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Outlook for Remittance Flows 2011-13

Remittance flows recover to pre-crisis levels

By Sanket Mohapatra, Dilip Ratha and Ani Silwal¹

- Officially recorded remittance flows to developing countries recovered quickly to \$325 billion in 2010 after the global financial crisis. But they have not kept pace with rising prices in recipient countries. Remittance flows are expected to grow at lower but more sustainable rates of 7-8 percent annually during 2011-13 to reach \$404 billion by 2013.
- Remittance flows to Latin America are growing again in 2011 because of the stabilization of the U.S. economy. Remittance flows from Russia and the GCC countries to Asia have been strong due to high oil prices. However, weak job markets in Western Europe are creating pressures to reduce migration.
- The crisis in the Middle East and North Africa has brought a great deal of uncertainty for migration and remittance flows. These political crises and the recent global financial crisis have highlighted, once again, the need for high-frequency data on migration and remittances.

Officially recorded remittances sent to developing countries reached \$325 billion, registering a quick recovery to the level in 2008 (table 1 and figure 1). Worldwide recorded remittance flows, including flows to high income countries, reached \$440 billion in 2010. Remittance flows proved to be resilient during the global financial crisis and became even more important as a source of external financing in many developing countries.² With a global economic recovery underway in 2010, remittance flows to all six developing regions registered positive growth in 2010. In part because of increase in oil prices and expansion of economic activity in the Gulf Cooperation Council countries, remittance flows to South Asia and East Asia increased at a faster pace of 8.2 percent and 7.4 percent respectively in 2010. However, remittance flows to Latin America and the Caribbean and Eastern Europe and Central Asia regions remained almost flat in 2010 because of economic weakness in the United States and Western Europe.

In line with a recovering but still fragile global economy, remittance flows to developing countries are expected to increase in 2011-13, but at lower and more sustainable rates compared to the period prior to the global financial crisis (table 1).³ Recorded remittance flows to developing countries are expected to grow annually by about 7.4 in 2012 and 7.9 percent in 2013 to reach \$375 billion in 2012

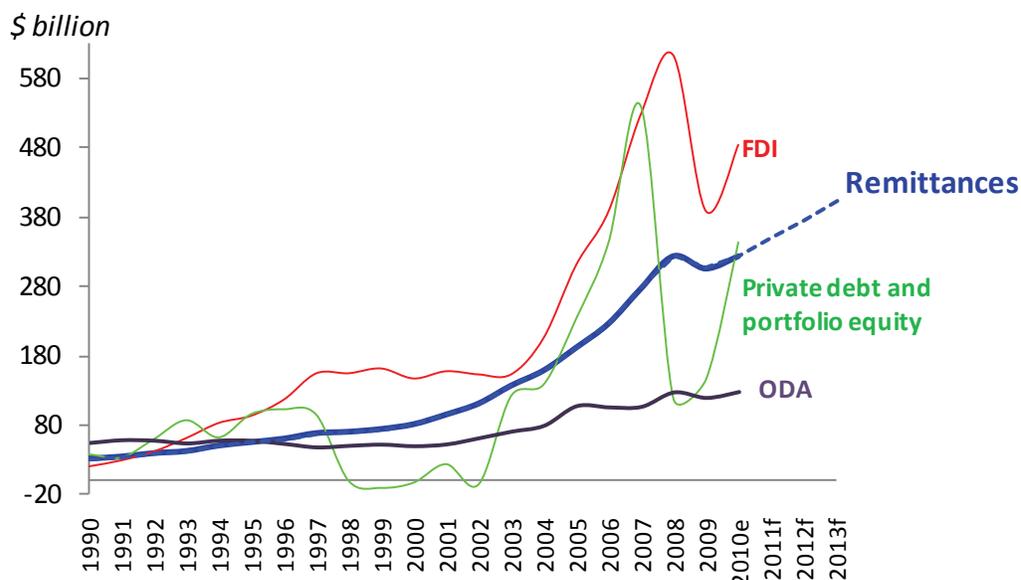
¹ We would like to thank Hans Timmer for extensive discussions, Andrew Burns and Sonia Plaza for useful comments, and Uranbileg Batjargal for assistance with updating remittances data.

² Remittances fell only 5.4% in 2009 compared to a 36 percent decline in foreign direct investment (FDI) between 2008 and 2009 and a 73 percent decline in private debt and portfolio equity flows from their peak in 2007.

³ World output is expected to grow at a slightly slower pace of about 4.5 percent annually in 2011-12 compared to average growth of 5.0 percent during 2004-07 in the period before the financial crisis. The advanced economies are forecast to grow at less than 3 percent annually during 2011-12 (Source: IMF WEO April 2011).

and \$404 billion by 2013.⁴ Worldwide recorded remittance flows, including to high-income countries, are expected to reach nearly \$500 billion in 2012 and \$536 billion in 2013.

Figure 1: Remittance flows to developing countries remained resilient during crisis, expected to grow in 2011-13



e = estimate; f = forecast

Source: World Development Indicators and Migration and Remittances Unit estimates

A broad based recovery in remittance flows is expected in all six developing regions in 2011-13, but there some risks to the outlook in the near term. With shifts in migrant employments that have taken place in the US (see next section), remittance flows to Latin America and the Caribbean region are expected to increase at about 9 percent annually during 2011-13. Remittance flows to countries in South Asia grew briskly in the first quarter of 2011, but are expected to slow in 2012-13 in a lagged response to the global crisis and the ongoing turmoil in North Africa, which resulted in a slowdown in outward migration from South Asia. Flows to developing countries in the Middle East and North Africa region are expected to grow at roughly half of the rate in 2011 compared to the previous year because of the ongoing crisis in the region. The crisis together with the recent earthquake in Japan in March is expected to result in a lower growth of remittances to the East Asia region in 2011. Remittance flows to Eastern Europe and Central Asia region are still below the level in 2007, but are expected to increase steadily at between 8 and 9 percent in 2011-13. The factors influencing these regional trends are discussed in more detail below.

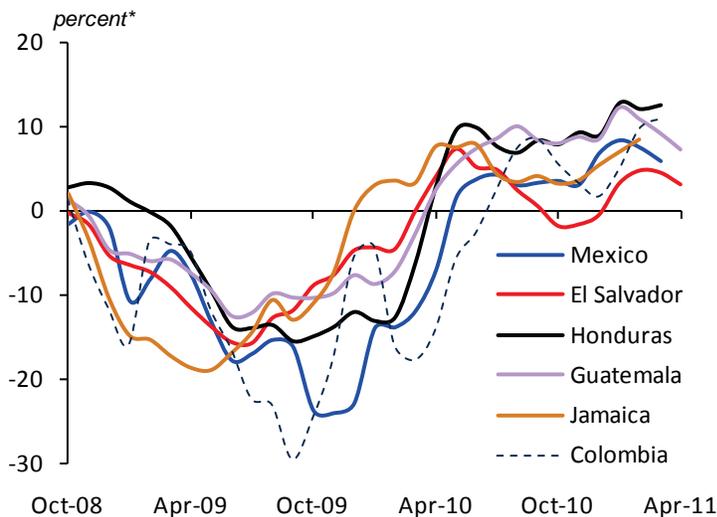
Sectoral shifts in US migrant employment are contributing to recovery in flows to Latin America

Remittance flows to Latin America started recovering in 2011 with an incipient economic and labor market recovery in the US and sectoral shifts in migrant employment. US output grew by 1.8 percent in the first quarter of 2011, while the unemployment declined from 9.6 percent in 2010 to 9 percent in

⁴ The rates of increase are substantially lower than average annual growth of 20 percent in remittance flows to developing countries between 2005 and 2008, prior to the global financial crisis.

April 2011 and is forecast to decline to 7.8 percent in 2012.⁵ The pace of decline in flows to Latin America slowed in the second half of 2010, and flows have started growing again in the first quarter of 2011 (figure 2). For Latin American countries with available remittance data for the first quarter of 2011 – Mexico, Colombia, Guatemala, El Salvador, Honduras, and Nicaragua which together account for 70 percent of remittance flows to the Latin America & Caribbean region – remittance inflows grew at 7.1% in the first quarter of 2011 on a year on year basis. This rebound is remarkable particularly because remittances to the region fell sharply by 12% in 2009 and remained close to flat in 2010.

Figure 2: Remittance flows to Latin America and Caribbean have resumed growing

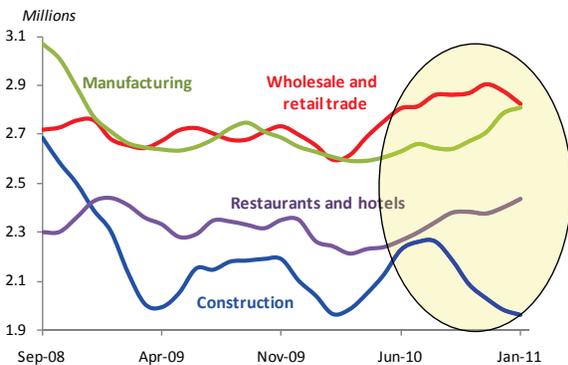


*Year-on-year growth of 3-month moving averages.

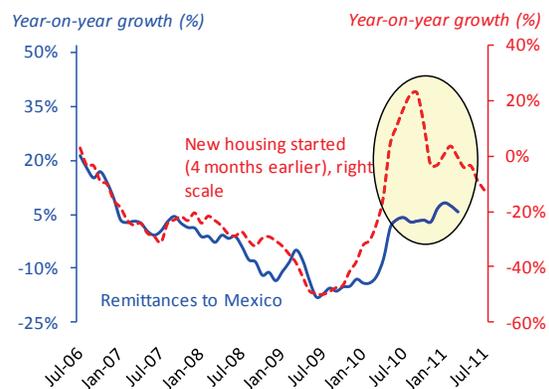
Source: Central banks of the respective countries and Migration and Remittances Unit calculations

Figure 3: Sectoral shift in migrant employment in the US

Shift in sectors of employment of migrants from construction to other sectors...



...has led to decoupling of tight relationship between US housing and remittances to Mexico

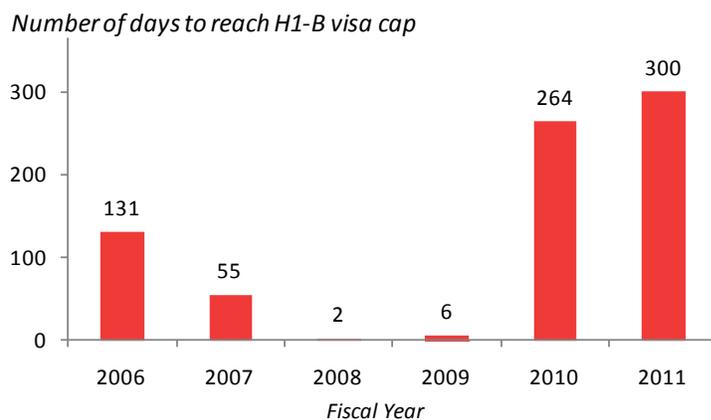


Source: US Current Population Survey, US Census Bureau, Banxico and Migration and Remittances Unit calculations

⁵ US Bureau of Economic Analysis; US Bureau of Labor Statistics; IMF World Economic Outlook April 2011. The current unemployment rates in the US are still very high compared with historical unemployment rates of 4.5-6 percent during 2003-2008 prior to the global financial crisis.

The increase in remittance flows has been mainly because of a recovery in migrant employment in the United States and sectoral and geographical shifts away from a still depressed construction sector toward growing manufacturing and services sectors (figure 3 first panel).⁶ Housing construction in the US, which has traditionally been a large employer of Hispanic migrants, continues to remain severely depressed with annualized new housing construction declining by three quarters (from more than 2 million in 2005 to about half million since early 2009) and a large inventory of existing homes for sale. The shift in migrant employment away from construction towards other sectors has resulted in a decoupling of a relatively close correlation between US housing starts and remittance flows to Mexico that we have documented in earlier briefs (figure 3 second panel).

Figure 4: Increase in number of days to fill temporary (H1-B) visas in the US reflects continued weakness in demand for skilled workers



Source: US Citizenship and Immigration Services

Despite the improvement in the overall employment trends in the US, demand for temporary visas for skilled workers in the H1-B visa program has been depressed. A large part of these temporary visas are filled by South Asian and East Asian workers in the information technology sector. The H1-B program has a quota of 65,000, but the demand for these visas declined during 2009-11 (figure 4). Visa applications for 2011-12 fiscal year that USCIS began receiving on April 1, 2011 have also been very low compared with previous years as only 10,200 applications have been received as of May 10, 2011 that count towards the H1-B Regular Cap of 65,000.⁷

High oil prices and rising pace of economic activity in oil-exporting countries is boosting remittance flows to countries in Central, East and South Asia

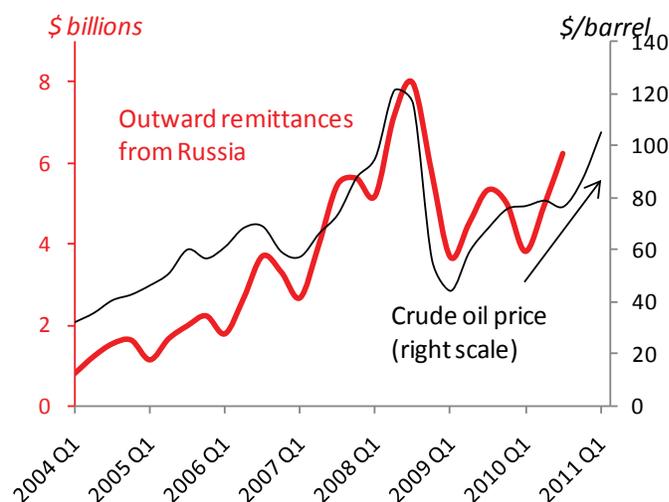
Flows from the Gulf Cooperation Council (GCC) countries to South Asia and East Asia—and also flows from Russia to Central Asian countries—are increasing with increase in oil prices and expansion in economic activity in the source regions. Oil prices have more than doubled from less than \$50 per barrel in early 2009 to over \$100 per barrel in the first quarter of 2011. Remittance flows from Russia to Central Asian countries are increasing with increase in oil prices and expansion in economic activity in the source region of remittances (figure 5).

⁶ See also Rakesh Kochhar of Pew Hispanic Center in Written testimony submitted to the Judiciary Subcommittee on Immigration Policy and Enforcement. (March 10, 2011).

⁷ <http://www.uscis.gov/>

The increase in oil prices has also buoyed employment growth in both the oil and non-oil sectors in the Gulf Cooperation Council countries, a major destination of South Asian and East Asian migrants.⁸ Notwithstanding the ongoing turmoil in North Africa, remittances flows to Bangladesh and Pakistan registered some of the highest growth rates since the global crisis during the first quarter of 2011, an increase of 35 percent in Pakistan and 11.4 percent in Bangladesh. Remittances from the GCC countries contributed about two-third of overall remittances received by Bangladesh and Pakistan (65 and 60 percent respectively) in 2010.

Figure 5: Remittances from Russia mainly to CIS countries have resumed growing in tandem with high oil prices and rising pace of economic activity



Source: Central bank of Russia, World Bank commodity database, Migration and Remittances Unit calculations.

Other resource-rich countries, such as Australia, that are benefiting from high global commodity prices are also planning to increase the intake of migrant workers. Australia is expected to have a shortage of 2.4 million skilled and semi-skilled workers by 2015, with the mining sector with a reported \$250 billion in planned projects experiencing a severe shortage of skilled workers. To fill skills gaps in the resources sector, Australia has introduced Enterprise Migration Agreements (EMAs) available to large Australian companies with minimum capital expenditure of 2 billion Australian dollars (US\$2.1 billion), with no caps on the number of workers brought in under these agreements.⁹

Crisis in North Africa has once again highlighted the need for rapid monitoring systems

The wave of protests and internal conflict sweeping across North Africa and some parts of the Middle East has caused a humanitarian crisis, but the effect on migration appears to have been largely localized within the region. More than 700,000 people are reported to have fled from Libya to neighboring Egypt, Tunisia, and Algeria, out of a reported 2.5 million immigrants in Libya prior to the crisis.¹⁰ The number of recorded immigrants in Libya is far smaller at 682,500, according to UN Population Division data. Some 30,000 Bangladeshis have been evacuated from Libya with the assistance of the World Bank and International Organization for Migration (see box 1), but many

⁸ The HSBC Purchasing Managers Index (PMI) for UAE shows some of the highest growth rates since the global financial crisis in the non-oil sector in the United Arab Emirates in the first quarter of 2011.

⁹ Skills Australia; <http://www.immi.gov.au/skilled/enterprise-migration-agreements.htm>.

¹⁰ "Migrants risk lives to reach, escape Libya". Associated Press, May 6, 2011.

migrants, especially from Sub-Saharan Africa, remain stranded. Remittance flows to Tunisia are reported to have fallen by 12 percent in the first quarter of 2011 relative to the same period a year ago.¹¹ While North Africans fleeing to Europe are widely reported, these are small compared to those displaced within the region. Some 23,000 North African migrants arrived in Italy between January and April, with several thousand proceeding to other European countries.¹² France, Italy and Denmark recently announced that they will increase immigration checks along their borders in order to stem the inflow of illegal migrants and the European Commission is considering a proposal that would allow its members to re-introduce border controls within the Schengen zone under exceptional circumstances.¹³

Outside the North Africa and Middle East region, the remittance recipient region that could be affected by the crisis is South Asia. South Asian countries have an estimated 11 million migrants living in the region (table 2). However, the bulk of South Asian migrants are in the six Gulf Cooperation Council countries. There is however very little official data on South Asian migrants in North Africa. UN agencies estimate that about 100,000 South Asian migrants lived in Libya prior to the current crisis, mostly from Bangladesh. Bangladesh received about \$1 million in remittances from Libya in 2010 or less than a tenth of one percent of its overall remittance inflows.¹⁴ Pakistan does not report any remittances from Libya.¹⁵ The data for Sub-Saharan African migrants in North Africa is even sparser.

Table 2: Official data on migrant stocks in the Middle East and North Africa likely understates actual migration to the region

<i>(Thousands)</i>		Migrants in:		
Migrants from (below):	GCC countries	Middle East, developing countries	North Africa, developing countries	Total in Middle East and North Africa (incl. GCC)
South Asia	8,859	1,941	...	10,803
Middle East and North Africa	3,550	4,998	700	9,249
East Asia and Pacific	1,249	197	10	1,455
Sub-Saharan Africa	449	322	47	817
Europe and Central Asia	89	25	3	118
Latin America and Caribbean	..	1	..	1
All developing regions	14,196	7,484	760	22,440

Source: *Migration and Remittances Factbook 2011*

Note: These estimates are based on national censuses, UN Population Division data on immigrant stocks, and secondary sources. The data for some sending and receiving regions (e.g. migrants from Sub-Saharan African and South Asia living in North Africa) are likely underestimated and in some cases (e.g., South Asian migrants in North Africa) are simply not available.

The lack of reliable and high-frequency data on both migration and remittances during the crisis in North Africa and Middle East has highlighted the **need for rapid monitoring systems**. Basic facts on the impacts of the crisis for migrants and recipient countries are simply not available. There is urgent need for rapid monitoring systems in both migrant-sending and recipient countries through improved data collection and dissemination of high-frequency data on migration and remittances. Such a rapid-

¹¹ In dollar terms, they fell by close to 17 percent. <http://www.afriquejet.com/news/africa-news/tunisian-central-bank-governor-paints-gloomy-economic-situation-2011050110485.html>

¹² The controversy between European countries has revolved around resettlement of migrants. <http://www.nytimes.com/2011/04/13/world/europe/13europe.html?partner=rss&emc=rss>

¹³ "Brussels battles against return of borders," Financial Times, May 12, 2011; "EU open borders scaled back after influx of migrants," The Guardian, May 4, 2011.

