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Migration and Remittances: The Case of Nepal

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Abstract

The pattern of growth and the flow of remittances back into Nepal broadly correspond to patterns of worldwide. The proportion of migrants from poorer developing countries has become increasingly significant. The World Bank suggests that some 2-3 million new migrants now leave developing countries each year (legally and illegally), about half goes to industrial countries. By mid-1990s, the global value of remittances sent home by international migrants exceeded US$ 75 billion annually, which was twice the amount of official aid.

At the beginning of the millennium, Nepali workers are employed mainly in the Gulf (200,000 plus) and Malaysia (50,000 plus), with at least 500,000 (probably 1 million and possibly 2 million.) working in India. The importance of labour migration for Nepali economy and society will continue to be of major significance. A recent press communique by the Nepal Rastra Bank indicated that the total foreign exchange reserve in mid-February 2003 amounted to Rs 111.2 billion as result of an increased inflow of workers' remittance from third countries. In case of Nepal, at least ten times the official recorded value enters the country, through private transfers made by Nepali migrants, as remittances, and possibly twenty times the recorded value.

Global and Regional Trends

The pattern of growth in foreign labour migration and the flow of remittances back into Nepal broadly correspond to patterns of growth worldwide. At least 125 million people lived outside their country of origin in the mid-1990s. Estimates of the number of migrant workers vary but Judith van Doorn of the ILO has estimated that by 2000 the number of international migrants was around 168 million (van Doorn, 2002). Compared with 105 million in 1985 and 75 million in 1965 – in other words international migration has doubled in the last 35 years and increased by more than half in the last 15 years.

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The proportion of migrants from poorer developing countries has become increasingly significant. The flow of migrants to industrial countries has also risen and its composition shifted to developing countries while the period of stay in the receiving countries has become of shorter duration. The World Bank (1995: 53) suggests that some 2-3 million new migrants now leave developing countries each year (both legally and illegally), about half of whom go to industrial countries. More than half of the global flow of migrants is between 'developing countries'. The Bank argues that international migration is not yet a global business, because 'most migrants stay within their region': "African migrants most often go to other African countries, and those from Asia and the Middle East mainly to the Arab Gulf countries. Recently migration within Asia has picked up".

Regional Flows and Patterns

As recently as 1995 the World Bank suggested that international labour migration had not yet 'gone global', but the situation has changed, ever since then. It is still the case that there are strong regional dimensions to international labour migration, but an increasing proportion of migrant workers do travel beyond 'their' region, and the flows of labour-as-a-commodity that result must be considered an integral part of the overall process of globalisation. Nevertheless, there are undoubtedly flows, which constitute regional patterns, with systematic relationships between countries which are largely migrant senders and countries that are predominantly receivers of migrant workers.

Examples cited by the World Bank (1995: 65) include "South Asians going to oil-rich countries in the Middle East and newly industrializing economies in East Asia...". In fact, for the Asian region, as a whole, there are several sub-regional patterns: one that involves workers from South and Southeast Asia migrating to the Gulf (and more broadly the Middle East); one that involves international migration within south Asia, for the most part into India; one that involves migration from south Asia to southeast and east Asia; one that involves migration within the Southeast region; and finally, one that involves migration from the peripheries of Southeast and east Asia to the centres (mainly to Japan). Nepali migrant workers are - and have been for the last two decades - involved for the most part in the Asian region, going to India, to the Gulf (and Middle East), and to south-east and east Asia for the most part - although there is significant migration to western Europe and north America.

Remittances: Global Trends

Martin and Widgren (1996: 42) suggest that by the mid-1990s the global value of remittances sent home by international migrants exceeded US$ 75 billion annually, which was twice the amount of official direct aid. The same figure is quoted by the World Bank in its ***World Development Report 1995,*** on 'workers in an integrating world' (World Bank, 1995: 53) where it is also remarked that this is about one-third of the volume of capital flows. This figure is almost certainly a significant underestimate. Stalker suggests that the official figures indicate "immigrants from developing countries and Eastern Europe send home around $65 billion in remittances each year. But this is just the money that travels though official banking channels. Taking into account the funds carried or transmitted unofficially, the annual total is probably well above $100 billion" (2001: 108). Van Doorn has estimated that 'today' (2002), over $100 billion dollars a year is transmitted in remittances, and notes that this includes 'only formal transfers'. She compares this estimate with a figure of $2 billion in 1970.

