Global remittances will see a sharp fall: World Bank

- The World Bank has predicted global remittances, the money sent home from people working abroad, will fall by around 20% in 2020 as economic activity grinds to a halt due to the coronavirus pandemic and labor migrants lose wages and access to remittance services.
- The Bank, which released a report on the issue today, recommends making remittances cheaper and classifying them as “essential” services to prevent families falling over the edge into severe poverty.
- According to World Bank report, Migrant remittances provide an economic lifeline to poor households in many countries.
- The bank said this decline is “unprecedented,” with the closest comparison being the Global Financial Crisis.
- The ongoing economic recession caused by COVID-19 is taking a severe toll on the ability to send money home and makes it all the more vital that we shorten the time to recovery for advanced economies.

Data:

- In 2019, low- and middle-income countries (LMICs), commonly known as developing countries, received around $554 billion in remittance flows, a larger amount than all the foreign direct investment (FDI) flowing into those countries that year (excluding China).
- World Bank predicts remittances will decline 19.7% in 2020, to $445 billion.
- Families in developing countries are often reliant on the income generated by remittances, with some 800 million people living in households that receive them.
- In India, remittances for 2020 are projected to fall by 23% to $64 billion.
- Remittances to low- and middle-income countries reached a record high in 2018.
- Among countries, the top remittance recipients were India with $79 billion, followed by China ($67 billion), Mexico ($36 billion), the Philippines ($34 billion), and Egypt ($29 billion).

Remittances and SDGs:

- In 2015, Member States of the United Nations issued a call to action to eradicate global poverty, reduce economic inequality and place the world on a more sustainable pathway: the 2030 Agenda for Sustainable Development. This comprehensive undertaking affirms the need to reach 17 specific Sustainable Development Goals (SDGs) and proposes several ways to mobilize the additional resources required to realize this ambitious – but achievable – agenda. Of these, SDG 10 specifically refers to safe migration.
- For more than a century, people have been moving from rural to urban areas, and across national borders in search of better opportunities. Of the 250 million people currently living outside their countries of origin, approximately 200 million migrant workers leave home in order to send remittances, with the aim of giving their families the chance to remain home and addressing the root causes of their own migration.
- Therefore, helping remittance families leverage the development impact of their own resources is vital to reach the SDGs. The international community may now recognize migrant workers and their families as agents of change and key partners in this effort.
- The potential for synergy in connecting the scale of remittances to reach the SDGs is clear: one billion senders and receivers and a projected US$6.5 trillion in international remittances will be sent to developing countries between 2015 and 2030.
Over the last decade, attention has focused primarily on the “sending side” of remittances, particularly the aggregate volumes and transaction costs of sending family remittances, essentially from developed to developing countries. The global dimension of this phenomenon is impressive: US$481 billion were sent in 2017 to developing countries and remittance-reliant European countries, more than three times official development assistance (ODA).

It is estimated that 75 per cent of remittance flows go towards immediate needs, but the other 25 per cent – over US$100 billion per year – is available for other purposes. Despite the focus on the aggregate flows of remittances, the amount that matters the most is not measured in millions or billions, but in the individual US$200 or US$300 sent home regularly. This amount represents 60 per cent of total household income and, if leveraged, it can most effectively improve the living standards of migrants and their communities back home.

With these apparently small funds, most remittance families commit to reaching “their own SDGs” – reduced poverty, better health and nutrition, education opportunities, improved housing and sanitation, entrepreneurship, financial inclusion and reduced inequality, and the ability to deal with the uncertainty in their lives by increasing their savings and building assets to ensure a more stable future.

In this regard, the SDGs provide a unique opportunity to create a convergence between the goals of remittance families, government development objectives, private sector strategies to tap underserved markets, and the traditional role of civil society to promote positive change. In particular:

- Financial inclusion and literacy for remittance recipient families can increase opportunities for formal savings and investment. In turn, these mechanisms can build the human capital of remittance families and improve their living standards through better education, health and housing.
- Migrant investments beyond remittances can change the development landscape of local communities, if given appropriate options.

**Importance of remittances for India:**

- It is a vital source of income for financing household and family expenses.
- Higher remittances improve nutritional outcomes by increasing investments in higher education.
- It is important to address poverty and hunger in the country.
- India is the highest recipient of global remittances.
- To achieve its SDGs particularly SDG-1,2,5,6,10.

**Remittances**

- Remittances are usually understood as financial or in-kind transfers made by migrants to friends and relatives back in communities of origin.
- These are basically sum of two main components - Personal Transfers in cash or in kind between resident and non-resident households and Compensation of Employees, which refers to the income of workers who work in another country for a limited period of time.
Remittances help in stimulating economic development in recipient countries, but this can also make such countries over-reliant on them.

**World Bank’s Migration and Development Brief**

- This is prepared by the Migration and Remittances Unit, Development Economics (DEC)- the premier research and data arm of the World Bank.
- The brief aims to provide an update on key developments in the area of migration and remittance flows and related policies over the past six months.
- It also provides medium-term projections of remittance flows to developing countries.
- The brief is produced twice a year.