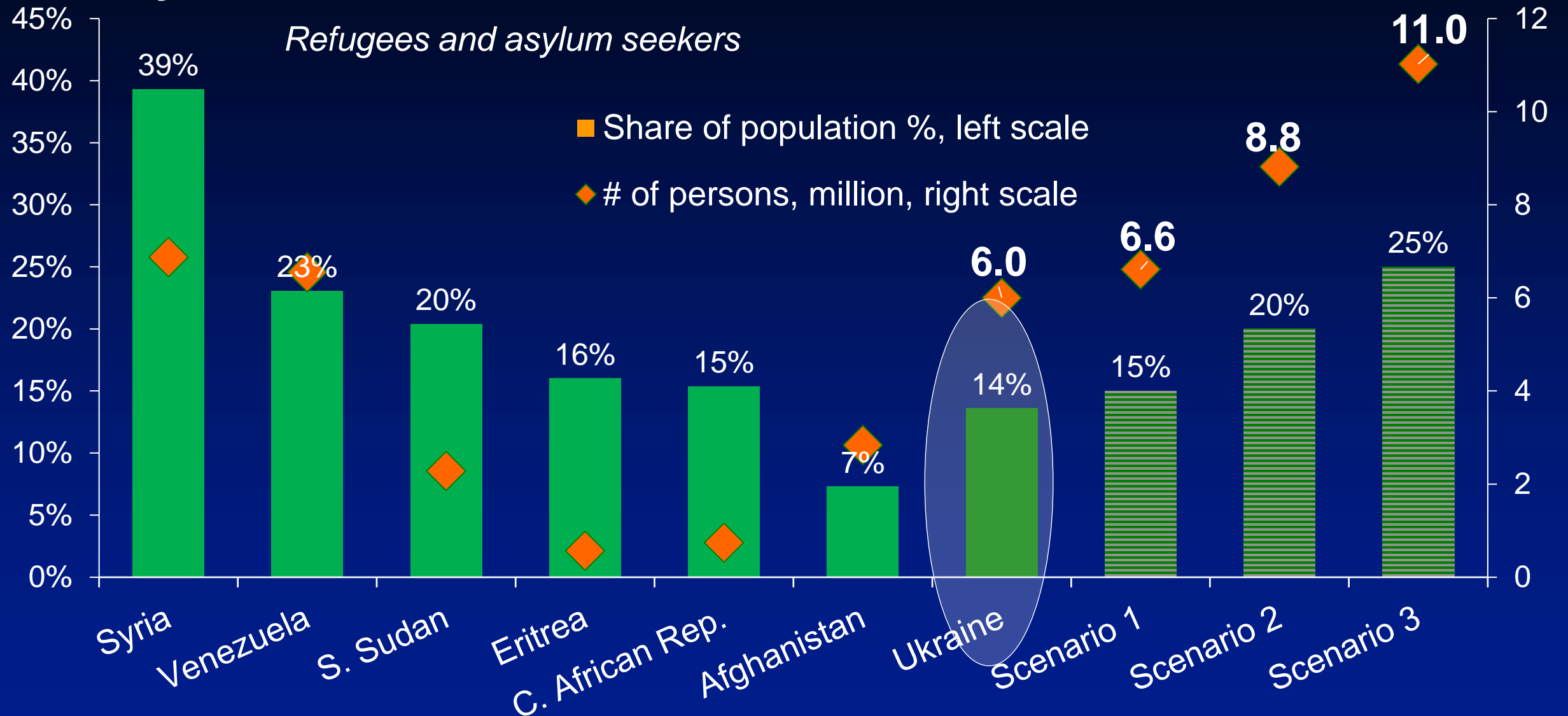
# Flows to Ukraine are likely to increase while those to other countries in Central Asia are likely to decline

Country	Remittance inflows, 2021 (\$ million)	% of GDP, 2021	% of exports of goods and services, 2021	Share of remittances from Russia, 2021	Projected growth, 2022*
Ukraine	18,150	9.2%	28.9%	4%	22%
Armenia	1,610	11.6%	42.7%	59%	-19%
Azerbaijan	1,527	2.8%	10.1%	57%	-21%
Belarus	1,137	1.7%	3.0%	43%	-9%
Georgia	2,644	14.1%	43.4%	16%	-5%
Kazakhstan	310	0.2%	0.6%	55%	-19%
Kyrgyz Rep.	2,798	32.8%	114.9%	82%	-32%
Moldova	2,085	15.2%	63.9%	14%	-1%
Tajikistan	2,922	34.5%	204.8%	58%	-22%
Uzbekistan	9,198	13.3%	62.9%	56%	-21%

\* Assuming decline of 40% in outbound remittances from Russia

Sources: Bank of Russia, National Bank of Ukraine, National Bank of Georgia, and KNOMAD/World Bank staff estimates.