¹⁴ <http://www.bangladesh-bank.org/>

¹⁵ <http://www.sbp.org.pk/>

monitoring system would provide timely, reliable and consistent data on migration and remittances that would be updated regularly. It would draw on sources of data both within and outside of the region and promote bilateral exchange of information between migrant-sending and recipient countries.

Box 1: World Bank Assistance to Bangladesh for helping migrants displaced by the crisis in Libya

Before the current crisis in North Africa, some 70,000-80,000 Bangladeshis lived in Libya, among an estimated 6 million Bangladeshis who live abroad. Many of these migrants work in construction. During the crisis, many have lost their possessions during their travel to the border and were not able to arrange or pay for their own transportation back to their home.

A \$40 million World Bank program “Repatriation and Livelihood Restoration for Migrant Workers Project” will finance part of the cost of transporting returnees (As of April 13, 2011, some 30,000 had been repatriated with help from the International Organization for Migration.). It will provide a one-time \$775 cash grant upon arrival in Bangladesh to support their immediate needs while helping returning workers seek available employment opportunities at home and abroad to commence the process of livelihood restoration.

Source: “Bringing Bangladeshi Migrant Workers Home from Libya”, World Bank Press release, April 26, 2011.

Despite the limited observed impact on remittances so far, there are still fears that the instability and continuing protests in the region could prompt migrant workers in the GCC and the Middle East and North Africa region to return and reduce new migrant flows. In the near-term, migrants employed in the hospitality and convention industry, especially in Egypt and Dubai, could be adversely affected by a decline in tourism. However, in the longer term, the large oil revenues and long-term infrastructure plans of the GCC countries are likely to continue to attract migrant workers. For instance, Saudi Arabia recently approved a major project (estimated to cost \$30 billion) centered around a mile-high tall building.¹⁶ Qatar, which will host the FIFA World Cup in 2022, will need several hundred thousand workers to build nine fully air-conditioned stadiums and to upgrade its hotels and transport infrastructure for the games.¹⁷

Persistently high unemployment rates and tightening of migration controls in Western Europe are adversely affecting remittance flows

As large fiscal stimulus programs in the OECD countries are being replaced by cutbacks in public sector spending, unemployment rates continue to remain persistently high. Unemployment rates continue to remain persistently high in the high income countries even after the financial crisis. The IMF forecasts that Euro Area unemployment will remain above 9.6 percent in 2011-12. Spain will continue to have unemployment rates above 18 percent and those in the UK would remain above 7.7 percent in 2011-12. These high unemployment rates have resulted in increasing pressures to further tighten immigration controls and for greater selectivity in immigration policies. Destination countries in Europe have implemented policies recently that favor skilled migrants, although these policies have met resistance from sectors that stand to lose from the migrant labor. The UK reduced the immigrant quota from an interim cap of 24,100 in the 2010-11 fiscal year to 21,700 this fiscal year, and has introduced tighter rules of entry and employment of foreign students after graduation, such as tougher English language requirement, stronger evidence of funding, and minimum salary requirements.¹⁸ Australia also

¹⁶ <http://www.emirates247.com/property/real-estate/1-mile-tall-kingdom-tower-gets-green-light-2011-04-13-1.380638>

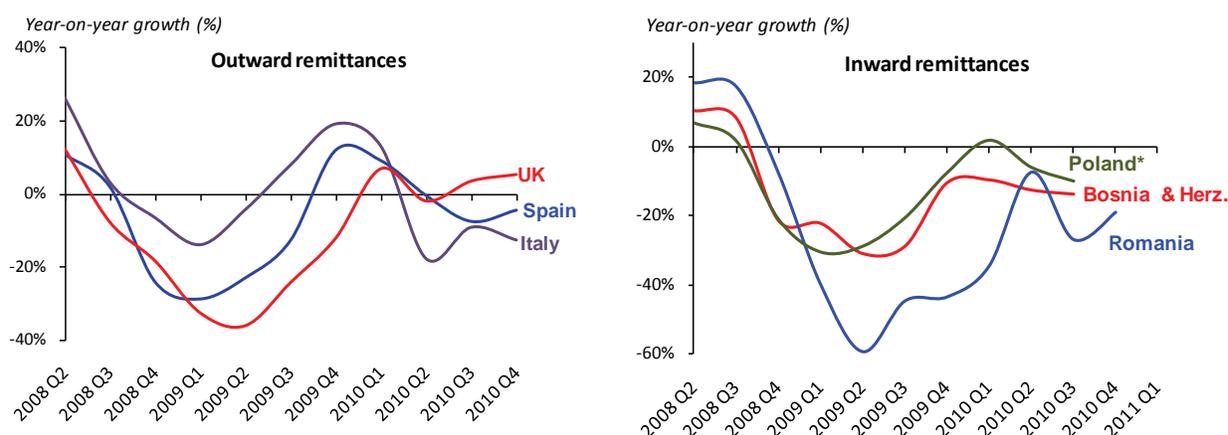
¹⁷ <http://edition.cnn.com/2010/SPORT/football/12/02/qatar.world.cup.stadiums/index.html>

