Expert Group Meeting on
Asian Partnership in Financing SDGs
Dhaka: 16-17 May 2015

Working Session 2
Role of Overseas Remittances in
Promoting Growth and Alleviating Poverty in Asia
16 May 2015

Economic Role of Remittances in Financing SDGs in Asia

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Why?

• Migrants can act as agents of development in their home/origin communities and eventually the country

• People who migrate “often are the more innovative, better-off, better educated and better informed...” (Skeldon, 1990)

• Migrants are another form of entrepreneurs
Why?

• Migrants may lead to brain drain or skill drain or entrepreneurs drain

• Migrants perpetuate themselves – relative deprivation

• Until migrants return, remittances are “triggers of growth and not way of life” (IOM, 2005)
Outline

• Migration and Development
• Data on Migration, Remittances and Development
• Options for Remittances as source for Development Finance
• Issues and Challenges
• Framework and Recommendations
Migration and Development

• Virtuous Cycle vs Vicious Cycle

• The New Development Mantra (Kapur)

• No definite conclusion on positive impact but anecdotal observation cannot discount the same
World remittances

Still increasing but growth settling at below 5%
Remittance Flows

Share of Asia peaked at 40% of World Remittances

Largest remittances coming From South Asia
Share

Absolute Values and Share to GDP
Source

Vulnerability of flows dependent on source countries
Importance

Resource inflows to ADB countries (US$ billion)

Importance

Much larger than FDI, ODA and Foreign Debt!
Table 3. Deployed New hires by Major Occupational Category and By Sex, 2000-2013

<table>
<thead>
<tr>
<th>SKILL CATEGORY</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
<th>2013</th>
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<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>1. Professional, Technical Workers</td>
<td>11,231</td>
<td>67,454</td>
<td>11,953</td>
<td>51,988</td>
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<tr>
<td>2. Administrative, Managerial Workers</td>
<td>208</td>
<td>76</td>
<td>381</td>
<td>109</td>
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<tr>
<td>3. Clerical Workers</td>
<td>1,367</td>
<td>1,000</td>
<td>1,985</td>
<td>3,553</td>
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<tr>
<td>4. Sales Workers</td>
<td>1,134</td>
<td>949</td>
<td>1,288</td>
<td>2,973</td>
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<td>5. Service Workers</td>
<td>7,412</td>
<td>83,794</td>
<td>10,666</td>
<td>123,241</td>
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<td>6. Agricultural Workers</td>
<td>520</td>
<td>6</td>
<td>311</td>
<td>39</td>
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<td>8. Other (NEC)</td>
<td>11,456</td>
<td>8,616</td>
<td>801</td>
<td>195</td>
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<tr>
<td>Total</td>
<td>74,707</td>
<td>178,323</td>
<td>79,079</td>
<td>205,206</td>
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</table>

Description: POEA Compendium of OFW Statistics, various years (Franco, 2015 forthcoming)

<table>
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<tr>
<th>Description</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
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<tr>
<td>Migrants by Sex</td>
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<tr>
<td>Male</td>
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<td>51.0</td>
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<td>52.0</td>
<td>49.0</td>
<td>48.0</td>
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<td>Skill Composition of Migrants</td>
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<tr>
<td>Professional</td>
<td>1.1</td>
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<td>1.1</td>
<td>1.5</td>
<td>1.6</td>
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<td>2.6</td>
<td>2.3</td>
<td>3.3</td>
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<tr>
<td>Clerical &amp; Related</td>
<td>2.7</td>
<td>2.7</td>
<td>3.0</td>
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<td>Skilled</td>
<td>23.8</td>
<td>24.8</td>
<td>26.7</td>
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<tr>
<td>Semi-Skilled</td>
<td>2.1</td>
<td>2.4</td>
<td>1.8</td>
<td>1.6</td>
<td>1.2</td>
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<tr>
<td>Unskilled**</td>
<td>23.7</td>
<td>20.3</td>
<td>22.6</td>
<td>24.1</td>
<td>22.3</td>
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<tr>
<td>Domestic Workers</td>
<td>43.1</td>
<td>46.0</td>
<td>42.2</td>
<td>41.0</td>
<td>42.2</td>
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Impacts

Workers remittances

Current account

Poverty

Infant mortality
Uses (Bangladesh)