# Refugee and migratory movements from Ukraine likely to increase further



Sources: UNHCR, World Development Indicators, and KNOMAD-World Bank staff estimates  
 Note: Refugee data as of March 23, 2022 for Ukraine, and mid-2021 for other countries

# Government policy responses during the crisis

Supporting migrants	Supporting migrants' families	Supporting remittance infrastructure
<ul style="list-style-type: none"> <li>• Support <b>Ukrainian migrants and refugees</b>.</li> <li>• Support migrants and refugees <b>stranded in Ukraine</b>.</li> <li>• Extend cash transfer programs to support internal and international migrants.</li> <li>• Provide access to vaccines, health services, education, and housing.</li> <li>• Protect migrants from <b>trafficking</b>.</li> <li>• Support <b>returning migrants</b> (access to training, jobs, credit for business investment).</li> </ul>	<ul style="list-style-type: none"> <li>• Support social services and provide cash transfers to families left behind.</li> <li>• Provide access to vaccines, health services, education, and housing.</li> <li>• Protect women and children from trafficking.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure access to cash during the crisis.</li> <li>• Simplify AML/CFT requirements for “small” remittances. Transition to risk-based, harmonized regulations and reduce burden of compliance while maintaining financial integrity.</li> <li>• Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts.</li> <li>• Improve efficiency and interoperability of remittance services.</li> <li>• Improve collection of high-frequency, timely data across remittance corridors and channels.</li> </ul>

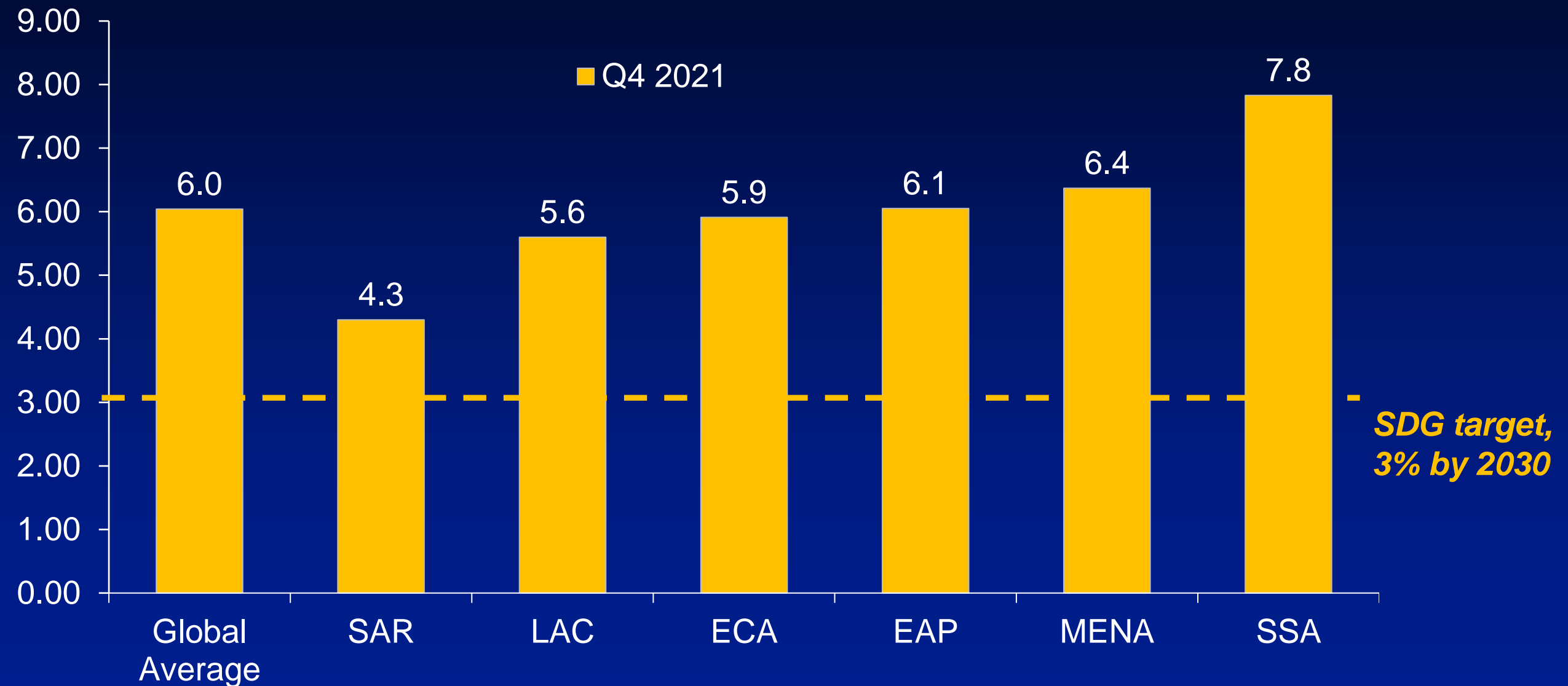
<b>Global Financial Crisis 2009</b>	<b>COVID-19 Crisis 2020-present</b>	<b>Ukraine Crisis Present</b>
Mostly host countries in the Global North	All countries	Mostly Europe, second-order impacts through food, fuel prices
International migrant stock increased—both new migration and return migration decreased; the latter decreased more	International migrant stock decreased—new migration decreased, return migration increased, transit migration increased	International migrant stock increased—new migration increased; refugees increased
No access to social services or jobs for migrants	Access to job markets and social benefits	Near universal <b>access to job</b> markets and social benefits
All migrants and their families were impacted	All migrants and their families were impacted	<b>Gender dimension:</b> refugees are women and children, who are more vulnerable to trafficking