¹⁸ <http://www.ft.com/cms/s/0/8501b88e-39c1-11e0-8dba-00144feabdc0.html#axzz1K0nmGKvP>;
http://www.businessweek.com/bschools/content/apr2011/bs20110415_661713.htm and

tightened restrictions, reduced the number of occupations in its list of General Skilled Migration program in 2010 from 398 to 181.¹⁹

Partly as a result of persistently high unemployment rates and migration restrictions, the growth of remittance flows from Italy and Spain again turned negative in the second half of 2010 after registering positive growth in the previous quarters (figure 6). Outward from the UK registered positive growth. In turn, remittance inflows to Eastern Europe countries such as Poland (a major sender of migrants to the UK), Romania and Bosnia & Herzegovina have remained in negative territory in 2010 (figure 6).

Figure 6: Tight labor markets and immigration controls are contributing to slow recovery of outward remittances from Western European destinations



* Poland is now a high-income country and is not included in data on remittance flows to developing countries
 Source: IMF Balance of Payments; Migration and Remittances Unit calculations.

There has been resistance among employers such as business associations and medical and academic institutions facing shortages of workers and students. After implementing immigration caps in early 2010, UK responded to resistance from employers by adding exceptions to its cap to high skilled migrants earning more than £150,000 per year.²⁰ With increasing perception of having an unwelcome labor markets, Australia saw a plunge in the number of international students in its universities, and has commissioned a review of its student visa program.²¹ As discussed earlier, it has also implemented regional and enterprise migration agreements to ease labor shortages in its resources sector.

In general, as we have highlighted in earlier briefs, protectionist policies that slow the movement of goods and people across borders are likely to prolong the process of recovery from the global crisis. In the near term, anti-immigration policies favoring native workers over migrant workers are neither helpful for businesses facing declining revenues and cost-cutting pressures, nor for the economies in need of labor market flexibility. Policies to reduce migration and target high-skilled migrants are also

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/news/summary-student-policy.pdf>. In March, the UK issued a ruling that bans immigrants born outside of the European Economic Area to work as chefs in takeaway restaurants (an employer of migrants) and seven other occupations. (<http://www.bbc.co.uk/news/uk-12733899>, March 14, 2011)

¹⁹ <http://www.visabureau.com/australia/news/08-02-2010/major-australian-visa-changes-announced-by-immigration-minister.aspx> and <http://www.visabureau.com/australia/skilled-occupation-list.aspx>

²⁰ <http://www.guardian.co.uk/uk/2011/feb/15/high-earners-exempted-migrant-cap>

²¹ <http://www.abc.net.au/7.30/content/2011/s3190817.htm> and <http://www.immi.gov.au/students/student-submissions>

inconsistent with the sharp increase in demand for migrants projected in the rapidly aging societies of the North.

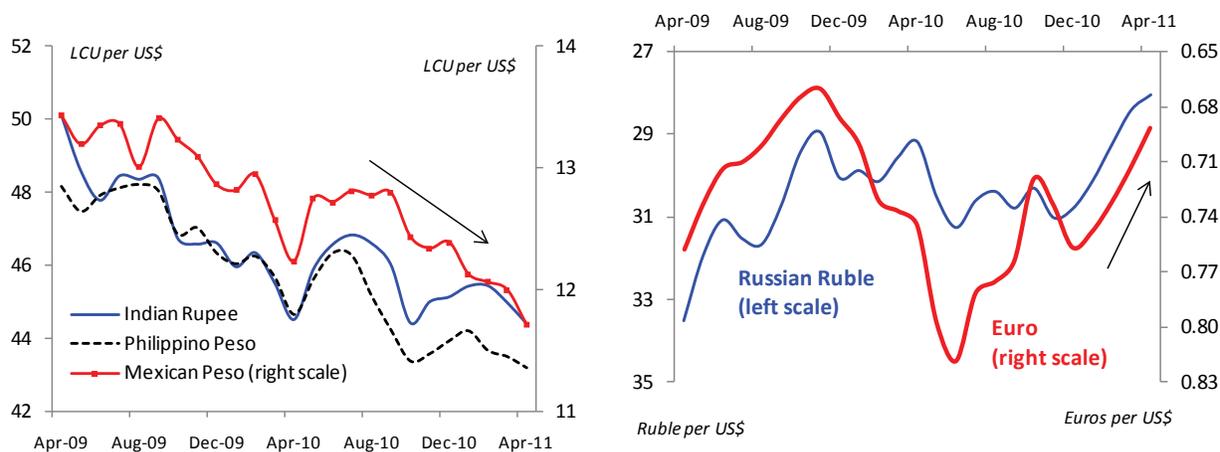
Remittances fell in purchasing power terms in 2010 because of currency appreciation and inflation in developing countries

The currencies of several large remittance-recipient countries have appreciated relative to US dollar. Between March 2009 and March 2011, the currency of Mexico appreciated by 22 percent relative to the US dollar, India’s by 14 percent, and the Philippines’ by 11 percent (figure 7). This appreciation, combined with higher rates of inflation in developing countries, implies that migrants have to send more in dollar terms to simply maintain the purchasing power of recipients.