Use of Remittance
- Saved 15.53%
- Spent 84.47%

Expenditure Pattern
- Food Item 32.81%
- Durables & Others 34.37%
- Non-Food Items 32.82%
Usage of remittances in Nepal (%, 2008)

- Land/ house purchase: 49%
- Debt repayment: 9%
- Saving in a bank: 11%
- Education, health and other: 25%
- Social work: 3%
- House purchase: 2%

Source: Nepal Ministry of Labor and Employment, 2014
## Cost of Sending US$200

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<tr>
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<td>6.40</td>
<td>7.57</td>
<td>7.55</td>
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<td>6.20</td>
<td>6.54</td>
<td>6.77</td>
<td>6.70</td>
<td>6.00</td>
<td>6.29</td>
<td>6.49</td>
<td>6.35</td>
<td>6.17</td>
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<tr>
<td>ECA (x Russia)</td>
<td>9.70</td>
<td>9.42</td>
<td>8.33</td>
<td>9.49</td>
<td>9.32</td>
<td>8.68</td>
<td>8.14</td>
<td>8.21</td>
<td>8.43</td>
<td>8.35</td>
<td>8.41</td>
<td>7.93</td>
<td>8.18</td>
<td>7.92</td>
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<td>8.65</td>
<td>7.63</td>
<td>8.12</td>
<td>7.27</td>
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<td>7.68</td>
<td>7.72</td>
<td>7.65</td>
<td>7.77</td>
<td>7.28</td>
<td>7.25</td>
<td>7.02</td>
<td>6.21</td>
<td>5.57</td>
<td>6.02</td>
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<tr>
<td>MNA</td>
<td>9.30</td>
<td>9.58</td>
<td>8.19</td>
<td>8.96</td>
<td>8.00</td>
<td>8.15</td>
<td>8.19</td>
<td>8.85</td>
<td>8.81</td>
<td>8.83</td>
<td>8.81</td>
<td>8.80</td>
<td>8.32</td>
<td>8.29</td>
<td>8.25</td>
</tr>
<tr>
<td>SAR</td>
<td>7.31</td>
<td>6.85</td>
<td>5.99</td>
<td>6.54</td>
<td>6.56</td>
<td>6.15</td>
<td>6.70</td>
<td>6.54</td>
<td>7.16</td>
<td>7.02</td>
<td>7.12</td>
<td>6.58</td>
<td>6.56</td>
<td>6.45</td>
<td>5.97</td>
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<td>SSA</td>
<td>13.07</td>
<td>11.61</td>
<td>10.06</td>
<td>11.57</td>
<td>12.18</td>
<td>2</td>
<td>12.41</td>
<td>12.32</td>
<td>12.40</td>
<td>12.21</td>
<td>12.06</td>
<td>12.29</td>
<td>12.55</td>
<td>11.71</td>
<td>11.55</td>
</tr>
</tbody>
</table>

Falling but still above 5% based on the 2015 target
Analytical Framework

FRAMEWORK FOR REMITTANCES FLOWS FOR DEVELOPMENT

Overseas Migrant Workers

REMITTANCES

International Reserves

ECONOMIC SECTORS

NATIONAL ECONOMY

Current Account

Foreign Exchange

URBAN

RURAL

FINANCIAL INCLUSION

MIGRANT HOUSEHOLDS

FINANCIAL LITERACY

SAVINGS, INVESTMENTS AND BUSINESS

CONSUMPTION

PHILANTHROPY
Same Investment Climate Requirements

Rural Investment Climate

- Rural Non-Farm Enterprises
- Markets
- Rural Consumers

Remittance Investment Climate

- Farm Enterprises
- Migrants and their families

1. Financial literacy of migrants and their families
2. Remittance Behavior and Use
3. Impacts on the hometowns

Consumers
Challenges

• Remittances is private flow and is really a gift (nothing expected in return)
• It is based on trust on the financial bridge to reach its beneficiaries
• Works on the same investment and business environment
• Requires good knowledge of who is remitting and their families (context specificity)
Challenges

- Most migrants remit small amounts
- Almost half of migrants are women in domestic work
- Migration can cause inequalities

