

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**

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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)

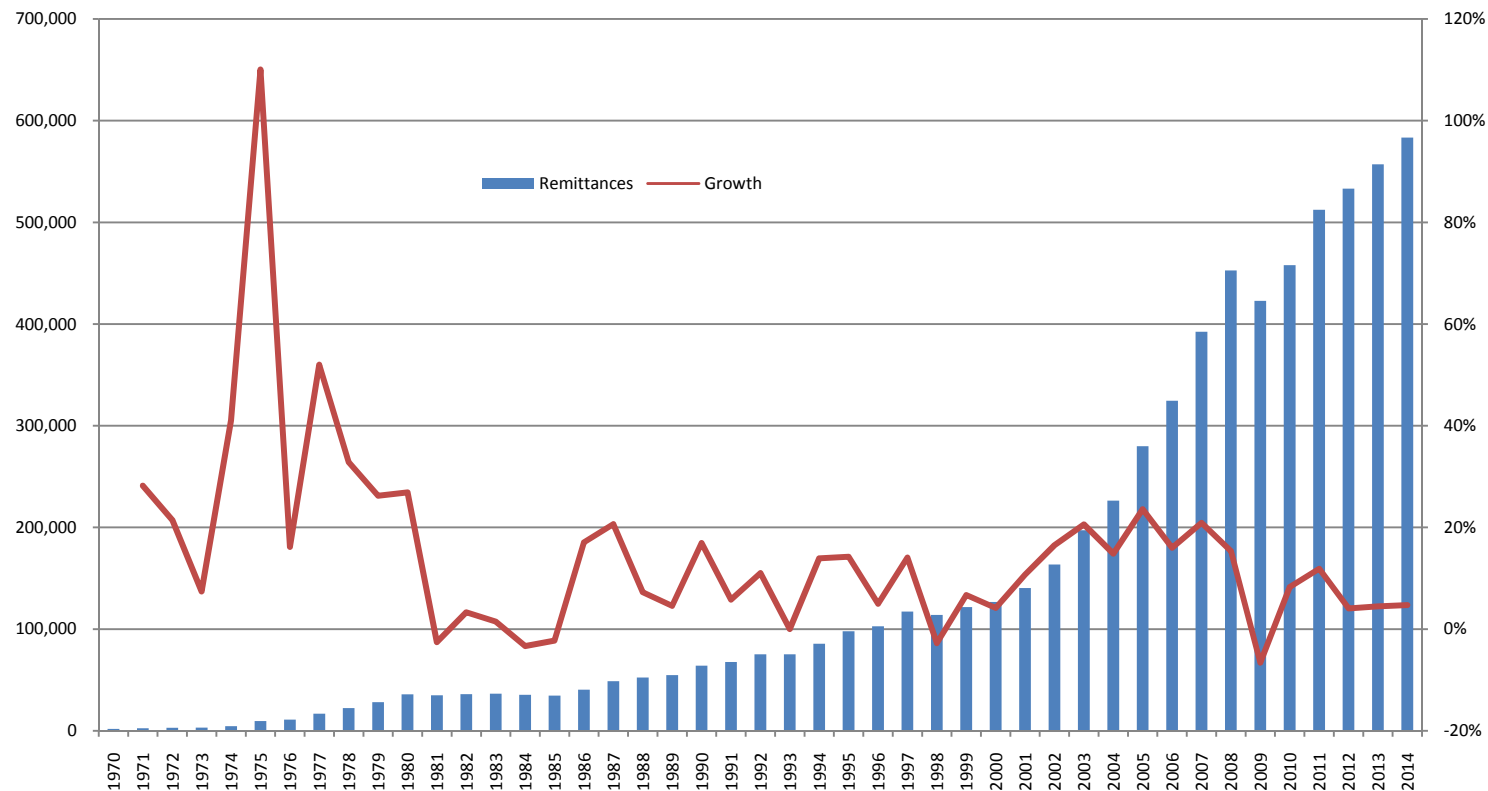
Outline

- 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

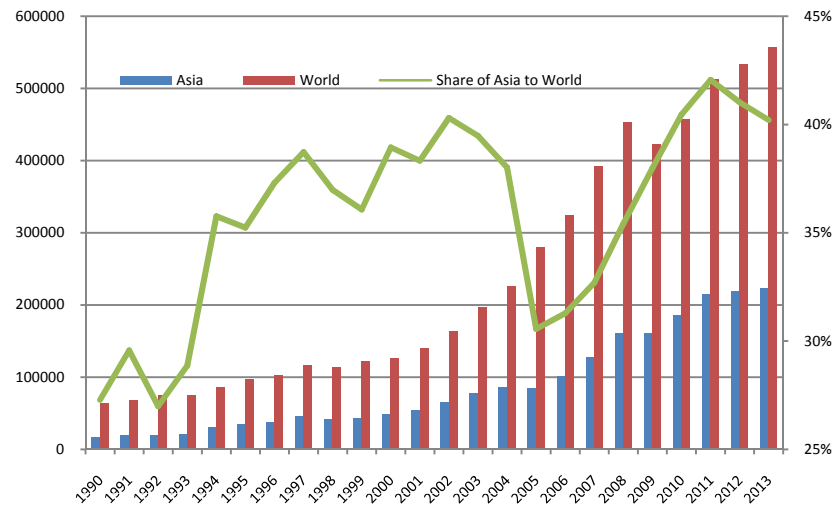
- Virtuous Cycle vs Vicious Cycle
- The New Development Mantra (Kapur)
- No definite conclusion on positive impact but anecdotal observation cannot discount the same