Figure 7: Movements of remittance-recipient and source currencies relative to the US dollar

Exchange rates of recipient countries have been appreciating with respect to the US dollar, reducing purchasing power of recipients...

... while the appreciation of currencies of some remittance sending regions is increasing the dollar value of remittances



Source: DECPG, World Bank.

During the same period, the Russian Ruble appreciated by 22 percent and the Euro by 8 percent implying larger flows to recipient countries in US dollar terms than in local currency terms (figure 7). This has cushioned to some extent remittance flows to countries in Central Asia from Russia, and Africa and other regions that receive remittances from countries in the Euro area.

Remittances flows to developing countries recovered to pre-crisis level of \$325 billion in 2010, but have failed to keep up with rising prices and the appreciation of currencies of several large recipient countries relative to the US dollar. While remittances grew 5.6 percent in US dollar terms in 2010, they grew by a smaller 3.9 percent after accounting for exchange rate changes, and fell by 2.7 percent after adjusting for inflation (table 3).

The largest decline in remittances adjusted for inflation was for countries in the Latin America and the Caribbean region, which experienced both sustained appreciation of their currencies with respect to the US dollar and domestic inflation. While remittance flows to the Latin America region remained almost flat in nominal US dollar terms, they declined by 2.9 percent after accounting for exchange rate changes, and fell by 6.9 percent after adjusting for inflation. A similar decline the purchasing power of remittances was observed for South Asian countries where high inflation (especially in India) converted an 8.2 percent increase in US dollar terms to a decline of 6.3 percent in purchasing power terms.

Table 3: Growth of remittances in local currency terms adjusted for inflation has been much smaller compared to growth in nominal US dollar terms

	Remittance inflows in 2010, est. (\$ billion)	Growth of remittances in 2009-10 in US\$ terms (%)	Growth of remittances in local currency terms (%)	Growth of remittances in local currency terms adjusted for inflation (%)
All developing countries	324.7	5.6%	3.9%	-2.7%
East Asia and Pacific	92.5	7.4%	4.9%	0.8%
Europe and Central Asia	34.9	1.3%	5.8%	-0.5%
Latin America and Caribbean	57.6	1.7%	-2.9%	-6.9%
Middle-East and North Africa	35.6	6.2%	8.1%	2.2%
South Asia	81.2	8.2%	4.6%	-6.3%
Sub-Saharan Africa	21.9	5.5%	5.1%	-4.0%
Largest recipients				
India	53.1	7.4%	1.5%	-10.4%
China	51.3	5.3%	4.3%	1.0%
Mexico	22.0	0.2%	-6.3%	-10.0%
Philippines	21.4	8.1%	2.3%	-1.4%
Bangladesh	10.8	2.7%	3.6%	-4.3%
Nigeria	10.0	4.8%	5.0%	-7.7%
Pakistan	9.7	11.1%	15.8%	3.7%
Lebanon	8.4	11.3%	11.3%	6.5%
Vietnam	8.0	17.0%	27.1%	16.4%
Egypt	7.7	8.1%	9.3%	-2.2%

Source: Migration and Remittances Unit calculations

The reduction in local currency value of remittances implies hardship for recipients, and increased pressure on migrants to send more to maintain the purchasing power of their remittances. Among the largest ten recipients of remittances in developing regions, four experienced a nominal appreciation of their currencies against the US dollar. For instance, while remittances to India, the largest recipient in 2010, are estimated to have grown by 7.4 percent in US dollar terms, it experienced an almost flat growth of 1.5 percent in local currency terms. Since India also had a relatively high rate of inflation in this period, the purchasing power of remittances actually decreased by 10.4 percent.

Innovative financing tools leveraging on migration and remittances, e.g. diaspora bonds, are demonstrating the potential for leveraging migration for development goals

Given the volume of remittances flowing to developing countries, innovative financing tools such as diaspora bonds and remittance-backed bonds are being viewed as potential sources that can finance infrastructure and development projects at lower cost and longer maturities. Several countries have made introduced diaspora bonds in recent years or are in the process of doing so. Greece has announced that it will issue diaspora bonds in 2011 for \$3 billion mainly for debt management and has filed registration with the US Securities and Exchanges Commission in order to be able to sell the bond to investors in the US. In the past, India and Israel have raised over \$35 billion dollars, often in times of liquidity crisis (Ketkar and Ratha 2009). Other countries have issued bonds targeted at the diaspora, but these have not been as successful, in part because of perceived high political risk. The Ethiopian Electric Power Corporation issued a diaspora bond in December 2008 with help from the Ethiopian central bank,

but it was not successful in raising significant amount of financing.²² Nepal also issued a local currency diaspora bond in June 2010, but it raised very little financing because of lack of publicity, short period of sale, limited targeting to migrants in the Gulf, and an unattractive local currency interest rate.²³ This has been followed by another issuance in April 2011. The Government of Zimbabwe has also established a committee that will facilitate issuance of a diaspora bond.