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Share to total</th>
<th>Average monthly remittance (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Executives and Managers</td>
<td>4.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Professionals</td>
<td>8.8</td>
<td>8.4</td>
</tr>
<tr>
<td>Technicians</td>
<td>7.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Clerks</td>
<td>3.6</td>
<td>7.6</td>
</tr>
<tr>
<td>Service Workers</td>
<td>13.0</td>
<td>15.8</td>
</tr>
<tr>
<td>Farmers</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Trade Workers</td>
<td>24.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Plant and Machine Operators</td>
<td>24.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Laborers and Unskilled</td>
<td>12.6</td>
<td>58.3</td>
</tr>
</tbody>
</table>

| Occupation                          | Share to total | Average monthly remittance (US$) |
|                                     | Male  | Female | Male  | Female |
| Executives and Managers             | 5.1   | 1.8    | 376.9 | 267.0  |
| Professionals                       | 10.1  | 13.1   | 424.1 | 274.9  |
| Technicians                         | 11.1  | 4.0    | 396.6 | 223.8  |
| Clerks                              | 3.1   | 7.3    | 302.3 | 223.8  |
| Service Workers                     | 13.4  | 19.0   | 227.7 | 180.6  |
| Trade Workers                       | 25.2  | 0.6    | 306.3 | 278.8  |
| Plant and Machine Operators        | 21.9  | 1.7    | 278.8 | 219.9  |
| Laborers and Unskilled              | 10.0  | 52.5   | 200.3 | 141.4  |

Authors' estimates using average peso-dollar exchange rate for the period.
Source: Survey on Overseas Filipinos, 2002 and 2013
Necessary Elements

• Environment conducive for financial infrastructure expansion (Government’s key role)

• Local governance capacity to incorporate migration and remittance concerns in local planning and program implementation

• Basic Financial Literacy at all levels, including information dissemination

• Basic data on migration and the use of remittances
Options to Finance SDGs

• Targeted Bonds by Public and Private Sectors

• Reducing Remittance Costs and Costs of Recruitment (good regulatory coordination)

• Migrant Philanthropy and Home Town Association (empower the diaspora)
REMITTANCES

OVERALL REQUIREMENTS:
GOOD NATIONAL GOVERNANCE, PREDICTABLE BUSINESS ENVIRONMENT, TRUST IN GOVERNMENT

PRE-REQUISITES FOR EFFICIENT CHANNELING FOR DEVELOPMENT

GOVERNANCE LEVEL: FINANCIAL INCLUSION AT THE NATIONAL TO LOCAL LEVELS

HOUSEHOLD LEVEL: FINANCIAL LITERACY

TYPE OF MIGRANT: PERMANENT, TEMPORARY WORKERS, IRREGULAR

PROFESSIONAL AND SKILLED

UNSKILLED

CHANNELS TO INCREASE REMITTANCE VALUE:
REDUCING REMITTANCE CHARGES
REDUCING RECRUITMENT FEES AND TRANSACTION

GOVERNMENT AND PRIVATE SECTOR BONDS FOR DEVELOPMENT:
NATIONAL – TARGETING PROFESSIONALS AND SKILLED
LOCAL OR HOMETOWN BONDS – TARGETING THE LOWER SKILLED

HOMETOWN ASSOCIATIONS PROJECT FOR DEVELOPMENT:
LOCAL LEVEL/HOMETOWN DIRECT TARGETING
Requires strong coordination with target localities and align of priorities

DEVELOPMENT

NATIONAL

LOCAL
Countries of origin (WB)

• Migration part of development strategies/plans
• Diversification in occupation and destination
• Skill development
• Industry development
  – Promote foreign direct investment and diaspora investment to utilize skills of returnees
  – Diversify trade in services
    • Cross-border trade, e.g. business process outsourcing
    • Bring foreign customers home, e.g., medical tourism, education services.
  – Conducive business environment is key.
Countries of Destination (WB)

- Migration – integral part of national economic development and development cooperation strategies.
- Reduce barriers to migration – especially low-skilled labor migration.
- Migrant integration.

- Firms need to move beyond short-term gains.
  - Create a career development path.
  - Include environmental and social issues in business models.

- Remittances through formal channels.

To achieve desirable outcomes, close cooperation together with countries of origin.
Recommendations

• Develop partnerships at different levels utilizing mechanisms under Busan Declaration
• Make migration a clear choice – especially among women through mandated pre-orientation
• Data generation and coordination at different levels
• Focus on financial inclusion and literacy
• Interconnection with reintegration programmes
Finally

• Remittances are not replacements for government’s responsibilities in responding to the basic needs of the country

• At best, remittances should build on the existing governance environment to support and reinforce the development needs of the origin country.
Thank you!