World remittances



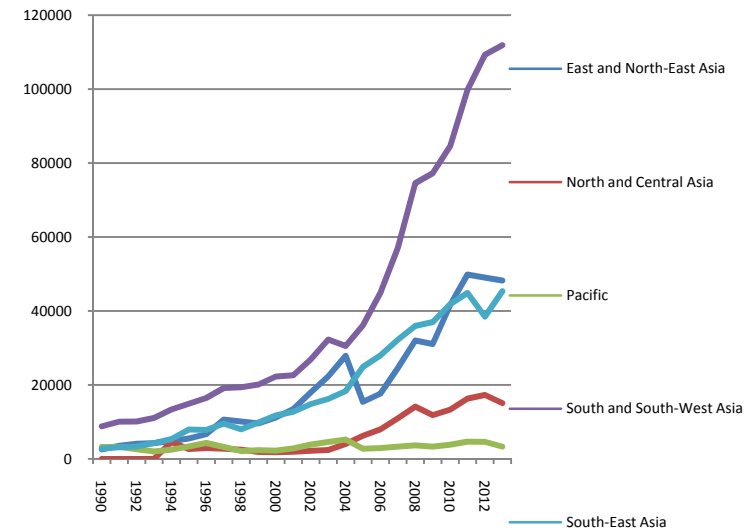
Still increasing but growth settling at below 5%

