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World Bank Predicts Sharpest Decline of Funds For Services to Caribbean Amid Coronavirus Pandemic

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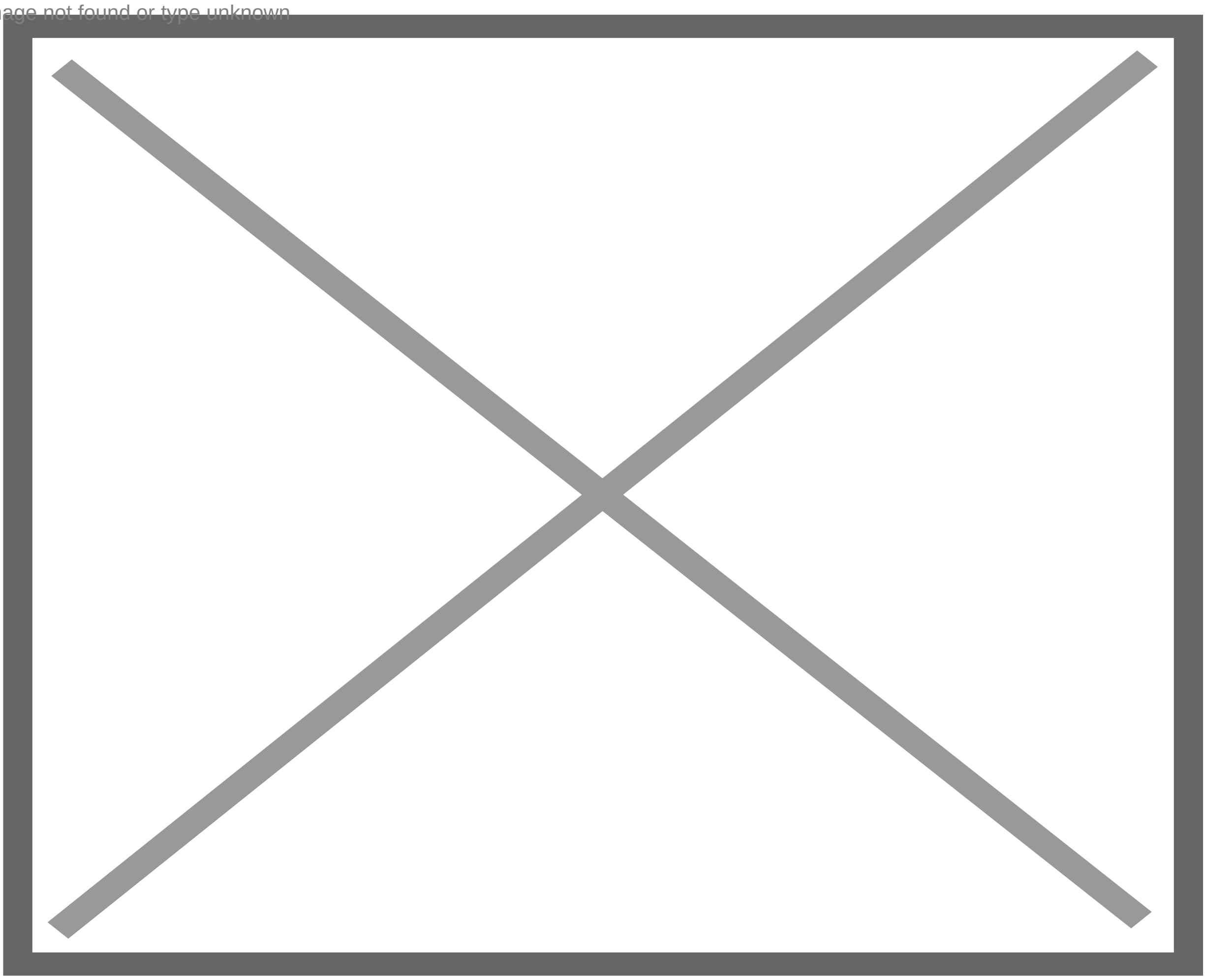

WASHINGTON — The World Bank has predicted the sharpest decline of remittances to Latin America and the Caribbean, saying that global remittances on a whole are projected to decline sharply by about 20 percent in 2020 due to the economic crisis induced by the COVID-19 pandemic and shutdown.

“The projected fall, which would be the sharpest decline in recent history, is largely due to a fall in the wages and employment of migrant workers, who tend to be more vulnerable to loss of employment and wages during an economic crisis in a host country,” said the Washington-based financial institution in a statement on Wednesday.

It said remittances to low and middle-income countries (LMICs) are projected to fall by 19.7 percent to US$445 billion, “representing a loss of a crucial financing lifeline for many vulnerable households.”

The World Bank pointed to studies that show that remittances alleviate poverty in lower- and middle-income countries, improve nutritional outcomes, are associated with higher spending on education, and reduce child labor in disadvantaged households.

“A fall in remittances affect families’ ability to spend on these areas as more of their finances will be directed to solve food shortages and immediate livelihoods needs,” the bank said.

“Remittances are a vital source of income for developing countries. 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,” said World Bank Group President David Malpass.

“Remittances help families afford food, healthcare and basic needs,” he added. “As the World Bank Group implements fast, broad action to support countries, we are working to keep remittance channels open and safeguard the poorest communities’ access to these most basic needs.”

The World Bank said it is assisting member states in monitoring the flow of remittances through various channels, the costs and convenience of sending money and regulations to protect financial integrity that affect remittance flows.

The bank said it is also working with the Group of 20 (G20) of the world’s industrialized countries and the global community to reduce remittance costs and improve financial inclusion for the poor.

It said remittance flows are expected to fall across all World Bank Group regions, most notably in Europe and Central Asia (27.5 percent), followed by Sub-Saharan Africa (23.1 percent), South Asia (22.1 percent), the Middle East and North Africa (19.6 percent), Latin America and the Caribbean (19.3 percent), and East Asia and the Pacific (13 percent).

The World Bank said the large decline in remittances flows in 2020 comes after remittances to LMICs reached a record US$554 billion in 2019.

“Even with the decline, remittance flows are expected to become even more important as a source of external financing for LMICs as the fall in foreign direct investment (FDI) is expected to be larger (more than 35 percent),” the bank said.

In 2019, it said remittance flows to LMICs became larger than FDI, an important milestone for monitoring resource flows to developing countries.

In 2021, the World Bank estimates that remittances to LMICs will recover and rise by 5.6 percent to US$470 billion.

“The outlook for remittance remains as uncertain as the impact of COVID-19 on the outlook for global growth and on the measures to restrain the spread of the disease,” the bank said.

In the past, the World Bank said remittances have been “counter-cyclical, where workers send more money home in times of crisis and hardship back home.

“This time, however, the pandemic has affected all countries, creating additional uncertainties,” the bank said.

Michal Rutkowski, Global Director of the Social Protection and Jobs Global Practice at the World Bank, said “effective social protection systems are crucial to safeguarding the poor and vulnerable during this crisis in both developing countries, as well as advanced countries.

“In host countries, social protection interventions should also support migrant populations,” he said.

The World Bank said remittances flows into Latin America and the Caribbean grew 7.4 percent to US$96 billion in 2019.

In 2020, it said remittance flows to the region is estimated to fall by 19.3 percent.

The World Bank said the average cost of sending US$200 to the region was 5.97 percent in the first quarter of 2020.

Amid the COVID-19 crisis, the bank said the costs of transferring remittances to the region could increase due to operational challenges being faced by remittance service providers (closures of agents and offices, access to cash, foreign exchange, security) and compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulations.