



MAXIMIZING THE DEVELOPMENT IMPACT OF MIGRATION IN NEPAL

Comprehensive Market Study

Kathmandu
2017

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Disclaimer

This research was conducted within the project “Research and Policy Dialogue Initiative on Migration and Development in Nepal” funded by IOM Development Fund and co-funded by International Agency for Source Country Information (IASCI).

The Research and Policy Dialogue Initiative on Migration and Development in Nepal project is one component of the IOM-IASCI jointly developed Return on Returns (RoR) programme. The RoR is a partnership between IOM and IASCI, composed of an integrated programme of six projects, with each partner contributing to the execution of the programme in their respective area of expertise. The RoR builds directly on the capacity building and technical assistance expertise of IOM in Nepal, and the migration and development experience of IASCI.

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Table of Contents

Disclaimer	i
Table of Contents	ii
Acronyms	iii
List of Figures	iv
Acknowledgments	viii
Foreword	x
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	12
III. METHODOLOGY	14
IV. PROFILE OF NEPALI MIGRATION	19
V. KEY CHARACTERISTICS OF NEPALI INTERNATIONAL LABOUR MIGRATION	28
Socio-economic Features of International Labour Migration	28
Permanent-Return Intentions	35
VI. KEY FINANCIAL CHARACTERISTICS	38
Incomes, Expenditures and Savings	38
Remittances	41
Savings	56
Investments	57
VII. FINANCIAL OVERVIEW	62
Financial Intermediation in Nepal	64
Market Opportunities	67
Market Gaps	69
VIII. CONCLUSIONS AND RECOMMENDATIONS	71
Bibliography	80
Annexes	81
Non-Response Rate for the Most Sensitive Questions	81
Report on the Research Findings Sharing Meeting	82
LITERATURE REVIEW	92
Dynamic of International Migration	93
Financial Flows	99
Crises Implications on Savings and Investment	105
Policies, Institutions and Regulations Guiding Migration in Nepal	107
Conclusions	111

Acronyms

BiH	Bosnia and Herzegovina
CBS	Central Bureau of Statistics
CIVIS	Centre for Sociological, Political and Psychological Analyses and Investigations
DoFE	Department of Foreign Employment
EBRD	European Bank for Reconstruction and Development
ECA	Eastern Europe and Central Asia Delegation
EC	European Commission Delegation
EU	European Union
FDI	Foreign Direct Investment
FEPB	Foreign Employment Promotion Board
FY	Fiscal Year
GCC	Gulf Cooperation Council Countries
GDP	Gross Domestic Product
GoN	Government of Nepal
HH	Household
IASCI	International Agency for Source Country Information
IIDS	Institute for Integrated Development Studies
IGO	International Governmental Organization
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OSCE	Organization for Security and Cooperation in Europe
SEEE	South-Eastern and Eastern Europe
UAE	The United Arab Emirates
UK	United Kingdom
UN	United Nations
UN DESA	United Nations, Department of Economic and Social Affairs
UNHCR	United Nations High Commissioner for Refugees
USA	The United States of America
USAID	United States Agency for International Development
USD	United States Dollars
VDC	Village Development Committee
WB	World Bank
MTO	Money Transfer Operator
RoK	Republic of Korea

List of Figures

Nr	Name	Page
Profile of Nepali migration		
Figure 1	Estimates of current, returned and potential various categories of migrant workers	20
Figure 2	Dynamic of long-term labour migration, as a percentage of the total population	21
Figure 3	Purpose of stay abroad	21
Figure 4	Breakdown of long-term labour migration by destination country	22
Figure 5	Dynamic of ratio of long-term migrant workers by main destinations	23
Figure 6	Number of long-term migrant workers as a percentage of the total population from respective region	23
Figure 7	Country of destination for the purpose of education	24
Figure 8	Age profile of international migrant for family reunification purpose	24
Figure 9	Destination countries for potential short-term migrant workers	25
Figure 10	Internal mobility by region of residence	25
Key characteristics of Nepali international labour migration: socio-economic features		
Figure 11	Caste and ethnic group of long-term migrant workers	28
Figure 12	Age groups of short and long-term migrant workers	28
Figure 13	Level of employment in destination country	29
Figure 14	Estimated proportion of long-term migrant workers employed in professions requiring high qualification, by number of years abroad	30
Figure 15	Sector of employment in destination country by gender	30
Figure 16	Average personal income of male and female long-term migrant workers by region of destination	31
Figure 17	Employment status in a destination country	31
Figure 18	Estimated number of migrant workers with irregular employment status in top 10 countries of destination, as a percentage of total short-term and long-term migrant workers in the respective country	32
Figure 19	Main source of income of HH member abroad in the past 12 months	32
Figure 20	What are the main factors that caused you to leave Nepal?	32
Figure 21	Migration channels by type of HH	33
Figure 22	On average, how often do you normally visit Nepal?	34
Figure 23	For what purpose do you use the internet?	34
Figure 24	What are your three most trustworthy sources of information about Nepal?	35

Key characteristics of Nepali international labour migration: permanent return intentions		
Figure 25	Do you plan to return to Nepal (to live and work there permanently in the future)?	35
Figure 26	What is the main reason you do not plan to return permanently to Nepal?	36
Figure 27	Where do you plan to return?	36
Figure 28	In which year did your HH member return from long-term labour migration (for permanent stay)?	37
Figure 29	Overall number of permanent returnees (2006- 2015), expressed as a percentage of total migrant workers in that country in 2015	37
Key financial characteristics: incomes, expenditures and savings		
Figure 30	HH net monthly incomes and expenditures abroad	38
Figure 31	Top five countries of migration and average personal income	38
Figure 32	Ranking of employment sectors abroad by level of income	38
Figure 33	Level of income by employment sector and top five countries of migration	39
Figure 34	Top three savings objectives of HH to be achieved during period of migration	39
Figure 35	Estimate of the total amount of money needed to meet savings objectives	40
Key financial characteristics: remittances		
Figure 36	Did you or a member of your HH abroad transfer money (incl. hand-carry) to Nepal over the preceding 12 months?	41
Figure 37	Annual average value of transfers to Nepal per HH (only remittance senders) in 2016	41
Figure 38	Three most important purposes for transferring money to Nepal	42
Figure 39	Annual budget structure of long-term migrant worker HHs (only remittance senders)	43
Figure 40	Purposes for sending remittances to Nepal	43
Figure 41	Remittance values by purpose in 2016 (only remittance sending HH)	44
Figure 42	Grouping of remittance senders by remittance purpose (R-remittance value, C-consumption, S-saving and I-investment) in 2016	44
Figure 43	Number of transfers in the preceding 12 months, including carried/sent in cash (only of remittance senders)	45
Figure 44	What are your preferred means of money transfer to Nepal? (multiple choice)	45
Figure 45	Channels for receiving remittances (only HHs receiving transfers)	46
Figure 46	Of the amount transferred over the preceding 12 months, what amount was sent by MTO/bank and carried personally/sent in cash?	46
Figure 47	Average number of transfers per year	47
Figure 48	Total value of ALL money (including hand-carry) received from abroad in the past 12 months (remittance receiving HHs only)	47
Figure 49	Total remittance value to Nepal in 2015/2016, including formal and informal channels	47

Figure 50	HH average monthly income in the past 12 months, by remittance receiving status and migration status (total income, share of income source, average size of HH and average income per HH member)	49
Figure 51	Allocation of HH income on average in the last 12 months (by remittance receiving status and migration status (share of expenditure items, ratio of amount of expenditures among remittance receiving and non-receiving HHs)	50
Figure 52	How has migration changed your family's economic well-being?	51
Figure 53	If it has changed your family economic well-being positively, what specific changes have you seen in your household?" Choose up to three	51
Figure 54	How did the earthquake affect your household? (select all applicable option)	51
Figure 55	How did the earthquake change the decision of your family member abroad about how long they would stay abroad?	52
Figure 56	HHs, which received in-kind remittances, which migrant worker sent/brought back in the past 12 months	52
Figure 57	Types of in-kind remittances	52
Figure 58	Total in-kind remittance value to Nepal in 2015/2016	53
Figure 59	Overall estimate of financial and in-kind remittance value in 2015/2016 (in millions)	53
Figure 60	Migrant worker remittance inflow (2001 – 2015), according to WB definition, USD million	54
Figure 61	Share of remittances (according to WB Def), net FDI (according to IMF def.), net ODA (according to WB def.) and remittances (according to current study) in the GDP of Nepal	55

Key financial characteristics: savings

Figure 62	Regular savings status in Nepal	56
Figure 63	Regular savings status in Nepal by remittance receiving status	56
Figure 64	Regular savings status abroad	57
Figure 65	Overall estimated value of remittances and savings abroad of HHs with long-term migrant workers	57
Figure 66	Estimation of annual savings in Nepal	57

Key financial characteristics: investments

Figure 67	Do you plan to initiate or expand an investment in a business enterprise in Nepal in the future?	58
Figure 68	In which sectors do you plan to invest?	58
Figure 69	Have the skills and experience you have obtained during your migration influenced your investment interest?	59
Figure 70	Where shall this investment take place?	59
Figure 71	How interested would your HH be in investing - together with local authorities or private sector - in a public-sector infrastructure project or a private sector enterprise in YOUR COMMUNITY in Nepal, if this investment returned a reasonable profit for you?" Options "very interested/interested" shown	59
Figure 72	Does your HH or a member plan to initiate or expand an investment in a business in the future?	60
Figure 73	What activities by the Government of Nepal could encourage your household to open a business in Nepal? Select three in order of importance	60

Financial overview		
Figure 74	Financial overview – cross-country comparison	62
Financial overview: financial intermediation in Nepal		
Figure 75	Banking status in Nepal	64
Figure 76	Type of financial institution used	65
Figure 77	Does your HH have a bank account in destination country / Nepal?	65
Figure 78	Where does your HH regularly save money?	66
Figure 79	In [country of employment], you keep your HH savings in ...?	66
Figure 80	In Nepal, you keep your HH savings in ...?	66
Financial overview: market opportunities		
Figure 81	How interested would current and future migrant worker members of your HH be in using the following services and products?	67
Figure 82	Which of the following financial products in Nepal does any HH member have?	68
Figure 83	If no, would your HH consider purchasing these products in Nepal?	68
Financial overview: market gaps		
Figure 84	Do you know any organization, company or ministry providing information or assistance (of any kind) to people planning to migrate or currently abroad?	69
Figure 85	Do you interact with Nepali associations/NGOs abroad in any way?	69
Figure 86	How do you interact with Nepali associations/NGOs?	70

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The linkages between migration and development as well as the areas and means by which Nepali stakeholders can better promote and capture the positive aspects of labour migration are key outputs of this report. Important insights are gained on the behaviours of Nepali households with short-term and long-term migrant workers through its comprehensive multisource approach. The focus of the report is to emphasize and describe these categories of population as distinct target groups through the analysis of every stage of their migration experience and possible return.

Another focus of the report is to show that Nepali migrants are not substantially different from other migrants. They behave in a consistent and rational manner, like as migrants from any other country of origin, share similar motivations and aspirations. But, comparing the findings across countries with different histories, cultures and migration cycles, one can chart differences and similarities in the various migration stages and therefore predict eventual evolution of the migration pattern for those countries in the earlier stages of mass labour migration, as Nepal is.

The extent to which migration will contribute to development depends on the wealth accumulation goals and related remittance, savings and investment behaviours of migrant workers. It is hoped that the new findings contained in this report about Nepali migrant workers will serve as a foundation for evidence-based approaches, including policy development at national and local government levels, as well as in private and civil society sectors. The following pages are oriented towards specialist and non-specialist readers in the above-mentioned areas of activity, and are meant to serve as an inspirational resource and a practical guide for developing evidence-based and relevant migrant worker-specific approaches and interventions.

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FOREWORD

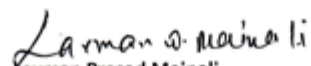
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In the recent years overseas employment has been the major source of livelihood for significant numbers of Nepali households. The Department of Foreign employment has issued over 3.5 million labour permits since 2007. As per the Ministry of Finance, the current value of remittances is recorded at NPR 450 billion, i.e. 29.6 per cent of the Gross Domestic Product (in 2015/16), which is a remarkable share of the national revenue. While labour migration and remittances are not seen as long-term solutions for poverty alleviation and livelihoods in Nepal, the Government of Nepal (GoN) recognizes its enormous contributions to Nepal's economic and social development.

This research entitled "Maximizing the Development Impact of Migration in Nepal" is currently one of the in depth empirical studies conducted by the Ministry of Labour and Employment, with the active engagement of technical teams and partners from the Central Bureau of Statistics, the Ministry of Finance, International Organization for Migration, the International Agency for Source Country Information (IASCI) and the Institute for Integrated Development Studies (IIDS) that aimed to obtain detailed data on Nepali households' and labour migrants' overall migration and financial behaviors, particularly focusing on income, consumption, remittances, savings and investments. The purpose is to see where and how policies and practices can be employed to potentially increase Nepal's economic development through better management of migration and by providing greater options and opportunities to those transferring, saving or investing remittances.

The Ministry perceives this as a timely report to the government in preparation for implementation of the 14th National Development Plan, which emphasizes the need for frameworks and opportunities that can maximize the productive use of remittances and the skills of returning migrants. It is believed that this report will be useful for the Government of Nepal in management and development of migration related policies and programs as well as for academicians, researchers, and organizations working in the field of migration for leveraging the potential benefits of migration.

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Laxman Prasad Mainali

Secretary
Ministry of Labour and Employment

I. EXECUTIVE SUMMARY

This report presents selected data generated from migrant workers' and households' surveys carried out within the project *Research and Policy Dialogue Initiative on Migration and Remittances in Nepal*, implemented by the International Organization for Migration (IOM), Mission in Nepal, and financed by IOM Development Fund. The project aims to assist the Government of Nepal in developing evidence-based policies to harness effectively the link between migration and development.

Financial flows from migrant workers to their home communities are at the core of the relationship between migration and development. Most research, policy development, and financial institutions' attention to date have focused on migrant workers' remittances. The approach of this research project takes a broader and deeper perspective. The initiative is based on the premise that **financial, human and social wealth accumulated by migrant workers abroad are interlinked, and that this accumulated wealth has substantial potential to contribute positively to the economic and social development of Nepal.**

This comprehensive and multistage approach was carried out by adapting concepts and methodologies developed by the International Agency for Source Country Information Migration (IASCI), in collaboration with the Centre for Sociological, Political and Psychological Analysis and Investigations (CIVIS), to Nepali context in close coordination with IOM, Institute for Integrated Development Studies (IIDS) and the Project Steering Committee.

Where relevant, this report provides a comparative analysis of the results of similar surveys conducted in other South-Eastern and Eastern European (SEEE) countries since 2006. The rationale for comparison rests on the hypothesis that **all migrants, wherever their origins, behave in a consistent and rational manner, have similar motivations and aspirations, and are driven by similar push and pull factors.** The research in SEEE countries provided strong evidence to support this hypothesis, and as reflected further in this report, Nepali migrants are not an exception. By comparing the findings across studied countries with different histories, cultures and migration cycles, one can chart differences and similarities in the various migration stages and therefore predict the eventual evolution of the migration pattern for those countries in the earlier stages of mass labour migration, as Nepal is.

The context of this research project is the current lack of a unified and exhaustive data collection system on migration in Nepal, with statistical data collected by

different institutions, including state authorities, intergovernmental and non-governmental organizations. The official data produced by state institutions do not cover all aspects of labour migration, are not regularly recorded and processed, are too often inconsistent, and used for internal purposes only. All these factors lead to incompleteness and unreliability of available information on labour migration from Nepal, thus preventing evidence-based and all-inclusive public policy-making and strategic approaches in a field that is of great consequence to the economic development of the country and the well-being of its citizens, both at home and abroad.

The main objective of the research is, therefore, to provide a statistically accurate number of international migrant workers (short-term and long-term), returned migrant workers, potential migrant workers, and internal migrant workers, as well as overall volumes of migrant worker remittances, savings, and investments. This research aims to assess the effect of remittances and savings on the socio-economic development in Nepal, as well as to provide relevant data to support evidence-based policy recommendations in order to promote stable and sustainable socio-economic development in Nepal, facilitate the development of migration management strategies, and mainstream migration into development planning of the Nepali Government. Last, but not least, the study reveals market gaps and opportunities unexplored by stakeholders in private and civil sectors and international agencies to reach a new market.

Complex quantitative and qualitative approaches to the research were applied to support the aims and objectives and to provide a broad range of information from primary sources:

Nationally representative household survey (HH survey): probabilistic large-scale quantitative survey. The research sample included 460 secondary sampling units with an average number of 50 HHs visited (based on probabilistic selection) per sampling unit. In all, 360 localities (from 31 districts) were included in the sample. Target categories: long-term migrant workers, short-term migrant workers (including seasonal migrant workers), returned migrant workers, potential international migrant workers, internal migrant workers, and potential internal migrant workers. Sample size included: (i) 22,997 HHs at screening stage; (ii) 557 HHs with short-term and 2,669 with long-term migrant workers; and (iii) 909 HHs with no migrant worker, as a control group. Data was collected in December 2015 – June 2016.

Socio-economic survey of long-term migrant workers (Migrant survey): random and quota based on main countries of destination (Malaysia, Qatar, Saudi Arabia, India, UAE and other), carried out at three main ports of entry to Nepal (Mahendranagar, Butwal and Tribhuvan International Airport), as well as at the Labour Village, Kalimati, covering all means of transportation including personal vehicles, trains, buses, and airplanes, thereby providing a range of different socio-economic profiles. The survey targeted specifically long-term migrant workers, covering a sample of 1,976 Nepali long-term migrant workers. Data was collected during October 17 – November 28, 2016.

Validation workshops with stakeholders: three rounds of workshops were carried out in the second half of August 2017 with representatives of central public authorities, local public authorities, international organizations, banking sector and civil society organizations.

Literature review: a large pool of migration-related materials was reviewed in order to understand the policy framework in the area of migration, as well as available statistics.

All methodologies and research tools were adapted to the Nepali reality in consultation with IOM Nepal and the Project Steering Committee composed of technical experts from central government authorities, specialized agencies and international organizations.

Main Findings and Trends

Profile of Nepali migration

Nepali international labour migration on a mass scale can be considered a relatively recent phenomenon (since 2009). Migration trends in Nepal are much more complex than commonly assumed or described in the literature. This finding reflects similar profiles identified in SEE countries surveyed.

The international labour migration stock at the time of the survey (December 2015–June 2016) was assessed at about 2.5 million individuals (2,034,100 long-term and 453,600 short-term migrant workers). In addition, about 337,000 individuals

expressed intention to migrate in the following 12 months, which represents about 12 per cent of the current stock.

In addition to long-term migrant workers, about 84,700 Nepalis are studying abroad. Most of these students originate from urban areas (76%). The top four most popular countries of destination for Nepali students are India, Australia, Japan and USA.

Another 23,800 individuals had left the country by June 2016 for the purpose of family reunification. This represents 1.2 per cent of all long-term migrant workers at that time, which is much lower than other countries studied with similar migration histories. Nepali long-term migrant workers prefer to reunify their families mainly in India, USA, UK, Australia and Canada.

Another important finding is related to the high number of people engaged in internal mobility (1,613,000 individuals). The total internal migration stock in 2015 makes up 14.5 per cent of the economically active population in Nepal (11,108,915 individuals).

Long-term labour migration flows are directed towards five main destination countries (Malaysia, Qatar, Saudi Arabia, India and the United Arab Emirates), which account for 87 per cent of this category of migrant worker; while India is by far the main destination country for short-term migrant workers. When combining short-term and long-term migrant stocks, India is the most preferred destination country (mainly because of the ethnolinguistic similarity between the two countries as well as for the low cost of migration) with a total estimated number of 719,100 Nepalis working there (or 29% of the total long and short-term migrant stock).

Comparing the current migration pattern with the potential pattern, based on the analysis of this study, the following changes may occur:

- ▶ Three out of four potential long-term migrant workers consider migrating to GCC countries, compared to 53 per cent at present. Qatar and UAE could register marked increases in their attractiveness (can most likely be explained by increased labour force demand for large infrastructure projects and current development trends in this region), while Malaysia and India register significant decreases.
- ▶ The Central Development Region will play a more important role, 50 per cent of future external labour migrants residing in this region.

- ▶ A significant increase in the movement of young population, with two-thirds of potential migrants falling into this age group.
- ▶ Women migrants will become more actively engaged in seasonal labour migration; 27% of potential short-term migrants are women compared to 4% at present.
- ▶ More people from urban areas (43% compared to 21% at present) have stated their intention to engage in short-term international labour migration.

Finally, permanent return to Nepal after long-term labour migration is an ongoing and seemingly growing trend. To date, 563,200 international long-term migrant workers or 28 per cent of the total current long-term migrant worker population have returned permanently to Nepal. Three out of four returned long-term migrant workers came back to Nepal between 2012 and 2015, and half of them returned within the year prior to the survey (2016), which may have been influenced by the earthquakes in the same way that they had an influence on the decrease in migration flows of that year. The top five countries of return are Malaysia (32% of the total number of returned long-term migrant workers), Qatar (24%), Saudi Arabia (17%), UAE (10%) and India (9%).

Key characteristics of Nepali international labour migration

Nepali long-term labour migration has maintained high intensity through 2014 and will continue. It was estimated that at least 7.3 per cent of the total population would be engaged in long-term labour migration in 2017 (compared to 6.3% at the time of survey).

Long-term labour migration is more likely to originate from rural areas (61%) than urban areas. It is clearly men-led with 93 per cent men and only 7 per cent women, and this gender imbalance will continue in the near future.

Most long-term migrant workers originate from Central and Western Development Regions (67%) and are more likely to work in GCC countries and Other countries¹, while those from Mid-Western and Far-Western Development Regions migrate mostly to Asian countries, mainly India (continuing historical migration pattern towards this destination).

¹ Countries of destination are grouped in three main categories: GCC countries – Saudi Arabia, Kuwait, Qatar, UAE, Bahrain and Oman; Asian countries – mainly Malaysia, India, Japan and Republic of Korea and Other countries – other destination countries, especially USA, Australia and United Kingdom

Three out of four workers in long-term migration are married.

The Janajati ethnic group, primarily Hill Janajati, is predominant among long-term migrants (40%), while the Dalit group is the smallest (9%).

Almost one in two both short- (53%) and long-term migrant worker (48%) is below 29 years. Compared to SEEE countries studied, the share of young migrants is significantly higher in Nepal (for example, 31% in Moldova are young, and 23% in Ukraine). At the time of first departure, the average age of a Nepali migrant worker was 28.1 years, according to the results of the HH survey. By the time of the interview, this average had climbed to 30.7 years.

A specific characteristic of Nepali migrant workers is their low level of education and professional experience, with only 7 per cent of all migrant workers having completed university-level education, and 45 per cent completed high school or professional/vocational education.

There are a disproportionate number of highly educated Nepali in Other countries (34%) compared to the less than 6 per cent of highly educated in GCC and Asian countries.

Nepali migrant workers have the lowest level of education compared to migrant workers from SEEE countries studied. Unlike SEEE countries studied, in the case of Nepal, it seems that the education and qualifications better meet the labour market demands of the countries of destination, i.e. low educated Nepali migrants do low-skilled work, as compared to highly educated migrants from SEEE countries doing low qualified work.

Migration is a rational solution for many Nepali, especially the young, not only to access higher incomes but also to maintain or even improve the levels of their work qualification. While over 60 per cent of migrant workers have either no education or a low level of education, only 31 per cent engaged in low-skilled work, which means that many Nepali migrants manage to raise their qualifications while working abroad. Women are more likely to be engaged in lower-skilled activities (58%) than men (28%), but when looking at highly skilled professions (including middle and high management, professional), gender is balanced.

In the last three years, the share of Nepali with middle and higher education engaged in labour migration increased with 10 per cent as compared to previous years (from 25% to 35%).

Of special interest is the extremely low unemployment rate of about 1 per cent among the long-term migrant workers. This data is consistent between HH and migrant surveys. Moreover, such low unemployment figures for migrant workers are consistent with previous surveys carried out in the SEEE countries, dispelling the myth that migrant workers are “last hired, first fired.” On average, Nepali long-term migrant workers have a high level of regularization of residency and work status, with about 83 per cent working on a contractual basis and around 15 per cent employed without a contract. The rate of informal labour migration among short-term migrant workers is significantly higher – nine out of ten migrants. Still, 636,400 (or every fourth) short and long-term Nepali migrant workers have “informal employment status”. The top four countries of destination with the highest proportion of Nepali working in informal economies are India (89% or about 535,000 individuals), USA (69%), Australia (58%) and Japan (54%).

Employment sectors are, in general, similar for short and long-term migrant workers. But there are clear divisions of labour between men and women. Men are employed predominantly in manufacturing (27% men compared to 10% women), construction (19% to 2%), transport and communication (10% to 1%) and army (5% to no woman). On the other hand, 37 per cent of women are employed in domestic care (2% of men), 15 per cent in trade (8% of men) and health sector (6% to 2%). Younger women are more likely to work in the health sector, while older women tend to provide domestic care.

Nepali mass migration has been primarily economically driven as a coping mechanism to alleviate poverty or escape unemployment. The main reason for migration given by 84 per cent of Nepali long-term migrant workers was low salaries at home, followed by lack of employment opportunities (73%) and political instability in Nepal (50%).

Return intentions and actual returns are critical determining factors in explaining and forecasting savings, remittances, and investment trends. As a result, they impact the level of development that could be gained from migration, given appropriate

policies and return conditions. In line with Nepal's early stage of mass migration, the overall return intention of Nepali long-term migrant workers is very high (81%). The highest return numbers are observed from GCC countries (93%), while it decreases from Other countries (77%) and Asian countries (67%).

Most migrants returning to Nepal are over 30 years old. Young migrants aged 18-29 have a much lower ratio of returns (16%) than the group aged 30-44 years (35%) and the group aged 45 years and more (52%). Moreover, almost two out of three potential migrant workers belong to the 18 to 29 age group. The continuation of these trends would have negative implications from middle to long-term on the demographic picture of Nepal as well as on the domestic labour market.

The average time a migrant expects to stay abroad before returning is about 12 years. Securing gainful employment in Nepal is the most important objective (31%) before permanent return will be considered.

Almost all Nepali migrant workers with a return intention plan to return to their place of origin. A positive assessment of international factors beyond the control of the migrant worker, such as environmental issues, employment opportunities and business climate in Nepal, continue to be important factors influencing the decision to return to Nepal on a permanent basis. These are often described collectively as the “return conditions”.

The average ratio of returnees to current economic long-term migrant workers is 28 per cent, which is in line with Nepal's early stage of mass migration and the unattractive integration conditions in the main destinations for Nepali migrants. Looking closer at the top 10 countries of return, the highest number of returns (as percentage to current migrants) are from Bahrain and Oman (39% each), Malaysia (36%), and Qatar (34%). But experience shows that the longer migrants stay in migration, the more likely they are to remain abroad (eventually going to more attractive destinations) and reunify their families in their final country of destination. This, in turn, will lead to diminishing the opportunities to harness any development benefit from migration.

Most HHs with short-term migrant workers (88%) and 19 per cent with long-term migrant workers reported finding employment abroad through their social network.

The lower incidence of social network support for long-term migration is a reflection of the foreign recruitment and employment system that is operational in Nepal. Even so, the reliance on a social network is high in this context. On the other hand, where a formal and legal recruitment system is not available dependence on a social network becomes vital.

Personal communication with family, friends and fellow migrant workers is consistently the most trusted source of information.

Diaspora associations have no significant role for the vast majority of long-term migrant workers, irrespective of destination countries. Only 8 per cent of Nepali migrant workers have any kind of interaction with diaspora associations abroad and only 4 per cent are registered members of such associations.

Key financial characteristics

Projected income and savings, mainly, are among the most important factors in selecting a country of destination. However, migrant workers consider also other factors (such as labour market demand, living expenses, and costs of travel between the two locations) that together constitute the total costs and risks of migration. Other issues influencing migration decisions and HH incomes/savings and investment decisions are: number of income earners abroad (the more family members working abroad, the higher is HH income), the sector of the economy of employment, duration of migration (the longer is migration period the more likely are migrants to find a better paid job), and level of integration.

The personal monthly income of a long-term migrant worker is, on average, six times higher than the official minimum wage rate in Nepal, a wage that many do not even earn.

The top three sectors of employment abroad with higher income levels are health, hospitality industry, and transport and communication, while ranked at the bottom are construction and domestic help.

In 2016, a Nepali long-term migrant HH (HH component abroad) had an average annual income of USD 7,188 (or about USD 600 monthly, as compared to about USD 200 for short-term migrants), of which USD 5,316 was saved. This implies a propensity to save (before remittances) of 71 per cent of HH net income (after taxes

and other mandatory deductions). This is a higher level of savings than in any of the SEE countries studied to date: Ukraine – 62 per cent, Moldova – 58 per cent, Romania – 49 per cent, Kosovo – 42 per cent, Albania – 37 per cent and Bosnia-Herzegovina – 30 per cent.

The vast majority of Nepali migrant workers (95 per cent) send remittances on a regular basis. Because of its relatively short mass labour migration experience (only since 2009-2010) and specific regions of destination, Nepali long-term migrant HHs are more likely to remit than HHs from countries with longer mass migration histories (over 30 years) such as Albania, Kosovo or BiH where the rates of remitting HHs are significantly lower. This indicates that the longer migrants stay abroad, the more likely they are to reunify families abroad, to increase their levels of employment and to integrate into their country of destination, which in turn leads to decreases in the frequencies and amounts of remittances sent to their country of origin. An average HH component abroad remitted 4,777 USD to their HH in Nepal in 2016.

Available official estimates of migrant worker remittances are not accurate, insofar as they do not accurately estimate the value of transfers made through unofficial channels, as well as the value of in-kind remittances. This study addressed that gap.

The total estimated annual value of monetary remittances in 2016, based on the survey results, was about 8.4 billion USD sent through formal and informal channels, with the largest amount coming from long-term migrant workers. In addition, about 0.2 billion USD was received as in-kind remittances. The contribution of long-term migrant workers to this financial inflow to Nepal was 96.4 per cent, short-term migrant workers brought about 2.3 per cent and a final 1.3 per cent of remittances was received by HHs without migrant workers.

Remittances have a significant positive effect on the overall budgets of HHs with remitting migrant worker family members, representing the main income source for the average HH budget. Remittances contribute for almost 62 per cent to the budget of remittance receiving HHs with long-term migrant workers and 38 per cent to the budget of remittance receiving HHs with short-term migrant workers. Even in case of remittance receiving HHs without migrant workers, the effect of remittances is still significant (22% of the overall budget), having the same weight as incomes gained from salaries in the private sector (23%) and loans (19%). Remittance-receiving HHs with long-term migrant workers have the highest monthly income per HH member (91 USD compared to an average of 41 USD for other categories of HHs).

From the perspective of maximizing migrant worker remittances and savings on the development of Nepal, the most significant difference between remittance-receiving and non-receiving HHs is that remittance-receiving HHs are much more likely to engage in investment and have business expenses, including farm expenses (animal feed, maintenance, etc.), as well as in savings.

Of particular interest in the case of Nepal is the insignificant contribution of salaries from the private and public sectors to HH incomes, especially in the case of HHs with migrant workers.

For most long-term migrants, the accumulation of wealth is a major objective of migration. The finding that savings and investments represent a large share (61%) of the remittance values to Nepal, with the largest part of investments oriented towards real-estate purchases (79%) strengthens this hypothesis.

Contrary to popular beliefs, Nepali migrant workers show a clear preference to use formal channels when sending remittances to Nepal. Only 6 per cent of the average remittance value for each long-term migrant worker was transmitted through informal channels in 2016, which amounts to 486 million. When looking at remittance-receiving HHs with short-term migrant workers, the share of remittances received through informal channels rose to 37%, which translated to 73 million USD.

The majority of Nepali HHs with migrant workers receive remittances on a regular basis.

Each remitting long-term migrant worker made an average of 5,6 formal and informal transfers in 2016, with an average value of 853 USD for every transfer. The annual total number of transfers from this category of migrant worker is estimated at about 9.5 million.

An important share of HHs without migrant workers also benefit of remittances, most likely from distant relatives (diaspora members) or friends.

In 2016, Nepali households received more than 200 million USD as in-kind remittances ². In-kind dispatches are more likely to arrive from migrants working in GCC countries.

² Non-money remittances, typically consumer goods.

In Nepal, as in many other labour exporting countries, the volume of incoming remittances is significantly larger than the total value of Foreign Direct Investment (FDI) and Official Development Assistance (ODA) and this trend is on-going. This reinforces the importance of remittances as a stabilizing economic factor. However, remittances represent only one part of the whole story of migration and development.

A transnational long-term migrant HH manages to save 47 per cent of its overall income (i.e. propensity to save, not including social security, pensions and other mandatory deductions), after expenses abroad and consumption component of remittances. Most of the savings are kept in Nepal. The purchase of a house or land, education of children and starting a business activity are among the most important savings objectives.

The savings target of an average Nepali long-term migrant worker in migration is valued at USD 51,600. A majority (71%) stated that they are “confident / very confident” in reaching their savings objectives. The average number of years estimated to reach their savings ambitions is about eight years.

In addition to savings amount sent as part of their remittances to Nepal, nine out of ten long-term migrant workers regularly accumulate savings abroad and it amounts to 13 per cent of the overall remittance value.

The total estimated annual value of HH savings in Nepal is about 2.3 billion USD. This can be compared to the 1.06 billion USD total value of savings generated and kept abroad by transnational long-term migrant households.

In 2016 only 7 per cent of the total average remittance value from long-term migrant workers was directed towards productive investment in a business, farm or other activity.

Nonetheless, every second long-term migrant worker HHs abroad has a direct investment intention in Nepal. Long-term migrant workers originated from Eastern, Central and Western Development Region are much more likely to invest in their business.

Comparing data between long-term migrant workers abroad and their families in Nepal, there is a wide discrepancy in direct investment intentions, with only 12 per

cent of Nepali based HHs stating investment intention, compared to 52 per cent of the migrant workers abroad. In parallel, almost every third HH without migrant workers has a high interest in investment. The number one concern of the HHs is lack of access to preferential loans at affordable interest rates. At the same time, there is a high demand for tax exemptions and business counselling.

Financial management

Data shows that migration significantly enables Nepali HHs to save. Remittance-receiving HHs save at least twice as much as non-receiving HHs.

At the same time, long-term migrant workers are characterized by a very high propensity to save (71% of net income), even when compared to other migrant workers from SEEE countries studied to date. The largest part of their HH savings - USD 4,552 on average, or 8,107 million in total - is remitted to Nepal. Of this remitted amount, an estimated 62 per cent - or about USD 5,003 million - was saved or invested in Nepal, and the balance - USD 3,104 million - was used for consumption. The figures above show that long-term migrant workers are one of the primary sources of liquidity in the country while representing only an estimated 6.3 per cent of the overall population of Nepal. From the savings, intermediation, and development perspectives, HHs with long-term migrant workers abroad are the most interesting market segment. Given their large numbers and relative homogeneity, marketing approaches can be developed in a cost-effective manner.

Reflecting the transnational character of many HHs with long-term migrant workers, banking relationships are maintained in both - country of origin and destination. But, the value of net savings at the time of the survey is held approximately at 88 per cent in Nepal and 12 per cent in destination countries.

Long-term migrant workers use bank accounts in countries of employment primarily to receive salaries (98%), but also for savings (23%) and transfer of remittances (13%).

In Nepal, 70 to 80 per cent of savings are kept in formal finance institutions (mainly at banks and cooperatives). HHs without migrant workers tend to keep a larger share of savings in formal institutions (88%) than HHs with migrant workers (77%).

Over half of banked HHs in Nepal prefer to use formal banks for financial intermediation rather than cooperatives or finance companies. The highest share of banked HHs with long-term migrant workers is in the Western Development Region (78%) and Central Development Region (70%).

Irrespective of the type of financial institution used and the migration status of HHs, financial intermediation services in Nepal are used mainly (over 80%) for savings (saving accounts). About every fifth HH with long-term migrants and without migrants also hold current accounts, mainly at formal banks and finance companies.

Market opportunities are much broader than the traditional financial intermediation and remittance transfer mechanisms considered to date by most analysts and practitioners in public and private sectors. There is a very high demand for a wide range of services considered relevant to the whole of migration cycle (from pre-departure to return and reintegration). Some of the most requested services and products by long-term migrant workers are: provision of foreign employment services at a single location and at lower costs; recognition of qualifications and time worked abroad; job-specific skills training; and return and re-integration support.

At the same time, there is a high demand for a wide range of financial services in Nepal, especially for relevant and migrant-tailored credit products for passive (build a house) and active (business) investment.

Notwithstanding the evident demands and opportunities, significant market gaps between what service providers currently offer and what migrant workers need continue to exist. This is largely because:

1. Service providers and other actors from public, private and civil sectors (including the media) have often focused on the negative aspects of migration (smuggling, trafficking, and other vulnerabilities) rather than the actual experience of the vast majority of migrant workers.
2. The financial sector has placed undue attention on remittances and financial education instead of looking at migrant workers and their migration objectives from the whole cycle of migration perspective.

Hence, potential service providers in all sectors have failed to perceive migrant workers as an attractive and distinct market segment.

Almost half of Nepali migrant workers have a high level of interest to invest in their communities of origin with private sector partners or with local authorities.

Investment in small and medium enterprise (SME) in trade, hospitality or tourism and agriculture are the most popular. Men migrant workers are more attracted to invest in agriculture, while women migrant workers look at the tourism sector. This may reflect their sector of employment in destination countries and is a form of accumulated human and social capital. In line with their intention to return to their place of origin (locality), the vast majority of migrant workers consider investing there.

The top three ways long-term migrants expect the Nepali government to facilitate investment are: preferential loans (at affordable interest rates - 81%), exemption from income taxes for an initial investment period (49%), and a reduction in administrative burdens (38%).

Conclusions

Context: From 2006 – 2015 is the decade of mass labour migration in Nepal where one in three households are affected by external labour migration; accounted for approximately 2.5 million Nepali workers living abroad today and remit USD 38 billion to Nepal – the equivalent of over 30 per cent of GDP. However, while critical to poverty alleviation at the family level and balance of payments at nation level, little evidence of economic development from migration can be observed. This experience shows that remittances alone are not the solution.

In this context, this report examines migration and development links that are largely unexplored by the Nepali government (national and local), analysts, commercial financial intermediaries, and other stakeholders in the private and civil sectors.

The report proposes a broader and deeper perspective, one that takes into account these basic principles that are based on the key findings from all the migration research (by IASCI) done to date:

- ▶ The financial, human and social wealth accumulated by migrant workers abroad are interlinked

- ▶ Their accumulated wealth has real potential to substantially impact the economic and social development of Nepal
- ▶ All migration is local: those places where future migrants are, and current migrants long to return, where the impact of migration – both good and bad – is highest, is where most support actions are needed
- ▶ Public policies and services need to be based on evidence
- ▶ Measures adopted must be migrant-centric, meaning to listen and understand their personal migration goals and support effective migration practices
- ▶ The development potential can be captured only when there is concerted action among central and local governments, civil and private sector actors, and international donors

Nepali migrants are not different from other migrants. They have similar rational behaviour and ambitions, and are driven by common push and pull factors. Moreover, they have similar remittance and saving goals and consequent behaviours and intentions. In this respect, by looking at migrant behaviours in countries in more advanced stages of mass labour migration it can be predicted that the current window of opportunity to capture the development potential of migration in Nepal does not stay open forever.

The people and economy of Nepal will continue to be characterized by international and internal labour migration as well as migration-related financial flows for the foreseeable future.

To some extent, evidence from the research complements the existing literature on the point that recipients in Nepal use current remittances to increase household consumption and invest in personal real estate, rather than to invest in a business or productive asset.

In brief, the primary migration-related objectives of most Nepali short and long-term migrant workers are:

- ▶ to support their households
- ▶ to accumulate financial capital during the period of migration – often together with other important skills and contacts – and then
- ▶ to return home

Nonetheless, a significant amount of Nepali migrant workers' savings is accumulated in cash and banking systems in countries of destination. Given appropriate incentives and conditions, Nepali migrant workers may choose to transfer this accumulated capital to Nepal.

It is this accumulated capital – combined with the social and human capital – that holds the promise of a greater impact and represents a substantial development enabler. But most importantly, for this promise to become reality, suitable local savings, investment, and return and reintegration conditions have to coexist.

At the personal micro-economic level, the primary condition facilitating successful labour migration and return and reintegration is to support migrant workers to achieve their migration goals and ensure suitable return conditions.

From the savings, intermediation and development perspective, HHs with long-term migrant workers abroad are the most interesting target group. Marketing approaches can be developed in a cost-effective manner, given their large numbers, relative homogeneity, and communication behaviours.

Policy development and interventions in this area must be consistent with the personal choices of migrant workers and their families, and with overall policy priorities in two related areas:

1. Fostering sustainable development in Nepal, by moving beyond remittance-dependent and consumption-led economic models towards an investment-led model
2. Supporting efficient labour migration and ensuring the protection of migrant workers' rights, increasing financial literacy levels and fostering environments for sustainable return and reintegration.

Clear visions of the role of migration in the development process and a sense of what can be achieved, as well as what is beyond the realm of the government, are still to be developed in Nepal.

Recommendations and Areas of Intervention

General guidelines

Under the related objectives of maximizing the developmental impact of migration and providing the means for migrant workers and their beneficiaries to transfer their remittances and savings from countries of destination to Nepal, proposed areas of intervention can be grouped under the following guidelines:

- ▶ Mainstream migration and development in both public and private sectors, through evidence-based means, continuous public consultations, and clear migrant-oriented approaches
- ▶ Support capacity for well-managed return migration through coordinated action at international, national and sub-national levels, as well as promote coordinated civil society and public-private sector collaboration
- ▶ Systematically adapt and transfer international experiences, test new financial and service instruments and mechanisms, best practices and develop joint actions
- ▶ Ensure more research on migrant wealth accumulation goals and migration-related financial flows to Nepal
- ▶ Focus on understanding circularity of labour migration, the attraction of migrant transfers within that context, and the challenges, as well as potential opportunities, provided by the evolving return process
- ▶ Support the broadening and deepening of the Nepali financial intermediation market in relation to migrants and their objectives
- ▶ Initiate critical revision of relevant policy and regulatory frameworks, and develop targeted awareness among key decision makers in both private and public sectors.

Summary of recommendations

National government

The Government of Nepal is encouraged to take greater responsibility for and assume ownership of the overall context in which its citizens choose to migrate externally or internally, as well as those who already find themselves abroad as part of the labour migration process or diaspora communities. There is a need for the Government to

develop policy and communication mechanisms capable of maximizing the positive aspects of migration as an important aspect of Nepal's overall development process while minimizing its negative consequences on society as a whole and the persons involved.

- ▶ Establish an Inter-ministerial structure led by Prime Minister Office, to manage the coordination of mainstreaming migration into public policies, the capacity-building process, and migration and development related projects/programmes
- ▶ Develop and approve a "National Plan of Action on Migration and Development" setting out a medium-term roadmap to show how Nepal will mainstream migration into development planning
- ▶ Establish an inter-ministerial coordination mechanism to provide the necessary oversight and coordinate the implementation of the Action Plan at both national and local levels
- ▶ Review and adjust banking regulations: a) to allow the granting of loans for migration covered by the employment contract and/or insurance contract, excluding collateral (mortgages); and b) to subsidize loans for investments into business and development type projects
- ▶ Review and adjust SME regulations and introduce business supportive measures: a) establish start-up centres to maximize success rates, b) streamline business registration, and c) offer selective tax benefits for start-ups
- ▶ Design the legal framework for creating tailored savings/investment products for migrants (e.g. private pension and insurance schemes, collateral-free loans linked to past saving behaviours, guarantee funds, municipal, project-related and general diaspora funds)
- ▶ Establish a financial intermediation mechanism to attract migrant savings and direct them towards productive investments in both private and public sectors (e.g. PARE 1+1 - Moldova's remittance-based investment programme)
- ▶ Engage in internal capacity building activities (training and workshops in relation to mainstreaming migration and development)
- ▶ Recognize and certify skills pre-departure or gained abroad by strengthening and streamlining the activities of the Council for Technical Education and Vocational Training
- ▶ Adopt best practices and carry out further targeted research on specific migrant groups in order to analyse their migration, savings, investment, and return patterns

- ▶ More systematically engage specialized expertise from relevant international organizations
- ▶ Apply this survey methodology in a longitudinal manner (e.g. every three years), in order to measure long-term labour migration related trends
- ▶ Include local authorities and migrant associations in the planning of such projects and activities to better understand and integrate their needs and concerns
- ▶ Engage with qualified partners to examine the viability of designing and market-testing more attractive savings/investment products for migrants/diaspora, including private sector pensions and insurances; development savings accounts; guarantee funds, and; municipal, project-related and general diaspora funds

Local authorities:

Both the current emphasis on decentralization of administrative power in Nepal and the largely local character of migration point to a strong need for the full engagement of local authorities in the design and implementation of migration and development policies and interventions.

- ▶ Collaborate actively within the coordination and collaboration structures recommended above in order to ensure appropriate mutual support and unified outreach
- ▶ Engage in related capacity building (training and workshops in relation to migrant transfer/saving/ investment)
- ▶ Develop (on existing office) and expand a network of locally based offices that are able to directly support efficient return migration practices and financial literacy on the part of all migrant worker groups
- ▶ Encourage the formation of Hometown Associations (HTAs), build their capacities into the areas of awareness raising and cooperation on issues such as developing small-scale social projects, savings and investment mobilization, and remittances
- ▶ Develop and support local level 'business clubs' or migrant resource centres that are able to provide meaningful and trusted expert advice to potential returnees and migrant entrepreneurs, as well as attracting migrant/diaspora investment at local level

Private sector:

Since most products and services in high demand from migrants, including employment opportunities, come from the private sector, active engagement of private actors is crucial to:

- ▶ Adapt and transfer international best practices, develop and test migrant-centric financial and service instruments (e.g. maintaining accounts with the same bank or corresponding banks in different countries; building and transferring of credit histories)
- ▶ Raise awareness and collaborate to conduct training at local level to improve the amount of savings and migrant transfers (including banks, insurance and pension companies, micro-credit institutions)
- ▶ Carry out market research regularly in order to better understand their potential customer base
- ▶ Actively promote and develop dialogue and cooperation between migrants, diaspora organizations, banks, and governments
- ▶ International organizations, donors and qualified partners
- ▶ IGOs can assist the Government of Nepal and the primary countries of destination to mainstream return migration and M&D principles into their national development strategies.
- ▶ Facilitate capacity building measures to support national and local public authorities, migrants, and diaspora organizations to develop migration and development strategies, interventions, and projects
- ▶ Support development of incentives and regulatory frameworks that provide necessary conditions for encouraging productive use of migrants' financial and human capital
- ▶ Provide expert advice to policy debate, particularly with regard to financial intermediation and opportunities for developing SMEs and job creation
- ▶ Share international best practices in mainstreaming migration in development planning

II. INTRODUCTION

This report presents selected data generated from the migrant worker and household surveys carried out within the project *Research and Policy Dialogue Initiative on Migration and Remittances in Nepal*, implemented by the International Organization for Migration (IOM), Mission in Nepal, and financed by IOM Development Fund. Stakeholder workshops and review of secondary literature/data complemented this primary data. Where relevant, it provides a comparative analysis with the results of similar surveys conducted in other South-Eastern and Eastern European (SEEE) countries since 2006. This comprehensive and multistage approach was carried out by adapting concepts and methodologies developed by the International Agency for Source Country Information Migration (IASCI), in collaboration with the Center for Sociological, Political and Psychological Analysis and Investigations (CIVIS), to Nepali context in close coordination with IOM, IIDS and the Project Steering Committee.

The aim of the project Research and Policy Dialogue Initiative on Migration and Remittances in Nepal is to assist the Government of Nepal in developing evidence-based policies to harness effectively the link between migration and development. To achieve this, it is necessary to increase awareness among key stakeholders on the nature, use and impact of remittances entering Nepal, to describe migrant workers' and their households' overall financial behaviour, including savings and consumption, as well as to assess the overall impact of migration on the country's socio-economic development.

The research programme took place within a consultative process in a form of an inter-ministerial working group (Project Steering Committee), with the purpose of developing policy recommendations aimed at mainstreaming migration into development planning.

Financial flows from migrant workers to their home communities are at the core of the relationship between migration and development. Most research, policy development, and financial industry attention to date have focused on migrant worker remittances. The approach of this research project takes a broader and deeper perspective. The initiative is based on the premise that financial, human and social wealth accumulated by migrant workers abroad are interlinked, and that this accumulated wealth has substantial potential to contribute positively to the economic and social development of Nepal.

The focus is provided by the recognition that migrant workers and their households represent a potentially significant and distinct target audience, one that should be of particular interest to the Government of Nepal, as well as to private and civil society stakeholders and international donors.

The analysis is organized into five main sections, leading to recommendations for coordinated action on the part of the Nepali Government, as well as stakeholders in the private and civil society sectors.

The first section outlines the methodology and different procedures used in migrant worker and household surveys, as well as procedures used for qualitative approaches. The Nepali quantitative findings are compared, where relevant, with data obtained from analogous research in countries in SEEE.

The rationale for comparison rests on the hypothesis that all migrants, wherever their origins, behave in a consistent and rational manner, have similar motivations and aspirations, and are driven by similar push and pull factors. Moreover, all labour migrants have overall similar remittance and saving goals with corresponding consequent behaviours and intentions. The research in the SEEE countries provided strong evidence to support this hypothesis, and as reflected further in this report, Nepali migrants are not an exception. By comparing the findings across studied countries with different histories, cultures and migration cycles, one can chart differences and similarities in the various migration stages and therefore predict the eventual evolution of the migration pattern for those countries in the earlier stages of mass labour migration, as Nepal is. In other words, by looking at migrant behaviours in countries in later stages of mass labour migration it is clear that the current window of opportunity to capture the development potential of migration in Nepal does not stay open forever.

The second section includes a general overview of the migration situation and scale in Nepal, presents the concept of multifaceted migration and provides a general description of each category of migrant workers, as well as some forecast of potential internal and international migratory flows.

The third section introduces the analytical framework and provides supporting data related to socio-economic characteristics of Nepali migrant workers and their

households, their communication behaviours, and their return intentions. This section also introduces the concept of return migration and relevant data in the Nepali context.

In the fourth section, the report provides an insight into the key financial characteristics of long and short-term migrant workers from Nepal. This includes a cross-sectional examination of incomes, expenditure, savings, investments and remittance trends. Recognizing that migrant workers are not a homogeneous group; this section introduces separate profiles of primary migrant worker groups in order to examine variations in their remittance and saving behaviours.

The analytical part of the report closes with a financial overview intended to allow cross-tabulation of Nepali data with key financial data sets of other country studies, as well as an overview of the status of financial intermediation in Nepal, market opportunities and gaps.

The report is based almost exclusively on the quantitative data collected from primary sources – households in Nepal and migrant workers working abroad. In this context, and to ease reading, only data and information gained from secondary sources are cited.

To view all raw and disaggregated data of both, the migrant and household surveys, as well as literature review, please contact IOM Nepal and IASCI.

III. METHODOLOGY

This analysis includes a review of household and migrant surveys carried out in 2015-2016 in Nepal. The same methodology was previously used by IASCI in different countries within the SEE region, including Albania (2005, 2009, 2010), Bosnia and Herzegovina (2009, 2010), Kosovo (2009), Moldova (2009/2010, 2012/2013, 2015), Romania (2010) and Ukraine (2014/2015). In order to allow for cross-country analysis, similar questionnaires were used.

The following triangulation procedures were applied to provide a broad range of information, as well as the ability to validate the results of the other procedures used:

- ▶ A nationally representative household survey
- ▶ A survey with long-term migrant workers at the main border crossing points in Nepal
- ▶ Literature review
- ▶ Coordination and peer-review

Target categories and definitions

Migrant worker³: A Nepali national who is to be engaged, is engaged or has been engaged in a remunerated activity in a State other than Nepal.

Remittances: Includes current transfers in cash or in kind received by resident households in Nepal from other non-resident households or individuals. Also includes the social remittances, or the ideas, practices, social capital, and expertise acquired abroad.

Long-term international migrant worker: A Nepali national who is engaged in a remunerated activity in a State other than Nepal. For the purposes of the study, long-term migrants will be considered those who have been out of Nepal for at least 12 months.

Short-term international migrant worker (including seasonal migrant worker): A Nepali national who is engaged in a remunerated activity in a State other than Nepal. For the purposes of the study, short-term/seasonal migrants those who have been out of Nepal for between three (3) to 12 months.

Returned migrant worker: A Nepali migrant worker who returned to Nepal with the intention to permanently settle in Nepal. However, if their decision changed while in Nepal, this person still would be considered a returnee migrant. Those migrant workers who are visiting family members / or doing some business (days to weeks) are not considered a returned migrant worker.

Potential international migrant worker: A Nepali national who has taken steps to pursue foreign employment and plans to migrate in the next 12 months. 'Taken steps' means at least applied for or received a recommendation from the village development committee (VDC) or municipality to apply for a passport. (This is the minimum requirement; those that are beyond this point in the process of foreign employment would obviously be considered potential migrants.)

Internal migrant worker: (i) A Nepali national who resides at the time of interview in his or her usual residence, but works in another location in the same country; (ii) A Nepali national who moved from his or her usual residence to another location in the same country for employment purpose.

Potential internal migrant worker: A Nepali national who resides at the time of interview in his or her usual residence in the country of origin, but has the intention to move or to take up employment in another place in the same country in the next twelve months.

General principles

Reference period for data collected: The data refer to the period of previous 12 months from the fieldwork or data collection period.

Targeted interviewee: The respondents interviewed were aged 18+ for both household and migrant surveys. Only the head of HH or acting head of HH was interviewed for the HH survey.

Age groups of respondents: Some questions are related to all age groups (for example, HH composition); some other questions (like labour migration) refer to people aged 18+.

³ Adapted from International Migration Law N°25 - Glossary on Migration, 2nd Edition, 2011, to reflect Nepali reality.

Connections of HH survey with migrant survey: The sample for the migrant survey was based on data from the nationally representative HH survey. Specifically, data from the HH survey was used to determine the quota of long-term migrant workers by country of destination to be interviewed during the migrant survey at border crossing points in Nepal.

Comparative analysis among main destination countries: The report includes cross-tabulated analysis among three categories by main destination regions:

- ▶ GCC countries – Saudi Arabia, Kuwait, Qatar, UAE, Bahrain and Oman
- ▶ Asian countries – mainly Malaysia, India, Japan and Republic of Korea (RoK)
- ▶ Other countries – other destination countries, especially USA, Australia and United Kingdom

Nationally Representative Household Survey (HH survey)

The main advantages of the conducted HH survey, compared with other previous studies carried out in the area of migration, are:

- ▶ Use of a probabilistic sampling scheme
- ▶ Use of a large-scale sampling size
- ▶ Measurement and categorization of uninhabited HHs, of which all inhabitants are deceased, versus HHs where all members are abroad or moved to another place within Nepal
- ▶ Expanding sources of information about surveyed HHs to neighbours, relatives, local authorities, community leaders, teachers etc. in those cases where HH is abandoned or no HH inhabitant can be contacted

Survey goals

- ▶ Estimate the overall volume of migrant worker remittances and savings and their impact on socio-economic development of Nepal
- ▶ Provide relevant data to support evidence based recommendations in order to promote stability and sustainable socio-economic development in Nepal and to facilitate the development of migration management strategies

- ▶ Provide an accurate estimate of the number of international migrant workers (short-term and long-term), returned migrant workers and potential migrant workers, as well as internal migrant workers

Methodological background

Method: probabilistic large-scale nationally representative quantitative survey.

Target groups:

1. Nepali HHs in general, during first stage screening
2. HHs with at least one family member engaged in short-term or long-term international labour migration
3. Control group: HHs without migrant workers

Sample size:

1. 22,997 HHs at the screening stage
2. In-depth interviews with 557 HHs with short-term and 2,669 with long-term migrant workers (excluding HHs with all family members working abroad)
3. In-depth interviews with 909 HHs without migrant workers, as a control group

Survey technique: face-to-face interview at household level

Survey tools:

- ▶ Screening questionnaire at the first stage of HHs to identify migration profile at household level (primary source of migrant workers' origin)
- ▶ Structured questionnaires with open-ended questions for HHs with and without migrants

Working language was Nepali.

Reference population: totality of population and households existed in the surveyed country. The information for sample design is based on the most recent Census in Nepal dated 2011. No area of the population was excluded from the sample.

Sampling frame: the list of all localities at the first sampling stage, the list of all secondary sampling units (SSUs) in every locality selected at the first stage for the second stage, the list of all HHs within each SSU obtained in the listing.

Sample design: stratified, multistage, probabilistic – settlements and HHs were selected based on a probabilistic scheme, each HH having an initial known non-zero probability to be included in the sample. Research sample included 460 secondary sampling units with an average number of 50 HHs visited (based on probabilistic selection) per sampling unit. In all, 360 localities were included in the sample from 31 districts as illustrated in figure below.



At the first stage, 31 districts were randomly selected (by Nepal Central Bureau of Statistics (CBS)), using probability proportion to size (PPS) sampling method as a primary sample units (PSU). Methodology jointly developed with IOM, Nepal Central Bureau of Statistics, IIDS and IASCI with input from Finance Ministry official.

At the second stage, ward numbers were randomly selected (by CBS) from the selected districts (PSU) so that both rural and urban areas were covered using PPS sampling method.

Enumeration area consisted of 460 clusters. Each cluster with 150 households in rural area and 250 households in urban area.

Within the clusters, screening questionnaires were applied to 50 randomly selected households.

Survey periods: December 2015 – June 2016.

Extrapolation and calibration principle: data calibrated, weighted and extrapolated based on the official data about household numbers and structure, as well as according to official data on projected population for 2016 (based on the Central Bureau of Statistics report “Population Projection 2011 – 2031” issued in 2014).

In the analysis of incomes, expenditures, remittances and savings values, the top and bottom three values were excluded from the sample, in order to eliminate extreme outliers.

Data limitations: No direct effort was made to capture the migrant worker population outside the target groups, i.e. diaspora members and emigrant workers that have effectively not maintained their contacts with Nepal.

Non-participation rates (including non-contacts and refusals to participate in the survey):

- ▶ Nepali HHs in general, during first stage screening – 0.4 per cent
- ▶ HHs with at least one family member engaged in short-term or long-term labour migration – 0.3 per cent
- ▶ Control group: HHs without migrant workers – 0.3 per cent

The average non-response rate for the most sensitive questions is 0.4 per cent.

The in-depth questionnaire for HHs with short-term migrant workers, long-term migrant workers, and the control group was composed of 100 questions. The table in Annex 1 provides data on refusal rates for the 14 most sensitive questions related to the financial situation of the HH.

Quality scale of the key indicators on labour migration, according to standards of Statistics Canada

Indicator	Coefficient of variation	Quality of estimation *	Quality of estimation **
Long-term labour migration	0.67 per cent	A	A
Employment purpose	0.63 per cent	A	A
Short-term labour migration	1.85 per cent	A	A
Internal labour mobility	0.99 per cent	A	A
Return labour migration	1.16 per cent	A	A
Long-term labour migration	1.59 per cent	A	A
Short-term labour migration	7.80 per cent	A	B
Internal labour mobility	7.83 per cent	A	B

* Current quality scale in use

Symbol	Type of estimate	Guidelines
A	Acceptable	Estimates have low coefficients of variation in the range of 0.0 per cent to 16.5 per cent. Can be considered for general unrestricted release. Requires no special notation.
E	Marginal. Use with caution	Estimates have high coefficients of variation in the range of 16.6 per cent to 33.3 per cent. Estimates can be considered for general unrestricted release, but should be accompanied by a warning cautioning subsequent users of the high sampling variability associated with the estimates.
F	Unacceptable. Too unreliable to be published	Estimates have very high coefficients of variation in excess of 33.3 per cent. Statistics Canada recommends not to release estimates of unacceptable quality.

** Former quality scale standards of Statistics Canada to 2014

	Variation coefficient in %	Meaning of quality scale
A<=	5	Excellent
B<=	10	Very good
C<=	15	Good
D<=	20	Acceptable
E<=	35	Can be used with precaution
F>	35	Too poor to be published

Socio-economic Survey of Long-Term International Migrant Workers (Migrant survey)

During October 17 – November 28, 2016 a large-scale survey of 1,976 Nepali long-term migrant workers was carried out. This period was selected in order to capture a representative sampling among the high number of migrant workers returning to Nepal over the traditional holiday (vacation) season. Migrant workers were interviewed at three main ports of entry to Nepal (Mahendranagar, Butwal and Tribhuvan International Airport), as well as at the and the Labour Village, Kalimati, covering all means of transportation including personal vehicles, trains, buses, and airplanes, thereby providing a range of different socio-economic profiles.

Respondents were selected on the basis of the following criteria. The migrant survey specifically targeted long-term migrant workers, defined as persons (a) with more than one year of migration experience overseas, (b) more than 18 years of age, and (c) migrated for the purpose of employment.

The sample was designed on quotas based on the results of the probabilistic HH survey. The method of the survey was face-to-face interview. The interviewers approached and interviewed migrant workers as they were waiting to enter or leave the border-processing and customs areas. The interviewers were trained to preserve gender and age balance.

Following consultations with the Project Steering Committee, the final questionnaire included 97 questions. The questionnaires gathered quantitative data concerning socio-demographic characteristics of migrant workers and their HH members, their primary financial characteristics (including incomes, expenditures, and savings, remittances and investment intentions), types of social networks and communication practices with Nepal and among labour migrant worker community, as well as return intentions.

For further final data processing and analysis the database was weighted by gender, age groups and major destination regions based on the profile resulted from previously applied screening stage of households' probabilistic survey on a sample of 22,997 households.

The average non-response rate for the most sensitive questions is 1.9 per cent.

Data Limitations

The focus of this component of the research was to examine the migration, remittance, savings and investment behaviours of long-term migrant workers, and thereby analyse key links between migration and economic development. The survey purposely excluded irregular migrants and migrant workers that have effectively not maintained their contacts with Nepal (i.e. emigrant workers). No direct effort was made to capture the migrant worker population outside the target group.

Another limitation to take in consideration is the location where long-term migrant workers' interviews took place, namely the Labour Village, instead of airport customs areas, as a standard practice in other similar IASCI surveys. This fact excludes from the sample those migrant workers that choose not to follow the official procedures in place for the Labour Village.

Literature Review

The study reviewed a large pool of migration related materials, which informed both the quantitative and qualitative procedures.

Coordination and Peer-Review

Methodology and questionnaires, proposed to be applied by IASCI, were adapted to the Nepali reality in close consultation with IOM, IIDS and the Project Steering Committee, composed of technical experts from central government authorities, specialized agencies and international organizations. Draft reports were presented during validation working groups.

IV. PROFILE OF NEPALI MIGRATION

Generally, information on labour migration in Nepal remains incomplete and unreliable. There is no unified data collection system on migration, with statistical data collected by different institutions, including state authorities, and intergovernmental and non-governmental organizations. Only the data produced by public authorities (such as the Central Bureau of Statistics, the Ministry of Labour and Employment, Department for Foreign Employment) and the Nepal Rastra Bank is considered official. The information collected by state institutions does not cover all aspects of labour migration, is not regularly recorded and processed, very often is not compatible (when the same data is collected by different authorities), and is not published or is used for internal purposes only. There is insufficient cooperation between Nepali state authorities on registration of migration data. Hence, the migration data produced at the country level is contradictory and far from exhaustive.

Further, data on labour migrant stocks from Nepal vary considerably from one source to another because the various analysts inconsistently define what constitutes a short-term migrant worker, a long-term migrant worker, and/or an emigrant. In the literature, the number of “migrant workers” ranges from two to four million, depending on the source used. Related to this is the emphasis placed by analysts on the flow of migrants from Nepal to a few popular destinations such as the countries in the Gulf and Malaysia. In fact, the most popular destination for Nepali migrants (short and long-term) is India, for which there is almost no reliable data.

In this paper, the officially recognized definitions of migrant categories are applied (*see above Section dedicated to methodology*).

Formal labour migration started in Nepal around the nineteenth century with the induction of Nepali soldiers to the colonial British army. Between 1961 and 2001, the migrant to population ratio hovered around 3.4 per cent and was almost entirely driven by migration to India. Notably, migration beyond India is a relatively recent phenomenon. Before 1980 the numbers were small and directed to destinations like the UK, Hong Kong Special Administrative Region (SAR), Singapore and Brunei Darussalam. It was only in the 1980s, partially in response to the demand created by the oil boom in the 1970s, that Nepalis started to migrate to other destinations for work. Foreign migration became easier after the adoption of economic liberalization policies in the context of restoration of democracy in Nepal in 1990 and international travel was made easier and more systematic.

In the mid-1990s, the Government of Nepal (GoN) allowed private recruitment agencies to recruit workers to a selected set of countries, mostly in the Persian Gulf and a few others like Malaysia, Japan and RoK, after obtaining clearance from the Ministry of Labour.

These factors led way to the surge in migrant outflow from Nepal in the 2000s, as seen in Figure 2 below, and this trend is set to continue. This outflow has been dominated by the migration of low-skilled, mostly men workers to Malaysia and the Persian Gulf countries, especially Qatar, Saudi Arabia, and the United Arab Emirates.

The recent trends in migration flows need to be contextualized in the steady increase of the Nepali population over the last three decades, with the population doubling since 1981 from 15.4 million to 32.2 million at present.⁴ More than half of the country's population is under the age of 35, which is also the main age group of current migrant workers. At the same time, an additional 300,000 young people joined the ranks of those looking for work.⁵

On average, 25 per cent of Nepalis live below the poverty line⁶, and there is a substantial difference among ethnic and caste groups and among different regions of the country.

Economic growth slowed in Fiscal Year of 2016 after devastating earthquakes hit the country in the end of a weak monsoon, and trade disruptions. The World Bank estimates that the earthquake pushed 2.5-3.5% of the Nepalese population back into poverty. GDP growth slowed to 2.3 per cent in 2015 (from 5.7% in 2014) and slowed again in 2016 to 0.8 per cent. Losses in the tourism sector were particularly severe and had a deep impact on the economy.

Demographic Profile of Nepali Households

The general demographic profile of the surveyed HHs during the first screening stage closely reflects official statistics in terms of key variables, such as HH size, rural/urban distribution, gender distribution, and age groups.

The average size of a Nepali HH is 5.3 members with an insignificant difference between urban and rural areas.

⁴ Nepali Central Bureau of Statistics Census data

⁵ <https://www.usaid.gov/nepal/economic-growth-and-trade>

⁶ <https://www.adb.org/sites/default/files/publication/298061/basic-statistics-2017.pdf>

56 per cent of all HHs are based in rural areas, and the other 44 per cent in urban areas, which is comparable to most SSEE countries surveyed. This breakdown takes into account recent Nepali urban governance trends towards the development and creation of new municipalities and a concurrent decrease in the number of village development committees (VDCs). Without this urban governance trend, approximately 85 per cent (2004) to 81 per cent (2016) of Nepali population would have been considered residing in rural areas. Following the new policy trends, the number of municipalities (i.e. urban centres) has increased drastically in recent years: from 58 in 2011 to 217 by 2015.⁷

The gender composition of HHs is almost balanced with 52 per cent being men and 48 per cent women.

In addition, the screening stage revealed certain interesting and novel findings:

1. Compared to SSEE countries surveyed the phenomenon of temporary abandoned/uninhabited houses/apartments is insignificant in Nepal, less than 0.1%.
2. Almost 0.3 per cent of surveyed properties are owned by Nepalis who have more than one property.
3. Half of the HHs surveyed had one or more individuals engaged in international migration and/or internal mobility.
4. 34.6 per cent of HHs had one, more or all members engaged in international migration, either long-term or short-term.

Further in-depth analysis of rural to urban internal mobility and international migration (short and long-term) shows that at certain periods during the year - when the majority of migrant workers are abroad or in internal labour mobility - the rural population can decrease by 13 per cent. This decrease is due only to labour mobility and *does not* take into account internal mobility for education purposes, which is also from rural to urban centres.

On the other hand, international migration originating from urban areas is more than compensated for by large-scale internal rural-urban mobility, especially to large cities.

⁷ <http://www.gsdr.org/wp-content/uploads/2015/11/HDQ1294.pdf>, page 13

Multi-faceted international labour migration

Nepali migration flows are much more complex than commonly assumed or described in the literature. This finding reflects similar profiles identified in SSEE countries surveyed. When disaggregated, the data (as in Figure 1) shows that Nepali migration consists both of international flows of short-term or long-term migrant workers and of internal mobility for employment purpose.

The number of international migrant workers is much lower than commonly held. Moreover, the mobility of Nepali is not only external, but also internal and is far from exhausted

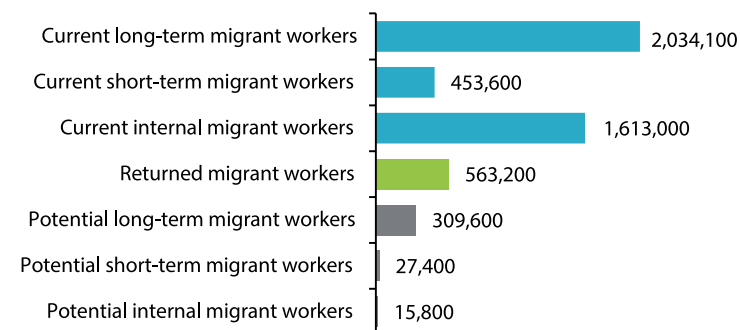


Figure 1: Estimates of current, returned and potential categories of migrant workers
Source: HH survey

The HH survey estimates there were about 2.5 million Nepali citizens engaged in international labour migration (defined as people who went abroad with the objective to work) in 2015. Of these, about 2,034,100 citizens of Nepal were engaged in long-term labour migration and 453,600 were engaged in short-term labour migration. In addition to these migrant workers, about 84,700 Nepalis were studying abroad and 23,800 people moved abroad for the purpose of family reunification.

At the same time, a large number of Nepalis (1,613,000 people) are engaged in internal labour migration. They either reside in one community and work in another or have moved their primary residence to another locality in Nepal. At present, internal

labour migration represents 39 per cent of all movements (internal and external) related to Nepal. This high level of internal labour migration (mainly directed from rural to urban areas) has not been previously analysed in-depth. Looking forward, internal labour mobility seems to be becoming a less attractive option for Nepalis. The share of potential internal labour mobility (15,800 people) is only 4 per cent (compared to the present 39%) of total potential labour migration flows (352,800 potential migrants) over the next 12 months.

The migration of Nepalese people for overseas employment will continue to grow. The HHs survey data indicates an ongoing high potential for migration flows in the following 12 months from date of survey, with 337,000 individuals expressing an intention to enter into either long-term (mainly) or short-term migration. This represents a potential 12 per cent increase to the current number of external migrants. The high level of potential long-term labour migration may be related to various push factors intensified by the destruction caused by the 2015 earthquake, weak monsoon, and the trade disruptions Nepal faced in 2016. Increased migrant outflow may also have been incentivized by free visa free ticket policy introduced in October 2015 by Nepali authorities.

Finally, return to Nepal from long-term labour migration for permanent stay is ongoing and seems to be a growing trend, as described below.

The following paragraphs present some key socio-demographic characteristics of the categories of migrants just introduced.

Current and potential long-term international labour migration

In the modern era, labour migration began with the adoption of economic liberalization policies in the context of the restoration of democracy in Nepal in 1990. Figure 2 shows that labour migration maintained a relatively low intensity during the 1994 to 2008 period. When considering mass international labour migration, there is a significant increase 2009-2011 and then 2012-2014, which may be a result of foreign employment acts and policies adopted in 2007/2008 and 2012 (for more details refer to Literature Review chapter). In this regard, Nepali international labour migration on a mass scale can be considered a relatively recent phenomenon when compared to other SEE countries studied (for example, Albania since 1990, BiH since 1992, Republic of Moldova since 2000). As illustrated in Figure 2, it has maintained a high intensity through 2014 and will continue.

Nepali long-term labour migration has been on the increase since 2009 and continues to do so

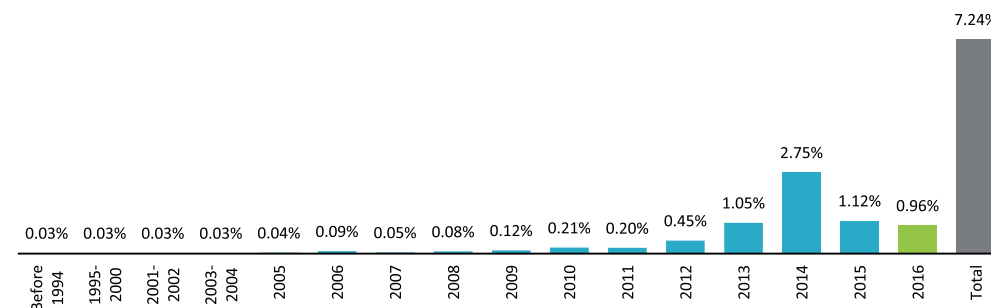


Figure 2: Dynamic of long-term labour migration, as a percentage of the total population
Source: HH Survey

A significant decrease in migration flows occurred around 2015, which is also confirmed by the official statistics of Department of Foreign Employment. This is explained by the 2015 earthquakes that resulted in hundreds of thousands destroyed or damaged properties, forcing Nepalis to stay home and help with the reconstruction of properties and other negative consequences of the earthquakes. In addition, potential migration remains high. 309,600 individuals have an intention to go abroad in the next 12 months, which is a potential increase of 15% to the current stock, and this seems to continue the trend started in 2013. It is important to note that 99% of potential long-term migrants stated they have taken certain preparatory steps towards this end.

By 2015 2,149,700 or 6.7 per cent of the total population were engaged in long-term international migration (including India) for various purposes (Figure 3), but mainly for employment.

6.3 per cent of the total population or 2,034,100 people are long-term migrant workers. This affects 28 per cent of HHs in Nepal.

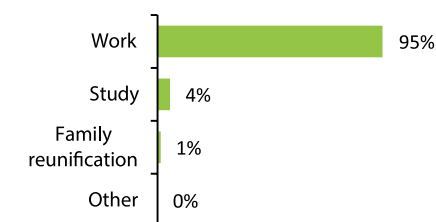


Figure 3: Purpose of stay abroad
Source: HH survey

Long-term labour migration is more likely to originate from rural areas (61%) than urban areas (using the new urban/rural categorization explained above), and in the nearest future, this trend will remain stable. This finding is similar to the profile in most surveyed SEEE countries, where the majority of long-term migrant workers originate from rural areas.

Long-term migration is clearly men led in Nepal with 93 per cent men and only 7 per cent women, and this will continue to be so in the nearest future. It mirrors the similar current pattern for short-term international labour migration.

Destination Country	Population	Per cent
Malaysia	489,400	24.1 %
Qatar	399,100	19.6 %
Saudi Arabia	381,900	18.8 %
India	288,200	14.2 %
UAE	214,700	10.6 %
Kuwait	56,900	2.8 %
USA	31,100	1.5 %
Japan	29,100	1.4 %
Korea	23,200	1.1 %
Australia	21,000	1.0 %
Bahrain	16,400	0.8 %
UK	12,400	0.6 %
Other country	70,700	3.5 %

Figure 4: Breakdown of long-term labour migration by destination country

Source: HH survey

Unlike short-term labour migration, where the main destination country is India, long-term labour migration flows are directed towards five main destination countries – Malaysia, Qatar, Saudi Arabia, India and the United Arab Emirates (see Figure 4), which account for 87 per cent of this category of migrant worker. Overall, long-term migration flows from Nepal are directed towards two main regions of destination: GCC countries (53%) and Asian countries (42%). However, when combining short-term and long-term migrant stocks, India is the most preferred destination country with a total estimated number of 719,100 Nepalis working there (or 29 per cent of the total long and short-term migrant stock).

When looking at the 309,600 potential long-term migrant workers, shifts in preferences towards the main countries of destination appear. Qatar becomes the stated preference of 28 per cent of potential long-term migrant workers, then UAE

(23%) and Saudi Arabia (18%), while Malaysia is preferred only by 9 per cent. 75 per cent of potential long-term migrant workers consider migrating to GCC countries, compared to 53 per cent at present.

Overall, Nepal has shown three main destinations (reflected in detail in this study) that are starkly different in terms of costs and return, and the migration flows to these destinations are substantial.

India is chosen mainly because of the ethnolinguistic similarity between the two countries as well as for the low cost of migration. Nepal maintains an open border with India, where citizens from one country are free to enter the other at any time without any restrictions, paperwork, or clearances. This allows workers of either country to take advantage of the economic opportunities in the other. Moreover, historically, workers, mostly from Far-Western and Mid-Western regions of Nepal, migrated to India to work as daily wage labourers (which is consistent with data from this study related to the pattern of short-term migrants – see section below) or as security guards or in restaurants in Indian cities. Because of frequent migration to India over a long period, there are well-established migration linkages between districts in Nepal and Indian cities that help newer Nepali migrants find work.

Reasons for choosing destinations are influenced by the overall costs of migration. Nepali migrant workers choosing Malaysia, Qatar, Saudi Arabia and the UAE do so primarily because of a high demand for relatively low and middle skilled labour, income differentials, and existing intergovernmental agreements with these countries, as well as institutional infrastructures facilitating the employment process (manpower and recruitment agencies). Most of the current migration to non-India destinations, especially to the Persian Gulf countries and Malaysia, happens through recruitment agents. Typically, potential migrants contact, or are contacted by, independent local agents that are connected to recruitment firms in Kathmandu. These recruitment firms receive demands for low-skilled workers from firms or agencies abroad and are fully responsible to fill the demands and arrange all necessary paperwork. Migrants to these destinations pay the intermediaries more than Rs. 100,000 for job-search, intermediation, and other related costs.⁸ This cost amounts to three years of per capita consumption in Nepal.

⁸ Maheshwor Shrestha, *Push and Pull: A Study of International Migration from Nepal*, Policy Research Working Paper 7965, World Bank Group, Social Protection and Labor Global Practice Group, February 2017. <http://documents.worldbank.org/curated/en/318581486560991532/pdf/WPS7965.pdf>

Migration towards Other countries is influenced by a demand for highly qualified labour force and the significantly higher cost of migration.

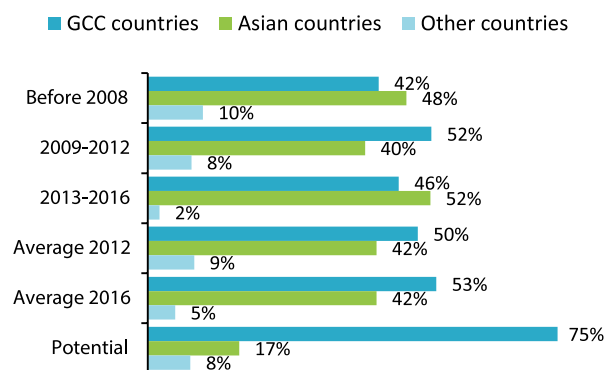


Figure 5: Dynamic of ratio of long-term migrant workers by main destinations

Source: HH survey

of labour migration flow towards Other countries⁹ like USA, Canada, Australia etc., which most likely can be explained by increased activity of recruitment agencies intermediating employment mainly to GCC and Asian countries.

When looking forward (potential flows), the data shows a marked increase in the attractiveness of GCC destination, especially to Qatar and UAE, while Malaysia and India register significant decreases. The increase in labour migration flows to GCC countries can most likely be explained by increased labour force demand for large infrastructure projects and current development trends in this region. It is also important to note the increasing interest for Other countries (from 5% at present to 8% in the near future), which could be a result of a significantly increased share of young Nepalis (18-29 years) willing to engage in long-term migration.

When comparing the migration patterns of the five development regions of Nepal¹⁰, it becomes apparent that the western region plays a key role in the labour

Deeper analysis shows some significant shifts in destinations of long-term migrants. If until 2008 Asian countries were the predominant preference of Nepali migrants, then during 2009-2012 there was a significant increase of migrant workers going to GCC countries, from about 42 per cent to 52 per cent of all migrant workers (Figure 5). Since 2013, this trend seems to have partially reversed. At the same time, it is interesting to note the decreasing trend

migration profile of Nepal. It is the region most exposed to the costs and benefits of migration: 18% of the total population from this region engaged in various forms of internal and external migration, which is on average 34% more than in other regions (Figure 6). When focusing on long-term migrant workers only, they are more likely to originate from Western and Eastern Development Regions and least likely to come from Far-Western Development Region (Figure 6). On the other hand, short-term migrant workers are most likely to originate from Far-West and Mid-West Development Regions.

Nearest future forecast data shows that Central Development Region will play a more important role, providing about 50 per cent to future external labour movements.

Nine out of ten long-term migrant workers are aged 18-44, with 47 per cent young migrant workers (18-29 years old) and 44 per cent adults (30-44 years old). The near future trends seem to show a significant increase in the movement of young population, with 2/3 of potential migrants falling into this age group.

International migration for education purpose

In addition to long-term migrant workers, about 84,700 Nepalis are **studying abroad**. Most of these students originate from urban areas (76%).

Students, like migrant workers, also reflect a gender imbalance, but significantly smaller, with men outnumbering women by a ratio of 2 to 1.

In terms of regional distribution, the Central Development Region predominates with 66 per cent of all students abroad originating from this region, followed by

Region of origin	Internal migrant workers	Short-term migrant workers	Long-term migrant workers
East	4.4%	0.4%	7.4%
Central	4.7%	0.8%	5.6%
West	8.1%	0.8%	9.1%
Mid-West	2.8%	2.2%	4.8%
Far-West	4.0%	6.5%	2.8%
Total	5.0%	1.4%	6.3%

Figure 6: Number of long-term migrant workers as a percentage of the total population from respective development region

Source: HH survey

⁹ Category of Other countries includes all destination countries, except those GCC and Asian countries, especially USA, Australia and UK.

¹⁰ On 20 September 2015, Nepal was divided into seven provinces, as defined by schedule 4 of the new constitution. Prior to this, Nepal was divided into five development regions.

Western Development Region with 18 per cent. Similar to the labour migration pattern, there are insignificant migration flows for the purpose of education from Mid-Western and Far-Western Development Regions.

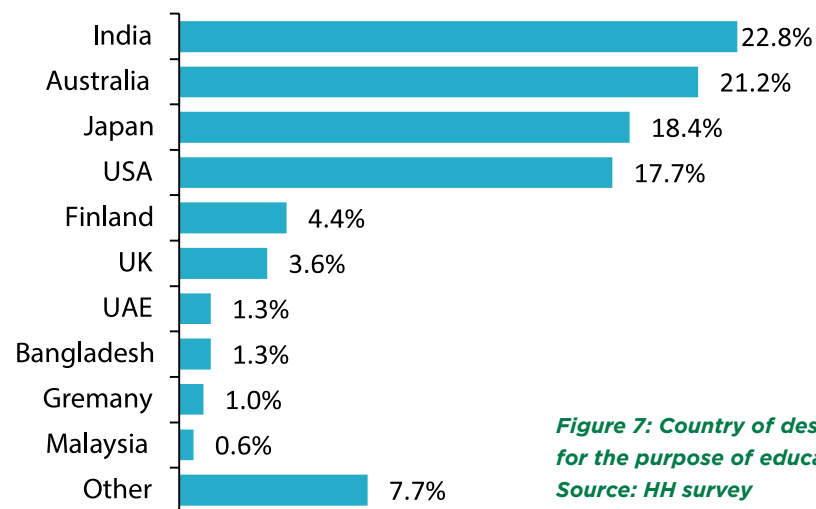


Figure 7: Country of destination for the purpose of education
Source: HH survey

Three-quarters of this category of migrant students are 18-29 years old and the other 19 per cent are 30 to 44 years old. This distribution may be explained by the fact that Nepalis go abroad not only to gain their bachelor degrees, but also for master and PhD degrees or to improve their qualifications. There is evidence that Nepal's international student cohort began to grow rapidly in the last few years, particularly at the graduate level. This is likely because only 1% of the country's higher education institutions offer post-graduate level degrees.¹¹

Unlike currently preferred destinations of labour migration flows, the four most popular countries of destination for Nepali students are India, Australia, Japan and USA (Figure 7). Overall, the Nepali migration flow for education purposes is split between the Other countries (53%) and Asian countries (46%).

¹¹ <https://www.masterstudies.com/news/Why-the-Student-Mobility-Rate-in-Nepal-Is-Amazingly-Increasing-665/>

International migration for family reunification purpose

People going abroad for the purpose of family reunification represent another interesting category of long-term migrants. To date, Nepali migrant worker HHs have maintained a very low level of family reunification in the destination countries compared to Other countries studied with similar migration histories. The HH survey estimates that about 23,800 individuals had left the country by June 2016 for family reunification purpose. This represents 1.2 per cent of all long-term migrant workers at that time.

Figure 8 shows that 76 per cent of reunified Nepalis citizens are aged under 18, which points to reunification predominantly of children with their parents already working abroad. At the same time, almost one in 10 Nepalis who went abroad for family reunification is aged 45 years and older. This may indicate an intergenerational

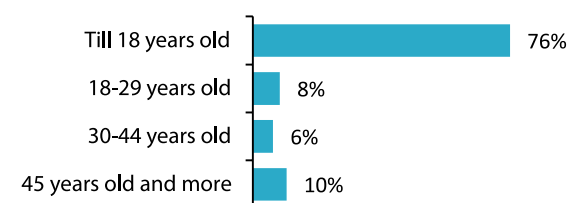


Figure 8: Age profile of international migrant for family reunification purpose
Source: HH survey

unification of parents joining their working age children in destination countries. This would be in line with tradition, where grandparents often take care of their grandchildren while parents are otherwise engaged.

Family reunification trends show a gender-balanced pattern, reflecting country gender breakdown of HH members.

Unlike the overall labour migration pattern, the family reunification pattern is evenly distributed between rural and urban areas. While rural areas represent the place of origin for 61 per cent of all long-term migrant workers, 46 per cent of family reunification instances abroad by 2016 originated from rural areas. When looking at regional distribution, every second reunified person originated from Central Development Region and 33 per cent from Western Development Region, together amounting to 77 per cent.

In terms of countries of destination, unlike the overall labour migration trends, reunification has almost exclusively taken place in Asian countries (55%), mainly India, and Other countries (43%), mainly USA, UK, Australia and Canada. This indicates that GCC countries, where long-term labour migration predominates in present, are not attractive for family reunification.

Current and potential short-term international labour migration

International labour migration flow for a short-term period (up to 9 months) represents 1.4 per cent of the total population and impacts 6.1 per cent of all HHs in Nepal. The 12-month forecast indicates a slight increase in the short-term labour migration flow by 6 per cent or by about 27,400 individuals.

Most current short-term migrant workers originate from rural areas (79%) and come from the Far-Western Development Region of the country (44%). The lowest short-term labour migration incidence rate is registered in the Eastern Development and Western Development regions (from four to eight times lower than in the Far-Western Development Region). This pattern is expected to scale down: more people from urban areas (43% compared to 21% at present) and Central Development Region (50%) have stated intention to engage in short-term international labour migration.

47 per cent of short-term migrant workers are individuals aged 18-29 year. But among the potential migrant workers, it is expected that this youngest group of the population will diminish in favour of those aged 45 years and more (22% as compared to 13% at present).

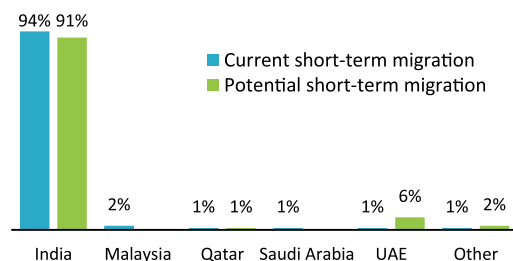


Figure 9: Destination countries for short-term migrant workers
Source: HH survey

In terms of gender, current short-term migration is fully dominated by men (96%), but in the near future it is expected that women migrants will become more actively engaged in seasonal labour migration: 27% of potential short-term migrants are women compared to 4% at present.

At the time of the survey, India was by far the most preferred country of destination for short-term migrant workers. 95 per cent or about 430,900 people choose this country and will continue to do so in the near future (within 12 months) (Figure 9).

Current and potential internal labour mobility

The internal labour migration stock in 2015 represents 14.5 per cent of the economically active population in Nepal ¹². However, the annual rate of internal migration is expected to slow down significantly, with only about 16,000 individuals (1% of current stock) stating an intention to engage in internal labour migration within the next 12 months. When compared to the potential external flow, it seems that internal mobility has become less attractive, which may be a response to economic decline in Nepal.

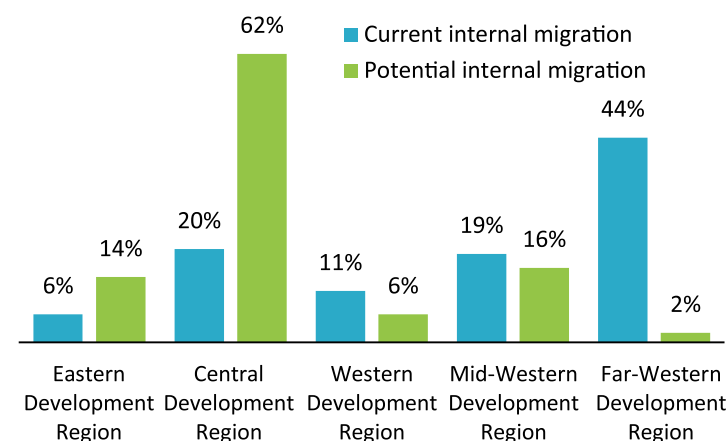


Figure 10: Internal mobility by region of residence
Source: HH survey

¹² http://www.mope.gov.np/downloadfile/Nepal%20Population%20Report%202016_1481259851.pdf, p. 107

Internal mobility of the labour force is driven mainly by Central and Western Development Regions with 67 per cent of total internal migrants (Figure 10), while in the near future potential internal migrant workers predominate from Central Development Region (62%).

Internal migration in Nepal is both intra- and inter-regional, and it is mainly economically driven. Intra-regional migration refers to the movement of population within the same district. This type of labour mobility represented 62 per cent of population movements within the country in 2015.

Contrary to other SEEE countries surveyed, internal mobility in Nepal at present has a balanced residence pattern, with 53 per cent of internal migrants residing in rural areas and 47 per cent in urban areas, while in SEEE countries the internal mobility is mainly from rural to urban areas. However, this balance may be partly impacted by the recent urban governance reforms described above (many former rural localities received the status of municipality), since the future pattern of internal mobility shows that 2/3 of potential internal migrants originate in rural areas versus 1/3 in urban.

Inter-regional labour migration is also a significant type of internal labour migration in Nepal. It represents about 1/3 of internal movements. The key determinants of the inter-regional labour migration are economic factors, such as economic attractiveness of an area and persistent income gaps across regions. The main destination for Nepali inter-regional migrants is Kathmandu (58% of all inter-regional movements).

Looking forward, it is clear that urbanization is an ongoing trend. 92 per cent of all potential internal labour migrants are oriented towards large urban areas, but at low scale because of the small number of potential internal labour migrants. Compared to the current pattern, about 90 per cent of potential migrants stated their intention to work in district centres, mainly in the capital of Nepal.

In contrast to external migration flows, women are much more engaged in internal labour migration (18% in internal mobility compared to only 6% in international mobility) and this level of engagement will increase in the near future: 23% of potential internal labour migrants are women.

In terms of age, the predominant category of individuals currently engaged in internal labour migration are citizens aged 30-44 years (42%), which is slightly different than the external migration pattern where younger adults (18-29 years) predominate. Those aged 45 and older are also more actively engaged in internal mobility than in external migration. However, it seems that in the near future internal labour migration will become more attractive to the younger population (18-29 years), with an increase in the proportion from 36 per cent at present to 52 per cent among potential internal migrants.

Permanent-Return Migration

Return migration for the purpose of permanent stay seems to be much more prominent in case of Nepali migrant workers compared to most SEEE countries studied. 563,200 international long-term migrant workers or 28 per cent of the current long-term migrant workers have returned to Nepal by 2016 (in contrast, for example, to Moldova, where returned migrant workers represented only 17% of the total long-term labour migrant stock in 2015).

Returned migrant workers represent 1.7 per cent of the total Nepali population, and 8.9 per cent of all HHs in Nepal.

Three out of four returned long-term migrant workers came back to Nepal between 2012 and 2015, and half of them returned within the year prior to the date of survey (2016). The high level of returned migrants in 2015 may also have been influenced by the earthquakes in the same way that they had an influence on the decrease in migration flows of that year.

The return pattern reflects the overall labour migration trends in gender, area of residence and regional breakdown: more men (95%) returned and those originated from rural areas (59%) and Central Development Region of the country (44%). However, when looking in-depth at the regional profiles, a larger share of migrant workers originating in Eastern Development Region (27% return rate¹³) have returned home for the purpose of permanent stay, compared to migrant workers from the Western Development Region (19% return rate).

¹³ Permanent return rate is calculated as a percentage of returned migrant workers from the total number of current and returned/former long-term migrant workers in the respective regions.

Reflecting the current long-term migration trends, the top five countries Nepali migrant workers return from are Malaysia (32% of total number of returned long-term migrant workers), Qatar (24%), Saudi Arabia (17%), UAE (10%) and India (9%). When focusing on these country profiles, it is clear that migrant workers in Malaysia and Qatar are more likely to return home (27% and 25% return rate respectively), while those in India and UAE are less likely (17% and 19% respectively).

In terms of age, the return rate is directly proportional to the age of migrant workers: the older the migrant worker is the more likely he/she is to return - from 2% among the youngest migrant population to 46% among the eldest. This finding is reasonable insofar as migrant workers in older age categories are more likely to have reached their migration objectives, or they may be motivated to return for other reasons, such as health concerns or inability to adapt to changing labour market conditions in the countries of destination.

V. KEY CHARACTERISTICS OF NEPALI INTERNATIONAL LABOUR MIGRATION

SOCIO-ECONOMIC FEATURES OF INTERNATIONAL LABOUR MIGRATION

Geographical characteristics

Most long-term migrant workers originate from Central and Western Development Regions (67%). In terms of region of migration, migrant workers in GCC countries originate mainly in Western (38%), Central (30%) and Eastern (29%) Development Regions, while those working in Other countries originate mainly in Central (54%) and Western (33%) Development Regions. Long-term migrant workers from Mid-Western and Far-Western Development Regions go mostly to Asian countries.

At the same time, migrant workers in Other countries are more likely to originate in urban areas (63%), while those working in GCC and Asian countries, in particular, are more likely to be from rural areas of Nepal.

At the time of the first departure, the average age of a Nepali migrant worker was 28.1 years, according to the results of the HH survey. By the time of the interview, this average had climbed to 30.7 years. This pattern is consistent with SEEE countries surveyed (except Ukraine, where migrant workers engage in migration at a later stage in their life – middle age).

Caste and ethnic group characteristics

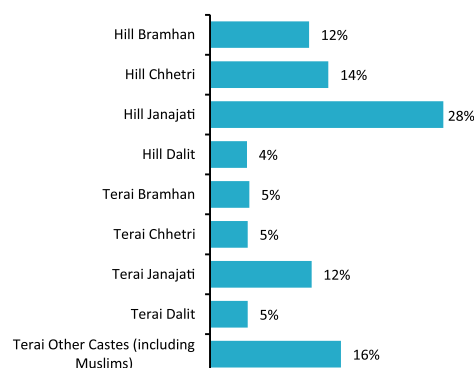


Figure 11: Caste and ethnic group of long-term migrant workers
Source: Migrant survey

The Janajati ethnic group, primarily Hill Janajati, is predominant among long-term migrants (40%), while the Dalit group is the smallest (9%). This caste profile resulting from the migrant survey is consistent with data from the HH survey.

About 60% of long-term migrant workers belong to the Hill group and its share is even higher among migrant workers in Other countries (73%), in particular Hill Brahman and Hill Janajati (Figure 11).

In terms of gender, every second women long-term migrant worker belongs to Hill Janajati, compared to only 26 per cent men.

Demographic characteristics

Almost one in two both short- (53%) and long-term migrant worker (48%) is below 29 years. Compared to SEEE countries studied, the share of young migrants is significantly higher in Nepal (for example, 31% in Moldova and 23% in Ukraine). Higher engagement of young population in international migration is a response to high demand for low-skilled labour force in regions of migration and internal unemployment pressure in Nepal.

At the same time, Figure 12 shows that older people are more likely to engage in short-term labour migration, while those in the 30 to 40 age group are more engaged in long-term labour migration, which is the general pattern across all SEEE countries studied. It is interesting to note that the ratio of men to women migrants is almost balanced across all age groups.

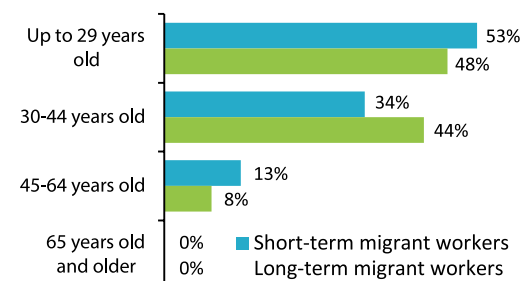


Figure 12: Age groups of short and long-term migrant workers
Source: HH survey

Three out of four workers in long-term migration are married and the average number of children they have is 1.8, yet significantly smaller for those working in Other countries (1.3). Six per cent of long-term migrant workers with children state that children stay abroad with their parents. This ratio increases to 39 per cent in

case of migrants working in Other countries, compared to only 2 per cent in GCC countries. Over 95 per cent of migrant workers aged 30 to 60 years are married, while in the age group of 18-29 years the share of married migrants is only 51 per cent.

Social characteristics

A specific characteristic of Nepali migrant workers is their low level of education and professional experience, a profile that in general reflects that of the overall population¹⁴. Data from the migrant survey shows that only 7 per cent of all migrant workers have completed university-level education, and 45 per cent completed high school or professional / vocational education. When looking by regions of migration, the data shows that the share of highly educated migrant workers in Other countries reaches 34 per cent, which is six times higher when compared with level of education of migrant workers in GCC and Asian countries. This finding is consistent with the studies done in SEEE countries, where highly qualified migrant workers tend to go to Other countries.

The incidence of migrants with a high level of education is significantly higher among younger migrants than with those in the age group 46-60 years. In turn, older migrants (15%) are much more likely to be illiterate than younger migrants (2%).

Nepali migrant workers have the lowest number of highly educated individuals among all long-term migrant workers studied to date. Unlike SEEE countries studied, in the case of Nepal, it seems that the education and experience qualifications meet the labour market demands of the countries of destination, i.e. low level educated Nepali migrants fill the gap of labour markets in countries of destination which are looking for low educated and low skilled workers.

One out of three Nepali migrant workers are engaged in low-skilled work

In the SEEE countries surveyed, a high number of educated and professional people (engineers, doctors, IT specialists, teachers, agronomists, etc.) working abroad contribute to a certain level of “brain drain” for their country of origin, yet also face a kind of de-qualification (loss of skills, when qualified migrant workers undertake lower-skilled work). The Nepal migration pattern looks quite different.

¹⁴ http://www.moe.gov.np/assets/uploads/files/Nepal_Education_in_Figures_2016.pdf

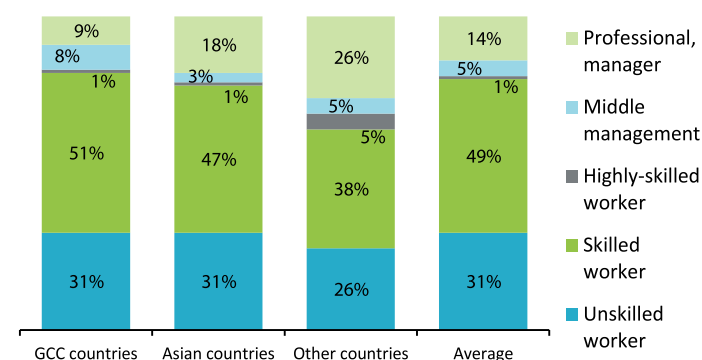


Figure 13: Level of employment in destination country

Source: Migrant survey

Most Nepali migrant workers migrate because they are underemployed or unemployed prior to their decision to migrate. This means that brain waste and de-qualification processes are push factors that are initiated in Nepal, largely by a mismatch in the labour market demand and the outcomes of the educational system. The labour force survey of 2008 confirms a high level of underemployment, indicating that there were skills mismatches among 45 per cent of the labour force¹⁵. However, in the SEEE countries surveyed, unemployment and underemployment affect mainly people with middle and high levels of education, whereas in Nepal unemployment and underemployment (including time-related) refers to illiteracy and a low level of education, and this in the context of a large scale informal economy and a large share of employment in agriculture.

It is the young population that is most affected by unemployment and underemployment, which has led to the massive migration of young Nepali (20% of long-term migrants were students prior to migration), and this trend is ongoing.

In this respect, migration is a rational solution for Nepali, not only to access higher incomes, but also to maintain or even improve the levels of their qualification. Figure 13 clearly shows this: while over 60 per cent of migrant workers have either no education or a low level of education, only 31 per cent engaged in low-skilled work, which means that many Nepali migrants manage to raise their qualifications while working abroad. Closer analysis shows that women are more likely to be engaged

¹⁵ ILO, Labour and social trends in Nepal 2010 in http://www.ulussekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/imp_nepal_2014_final_version_revised1.pdf

in low-skilled activities (58%) compared to men (28%), but when looking at highly skilled professions (including middle and high management, professional), gender is balanced.

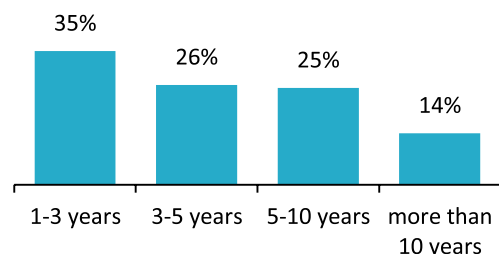


Figure 14: Estimated proportion of long-term migrant workers employed in professions requiring high qualification, by number of years abroad

Source: Migrant survey

confirmed by data from the migrant survey (59% of migrant workers engaged in labour migration in the last 1-3 years had middle and high level of education, as opposed to 51% in 3-5 years period, 46% in 5-10 years period and 44% more than 10 years earlier).

The main sectors of employment for Nepali migrant workers are manufacturing (26%), hospitality industry (21%), construction (18%), transport/communication (10%) and trade (9%). When looking at regions of destination, key sectors of employment - manufacturing, hospitality industry and construction are equally important in GCC countries; while in Asian countries manufacturing and hospitality industry predominate. In Other countries, the most prevalent employment sectors are hospitality industry, trade, and domestic help.

Differences in employment patterns between the regions of migration can be explained by the structure of their economies and resulting demand for labour, mainly unqualified.

Migrant workers in previous studies in SEEE countries often move from less to more qualified work in destination countries, usually in line with their education or qualifications and integration over a period of time. This trend seems to be different in the case of Nepal, where the more years migrants have been abroad, the fewer are in professions with high qualifications (see Figure 14). This may be explained by an increased level of engagement in labour migration of Nepali with middle and higher education in recent periods, which is

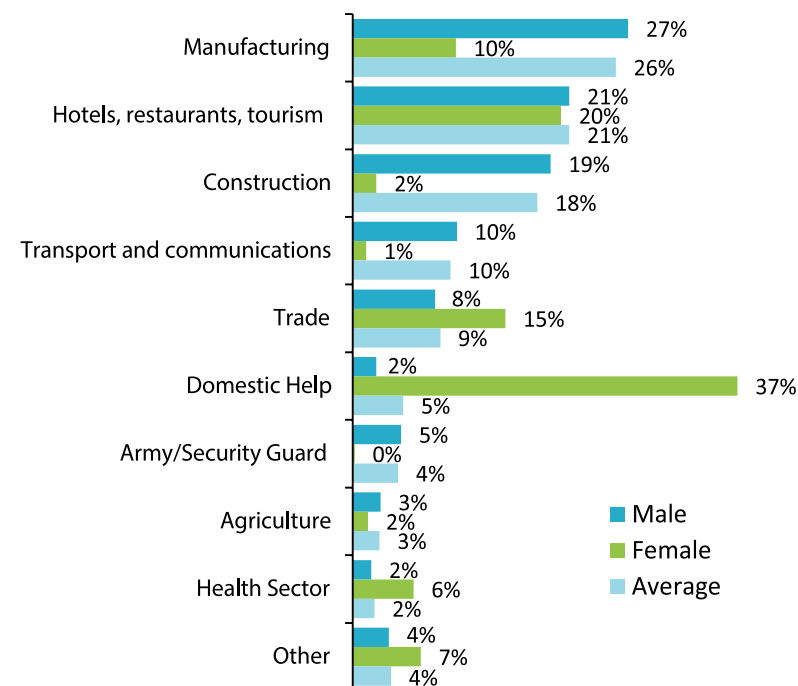


Figure 15: Sector of employment in destination country by gender

Source: Migrant survey

Further distinctions are identified when examining the division of labour between men and women (Figure 15). Men are employed predominantly in manufacturing (27% men compared to 10% women), construction (19% to 2%), transport and communication (10% to 1%) and army (5% to no woman). On the other hand, 37 per cent of women are employed in domestic care (2% of men), 15 per cent in trade (8% of men) and health sector (6% to 2%). Younger women are more likely to work in the health sector, while older women tend to provide domestic care. Construction work together with manufacturing is more prevalent among migrant workers with low levels of education, while those with higher level of education are more engaged in hospitality industry and trade.

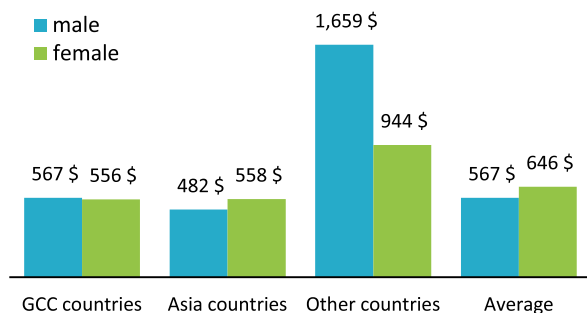


Figure 16: Average personal income of male and female long-term migrant workers by region of destination
Source: Migrant survey

women earn on average 16 per cent more in Asian countries (USD 558 monthly compared to USD 482 for men migrant workers), while in Other countries there is a much higher disparity between personal incomes of men and women (76% in favour of men, i.e. for every dollar a woman earns a man earns USD 1.76). In GCC countries, income levels are equal between men and women.

Comparing incomes within the same sector, the sectors with the largest discrepancies in personal incomes between men and women are domestic help (93% in favour of women), health sector (47% in favour of men), manufacturing (24% in favour of men) and hospitality (12% in favour of men).

When examining level of employment, it appears that women receive significantly higher incomes in low-skilled (24% higher) and skilled positions (42% higher), while men are better paid in high management (57% higher) and middle management positions (10%).

Overall, migrants working in low-skilled activities earn on average 31 per cent less than those working in higher levels of employment.

Of special interest is the extremely low unemployment rate of about 1 per cent among the long-term migrant workers. This data is consistent between HH and migrant surveys. Moreover, such low unemployment figures for migrant workers are consistent with previous surveys carried out in other SSEE countries.

The average disparity of personal income level between men and women is 14 per cent in favour of women long-term migrant workers. This disparity in Nepal contrasts with the overall pattern found in SSEE countries studied, where men migrants on average have higher incomes than women. When examining the two primary destinations of migration (Figure 16),

The unemployment rate among long-term migrant workers is even more striking when compared with official unemployment rates among the general population in GCC countries (about 5% on average¹⁶) and Asian countries (average for India and Malaysia as main destinations in this group 4.25%¹⁷) in 2014. This finding contradicts the popular conception that migrant workers are always “last hired and first fired”, but also the myths that most migrant count on welfare benefits. Interviews show that migrant workers are much more flexible in adapting to labour market conditions than the host populations. Migrant workers are more likely to move from sector to sector and country to country, in line with their overall migration goal – wealth accumulation.

Informal long-term labour migration

According to the HH survey, 85 per cent of long-term migrant family members have regularized their employment status abroad.

Like in SSEE countries studied, the rate of irregular long-term labour migration in Nepal is very low (Figure 17). Looking at regions of destination, the highest share of long-term migrant workers with informal employment status is in Other countries (over half or 41,000 individuals), compared to 26 per cent in Asian countries (or 222,000 individuals) and only 3 per cent in GCC countries. Top four countries of employment with the highest proportion of long-term migrant workers with informal employment status are India (80%), USA (69%), Australia (58%) and Japan (54%).

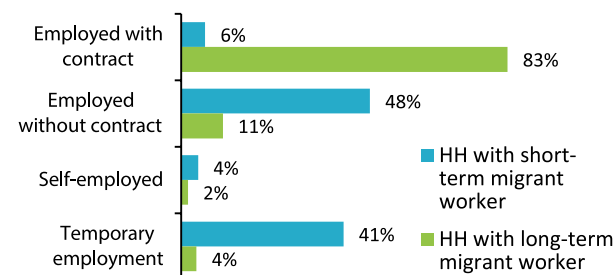


Figure 17: Employment status in a destination country
Source: HH survey

The rate of informal labour migration among short-term migrant workers is significantly higher – nine out of ten migrants. This is particularly the case of short-term migrant workers in India (95% are employed in informal sectors), but also in UAE (56%).

16 CIA The World Factbook

17 https://www.dosm.gov.my/v1/index.php?r=column/pdfPrev&id=NIFkTURZaUdCNIFXc1ZDMWpHZVM4dz09; http://labourbureaunew.gov.in/UserContent/EUS_5th_1.pdf

	Number Long-term migrants	Per cent Short-term migrants	Number	Per cent migrants
India	197,542	80 %	336,957	95 %
USA	13,217	69 %		
Australia	16,644	58 %		
Japan	9,890	54 %		
Republic of Korea	2,214	10 %		
UAE	5,746	3 %	2,760	56 %
Qatar	12,335	3 %	545	9 %
Saudi Arabia	10,976	3 %	982	13 %
Malaysia	8,596	2 %	402	12 %
Kuwait	1,189	2 %		
GCC countries	31,103	3 %	4,287	23 %
Asian countries	221,935	26 %	337,359	93 %
Other countries	41,044	55 %		

Figure 18: Estimated number of migrant workers with informal employment status in top 10 countries of destination, as a percentage of total short-term and long-term migrant workers in the respective country
Source: HH survey

When combining short and long-term migrant workers, it appears that the top four countries of destination with the highest proportion of Nepali migrant workers without formal employment contracts (see Figure 18) are India (89% or about 535,000 individuals), USA (69%), Australia (58%) and Japan (54%).

Overall, 636,400 (25%) short and long-term Nepali migrant workers have informal employment status. In terms of destination regions, Other countries lead with 56 per cent of the total number of short and long-term migrant workers working in 2015 in that region, followed by 47 per cent in Asian countries (mainly India).

The high level of regularization of long-term migrant workers is reflected in the respective level of formal employment

On average, Nepali long-term migrant workers have a high level of regularization, with about 84 per cent working on a contractual basis and only around 14 per cent employed without a contract (Figure 19).

A smaller percentage of long-term migrant workers (67%) work on a contractual basis in Asian countries, particularly in India. This may be explained by lack of visa requirements, and the lack of effective labour legislation enforcement, which has led to a growing informal sector.

Migration Drivers

Nepali mass migration has been primarily economically driven as a coping mechanism to alleviate poverty or escape unemployment.

In this respect, the migrant survey findings reveal that for 84 per cent of Nepali long-term migrant workers low salaries at home represented the main reason for migration, combined with lack of employment opportunities in Nepal (73%), especially for migrant workers in GCC and Asian countries (Figure 20).

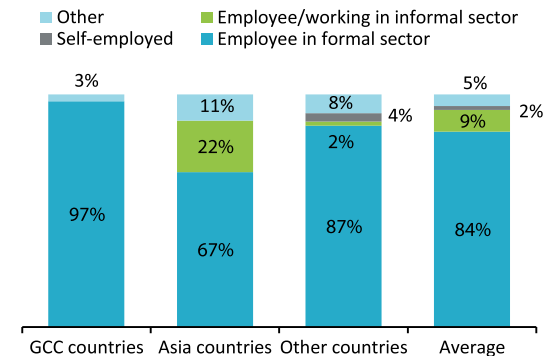


Figure 19: Main source of income of HH member abroad in the past 12 months
Source: Migrant survey

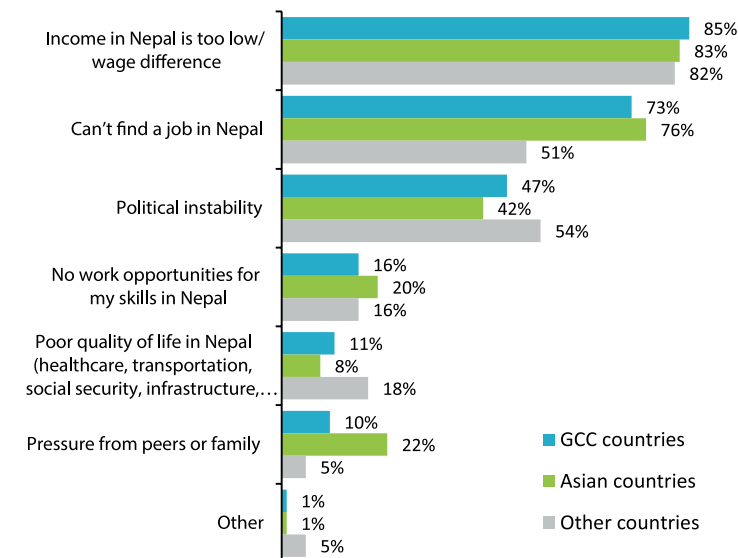


Figure 20: What are the main factors that caused you to leave Nepal?
Source: Migrant survey

Compared to SEEE countries studied (for example, Ukraine – 11%, Moldova – 28%), lack of employment opportunities is a much more important push factor for Nepali international labour migration. Lack of employment opportunities is claimed more by women (81% compared to 72% men), rural inhabitants (77% to 67% urban), migrants with low level of education (83% to only 35% with high level of education) and those originating in Mid and Far Western Development Regions (87% to 72% in other three development regions). The third important push factor stated by every second long-term migrant worker is political instability in Nepal. This factor is more often mentioned by migrant workers with middle and high levels of education (on average 53%) compared to only 32 per cent of low-educated migrant workers, but also by migrant workers with origins in Eastern, Central and Western Development Regions.

Almost every fifth migrant worker (18%) left the country because of the inability to find a job matching their qualifications. Poor quality of life in Nepal made another 10 per cent of migrant workers choose another country to live and/or work. Poor living conditions are very often associated with the loss of hope for a better future at home.

Another important and interesting push factor that is Nepal specific, rarely seen in the SEEE countries studied, is pressure from family members to migrate (15%). This occurs more for Nepali migrants working in Asian countries.

High wages and overall economic performance in destination countries are the strongest incentives (pull factors) for migration. In this respect, the migrant survey shows that the average income of a Nepali long-term migrant worker abroad was USD 572 in 2016 (or USD 599 per migrant worker HH in destination country, as a few HHs have more than one employed), which was six times higher than the official minimum wage rate in Nepal¹⁸. However, the real wage may be even lower since estimates place informal employment in Nepal at 96 per cent of the total employment¹⁹.

Among other pull factors, there are: higher standards of living, the development of democracy, cultural and language similarities, and social networks abroad.

¹⁸ http://www.ulandssekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/Imp_nepal_2014_final_version_revised1.pdf

¹⁹ http://www.ulandssekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/Imp_nepal_2014_final_version_revised1.pdf, p. 12

The HH survey confirms that unemployment and underemployment are among the key drivers that foster current and future migration from Nepal. Of note is that every fifth short and long-term migrant was student before went to work abroad.

The presence of an existing migrant worker in the transnational HH plays a role in attracting more members abroad, but it is less important than other push factors (unemployment and low salaries), since 85 per cent of potential migrant workers originate in HHs with no family member in international labour migration at the time of interview.

Communication networks

Gaining insight into the mutual assistance and available trusted communication sources of migrant workers is important to developing relevant outreach, marketing, and awareness-raising strategies. The literature shows that social networks and mutual help among migrant workers as well as between migrant workers and home communities play an important role in every phase of the migration cycle, from pre-departure planning through to eventual return and reintegration. A significant 88 per cent of Nepali HHs with short-term migrant workers and 19 per cent with long-term migrant workers reported finding employment abroad through their social network (Figure 21). The lower incidence of social network support for long-term migration

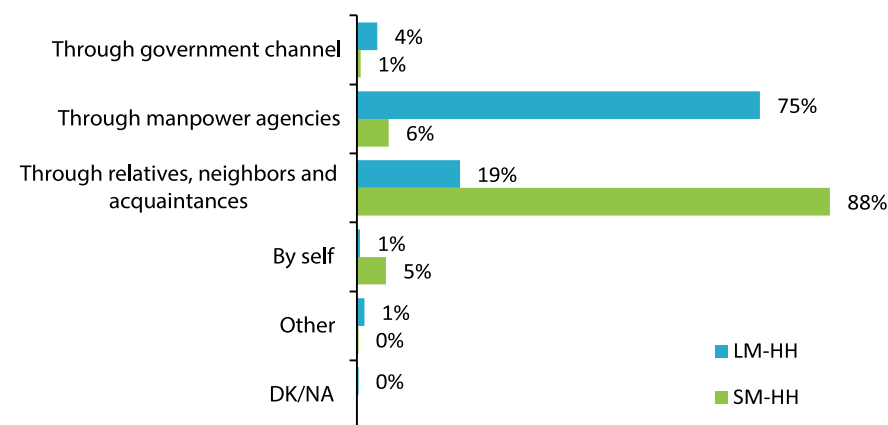


Figure 21: Migration channels by type of HH

Source: HH survey

is a reflection of the foreign recruitment and employment system that is operational in Nepal. Even so, the reliance on social network is high in this context. On the other hand, where formal and legal recruitment system is not available dependence on a social network becomes vital. Presence of social networks abroad is the second most important reason for choosing a specific country of migration by long-term migrant workers (36%), in particular those working in Asia and GCC countries.

Nepali long-term migrant workers do not visit their families frequently during the year

Overall, nine out of ten long-term migrant workers visit their home less than once a year (Figure 22). In line with expectations, proximity affords more visits home per year, with average annual visits dropping significantly for Other countries and GCC countries.

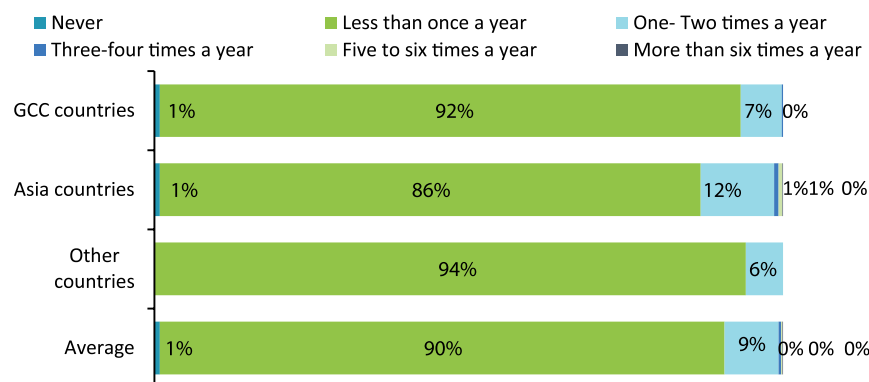


Figure 22: “On average, how often do you normally visit Nepal?”
Source: Migrant survey

The most often used mean of transportation by long-term migrant workers is airplane (90%), while short-term migrant workers use primarily trains (53%) and buses (44%). Both short and long-term migrant workers visit their home country mainly during autumn, especially in September and October, perhaps to coincide with the important 15-day-long national festival called Dashain.

Nonetheless, they maintain regular communication with their HHs in Nepal and/or fellow migrants in destination countries

One key means of communication is the internet. Eighty per cent of long-term migrant workers use internet on a daily basis, especially those in Other countries (95%).

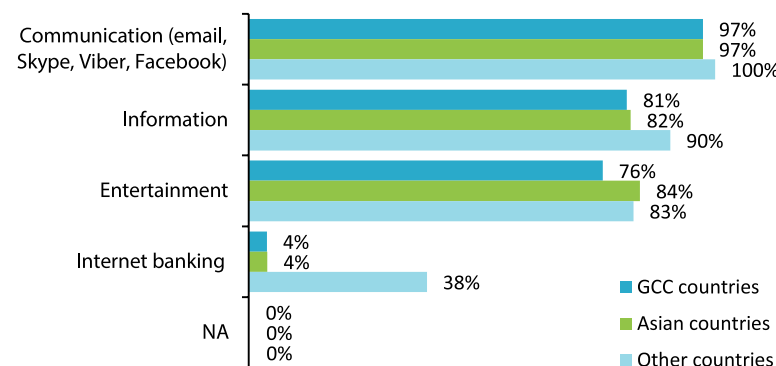


Figure 23: “For what purpose do you use the internet?”
Source: Migrant survey

The main purposes for internet usage is communication (98%), while internet banking is used only by six per cent of long-term migrant workers and almost exclusively by those working in Other countries.

Personal communication with family, friends and fellow migrant workers is consistently the most trusted source of information

As can be seen in Figure 24, Nepali migrant workers are rich in horizontal social capital and communication, with their family in Nepal being their most trusted source of information (71%) along with internet sources (73%). They are poor, however, in structural social capital (organizations and formal networks that facilitate joint actions), similar to other migrant workers from SEEE countries studied.

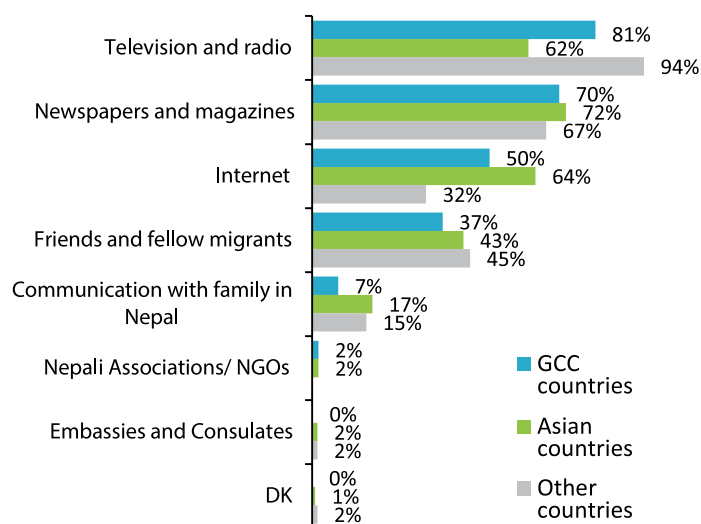


Figure 24: “What are your three most trustworthy sources of information about Nepal?”
Source: Migrant survey

One way to measure horizontal social capital among migrant workers is to look at membership rates in diaspora associations. Though Nepali diaspora associations exist, their role and importance to migrant workers and their families seem to be limited. Only eight per cent of Nepali migrant workers interact with diaspora associations in any way, the same low percentage as the 8 per cent of Moldovan migrant workers and 9 per cent of Ukrainians. Of these 8 per cent, just over half reported membership in such organizations (55% compared to 25% of Moldovans and 46% of Ukrainians). Membership can then be estimated to be about four per cent of the total number of long-term migrant workers. And in this context, only two per cent of migrant workers see such associations as “a trusted source of information”.

Of particular note is the very low level of importance expressed towards embassies and consulates as relevant or primary sources of information.

PERMANENT-RETURN INTENTIONS

Sustainable return and reintegration is commonly considered the last phase of a labour migration process. From migration and development as well as migration management perspectives, the process of return migration is considered important because this is closely linked to the transfer of accumulated financial capital (retained savings), human capital (experience, skills, knowledge, business practices, ideas, etc.), and social capital (contacts, networks).

Return intentions and actual behaviours (decision to return) are critical determining factors in explaining and forecasting savings, remittances, and investment trends. As a result, they impact the level of development that can be gained from migration.

Overall, 81 per cent of long-term migrant workers have a definite intention to return permanently²⁰ to Nepal, and further 13 per cent remain undecided

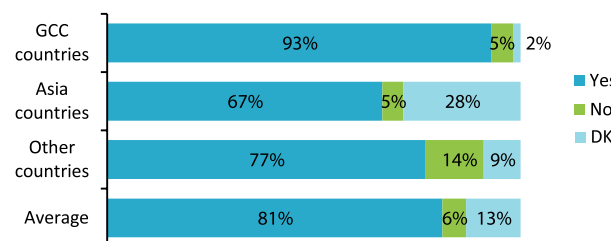


Figure 25: “Do you plan to return to Nepal (to live and work there permanently in the future)?”
Source: Migrant survey

The overall return intention of Nepali long-term migrant workers (81%) is significantly higher than those of migrant workers from SEE countries (for instance, 60% for Ukraine and 59% for Moldova). Return intentions vary across the regions of destination, with the highest return numbers observed from GCC countries (Figure 25). On the other hand, a lower return intention from Other countries and Asian countries is observed. For Other countries, it is predictable and consistent with the experience in other SEE countries studied, as well as with the behaviours of migrant workers themselves, i.e. fewer home visits, higher family reunification rates, etc. For Asian countries, the lower stated return intention is to be balanced with a very high (compared to other destination regions) rate of undecided individuals (28%). This high rate of undecided may be explained by the fact that many migrant workers in Asian countries (3-6 times more compared to other destinations) originate from Mid-West and Far-West Development Regions, which have higher levels of human poverty reflected in health, education, and sanitation deprivation than other development regions²¹.

The average return intention period for long-term migrant workers is about seven years and is 25 per cent higher for migrant workers in Other countries compared to GCC and Asian countries. Young migrant workers are likely to stay abroad on average two years longer before considering to return than those 45-50 years old (7 years versus 5 years).

²⁰ Returned migrant worker is a person who moved for labour purpose to a country other than that of his or her usual residence, but has returned to and is residing in Nepal permanently - and who has no further migration intentions at the time of the interview. Those migrant workers who are visiting family members / or doing some business (days to weeks) are not considered returned migrant workers.

²¹ http://www.hdr.undp.org/sites/default/files/nepal_nhdr_2014-final.pdf

In terms of gender, it seems that women are less likely to return permanently (10% stated no return intention compared to 5% of men migrant workers).

Contrary to general trends in SEEE countries where return intention is significantly lower in the young age group, the migrant survey in Nepal shows almost no significant difference in the return intentions across age groups of long-term migrant workers. On the other hand, when comparing the ratio of returnees within age groups, it is clear that young migrants aged 18-29 have a much lower ratio (16%) than the group aged 30-44 years (35%) and the group aged 45 years and more (52%). Moreover, when looking at potential migration, almost two out of three potential migrant workers belong to the 18 to 29 age group. Taken together, these findings show that international migration may affect in medium-term the aging of the Nepali population, as well as the decrease of birth rates and levels of economically active population if trends do not change.

Single migrant workers (74% indicate no return intention) and those who achieved partial or whole family reunification abroad (60%) are less likely to return to Nepal on a permanent basis. Consistent with this finding, non-remitting migrants are less likely to return to Nepal (20%; yet most non-remitters are not decided about their return) than remitters (84%). (For more information on remittance behaviour see Chapter VI.)

Return intention of Nepali migrant workers is conditioned mainly on push factors

Securing gainful employment in Nepal is the most important objective (31%) before permanent return will be considered (Figure 26), which is similar to the pattern of Ukrainian migrants. Lack of employment opportunities in Nepal is an important reason not to return for workers in GCC countries (60%), migrant workers in the 30-44 age group (38%), and those originating in the Eastern (50%) and Central Development Regions (43%).

Meeting their personal savings goals (Not saved enough, Lack of money and No return until retirement) is the second most important objective (17%) to be reached before permanent return.

Access to high incomes in country of employment is the third important factor (12%), mainly for those working in Other countries and with high levels of education.

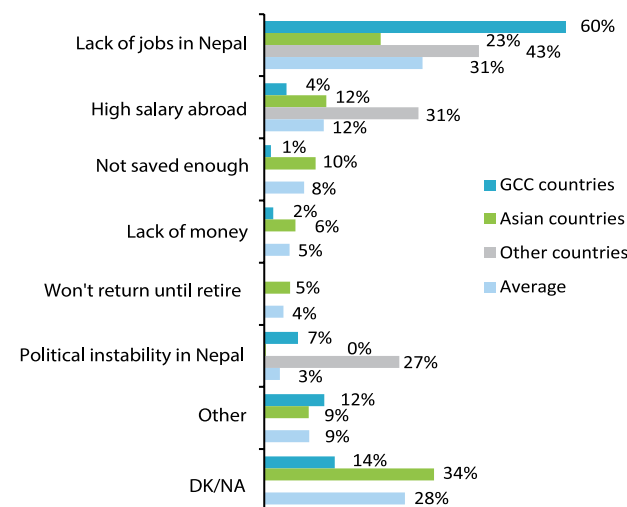


Figure 26: “What is the main reason you do not plan to return permanently to Nepal?”
Source: Migrant survey

It is important to note that for every fourth migrant worker in Other countries political instability in Nepal is a key factor preventing return.

Almost all Nepali migrant workers with a return intention plan to return to their place of origin

Overall Nepali returnees' pattern is consistent with that of SEEE countries studied – a very strong connection with their place of origin, which in the case of Nepal is the highest. This is despite of the fact that most migrant workers originate in rural areas where living standards, access to education and health, as well as employment opportunities are much lower than in urban centers. In this regard, it is important

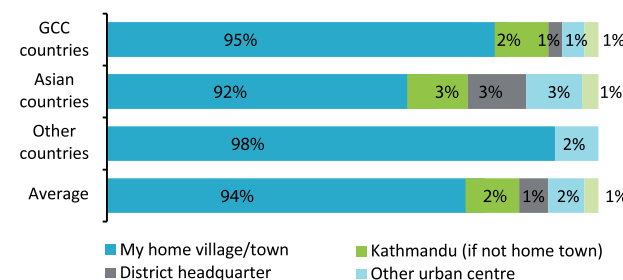


Figure 27: “Where do you plan to return?”
Source: Migrant survey

to emphasize that return and investment intentions are closely correlated (i.e. both return and investment intentions are oriented towards home community, see Investment section), which indicates great opportunities to be explored by local authorities for community development.

Return intention is higher for Nepali migrant workers than in other country studied. However, looking closer only at the group of Nepali migrant workers in Other countries, the patterns and trends become more or less similar. Experience in SEEE countries studied shows that over time, family reunification, progressive increases in the savings objectives²², integration in the country of destination, and improvement of their socio-economic status all lower the rate of return intention.²³ Conversely, there is an implication that because these conditions are difficult to attain in GCC and Malaysia, the return intentions of migrant workers in these destinations remain high.

The Nepali survey is consistent with Moldovan and Ukrainian findings that:

- ▶ An increased aspiration to return to Nepal is closely correlated with marital status (those with family in Nepal have a stronger wish to return)
- ▶ Those working in agriculture, construction and manufacturing are more likely to return compared to those employed in other sectors abroad
- ▶ Migrant workers with lower levels of occupation and working in unfavourable or difficult working conditions (such as construction in extreme heat) are more likely to return compared to those with middle and high-level employment (i.e. managers, medical professionals, engineers etc.). An exception to this finding are Nepali working in the informal sector in India, as this group shows a lower intention to return.

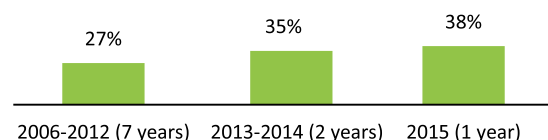


Figure 28: “In which year did your HH member return from long-term labour migration (for permanent stay)?”
Source: HH survey

The HH survey data on actual permanent returnees also seems to confirm an increasing return trend over the last 10 years, as illustrated in Figure 28. Overall, about 563,200 long-term migrant workers had returned at the time of the survey with the intention to live permanently in Nepal, of which 73 per cent returned during the preceding three years.

²² The literature and data show that migrant workers leave usually with one migration objective and that during migration experience this objective either changes or expands in scale.

²³ By example, and reflecting this process, surveys carried out by the authors in Albania in 2003-2008 show that the desire of migrant workers to return actually diminished from 64 per cent to 49 per cent. (de Zwager, et al., 2010)

The main countries of permanent return are Malaysia with 32 per cent of all returnees (about 180,200), Qatar with 24 per cent (about 135,200), Saudi Arabia with 17 per cent (about 95,700), UAE with 10 per cent (about 56,300) and India with 9 per cent (about 50,700). Other destination countries each account for less than 2 per cent of all returnees.

The average ratio of returnees to current economic long-term migrant workers is 28 per cent. Looking closer at the top 10 countries of return (Figure 29), the permanent return pattern is highest from Bahrain and Oman (39% each), Malaysia (36%) and Qatar (34%).

Bahrain and Oman are minor destinations for both current and potential long-term migrant workers.

High levels of return from Malaysia may reflect a decrease in attractiveness of this once top destination country (24% of current long-term migrant workers are there at present). This is reinforced by the low 9 per cent of potential migrants choosing Malaysia. One explanation is that word of the exploitative working and living conditions coupled with better pay in other destinations is reaching potential Nepali migrants.²⁴ In addition, since 2014 Malaysia has carried out frequent enforcement campaigns to deport migrant workers without the local identification cards that employers must apply for, yet do not.²⁵

Similarly, high intentions of migrant workers to return to Nepal from Qatar may be related to harsh/dangerous working conditions and unfair labour laws that tie legal residency to their employer.²⁶ There is also dissatisfaction with the general (social/political) environment (including overt and institutional racism) and the extreme hot climate.²⁷

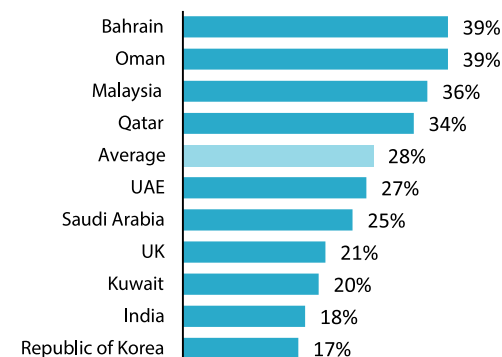


Figure 29: Overall number of permanent returnees (2006- 2015), expressed as a percentage of total migrant workers in that country in 2015
Source: HH survey

²⁴ <https://www.theguardian.com/global-development/2017/feb/02/violence-prejudice-low-pay-migrant-workers-malaysia>

²⁵ <https://www.cnn.com/2017/07/21/hundreds-of-thousands-could-be-arrested-in-crackdown-on-malaysias-undocumented-migrants.html>

²⁶ <https://www.hrw.org/news/2015/11/08/qatar-new-reforms-wont-protect-migrant-workers>

²⁷ <http://www.bbc.com/news/world-middle-east-32822016>

VI. KEY FINANCIAL CHARACTERISTICS

INCOMES, EXPENDITURES AND SAVINGS

Average household incomes and expenditures are clearly influenced by a country of destination.

Expected level of income is one of the most important factors in selecting a country of destination, which is confirmed also by direct statement of interviewed long-term migrant workers (61%), in particular those working in Other countries (77%). Other factors considered by migrant workers are the costs and risks of migration, as well as the costs of travel between the two locations (i.e. regulatory framework and distance, respectively). In the case of Nepal, where the government employment channel is very strong, 38 per cent of long-term migrants were influenced in their decision by the referrals of manpower companies, in particular for GCC countries (46%) and Malaysia (31%).

Other than the country of destination, HH incomes are affected by a number of other factors, such as number of income earners abroad, level of employment, the sector of economy of employment, length of migration, level of integration, and gender considerations.

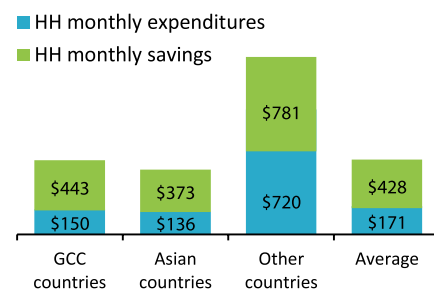


Figure 30: HH net monthly incomes and expenditures abroad
Source: Migrant survey

The income level and expenditures abroad are significantly higher for migrant workers in Other countries (Figure 30), which is in line both with expectations and with the pattern for the same destination region in SEEE countries surveyed. This is explained by the higher number of income earners, higher level of family reunification, and higher living costs in these destination countries.

Overall, expenses in the destination country are higher for the HHs that include one or more of the following characteristics: originate from urban areas and the Central Development Region of Nepal, have higher levels of education, families are fully reunified, and have no return intention. Length of migration and changes in migration objectives over time also affect total expenses.

Of particular interest when comparing incomes, expenditures and savings between GCC countries and Asian countries is that Nepali migrant workers in Asian countries save almost equal shares of their monthly income, despite earning a 16 per cent lower income than those working in GCC countries. This points to the fact that migrants are more interested in the savings they can generate, than in the amount of their income.

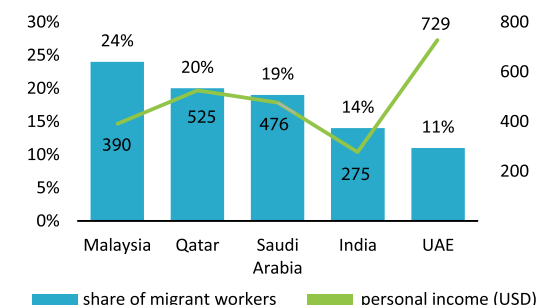


Figure 31: Top five countries of migration and average personal income
Source: Migrant survey

The above finding is reinforced when comparing personal incomes in the top five countries of destination for long-term migrants (Figure 31). Despite the fact that UAE offers access to much higher income, it places last in the top five, while Malaysia places first despite offering nearly half the personal income of UAE.

Moreover, when looking closer at levels of income and value of remittances, the data shows that irrespective of the discrepancy in personal income level among the five top countries of migration, the share of remittances (from personal income) sent to Nepal is comparable (between 65% and 76%).

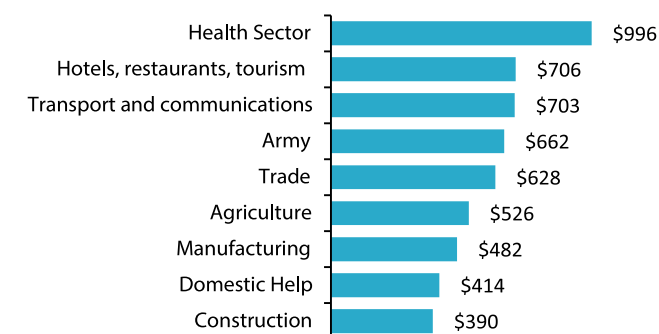


Figure 32: Ranking of employment sectors abroad by level of income
Source: Migrant survey

The top three sectors of employment abroad with the highest incomes are health, hospitality industry, and transport and communication, while ranked at the bottom are construction and domestic help (Figure 32).

Wages for the same sector of employment vary significantly among countries of destinations. For instance, a migrant worker in India receives lowest salaries for every individual sector of employment (Figure 33). Yet, sectors with highest incomes in India are trade and army (two-three times higher than in other sectors).

As an interim conclusion, this section of the study confirms previous quantitative and qualitative research suggesting that it is the determination of potential savings capacity, rather than absolute level of income that most often determines migration decisions and economic behaviours.

	Average for all destinations	Qatar	Malaysia	India	Saudi Arabia	UAE
Health sector	996	\$555	\$432	\$217	\$366	\$645
Hotels, restaurants, tourism	706	\$550	\$425	\$220	\$455	\$648
Transport and communications	703	\$639	\$500	\$243	\$595	\$1,050
Army	662	\$687	\$453	\$452		\$852
Trade	628	\$509	\$415	\$421	\$512	\$785
Agriculture	526	\$361	\$323	\$165	\$565	
Manufacturing	482	\$472	\$373	\$224	\$514	\$692
Domestic help	414	\$496	\$353	\$157	\$415	
Construction	390	\$438	\$374	\$164	\$384	\$435

Figure 33: Level of income by employment sector and top five countries of migration

Source: Migrant survey

Savings objectives of Nepali long-term migrant workers

The savings objectives of Nepali migrant workers are in line with those of migrant workers from SEEE countries studied. The purchase of a house or land and education of children are among the most important savings objectives (Figure 34).

The third most important savings objective is starting a business activity, which is also in line with findings in SEEE countries studied, particularly in those classified as developing countries.

Other important objectives are saving for emergencies and risk management, together with retirement security. These undoubtedly reflect the current economic situation in the country as well as issues related to unemployment and underemployment. A similar concern was seen in Moldova during the world economic crisis starting in 2008. At that time, the Moldovan migrant's emergency and risk management objective (saving money as preparation for emergencies) was surveyed to be 35 per cent, yet by 2012, after the crisis, it had decreased to 10 per cent.

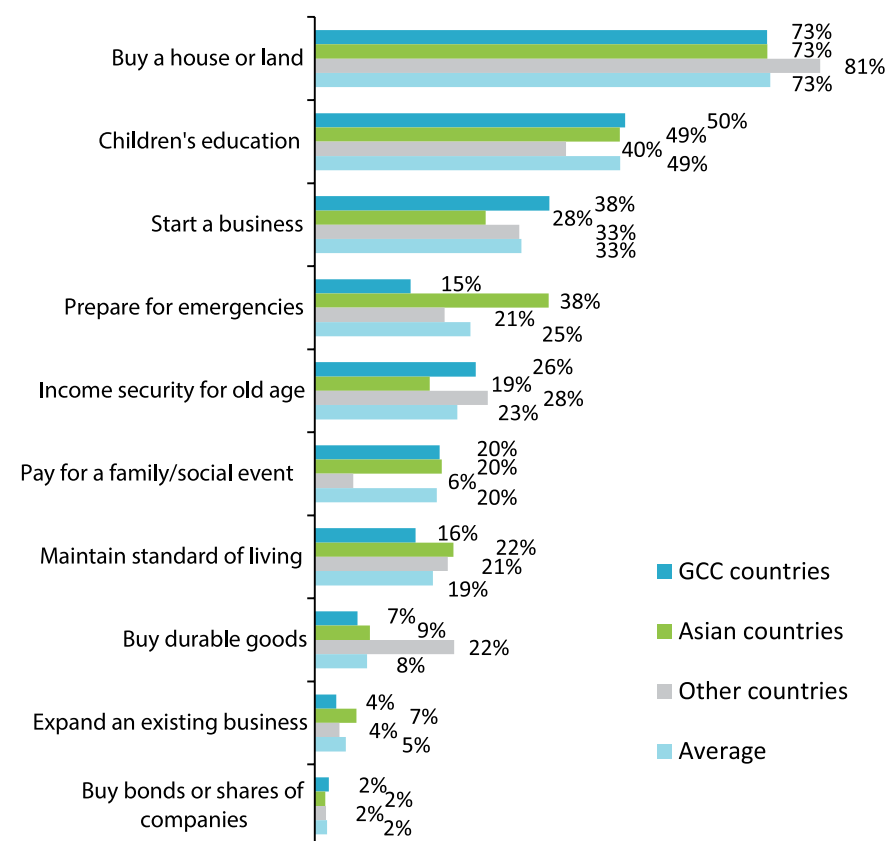


Figure 34: Top three savings objectives of HH to be achieved during period of migration

Source: Migrant survey

In Nepal, the savings objective of emergencies and risks management is particularly higher for migrant workers with origin in Mid-Western (52%) and Far-Western (60%) Development Regions, which is two to three times higher than other regions, those from rural areas (29% versus 19% for urban areas), and those with no education (34%).

Estimate of the total amount of money needed to meet the above savings objectives

Nine out of ten migrant workers stated they have savings, either in their country of destination or in Nepal. The propensity to save is influenced by a number of factors (generally consistent across SEEE countries studied):

- ▶ Marital status – married migrant workers are more likely to save regularly
- ▶ Return and remittances status – individuals with return intention and remittance sending households also have higher propensity to save

In 2016, a Nepali long-term migrant HH (HH component abroad) had an average annual income of USD 7,188, of which USD 5,316 was saved. This implies a propensity to save (before remittances) of 71 per cent of HH net income (after taxes and other mandatory deductions). This is a higher level of savings than in any of the SEEE countries studied to date: Ukraine – 62 per cent, Moldova – 58 per cent, Romania – 49 per cent, Kosovo – 42 per cent, Albania – 37 per cent and Bosnia-Herzegovina – 30 per cent.

The high rate of savings can be explained by the characteristics and dynamics of Nepali migration, including such factors as fewer years in migration, higher level of return intention, lower family reunification rate, and lower level of integration in country of destination.

The savings target of an average Nepali long-term migrant worker HH in migration is valued at USD 51,600 (Figure 35), which is lower than in all SEEE countries studied (two to four times lower). But it is more or less in proportion to the income level generated when comparing with the SEEE countries, which are more oriented towards higher developed countries, like European Union, North America. This fact is confirmed when looking at the savings aspiration of Nepali migrant workers in Other countries, which is three times higher than for those working in GCC and

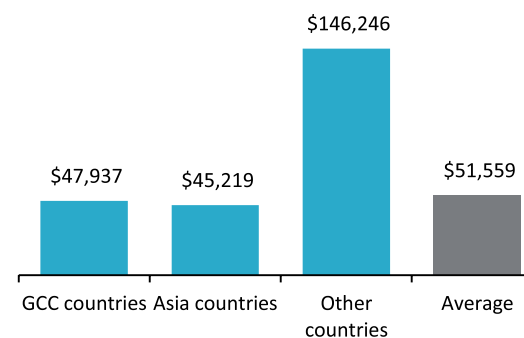


Figure 35: Estimate of the total amount of money needed to meet savings objectives
Source: Migrant survey

Asian countries. It is interesting to note that the higher the education level is, the higher the savings target (from USD 30,400 for migrant workers with no education to USD 134,700 for those with high levels of education).

Seventy-one per cent of Nepali long-term migrant workers stated that they are “confident / very confident” in reaching their savings objectives, while the share of “less confident / not confident” is very low (13%). The level of confidence varies among destination countries, with lower confidence in Asian countries (61%) and higher confidence in GCC countries (78%) and Other countries (79%). The level of confidence is generally higher among women migrant workers and those with high levels of education.

The average number of years estimated to reach their savings ambitions is about eight years. Looking at the average savings objective of Nepali migrant workers, this translates into an ambition of achieving an average annual household savings rate of USD 6,450. When comparing this to the actual current annual average savings rate, before remittances are deducted, USD 5,136, there is a discrepancy, which can be explained by their intention to integrate more fully into the labour market, and their belief that they can rise to their level of professional competence, and perhaps unify with family members abroad. All three of these projections will in turn contribute to a higher household income.

The two above indicators of confidence are correlated with the actual level of savings achieved to date. The level of savings achievement towards the goal is highest in GCC countries (on average, 15% of the value achieved) and Asian countries (13%), but the lowest in the Other countries (9%).

REMITTANCES

Compared to SEEE countries studied, the contribution of migration to GDP is much higher in Nepal, with remittances amounting to 30 per cent of GDP²⁸, according to official estimates. According to the literature, the main impact of migration and remittances to date has been the alleviation of poverty, with most remittances going to consumption.

Remittances²⁹ have had a positive impact on the macro-economic stability of Nepal. They helped finance the trade deficit of the country, aid in fiscal consolidation, and have supported the value of the currency. These peer-to-peer transfers are economically very important for many receiving countries such as Nepal.

In absolute volumes, international economic institutions rank Nepal 23rd among all remittance-receiving countries in the world, and at 3rd place as percentage to GDP³⁰. Official estimates of annual remittances, including those sent through formal and informal channels, increased simultaneously with the rising number of migrant workers.

On a private level, remittances have been important in alleviating poverty and supporting livelihoods. Their current role and future scope in supporting investment and the sustainable development of the country is discussed in more detail below.

The vast majority of Nepali migrant workers (95 per cent) send remittances on a regular basis, which is consistent with findings of the HH survey

With 95 per cent, the share of migrants remitting to Nepal is significantly higher than among SEEE countries surveyed (80% in Moldova and 66% in Ukraine). As can be seen in Figure 36, there is a lower propensity among Nepali migrant workers from Asian countries, in particular India, to remit money to their household members in Nepal. This finding is in line with the lower return intention and the higher family reunification rates than in GCC and Other countries.

28 <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=NP&page=3>

29 The definition of migrant worker remittances for the purposes of this study are personal remittances that include a) personal transfers and b) compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of employees refers to the income of border, seasonal or short-term workers who are employed in an economy where they are not resident. Unlike the World Bank definition, compensation of residents employed by non-resident entities is not included.

30 <https://openknowledge.worldbank.org/bitstream/handle/10986/23743/9781464803192.pdf>, p. 12-13

Supporting the statements above, married long-term migrant workers, those with return intention, and those not reunified are more likely to remit on a regular basis. No significant difference in propensity to remit was identified in terms of gender and rural/urban residence.

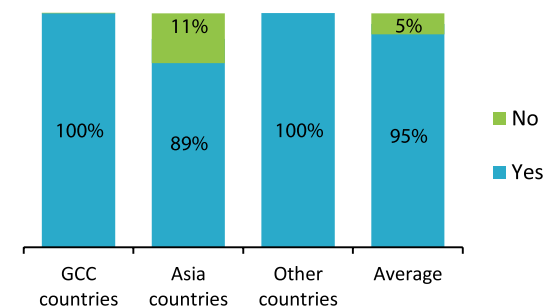


Figure 36: “Did you or a member of your HH abroad transfer money (incl. hand-carry) to Nepal over the preceding 12 months?”

Source: Migrant survey

When comparing remitters with non-remitters, the following profiles emerge. Non-remitters are more likely to be older and single; if married they are more likely to be reunified abroad; they have lower return intentions than remitters; are more likely to originate from the Mid-Western and Far-Western Development regions; as many of migrant workers from the two development regions migrate particularly to India.

Because of its relatively short mass labour migration experience (only since 2009-2010) and specific regions of destination, Nepali long-term migrant HHs are more likely to remit than HHs from countries with longer mass migration histories (over 30 years) such as Albania, Kosovo or BiH where the rates of remitting HHs are significantly lower. This indicates that the longer migrants stay abroad, the more likely they are to reunify families abroad, to increase their levels of employment and to integrate in their country of destination, which in turn leads to a decrease in the frequencies and amounts of remittances sent to their country of origin.

A remittance sending HH transferred to Nepal an average amount of USD 4,777 in 2016

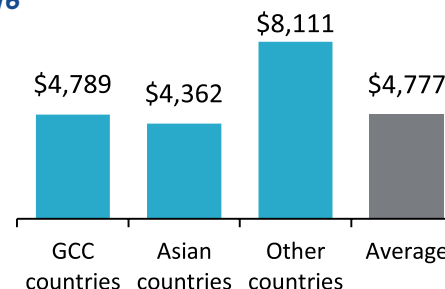


Figure 37: Annual average value of transfers to Nepal per HH (only remittance senders) in 2016

Source: Migrant survey

In line with expectations, migrant workers with low family reunification in Other countries remit much more because of higher incomes in these countries, while for the other two destination regions the average value is more balanced.

The profile of migrant workers sending large amount of remittances is the following: women (USD 5,287 compared to USD 4,741 by men), older migrant workers (USD 5,414 compared to USD 4,728 by younger migrants), with origin in urban areas (USD 5,579 compared to USD 4,210 to migrant in rural areas), and with high level of education (USD 9,686 compared to an average of USD 4,459 by migrant worker with lower levels of education).

Supporting spouse and children and purchase of assets are the two most important motivating factors for sending remittances for majority of long-term migrant workers

There are few significant differences in remittance purposes between migrant workers across destination regions.

Given the relatively early stage of mass labour migration (since 2006), the poor economic conditions in Nepal and low rates of family reunification, the majority of migrant workers continue to remit with the purpose of supporting their spouse and parents. This is confirmed also by remittance receiving HHs where main recipients are spouse and migrant parents.

After interviewing remittance recipients, the HH survey confirms that these funds are mainly used to cope with basic daily needs (food, clothing, etc.) of the family, and then for improving their living conditions (buying assets and home appliances etc.), as well as to expand or build a new house. The findings from the migrant survey in Figure 38 show that 22 per cent of remitters prioritized “renovation and reconstruction of a house”, which confirms this trend.

An interesting and more specific finding for Nepal (compared to SEEE countries) is the prioritization of expenses in education, which ranks as the third most important objective for sending remittances. This is an indication that remittances could play an important role in raising level of education of Nepali population.

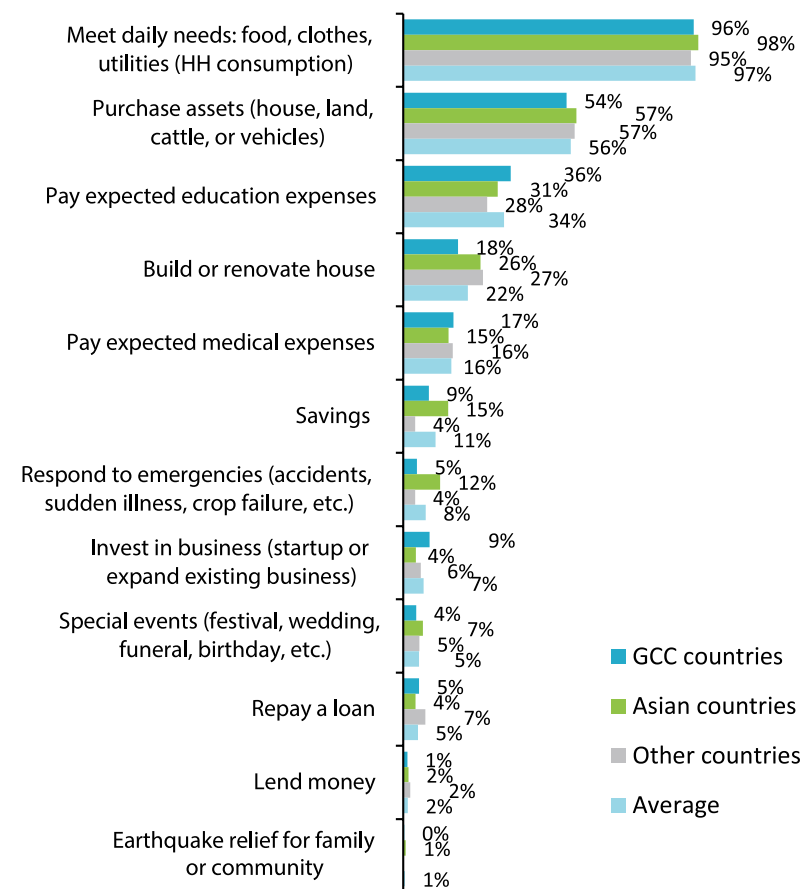


Figure 38: Three most important purposes for transferring money to Nepal
Source: Migrant survey

However, looking at the actual value of expenses by remittance-receiving HHs it appears that priorities on this side are quite different: besides daily consumption expenses, large amounts are allocated to repay loans and to savings, followed by renovation of house, purchase of assets, and then only to education.

The following trends in the remitting behaviour of migrant workers have been identified in terms of their socio-demographic profile:

- ▶ Women and younger migrant workers are more likely to remit for purchase of assets
- ▶ Adult and older migrant workers, married, and not reunified are more likely to send remittances for education expenses

In 2016, only 7 per cent of remitters transferred money for the purpose of investing in a business. This pattern seems to be consistent with the overall behaviour of migrant workers from SEEE countries studied and reinforces the hypothesis that a vast majority of migrant workers do not perceive themselves as entrepreneurs.

Consequently, remittances continue to improve the living conditions of many families in Nepal, while also playing some small role in economic development and job creation.

Unlike SEEE countries studied, where there is no direct correlation between income level and volume of remittances, in the case of Nepal it is obvious (see Figure 39) that remittance values are influenced by HH incomes abroad, i.e. the higher income level is the higher is the value of remittances. This can be explained by several factors: very low family reunification rate (below 3%), very high return intention rate, very small number of income earners in each HH abroad (even when more than one, they typically work in different countries of migration), large size of HHs in Nepal (almost twice as large), and tendency to keep most savings in Nepal rather than in country of migration (described in section below).

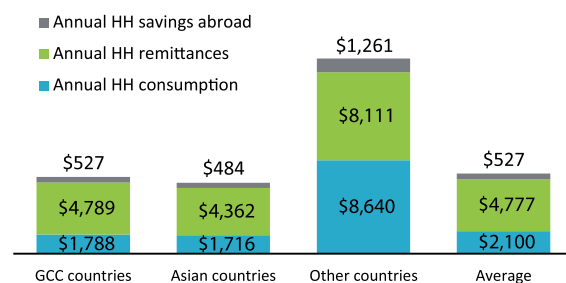


Figure 39: Annual budget structure of long-term migrant worker HHs (only remittance senders)
Source: Migrant survey

At the same time, the remittance amounts are much lower than those in the SEEE countries studied. This is not surprising, as the vast majority of Nepali long-term migrant workers are in low income destination countries. But, when looking at proportion of remittance value to the income, Nepali long-term migrant workers remit significantly larger share of their income.

When looking at how remittances from migrant workers abroad to their families in Nepal are used (Figure 40), only 39 per cent goes to consumption, and it is consistent across all destinations. This contradicts the literature about Nepali migrant workers, which holds in general that a much higher share is used for consumption. Notably, this share of consumption is a very low component of total remittances when compared to SEEE countries studied. At the same time, saving and investing represent a comparably large share of remittance value in Nepal.

This finding strengthens the hypothesis that for most long-term migrant HHs the accumulation of wealth is a major objective of migration, and is consistent with all other migrant workers in SEEE countries surveyed. The only difference is that Nepali migrant workers prefer to keep their savings in Nepal because of the specific migration pattern described above (i.e. high return intention, very low family reunification because of short period of mass migration, as well as working in destinations that are not attractive for family reunification).

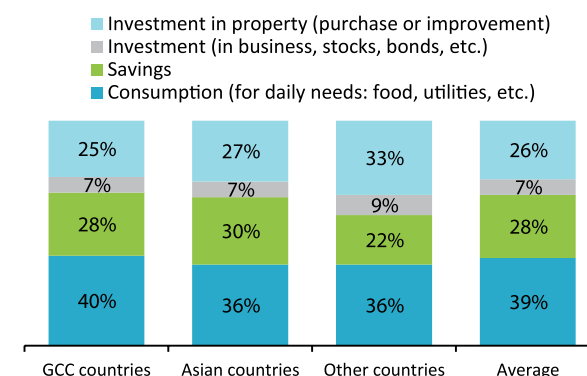


Figure 40: Purposes for sending remittances to Nepal
Source: Migrant survey

The poor economic situation in Nepal, including its poor labour market conditions, may explain the higher than expected savings component. As illustrated in Figure 34, emergency and risk preparedness is a high concern for many migrant worker HHs. Another possible explanation of this pattern could be the relative attractiveness of financial institutions in Nepal during that period. This is supported by the findings that 87 per cent of all migrant worker households maintain a bank account in Nepal, while over 90 per cent of migrant worker households with savings in Nepal keep at least some of their savings in deposit accounts.

When analysing more closely the investment component reflected in Figure 41, data shows that the average value of investment is 1,595 USD per HH (with 1,512 USD for GCC countries and 1,500 USD for Asian countries). But, the largest part (79%) of this

	Consumed	Saved	Invested
GCC	\$ 1,930	\$ 1,346	\$ 1,512
Asia	\$ 1,544	\$ 1,308	\$ 1,500
Other	\$ 2,955	\$ 1,763	\$ 3,393
Average	\$ 1,828	\$ 1,351	\$ 1,595

Figure 41: Remittance values by purpose in 2016 (only remittance sending HH)

Source: Migrant survey

investment is oriented towards real-estate purchases or renovations. The remaining 21 per cent of all investment or 7 per cent of the total average remittance value is allocated towards productive investment in a business, farm, or other activity, as opposed to investment in real estate for personal use. This equates to only about 561 million USD in productive investment in that surveyed/reporting period. Analysis of socio-demographic profile shows that women, young migrants, those originated from urban areas and Western Development Region, as well as higher educated people, overall, allocated more money for productive investment.

Approximately 840,000 remittance-sending HHs (or 49% of all long-term migrant worker HHs abroad) purchased or renovated real estate in Nepal in 2016. This translates into a value of 2,150 million USD. Older migrants, those with a high education level, and those originated from urban areas and Western Development Region invested more in the purchase or renovation of properties.

Looking deeper, there are some differences in remittance patterns among the countries of destination for long-term migrant workers. Figures 41 and 42 shows that migrant workers in Other countries are the most likely to invest in Nepal, in particular in property.

The 28 per cent of remittance value sent to Nepal in 2016 with the purpose of being saved, as indicated in Figure 39, translates to a total estimated value of 2,296 million USD.

Finally, about 39 per cent of remittance value transferred to Nepal in 2016 by long-term migrant workers for the purpose of consumption amounts to approximately 3,107 million USD.

Overall, remittance senders can be divided into seven separate categories

The largest group (39%) (C+S+I in Figure 41) is comprised of migrant worker HHs that include some level of savings and investment, as well as consumption to their

investment is oriented towards real-estate purchases or renovations. The remaining 21 per cent of all investment or 7 per cent of the total average remittance value is allocated towards productive investment in a business, farm, or other activity, as opposed to investment in real estate for personal use. This equates to only about 561 million USD in productive investment

Category		2016				
		Average value per HH (R)	per cent of remitting HH	"S/I" value	"C" value	"C" as per cent of "R"
1	C+S+I	5,475	39 per cent	3,861	1,614	29 per cent
2	C+S	4,624	31 per cent	2,497	2,119	46 per cent
3	C+I	4,804	14 per cent	3,252	1,552	32 per cent
4	100 per cent consumption	2,696	12 per cent	0	2,696	100 per cent
5	I	4,713	2 per cent	4,713	0	
6	S	3,947	1 per cent	3,947	0	
7	S+I	7,978	1 per cent	7,978	0	
			100 per cent			
Average consumption		2,642	1,828			
Average saving		2,845	1,351			
Average investment		1,217	1,595			

Figure 42: Grouping of remittance senders by remittance purpose (R-remittance value, C-consumption, S-saving and I-investment) in 2016

Source: Migrant survey

remittances. In 2016, this category of migrant worker households represented one third of all long-term remittance sending households. Their annual remittance transfer value was 5,475 USD. Of this amount, consumption represents 29 per cent and it is the lowest in both value and rates among all other categories with a consumption component (Figure 42). The extrapolated total value of the savings and investment component of this group is 2,560 million USD.

The second largest group (31%) includes migrant worker HHs that sent remittances specifically for consumption and saving purposes only (C + S) as a priority part of their 2016 remittances. The average remittance value of this group was 4,624 USD, of which 2,497 USD was for savings and investment. The consumption rate of this group is significantly higher than the first category. The extrapolated total value of savings and investment component of this group is almost 1,316 million USD, or half the category above.

The above two categories cover 70 per cent of all remitting households.

The third group (14%) includes migrant worker HHs that sent remittances specifically for consumption and investment purposes only (C + I). This category of migrant workers has the lowest consumption value, on average, among all groups with a consumption component. The estimated total value of the investment component of this group is 774 million USD.

The fourth group (12%) is composed of those migrant worker HHs that sent remittances expecting the money transferred to be fully consumed, usually for the purpose of supporting their immediate or extended family.

The fifth group (2%) includes those migrant worker HHs that sent remittances only for investment purposes (I). Further calculations show that investment value of this category is 160 million USD.

The sixth group (1%) includes those migrant worker HHs that sent remittances only for savings purposes. The extrapolated total value of savings was 67 million USD, savings that were sent to be kept in Nepal.

The last group (1%) includes migrant workers who sent remittances only for savings and investment purposes (S + I) and with no consumption. The annual remittance transfer value of this group was 7,978 USD, which is the highest value of all seven categories. The extrapolated total value of savings and investment component of this group is almost 136 million USD.

Taken together, the transfer of savings (estimated at the total of about 2,296 million USD), when deposited in the Nepali banking system, represent one of the main sources of liquidity from physical persons in the system as a whole (estimated at 17.5 billion USD deposits mid-July 2015³¹). It is worth remembering that the investment components estimated above are largely used for real estate purchases or housing renovations, with only 7 per cent of total remittances oriented towards productive investment.

An average of 5.6 formal and informal transfers were made in 2016 by remitting long-term migrant worker households, with an average value of 853 USD per transfer

The annual total number of transfers from this category of migrant worker households is estimated at about 9.5 million.

The average number of transfers is significantly lower for migrant workers in Asia and Other countries, compared to GCC countries (Figure 43). In-depth analysis emphasizes that higher average number of transfers is related to lower individual transfer value.

Higher number of transfers is directly correlated with the age group of senders: the older the sender is, the more often transfers are made. In Mid-Western and Far-West Development Regions the frequency of transfers is significantly lower than in other regions (on average 3.9 compared to 5.7).

In the case of remittance receiving HHs with short-term migrants the average number of transfers drops to 2.6 transfers and for remittance receiving HHs without migrants to two transfers.

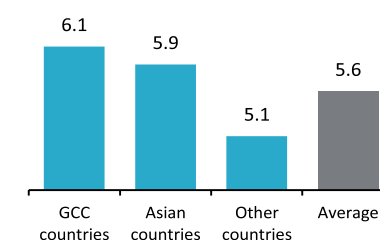


Figure 43: Number of transfers in the preceding 12 months, including carried/sent in cash (only of remittance senders)

Source: Migrant survey

Remittances transfer channels

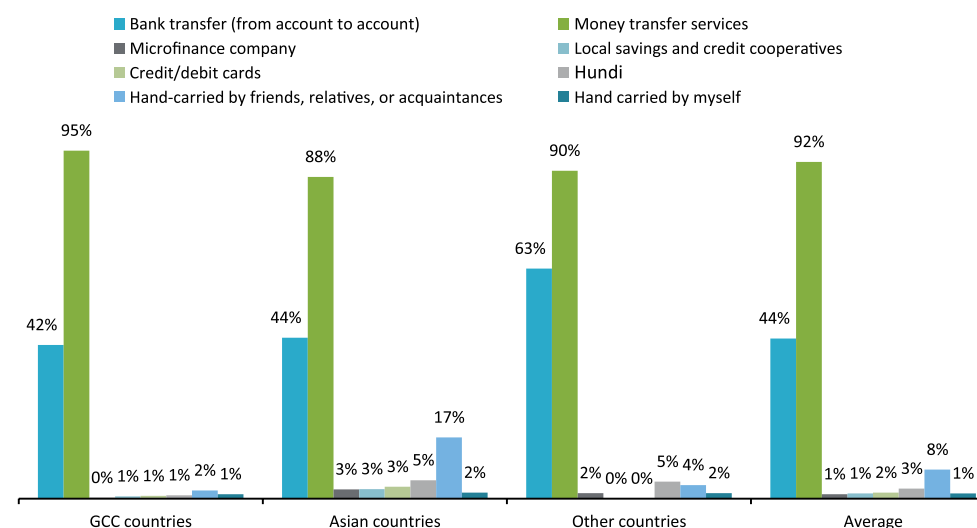


Figure 44: "What is your preferred means of money transfer to Nepal? (multiple choice)"

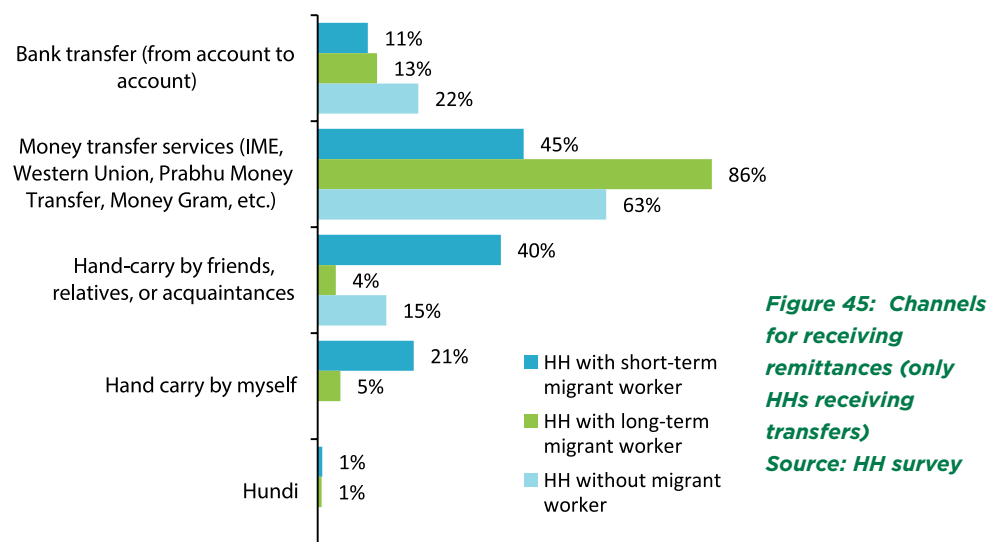
Source: Migrant survey

31 https://nrb.org.np/bfr/statistics/bank_fina_statistics/Banking_and_Financial_Statistics--No_61%20July%202015.pdf, p. 4

88 per cent of remitting households prefer to use formal channels, mainly money transfer services or bank transfers. Logically, the propensity to prefer informal channels decreases with the distance from Nepal. In Asian countries (mainly India), the preference for informal channels is 24 per cent.

The HH survey shows that receiving HHs continue to receive through both, formal and informal channels

An interesting finding of the HH survey is that 3 per cent of HHs without a member in labour migration still receive remittances. Senders would include more distant relatives not considered part of the HH.



Further, as can be seen in Figures 44 and 45, the preference for using a particular remittance method is generally reflected in actual practice. This is often not the case in SEEE countries studied, where there is a lower correlation between preference and practice. Yet, even if 44 per cent of long-term migrant workers prefer bank transfers, only 13 per cent of remittance receiving HHs with long-term migrants in practice use bank transfers.

There are differences in the remitting behaviours between households with short-term and long-term migrant workers, as well as households without migrant workers (but receiving remittances). The greatest users of informal channels are HHs with short-term migrant workers. Sixty-two per cent of HHs with short-term migrant workers used informal channels, at least once in 2016. Logically, senders of remittances to HHs without migrant workers rely mainly on formal channels, and 85 per cent of these senders used them at least once a year in 2016.

Actual remittance values are consistent with the preference and incidence of channels used

On average, only 6 per cent or 286 USD of the average remittance value per long-term migrant worker HH was transmitted through informal channels in 2016 (Figure 46). This translated to 486 million USD of the overall remittance value of approximately 8.1 billion USD.

When looking at remittance-receiving HHs with short-term migrant workers, the share of remittances received through informal channels rose to 37 per cent, which translated to 73 million USD.

Informal channels are more likely to be used by migrant workers residing in Asian countries (10%) and Other countries (7%), compared with only 3 per cent of migrant workers in GCC countries.

The remittance transfer pattern in Nepal, at least for long-term migrant workers, is very different than the one identified in SEEE countries surveyed where the incidence of informal channels is significantly higher (on average five to eight times higher).

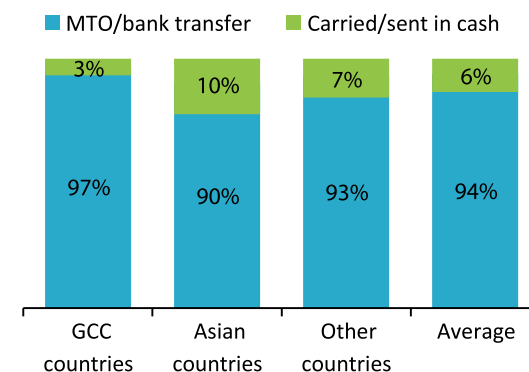


Figure 46: "Of the amount transferred over the preceding 12 months, what amount was sent by MTO/bank and carried personally/sent in cash?"
Source: Migrant survey

The pattern for Nepal is a logical one, taking into consideration the very low frequency of visits to home country during year and the fact that 90 per cent of long-term migrant workers use airplanes for their home visits. In contrast, short-term migrant workers visit Nepal more frequently and travel mainly by train or bus.

When looking at the socio-demographic profile of informal channel users, data shows that women long-term migrant workers, adult and elder migrants, with high levels of education and originating from Far-Western Development Region send higher amounts of remittances through informal channels.

Overall Financial Remittance Flows

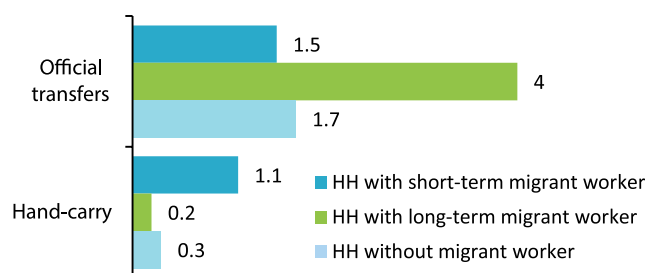


Figure 47: Average number of transfers per year
Source: HH survey

As expected and described earlier, HHs with short-term migrant workers are much more likely to use informal channels for remittance purposes (Figure 47). This relates to their relatively short-term migration period and proximity to Nepal, which offer little motivation to keep savings abroad.

On the other hand, HHs without migrant workers cannot rely as easily on unofficial channels since they are more likely to receive remittances from diaspora members and more distant relatives who may in turn be less incline to make personal visits and hand-carry funds.

As expected, the number of transfers for HHs with long-term migrants is significantly higher than the other two groups. At the same time, remittance-receiving HHs reported smaller number of transfers than the sending HH members in migration.

The total number of transfers from these three groups of HHs equals to approximately 10.4 million formal and informal transfers per year in 2016.

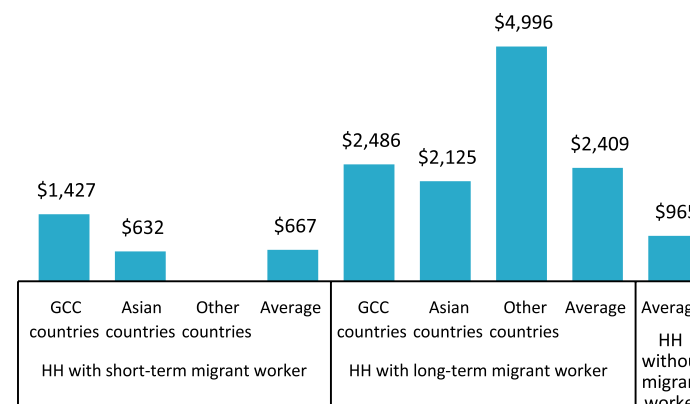


Figure 48: Total value of ALL money received from abroad in the past 12 months (remittance receiving HHs only)
Source: HH survey

The value of remittance received (Figure 48) by all three categories of HHs is according to the expectation that long-term migrant workers remit more than short-term migrant workers. This can be explained by their long-term migration period and having little motivation to keep their savings abroad.

Moreover, when looking at the sector of employment abroad of workers engaged in long-term migration, it largely mirrors the profile of short-term migrant workers: mainly hospitality industry, manufacturing and construction.

When amalgamating the data reported from remittance sending and receiving households, the total estimated amount of remittances to Nepal in 2015/2016 was 8.414 billion USD (Figure 49). Out of this amount, approximately 7 per cent was sent/received through informal channels. Long-term migrant workers contribute 86 per cent of this financial inflow to Nepal, short-term migrant workers bring about 13 per cent, and the difference of 1 per cent of remittances is received by HHs with no migrant worker household member.

Channel	Household with short-term migrant workers	Household with long-term migrant workers	Household with no migrant worker	Total
Official transfers	\$123,409,440	\$7,620,772,324	\$103,287,920	\$7,847,469,684
Hand-carry	\$72,478,560	\$486,432,276	\$7,774,360	\$566,685,196
Total	\$195,888,000	\$8,107,204,600	\$111,062,280	\$8,414,154,880

Figure 49: Total remittance value to Nepal in 2015/2016, including formal and informal channels
Source: HH and Migrant survey

Impact of Remittances on Nepali Households

When comparing the structure of Nepali HH budgets between remittance-receiving and non-receiving HHs, it is clear that remittances have a significant positive impact on the overall HH budget (Figure 50), representing the main income source for their household budget. This is valid for both HHs with long-term and short-term migrant workers.

Remittances contribute 62 per cent to the budgets of remittance-receiving HHs with long-term migrant workers and 38 per cent to the budgets of remittance-receiving HHs with short-term migrant workers. Even in the case of remittance-receiving HHs without migrant workers, the impact of remittances is a significant 22% of their overall budgets, having the same weight as incomes gained from the private sector (23%) and loans (19%).

In the case of HHs not receiving remittances, the main income sources have a larger variety from one to another HH category:

- ▶ non-receiving HHs with short-term migrant workers rely mainly on sales from internal products (24%), non-agricultural seasonal activity (24%), loans (16%), and other business (13%)
- ▶ non-receiving HHs with long-term migrant workers rely mainly on loans (28%), sales from internal products (16%), and other business (14%)
- ▶ non-receiving HHs without migrant workers rely mainly on other business activities (24%), salary from private sector (16%) and public sector (11%), but also loans (14%) and sales from internal products (12%)

Of particular interest in the case of Nepal compared to SSEE countries studied is the insignificant contribution of salaries from private and public sectors to the HH budget, especially in the case of HHs with migrant workers, as well as the heavy reliance on loans, excluding remittance-receiving HHs with long-term migrant workers. In this context, push factors (financial) for mass migration become very expressive.

As can be seen further in Figure 50, remittance-receiving HHs with long-term migrant workers have significantly higher HH incomes than the other categories, other than the remittance-receiving HHs without migrants, which seem to be better off and more actively engaged in private and public-sector jobs.

More importantly, when comparing income per HH member, non-receiving HHs with short-term migrant workers are the poorest of the six categories of HHs, at an average of 18.4 USD per HH member per month. This is due partly to the larger size of the HHs with an average of 6.3 members.

On the other hand, remittance-receiving HHs with long-term migrant workers have the highest income per HH member (significantly higher than the other five categories). Even so, when compared to SSEE countries surveyed, the income level per HH member in Nepal is at least two to three times lower within the same category of HH.

Turning to the expenditure side of HH budgets (Figure 51), it is clear that access to remittances increases the purchasing power of remittance-receiving Nepali HHs, as well as increases their investment behaviour.

When looking at consumption patterns and day-to-day expenses (such as food, clothes, utilities), overall, remittance-receiving HHs spend a smaller percentage of their HH incomes on these costs.

From the perspective of maximizing migrant worker remittances and savings on the development of Nepal, the most significant difference between remittance-receiving and non-receiving HHs is that remittance-receiving HHs are much more likely to engage in investment and have business expenses, including farm expenses (animal feed, maintenance, etc.), as well as in savings.

Overall, remittance-receiving HHs spend 60 per cent more on education, savings, investment or repaying debts than remittance non-receiving HHs.

HH budget incomes	Receive remittances			Do not receive remittances		
	HH with short-term migrant workers	HH with long-term migrant workers	HH without migrant workers	HH with short-term migrant workers	HH with long-time migrant workers	HH without migrant workers
Rental income from property (land, house, vehicle etc)	1%	1%	3%	4%	5%	5%
Borrowing money from others, credits from banks	12%	8%	19%	16%	28%	14%
Salary from private sector job	7%	3%	23%	5%	7%	16%
Salary from public sector job	2%	2%	9%	2%	5%	11%
Salary from temporary/seasonal job (agro based)	5%	2%	1%	9%	5%	3%
Salary from temporary/seasonal job (non-agro based)	11%	3%	6%	24%	5%	9%
Pension/ other allowances (old age allowance, disability allowance, etc)	2%	2%	1%	2%	12%	4%
Other business income	4%	6%	8%	13%	14%	24%
Sale of crops and livestock	16%	7%	7%	24%	16%	12%
Remittances (transfers from abroad both through formal and informal channels)	38%	62%	22%	0%	0%	0%
Other	2%	2%	2%	1%	2%	3%
TOTAL	\$ 146	\$ 323	\$ 371	\$ 116	\$ 243	\$ 276
Size of HH (average)	6.3	4.8 ³²	4.1	6.3	5.4 ³³	5.2
Number of children (up to 15 years) (average)	2.1	1.6	1.1	2.0	1.7	1.4
Number of old people (65 years +) (average)	0.3	0.2	0.2	0.2	0.4	0.3
Income per HH member (average)	\$ 23.2	\$ 67.3	\$ 90.5	\$ 18.4	\$ 45.0	\$ 53.1

Figure 50: HH average monthly income in the past 12 months, by remittance receiving status and migration status (total income, share of income source, average size of HH and average income per HH member)

Source: HH survey

³² HH members living and working abroad are not included

³³ HH members living and working abroad are not included

HH budget incomes	Receive remittances			Do not receive remittances			Ratio of expenditures between remittance receiving and non-receiving HHs		
	A. HH with short-term migrant workers	B. HH with long-term migrant workers	C. HH without migrant workers	D. HH with short-term migrant workers	E. HH with long-time migrant workers	F. HH without migrant workers	A / D	B / E	C / F
Food	36%	23%	22%	42%	26%	26%	108%	117%	113%
Clothing	10%	6%	5%	12%	8%	7%	113%	98%	110%
Utilities (electricity, water, cooking gas etc)	2%	2%	3%	2%	3%	3%	120%	89%	114%
Transportation expenses (bus fare, taxi fare, fuel etc)	5%	3%	6%	5%	4%	4%	111%	98%	166%
Telephone and mobile recharge related expenses	4%	3%	3%	4%	4%	3%	141%	105%	141%
Education expenses	7%	7%	14%	6%	9%	10%	142%	100%	174%
Medical/hospital expenses	5%	5%	5%	6%	8%	5%	104%	79%	157%
Respond to emergencies	1%	1%	1%	1%	2%	2%	119%	116%	48%
Provide earthquake / natural disaster related relief assistance to family or community	0%	0%	0%	0%	0%	0%	94%	175%	49%
Purchase assets (house, land, livestock, or vehicles)	4%	9%	1%	1%	4%	2%	466%	301%	60%
Build or maintain/repair a house	4%	10%	2%	5%	5%	8%	119%	271%	35%
House rent	1%	1%	5%	0%	1%	2%	411%	164%	257%
Loan repayment	7%	11%	18%	6%	13%	8%	142%	120%	281%
Money lending	1%	3%	2%	1%	3%	2%	93%	139%	125%
Invest in a business	1%	2%	1%	2%	1%	4%	66%	183%	30%
Savings	6%	10%	12%	3%	6%	8%	230%	239%	185%
Festivals/entertainment	3%	3%	0%	1%	1%	2%	273%	240%	21%
Invest in agriculture (seeds, etc)	1%	0%	0%	1%	0%	1%	186%	1117%	26%
Social work	0%	0%		0%	0%	0%	70%	43%	0%
Other	1%	1%	1%	0%	2%	0%	410%	48%	207%
Cumulative share of education, savings, investment and repaying debts	22%	30%	44%	18%	29%	32%			
Cumulative value of education, savings, investment and repaying debts (USD)	33	98	163	21	69	89			

Figure 51: Allocation of HH income on average in the last 12 months (by remittance receiving status and migration status (share of expenditure items, ratio of amount of expenditures among remittance receiving and non-receiving HHs)

Source: HH survey

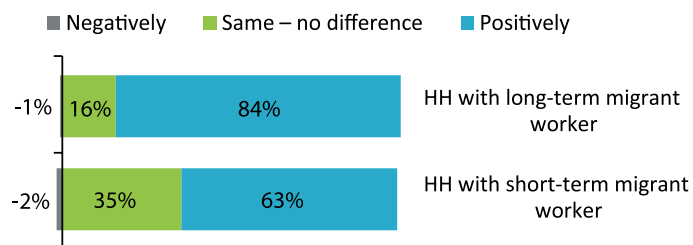


Figure 52: “How has migration changed your family’s economic wellbeing?”
Source: HH survey

When asked to self-assess the impact of migration on the overall economic situation of the HH (Figure 52), it appears that both HHs with short- (63%) and long-term (84%) migrant workers assess it as a positive one, in contrast to only 1 or 2 per cent being affected negatively.

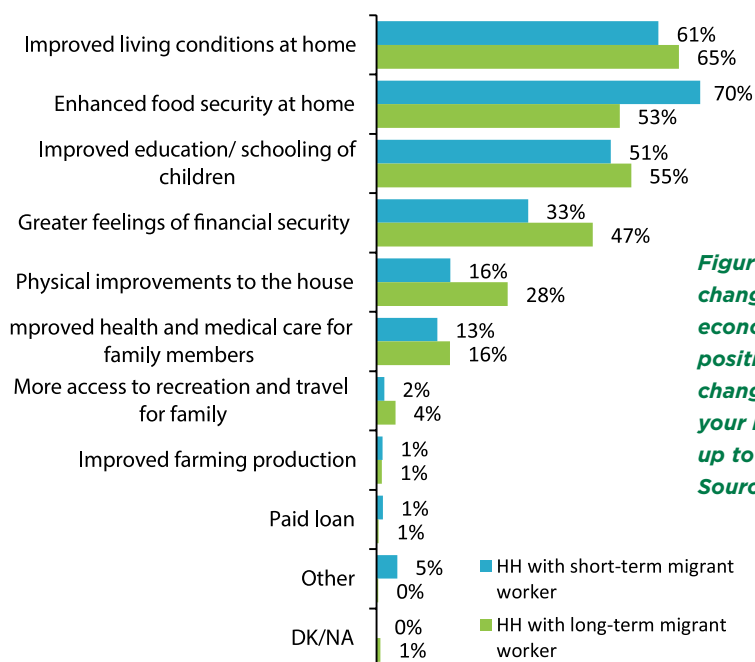


Figure 53: “If it has changed your family economic wellbeing positively, what specific changes have you seen in your household?” Choose up to three”
Source: HH survey

Positive changes in economic wellbeing are related mainly to improved living conditions at home (including physical improvement to the house) for the vast majority of HHs, enhanced food security at home (in particular for HHs with short-term migrants) and improved access to education of children (Figure 53).

As an interim conclusion, it is possible to state that remittance-receiving HHs of all three categories do not spend significantly more on day to day expenses than their non-remittance receiving neighbours. In other words, once basic requirements are met, much of the remaining remittances go into various forms of livelihood improvements, savings, and investment.

Earthquake Impact

The HH survey shows that every third HH without migrant workers and with long-term migrant workers was affected by the earthquake in 2015, while less HHs with short-term migrant workers were affected (19%).

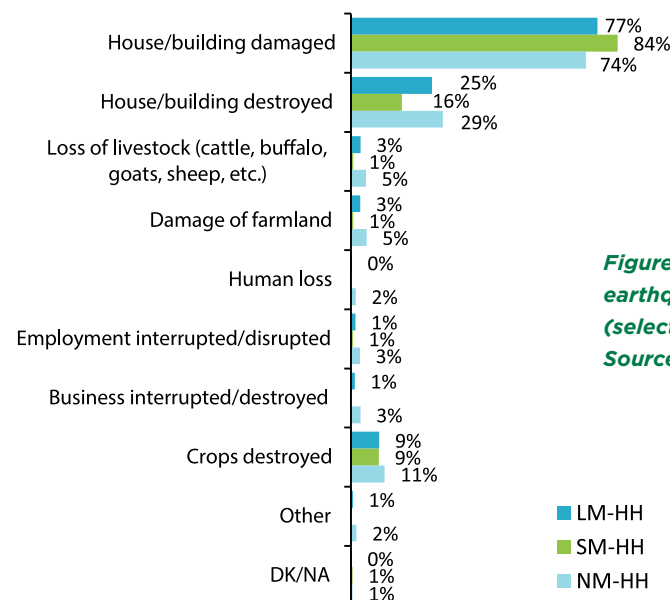


Figure 54: “How did the earthquake affect your household? (select all applicable option)”
Source: HH survey

Looking at how the earthquake affect migrant HHs (Figure 54), in most cases, it damaged their houses or buildings (three out of four HHs with long-term migrant workers and HHs without migrant workers and 84 per cent of HHs with short-term migrant workers) or destroyed their buildings (every fourth HH with long-term migrant workers and HH without migrant workers and 16 per cent of HHs with short-term migrant workers). The third most important damage was destroyed crops, affecting one in ten HHs, irrespective of their migration status. Other harmful earthquake effects have very low incidences.

Very few households had any investment plans before the earthquake: 4 per cent of HHs without migrant workers, 2 per cent of HHs with long-term migrant workers and only 1 per cent of HHs with short-term migrant workers. Yet for those who did, the earthquake had an insignificant impact on their investment plans, since less than 3 per cent of those with investment plans intends to change them because of the earthquake.

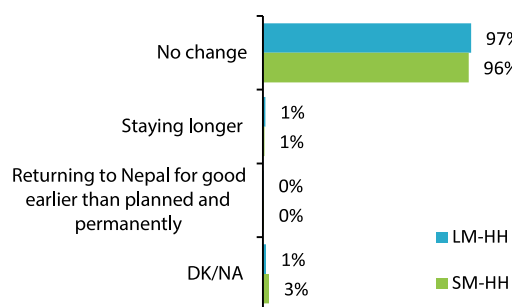


Figure 55: “How did the earthquake change the decision of your family member abroad about how long they would stay abroad?”
Source: HH survey

Contrary to the general impression, the earthquake had no impact on current migration or future plans either.³⁴ In this regard, only 1 per cent of HHs without migrant workers would consider going abroad for foreign employment as a direct result of the earthquake. Of the current migrant workers, 97 per cent of HHs with short or long-term migrant workers confirm that the earthquake did not in any way shorten or lengthen the period of staying abroad.

Contrary to expectations, only 6 per cent of HHs with long-term migrant workers and 1 per cent of HHs with short-term migrant workers state that remittances helped them in reconstruction of damaged buildings.

In-Kind Remittances

In 2015/2016, Nepali households received more than 200 million USD as in-kind remittances

Figure 56 shows a high incidence of in-kind remittances (defined as all material transfers of a non-financial nature), especially for HHs with long-term migrant workers (every fourth). Besides this, 12 per cent of HHs with short-term migrant

workers and 4 per cent of HHs without migrant workers received in-kind remittances from their HH members or relatives and friends abroad. When extrapolating this data, it appears that about 650,000 households in Nepal benefited from in-kind remittances in 2015/2016 with an amount of about 212.85 million USD.

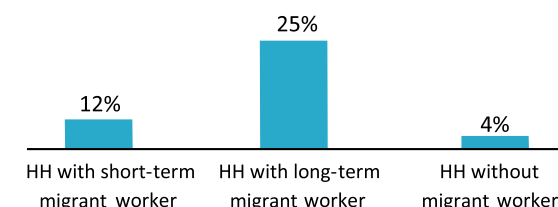


Figure 56: HHs, which received in-kind remittances, which migrant worker sent/brought back in the past 12 months
Source: HH survey

However, the above figures may be underestimated, since when compared with data provided by long-term migrant workers interviewed, it appears that 74 per cent of them sent in-kind remittances to their HHs in Nepal against only 25 per cent of HHs with long-term migrant workers confirming this.

Therefore, real figures may be at least two times higher. This discrepancy pattern is consistent across all countries surveyed by present, indicating that interviews at respondents' house do not offer necessary level of comfort and confidence to respondents, therefore tending to decrease in general financial related data.

In-kind remittance transfers are more likely to be sent from migrants working in GCC countries (82% of migrant workers) and Other countries (78%) than from Asian countries (63%).

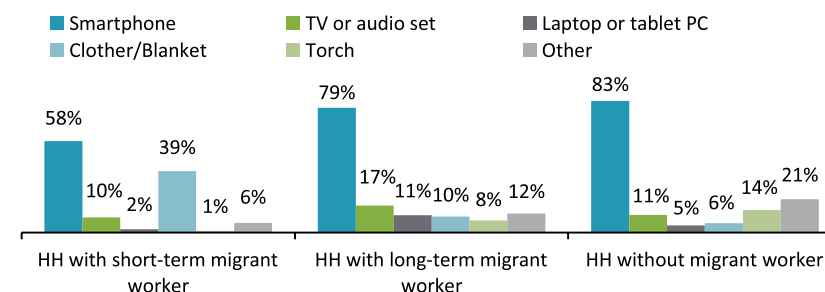


Figure 57: Types of in-kind remittances
Source: HH survey

³⁴ It is important to note that survey data on impact of earthquake are limited in the context that sampling methodology did not covered all districts (at the first stage, 31 districts were randomly selected by Nepal Central Bureau of Statistics, using probability proportion to size sampling method). It resulted in the fact that some of the most affected by earthquake districts were not included in the sample. Therefore, the results may not reflect the reality.

The profile of in-kind remittance-sending migrant workers is as follows: most are middle age (77%), have a return intention (81%), are not reunified (76%), and originate in Central (82%) and Eastern (78%) Development Region.

Overall, in-kind remittances refer to electronic equipment and in the most cases it is a smartphone (Figure 57). Comparing types of remittance-receiving HHs, it can be seen that HHs with long-term migrant workers and without migrant workers benefit from a larger variety of in-kind remittances and with higher incidence than HHs with short-term migrant workers.

Type of HH	Total
HH short-term	\$ 5,120,000
HH long-term	\$ 147,600,000
HH no migrant worker*	\$ 60,130,000
	\$212,850,000

Figure 58: Total in-kind remittance value to Nepal in 2015/2016

Source: HH survey

* The sub-sample of in-kind remittances receiver HH without migrant workers is very small and must be treated with caution

The average annual value of transferred goods was estimated by receiving HHs with short-term migrant workers to be 115 USD, while HHs with long-term migrant workers reported receiving goods with annual average value of 330 USD and the average value of goods received by HHs without migrant workers was 379 USD. This results in a total estimated annual value of in-kind remittances at about 212 million USD (Figure 58). About 70 per cent of these in-kind remittances, in terms of value, originate from long-term migrant workers.

Estimate of Overall Remittance Flows to Nepal in 2015/2016

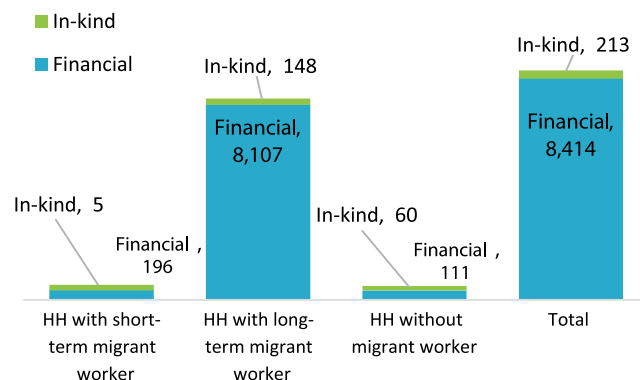


Figure 59: Overall estimate of financial and in-kind remittance value in 2015/2016 (in millions)
Source: HH and Migrant survey

When adding financial transfers and the value of in-kind remittances, the resulting total remittance flow to Nepal in 2015/2016 is about 8,627 million USD. Monetary transfers represent 98 per cent of the overall remittance flows to Nepal (Figure 59).