Remittance Flows

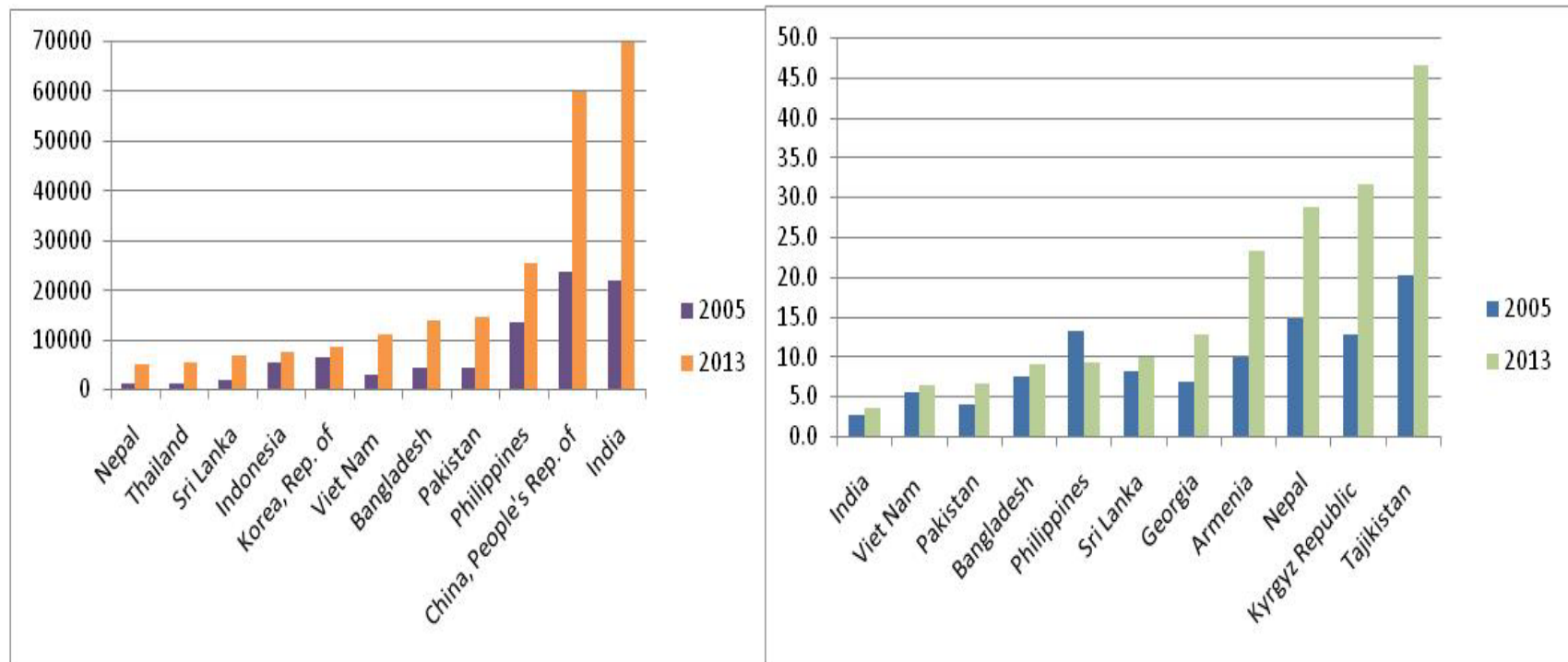


Share of Asia peaked at
40% of World Remittances

Largest remittances coming From South Asia

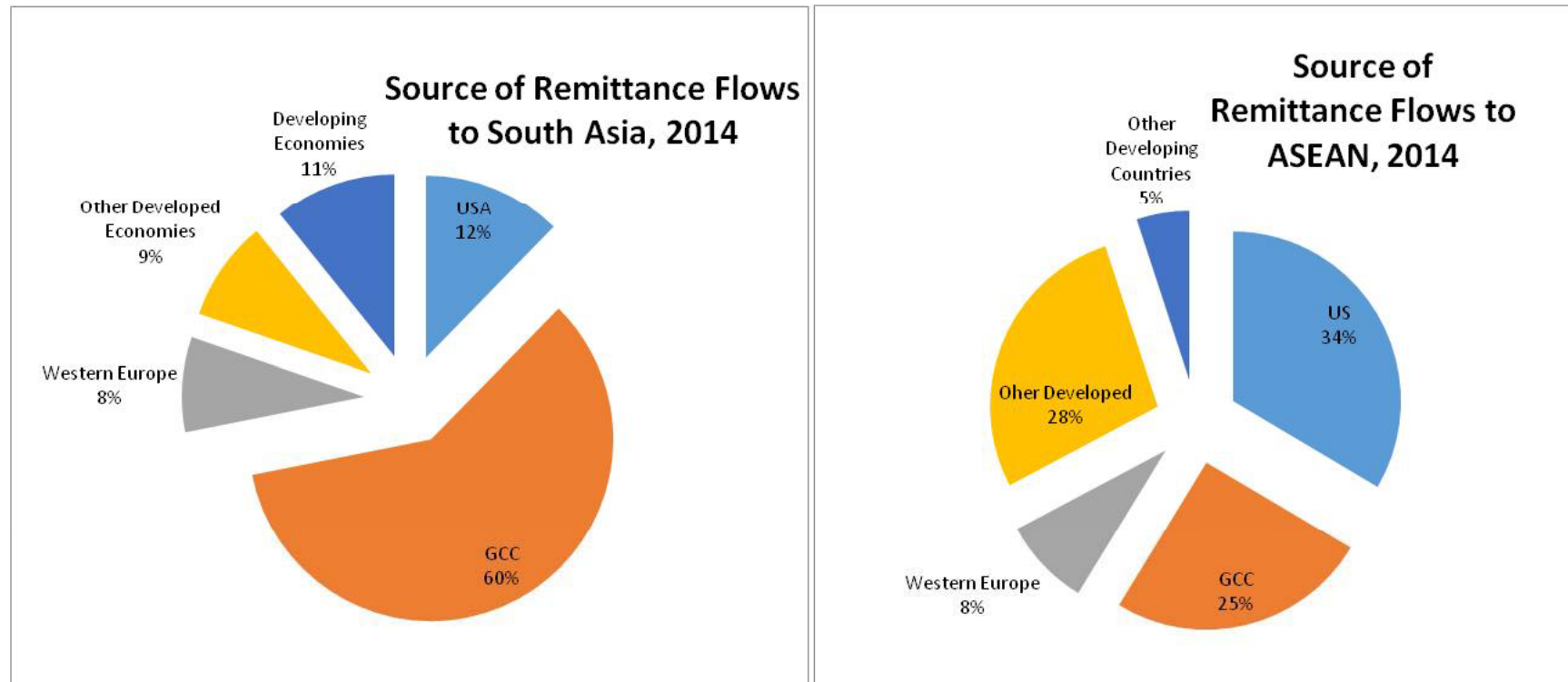


Share



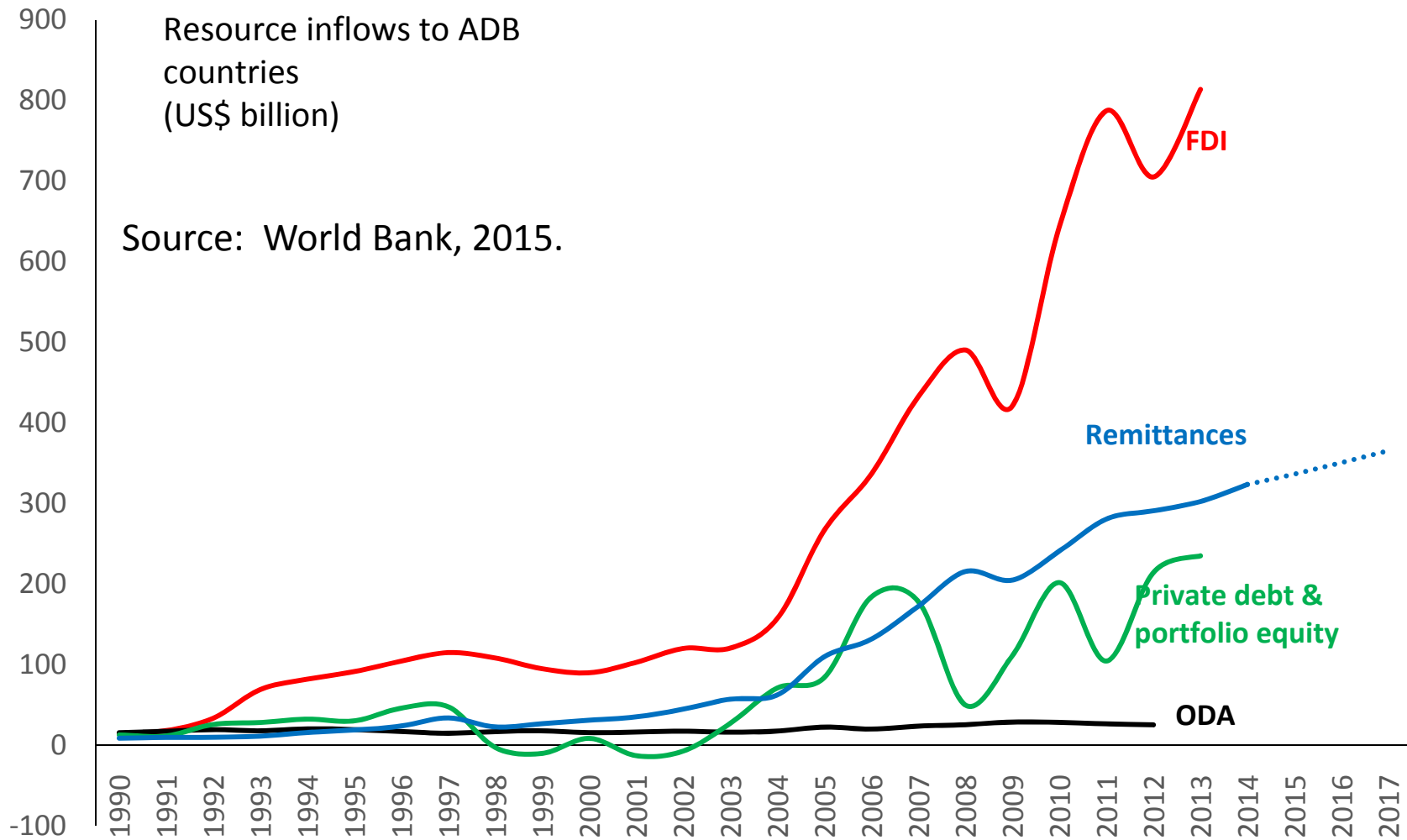