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# Remittance costs continued to remain high in 2021Q4, more than double the SDG target of 3 percent

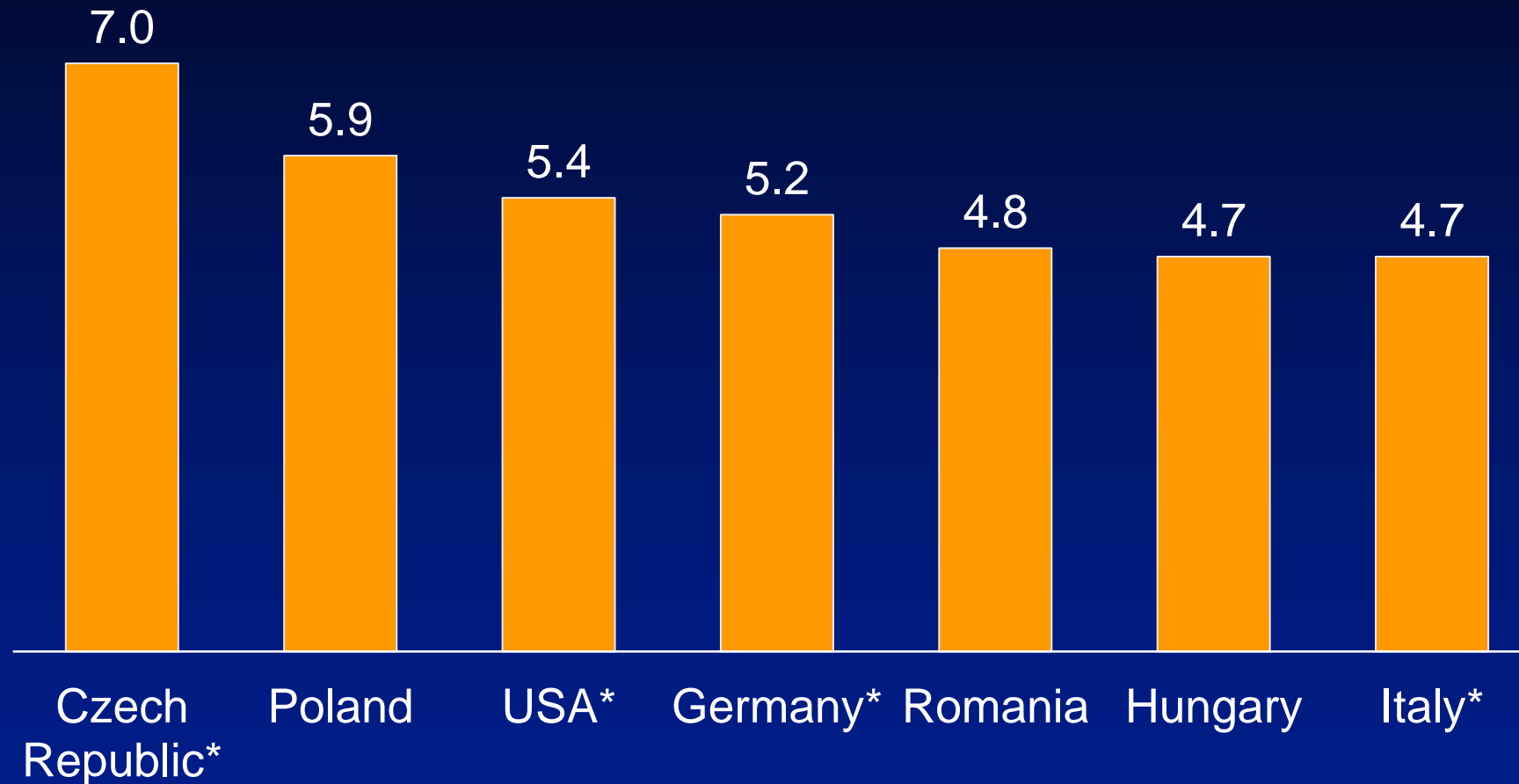
(Costs to send \$200, percent)



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

# Costs of sending money to Ukraine are high

Cost of sending \$200 to Ukraine from different countries (%)



Reducing remittance costs by 2 percentage points will save Ukrainian migrants \$400 million per year

Sources: Remittance Prices Worldwide, and KNOMAD-World Bank staff estimates  
Note:\*2021 Q3, Poland, Hungary and Romania are for March 3, 2022



<b>Global Financial Crisis 2009</b>	<b>COVID-19 Crisis 2020-present</b>	<b>Ukraine Crisis Present</b>
Remittances decreased; reports of reverse remittances to countries of Global North	Remittances sent to transit migrants in transit countries	Remittances to Ukraine to increase, to Central Asia to decrease
Remittance flows through informal channels increased	A switch to digital and formal remittance channels as cash was avoided	A disruption of the SWIFT system and rise of different, multipolar payment systems

# Global Governance of Migration

	Internal	International	
<b>Economic or voluntary</b>	Internal migrants 760 million	International migrants 250 million	<i>Global Compact on Migration</i>
<b>Forced</b>	Disaster-driven IDPs 7 million	Climate-driven migrants Unknown number	
	FCV-driven IDPs 48 million	Refugees and asylum seekers 35 million	<i>Global Compact on Refugees</i>

**The Ukraine crisis has strengthened the case for a  
**Concessional Financing Facility** for Migration to  
support host countries**

- To support host countries experiencing large influx of migrants and refugees
- To support origin countries experiencing large scale return migration

# Credibility of international payment system has been undermined

- Expect a **multipolar** payment system with multiple central bank digital currencies
- **Lack of inter-operability** will continue to affect efficiency; **FX spreads** will continue to remain high
- **Unbanked persons** would still be left out – unless a social-impact entity steps in to service retail customers on a cost-plus basis

# Key messages

- The Ukraine crisis on top of the COVID-19 crisis has once again highlighted the case for strong global cooperation to address migration. In particular, it has strengthened the case for a **Concessional Financing Facility for Migration** to support host countries to support host countries experiencing large influx of migrants and refugees, and to support origin countries experiencing large scale return migration.
- Remittance flows to low-and middle-income countries are expected to rise to **\$630 billion** in 2022. these flows are no longer small change – they provide a financial lifeline to many low- and middle-income countries.
- Recent sanctions on Russia have undermined the credibility of international payment systems, raising the prospect of fragmentation, lack of interoperability, higher costs for unbanked populations.