Transnational households with long-term migrant workers contribute almost 96 per cent to the overall remittance flow, while the share of short-term migrant workers is assessed at 2 per cent.

No less important is the contribution of monetary and in-kind transfers towards households with no migrant worker family member. In 2015/2016, they benefited from about 171 million USD, which account for 2 per cent of the total estimated annual remittance value to Nepal.

Comparing Overall Remittance Flows with Foreign Direct Investment and Official Development Assistance

This section will compare the relative sizes of main international financial flows to Nepal, specifically foreign direct investment (FDI), official development assistance (ODA) and official measurements of remittances versus remittances measured in this study.

Foreign Direct Investment

One challenge that Nepal currently faces relates to the attraction of foreign direct investment (FDI). While in the past few years there has been an upward trend, major legal, bureaucratic, and other barriers to FDI still exist.

In 2016 nearly 106 million USD (equivalent to 0.5% of GDP) was attracted, which was double the 52 million USD in 2015 (0.24% of GDP) and again an increase from 30.4 million USD in 2014 (0.15% of GDP). The inward stock of FDI, however, declined in 2016 to 653 million USD (equivalent to 3.1% of GDP) from 947 million USD (4.7% of GDP) and 951 million USD (4.5% of GDP) respectively the two previous years.³⁵

FDI flows are of crucial importance for at least two reasons:

- ▶ Balance of payments perspective: In the future, significant amounts of private capital, and here in particular stable and long-term oriented FDI inflows need to supplement and eventually replace capital inflows that are provided currently

³⁵ World Investment Report 2017: Annex Tables <http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>, Tables 1,3,7

by official sources (international financial institutions, multilateral and bilateral donors).

- ▶ Investment perspective: Because of their dual nature, inflows of FDI can supplement domestic investments, which are currently very low because of the challenging economic and security situation, as well as very high funding costs. Gross fixed capital formation grew from 23.52 per cent of GDP in 2014 to 27.75 per cent of GDP in 2015 – the highest level since statistical records are available – sliding down to 25.01 per cent in 2016³⁶.

Apart from the slowdown caused by disastrous earthquakes, weak monsoons and trade disputes in 2016, the Nepalese economy has seen steady growth over the past years, and it is expected that this trend will continue³⁷. Nonetheless, despite some recent legislative adjustments aimed at improving the investment climate, weak government institutions, a fast-growing population, and evidence of social instability remain sources of concern.³⁸

Official Development Assistance

Official development assistance (ODA) to Nepal has seen fluctuations over the years up to 2015 (Figure 61). The level of ODA may vary according to the country needs as it faces the consequences of regular natural calamities, such as floods and earthquakes.

Between 2006 and 2015 Nepal received 8 billion USD in official development assistance (ODA). In 2015 Nepal received its largest ODA of 1.2 billion USD amounting to 5.61 per cent of GDP.

The top three donors who committed or contributed funds in 2015 were World Bank's International Development Association (about 290 million USD), Asian Development Bank (about 165 million USD) and the United States of America (about 160 million USD)³⁹.

³⁶ <http://data.worldbank.org/indicator/NE.GDI.FTOT.ZS?locations=NP>

³⁷ <https://www.adb.org/countries/nepal/economy>

³⁸ <https://tradingeconomics.com/nepal/gdp-growth-annual>

³⁹ <http://www2.compareyourcountry.org/aid-statistics?cr=660&lg=en&page=21>

Remittances

Remittances to Nepal are large and have been continuously growing up to 2015 (Figure 60). According to World Bank estimates⁴⁰, the 6.5 billion USD that Nepal received in 2015 placed this country 13th among recipient countries in the world and in the top five in the East Asia and Pacific region.

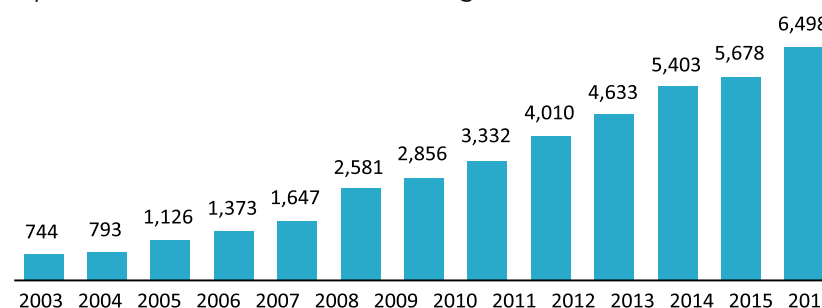


Figure 60: Migrant worker remittance inflow (2001 – 2015), according to WB definition, USD million

Source: <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD?end=2015&locations=NP&page=3&start=2005>

Also, according to the World Bank, a total USD 38 billion was transferred to Nepal from outside from 2006 to 2015. Since 2003 up to and including 2015, the amount of remittances has been increasing, but official forecasts expect them to decrease (see Figure 61).

The contribution of migration to GDP growth remains much more significant for Nepal than for Other countries studied. In 2016, remittances represented 29.7 per cent of Nepali's GDP. This can be compared to the Other countries studied: Republic of Moldova (21.7%), Bosnia and Herzegovina (11.06%), Albania (8.8%), Romania (1.9%) and Ukraine (6.6%).⁴¹

In Nepal, as in many other labour exporting countries, the volume of incoming remittances was significantly larger than the total value of FDI and ODA and this trend is on-going (Figure 61).

⁴⁰ <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD?end=2015&locations=NP&page=3&start=2005>

⁴¹ <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>

When examining different measurements of remittances, two key factors should be noted:

- ▶ Official remittance estimates, as published by the World Bank, besides personal transfers (by long-term and short-term migrant workers, as well as diaspora members) also include payments made to residents of Nepal by non-resident entities, i.e. salaries, fees, commissions etc. paid by foreign companies, NGOs, governments to individuals residing in Nepal.
- ▶ A second factor to consider is that official remittance estimates are notoriously unreliable, insofar as they do not accurately estimate the value of transfers made through unofficial channels, as well as the value of in-kind remittances.

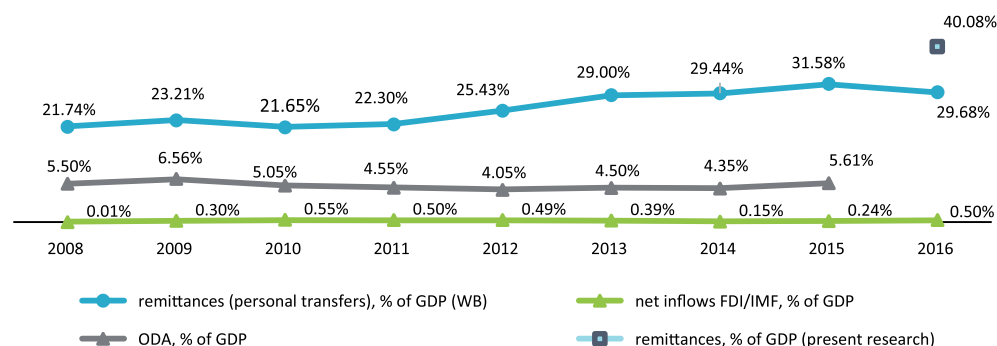


Figure 61: Share of remittances (according to WB Def), net FDI (according to IMF def.), net ODA (according to WB def.) and remittances (according to current study) in the GDP of Nepal

Sources: <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=NP>
<http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=NP>
<http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=NP>
 HH survey and Migrant survey

Remittances (personal): According to World Bank definition, personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of

employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by non-resident entities. Data are the sum of two items defined in the sixth edition of the IMF's Balance of Payments Manual: personal transfers and compensation of employees.

Net Foreign Direct Investment (FDI): According to International Monetary Fund definition, FDI refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 per cent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship.

Net official development assistance (ODA): According to World Bank definition, ODA consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients.

Remittances (according to survey): The definition of migrant worker remittances for the purposes of this study are personal remittances that include a) personal transfers and b) compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of employees refers to the income of border, short-term workers who are employed in an economy where they are not resident. *Unlike the World Bank definition, compensation of residents employed by non-resident entities is not included.*

The measure for remittance used in this study includes personal transfers (by long-term and short-term migrant workers, as well as diaspora members) made through both formal and informal channels, as well as an estimate of in-kind remittances. In this context, the 2016 remittance official estimates as percentage to GDP

are significantly lower in case of Nepal (Figure 60). This is because the HH and migrant surveys measure remittance flows through informal channels (estimated at 567 million USD or 7% of the total value), plus another 212 million USD in in-kind remittances. This difference is reflected in Figure 60 by the higher share of GDP: 40.08 per cent versus 29.68 per cent.

Since personal remittances represent a larger percentage of GDP than FDI and ODA combined, this strengthens the importance of remittances as a stabilizing economic factor. However, remittances represent only a part of the whole story of migration and development.

SAVINGS

Migration is one of the key factors in the savings pattern of Nepali households

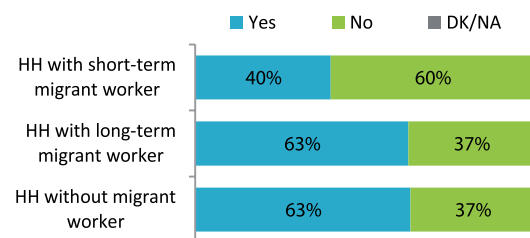


Figure 62: Regular savings status in Nepal
Source: HH survey

Unlike SEEE countries studied, HHs with long-term migrant workers are as likely to save on a regular basis as HHs without migrant workers (Figure 62), while those with short-term migrant workers are less likely to save money. At first glance it seems that migration does not influence savings patterns in Nepal.

However, when the income generated from remittances by HHs with migrant (62% in case of HHs with long-term migrant workers and 38% for HHs with short-term migrant workers) are deducted and then their income levels are compared with HHs without migrant workers, it is clear that if HHs with migrants did not have a member in migration, they would be significantly poorer (with about 60%-70% lower income) than current HHs without migrant workers and thus less likely to have capacity to generate savings.

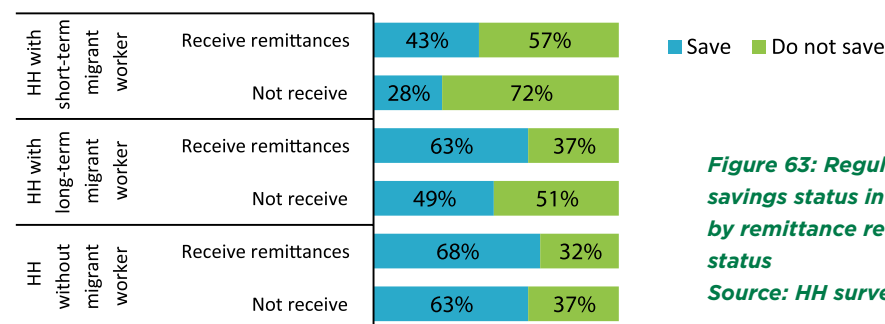


Figure 63: Regular savings status in Nepal by remittance receiving status
Source: HH survey

Moreover, when comparing the value of monthly savings generated by HHs in Nepal based on their migration and remittance receiving status, the data shows that remittance-receiving HHs save at least twice as much as non-receiving HHs.

The above findings are confirmed when breaking down the three categories of HHs (short- and long-term migrants, as well as without migrants) by remittance receiving. In this regard, the share of HHs with regular savings varies significantly, as can be seen in Figure 63, and in favour of remittance-receiving HHs.

In summary, it is clear that migration significantly enables Nepali HHs to save.

When examining more closely the profile of saving HHs, the following patterns emerge:

- ▶ HHs residing in the Far-Western Development Region are less likely to save on a regular basis
- ▶ HHs residing in urban areas are more likely to save on a regular basis (a difference of about 15%)
- ▶ HHs that are not reunified abroad and have investment intentions in Nepal are much more likely to save on a regular basis

It is interesting to note that about 70 to 80 per cent of savings are kept in formal finance institutions (mainly at banks and cooperatives), according to statements of interviewed HHs, and HHs without migrant workers are more likely to keep larger share of savings in formal institutions, compared to HHs with migrant workers.

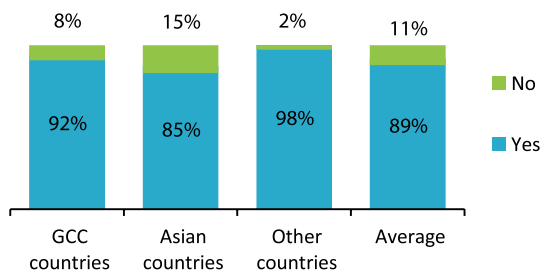


Figure 64: Regular savings status abroad
Source: Migrant survey

The value of annual remittances sent to Nepal by long-term migrant worker households is 7.6 times higher than their net savings abroad

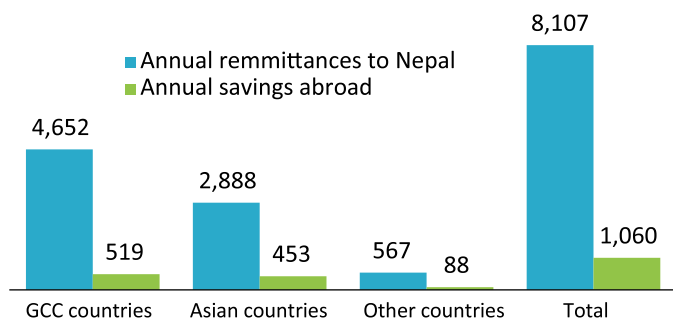


Figure 65: Overall estimate value of remittances and savings abroad of HHs with long-term migrant workers
Source: Migrant survey

Unlike surveyed SEEE countries, the savings abroad to remittances ratio is very low in Nepal (Figure 65). The factors leading to this were described previously in detail.

However, as Figure 66 shows, a large share of remittances are saved in Nepal. From the developmental perspective, it is important to focus on the savings component of remittances held in Nepal and savings kept abroad. Both are usually accumulated for a certain period until they are spent or invested for the long-term objectives provided in previous sections.

But, it is important to note that the longer migrants stay in migration the more likely they will change their savings and migration objectives in line with personal experience and ambitions. Return intentions will also reduce when there is lack of progress in socio-economic conditions in Nepal over time.

Transnational Nepali households with long-term migrants, representing about a third of the total number of households in Nepal, save abroad 30 per cent of the total annual savings of all households in Nepal

Type of HH	# of HHs	per cent of all HHs	Average annual savings per HH	Total annual savings of HHs
HH with short-term migrant workers - in Nepal	370,400	6 per cent	91.2 USD	0.033 bn USD
HH with long-term migrant workers - in Nepal	1,708,600	28 per cent	1,343.8 USD	2.296 bn USD
HH with no migrant worker - in Nepal	3,966,500	66 per cent	290.4 USD	1.152 bn USD
All households in Nepal	6,045,500	100 per cent	302.3 USD	3.481 bn USD
Long-term migrant worker HH - abroad	1,789,000	30 per cent	584 USD	
Total annual savings of long-term migrant workers abroad				1.06 bn USD

Figure 66: Estimation of annual savings in Nepal
Source: HH and Migrant surveys

From the savings, intermediation, and development perspectives, HHs with long-term migrant workers are the most interesting market segment. Given their relative homogeneity, marketing approaches can be developed in a cost-effective manner.

INVESTMENTS

Migrant worker households abroad

As noted above, in 2016 only 7 per cent of the total average remittance value from long-term migrant workers was directed towards productive investment in a business, farm or other activity. This is similar to the 6 per cent of direct productive investment found in Moldova from total remittance value in 2012.

Nepali migrant workers seem to have a strong investment and entrepreneurial spirit

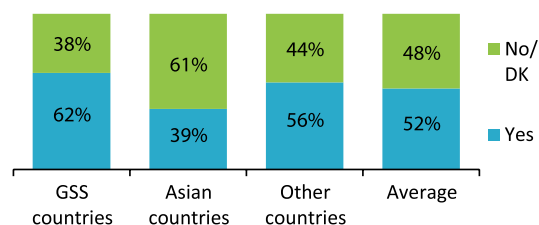


Figure 67: “Do you plan to initiate or expand an investment in a business enterprise in Nepal in the future?”

Source: Migrant survey

At the same time, as shown in Figure 67, every second long-term migrant worker HHs abroad has a direct investment intention in Nepal. When compared to other recently survey countries in the SEEE region, this pattern is similar to Moldovan long-term migrants and higher than the expressed interest of Ukrainian migrants, which at interview time was affected by economic and political crisis leading to

the geopolitical and military conflict. This is a direct indication that migrant workers are very sensitive to local market conditions.

The desire to initiate or expand investment in a business enterprise in Nepal is much higher among migrant workers in GCC and Other countries, compared to those from Asian countries.

When looking in-depth at the profile of these HHs, it is possible to determine that migrant workers with high levels of education, from urban places of origin, remittance sending, and higher level of family reunification abroad are much more likely to consider investing in Nepal. When looking at development regions, it appears that long-term migrant workers originated from Eastern, Central and Western Development Region are much more likely to invest in their business.

Investment in small and medium enterprise (SME) in trade, hospitality or tourism and agriculture are the most popular

When looking at investment sectors of interest (Figure 68), it is interesting to note that the most attractive sectors to Nepali migrant workers are comparable with those of Moldovan and Ukrainian migrant workers.

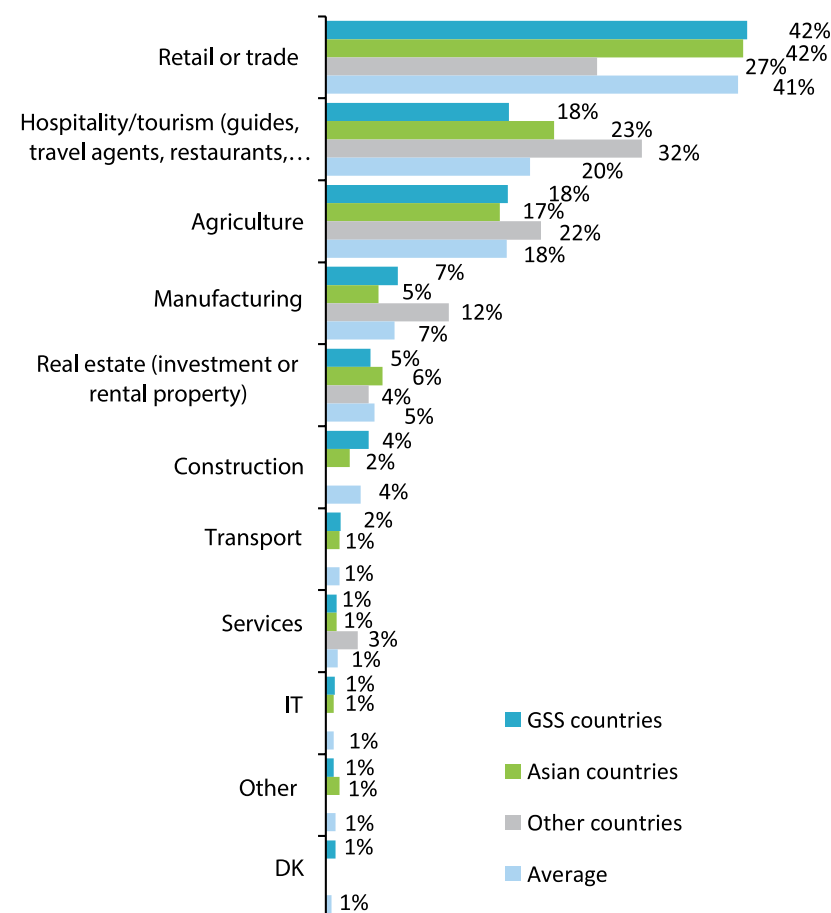


Figure 68: “In which sectors do you plan to invest?”

Source: Migrant survey

There are certain differences in investment intentions by regions of destination. Migrant workers in GCC and Asian countries share an interest in retail or trade, while migrant workers in Other countries are attracted mainly towards hospitality and tourism, as well as agriculture and manufacturing.

Another interesting finding is that men migrant workers are more attracted to invest in agriculture, while women migrant workers look at the tourism sector. This probably reflects their sector of employment in destination countries and is a form of accumulated human and social capital. This is also reflected in Figure 67, where one third of migrant worker HHs state that their migration experience influences their investment intention. Migrant workers with high levels of education are more interested in hospitality and tourism, while those with lower levels of education turn to agriculture and trade.

Migration experience influences investment intentions

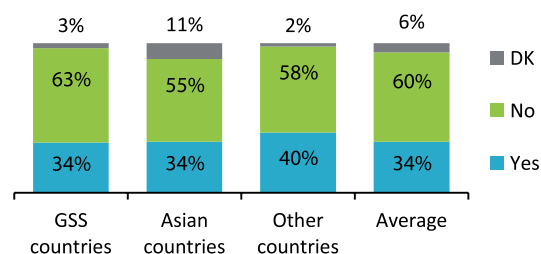


Figure 69: “Have the skills and experience you have obtained during your migration influenced your investment interest?”

Source: Migrant survey

Human and social capital gained abroad seems to have a greater influence on investment intention of those working in Other countries.

When looking at the education profile of long-term migrant workers, it appears that those with higher levels of education are more motivated by their migration experience (48%), than migrant workers with lower levels of education (about 28%).

In line with their intention to return to their place of origin (locality), the vast majority of migrant workers consider investing in their place of origin

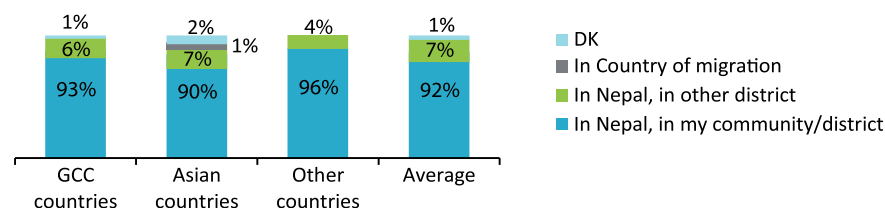


Figure 70: “Where will this investment take place?”

Source: Migrant survey

The investment intention in place of origin is consistent across all regions of destination (Figure 70). Overall, men migrant workers, those with high levels of education and the young are more likely to place investments in locations other than their origin.

In this context, long-term migrant workers with an investment interest emphasized the three most important measures the Nepali government could adopt to facilitate investment: preferential loans at affordable interest rates (81%), exemption from income taxes for an initial investment period (49%), and a reduction in administrative burdens (38%).

Nepali migrant workers have a high level of interest to invest in their communities of origin either with private sector partners or with local authorities

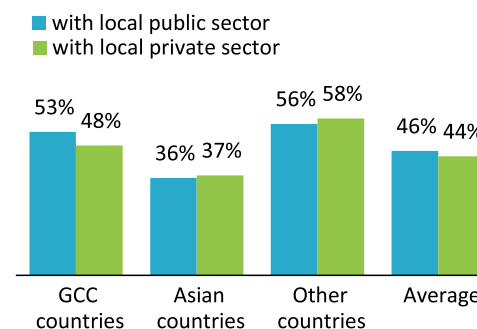


Figure 71: “How interested would your HH be in investing - together with local authorities or private sector - in a public-sector infrastructure project or a private sector enterprise in YOUR COMMUNITY in Nepal, if this investment returned a reasonable profit for you?” Options “very interested/interested” shown

Source: Migrant survey

Figure 71 shows that Nepali migrant workers are as likely interested to invest in the public sector (46%) as in the private sector (44%). This high level of interest is similar with the one identified in Moldova. Overall, this finding reinforces the above finding that many migrant workers still maintain a return intention to their place of origin and care about the development of their community.

On average, those with a higher return intention are also more likely (50%) to have an investment interest in their community. What is noteworthy is that about a quarter of migrant workers without return intention still maintain an interest in investing in their local community with either local public authorities or the private sector. This finding reinforces the principle that migration, both in its costs and potential opportunities, is rather local than international. This phenomenon opens significant scope for local authorities and their partners to engage with their citizens abroad.

Migrant worker households in Nepal

Comparing data between long-term migrant worker abroad and their families in Nepal, there is a wide discrepancy in direct investment intentions, with only 12 per cent of Nepali HHs stating investment intention, compared to 52 per cent of the migrant workers abroad. It may be explained by the intergenerational nature of transnational HHs, with either parents or adult descendants abroad not necessarily sharing their investment interests with family members in Nepal.

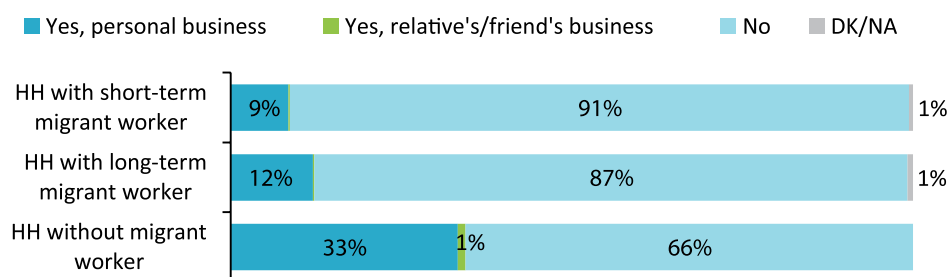


Figure 72: "Does your HH or a member plan to initiate or expand an investment in a business in the future?"

Source: HH survey

Contrary to expectations and experience in SEEE countries surveyed, in Nepal there is a high interest in investment from HHs without migrant workers (Figure 72).

The sector with the highest investment interest for HHs in Nepal irrespective of their migration status is retail or trade (over 60%). Looking back to sectors of interest on the behalf of migrant workers abroad, their area of investment interest is much broader (see Figure 68). This may be a result of exposure to other economies, cultures, and values, as well as an accumulation of vocational experience in countries of destination.

The perceived investment constraints are very similar across all categories of households surveyed and in line with constraints expressed by migrant workers abroad

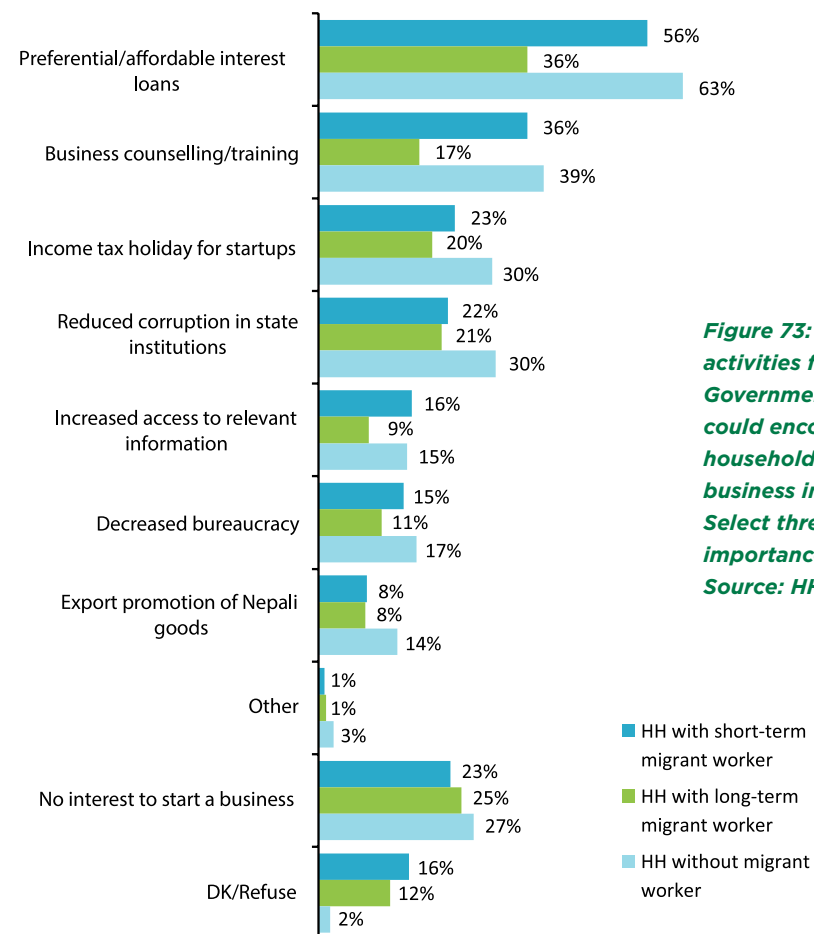


Figure 73: "What activities from the Government of Nepal could encourage your household to open a business in Nepal? Select three in order of importance"
Source: HH survey

The number one shared concern of the HHs is lack of access to preferential loans at affordable interest rates (Figure 73), which closely correlates with a heavy reliance on loans as one of the key sources of funds for potential investment.

At the same time, there is a high demand for tax exemptions and business counselling.

Further, HHs have concerns about corruption in state institutions and bureaucratic and administrative procedures.

All these concerns correlate closely with perceived barriers to investment and are valid both for HHs in Nepal and their members working abroad: lack of necessary funds to start a business and lack of information/guidance about investment opportunities. A third important barrier, especially for migrant workers, is a lack of trust in investing in Nepal.

As an interim conclusion, it is possible to state that given a more conducive business environment at the macro level and in line with the concerns and preferences described above, a significant number of HHs may be attracted to invest or become entrepreneurs in Nepal.

VII. FINANCIAL OVERVIEW

In line with other countries studied, Nepali migration carries within it unexplored potential to substantially affect the socio-economic development of the country.

	Bosnia	Romania	Moldova	Ukraine	Nepal	Nepal	Nepal	Nepal
	Average	Average	Average	Average	GCC	Asia other	Other	Average
	2009	2010	2012	2015	2016	2016	2016	2016
HH Income Abroad, Monthly (USD)	3,995	2,514	1,855	2,013	593	509	1,501	599
Number of Incomes per HH	2	1.48	1.39	1.26	1.20	1.15	1.25	1.18
HH Expenditures Monthly	2,788	1280	780	770	150	136	720	171
HH Savings Monthly	1,207	1,235	1,075	1,243	443	373	781	428
HH Income Annually	47,936	30,174	22,263	24,156	7,116	6,108	18,012	7,188
Annual GROSS HH Savings	14,478	14,816	12,905	14,916	5,316	4,476	9,372	5,136
Annual Remittance Values	2,614	2,861	4,569	4,348	4,783	3,869	8,111	4,552
of which Saved and Invested (S+I)	-29 per cent	-29 per cent	-52 per cent	-61 per cent	-60 per cent	-64 per cent	-64 per cent	-62 per cent
of which Consumption in USD	1,848	2,030	2,193	1,696	1,927	1,374	2,955	1,743
Total Savings/Invest (Abroad + Home)	12,630	12,786	10,711	13,220	3,389	3,102	6,417	3,393
of which Annual HH Savings Abroad	11,864	11,956	8,336	10,568	533	607	1,261	584
of which S+I Component of Remittances	766	830	2,376	2,652	2,856	2,495	5,156	2,809
Annual HH NET per cent of Income Saved Abroad	25 per cent	40 per cent	37 per cent	44 per cent	7 per cent	10 per cent	7 per cent	8 per cent
Annual HH NET per cent Saved Abroad + Home	26 per cent	42 per cent	48 per cent	55 per cent	48 per cent	51 per cent	36 per cent	47 per cent
ANNUAL SAVINGS ABROAD TOTAL	6,500 million	15,889 million	2,155 million	4,052 million	519 million	453 million	88 million	1,060 million
ANNUAL REMITTANCES TOTAL	1,441 million	3,802 million	1,182 million	1,691 million	4,652 million	2,888 million	567 million	8,107 million
SAVINGS TO REMITTANCE FACTOR	4.51	4.18	1.82	2.40	0.11	0.16	0.16	0.13
Non-remitting HHs	35 per cent	40 per cent	21 per cent	34 per cent	0 per cent	11 per cent	0 per cent	5 per cent

Figure 74: Financial overview – cross-country comparison

When comparing Nepal to other surveyed SEEE countries with high intensities of migration, it is possible to identify both shared and unique key characteristics.

The migration experience of Nepali long-term migrant workers in many instances is different than that of the countries examined in the table above.

The average monthly income of USD 599 places the Nepali migrant worker HHs at the low end of the overall income range of SEEE countries surveyed, being three times lower than the average income of Moldovan or Ukrainian migrant worker HHs, for instance. At the same time, their monthly expenditures in the places of migration are, on average, significantly lower than Bosnian, Romanian, Moldovan or Ukrainian migrant workers.

Multiple factors can explain these findings:

- ▶ The primary destination. Ninety-five per cent of the Nepali long-term migrant worker population are in low income GCC and Asian countries, namely Malaysia (24%), Qatar (20%), Saudi Arabia (19%) and India (14%), while migrant workers from SEEE countries surveyed tend towards higher income countries in European Union and Other regions (like USA and Canada).
- ▶ The number of HH members generating incomes. In the case of Nepal, the number of income earners is 1.18. This is much lower than the average of 1.52 for the SEEE countries studied.
- ▶ The high share of low-skilled employment, which is in line with lower educational levels among Nepali migrant workers compared to SEEE countries surveyed.
- ▶ The length of the mass migration period, which for Nepal is significantly shorter (7-8 years, starting in 2009) than for Ukraine, Moldova and Romania (14-15 years each), and more so for BiH and Kosovo, which have migration histories going back as far as the 1960s and 1970s, as well as Albania whose mass migration started in 1991.

As described above, while Nepali migrant worker HH incomes remain lower than migrant workers from SEEE countries, their expense levels are also significantly lower than those of their Romanian, Moldovan and Ukrainian counterparts. This can be explained by:

- ▶ the geographic focus on low-cost destination countries
- ▶ the lower number of HH members in destination countries (including dependents)
- ▶ the usual inclusion of accommodation and meals in the remuneration package for the main sectors for employment (manufacturing, hotel/restaurant/tourism and construction)

This combination of income and expenditure results in the very high propensity to save among Nepali HHs of about 71 per cent of HH income (which is the highest saving propensity compared to 30% for BiH, 49% for Romania, 58% for Moldova, and 62% for Ukraine).

When looking at remittance values, with USD 4,552 per year, Nepali migrant worker HHs, much like Ukrainian HHs at an annual USD 4,348, remit significantly more than migrant workers from the Other countries studied to date. This can be explained by:

- ▶ the much lower level of family reunification (only 3%). Nepali remit primarily to support their spouse and children (72% are married). In contrast, parents with lower consumption needs are more likely the primary recipient in Other countries where the level of family reunification is higher.
- ▶ the larger families Nepali need to support, with six members on average compared to the three-member average in other SEEE countries surveyed.
- ▶ the lower level of savings retained in destination countries (8% compared to a 38% average for other SEEE countries surveyed). This, in turn, results in a higher component of savings and investment within current remittances (62% against 29% for Bosnia and Romania). But, as noted previously, only seven per cent of the total remittance value is invested in a business activity.
- ▶ the higher level of poverty in Nepal, resulting in more demand for remittances.

It is interesting to note that when the respective savings and investment component of remittances is deducted for each country surveyed, the actual consumption component of remittances becomes more similar, ranging from USD 1,696 in Ukraine to USD 2,193 in Moldova, with USD 1,743 in Nepal.

The remaining consumption differences may have to do with the family composition and cultural values in countries of origin (i.e. number and relation of dependents), as well as the relative purchasing-power parity considerations among these countries. In addition, the lower consumption value from remittances in Nepal and the related higher savings component may be directly connected to the challenging economic disturbances taking place during the survey period. Comparing the higher saving rates from remittances with savings objectives on one hand, with official reported data on deteriorating purchasing power parity and negative GDP growth trend over the reporting period on the other, the data looks very consistent. In other words, Nepali migrant workers and their HHs in Nepal both felt less secure and therefore increased the savings component of the HH income. This behaviour is similar to the Ukrainian experience surveyed in 2015, which was then facing economic, political and geopolitical disturbances, as well as to the Moldovan experience when interviewed in

2009 at the time the global economic crises impacted the Moldovan economy, and savings for emergency preparedness spiked to 53 per cent in all Ukrainian saving HHs and respectively 35 per cent of Moldovan. By 2013 this emergency component of savings had decreased to 10 per cent of Moldovan HHs. This trend reinforces the importance of adopting a longitudinal approach to country specific research.

In addition, it is important to note that only 5 per cent of Nepali migrant worker HHs did not remit at all in 2016, which is six times lower than the average within the SEE region.

Very low-income levels of Nepali migrant workers combined with high remittance values produce a very low savings to remittance ratio of 0.13, which means for each USD remitted, 0.13 USD was saved abroad. This ratio is significantly lower than the average of 3.2 for the SEE countries.

The total estimated volume of retained savings among two million Nepali long-term migrant worker HHs in 2016 was USD 1 billion, in addition to the USD 8.1 billion remitted. This is the lowest volume of savings retained abroad among all the countries studied to date. For example, it is half the total savings of Moldovan migrant workers, while there are five times the number of Nepali long-term migrant workers.

NOTE! The above estimates of remittances and savings apply only to long-term labour migrant worker households (more than 12 months abroad for employment purpose). This excludes short-term migrant workers, students and diaspora members without close connection to Nepal.

FINANCIAL INTERMEDIATION IN NEPAL

As mentioned in the previous section, Nepali migrant worker HHs are characterized by a very high propensity to save (71% of net income), even when compared to other migrant workers studied to date. The largest part of their **HH savings** - USD **4,552** on average, or **8,107 million** in total - is remitted in Nepal. Of this remitted amount, an estimated 62 per cent - or about **USD 5,003 million** - was saved or invested in Nepal⁴², and the balance - **USD 3,104 million** - was used for consumption.

42 Of this amount, about 7 per cent (or USD 561 million) was invested in a business activity.

Concurrently, this group of Nepali long-term migrant workers **retained USD 1,060 million⁴³**, or an average of USD 584 per HH, in their respective destination countries. The remittance to savings abroad ratio is 7.65:1.

Long-term migrant workers represent an estimated 6.3 per cent of the overall population of Nepal and they are one of the primary sources of liquidity in the country.

Nepali migrant workers are also characterized by a high rate of entrepreneurial behaviour and ambition. Many of them (38%) have the objective to accumulate a specific amount of capital in order to initiate or expand a business venture in Nepal.

Nepali migrant workers, therefore, like migrants from SEE countries surveyed, represent both sides of financial intermediation (borrower and lender) and a significant potential market for the financial sector.

With the average savings target of about USD 52,000, Nepali migrant workers are less ambitious than migrants in other countries studied. Even so, if the migration flow remains stable, the estimated amount of targeted savings would reach USD 82 billion.

The most important savings objectives for Nepali long-term migrant worker are the purchase of a home or land, educating children, investing in a business, and secure retirement and unemployment, as shown in Figure 34.

Migration is not a key driver for banking behaviours of Nepali households

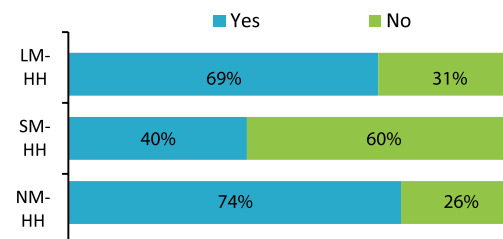


Figure 75: Banking status in Nepal
Source: HH survey

43 Number of HHs with long-term migrant workers in 2015 was estimated at about 1,789,000.

Overall, the banking pattern mirrors the regular savings pattern: HHs with long-term migrant workers and those without any migrant are much more likely to have a bank account in Nepal than HHs with short-term migrant workers (Figure 75). The average share of banked HHs reflected in the HH survey is consistent with official figures provided by Nepal Rastra Bank, according to which around 60 per cent of Nepali HHs have access to formal finance ⁴⁴.

Nepali migrant workers are both borrowers and lenders, and thus a significant potential market for the financial sector

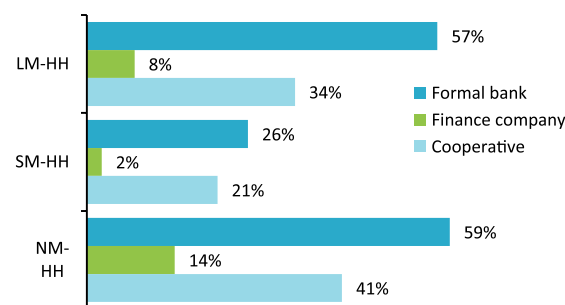


Figure 76: Type of financial institution used

Source: HH survey

Yet the banking pattern in Nepal is different than those in SEEE countries, where the migration status of a HH is clearly one of the key drivers for banking relations.

On another side, the banking pattern in Nepal is consistent with levels of HHs income: HHs without migrants have almost same income level as HHs with long-term migrants,

which is double the income levels of HHs with short-term migrants. The highest share of banked HHs with long-term migrant workers is in the Western Development Region (78%) and Central Development Region

(70%). In terms of residence, the incidence of banked HHs is significantly higher in urban areas (79% urban versus 54% rural).

Banked HHs in Nepal prefer to use formal banks for financial intermediation, while finance companies are the least popular (Figure 76). A similar pattern is confirmed by the long-term migrant worker survey. Those working in Asian countries, however, are more likely to use cooperatives (29%) and finance companies (14%) than those working in GCC or Other countries (on average 22% and 4% respectively). Irrespective of the type of financial institution and migration status of HHs, financial

intermediation services in Nepal are used mainly (over 80%) for savings (saving accounts). About every fifth HH with long-term migrants and without migrants uses also current accounts, mainly at formal banks and finance companies.

When data provided by HHs in Nepal are compared with data from long-term migrant workers on banking status, the migrants abroad report a higher rate of banking usage (75% versus 69%). The difference is explained by the fact that every third long-term migrant worker (compared to only 9% HHs in Nepal reporting the same) has a personal bank account that their family members in Nepal cannot access freely, and, important to note, these accounts hold almost a third of this group's savings. Personal accounts with limited access is used mainly by migrant workers from Other countries of destination (54%), women (43% versus 34% men), migrants with a high level of education (twice more than those with low level education), as well as migrants originating from urban areas in Nepal (43% compared to 29% in rural areas).

Unbanked HHs in Nepal do not use bank services primary because of the small savings available (over 60%), but also because of difficult access (long distance to a branch) and lack of interest in banking services (on average 12%-15%). Unlike SEEE countries surveyed, in Nepal there is a low level of concern with trust and risk of banking services (about 2%).

Reflecting the transnational character of many long-term migrant worker HHs, banking relationships are maintained in both place of origin and destination (Figure 77). Higher banking levels in Nepal compared to country of employment is consistent with the general return intention pattern, as well as remittance and savings patterns.

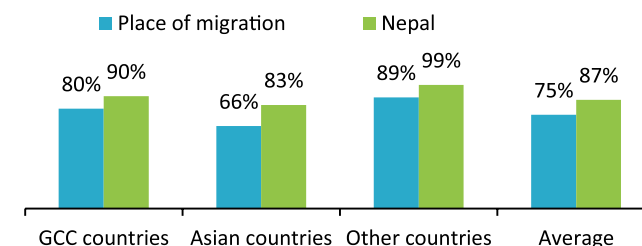


Figure 77: "Do you / your HH have a bank account in destination country / Nepal?"

Source: Migrant survey

⁴⁴ <http://kathmandupost.ekantipur.com/printedition/news/2016-05-31/banks-laud-universal-bank-account-plan.html>

The relatively low banking penetration among Nepali migrant worker HHs in Asian countries is primarily because of the much lower use of banks in India (only 43%), where a large percentage of Asia-based migrant workers reside.

Long-term migrant workers use bank accounts in countries of employment primarily to receive salaries (98%), but also for savings (23%) and transfer of remittances (13%). This is most evident in Other countries (such as USA, Canada), which is consistent with the lower return intention of this group of migrants.

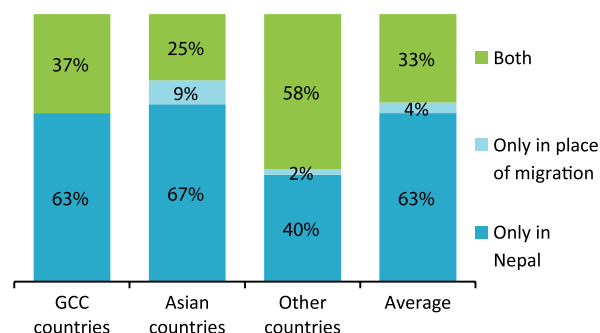


Figure 78: “Where does your HH regularly save money?”

Source: Migrant survey

transnational HHs with long-term migrant workers maintain banking accounts and their savings in both Nepal and country of destination. However, the actual value of Nepal-based savings is significantly higher than the value of savings kept abroad. Overall, the value of net savings is approximately 88 per cent in Nepal and 12 per cent in a destination country. In Other countries, this share is 17 per cent and in Asian countries 15 per cent.

Comparing Figures 79 and 80, one can see that Nepali migrant workers are more likely to use Nepali banks for deposits. This pattern holds true more for migrants in Other countries and GCC countries than Asian countries. It is interesting to observe a distinct pattern for Nepali migrants not seen in the SEEE countries studied: keeping savings abroad in form of loans to friends/family (every third migrant), especially those working in GCC countries.

Confirming the above, migrant workers in Other countries are much more likely to keep a large part of their savings abroad than those in GCC and Asian countries.

As shown in Figure 78, on average, 63 per cent of long-term migrant worker HHs reported keeping all of their savings in Nepal, which is a significantly higher ratio than in SEEE countries surveyed.

At the same time, many

In general, migrant workers and their HHs maintain a careful and conservative position with regard to their savings. This can be seen by the higher level of cash kept at home in Nepal as compared to countries of destination.

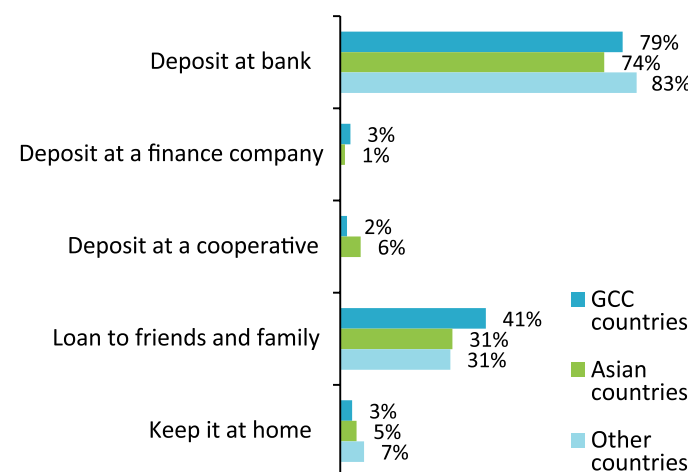


Figure 79: “In [country of employment], you keep your HH savings in ...?”
Source: Migrant survey

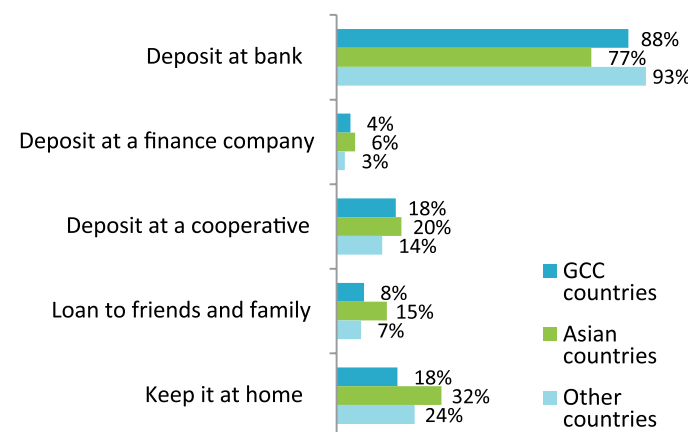


Figure 80 “In Nepal, you keep your HH savings in ...?”
Source: Migrant survey

MARKET OPPORTUNITIES

Even if the vast majority of Nepali migrant workers go abroad either through recruitment agencies (mainly long-term migrants) or in an ad-hoc manner with a high reliance on mutual help (mainly short-term migrants), most of them recognize the value of support in a variety of areas, should they be made available.

Market opportunities are much broader than the traditional financial intermediation and remittance transfer mechanisms considered by most analysts and practitioners in public and private sectors. Figure 81 illustrates a very high demand for a wide range of services considered relevant to the whole migration cycle (from pre-departure to return and re-integration). At the same time, since many of these services can originate in Nepal, the evident demand reinforces the link of migrants to their country of origin.