Absolute Values and Share to GDP

Source

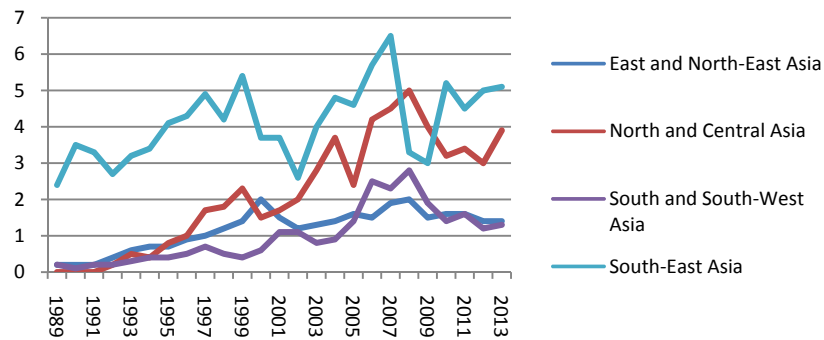


Vulnerability of flows dependent on source countries

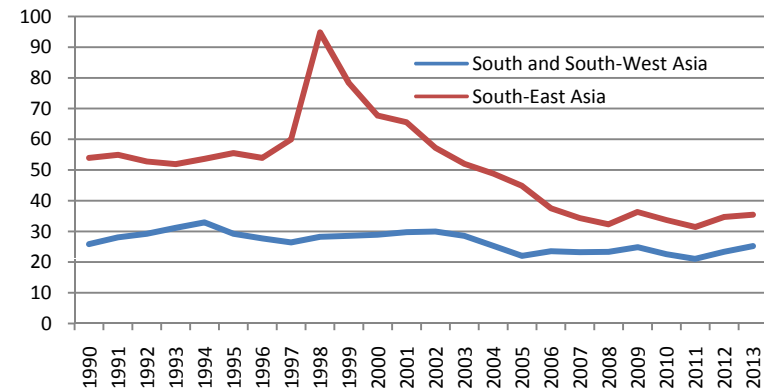
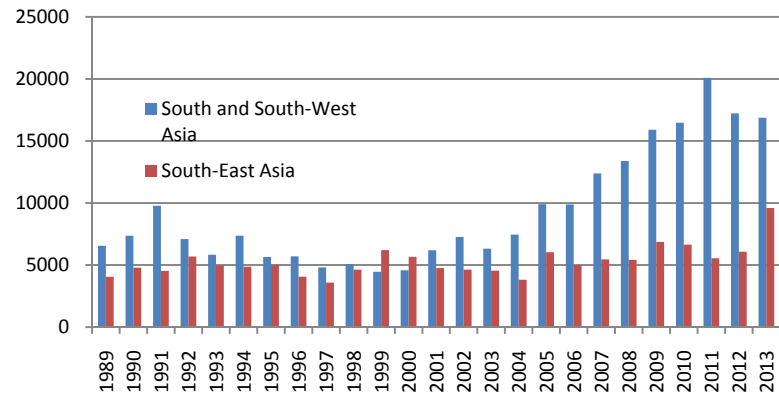
Importance