Table 4: Global estimates of diaspora savings

	Diaspora size (millions)	Estimated diaspora savings in 2009 (\$ billions)
Developing countries	161.5	397.5
East Asia & Pacific	21.7	83.9
Europe & Central Asia	43	72.9
Latin America & Caribbean	30.2	116
Middle East	9.3	18.9
North Africa	8.7	22.3
Sub-Saharan Africa	21.8	30.4
South Asia	26.7	53.2

Source: Ratha and Mohapatra 2011 "*Preliminary Estimates of Diaspora Savings*" *Migration & Development Brief* 14.

These innovative financing instruments would tap into the savings of the diaspora, estimated at \$400 billion annually for all developing countries, and \$30 billion for Sub-Saharan Africa (table 4). Preliminary estimates suggest that Sub-Saharan African countries can potentially raise \$5-10 billion per year by issuing diaspora bonds. The role of the international community, including the World Bank, can range from providing seed money for investment banking fees and rating costs to reducing legal complications and even purchasing a part of the bonds. Donors can provide guarantees and risk mitigation; offer technical assistance on legal framework, structuring, pricing, and risk management; and help design projects financed by diaspora bonds. Sovereign rating is a key requirement – international institutions can help establish shadow ratings and produce reliable and timely data. They can also facilitate public-private partnerships to raise financing for infrastructure, education and health projects.

²² More recently, Ethiopia has issued a Millennium bond in April 2011 to raise financing for the Ethiopian Greater Renaissance Dam (a 5,000 MW hydroelectric project, which will be the largest of its kind Africa) that is also open to diaspora investors.

²³ See <http://blogs.worldbank.org/peoplemove/whatever-happened-to-nepals-diaspora-bonds> for more details.

Table 1: Outlook for remittance flows to developing countries, 2011-13

	2007	2008	2009	2010e	2011f	2012f	2013f
<i>\$ billions</i>							
All developing countries	278	325	308	325	349	375	404
East Asia and Pacific	71	85	86	93	99	107	117
Europe and Central Asia	39	46	35	36	39	42	46
Latin America and Caribbean	63	64	57	58	63	68	74
Middle-East and North Africa	32	36	34	36	37	39	41
South Asia	54	72	75	81	89	94	100
Sub-Saharan Africa	19	22	21	22	23	24	26
LDCs (UN-classification)	17	23	24	26	28	31	33
Low-income countries	17	22	23	24	27	29	32
Middle-income	262	303	285	300	321	345	372
<i>World</i>	385	444	417	440	468	499	536
<i>Growth rate (%)</i>							
All developing countries	22.9%	16.8%	-5.4%	5.6%	7.3%	7.4%	7.9%
East Asia and Pacific	23.7%	20.3%	0.8%	7.4%	6.8%	8.0%	9.5%
Europe and Central Asia	38.5%	16.5%	-22.7%	1.3%	7.8%	9.4%	8.8%
Latin America and Caribbean	7.1%	2.3%	-12.3%	1.7%	8.6%	9.3%	8.6%
Middle-East and North Africa	21.5%	12.0%	-6.8%	6.2%	3.4%	5.5%	5.6%
South Asia	27.1%	32.6%	4.8%	8.2%	9.1%	5.8%	6.5%
Sub-Saharan Africa	47.1%	16.0%	-3.8%	5.5%	5.1%	5.9%	6.5%
LDCs (UN-classification)	22.9%	32.8%	5.2%	5.8%	10.9%	7.3%	6.8%
Low-income countries	27.9%	32.5%	3.3%	6.9%	12.1%	8.2%	8.2%
Middle-income	22.6%	15.8%	-6.0%	5.5%	7.0%	7.4%	7.9%
<i>World</i>	21.1%	15.3%	-5.9%	5.4%	6.4%	6.7%	7.3%

e= estimate; f=forecast

Source: : Authors' calculation based on data from IMF Balance of Payments Statistics Yearbook 2009 and data releases from central banks, national statistical agencies, and World Bank country desks. See Annex 1 for the methodology for the forecasts. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers – see www.worldbank.org/prospects/migrationandremittances for data definitions and the entire dataset.

Migration and Development Briefs are prepared by the Migration and Remittances Unit, Development Economics (DEC) and Poverty Reduction and Economic Management (PREM) network. These briefs are intended to be informal briefing notes on migration, remittances, and development. The views expressed are those of the authors and may not be attributed to the World Bank Group. The latest data on remittances and other useful resources are available at <http://www.worldbank.org/migration>. Our blog on migration titled "People Move" can be accessed at <http://blogs.worldbank.org/peoplemove>. Contributions, feedback, and requests to be added to or dropped from the distribution list, may be sent to Dilip Ratha at dratha@worldbank.org.