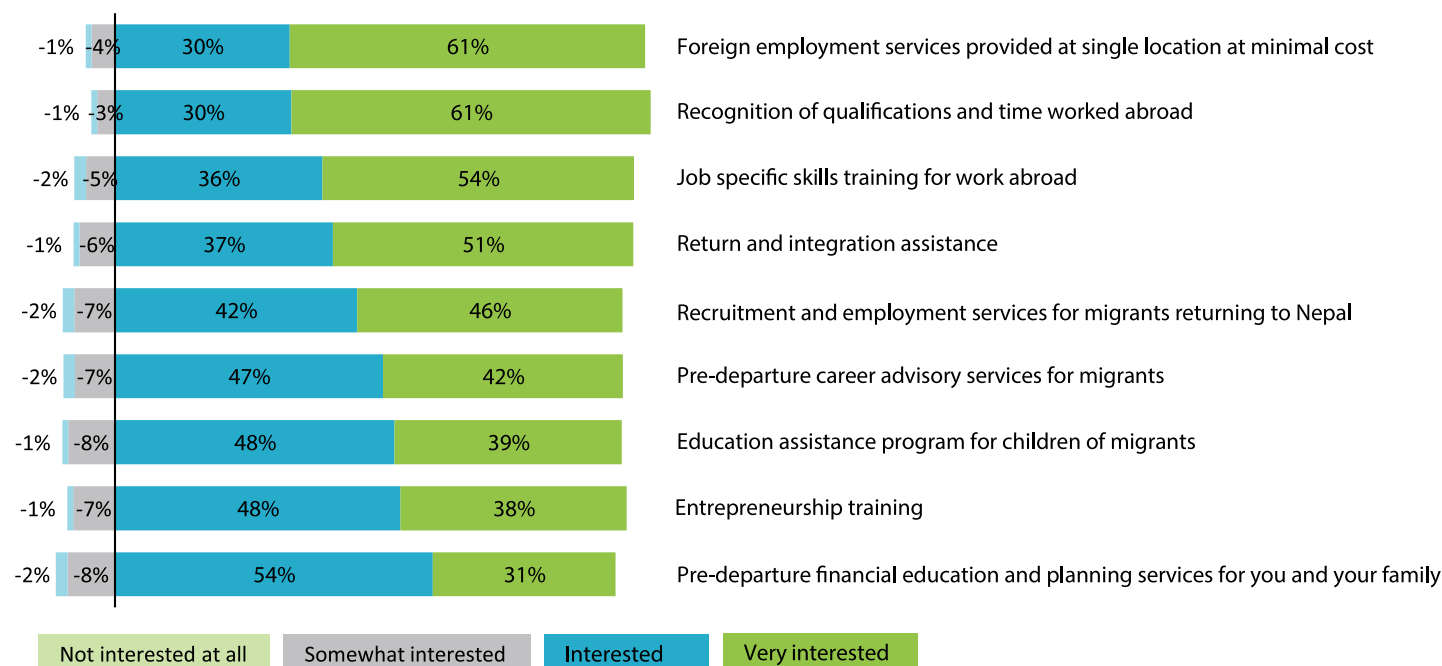


Figure 81: “How interested would current and future migrant worker members of your HH be in using the following services and products?”

Source: Migrant survey

Among the most requested services and products by long-term migrant workers are

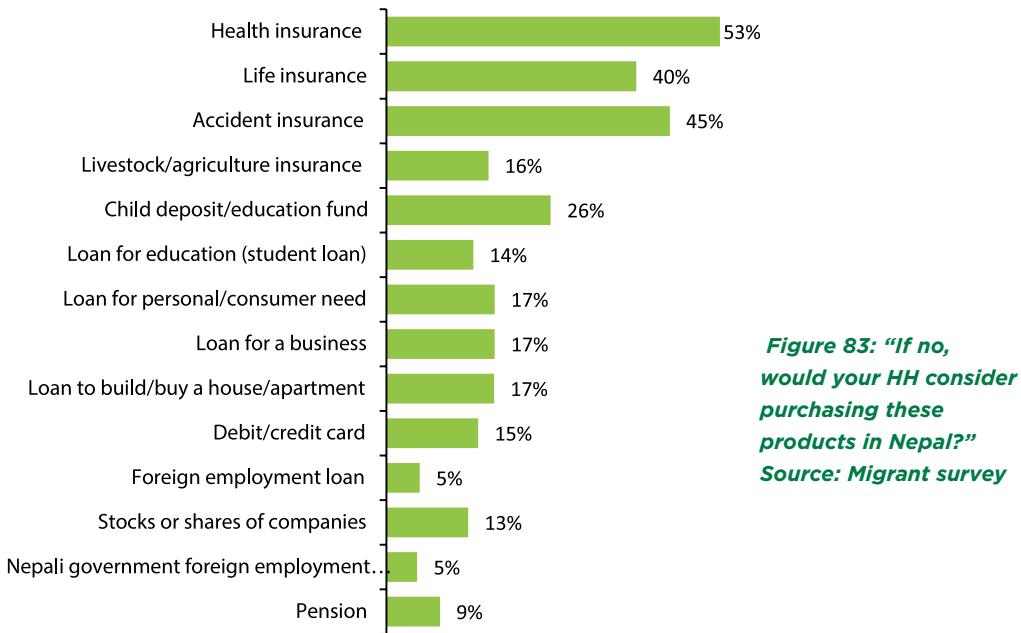
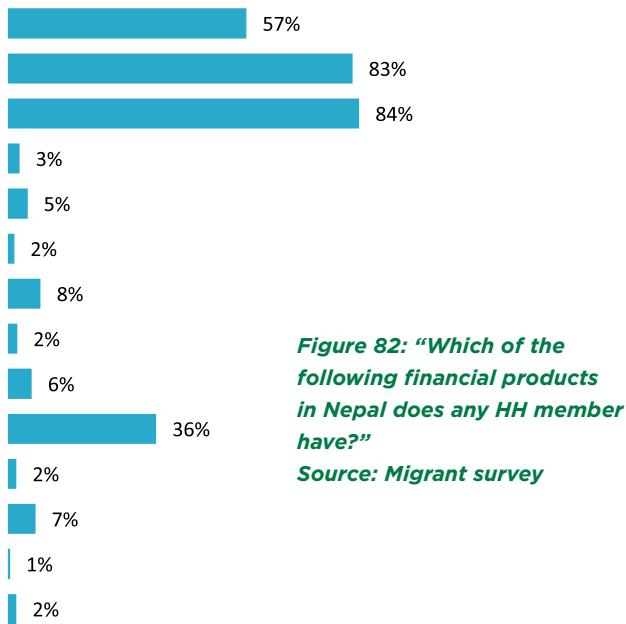
- ▶ provision of foreign employment services at a single location and at lower costs (especially by migrants from Other countries)
- ▶ recognition of qualifications and time worked abroad (mainly by migrants from GCC and Other countries region)
- ▶ job specific skills training
- ▶ return and re-integration support

When looking deeper into the market, it is clear that many of these services, while available in theory, are in fact not attractive. This is because such services are not being tailored to the specific needs of the migrant worker community. Inter-country experience in SEEE shows that adaptation of existing services and introduction of new or more relevant approaches is required if these opportunities are to be achieved and this market demand met. This process requires a well-coordinated effort by both the private and public sectors. Private companies, service NGOs, central and local authorities, as well as specialized agencies, must all become actively engaged within their respective service sectors. In addition, changes to policy as well as legal and regulatory frameworks need to be affected when and where necessary.

At the Nepali HH level the interest in migration related services is also very high, yet the priority order is slightly different, with higher focus on recruitment and employment services for returned migrants and pre-departure career advisory services, in addition to foreign employment services in one location.

Evidently, the experience of migration itself influences the priorities of the long-term migrant worker community, and therefore marketing efforts in regard to the above services should be focused first on this narrower segment.

Figure 83 shows a clear unmet demand for a wide range of financial products.



The reported high use of insurance products, especially life, accident and health insurances, is most likely due to these products being mandatory to get job through official employment system.

The strongest interest is in wide range of credit products (including for long-term) for passive (build a house) and active (business) investment.

Interest in credit products for personal, mortgage or business needs is significantly stronger among migrant workers in GCC and Asian countries. Migrant workers with this interest are more likely to originate from Mid-West and Far-West Development Regions of the country.

From the perspective of HH members in Nepal, the most attractive financial products are insurance products (between 30% and 60%) - mainly life, health and accident insurances.

When the findings from this section are compared to findings from the *Financial intermediation* section, it becomes apparent that Nepali migrant workers, unlike all other migrant workers studied to date, are less conservative in their savings behaviour and more willing to assume high investment risks.

MARKET GAPS

Notwithstanding the evident demands and opportunities presented in the previous sections, significant market gaps between service providers and migrant workers continue to exist. Figure 84 clearly shows a total lack of awareness of any entity providing support to potential, current and returning migrants. This is due to two primary causes:

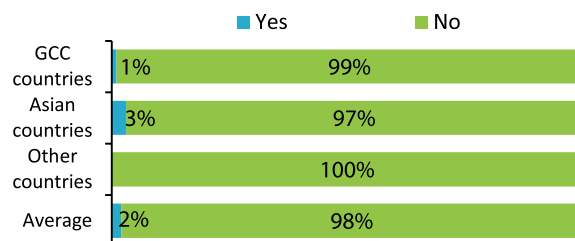


Figure 84: “Do you know any organization, company or ministry providing information or assistance (of any kind) to people planning to migrate or currently abroad?”

Source: Migrant survey

1. Service providers and other actors from public, private and civil sectors (including media) have often focused on the negative aspects of migration (smuggling, trafficking, and other vulnerabilities) rather than the actual experience of the vast majority of migrant worker HHs, as described in sections above.
2. The financial sector has placed undue attention on remittances and financial education instead of looking at migrant workers and their migration objectives from the whole cycle of migration perspective.

Hence, potential service providers in all sectors have failed to perceive migrant workers as an attractive and distinct market segment.

On the other hand, while higher than in Moldova and Ukraine, Nepali migrant workers show a low level of trust in potential service providers from both government and private sector, in particular those in Nepal. This is most likely the result of negative experiences and perceptions of the country of origin (lack of employment

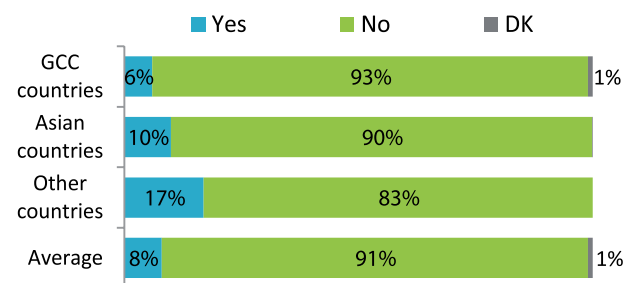


Figure 85: “Do you interact with Nepali associations/ NGOs abroad in any way?”

Source: Migrant survey

opportunities, low wages, high level of informal employment, bureaucracy and corruption etc.). It is these push factors that led many migrant workers to adopt a migration strategy in the first place, one which relies mostly on migrant workers’ own efforts and resources, as well as significant assistance from fellow migrant workers and families. As noted, this leads to ad-hoc and inefficient migration processes, resulting in negative outcomes in migration and development at both personal and social levels.

A similar phenomenon of low trust is reflected in Figures 85 and 86. It appears that Nepali long-term migrant workers do not perceive diaspora organizations as reliable resources or of relevance to their day-to-day needs, much like other migrants from Ukraine, Moldova and Romania. While 8 per cent of long-term migrant workers interact in any way with diaspora association (Figure 85), only 2 per cent perceive diaspora organizations as a relevant source of information (see Figure 24).

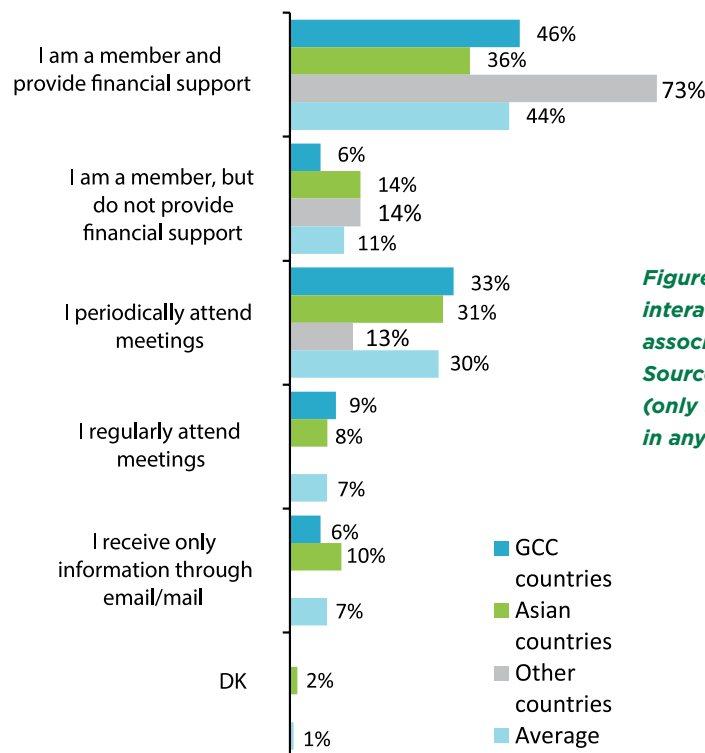


Figure 86: "How do you interact with Nepali associations/NGOs?"
Source: Migrant survey (only those 8% interacting in any way)

A low level of engagement in these formal associations is observed in the migrant survey (again similar to Romanian, Ukrainian and Moldovan migrant workers), with an estimated 89,000 paying and non-paying members out of the 2 million long-term migrant workers (Figure 86). However, engagement is noticeably higher among migrant workers in Other countries where return intention is lower.

VIII. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Context: There is one decade of mass labour migration in Nepal; one in three households are affected by external labour migration; about 2.5 million Nepalis work abroad today and remit the equivalent of over 30% of GDP. USD 38 billion was transferred to Nepal from 2006 to 2015, and while critical to poverty alleviation at the family level and balance of payments at nation level, little evidence of economic development from migration can be observed. This experience shows that remittances alone are not the solution.

In this context, this report examines migration and development links that are largely unexplored by the Nepali government (national and local), analysts, commercial financial intermediaries, and other stakeholders in the private and civil sectors. By closely examining possible means of promoting positive aspects of circular migration, and in particular its relation to the link between development and migration-related financial flows, this study intended to go beyond the standard remittance discussion. Importantly, and consistent with previous works in Albania, Armenia, Bosnia and Herzegovina, Kosovo, Moldova, Romania and Ukraine, **this research confirms the underlying hypothesis that a key migration-related objective of the most Nepali short and long-term migrant workers is to accumulate financial and social capital during their migration experience and then return home.**

Overall, the report proposes a broader and deeper perspective, one that takes into account these basic principles that are based on the key findings from all the migration research (by IASCI) done to date:

- ▶ The financial, human and social capital accumulated by migrant workers abroad are interlinked
- ▶ Their accumulated wealth has real potential to substantially impact the economic and social development of Nepal
- ▶ All migration is local: those places where future migrants are, and current migrants plan to return, where the impact of migration – both good and bad – is highest, is where most support actions are needed
- ▶ Public policies and services need to be based on evidence
- ▶ Measures adopted must be migrant-centric, meaning to listen and understand their personal migration goals and support effective migration practices
- ▶ The development potential can be captured only when there is concerted action among central and local governments, civil and private sector actors, and international donors

To a certain extent, evidence from the research complements the existing literature on the point that recipients in Nepal use current remittances to increase household consumption and invest in real estate, rather than to invest in a business or productive asset. At the same time, data also indicates a very high propensity to save (both at the migrant worker and beneficiary levels). As a result, a significant, but less recognized, pool of Nepali long-term migrant worker savings is being accumulated in cash, investments and banking systems in countries of destinations; in parallel to those funds that are being remitted home.

Interestingly, this higher propensity to save applies at both migrant worker and beneficiary levels, showing that the poverty alleviation aspect of remittances may have been met to some degree.

Nepal will continue to be characterized by international and internal migration as well as migration-related financial flows for the near future. Migration will continue as long as the employment opportunities in Nepal remain undeveloped and can be expected to upscale as increasing numbers of youth put pressure on the labour market and mass poverty persists. In short, people will move from more isolated rural communities to urban settings, or abroad, in search of better employment and better facilities.

Maximizing the efficiency and impact of Nepali migrant workers' contributions – including human, social and financial capital – can mitigate the effect of fluctuations in the volume of Foreign Direct Investment (FDI), and can complement it in the medium term. This approach would support key government priorities such as sustainable development and effective migration management processes (i.e. return, reintegration, brain gain) and is crucial in the longer term.

As noted, while remittances will undoubtedly continue to be important to Nepal and Nepali households alike, research and experience shows that it is the accumulation and eventual transfer of wealth (defined as financial, human and social capital) that motivates most long-term Nepali migrant workers. It is this existing phenomenon that holds the greater promise of being a substantial and sustainable development and market-led opportunity. A more productive use of savings in Nepal and return of savings accumulated abroad, as well as actual physical and permanent return of the migrant worker are highly dependent on the existence, or the creation of, suitable local return conditions, regulations and targeted incentives.

On the individual micro-economic level, the primary condition facilitating successful return is to support as many migrant workers as possible to achieve their wealth accumulation objectives as efficiently as possible. Interventions and support efforts in this area are important in relation to, and should be consistent with, first the personal choices of migrant workers and their families, and, second, overall policy priorities in two related areas:

1. fostering sustainable development in Nepal by moving beyond remittance dependent and consumption-led economic models; and
2. supporting efficient circular migration (from departure to permanent return) and ensuring that the benefits and costs are equitably shared and managed.

Clear visions of the role of migration in the development process, and a sense of what can be achieved, as well as what is beyond the government, are yet to be developed in Nepal. Experience from other countries show that Nepali authorities at national and local levels need to assume greater control of their coordinating role in the area of migration management and the related issues of migration and development (M&D). Moreover, Nepali authorities need to take ownership for building the technical capacities to be able to support such management and related interventions by: identifying and filling significant informational gaps; ensuring that future initiatives in both public and private spheres are complementary and sufficiently coordinated on inter-ministerial as well as national and local levels; and, initiating priority initiatives and suitable pilot projects that take into account the interests of relevant public and private stakeholders, and not least the interests of migrant workers themselves.

Nepali migrant workers and diaspora members have the potential to support their home country in other ways, and additional measures should be explored. For example, there is a role for the diaspora in raising the national image of Nepal abroad through cultural, intellectual, business and sports activities. Nepali migrant workers and diaspora can also make significant contributions to research and technological development as well as to the country's tourism sector. More efforts can be undertaken to harness the potential benefits from the return of qualified nationals (permanent, temporary or virtual).

It must be stressed that several prerequisites are important to establish successful collaboration between Nepal and its migrant worker population – the most important of these is an environment of mutual trust. Data shows that among migrant

worker population there are significant numbers of savers and entrepreneurs who could make large and small investments in the SME sector; however, many of them distrust the business environment in Nepal as well as state institutions. Very much like any other investor, migrant workers require a stable macro-economic situation and regulatory framework as well as a range of understandable and attractive investment options (in line with their personal risk profiles).

Ensuring the effective participation and dissemination of information among migrant workers and their families on available investment opportunities and incentives offered is another necessary condition for the successful mobilization of migrant worker resources. Nepali authorities (at national and local levels) need to put in place infrastructure that can systematically demonstrate to the migrant workers, diaspora, and other key stakeholders the interest of the government in engaging constructively with the migrant worker population.

With the current urbanization trends and the on-going process of decentralization in Nepal, it is clear that local authorities and stakeholders become crucial actors in possible efforts to foster sustainable human development in general and specifically in support of M&D. The increasing role of local governments in the field of migration and development stems from the growing importance of the local level for planning and implementing socio-economic development. Local actors find themselves at the forefront in managing migration and development links, right where the effects, both positive and negative, are most strongly felt.

The effectiveness of interventions in the area of M&D often depends on the identification and establishment of strategic partnerships between governments at decentralized levels, private actors and civil society organizations. This in turn can contribute to the development of higher-impact demand-based, rather than supply-based, cooperation activities.

Indeed, recent experience shows many of the most successful and sustainable M&D interventions are those associated with local governments in countries of origin and destination, in line with the essential local-to-local dimension of the migration and development link. When local authorities share a common vision with national authorities, civil society and private sector partners, they develop a sense of ownership over projects that lead them to commit time, energy and resources, which effectively contribute to the success and sustainability of an M&D initiative.

The potential and added value for harnessing migration for development at the local level is therefore clear. And it is for these reasons that the adoption of systematic engagement with local authorities, private and civil society actors would represent a strategic approach to M&D.

Governments and financial service providers can adopt measures to augment the development impact of remittances; for example, institutions can accept remittances as a regular income stream to serve as collateral to support loans taken out by remittance-receiving families (loans are highest in demand and inability to secure them is one of the largest barrier to productive investment in Nepal).

Programmes targeting remittance recipients can be designed to improve the use of savings and remittances. For example, IOM and IASCI work with banks in Albania, Kosovo and Moldova to promote the advantages of home-based savings and investment options. The government of Moldova, for example, created a mechanism (Pare 1+1) that match migrant investments for selected initiatives to promote return of qualified nationals and investment.

To leverage the human capital of diasporas, countries have launched programmes to promote the temporary, permanent or virtual return of qualified nationals, while assisting diaspora organizations to create professional networks, especially for professionals working in the areas of education and health.

Local, national and international level 'business clubs' or networks can attract investors from host countries to invest in home countries (e.g. Indian diaspora have established the successful Indus Entrepreneur business network).

Assumptions, Challenges, Pre-conditions

Economic pre-conditions

Current conditions allowing Nepali migrant workers to safely and effectively save or invest in Nepal are not adequate. In this context, measures facilitating and stimulating the use of migration-related financial flows and in particular migrant workers' capital in productive investments need to be addressed. A successful outcome of such interventions is based on two crucial economic environmental pre-conditions.

Firstly, pursuit of sound macroeconomic policies and a political process that fosters stability, growth and development in Nepal are self-evident and necessary pre-conditions to increasing the flow of return migration as well as migrant workers' remittance transfers and their channelling towards productive investments. Yet, the actual return of a migrant worker is not necessarily a precondition to attracting the migrant worker's transfers.

Secondly, and building on the first, the establishment of a framework of policies and measures that directly address the concerns of migrant workers is essential to convince them, as well as their households in Nepal, that they would benefit by transferring, and perhaps investing, a greater portion of their financial resources into savings products or productive investments in Nepal. Clearly, any initiative in this area would need to be based on the clear recognition that remittances, migrant workers' transfers and investments are private transfers and that the savings involved belong to the migrant workers and their families, whose primacy of choice in their allocation is paramount.

From the analysis presented in the preceding pages, it is possible to identify complementary areas between the savings/investment needs of different migrant workers' groups and development opportunities presented by migration. The key needs are:

- ▶ To create large-scale employment opportunities: the majority of people in Nepal are interested in securing decent waged employment, and only a small percentage of migrant workers and savers have either the skills or ambition to become entrepreneurs.
- ▶ To provide Nepali enterprises and other interested parties access to long term finance at attractive rates and conditions by deepening and broadening the financial market; at present, this is one of the major constraints faced by many otherwise viable enterprises in Nepal.
- ▶ To develop opportunities for engaging in a range of viable investments. The inability to channel funds into productive investments (or unwillingness given the current economic situation in Nepal) not only discourages return and negatively affects the reintegration process (thereby potentially encouraging recurrent migration), but may in fact lead to situations of forced consumption whereby savings that have been accumulated for investment are consumed or continue to be placed into non-productive investments like real estate because of a lack of perceived options (thereby aggravating the macro-economic and structural problems associated with remittances).

- ▶ To create opportunities for direct finance and credit-client relationships to overcome the ongoing distrust between Nepali migrant workers and financial intermediaries.

Underlying assumptions

Opportunities presented by the mobilization of major financial resources gained through migration may be summarized as follows:

- ▶ Many Nepali migrant workers have a strong attachment to their country and a substantial number express an interest in returning and investing once sufficient capital is accrued (whether they will actually do so is another question, depending on a number of personal and economic environmental factors and incentives).
- ▶ Migrant workers' savings – whether retained in the host country or accumulated in the place of origin – present a substantial pool of funds that, given appropriate incentives, safeguards, and regulatory framework, could be encouraged towards investment and savings opportunities; of course, as noted above, always keeping in mind the primacy of the private nature of these funds.
- ▶ The pool of savings and interest in local investment can be predicted to increase over the medium to long term. When looking at the experience of other transition countries there is sufficient evidence to show that, as Nepali migration continues and the immediate needs are met, a larger portion of income gained through migration will continue to shift towards savings and investment – as retained savings, investments in the host country or migrant workers' transfers.
- ▶ Within the context of the ongoing transition period and ongoing reform efforts, this expanding pool of savings will be occurring in a macro-economic and business environment that may continue to improve; thereby providing more opportunities for viable savings and investment options to develop.

Development challenge

The overall development challenge is to meet the demand for financing large-scale job creation. The practical challenge is to understand, support and benefit from the existing permanent return, savings and investment aspirations of distinct migrant worker groups.

This mutually advantageous relationship can only be achieved by providing the migrant workers, as well as other investors, with investment and savings opportunities tailored to their needs and that are of direct relevance to them, their beneficiaries and their communities. This approach needs to take into account and complement overall development policies, as well as public and private actors currently involved in related areas, such as SME development and credit provision.

RECOMMENDATIONS AND RELATED AREAS OF INTERVENTION

The following recommendations and action points have been elaborated in close coordination with the Project Steering Committee, incorporating the visions of the Government of Nepal and interested stakeholders from private and civil sectors on linking labour migration related financial flows to development.

A broad range of initiatives could be undertaken to increase return migration, as an alternative to permanent emigration, and the volume of migration-related financial flows (remittances, savings, migrant worker transfers, diaspora finance) and enhance their impact on economic growth and development of Nepal. We also review initiatives that can strengthen linkages between Nepal and its diaspora communities and intensify diaspora economic engagement. As noted, migrant workers and diasporas contribute to their home country not only through monetary remittances, but also through direct investment and non-monetary contributions such as human capital transfers, technology transfer, trade opportunities, and market opening.

Guidelines

Generally speaking, initiatives affecting migration-related financial flows can target three things: their volume, their use (allocation), and their distribution and access. It is quite conceivable that a particular initiative could affect more than one of these. One key point that must be respected about these financial flows is that they are generally small-scale private transfers that are completely under the control of households, and efforts to increase their volume and/or alter their allocation must rely on changing incentives in an effort to attract interest, correct a market failure or promote competition.

In summary, and under the related objectives of a) maximizing the developmental impact of migration and b) providing means for migrant workers and their beneficiaries to shift their remittances and savings from destination countries to Nepal, from informal to formal channels (MTO to banking channels), proposed areas of intervention can be grouped under the following guidelines:

- ▶ Support capacity for well-managed returned migration through coordinated action at national and local levels, as well as promote coordinated civil society and public-private sector collaboration.
- ▶ Mainstream migration and development in policies at all levels, as well as in both public and private sectors, through evidence-based means, continuous public consultations and clear migrant worker-centred approaches.
- ▶ Systematically adapt and transfer experiences, test new financial and service instruments and mechanisms, best-practices and develop joint actions.
- ▶ Provide more research and data development on migration-related financial flows; increase the understanding of migrant workers as a specific target group, with a particular focus on better understanding migration patterns; attract migrant worker transfers within this context, and better understand the potential benefits from return migration.
- ▶ Support the broadening and deepening of the Nepali financial intermediation market in relation to migrant workers as a specific target group, by encouraging the development of a relevant policy and regulatory framework, as well as by raising awareness among key decision makers in both public and private sectors.
- ▶ Support the migration-related objectives of Nepali migrant workers through the provision of information services, relevant remittance, savings and investment products, as well as related services and interventions.⁴⁵ This area of intervention should closely complement, and be complemented by, public and private actors involved in financial regulation, economic development, SME development, credit provision, and migration management.

Research and Data

Although this report contributes to knowledge on migration and related financial flows in Nepal, much more needs to be done. Current understanding of what

⁴⁵ Products and services of relevance to migrant workers could cover the entire migration cycle ranging from pre-departure, migration and return, or certain aspects of it. By way of example, these might include: pre-departure financial education and language training, credit lines, short, medium and long-term savings products (term deposits, bonds, etc.), investment vehicles (trust funds, mutual funds, social investment funds, etc.), business plan development and related services, financial packages for the establishment and ongoing support of businesses, etc.

motivates migration, remittance, savings and investment decisions of Nepali migrant workers remains surprisingly limited, and policy development is hindered by this paucity of information and analysis. Although it is accepted that these flows have crucially affected the alleviation of poverty and economic stabilization in Nepal, their relation to long-term developmental processes have not been analysed in a systematic way – neither at the micro nor at macro-economic levels.

In order to better understand and effectively respond to the evolving migration trends, it is necessary to improve systematically the volume and accuracy of empirical data and information on migration and resulting financial flows. Therefore, the undertaking of serious and periodic empirical analysis of M&D trends at the appropriate levels, with the goal of informing policy actions, intervention and programme design, is crucial.

Further in-depth and empirical research on the specific issue of migration and return potential of long-term migrant workers is important. The aim would be to further understand related operational level issues such as, a) identifying the key services necessary to support migrant workers to achieve their core migration goals, b) understanding the necessary return conditions required to support their sustainable return, and c) developing market-based incentives and mechanisms attractive enough to encourage their retained savings/remittances towards productive investment.

A related set of research activities could focus on: a) the strong role of social capital in all phases of migration, b) the creation of structural capital such as NGOs and other associations, informal and formal networks, organizations, etc., and c) the impact of internal migration on rural development.

The above six research areas will require repeated assessments of evolving trends, the changing requirements of the target groups, and long-term, flexible approaches – longitudinal surveys are therefore very appropriate.

Obviously, the research would also need to monitor and evaluate policies, interventions and project related to remittance, savings, investment behaviours and return management. This information should be specifically designed to feed directly into other measures proposed in this section.

Policy Dialogue for an Enabling Environment

To be effective, migration related initiatives need to be placed within a comprehensive multi-level policy dialogue and result-oriented framework that understands the issues and opportunities discussed in this report.

Specialized international agencies, as well as local public authorities, key private sector partners and migrant worker organizations are able to make substantial contributions to discussions in the following technical areas:

- ▶ Reinforcing the importance of a sound macro-economic framework and business-friendly regulatory environment from a migrant worker's perspective, with a view to facilitating and encouraging inward savings/investment from migrant workers;
- ▶ Increasing the value of current remittances by bringing a larger proportion into the formal sector, especially from India;
- ▶ Broadening and deepening financial services to poor people in rural areas, possibly engaging transfer receivers and existing savers as 'word of mouth' promoters;
- ▶ Amending legislation to make it easier for businesses to become established, in line with the priority concerns of migrant workers (and other potential investors);
- ▶ Enforcing existing legislation, policies and programs, strengthening the civil service, lowering corruption, in line with the priority concerns of Nepali migrant workers (and other citizens);
- ▶ Examining the possibility of establishing remittance-backed national or municipal bonds, either targeting migrant workers directly or through securitization with the guarantee that money will be paid back from future remittance flows;
- ▶ Encouraging the formation of Hometown Associations and Community Economic Clubs, especially in regard to awareness raising and cooperation on issues such as savings and investment mobilization, and remittances.

The specific recommendations are to:

- ▶ Establish a cohesive Nepal-specific approach to migration management and migration and development. This can be achieved by creating a cross-cutting inter-ministerial process at the national level that incorporates a vertical process of dialogue with interested sub-national local authorities and a systematic outreach to civil society and private-sector actors.

- ▶ Introduce and debate some of the latest research on migrant worker/diaspora savings and investment potential.
- ▶ Discuss the obstacles for migrant workers to save and invest in their countries of origin and how the stakeholders can address these obstacles in a comprehensive and coordinated manner.
- ▶ Identify targeted needs for research on migrant worker saving corridors and migration patterns.
- ▶ Develop projects to research the awareness level of Nepali and country of destination banking institutions on the nature and volume of migrant worker savings.
- ▶ Develop projects and initiatives to facilitate investments of migrant worker financial capital.

Awareness raising and trust building

One of the findings of this report was a widespread and general lack of knowledge about the Nepali financial market, its institutions and regulations, as well as a lack of trust in public and private sectors. Equally, popular understanding of government and finance industry policy and actions as regards remittance-related issues, such as savings tools, investment opportunities, incentives and disincentives are for all intents and purposes non-existent. In order to ensure that migrant workers and their beneficiaries receive correct information about financial intermediation structures, their opportunities, benefits, uses and risks, a series of related information campaigns or financial literacy efforts could be developed.

Public information campaigns of direct relevance to the migration-finance-development challenge can be carried out via mass media outlets, diaspora associations, information dissemination at ports of entry, look-see visits, etc. A collaborative and coordinated effort on the part of all interested actors, including the ministries, financial institutions and specialized agencies would add additional emphasis and impact to such campaigns.

Nepali diaspora and other non-profit organizations as well as embassy/consular offices could offer accurate information, as well as savings and investment advisory services to migrant workers and those who wish to return.

A contextual issue, beyond financial intermediation, is the need to reinforce legal migration through a concerted effort by the Nepali national authorities to negotiate further labour exchange and employment agreements with attractive countries of destination. Such agreements would reduce the direct and indirect costs as well as risks related to migration, including vulnerability to exploitation, but also solve important concerns about recognition of qualifications and transferability of pensions. Parallel interventions in support of regular migration would indirectly support the government's development objective by increasing the migrant workers' incomes, remittances and savings values and encouraging the use of formal channels of remittances. Such benefits would also extend to their beneficiaries through increased remittance flows, while simultaneously representing a direct benefit to the broader home economies.

Development and Delivery of Relevant Remittance, Savings and Investment Products, Services and Interventions

Initiatives that relate to savings, target investment and development need to be placed within an appropriate policy and communications framework including: appropriate macro-economic conditions, a conducive business environment, a profound understanding of savings, remittance and investment patterns, and policies and programmes for employment promotion and income generation for potential returnees.

By focusing on providing direct support to migrant workers and their households in Nepal, the overall purpose of this area of intervention is to facilitate the establishment of conditions for a win-win-win situation for Nepal and local places of origin, host countries, migrant workers, and participating private sector partners, by:

- ▶ directly supporting migrant workers to meet their personal migration objectives
- ▶ maximizing the developmental aspects of migration as they relate to financial flows and local investment
- ▶ improving entrepreneurship and employment creation for the people staying behind

Financial institutions can be helped to reach migrant worker / diaspora communities with a view to understand the specific needs of this target group and to develop new tailored products and services.

For example, actors in the broad retail financial sector could consider establishing intermediary vehicles, such as a social investment trust fund that would focus on mobilizing a portion of migrant worker savings (i.e. migrant worker capital) accumulated in countries of destination or Nepal. Such medium to long-term savings could then be intermediated and lent on for business activities in Nepal through existing capacities and procedures. This would simultaneously support the capital requirements of the financial institutions while also provide migrant worker clients with a reasonable rate of return on their savings, and providing these migrant workers with an opportunity to directly support the development of their home communities.

In support, marketing strategies could be built on the social and human capital identified by the research presented. Marketing approaches should be specifically designed to compensate for the perceived risks related to institutional, regulatory and other issues commonly associated with the transitional character of Nepal.

Overall, private sector should be the primary driver for development, while public authorities play a regulatory role. That said, national and local authorities working together can and should assume a catalytic role. International organizations with financial regulatory, migration and developmental expertise should be invited to lend their support where and when required.

SPECIFIC RECOMMENDATIONS

National government

The Government of Nepal has to take greater responsibility for and assume ownership of the overall context in which its citizens choose to migrate externally or internally, as well as those who already find themselves abroad as part of the migrant worker or diaspora communities. The Government has to develop policy and communication mechanisms capable of maximising the positive aspects of migration as an important aspect of Nepal's overall development process, while minimising its negative consequences on society as a whole and the persons involved.

- ▶ Establish an Inter-ministerial structure led by Prime Minister Office, to deal with the coordination of mainstreaming migration into public policies, the capacity-building process, and migration and development related projects/programs
- ▶ Develop and approve a “National Plan of Action on Migration and Development” setting out a medium-term roadmap to show how Nepal will mainstream migration into development planning
- ▶ Establish an inter-ministerial coordination mechanism to provide the necessary oversight and coordinate the implementation of the Action Plan at both national and local levels
- ▶ Review and adjust banking regulations: a) to allow the granting of loans for migration covered by the employment contract and/or insurance contract, excluding collateral (mortgages); and b) to subsidise loans for investments into business and development type projects
- ▶ Review and adjust SME regulations and introduce business supportive measures: a) establish start-up centres to maximize success rates; b) streamline business registration; and c) offer selective tax benefits for start-ups
- ▶ Design the legal framework for creating tailored savings/investment products for migrants (e.g. private pension and insurance schemes, collateral-free loans linked to past saving behaviours, guarantee funds, municipal, project-related and general diaspora funds)
- ▶ Establish a financial intermediation mechanism to attract migrant savings and direct them towards productive investments in both private and public sectors (e.g. PARE 1+1 - Moldova’s remittance-based investment program)
- ▶ Engage in internal capacity building activities (trainings and workshops in relation to mainstreaming migration and development)
- ▶ Recognize and certify skills pre-departure or gained abroad by strengthening and streamlining the activities of the Council for Technical Education and Vocational Training
- ▶ Adopt best practices and carry out further targeted research on specific migrant groups in order to analyse their migration, savings, investment, and return patterns
- ▶ More systematically engage specialized expertise from relevant international organizations
- ▶ Apply this survey methodology in a longitudinal manner (e.g. every three years), in order to measure long-term labour migration related trends
- ▶ Include local authorities and migrant associations in the planning of such projects and activities to better understand and integrate their needs and concerns

- ▶ Engage with qualified partners to examine the viability of designing and market-testing more attractive savings/investment products for migrants/diaspora, including private sector pensions and insurances; development savings accounts; guarantee funds, and; municipal, project-related and general diaspora funds

Local authorities

Both the current emphasis on decentralization of administrative power in Nepal and the largely local character of migration point to a strong need for full engagement of local authorities in the design and implementation of migration and development policies and interventions.

- ▶ Collaborate actively within the coordination and collaboration structures recommended above in order to ensure appropriate mutual support and unified outreach
- ▶ Engage in related capacity building (training and workshops in relation to migrant transfer/saving/ investment)
- ▶ Develop and expand a network of locally based offices that are able to directly support efficient circular migration practices and financial literacy on the part of all migrant worker groups
- ▶ Encourage the formation of Hometown Associations (HTAs), build their capacities in to the areas of awareness raising and cooperation on issues such as developing small scale social projects, savings and investment mobilization, and remittances
- ▶ Develop and support local level ‘business clubs’ or migrant resource centres that are able to provide meaningful and trusted expert advice to potential returnees and migrant entrepreneurs, as well as attracting migrant/diaspora investment at local level

Private sector

- ▶ Since most products and services in high demand from migrants, including employment opportunities, come from the private sector, active engagement of private actors is crucial.
- ▶ Adapt and transfer international best practices, develop and test migrant-centric financial and service instruments (e.g. maintaining accounts with the same bank or corresponding banks in different countries; building and transferring of credit histories)

- ▶ Raise awareness at local level to improve the amount of savings and migrant transfers (including banks, insurance and pension companies, micro-credit institutions)
- ▶ Carry out market research regularly in order to better understand their potential customer base
- ▶ Actively promote and develop dialogue and cooperation between migrants, diaspora organizations, banks, and governments

International organizations, donors, and qualified partners

- ▶ IGOs can assist the Government of Nepal and the primary countries of destination to mainstream return migration and M&D principles into their national development strategies.
- ▶ Facilitate capacity building measures to support national and local public authorities, migrants, and diaspora organizations to develop migration and development strategies, interventions, and projects
- ▶ Support development of incentives and regulatory frameworks that provide necessary conditions for encouraging productive use of migrants' financial and human capital
- ▶ Provide expert advice to policy debate, particularly with regard to financial intermediation and opportunities for developing SMEs and job creation
- ▶ Share international best practices in mainstreaming migration in development planning

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Annexes

Non-Response Rate for the Most Sensitive Questions

Migrant survey

Question ID	Selected most sensitive questions	Per cent of DK/NA	
		HH with migrants	HH without migrants
Q23	What was [HH member] main source of income in the past 12 months?	0%	
Q24	What was your average “net” monthly income (not of your household) abroad over the past 12 months? This means your actual cash that you receive in your bank account or in hand	0%	
Q26	What is the combined net monthly income in country of employment over the past 12 months? This means actual cash that you and household member/s receive into bank account or in hand?	0%	
Q29	How much do you generally spend in the country of employment per month? This does not include remittances or money spent in Nepal.	2.6%	
Q31	Did you transfer money to Nepal in the last 12 months? This includes both formally through banks or money transfer operators or by hand-carry and through friends/acquaintances.	0%	
Q33	Can you estimate the total value of these transfers, including carried/sent in cash over the preceding 12 months?	0%	
Q34	Of the total money, you transferred over the last 12 months, about what amount of the total VALUE was		
	Sent formally including MTOs, banks, and other electronic channels	0%	
	Sent informally including hundi, hand-carried or sent in cash	0%	
Q45	In Nepal, do you have a personal account at a bank, finance company, or cooperative that your family cannot freely access?	0.4%	
Q48	Where do you primarily keep these savings in Nepal?	0.2%	
Q49	Where do you primarily keep these savings in the country of employment?	0%	
Q52	How much money do you think you need to meet these savings objectives?	7.6%	
Q53	Approximately how much of this have you been able to save to date?	12.3%	

Household survey

Question ID	Selected most sensitive questions	Per cent of DK/NA	
		HH with migrants	HH without migrants
Q412	Can you estimate your household's average monthly <u>expenditure</u> from all sources mentioned above in the last 12 months?	0.3%	0.2%
Q411	Please estimate your household's average monthly <u>income</u> from all sources mentioned below in the past 12 months.	0.3%	0.2%
Q401	Who normally receives the remittances sent to your household? / Have you received remittance in the last 12 months?	0%	0%
Q403 and Q404	Types of Formal and Informal Transfer	0.4%	0%
Q405	What is the value of total remittance received in this household in last 12 months?	0.5%	0%
Q413	Can you estimate your household's average monthly expenditure from <u>remittances</u> that you received in the last 12 months?	1.3%	
Q409/Q408	Has the HH received in-kind remittances which migrant sent /brought back in last 12 months?	0.2%	0.1%
Q410/Q409	Which in kind remittances did HH receive and estimated value?	0.2%	0%
Q606/Q506	Does your household save money?	0.2%	0.1%
Q607/Q507	Approximately how much money do you have in savings?	0.8%	1.5%
Q608/Q508	Where do you primarily keep these savings?	0.6%	1.4%
Q704/Q603	Does your household plan to invest in a business/enterprise?	0.8%	0%

Report on the Research Findings Sharing Meeting

RESEARCH AND POLICY DIALOGUE INITIATIVE ON MIGRATION AND DEVELOPMENT IN NEPAL

Sharing of the Research Findings

Hotel Himalaya, Lalitpur, Nepal
22 August 2017

Inaugural Session

Prasuna Sakha, Project Officer/IOM welcomed all the participants to the programme organized jointly by Ministry of Labour and Employment (MoLE) and the International Organization for Migration, in coordination with the National Planning Commission (NPC).

The programme started with a welcome speech from Paul I. Norton, Chief of Mission of IOM in Nepal. Mr. Norton expressed delight at being able to welcome all in the event to present the findings of the *“Research and Policy Dialogue on Migration and Development in Nepal”* which he said was a result of a collective effort of the Ministry of Labour and Employment, the National Planning Commission, the Ministry of Federal Affairs and Local Development (MOFALD), the Ministry of Finance (MoF), the Ministry of Women, Children and Social Welfare (MoWCSW), the International Organization for Migration, the International Agency for Source Country Information (IASCI) and the Institute for Integrated Development Studies (IIDS).

Shedding light on the objectives of the research, he said the research that started over a year ago covered 31 districts of Nepal across all three ecological belts and aimed to obtain data involving Nepali households' and labour migrants' overall migration and financial behaviours, particularly focusing on those of income, consumption, remittances, savings and investments, migrants' needs, and plans for their resources gained in migration.

He expressed the hope that the event would be very useful and productive for local, regional and national authorities and all the stakeholders involved in migration

management to identify areas of mutual partnerships, coordination and capacity building and to jointly plan a way forward on managing migration for national and local development through new partnerships and programs.

On behalf of IOM, Mr. Norton also expressed the commitment to continue working in close partnership with the various donor agencies, UN Agencies and local and national authorities and mainly the Government of Nepal, MoLE, NPC and MoFALD in the field of labour migration and development. (See below for full text of the speech)

Brief introduction of the project *“Research and Policy Dialogue Initiative on Migration and Development in Nepal”* and presentation of the research findings

Ruslan Sintov of the International Agency for Source Country Information (IASCI) shared in brief the background of the research and its findings.

The research was carried out within the Project Research and Policy Dialogue Initiative on Migration and Development in Nepal, by IOM Mission in Nepal in coordination with the Government of Nepal and financed by the IOM Development Fund.

The research applied concepts and methodologies developed by IASCI, Austria, in collaboration with CIVIS, Moldova, and applied in South Eastern and Eastern Europe (SEEE) countries since 2006. It was, however, adjusted to the context of Nepal in coordination with IOM, IIDS, and the Project Steering Committee led by MoLE and the NPC.

The major objectives of the research were to:

- ▶ Assist the Government of Nepal in developing policies to harness effectively the link between migration and development
- ▶ Increase awareness among key stakeholders on:
 - the nature, use and impact of remittances entering Nepal
 - migrant workers' and their households' overall financial behavior, including savings and consumption
 - the overall impact of migration on the country's socio-economic development

The research was carried out through probabilistic large-scale nationally representative quantitative survey of 22,997 households (HHs), in-depth interviews with 557 HHs with short-term and 2,669 with long-term migrant workers (plus 909 HHs without migrant workers) and survey with 1,976 Nepali long-term migrant workers at the main border crossing points in Nepal.

Major findings

The research highlights that the number of international migrant workers is much lower than commonly held, with a little over two million long-term and 0.45 million short-term current labour migrants representing 6.3 per cent of the population. Also, there are around 1.6 million people moving internally to work (rural to urban) and a large number of labour migrants returning home recorded at 0.56 million.

The research reveals that Malaysia and the Gulf Cooperation Council Countries (GCC) countries continue to be the most attractive destinations for Nepali labour migrants. The top five destination countries for work are: Malaysia, Qatar, Saudi Arabia, India and the United Arab Emirates – together they comprise 87 per cent of Nepali long-term migrant workers. When short-term/ seasonal migrant stock is added to long-term, the top destination is India, with 719,100 Nepalis working there.

The study highlights that 95 per cent of labour migrants remit significant proportions of their earnings back to their families in Nepal: an annual average of USD 4,777 in 2016, which in total amounts to 8.1 billion USD and its proportionate amount to Nepal's GDP is more than 30 per cent; therefore, it is a major contributor to development financing in Nepal. Eighty-eight per cent of remitting labour migrants prefer to use formal channels, mainly money transfer services or bank transfers. Although the two most important motivating factors for sending remittances for most migrant workers are the support of spouse and children or parents (daily needs, 97%) and the purchase of assets (land, house, cattle, etc. 56%), receiving HHs only spend 39 per cent on consumption (lower than generally thought), with 28 per cent going to savings and loan repayment, 26 per cent to buy property, and 7 per cent to business.

The research shows that migrants are willing to invest in Nepal and start their own business. There is a genuine demand on their side for seed capital, vocational education and training (VET) and fiscal measures to facilitate their investment

intentions. Another relevant finding is that most of the long-term migrants are “banked” and use bank accounts in both country of origin and destination.

Highlights

- ▶ Today one in three households affected by external labour migration, with 2.5 million Nepalese working abroad remitting the equivalent of over 30 per cent per cent of GDP. It may be noted that USD 38 billion was transferred to Nepal from 2006 to 2015.
- ▶ The financial, human and social wealth accumulated by migrant workers abroad are interlinked. Their accumulated wealth has real potential to substantially impact the economic and social development of Nepal. This development potential can be captured only when there is concerted action among central and local governments, civil and private sector actors, and international donors.
- ▶ On average, a migrant worker spends 171 USD and saves 428 USD per month. The monthly savings surpass five times the minimum wage (\$85) in Nepal. On average migrants save 71 per cent of their income. Of that, 65 per cent is sent back to Nepal, with the remaining saved abroad. Only 7 per cent is sent through unofficial channels.
- ▶ 81 per cent of migrant workers expressed their intention to come back, and most want to return to their home town or village. For this, they are saving on an average 28 per cent of what they remit back home while investing 34 per cent (26% in property and 7% in business, stocks, bonds etc.). Migrant workers also have an ambitious savings target of 51,559 USD, which is likely to lead to development potential both at the individual and the country levels.
- ▶ There is a strong entrepreneurial spirit in migrant workers with an interest to invest in a business. Fifty-two per cent of them expressed an interest to initiate or expand an investment in a business enterprise in Nepal in the future. Most of them are looking forward to invest in their own community in the sectors of retail or trade, and in local infrastructure projects. Hence, the involvement of local authorities is important.