Importance



**Much larger than FDI,
ODA and Foreign Debt!**



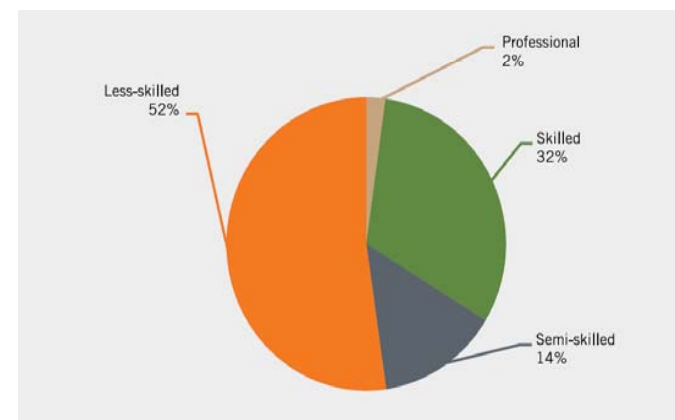
Skills Profile

Table 3. Deployed New hires by Major Occupational Category and By Sex, 2000-2013

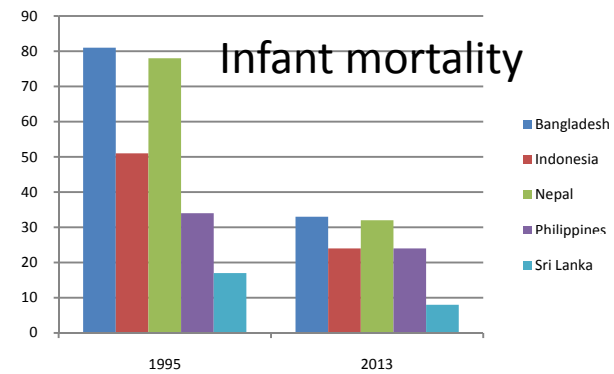
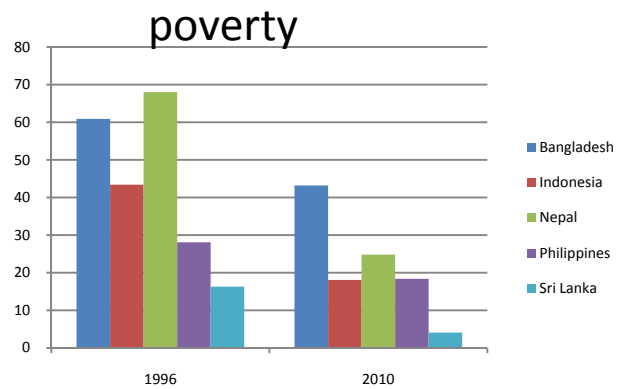
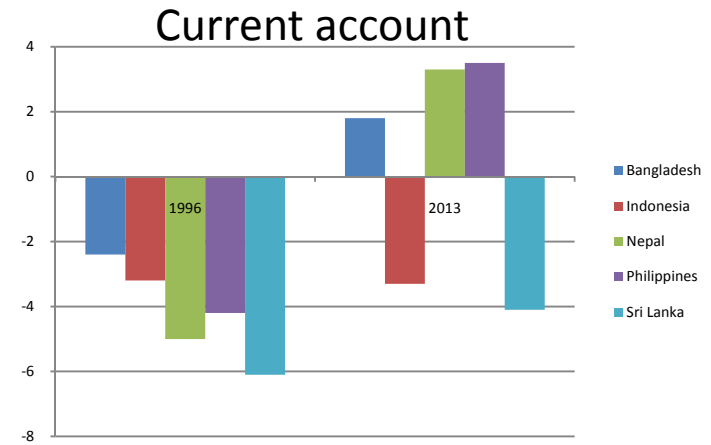
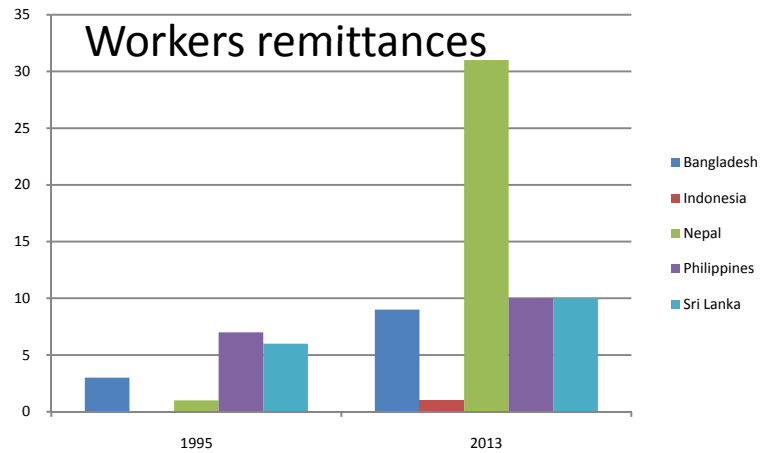
SKILL CATEGORY	2000		2005		2010		2013	
	Men	Women	Men	Women	Men	Women	Men	Women
1. Professional, Technical Workers	11,231	67,454	11,953	51,988	24,470	17,365	28,805	22,082
2. Administrative, Managerial Workers	208	76	381	109	849	590	1,165	573
3. Clerical Workers	1,367	1,000	1,985	3,553	5,192	5,514	5,456	6,855
4. Sales Workers	1,134	949	1,288	2,973	3,744	3,498	3,990	4,529
5. Service Workers	7,412	83,794	10,666	123,241	19,367	135,168	28,705	196,688
6. Agricultural Workers	520	6	311	39	1,047	75	1,747	349
7. Production Workers	41,379	16,428	51,694	23,108	97,631	23,016	120,235	22,518
8. Other (NEC)	11,456	8,616	801	195	2,377	376	3,048	862
Total	74,707	178,323	79,079	205,206	154,677	185,602	207,394	254,456

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

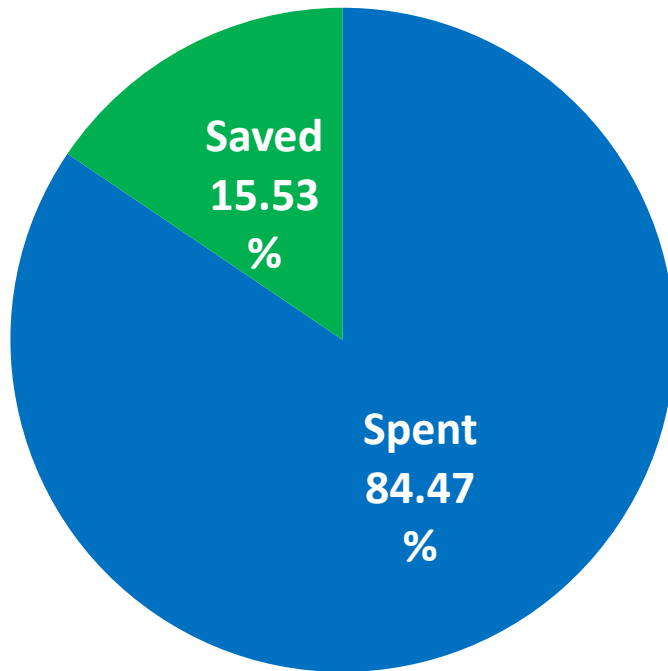
Description	2008	2009	2010	2011	2012*
Migrants by Sex					
Male	51.0	48.0	51.0	52.0	50.9
Female	49.0	52.0	49.0	48.0	49.1
Skill Composition of Migrants					
Professional	1.1	1.2	1.1	1.5	1.6
Middle Level	3.5	2.6	2.6	2.3	3.3
Clerical & Related	2.7	2.7	3.0	3.8	5.7
Skilled	23.8	24.8	26.7	25.8	23.8
Semi-Skilled	2.1	2.4	1.8	1.6	1.2
Unskilled**	23.7	20.3	22.6	24.1	22.3
Domestic Workers	43.1	46.0	42.2	41.0	42.2