Conclusion and Recommendations

With a high return intention, long-term migration offers considerable savings and investment potential. However, suitable local conditions and investment incentives including start-ups are key determining factors.

Given their numbers, long-term Nepali migrants and their HHs comprise a significant human and financial resource and a substantial potential market for interested and imaginative actors in both public and private sectors. However, these important findings remain largely unexplored by public and private sectors. Internal migration also deserves more attention.

Further, there is high demand for products and services from the migrant workers, with 90 per cent interested in recognition of their skills upon return to Nepal. They are also looking forward to a one-stop shop for foreign employment services.

Initial recommendations for IGO, donors

- ▶ Facilitate capacity building measures to support national and local public authorities, migrants, and diaspora organizations to develop migration and development strategies, interventions, and projects.
- ▶ Support development of incentives and regulatory frameworks that provide necessary conditions for encouraging productive use of migrants' financial and human capital.
- ▶ Provide expert advice to policy debate, particularly with regard to financial intermediation and opportunities for developing SMEs and job creation.
- ▶ Share international best practices in mainstreaming migration in development planning.

Discussion, Question and Answer

Following the sharing of the findings of the research, the floor was opened for discussion, and question and answer session. The participants expressed their views on the findings of the research while also making some suggestions and putting forth some queries. The queries were responded to by colleagues from IOM and IASCI.

Ram Pokharel, Citizens Investment Trust (CIT)

The government has rolled out various investment plans including a call for investment in the hydro sector (40 billion) and industrial sector (6 billion) for the next 10 years. Likewise, the infrastructure development at the newly set up local

levels of government is estimated to require another 40 billion. And there are opportunities for investment in the aviation and transport sector as well.

As CIT is already collaborating with International Fund for Agricultural Development (IFAD) for utilizing the investment of migrant workers from two countries — Malaysia and Korea, CIT could become an investment partner with financial institutions and the workers to further utilize the migrant workers' investment.

Since CIT is a capital market player, its scope for instrument can be applied for migrant workers by making investment through bonds and mutual funds. Migrant workers savings could be utilized if we come with a plan on how to utilize the investment in various infrastructure development plans of the government.

Sita Ghimire, Team Leader SaMi

Did the study explore how much a migrant spend in the migration process and how long did it take to repay their loan back after they start saving. As it is known that some take 1-3 years to repay loan, it is crucial to analyze this aspect at some point of time.

RESPONSE: The research did not include a direct question relating to it. However, due to limitation of time not all of the findings have been presented. We can provide the information upon request which can be used by government, private sector, and civil society. The average amount of cost migrants had to incur was 1,100 dollars, including transportation, visa and other costs but it has not been broken down for each type of cost.

Likewise, how much time was required to recover the initial cost was not dealt with a direct question but on the basis of the income and savings they managed to generate, it should be covered within six months. Of course, vulnerable cases were there as individuals could have taken loan with significantly high amount of interest, but their number is insignificant compared to those making savings.

Furthermore, migration is not first experience for many workers with 50 per cent already experiencing it, and many have come back and gone abroad again. Representation focused mainly on key findings, with an emphasis on the development

potential of migration. However, we don't neglect the vulnerable. Our approach was to look at development opportunity that lies in this issue and of course an improved situation in Nepal would decrease the number of migrants going abroad for work.

Giuseppe Savino, Consultant for IOM

This (issue of how much a worker spends in the migration process) however is a matter of utmost importance. IOM is looking at this aspect as the pre-departure phase should not be under-estimated. The estimated pre-departure cost of 1,000 US dollars may surpass before the migration itself. Some may end up investing NPR. 500,000, in the local money lender rates. So, how long is the payback time depends on the initial loan, assets and also level of education, which has a tremendous impact to achieve the initial target. However, our focus was on the migrants who are already in the cycle of migration but of course not neglecting this aspect.

Manoj Sharma, Deputy Director, CTEVT

The research does not demonstrate the relation between skills and the salary the migrant workers receive and the amount they remit back home. So, what is the relationship between skills training they got and the amount they earned abroad? There is an assumption that skills training would help increase their income, but does the study verify it?

RESPONSE: We did not analyze it here. But past experience shows that higher skills lead to higher income. But of course, it is not necessary that if they have higher income they remit more. In case of experience from other countries, there has been no direct relation to income and level of remittance they send to the country of origin. If family is reunited in the country of destination there is no need to send money home and also, they stay abroad long.

Dev Chandra Rai, Student who made a dissertation study on the role of remittance in entrepreneurship development in Kathmandu.

There is also need to focus in terms of the social remittance that the migrant workers bring with them. Because many return with social remittance i.e. without

money but with realization that they can do something in their own country. They have exposure and they could be good entrepreneurs. There is now a realization in them and their perception has changed. So, whether that aspect is addressed or no, otherwise it should be considered.

RESPONSE: It has been addressed by the study, which says not only financial capital but social and human capital is also important. But interest alone is not enough, if the conditions are not appropriate and infrastructure does not exist, then no business can survive with investments made with 35 to 40 per cent interest rate on loans taken from the informal sector.

Sharad Sapkota, SaMi, Helvetas

The study seems to have covered about social and human capital and entrepreneurship, but does it measure the social cost also, which is creating a big impact.

RESPONSE: The research was not dedicated on it but social cost is of course important. There is also self-perceived impact of it on the households. However, very few respondents mentioned it as a problem, which does not mean it does not exist but comparing to other opportunities migration brings to the society they seem to be of less importance. But they should still be taken into consideration in the long-term.

BIMAL MAHAT, Sidhhartha Bank

Has the government waived the remittance fee?

SUMAN NEUPANE, NRB, research department

Mr. Neupane responded to the earlier question by saying that the decision relies on the Ministry of Finance and if it suggests then NRB shall readily implement the policy. Hence, the major direction should come from the Ministry of Finance, as the expenditures should be borne by the Ministry.

ROHAN GURUNG, President of Nepal Foreign Employment Agencies

We have discussed this issue with MoLE, Ministry of Labour and Employment, Ministry of Finance and Ministry of Foreign Affairs. Migrants in Korea are sending very low per cent of remittance through the banking channel and recently government changed policy for sending remittance through the legal channel. Hence, we request the government to do the same for Malaysia. Government has to come up with one policy, and for instance say 25 to 30 per cent of salary should be sent through legal way. But the government needs to consider the cost. If they are sending 25 to 30 per cent salary in the government account, government has to consider the remittance fee, bear that amount or make it free. And then remittance will increase through banking channel and we can also have the real data of remittance coming into the country.

Since last year people started sending gold from Dubai and Bahrain through their friends which is an illegal means to send. So, there is a need for a proper government policy to channelize this properly. Further, the government should make remittance fee free for the migrant workers at a time when job opportunities for them is minimal in the country.

RESPONSE, Francisca de Zwager from the research team: In our 20 years of research, not a single migrant has talked about reducing the cost of remittances. Labour migrants want to save. And it does not matter to them whether their savings come from lower living expenses, travel costs, or bank fees. We must aim to capture the development potential from the investment of their financial, human and social capital when they return. If we can get the support of Nepal Rastra Bank, so much the better. Mostly, the many identified gaps and needs in goods and services must be met by local and central governments, civil society and the private sector alike.

ROHAN GURUNG, President of Nepal Foreign Employment Agencies

The government implemented free visa and free ticket for Malaysia and Gulf countries without noticing its consequence. Nepali migrant workers have to compete with workers from other countries such as India, Pakistan and Bangladesh, to name a few. For instance, there is no free ticket in India. The government has set the service charge cost at 100 USD for employment agencies, but then there is competition

with other countries. So, the government needs to make it reasonable and profitable in par with neighbouring countries. The government should also sign Memorandum of Understanding with these countries, which shall guarantee minimum wage and accommodation for the migrant workers. And then only fair and ethical recruitment will be possible, and the cost that a migrant worker requires could be mentioned.

SAGAR SHRESTHA from Nepal RED CROSS Society

Research as they say is a mirror, which it shows a clear portrait and we need to respond accordingly. But since the government officials are also here, am interested to know about who can use the findings of this research in the development sector, what is the role we can play, is there is any strategy and policy to use these conclusions?

RESPONSE: The research team responded that the following day's planned workshop with private sector and civil society will address the practical and policy recommendations related to this.

CLOSING

The day ended with closing remarks from two government partners Ministry of Labour and Employment and the National Planning Commission

Arjun Pant, Programme Director, Social Development Division, National Planning Commission

These research findings are very good which can be a milestone in our development process to make our planning programme and budgeting in future. There is no doubt that remittance has significant impact for Nepal as it is dependent on it, with inflows it has surpassing FDI and net Official Development Assistance. The data of 8.6 billion USD coming into the country in 2016 is huge money. But of course, it has not come for free, it has come at huge cost, like 3-4 dead bodies of migrant workers arrive to Nepal every day.

We are talking about utilizing the remittance in business and investment since a very long time but how. How can we do it and make successful that is important. May be

the research study did not go in that depth. Currently, we are getting easy money from abroad and if we are not investing it and spending only in consumption, buying cheap goods from other countries and also eroding our domestic competitive capacity, then it will affect us in the long-term if we do not address this problem in time.

The government is always thinking and trying to utilize this remittance in the productive sector. However, policy like using bonds was not successful. Government is trying to encourage the inflow of remittance through the legal channel but we cannot force our workers, as they have rights. We have to motivate and encourage them through suitable policy and programmes. And for this, the government is ready to work with financial institutions and other entrepreneurs.

Utilizing earnings and learning of the migrant workers in the productive sector through appropriate environment is what the government is trying to address in its periodic plans. So, may be in future, if we could find a way to address it, the government is ready to collaborate. It has already announced many welfare schemes for the migrant workers and now we need to encourage them to save certain percentage of their earning for investment, which need favourable atmosphere.

In his closing remarks, **Bhuvan Acharya, Joint Secretary, at the Ministry of Labour and Employment** thanked all for their valuable presence and participation in the workshop on which, he said, was a result of a collaborative effort between government of Nepal and IOM.

The topic of migration and remittances is yet another area of interest to the Government of Nepal, and MoLE is keen to collaborate with national and international organizations, public and private sector, with a view to harness the positive development impact of remittances for Nepal. This research project has been a good starting point for MoLE engagement in the area of Migration and Development.

Stating that the study has also brought to attention that the share of consumption (39%) is a very low component of the total remittances, and saving and investing represent the comparatively large share of remittance value in Nepal, Mr. Acharya

said as wealth accumulation is the major objective of migration it has to be harnessed well through supporting initiatives, policies and programs.

In this regard, he also highlighted that the national strategic action plan (2015-20) on foreign employment has already identified a number of areas for maximizing the remittances sent by the labour migrants abroad. The action plan highlights on the development of remittance policy and directives, promoting public private investment schemes by engaging the migrants, waiving of the transfer fees to promote formal transfer of remittances, promotion of financial literacy programs, income tax concessions on goods imported by permanent returnees among others.

Another important element of this research is the rich data it has generated on the number of migrants including internal migrants, international labour migrants, students, long term and short-term migrants with no. of migrants per destination country and occupational category disaggregated by gender including on return migrants which are key to developing specific policies and program on migration.

Joint Secretary Acharya also expressed the belief that the data and evidences generated through the research and the consultative process would provide the Government of Nepal, civil and private sector entities, with solid baselines against which to formulate future policies, projects and market interventions for migration and development.

He also thanked the relevant line agencies especially the Central Bureau of Statistics, National Planning Commission, Ministry of Finance, Ministry of Women, Ministry of Local Development, MoLE, and partners who have supported the IOM for coming up with such a research.

THE END

Full text of the speech by Paul Norton, Chief of Mission of IOM in Nepal

Respected Joint Secretary, Mr. Bhuvan Prasad Acharya, Ministry of Labour and Employment

Respected Program Director of Social Development Division, Mr. Arjun Pant, National Planning Commission

Officials of the Government of Nepal

Representatives of UN, international organizations, private sector and development partners

I am very delighted to welcome all of you in today's event to present the findings of the research "*Policy Dialogue and Research on Migration and Development in Nepal*" which is a result of a collective effort of the Ministry of Labour and Employment, the National Planning Commission, the Ministry of Federal Affairs and Local Development, the Ministry of Finance, the Ministry of Women, Children and Social Welfare, the International Organization for Migration, the International Agency for Source Country Information and the Institute for Integrated Development Studies. This research which started over a year ago covered 31 districts of Nepal across all three ecological belts and aimed to obtain data involving Nepali households' and labour migrants' overall migration and financial behaviours, particularly focusing on those of income, consumption, remittances, savings and investments, migrants' needs, and plans for their resources gained in migration.

Migration is a serious phenomenon for Nepal with **more than one in four** households affected. The voluminous nature of labour migration for employment has brought both new opportunities and challenges for the Government. A primary concern has been in managing the huge outflow while ensuring the safety, rights, decency and welfare of migrant workers.

A key to good program and policy making is contingent on reliable data, therefore this research is an effort to corroborate and come up with essential data on migration

(internal, cross border, long term and short term, student migration among many) which is important for evidenced based policy making in Nepal. The research has enumerated some key data on migration. The research highlights that the number of international migrant workers is much lower than commonly held with a little over **2 million** long-term and .45 million short-term current labour migrants representing 6.3 per cent of population. Also, there are around 1.6 million people moving internally to work (rural to urban) and a large number of labour migrants returning home recorded at .56 million.

The research reveals that Malaysia and the GCC countries continue to be most attractive destinations for Nepali labour migrants. The top five destination countries for work are: Malaysia, Qatar, Saudi Arabia, India and the United Arab Emirates – together they comprise **87 per cent** of Nepali long-term migrant workers. When short-term/ seasonal migrant stock is added to long-term, the top destination is India, with 719,100 Nepalis working there.

The data analysis of this large-scale survey has produced some noteworthy findings on volume of remittances in flows, its channels, type, and pattern of usage, savings, consumption and investments behaviour of labour migrants from Nepal. The study highlights that **95 per cent** of labour migrants **remit** significant proportions of their earnings back to families in Nepal: an annual average of **USD 4,777** in 2016, which in total amounts to 8.1 billion USD and its proportionate amount to Nepal's GDP is more than 30 per cent therefore, it is a major contributor to development financing in Nepal. **A majority** (88%) of remitting labour migrants prefer to **use formal channels**, mainly money transfer services or bank transfers. Although two most important motivating factors for sending remittances for most migrant workers is for supporting a spouse and children or parents (**daily needs, 97%**) and purchase of assets (**land, house, cattle, etc., 56%**) the receiving HHs only spend **39 per cent** on consumption (lower than generally thought), with **28 percent** going to savings and loan repayment, **26 per cent** to buy property, and **7 per cent** to business. The research shows that migrants are willing to invest in Nepal and start their own business. There is a genuine demand on their side for seed capital, Vocational Education and Training (VET) and fiscal measures to facilitate their investment intentions. Another relevant finding is that most of the long-term migrants are "banked" and use bank accounts in both country of origin and destination.

Financial flows from migrant workers to their home communities are at the core of the relationship between migration and development. Accumulation and eventual transfer of wealth is the underlying motivation for the majority of current and potential migrants and that holds real potential to substantially impact the economic and social development of Nepal.

I am hopeful that this event will be very useful and productive for local, regional and national authorities and all the stakeholders involved in migration management to identify areas of mutual partnerships, coordination and capacity building and to jointly plan a way forward on managing migration for national and local development through new partnerships and programs.

As always, IOM is committed to continue working in close partnership with the various donor agencies, UN Agencies and local and national authorities and mainly the Government of Nepal, MOLE, NPC and MOFALD in the field of labour migration and development.

I would also like to take this opportunity to thank the Government of Nepal, particularly the National Planning Commission (NPC) and Ministry of Labour and Employment for its valuable for their continuous support and guidance during this research.

With this I close my opening remarks, and let our technical partner IASCI to present the detail findings of the research and look forward to the fruitful discussions.

Thank you!

Full text of the speech by Bhuvan Acharya, Joint Secretary, at the Ministry of Labour and Employment

Representative from NPC

Chief of Mission of IOM

Representatives of UN, international organizations, private sector and development partners

On behalf of the Government of Nepal I would like to thank you all for your valuable presence and participation in today's workshop on "Research and Policy Dialogue initiative on migration and development in Nepal", which is a result of a collaborative effort between government of Nepal and IOM.

IOM has been cooperating with the Ministry of Labour and Employment in Nepal in migration management since 2009, and supporting in wide range of areas from capacity building, policy review and development, research and policy dialogues including services to the migrants. More recently, Nepal took over the chair of the **Colombo Process** and IOM is providing technical assistance to further enhance the capacity of MOLE in terms of its important role as CP Chair to lead and facilitate the planning and implementation of CP activities at national and regional levels.

The topic of migration and remittances is yet another area of interest to the Government of Nepal, and MoLE is keen to collaborate with national and international organizations, public and private sector, with a view to harness the positive development impact of remittances for Nepal. This research project has been a good starting point for MoLE engagement in the area of Migration and Development.

As you can see from the research findings presented today as well as the NLSS survey of CBS of 2011, the labour migration for Nepal has significantly contributed to maintaining household and national economy, reduced poverty rates and has a strong potential role in supporting local and national development processes in Nepal. The number of Nepali migrant labourers both long and short term (to put it precisely) as study demonstrates is 2.5 million in 2015, most of whom went to India, Malaysia and Gulf Cooperation Council countries, and the amount of worker remittances Nepal received is worth USD 8 billion in 2016. The majority of these

remittances (88%) is sent through formal channel and holds the enormous but untapped potential for local and national development. The study has also brought to attention that the share of consumption (39%) is a very low component of the total remittances, and saving and investing represent the comparatively large share of remittance value in Nepal. Thus, wealth accumulation is the major objective of migration, and has to be harnessed well through supporting initiatives, policies and programs.

In this regard, I wish to highlight that the national strategic action plan (2015-20) on foreign employment has already identified a number of areas for maximizing the remittances sent by the labour migrants abroad. The action plan highlights on the development of remittance policy and directives, promoting public private investment schemes by engaging the migrants, waiving of the transfer fees to promote formal transfer of remittances, promotion of financial literacy programs, income tax concessions on goods imported by permanent returnees among others.

Another important element of this research is the rich data it has generated on the number of migrants including internal migrants, international labour migrants, students, long term and short-term migrants with no. of migrants per destination country and occupational category disaggregated by gender including on return migrants which are key to developing specific policies and program on migration.

I believe the data and evidences generated through the research and the consultative process will provide the GoN, civil and private sector entities, with solid baselines against which to formulate future policies, projects and market interventions for migration and development.

MoLE is always eager to continue working with donor agencies, UN agencies and various other working in the field of labour migration and development.

I would also like to take this opportunity to thank the relevant line agencies especially the Central Bureau of Statistics, NPC, Ministry of Finance, Ministry of Women, Ministry of Local Development, MoLE, and partners who have supported the IOM for coming up with such a research.

Thank you and have a good day!

Some snapshots from the program



(From right) Mr. Arjun Pant, Program Director of Social Development Division, National Planning Commission, Mr. Bhuvan Prasad Acharya, Joint Secretary of Ministry of Labour and Employment & Mr. Paul I. Norton, Chief of Mission, IOM Nepal during the opening session of the program



Mr. Ruslan Sintov, Consultant from IASCI sharing the research findings during the programme



Mr. Rohan Gurung, President of Nepal Association of Foreign Employment Agencies addressing his concerns after the presentation



Mr. Giuseppe Savino, Consultant from IOM sharing his views after the presentation



Participants during the programme

LITERATURE REVIEW

List of Figures

Figure #	Figure name
Figure 1	Total number of labour permits issued in 2008-2015
Figure 1 (a)	Percentage of labour permits issued by gender
Figure 2	Absentee population of Nepal
Figure 2 (a)	Dynamic of labour permits issued by district, as percentage to total population of district
Figure 3	Top five labour migrant destination countries (excluding India)
Figure 4	Estimate of annual remittance flows to Nepal in US\$ (in millions)
Figure 5	Yearly remittances as a proportion of GNI
Figure 6	Dynamic of remittances growth
Figure 7	Remittance costs for top countries
Figure 8	Remittance channels by destination (multiple channels)
Figure 9	Remittances by primary use by preferred migration destination
Figure 10	Overall use of remittances
Figure 11	Changes in remittance patterns
Figure 12	Borrowing households (overall figures)
Figure 13	Source of loans (overall figures)
Figure 14	Destruction of physical infrastructure
Figure 15	Remittances, migration trends and natural disasters in Nepal
Figure 16	Trends in top destination countries by labour permits issued
Figure 17	Acts, policies and tools related to migration
Figure 18	MoU, Agreements and Letters of exchange on labour migration

DYNAMIC OF INTERNATIONAL MIGRATION

Background

Nepalis have migrated from Nepal (to India) for work since earlier days but formal labour migration is said to have begun in Nepal around the nineteenth century with the induction of Nepali soldiers into the colonial British army. This was the first instance when the State initiated formal labour migration processes through treaties between the governments of Nepal and India. Until the 1970s, much of the labour migration from Nepal can be characterized by migration to India. The open border between Nepal and India facilitated much of this migration to India. After the oil boom in the 1970s in the Middle East, new destinations opened up for Nepali migrants, as there was great demand for workers in industries in the Middle Eastern countries. This led to an increase each year in the number of people participating in foreign employment in countries other than India. The restoration of democracy in Nepal in 1990 and the adoption of economic liberalization policies gave a further boost to migration from Nepal.

The earliest record that we have of labour migration is of labour permits issued in 1993/94. According to official records, 3605 Nepalis received permits for foreign employment from the Government of Nepal in that year and the migrants applied for work primarily in the GCC countries (Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates and Bahrain).⁴⁶ The GCC countries (mainly Kuwait, Qatar, Saudi Arabia and the UAE) along with Malaysia have remained popular destinations among Nepali migrants. Official estimates suggest that these countries received about 97 per cent of the total migrants from Nepal from 1993/94 to 2007/08. Malaysia records the most number of Nepali migrants in 2013/14.⁴⁷

Internal Mobility

The external flow of labour migrants from Nepal to a few popular destinations such as the countries in the Gulf and Malaysia has dominated the migration picture thus far. Internal mobility is generally an under-researched aspect of Nepali migration studies despite it being an important livelihood strategy of many Nepalis. As such it should be better understood and included as a significant part of the discussion on migration and its impact on the development of Nepal.

Government reports, such as the Nepal Labour Force Survey 2008 and the population census of Nepal, have some data regarding internal migration in Nepal.

From these, it can be derived that rural-urban migration has been an important component of Nepal's internal migration process.

The Nepal Labour Force Survey 2008 suggests that for lifetime migrants living in urban areas in 2008, 77 per cent had moved there from rural areas, while only 23 per cent had moved there from other urban areas.⁴⁸ Among these internal migrants who had migrated to urban areas in Nepal from rural areas or other urban areas, the rate was higher for women (88%) compared to men (85%) (12% women and 15% men had migrated to urban areas in Nepal from outside Nepal).⁴⁹ This survey cites marriage as the most common reason for internal migration, which partly explains the higher share of women internal migrants.

The third Nepal Living Standards Survey 2010/11, on the other hand, states that about half of the urban population (51 per cent) was not born in their current place of residence. The corresponding value for rural population was 33 per cent.⁵⁰ Like in the Nepal Labour Force Survey 2008, marriage was cited as one of the most popular reasons for internal mobility.

We can also look at the issue of internal migration through the lens of absentee population. According to the Nepal Living Standards Survey 2010/11, 20.3 per cent of the total population of Nepal was absent at the time and among them 57 per cent were residing within Nepal. Overall it stated that 28 per cent of the households had at least one absentee living currently within the country. According to the same survey, 27.4 per cent of all those absent (includes absentees living inside and outside of Nepal) were living away from their families for work. 21.3 per cent had left home to study and 19.5 per cent gave a family reason. This also highlights the fact that internal mobility in Nepal is generally driven by the motive of achieving a better standard of living, through work or education.

Internal migration is clearly a significant phenomenon, yet these statistics are not recent. This data can only provide a rough estimation of internal migration in Nepal and do not reflect the actual scenario.

Contemporary External Migration Flows

Information regarding external flow of labour migrants from Nepal is available in various administrative records, survey reports and studies conducted by the

⁴⁶ Labour Migration for Employment. A Status Report for Nepal 2013/14

⁴⁷ *ibid*

⁴⁸ Nepal Labour Force Survey 2008

⁴⁹ *ibid*

⁵⁰ Nepal Living Standard Survey 2010/11

Year	Number of labour permits issued
2008/09	219,965
2009/10	294,094
2010/11	354,716
2011/12	384,665
2012/13	450,889
2013/14	519,638
2014/15* (estimation)	499,620

Figure 1. Total number of labour permits issued in 2008-2015

Source: Department of Foreign Employment (DoFE)

Year	Percentage of labour permits issued to females	Percentage of labour permits issued to males
2008/09	3.9	96.1
2009/10	3.4	96.6
2010/11	2.9	97.1
2011/12	6.0	94.0
2012/13	6.2	93.9
2013/14	5.6	94.4
2014/15* (estimation)	4.3	95.7

Figure 1 (a): Percentage of labour permits issued by gender

Source: Labour Migration for Employment. A Status Report for Nepal 2014/15

Employment Permit System and their numbers are not reflected in Figure 1. Though there has been some increase in the number of women labour migrants receiving the permit, the number of men labour migrants who were issued labour permits heavily outweighs the number of women labour migrants every year

Government of Nepal (GoN), in particular Central Bureau of Statistics (CBS), the Ministry of Labour and Employment (MoLE), Department for Foreign Employment (DoFE) and Foreign Employment Promotion Board (FEPB), among others. Data could also be present with national and international non-governmental organization carrying out studies related to a wide range of socio-economic, development issues, but it is available exclusively for their internal use.

According to the official statistics from the Department of Foreign Employment, there has been a steady increase in the number of labour permits issued since 2008 (Figure 1⁵¹). This increasing number indicated in Figure 1 does not include labour migrants going to India and the RoK. In case of labour migrants to India, a work permit is not required because of the open border and those going to RoK apply to the government-to-government

(Figure 1(a)). The number of labour permits issued dipped slightly in 2014/15, but that could be attributed to the two major earthquakes that shook Nepal in April and May 2015.

Population census	Total population	Absent population	Absentee population as a percentage of total population
1961	9,741,466	328,470	3.4
1971	NA	NA	NA
1981	15,425,816	402,977	2.6
1991	19,149,387	658,290	3.4
2001	23,499,115	762,181	3.2
2011	26,494,504	1,921,494	7.3

Figure 2. Absentee population of Nepal

Source: MoLE, GoN

The Population Census of Nepal has data on the absentee population in Nepal, allowing the most precise estimation of out migration from Nepal (Figure 2)⁵². Census data shows a constant increase in numbers of external migrants since 1961, but the most significant jump was registered between 2001 and 2011 – numbers of migrants increased 2.5 times.

Besides the Population Census, Nepal Labour Force Survey 2008⁵³ was conducted by the Central Bureau of Statistics with financial and technical support from UNDP and ILO. This survey uses different definitions of migrants and absentee population compared to other surveys. Migrants were considered not only those who were not born in the current place of residence, but also those who have moved there from elsewhere (from other VDCs or municipalities in Nepal or from abroad). This implies that, by this broad definition, 33 per cent of the population of Nepal in 2008 were internal migrants (mostly) or immigrants from abroad. As for absentee population, the survey considered absentee as those people who the household considered a household member, but were excluded from the survey's definition of household membership because of their prolonged absence (at least 6 months in the last 12 months or expected to be away for more than 6 months). By this definition, in 2008 about 15 per cent of the population was considered to be part of the absentee population. In other words, the category of absentee in effect measures the level of external migration.

⁵¹ Department of Foreign Employment website: <http://www.dofe.gov.np>

⁵² Labour Migration for Employment: A Status Report for Nepal 2013/14

⁵³ http://cbs.gov.np/image/data/Surveys/2015/NLFS-2008_percent_20Report.pdf

In terms of destinations for labour migration, there are 110 countries to where the GoN has formally allowed Nepalis to migrate for work.⁵⁴ However, a recent report published by the Ministry of Labour and Employment indicates that in the past seven years (2008/09 to 2013/14) labour migrants have obtained permits to work in as many as 142 countries. This is because any country that is a member of the United Nations, unless banned by the GoN, can be chosen as a destination country by a migrant worker.

The most popular destination for Nepali labour migrants, specifically short-term migrants, is India mainly because of the open border⁵⁵ and low cost of migration. Despite India being a popular destination among Nepali migrants, the exact annual scale and pattern of migration to India is not known.⁵⁶ The only available source is the census, which collect the number of Nepalis migrating to India. In the year 1981, 93.1 per cent of Nepali labour migrants went to India. This number decreased constantly to 89.2 per cent in 1991, 77.3 per cent in 2001 and 37.6 per cent in 2011.⁵⁷

However, other official studies on migration tend to exclude India as a destination country, due to information gaps. Thus, according to official estimates, Malaysia and the GCC countries (Saudi Arabia, Kuwait, Qatar, UAE, Bahrain and Oman) are the most popular destinations for Nepali labour migrants. Excluding India, almost 85 per cent of the total labour migrants from Nepal have visited these countries in the last seven years.⁵⁸ Another favoured destination for Nepali labour migrants is the Republic of Korea. The government-to-government agreement with the RoK ensures a favourable working and living environment and an attractive salary for labour migrants. Nevertheless, the share of people migrating to the RoK is fairly small compared to the total labour migrant flow from Nepal – of the total number of people migrating from Nepal from 2008-09 to 2014-15, the share of labour migrants going to the Republic of Korea was 1.3 per cent.⁵⁹

In terms of territorial distribution within Nepal, there has been an overall rise in the number of labour migrants obtaining labour permits from all 75 districts of Nepal. However, a few districts such as Dhanusa, Jhapa, Mahottari, Morang, Siraha,

Nawalparasi, Sunsari, Saptari, Rupandehi and Sarlahi register significantly higher numbers of labour migrants.

District	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	Total share in seven years
Bara	1.08	1.12	1.51	1.6	1.76	1.9	1.96	1.68
Rautahat	0.95	0.95	1.19	1.27	1.58	1.83	2.05	1.56
Kailali	0.36	3.28	3.89	2.81	0.62	0.7	0.77	1.48
Kapilvastu	0.75	0.97	1.24	1.21	1.87	1.78	1.92	1.56
Banke	0.61	0.83	1	0.98	1.25	1.26	1.3	1.12
Parsa	0.54	0.53	0.72	0.86	0.94	1.37	1.33	1.02
Bardiya	0.45	0.6	0.83	0.75	0.95	0.96	1.05	0.87
Kanchanpur	0.41	0.52	0.71	0.57	0.71	0.73	0.76	0.67
Makwanpur	1.75	1.53	1.51	1.86	2.06	2.07	1.97	1.89
Syangja	2.02	1.46	1.8	1.8	2.2	1.91	1.86	1.9
Dhading	1.46	1.68	2.08	2.11	1.76	1.68	1.63	1.76
Tanahu	2.69	2.17	2.23	2.41	2.21	2.01	1.93	2.16

Figure 2(a): Dynamic of labour permits issued by district, as percentage to total population of district

Source: MoLE, GoN

Despite these districts being the top districts of origin of labour migrants, their share in the total has been decreasing slowly over the years as a result of increase in number of labour migrants from other districts. Considerable increase has been noticed in districts like Bara, Parsa and Rautahat and in the western terai region of Nepal (such as Banke, Kanchanpur and Kapilvastu).⁶⁰

Migration Factors

Push factors

There are very few studies that have discussed the push and pull factors of migration in the case of labour migrants from Nepal. However, much can be said

⁵⁴ <http://www.dofe.gov.np/new/pages/details/28>

⁵⁵ An open border is an important factor primarily because it makes mobility across the border hassle-free and significantly cheap.

⁵⁶ Official estimated about migration tend to exclude migration to India because keeping track of migrant flow between Nepal and India is a very tedious and costly affair. Primarily because of the open and porous border between the two countries and easy mobility across the border even without proper documentation.

⁵⁷ Population Monograph of Nepal, 2015

⁵⁸ Labour Migration for Employment: A Status Report for Nepal 2014/15

⁵⁹ *ibid*

⁶⁰ *ibid*

on the basis of anecdotal evidence and observation. The major push factor driving Nepalis out of the country for work has most probably been the unstable political-economic situation in Nepal. In general, people's lack of trust in the government, the unfavourable investment climate in Nepal, difficulty in doing business, lack of jobs or lack of well-paying jobs, to match the skills and qualifications of people, sky rocketing inflation and low standard of living in Nepal all combine to encourage mass short- or long-term migration, for work or study. Piya & Joshi (2016) list lack of employment opportunities, occurrence of natural disasters, persistent poverty, increased pressure on natural resources and deteriorating natural resources as some of the push factors for migration.⁶¹ Likewise, Regmi, Paudel, & Williams (2014) state that weak performance of the agriculture sector, high population growth and unstable political situation are some of the factors that encourage migration from Nepal.⁶²

However, individual and household characteristics equally define a person's decision to migrate. For instance, a person's economic status, besides being a push factor, may also serve as a determinant to choose a specific destination of migration. A person with poor economic status (and usually poor education and skill level) cannot afford to spend much on migration costs. So, he/she would choose to go to countries with low costs of migration, say India. Those who can manage some funds for migration would rather opt for Malaysia and the Gulf countries (perhaps because of higher wages than in India). In contrast, a person who can afford higher migration costs and one who has higher education qualification would prefer to migrate to more developed destinations such as USA, Australia, or the European Union. In practice, it is observed that the higher the cost of migration, the higher is the probability of long-term migration and lower levels of return intention.

The existence of migrant networks is another major determinant for choosing the destination country. Regmi, Paudel, & Williams (2014)⁶³ state that personal networks are a crucial factor when selecting a migration destination from Nepal. Existence of strong migrant networks at home can enable a potential migrant to borrow adequate funds to finance his/her migration stint and also make informed decisions at various steps of the migration process. Additionally, presence of such networks

in destination countries helps facilitate migration by reducing the uncertainties involved.

Pull factors

Regmi, Paudel, & Williams (2014)⁶⁴ suggest that a higher wage rate and easy visa process in the GCC and Malaysia may be important factors that attract labour migrants. Other pull factors could be low cost of migration to certain countries coupled with high wages. People migrate to access higher incomes compared to what they can earn in Nepal. Looking from different aspect, the factor attracting a large number of migrants to specific countries may be the significant amount of net savings a migrant can generate. This explains the behaviour of a large share of Nepali labour migrants going to the Gulf countries, despite their generally extreme weather conditions. A high standard of living and social benefits are other factors that seem to attract labour migrants.

From the demand side, labour market demand for the skills offered is also a determining factor, especially among highly skilled migrants. This is the reason the most qualified migrants migrate to more developed economies, whereas the less qualified go to countries such as the Malaysia, GCC countries, India among others.

Directions of Migration

According to the most recent study,⁶⁵ the most labour migrants from Nepal go to India (37.6 per cent), the Middle East (37.6 per cent) and the ASEAN countries (13 per cent) for foreign employment. In order to analyse the migration pattern of Nepalis in different countries, it is convenient to segregate the destination countries into India and countries other than India. It is speculated that the largest numbers of Nepalis go to India for employment- especially the poor migrants from the western, mid-western and far-western development regions who cannot afford the cost associated with foreign employment in destinations other than India. Other factors that dictate their choice is geographical proximity and presence of a developed personal network.⁶⁶

61 Piya, L., & Joshi, N. P. (2016). Migration and Remittance in Nepal: A Review of the Push-Pull Factors and Socioeconomic Issues. *Journal of Contemporary India Studies: Space and Society*, 41-53.

62 Regmi, M., Paudel, K. P., & Williams, D. (2014). Push and Pull Factors Associated with Migration in Nepal: An Economic Perspective. Minneapolis.

63 *ibid*

64 *ibid*

65 Nepal Labour Market Update, ILO 2014

66 Passage to India- Migration as a Coping strategy in Times of Crisis in Nepal, World Food Program Nepal, 2008.

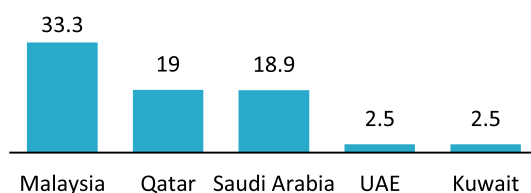


Figure 3. Top five migrant destination countries (excluding India)

Source: Labour Migration for Employment A Status Report for Nepal 2014/15

Nepal started observing flow of migrants to countries other than India after the restoration of democracy in 1990. Only over the seven-year period, between 2008/09 and 2014/15, a total of 2,723,587 labour permits⁶⁷ were issued for foreign employment with Malaysia and GCC countries as the most preferred destinations.⁶⁸ Of all the labour migrants for foreign employment sent by recruitment

agencies, 33.3 per cent of labour migrants went to Malaysia (Figure 3), followed by Qatar (19%), Saudi Arabia (18.9%), UAE (9.8%) and Kuwait (2.5%).⁶⁹ Those who can manage funds of up to NRs 100,000 prefer to go to the Gulf countries.

Currently, the trend of migrating to Republic of Korea (RoK) is gaining pace after the Nepal Government implemented the Employment Permit System (EPS) facilitating labour migration to the RoK since the ministerial agreement in 2007. However, the flow is limited by quotas on the number of people, and an aspiring labour migrant has to pass the Korean Language Test. Also, people with better financial profile migrate to the high income developed countries like USA, Canada and Australia.

The share of women labour migrants in total migration is very low. In Fiscal Year (FY) 2014/15, only 4.3 per cent of the people who obtained labour permits were women. Women prefer different destinations than men. The top five destinations for women labour migrants for employment in the past seven fiscal years were UAE (19.9%), Malaysia (18%), Kuwait (13.6%), Qatar (4.7%) and Lebanon (3.2%). The actual number of women labour migrants may be even higher given that they go through irregular channels to the countries deemed insecure for women migrants by the government.⁷⁰

⁶⁷ The data does not include migrants to India and Republic of Korea.

⁶⁸ Labour Migration for Employment, A Status Report for Nepal: 2014/15.

⁶⁹ Labour Migration for Employment, A Status Report for Nepal: 2014/15

⁷⁰ Analysis of Labour Market and Migration Trends in Nepal, GIZ, ILO, 2015.

Socio-Economic Characteristics of Labour Migrants

Regional trends

Over the past seven years, inhabitants of every district in Nepal have obtained labour permits for foreign employment. Districts with the most number of labour permits issued by 2015 were Dhanusha, Jhapa, Mahottari, Morang, Siraha, Nawalparasi, Sunsari, Saptari, Rupandehi and Sarlahi. Combined, these districts accounted for 36.2 per cent of all the labour permits issued from 2008 to 2015.

There is a variation in migration trends as per development regions in Nepal. Residents of the Eastern and Central Development Regions are more likely to migrate to GCC countries and Malaysia than to India, while overwhelming percentage of Nepalis from Mid-Western and Far-Western Development regions opt for employment in India.⁷¹ Migration to GCC countries and Malaysia are not very popular in these regions.

For the country as a whole, the proportion of Nepalis migrating to India for employment has been decreasing over the years as migrants have increasingly chosen destinations other than India. In the year 1981, 93.1 per cent of Nepali labour migrants went to India. This number decreased to 89.2 per cent in 1991, 77.3 per cent in 2001 and 37.6 per cent in 2011.⁷² However, it is important to note that the actual number of migrants to India has increased slightly each year.

Gender distribution

The share of men is largely dominant in foreign employment. Men constituted 95.7 per cent of all labour migrants according to data for the fiscal year 2014/2015. Women constituted only 4.3 per cent of the total labour migrants.⁷³ However, women's participation in foreign employment has significantly increased in comparison in the last seven years. The share of women in foreign employment was 3.9 per cent in fiscal year 2008/09, 3.4 per cent in 2009/10 and 2.9% in 2010/11. It peaked to 6.2 per cent in 2012/13, decreased to 5.6 per cent in 2013/14 and was at 4.3 per cent in

⁷¹ Large Scale Migration and Remittance in Nepal: Issues, Challenges and Opportunities, World Bank, 2011 Report No. 55390-NP.

⁷² Population Monograph of Nepal, 2015

⁷³ Labour Migration for Employment, A Status Report for Nepal: 2014/15

the fiscal year 2014/15. The number of women labour migrants has generally increased over the years, but it slumped with the overall migration in the fiscal year (2014/15) because of the effect of earthquakes.⁷⁴

The nature of work also varies significantly with regards to the gender of the migrant. Men are mostly employed in manual labour in sectors such as manufacturing, construction and agriculture. They are also employed as drivers, electricians, plumbers, carpenters or cooks. Women are usually employed as house helpers and caregivers, i.e. predominantly in domestic work. Consequently, proportions of women are higher in countries where domestic help is in high demand.

Age distribution

Every second labour migrant (50.3 per cent) for foreign employment is between 15 and 29 years. The highest percentage of women labour migrants is also within the age group of 15-29 years. This age group represents 19.3 per cent of all women labour migrants.⁷⁵ Though there are restrictions on age, with minimum age limit of 24 years for women for foreign employment, they still manage to reach foreign destinations through irregular means, including by forging documents.⁷⁶

Economic background

The most poor and vulnerable households have a higher probability of having a labour migrant member in India. They choose India for migration because of a very low cost of migration. Those in the middle strata who can manage to raise the required amount of money typically opt for work in the GCC and ASEAN countries while people with high incomes choose to go to other developed countries, like the USA and European countries.⁷⁷

⁷⁴ *ibid*

⁷⁵ Analysis of Labour Market and Migration Trends in Nepal, GIZ, ILO, 2015.

⁷⁶ No Easy Exit: Migration Bans Affecting Women from Nepal, International Labour Organization, 2015.

⁷⁷ Bhattarai, P., Migration of Nepalis Youth for Foreign Employment: Problems and Prospects, Youth Action Nepal, 2005.

Social status

Marginalized social groups such as Muslims, Hill Dalits and other minorities have the highest probability of having a labour migrant in their household.⁷⁸ Among people of all social groups, Hill Dalits have the highest probability to migrate (53 per cent), while Terai Dalits and Newars have the lowest probability at 25 per cent each to migrate.⁷⁹

For Hill Dalit migrants, India is the most preferred destination. Whereas, for migrants of social groups such as Hill and Terai Janajatis, Muslims and other minorities the most favoured destinations are GCC and ASEAN countries. Malaysia is mostly preferred by the Madhesi middle-class.⁸⁰

Education level

The education level of migrants usually differs with regards to the destination country and purpose of migration. Migrants to developed economies, such as the USA, UK, Australia, have attained higher levels of education on average. They are also generally long-term migrants and usually migrate for resettlement. Whereas labour migrants to the GCC countries, Malaysia or India have significantly lower levels of education.⁸¹ Since the proportion of labour migrants to the GCC countries, Malaysia and India is much higher in the total, the education level of external migrants is found to be low on average. Only 4 per cent of the external labour migrants for employment have a university degree and 7.2 per cent have attained higher school education (grades 11 and 12). Further, 36.5 per cent labour migrants have attained secondary level education and nearly 22 per cent have attained only primary education. Nearly 4.3 per cent of labour migrants do not have formal schooling.

⁷⁸ Large Scale Migration and Remittance in Nepal: Issues, Challenges and Opportunities, World Bank, 2011.

⁷⁹ *ibid*

⁸⁰ Analysis of Labour Market and Migration Trends in Nepal, GIZ, ILO, 2015.

⁸¹ *ibid*

Skills level

Most migrant workers leaving for foreign employment are low-skilled. DoFE has classified migrant workers as unskilled, semi-skilled, skilled and highly skilled or professional⁸². According to this classification, less than 1 per cent of the labour migrants were highly skilled or professional while about 74 per cent of the migrant workers were unskilled, 12 per cent were semi-skilled and nearly 14 per cent were skilled.⁸³ A larger proportion of people who migrate for employment were primarily engaged in agriculture before going abroad.

Savings

According to a report by the World Bank (2011), external labour migrants tend to save more than workers in Nepal. For instance, migrant workers to India save 60 per cent of their income as their cost of living in India was half the cost of living in Nepal. As a share of income, labour migrants to the GCC countries saved the most.⁸⁴

Future Trends in Migration

Migration from Nepal for employment was largely fuelled by the civil war in the period between 1996 and 2006. However, the recent flow of external migration has still not decreased. It has rather increased even after peace has prevailed in the country for over a decade. This can be largely attributed to the lack of job opportunities in the country. While youth unemployment is a major challenge for Nepal (compared to adult unemployment), there is also lack of decent and productive work, which results in various forms of labour underutilization. People are either working for less number of hours than desired or are experiencing skill mismatch in their job.⁸⁵

While in the past migration was a way of avoiding poverty by the poor, today it has become a very common practice among Nepalis. This has led to remittance becoming a major source of household income and a significant proportion of the country's GNI.⁸⁶

⁸² Ibid

⁸³ Ibid

⁸⁴ Large Scale Migration and Remittance in Nepal: Issues, Challenges and Opportunities, World Bank, 2011

⁸⁵ Labour and Social Trends in Nepal, ILO- 2010.

⁸⁶ <http://www.ilo.org/kathmandu/areasofwork/labour-migration/lang--en/index.htm>

Recently, a short-term dip experienced in external migration trend was due to the devastating earthquakes in April and May 2015. There was a 3.8 per cent decrease in permit issued in 2014/15 compared to previous years.⁸⁷ Yet lack of job opportunities in the country and sky rocketing inflation are bound to give the impetus to migration. Moreover, pull factors become predominant in migration trends compared to push factors. Most of the labour-receiving countries, especially GCC countries, are expected to continue facing labour force demand pressures because of rapid growth. With expansive infrastructure projects and current development trends in the destination countries, it can be expected that most of the demand for workers will be in the low-skilled and semi-skilled categories.⁸⁸ This can certainly increase demand for Nepal's labour force, which is basically low-skilled and semi-skilled. On the other hand, combining relatively high costs of recruiting Nepali

workers with a general perceived overprotective Nepali government and over-regulated recruitment process in Nepal, Nepali workers may lose competitive advantage over labour migrants from other countries.

FINANCIAL FLOWS

Remittance Trends

Remittances represent a large and continuously expanding proportion of Nepal's gross national income (GNI). In 2015, when the country was struck by a magnitude 7.8 earthquake and the GNI growth rate nearly halved from 5.9 per cent in 2014 to 2.7 per cent in 2015, remittance inflows became the largest contributing factor to stabilizing the economy. Based on 2013 remittance transfer data, the World Bank ranked Nepal as the country with the fourth largest remittance to GDP ratio (after Timor-Leste, Tajikistan, and Kyrgyzstan).⁸⁹

⁸⁷ Labour Migration for Employment A status report for Nepal 2014/15.

⁸⁸ Analysis of Labour Market and Migration Trends in Nepal, GIZ, ILO, 2015.

⁸⁹ Migration & Remittances Data. Retrieved 22 August 2016, <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

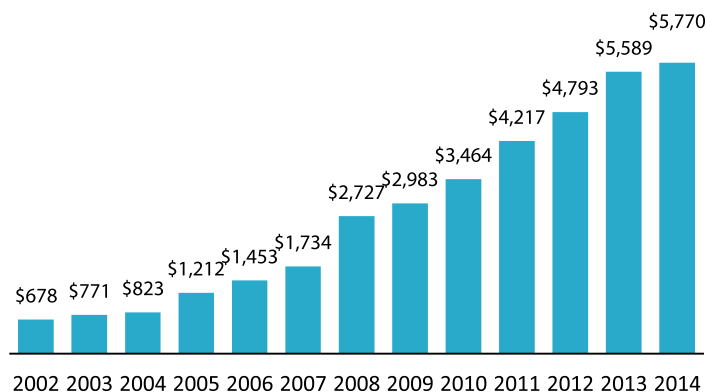


Figure 4. Estimate of annual remittance flows to Nepal in US\$ (in millions)
Source: United Nations Conference on Trade and Development

In 2014, remittance inflows amounted to nearly US\$ 5.8 billion (Figure 4). Indeed, in the period 2010–2014, the yearly increase in remittances has always been more than US\$ 181 million.

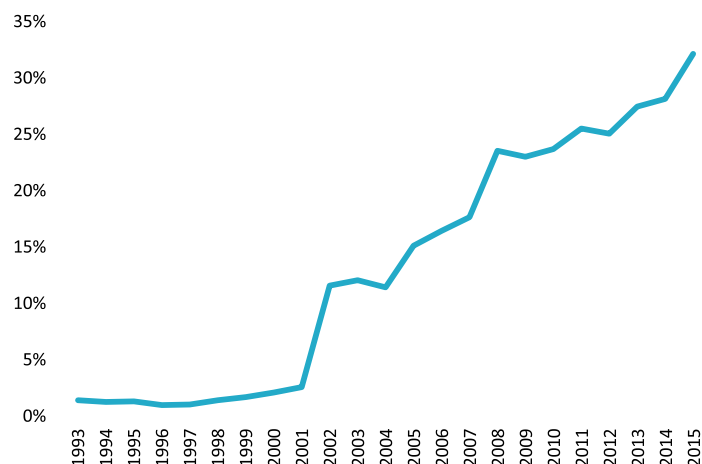


Figure 5. Yearly remittances as a proportion of GNI
Source: World Bank Data

To that end, Figure 5 illustrates how, with the return to democracy and the introduction of liberal economic policies in the 1990s and the increase in number of Nepalis migrating to work, the remittance to GNI ratio has registered a nearly exponential growth.