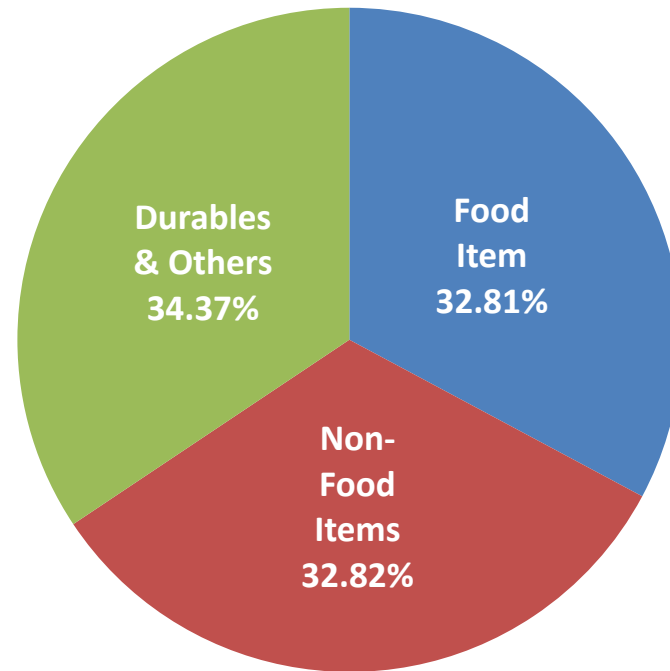
Impacts



Uses (Bangladesh)



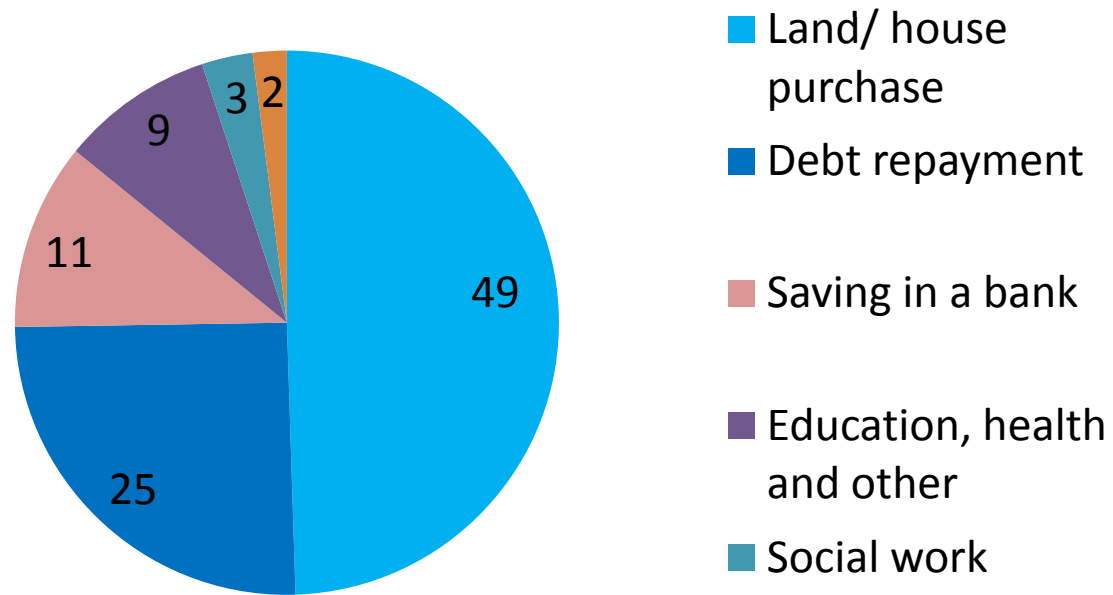
Use of Remittance



**Expenditure
Pattern**

Uses (Nepal)