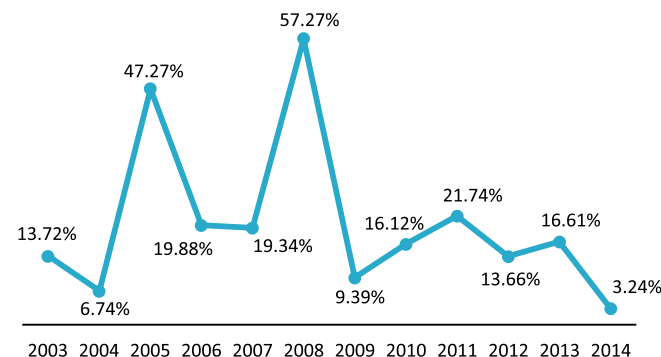


Figure 6. Dynamic of remittances growth
Source: United Nations Conference on Trade and Development

Figure 6 illustrates the yearly growth rate of remittance transfers. It is of interest to note that for the period in question the growth of remittances has continuously outstripped the country's overall growth rate.

10 per cent error bars are included around each data, because the exact proportion of overall remittances sent through informal channels is unknown. From a survey conducted in 2008, the Nepal Rastra Bank estimated that 28.9 per cent of money transfers were carried out by Hundi.^{90–91} Informal transfer methods are generally complicated, expensive, and fraught with risk.⁹² Some analysts suggest that engaging in hundi is itself illegal and there is no legal protection for the remitters if the operators of hundi default on payments to local family members.⁹³ As conventional banking becomes increasingly accessible, a decrease of transfers made through informal methods may be expected.

Moreover, according to the World Bank's data, fees for remittance transfer to Nepal are lower than the average cost of USD 18 for remittance transfers among the world corridors. In 2011, to transfer USD 200 into Nepal, would cost on average USD 6.95 from Saudi Arabia, USD 12.1 from the UK and USD 9.23 from United Arab Emirates.⁹⁴ Data on the cost of remittance transfers through informal channels is not available.

90 Note: A Hundi is an unconditional order in writing made by one person directing another to pay a certain sum of money to the person named in the order. Hundis are a part of the informal system and have no legal status.

91 Labour Migration for Employment A Status Report for Nepal: 2013/2014. Nepal. p. 37

92 Seddon, David, Jagannath Adhikari, and Ganesh Gurung. "Foreign Labour Migration and the Remittance Economy of Nepal." *Critical Asian Studies* 34, no. 1 (March 2002): 19–40. doi:10.1080/146727102760166581

93 <http://thehimalayantimes.com/business/countering-hundi> Accessed 28 January 2017.

94 <http://kathmandupost.ekantipur.com/news/2011-07-10/pricing-the-transfer.html> Accessed Jan 27, 2017.

In terms of remittance transfers, Nepal received the highest remittance inflows from Qatar (USD 2.02 billion) in 2015, followed by Saudi Arabia (USD 1.8 billion) and India (USD 1 billion). Though Malaysia is identified as a popular destination, remittance contributions from the country was low (USD 185 million) in 2015.⁹⁵ The decrease could be attributed to the fact that Malaysia is gradually losing its charm as an attractive destination country for Nepali migrant workers owing to its increasing insecurity and ailing economy. A leading newspaper reported in early 2016 that about 300,000 Nepali migrant workers have requested the government to help them return to Nepal. Many migrant workers also reported being cheated or robbed of their earnings.⁹⁶

Nonetheless, given the correlation between irregular migration and informal remittance transfer methods,⁹⁷ combined with the fact that respondents tend to underreport the value of transfers made through informal methods, it remains difficult to calculate the real value of the overall remittance inflows.

Transfer Mechanisms

Nepal is ranked 95 in the world for remittance transfer costs by index mundi,⁹⁸ with an average remittance cost of 3.97 per cent of the total value sent (in 2015). For the top five migration countries (excluding Kuwait, where no data was available) the average cost of remittance transfers was only 2.33 per cent.

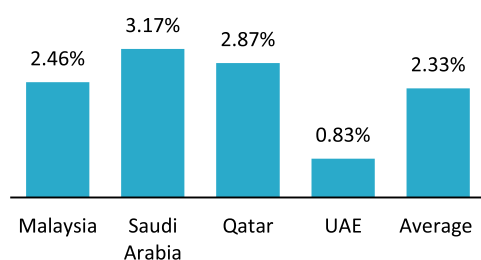


Figure 7. Remittance costs for top countries
Source: The World Bank, Remittance Prices Worldwide

95 <http://admin.myrepublica.com/opinion/story/40659/infographics-remittance-flows-in-nepal.html> Accessed Jan 28, 2016.

96 <http://admin.myrepublica.com/society/story/36293/300-000-nepalis-in-malaysia-wish-to-return-dofe.html>. Accessed June 2017

97 Kosse, A., R. Vermeulen, "Migrants Choice of Remittance Channel, Do General Payment Habits Play a Role?" European Central Bank, Working Paper Series No. 1683, June, 2014.

98 "Nepal - Average Transaction Cost of Remittances (percent)." Accessed August 22, 2016. <http://www.indexmundi.com/facts/nepal/indicator/SI.RMT.COST.ZS>

Numerous additional costs are faced by migrant workers, however. The cost of remittance transactions is likely to include fees paid to a sending agent and currency conversion fees. Often, money transfer operators require beneficiaries to pay a fee to collect remittances.⁹⁹

Explicit as well as hidden charges are likely to vary geographically. Accordingly, the mechanism by which remittances are sent will be highly dependent on the country in which the labour migrant is working. Figure 7 shows a breakdown of the various remittance mechanisms used across the most popular migration destinations. With the exception of India, in all of the locations considered formal channels are preferred to informal channels.

Yet data shows that informal channels are very popular among Nepali labour migrants since 40 per cent of them use these channels. A migrant may use both informal and formal channels to remit but the most considered factors when choosing a transfer channel by migrant workers are those related to speed, cost, and security of transfer mechanism. Back in 2002, in their investigation of migrant workers from Sainik Basti in Western Nepal, Thieme and Wyss found that very few migrant workers used banks to transfer money. Their paper cited "limited knowledge of commercial banking," "long processing time of up to three weeks," and inability to obtain bank account abroad and in rural Nepal as reasons for this.¹⁰⁰ Thieme and Wyss also noted that those who had migrated irregularly faced greater difficulty in remitting their incomes through formal channels.¹⁰¹

99 Gaudel, Yadav Sharma. "Remittance Income in Nepal: Need for Economic Development." Journal of Nepalis Business Studies 3, no. 1 (March 29, 2007): 9. doi:10.3126/jnbs.v3i1.491. p. 9

100 Thieme, Susan and Simone Wyss. "Migration Patterns and Remittance Transfer in Nepal: A Case Study of Sainik Basti in Western Nepal." International Migration 43, no. 5 (December 2005): 59-98. doi:10.1111/j.1468-2435.2005.00342.x.

101 Thieme, Susan and Simone Wyss. "Migration Patterns and Remittance Transfer in Nepal: A Case Study of Sainik Basti in Western Nepal."

Location of Migrant	All	India	Gulf	Malaysia	Other
Brought himself/herself	28.5 %	62.2 %	4.7 %	6.9 %	7.6 %
Through friends or relatives	33.8 %	69.8 %	6.4 %	9.7 %	21.7 %
Through hundi	4.9 %	3.4 %	4.3 %	10.3 %	6.7 %
Through money transfer companies	47.7 %	3.8 %	81.5 %	72.9 %	67.5 %
Transfer to own bank account	8.0 %	4.1 %	9.9 %	2.7 %	25.1 %
Transfer to other's bank account	3.7 %	0.4 %	5.0 %	9.5 %	5.4 %

Figure 8. Remittance channels by destination (multiple channels)..
Source: Analysis of Labour Market and Migration Trends in Nepal (ILO)
Note: It is possible for a migrant to remit via multiple channels

However, advances in the efficiency and accessibility of international banking networks as well as efforts by the Nepal Rastra Bank to curb informal flow of remittance is slowly leading to a shift towards increasing use of formal channels.¹⁰² The rise in the use of formal remittance mechanisms¹⁰³ may also be indicative of an underlying process of legitimization (by which workers migrate through formal channels) of the market for labour migrant.

Savings, Investment, and Financial Literacy

According to the 2010/11 Nepal Living Standard Survey, the primary use of remittances was daily consumption, followed at a distance by loan repayments. Despite the low migration costs associated with travel to India, the trend held true in India too. For labour migrants travelling to Malaysia and the Gulf States, roughly 55 per cent of remitted incomes were used to support daily consumption. For those working in other countries the amount was significantly higher (Figure 9).

Country of migration	Daily Consumption	Education	Capital Formation	Business	Household	Savings	Loan Repayment	Other
India	84.6	2.2	2	0.3	4.2	0.4	4.5	1.9
Malaysia	52.1	4.3	4.3	1.2	5	0.9	30	2.2
Saudi Arabia	57.6	1.2	4.3	0.5	2.8	0.6	31	2.1
Qatar	55.4	5	6.2	0.3	4.3	0.5	25.8	2.5
United Kingdom	74.2	0	3.6	2	2	3.2	10.2	4.8
Other	59.1	6.3	4.6	1.6	1.9	3.1	19.1	4.3

Figure 9. Remittances by primary use by preferred migration destination
Source: Nepal Living Standard Survey 2010/11, Volume II

¹⁰² Ghimire, Sagar. Rising remittance flow keeping economy afloat despite earthquake, blockade. 23 December 2015. Accessed 27 January 2017. <http://admin.myrepublica.com/feature-article/story/33445/rising-remittance-flow-keeping-economy-afloat-despite-earthquake-blockade.html>

¹⁰³ Ghimire, Sagar. Rising remittance flow keeping economy afloat despite earthquake, blockade. 23 December 2015. Accessed 27 January 2017. <http://admin.myrepublica.com/feature-article/story/33445/rising-remittance-flow-keeping-economy-afloat-despite-earthquake-blockade.html>

Though remitted incomes were also spent on education, capital formation, and savings, the amounts were significantly smaller. The above trend holds true at the country wide level. Figure 10 gives a breakdown of the countrywide use of remittances.

The fact that close to 80 per cent of overall remittance transfers continue to be used to support daily consumption seems to indicate that labour migration is still carried out primarily to meet the labour migrant family's basic needs. Very little of the remitted income is used to enhance household productivity, however. In fact, in all of the countries considered in Figure 9 household consumption occupies a greater proportion of remitted incomes than on productive usage like education, business investment, and savings.

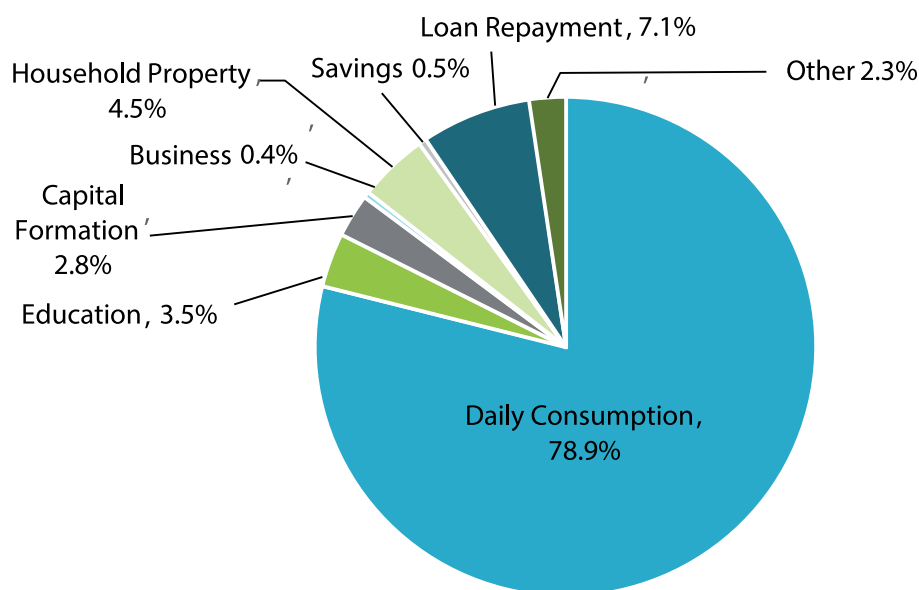


Figure 10. Overall use of remittances

Source: Nepal Living Standard Survey 2010/11, Volume II

The low levels of savings and business investment may be explained partly by a lack of financial literacy among labour migrant households. Indeed, the Global Financial Literacy Report compiled by the credit rating agency Standard and Poor's ranked Nepal 136th out of 144 countries.¹⁰⁴ In the report, only 18 per cent of respondents were able to correctly answer three out of four questions on basic finance. The problem of low levels of financial literacy extends to the most educated in Nepal, however. Research by Thapa and Nepal revealed that college students had little understanding of "credit, taxes, share market, financial statement and insurance."¹⁰⁵ Thus, because the financial literacy of the people of the country is very poor, they are not able to manage their remittance funds to their best benefit.

Despite the low levels of financial literacy, Figures 11, 12 and 13 show that as the scale and direction of migration has shifted, labour migrants in turn have begun to finance their journeys through conventional sources.

For all the households included in the Nepal Living Standard Survey for 2010/11, Figure 13 illustrates how between 1995/6 - 2010/11 the share of households borrowing money from money lenders decreased from 39.7 per cent to 15.1 per cent, while the proportion making use of banks increased from 16.1 to 20 per cent. Similarly, after an increase between 1995/6 - 2003/4, between the last two Nepal Living Standard Surveys the proportion of households with outstanding debt decreased from 66.7 to 62.6 per cent.

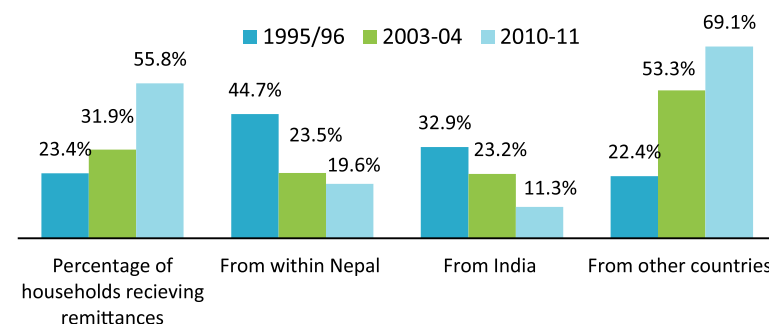


Figure 11. Changes in remittance patterns

Source: Nepal Living Standard Survey 2010/11, Volume II

¹⁰⁴ Onlinekhabar. "Financial Literacy Among Nepalis One of the Lowest in the World, Says Report." Accessed August 23, 2016. <http://www.onlinekhabar.com/2015/12/357748>

¹⁰⁵ Thapa, Bharat Singh, Raj Surendra, and Nepal. Financial Literacy in Nepal: A Survey Analysis from College Students. n.p., 2015. http://nrb.org.np/ecorev/pdf/vol27-1_art4.pdf

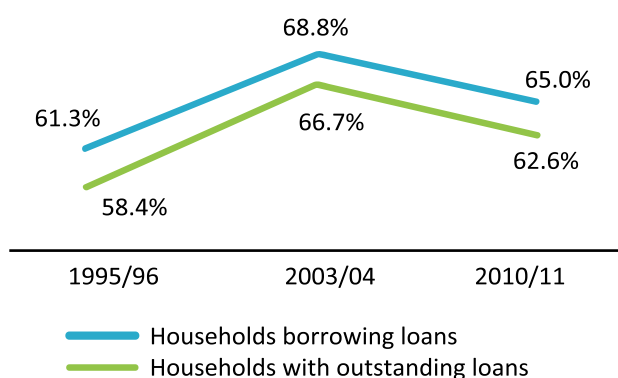
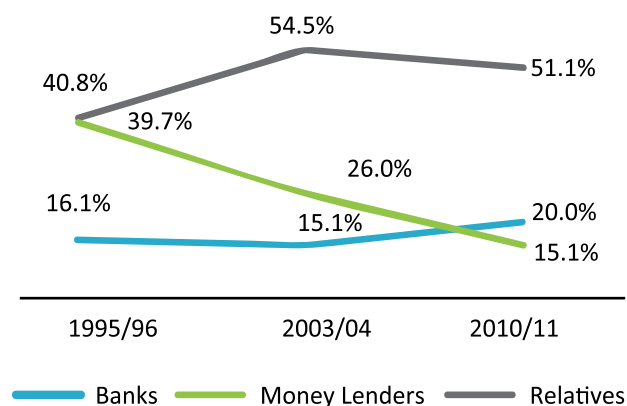


Figure 12. Borrowing households (overall figures)
Source: Nepal Living Standard Survey 2010/11, Volume II

Figure 13. Source of loans (overall figures)
Source: Nepal Living Standard Survey 2010/11, Volume II



The 2010/11 Nepal Living Standard Survey report showed that 80 per cent of all loans issued in Nepal are issued without collateral.¹⁰⁶ The stringent capital requirements demanded by commercial loan-making banks are a likely factor pushing labour migrants towards informal means of financing their journeys. Ferri notes that “banks require high levels of immovable collateral” and that “half of Nepal’s low-income households cannot use their homes as collateral because they do not have

¹⁰⁶ Nepal Living Standard Survey 2010/11

the required documents and because their dwellings are in a bad area, in poor conditions, or both.”¹⁰⁷ The recent drive to offer loans without collateral, pioneered by the Employment Fund Secretariat in the Far Western Development Region, may change this trend in the nearest future.¹⁰⁸

Impacts of Local Economies and Local Government Responses on Migrant Remittances

Given the current context of decentralization of governance in Nepal, it is important to reflect on the effects this development could have on migration and remittances as well as on how local governments can leverage the development benefits of migration and remittance. For one, since almost all the migrants send home some amount as remittance to sustain the family they have left behind, most family members of migrants become unproductive and overly dependent on remittances over time. The local governments could benefit by finding ways to best utilize the workforce available in Nepal in productive and income generating activities. This could be one way to strengthen the local economy. However, experiences of other countries with similar structure of government such as in Nepal will help us to understand this dynamic better.

(Orozco, nd) discusses the response of local government of five cities in Latin America and the Caribbean to migration and remittances. The five cities are: Jerez in Mexico, Suchitoto in El Salvador, Salcacha in Guatemala, May Pen in Jamaica and Catamayo in Ecuador. Although all 5 cities have a good number of migrant population and receive remittances, their response to the situation is different. The local governments lack proper guidance in the case of Jerez, Suchitoto and Salcacha. In Jerez, the federal, state and local level governments contribute one dollar for every dollar matched by a home town association. In 2005, the local government had participated and approved 35 such basic infrastructure projects under this program. However, despite the initiative, the effort put in by the local government was often incomplete and reactive. There have been similar efforts by the governments in Suchitoto and Salcacha. In all the three cases, the governments

¹⁰⁷ Ferrari, Aurora, Sabin Raj Shrestha, and Guillemette Jaffrin. Access to Financial Services in Nepal. Washington, DC, United States: World Bank Publications, 2007. p. 33-36

¹⁰⁸ “Monthly Business Magazine in English Published from Nepal.” 2015. Accessed August 23, 2016. <http://www.newbusinessage.com/Articles/view/626>

though showing interest, however lack the resources and technical assistance to adapt to the realities of migration and remittances (Orozco, nd).

In case of the two other cities May Pen and Catamayo, neglect by the local governments is evident when dealing with migration and remittances. In May Pen, though the government realizes the importance of migration and remittances in the community, they lack any systematic policy to leverage the resource whereas in Catamayo, there is an implicit and often explicit denial of migration. The local government does not have any interest towards creating policies towards migration and transnational families (Orozco, nd).

In case of Nepal, it will gain heavily by directing its focus towards remittances and the positive implications it could have on the economy and the local governments would be playing a critical role in this regard.

CRISES IMPLICATIONS ON SAVINGS AND INVESTMENT

Impact of the 2015 Gorkha Earthquake on Remittances

April 2015 saw Nepal hit by a magnitude 7.8 earthquake with its epicentre at Gorkha district, followed by subsequent aftershocks reaching magnitudes of up to 6.7.¹⁰⁹ The earthquake incurred an estimated cost of \$19.2 billion¹¹⁰ and reduced the country's economic growth rate from 5.1 per cent in the previous financial year to only 3 per cent.¹¹¹ Widespread loss of life, destruction of physical (see Figure 14), social and economic infrastructure, and diversion of government funds for use in reconstruction exerted opposing effects on the employment decisions of migrant workers.

109 "M6.7 - 21km SSE of Kodari, Nepal." Accessed August 29, 2016. <http://earthquake.usgs.gov/earthquakes/eventpage/us200029bt#executive>.

110 LP, Cable News Network. "Nepal Suffered up to \$10 Billion Loss in Earthquake: Government." May 16, 2015. Accessed August 29, 2016. <http://www.news18.com/news/world/nepal-suffered-up-to-10-billion-loss-in-earthquake-government-990938.html>

111 Asian Development Bank. "Nepal: Economy." June 7, 2016. Accessed August 29, 2016. <http://www.adb.org/countries/nepal/economy>

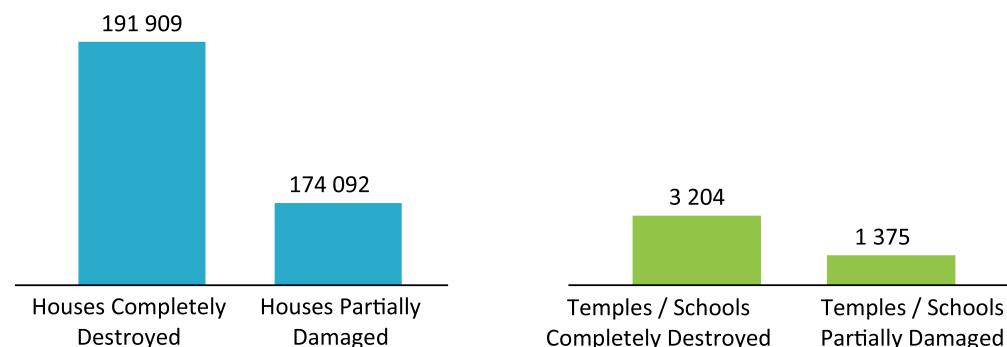


Figure 14. Destruction of physical infrastructure

Source: Nepal Police available at- www.nepalpolice.gov.np

A notable effect of the earthquake was a temporary decrease in migrant workers. The department of Foreign Employment reported that in the one-month period immediately following the earthquake the number of people departing for foreign employment (with work permits) decreased by 40 per cent; nonetheless, around 31,000 people left the country in that period. While many potential labour migrants will have chosen to remain in Nepal to help with reconstruction, the country's seasonal economy may also have played an important role in migration decisions. Following the earthquake, the United Nations expressed concerns that those engaged in agricultural work would only have a short time to plant crops before the onset of the Monsoon rains, and that as a result much of Nepal's following harvest might be lost.¹¹² Since a majority of labour migrants (94.3% in 2013/14) are from Nepal's Hill and Terai regions,¹¹³ it is likely that many remained in Nepal to participate in agricultural work.

Despite decreased numbers of new labour migrants, the value of remittance inflows increased in that period as current migrant workers strove to support their family in Nepal. In this respect, Nepal Rastra Bank reported a 35 per cent year-on-year increase in remittances flows between mid-April to mid-May and mid-May to mid-June.¹¹⁴ Increase of remittances flow, especially through official channels, may have

112 "UN News - in Nepal, Senior UN Official Warns 'clock is ticking' for Earthquake Relief Efforts." May 4, 2015. Accessed August 29, 2016. <http://www.un.org/apps/news/story.asp?NewsID=50757#.V8PXF9E195TN>

113 Labour Migration for Employment A Status Report for Nepal: 2013/2014. p. 26

114 United Nations. Note on Migration and Remittances. n.p., 2015. http://reliefweb.int/sites/reliefweb.int/files/resources/150724_assessment_unit_-_migrants_and_remittances.pdf

also been stimulated by official remittance sending channels (banks and MTOs), who in the first month following the earthquake lowered or altogether suspended sending charges,¹¹⁵ but was also due to fundraising activities. Those engaged in foreign employment showed reluctance to return to Nepal, however. Despite the Government of Nepal offering to reimburse the airfares of external labour migrants who had lost relatives during the earthquake, only 13 labour migrants took up the offer.¹¹⁶

The findings in Figure 15 are indicative of a general trend, by which in the aftermath of a natural disaster support for domestic residents is provided both in the form of increased remittances and in the form of the physical presence of workers in the country at the time. Therefore, it is likely that the increase in remittance allowed for the maintenance of an established level of consumption.

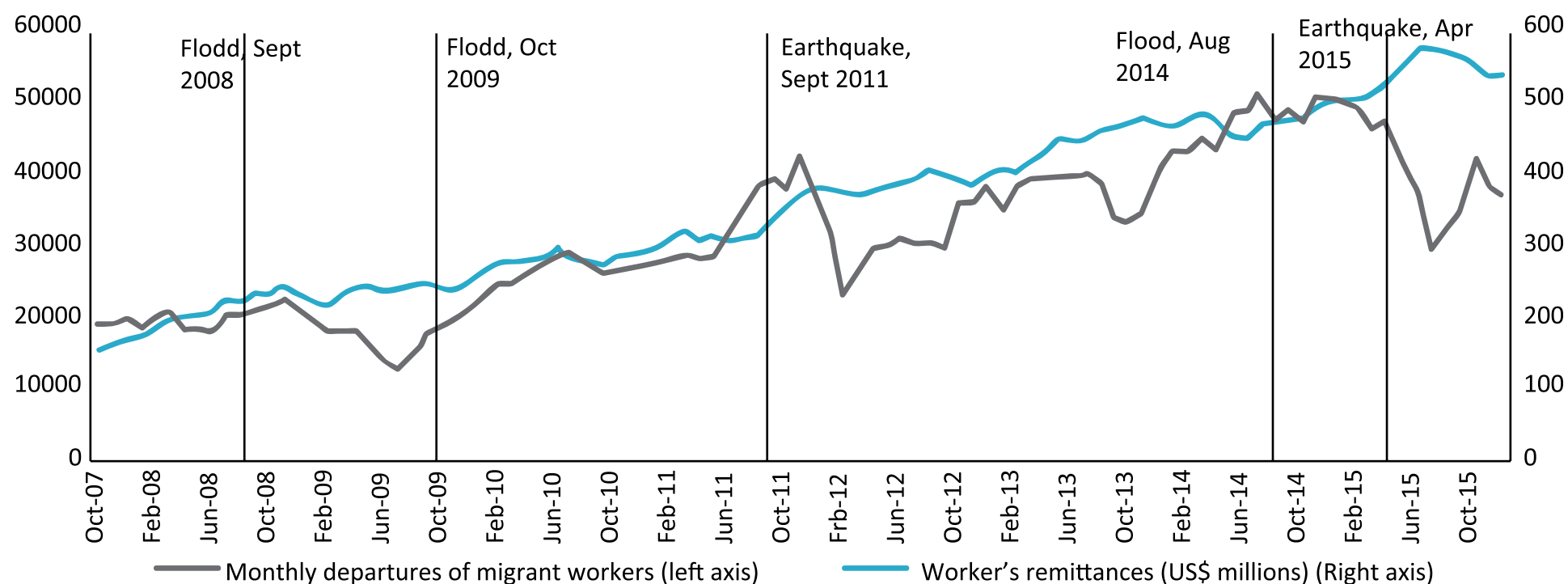


Figure 15. Remittances, migration trends and natural disasters in Nepal

Source: The World Bank, Migration and Remittance: Recent Developments and Outlook

¹¹⁵ Report, Post. "Remittance Inflow up Post Earthquake." August 29, 2016. Accessed August 29, 2016. <http://kathmandupost.ekantipur.com/news/2015-05-08/remittance-inflow-up-post-earthquake.html>

¹¹⁶ SHRESTHA, SHREEJANA. "Only 13 Quake-Bereaved Migrants Apply for Ticket Refund." July 5, 2015. Accessed August 29, 2016. <http://admin.myrepublica.com/society/item/24059-only-13-quake-bereaved-migrants-apply-for-ticket-refund.html>

Dependence on Receiving Countries: financial crises and capital substitution

Citing the Asian financial crash of 1997, the World Bank notes that remittance inflows have been observed to be “stable or even counter-cyclical.”¹¹⁷ With regards to the most recent financial crisis, remittance inflows in South Asia have proven to be particularly resilient. While global remittances declined by six per cent during the period 2008-09, the growth rate of remittances indeed increased in the region.¹¹⁸

Together, the top five destination countries (Malaysia, Saudi Arabia, Qatar, UAE, and Kuwait) account for 97 per cent of official foreign employment (excluding employment in India).¹¹⁹ Since diversity of destination and resilience of remittance flows go hand in hand, Nepal’s over reliance on these few key destinations may prove to be problematic.

Already, such dependencies take place. In the fiscal year 2015/16, the remittance flows increased only by 7.7 per cent. In 2015, the number of Nepalis going for

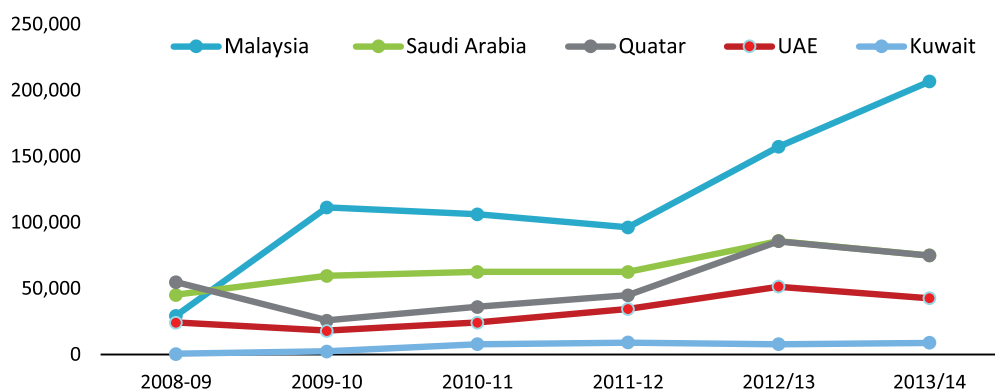


Figure 16. Trends in top destination countries by labour permits issued
Source: Labour Migration for Employment: A Status Report for Nepal: 2013/2014

117 Canuto, Otaviano, Marcelo M. Giugale, and Marcelo M. Giugale Otaviano Canuto. The Day After Tomorrow: A Handbook on the Future of Economic Policy in the Developing World. Edited by Otaviano Canuto Giugale. Washington, DC: World Bank Publications, 2014. p. 297

118 *ibid*

119 Labour Migration for Employment A Status Report for Nepal: 2013/2014. Nepal. p. 27

foreign employment decreased by 18.4 per cent.¹²⁰ This decline was partly due to Malaysia halting to hire workers and partly a result of protests by employment agencies against the Government of Nepal’s zero cost migration initiative, under which employers from Malaysia and six Gulf countries are unable to hire Nepali workers “unless they were willing to pay their ticket and visa fees.”¹²¹ The effect of the protest highlights the potential impact of a crisis which could lead Gulf state countries to begin laying off Nepali workers.

POLICIES, INSTITUTIONS AND REGULATIONS GUIDING MIGRATION IN NEPAL

Foreign Employment Policies, Acts and Institutions

There are various national, bilateral and international policies that govern Nepal foreign labour migration. Among them, Foreign Employment Act 2007 and Foreign Employment Rules 2008 directly regulate migration dynamics in Nepal. Further, international conventions, national laws, bilateral labour agreements, Memorandum of Understandings (MOUs) have an indirect governance on the migration. Moreover, labour migration is also governed by respective national laws of the destination country.

Nepal’s first foreign employment act was enacted in 1985. The focus was on regulating and controlling foreign employment. The act called for licensing of the institutions that wanted to be involved in the foreign employment business. Later the act was amended (1992 and 1998) before it was replaced by a comprehensive Act in 2007. The new Act acknowledges the reality of the increasing outflow of Nepalis for employment abroad and prioritizes the welfare of labour migrants.

The 2007 Act enables the government to enter into bilateral agreements or treaties with other countries with which it has diplomatic ties and send workers for foreign employment. To date, the government has signed labour related bilateral agreements with Bahrain, Qatar, the UAE, RoK, and Japan. Further, the act obliges government to resolve any problem faced by workers. The government is also required to provide special treatment to women, Dalit, indigenous nationalities, and

120 Shrestha, Prithivi Man. “Remittance Growth Slows to 7.7 Percent in 2015-16.” August 29, 2016. Accessed August 29, 2016. <http://kathmandupost.ekantipur.com/news/2016-08-27/remittance-growth-slows-to-77-percent-in-2015-16.html>

121 Shrestha, Ramesh. “Number of migrants leaving for foreign jobs on the decline”. July 19, 2015. Accessed January 28, 2017. <http://thehimalayantimes.com/business/number-of-migrants-leaving-for-foreign-jobs-on-the-decline>

victims of natural calamities. The Act prohibits any discrimination against women. The government can specify the minimum threshold of remuneration, as well as the maximum service fee and promotional cost that recruiting agencies can collect from workers. The act also clarifies that the service fee is to be paid by the workers only after receiving the visa. In addition to these there are various provisions, like compulsory training, insurance, establishment of a labour desk, use of national airport to send the migrants workers, labour attaché in a foreign country with over 5,000 workers, and establishment of a foreign employment board.

Foreign Employment Acts	Other Acts, Policies and Tools
Foreign Employment Act 1985	The Interim Constitution 2007
Foreign Employment Act 1992 (First Amendment)	Labour Act 1992
Foreign Employment Act 1998 (Second Amendment)	National Labour Policy 1999
Foreign Employment Rules 1999	Labour and Employment Policy 2005
Foreign Employment Act 2007	Trade Union Act 1992
Foreign Employment Rules 2008	Child Labour (Prohibition and Regulation) Act 2000
Foreign Employment Policy 2012	Children Act 1992
	Human Trafficking and Transportation Act 2007
	Immigration Act 1992
	Passport Act 1967
	Nepal Citizenship Act 2006
	Non-Resident Nepali Act 2008

Figure 17. Acts, policies and tools related to Migration

There is a special approach for India because of the open border between the two countries. Citizens of both Nepal and India have the right under the Nepal-India Treaty of Peace and Friendship of 1950 to work in either country, without special permission. Hence, Nepal's foreign employment laws do not have any binding rules for those going to India. And like internal migration, the cross-border migration between Nepal and India is not monitored or recorded.

The Foreign Employment Rules 2008 establishes the rules and regulations for the implementation of the 2007 Foreign Employment Act. It describes a systematic process for selection of companies and their licensing, bank guarantees required by

manpower companies, and licence renewal and cancellation. The act also presents provisions on worker selection, on issues emerging at the time of departure, insurance, and pre-departure orientation training and skills training. It covers the establishment and utilisation of the Foreign Employment Welfare Fund; formation and duties of the Foreign Employment Promotion Board; establishment and functions of a Foreign Employment Tribunal; agents and branch offices of licensed agencies; remittances; awarding the best agency; and others.

Foreign Employment Policy 2012 was formulated to provide guidelines for the effective management of foreign employment, to make the process of migration safe and accessible, and to overcome the shortcomings of the prevailing acts and rules in addressing issues related to foreign employment. The objective is to prepare workers with the knowledge and skills to fit the demand in the international labour market, and develop a skilled, capable and competitive labour force. It also sketches the necessary provisions for the formation of a high-level foreign employment coordination committee. The committee has the Minister of Labour and Transport Management as the coordinator with representatives from various ministries, the National Planning Commission, Nepal Rastra Bank, foreign employment entrepreneur's associations and migration experts.

To ensure the accountability, in 2010 the government of Nepal formulated a directive, which served as guideline for sending domestic workers to Qatar, the UAE, Kuwait and Saudi Arabia. The directive ensures provisions for basic monthly salary, insurance, safe accommodation, safety assurance, regular contact with family and the concerned Nepali embassy, and other appropriate measures as stated by the embassy. As a proof of law abiding employers, hiring organization are required to provide details of their financial and 'social standing' to the embassy, as well as an approval or agreement letter from the concerned authority allowing them to employ a domestic worker.

Other Acts, Policy, Instruments and Implications

The Constitution of Nepal protects migrants' right to information by stipulating that migrants have to be provided with adequate information prior to signing their contracts. Similarly, **National Labour Policy 1999** highlights three facets that have an implication on labour migrations, particularly:

- a) the policy makes special attempts for the institutional development of the foreign employment regime of Nepalis and secure its continuity;
- b) the policy has a provision to form a high-level advisory committee with participation from various ministries, including labour, finance, planning commission and foreign employment entrepreneur organizations;
- c) the policy has a provision to establish a foreign employment institution with participation of the private sector to develop foreign employment.

Other supporting acts are Labour and Employment Policy 2005 (introduced in accordance with the International Labour Organisation's guidelines for organising the labour sector and promoting cordial labour relations), Human Trafficking and Transportation Act 2007, Immigration Act 1992, and Passport Act 1967. These national laws in one way or other regulate such movement. These laws are relevant within national boundaries except Trade Union Act that permits Nepal-based trade unions to work with international bodies of trade unions to protect the rights of workers.

Nepal has made continuous improvement in its policies, acts and institutions in the area of employment abroad. However, there are some gaps and inconsistencies that still prevail between the current Foreign Employment Act and Rules and other national legal instruments. In particular:

1. The current Act does not guarantee exclusive protection of rights of migrant workers. The Act places equal emphasis on the protection of rights of migrant workers and the protection of rights of entrepreneurs involved in foreign employment services. This works against protecting the rights of migrant workers.
2. Although the country is commonly acknowledged to have good national laws, there is very little Nepal can do in terms of protecting the rights of workers in a foreign country. As a result of limited diplomatic strength, the country cannot efficiently exercise extraterritorial jurisdiction to safeguard its migrant workers. Also, the policy provisions are applicable only to documented migrant workers i.e. those who have migrated with government's approval.
3. Centralized services limit access for labour migrants. The government wings catering to labour migrants are located in Kathmandu without other offices at the district or even the regional level. This makes it difficult for the prospective migrants or returnee migrants to access services provided by the government.

4. Although the Government has made efforts to launch a Labour Bank, it is not yet operational. The Labour Bank was envisioned to provide loans at cheaper rates to prospective migrants. The bank also would provide migrants a remittance account through which they could channel their transfers. Lengthy bureaucratic procedures along with divergent views and discussions among various government wings has delayed the opening of the Bank.
5. The process for labour migration is not yet efficient, systematic or transparent. There are long gaps in processing requests from abroad for migrant workers and issuing necessary labour permits. Also, prospective migrants find the formal process of receiving labour permits cumbersome with many hidden costs. Many times, the information regarding details of jobs advertised does not match the information (job description, wage rate, name of the recruiting agency, etc.) provided for the labour permit, making migrants vulnerable to fraud and corruption. Much more transparency and systematization are required in the process of advertising for jobs available, contract signing and permit approval.
6. Documentary hassle and a daunting process. The number of required documents, lengthy time, and cost of medical certificate, in addition to the official fee, escalates the cost.
7. There is no policy and act to motivate the beneficial use of capital and acquiring skills once migrants return to the home country.
8. Lack of proper risk assessment of destination countries, particularly on safety and protection mechanisms, salaries and benefits.

Country	Date signed	Type of agreement
India	July 31, 1950	Treaty
Qatar	April 21, 2005	Labour Agreement
United Arab Emirates	July 3, 2007	MoU
South Korea	July 23, 2007	MoU
Bahrain	April 29, 2008	MoU
Japan	2009	Letter of Exchange

Figure 18. MoU, Agreements and Letter of exchange on labour migration

The rights and interest that national instruments can provide to migrant workers in destination country is fairly limited. The international agreements (mostly bilateral)

and conventions play important role in ensuring the rights conferred by national policies and instruments. There are laws governing labour migration in Nepal, which if implemented effectively, can ensure the rights of the migrant workers (documented migrants), and so there is ample space for Nepal to execute these instruments in the destination countries that have endorsed them.

Institutional Framework

Migration issues in Nepal are managed by several government bodies:

The Ministry of Labour and Employment is responsible for labour administration and management. It is the apex body.

Department of Foreign Employment: The Department's objectives are to promote secured and decent foreign employment, it also regulates the operations of the recruiting agencies and other businesses offering similar services to ensure transparency and fairness.

The Foreign Employment Promotion Board was instituted under the Foreign Employment Act, 2007 and is headed by the Minister for Labour and Employment. The main functions of the board are to implement promotional activities for foreign employment and to ensure social protection and welfare of migrant workers. It carries out studies of international labour markets and explores possible new destinations of foreign employment. It manages the foreign welfare employment fund, and also coordinates pre-departure orientation and skills training.

The Foreign Employment Tribunal, established under the Foreign Employment Act 2007, is a semi-judicial body. The jury comprises three members: chaired by the Judge of the Appellate Court, a case-officer, and the gazetted first-class officer in the judicial service. The cases filed in the Tribunal are tried and settled in accordance with the Summary Procedures Act, 1972. The Tribunal receives cases forwarded by the Department of Foreign Employment.

A Labour Attaché is assigned in destination countries where 5,000 or more Nepali migrant workers are based. It is under the mandate of the 2007 Foreign Employment Act.

The process of labour recruitment from Nepal

The employer abroad advertises for vacancy with details of the job and the required number of workers. The employer usually contacts the recruiting agencies in their network for their demand for labour. The recruitment agency requires approval from the Government of Nepal to advertise the available jobs in national media (usually newspapers). In order to apply for approval from the government of Nepal, the employer needs to send the following documents to the recruitment agency:

- ▶ demand letter
- ▶ power of Attorney
- ▶ guarantee paper
- ▶ agency agreement
- ▶ employment agreement

After getting the approval, the recruitment agencies advertise for the available jobs. They then short-list the candidates for a particular advertised position and prepare the necessary documents to migrate. The needed documents include:

- ▶ medical certificate
- ▶ insurance certificate
- ▶ labour permit (issued by the Department of Foreign Employment)
- ▶ visa
- ▶ tickets

After the visa is acquired, the recruitment agency applies for 'deployment approval' from the Department of Labour and Employment, which takes a few working days. After the approval is received, the workers are deployed to their work location.

Throughout the process of labour migration from Nepal, the concerned government bodies - Department of Foreign Employment (DoFE), Foreign Employment Promotion Board (FEPB) and the Ministry of Labour and Employment (MoLE) - together have the responsibility to ensure and promote safe, dignified and decent foreign employment opportunities for Nepalis, although each government body has a distinct area of work. Among them, DoFE and FEPB are more directly involved during the process of migration, while MoLE is the apex body that governs labour administration and management.

Broadly, the work of DoFE and FEPB can be classified as follows: ¹²²

DoFE:

- ▶ regulates foreign employment businesses, including the issuance, renewal and revocation of a license to operate
- ▶ investigates workers' complaints against agencies or agents and initiates the process for prosecution if the investigation warrants it
- ▶ controls fraud in regard to foreign employment by confirming that jobs advertised are legitimate and decent
- ▶ protects the rights of migrant workers by scrutinizing job notifications, contracts and appointment letters
- ▶ provides "labour approval" for foreign employment through the permits that are issued to departing migrants

FEPB:

- ▶ carries out studies of international labour markets and explores new destinations
- ▶ collects, processes and publishes information that promotes specific jobs
- ▶ manages the Foreign Employment Welfare Fund
- ▶ conducts pre-departure orientation, skills training and arranging emergency contact detail for each worker that leads to their improved protection while working abroad
- ▶ formulates, implements, monitors and evaluates programmes to use the skills, capital and technology of returned migrants and mobilizes them for national interests
- ▶ prescribes qualifications for the registration of businesses that provide pre-departure orientation training to migrant workers
- ▶ formulates and approves the curricula of the pre-departure orientation training
- ▶ formulates short- and long-term policies as required to make foreign employment safe, systematic and decent
- ▶ carries out comprehensive studies on the implementation of the Foreign Employment Act and gives suggestions for amendments to the government, and
- ▶ advises the government on the fixing of service charges and promotional costs.

CONCLUSIONS

Formal labour migration started in Nepal around the nineteenth century with the induction of Nepali soldiers to the colonial British army. After the oil boom in the 1970s in the Middle East, new destinations opened up for labour migrants from Nepal. This led to an increase in the number of people migrating for employment every year. Depending on the source of information the total number of migrants varies from 2 million (7.5% of population) to 4 million individuals (15% of population).

In the latest analysis, the flow of labour migrants from Nepal to a few popular destinations such as the countries in the Gulf and Malaysia has dominated the migration picture thus far. The most popular destination for Nepali labour migrants is India, mainly because of the open border, but there is no official statistics about labour migrants to India. The most poor and vulnerable households have a higher probability of having a labour migrant member in India, because of significantly lower overall costs of migration. Those in the middle strata who can manage to raise the money needed to seek foreign employment typically opt for GCC and ASEAN countries, while people with high incomes usually prefer to go to other developed countries like USA and European countries for foreign employment.

Marginalized social groups, such as Muslims, Hill Dalits and other minorities, are most likely to have a labour migrant in their household. And most of these migrant workers going for foreign employment are low-skilled.

Another related aspect of migration is internal mobility, which is a common practice in Nepal and should be highlighted as an important topic in the discussion on migration.

Analysing contemporary external labour migrant flows, official statistics from the Department of Foreign Employment show a steady increase in the number of labour permits issued every year. Although there has been some increase in the number of women labour migrants receiving the permit, the number of men labour migrants issued labour permits heavily outweighs the number of women labour migrants each year. 95.7 per cent of all labour migrants are men. However, women's participation in foreign employment has significantly increased in the last seven years from 2008/09 to 2014/15. In terms of employment, men are mostly

¹²² Labour Migration Status Report 2013/14

employed in manual labour, while women are usually employed as house helpers and caregivers; predominantly in domestic work. Respectively, the proportion of women is higher in countries where domestic help is in high demand. Most of the labour migrants in foreign employment are between the ages of 15 and 29. This age group constitutes just over half (50.3%) of the total labour migrant population.

The major push factor driving Nepalis out of the country for work is unstable political-economic situation in Nepal. In general, people's lack of trust in the government, the unfavourable investment climate in Nepal, difficulty in doing business, lack of jobs or lack of well-paying jobs to match the skills and qualifications of people and low standard of living in Nepal all combine to encourage mass migration to other countries temporarily or permanently, for work or study. The major pull factors for Nepali labour migrants could be the presence of personal networks. Other pull factors could be lower costs of migration and access to high wages abroad.

Remittances play a very important role in supporting Nepal's economy and purchasing power of the population. The volume of remittances has been constantly and significantly increasing since 2005, from about US\$ 1.3 billion to US\$ 5.8 billion in 2014, representing about 1/3 of Nepal's GDP. Moreover, in the last five years the growth of remittances has continuously outstripped the country's overall growth rate. However, the actual volume of remittances may be significantly higher, since no reliable assessment of transfers through informal channels exists up to date.

Nepal is ranked 95 in the world for remittance transfer costs by index mundi, with an average remittance cost of 3.97 per cent of the total value sent (in 2015). This factor, together with limited knowledge of commercial banking, long processing time of up to three weeks, and an inability to obtain bank accounts abroad and in rural Nepal probably explains the ongoing high preference for informal channels. According to most recent studies, about 40 per cent of labour migrants use informal channels to send their financial support.

Remittances are mainly used for daily consumption and repayment of debts, which indicates a high level of poverty in remittance receiving households. Savings and investment components of remittances are very insignificant.

The 2015 earthquake had a severe impact on the migration phenomenon. In particular, it temporarily diminished new migration outflows (on average 40% less applicants for labour permits were registered), yet increased the volume of remittances (about 30% increase in the short-term period).

Nepal's overreliance on a few key destinations countries – which absorb over 90 per cent of total labour migrants – is also a matter of concern. Moreover, some current counterproductive policies promoted by Nepal Government (like “no cost migration initiative”) may intensify this issue.

Overall, policy, acts and institution analysis reveal that although Nepal has made continuous and significant improvements in the management of foreign employment, there are certain gaps and inconsistencies among various regulations that need to be solved. In particular, efforts should be made to effectively streamline the foreign employment process, to develop a sense of security, and motivate migration through formal channels. Furthermore, a conducive environment should be established to stimulate investment of financial and human capital in productive sectors of Nepal.

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