**Usage of remittances in Nepal
(%, 2008)**



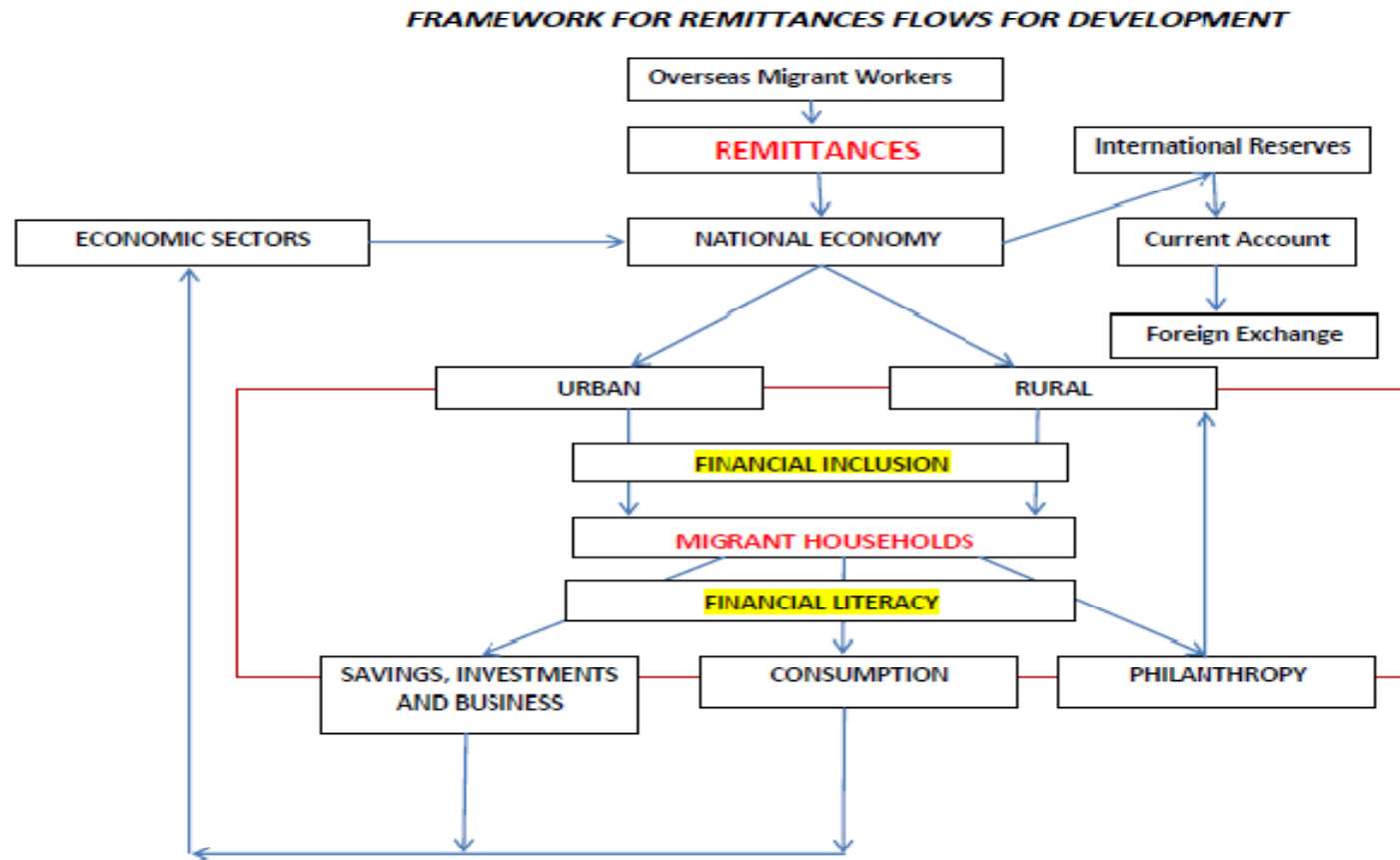
Source: Nepal Ministry of Labor and Employment, 2014

Cost of Sending US\$200

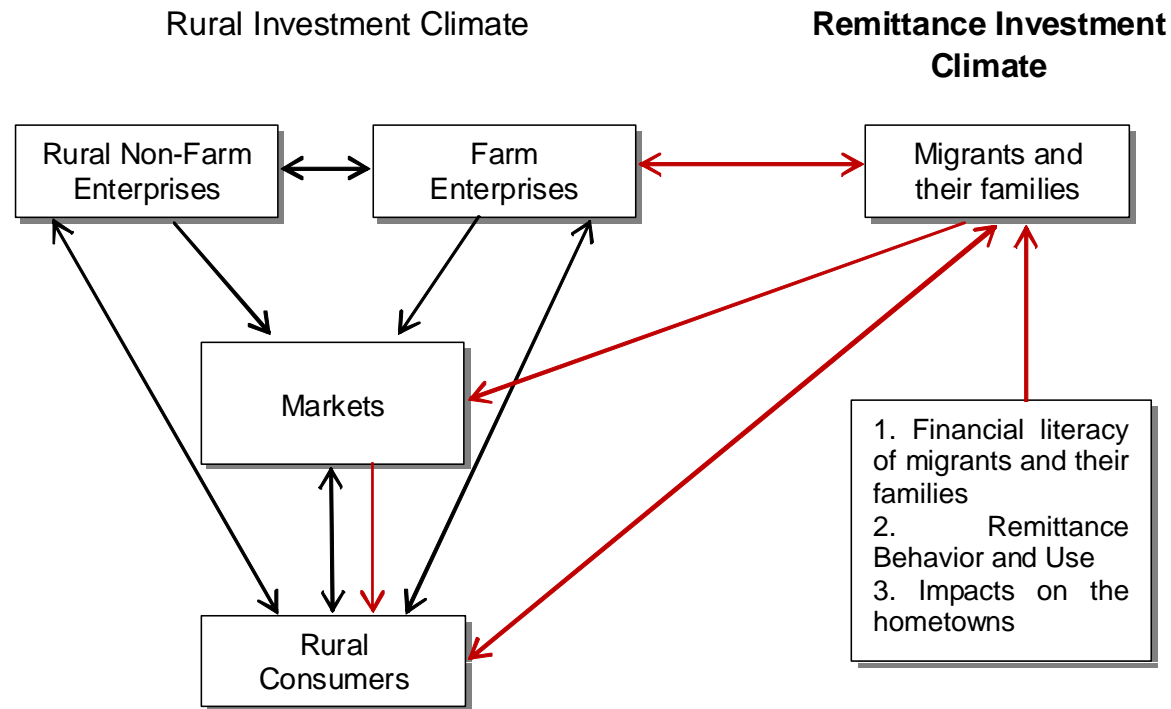
	Q1 2009	Q3 2009	Q1 2010	Q3 2010	Q1 2011	Q3 2011	Q1 2012	Q3 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
EAP	10.46	10.38	9.33	9.48	9.71	9.80	9.27	8.88	8.97	8.88	9.00	8.28	8.52	8.38	7.92	8.12	8.13
ECA	6.68	7.19	6.48	7.57	7.55	6.86	6.28	6.54	6.77	6.70	6.68	6.29	6.49	6.35	6.17	6.22	6.11
ECA (x Russia)	9.70	9.42	8.33	9.49	9.32	8.68	8.14	8.21	8.43	8.35	8.41	7.93	8.18	7.92	7.67	7.54	7.20
LAC	8.65	7.63	8.12	7.27	6.82	7.68	7.72	7.65	7.77	7.28	7.26	7.02	6.21	5.57	6.02	6.03	6.14
MNA	9.30	9.58	8.19	8.95	8.00	8.15	8.19	7.85	7.81	7.83	7.61	7.80	8.32	8.29	8.25	8.63	8.41
SAR	7.31	6.85	5.99	6.54	6.56	6.15	6.70	6.54	7.16	7.02	7.12	6.58	6.56	6.45	5.97	5.94	5.96
SSA	13.07	11.61	10.86	11.57	12.8 2	12.41	12.32	12.40	12.21	12.06	12.29	12.55	11.71	11.55	11.28	11.45	10.21
Global	9.67	9.40	8.72	8.89	9.02	9.30	9.11	9.00	9.05	8.88	8.93	8.58	8.36	8.14	7.90	7.99	7.72

Falling but still above 5% based on the 2015 target

Analytical Framework



Same Investment Climate Requirements



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

Share of migrant workers by occupation and average remittances				
2002	Share to total		Average monthly remittance (US\$)	
	Male	Female	Male	Female
Executives and Managers	4.3	0.8	418.6	202.1
Professionals	8.8	8.4	371.7	216.5
Technicians	7.8	4.8	397.0	180.4
Clerks	3.6	7.6	241.8	151.6
Service Workers	13.0	15.8	205.7	151.6
Farmers	0.6	0.1	158.8	198.5
Trade Workers	24.9	2.2	238.2	137.1
Plant and Machine Operators	24.4	2.1	285.1	202.1
Laborers and Unskilled	12.6	58.3	194.9	119.1
2013	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.

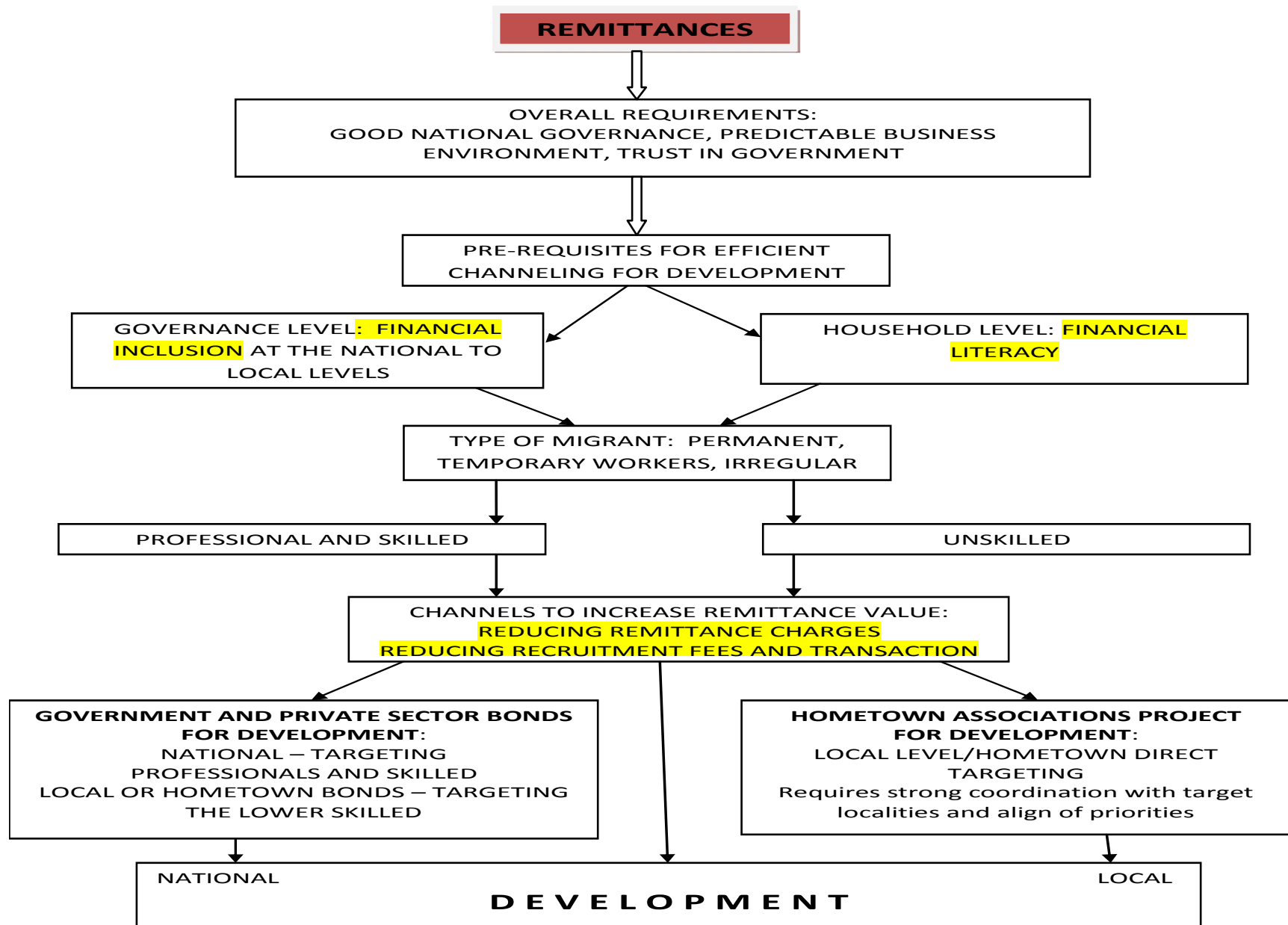
Source: Survey on Overseas Filipinos, 2002 and 2013

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)



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!