She also remarks that over 60 per cent of remittances go to developing countries and that official remittances alone amount to considerably more than ODA (Official Development Assistance) to the developing world. Her figures suggest a pattern of growth in remittances to developing countries showing a slow rise from just under $ 30 billion in 1988 to $40 billion by 1993, followed by a more rapid increase to over $ 60 billion by 1997. Since then she suggests the total remains much the same over the next couple of years, reflecting the broadly similar pattern of total global remittances, which peak at $just over $100 billion in 1997 and remain around that figure over the next two years.

Regional Flows

Although we are concerned here with Nepal and with South Asia, brief comparisons with other regions is illuminating.

In the case of Latin America, the region currently receives about $20 billion a year from its migrants working abroad, according to the Inter-American Development Bank's Multilateral Investment Fund (MIF); remittance flows quadrupled over the past decade, and given present demographic trends, the region might receive as much as $300 billion over the next decade from remittances. In six Latin American countries, income from remittances represents more than 10 per cent of GDP. In the case of El Salvador, for example, expatriates wire home between $1.4 and $2 billion, equivalent according to Stalker to 12.3 per cent of GDP and according to Bate somewhat more. In the case of the Dominican Republic, some $1.6 billion or 11 per cent of GDP was sent back in remittances in 1999.

In the case of the Middle East, there are several labour-exporting countries, which depend heavily on remittances, ranging from those like Turkey (estimated. total remittances $ 5.3 billion in 1998), Egypt (estimated total remittances $ 3.5 billion) and Morocco (total $ 2.0 billion) where remittances account for between 4 and 5 per cent of GDP to those like Jordan and Yemen where, despite smaller totals, they account for as much as 21 and 25 per cent respectively (van Doorn, 2002). Even in the case of Egypt, there the value of remittances is 'only' around 5 per cent of GDP, the total value is very large and "remittances from migrants have at times generated as much foreign exchange as tourism, oil exports, and the income from the Suez Canal combined". Turkey is relatively more heavily dependent on remittances than Egypt and the value to the national economy is very considerable – with an annual flow of some 5.3 billion (van Doorn, 2002) and a total of over $70 billion officially recorded, reflecting a real total of closer to $90, coming into the country between 1981 and 2000.

In fact, the largest recipient of remittances in the developing world appears to be India, which received $ 9.4 billion in 1998 alone. Many of the other countries of South Asia also export large numbers of migrant workers and receive in return substantial flows of remittances. Even in the early 1980s, remittances from migrant workers abroad accounted for some 9 per cent of Pakistan's GDP, 4 per cent of Sri Lanka's GDP, between 3 and 4 per cent of Bangladesh's GDP and over 1 per cent of Indian GDP, according to Appleyard 1988: 103-4. In 1987, Ballard reported that, in the case of Pakistan, "over two million people – approximately 10 per cent of the country's adult male labour force - currently work overseas. Of these the great majority are employed in the oil-rich states of the Middle East, especially in Saudi Arabia; but a further 300,000 live and work in Britain. The remittances they send home have now become a critical component of the national economy: they make up over 50 per cent of Pakistan's foreign exchange income".

The World Bank (1995) suggests that ratios of remittances to exports reached as high as between 25 and 50 per cent in countries like Pakistan, Bangladesh and Sri Lanka in the mid 1990s (1995: 66). Stalker suggests that remittances accounted for $11 billion or 2.6 per cent of GDP in the case of India in 1999, $1.7 billion or 2.7 per cent in the case of Pakistan in 1997, $1.8 billion or 4.1 per cent in the case of Bangladesh, and $1.1 billion or 6.9 per cent in the case of Sri Lanka (Stalker, 2001: 110). More recent data suggest even larger flows of remittances. The ***Asian Migrant Yearbook 2001*** (2001), for example, suggests that total annual remittances to Bangladesh rose from $1.8 billion in 1999 to nearly $2.0 billion in 2000. The total of $1.1 billion in the first nine months of 2001 reflects a substantial decline in remittances from the Gulf in this year, from around $1.9 billion to $1.3 billion.

Wilson & Maimbo (2002) report that official figures for private remittances entering India over the period 1981 to 2000 totalled a massive $120 billion, with the possible 'real' total amounting to as much as $143 billion over the two decades. Pakistan was not far behind, with an official total of $62 billion but a 'real' total of somewhere closer to $136 billion. Bangladesh reported about $35 billion but probably enjoyed an inflow of some $84 billion between 1981 and 2000. Sri Lanka officially received $14 billion, but in reality probably the total was nearer $23 billion.

Reliance on income from remittances is even higher in some Asian countries, even if the total received is smaller. In the Philippines, for example, some $7 billion from remittances (from migrant workers and other migrants overseas) constitutes some 8.9 per cent of GDP, and around 15 per cent of households receive income from abroad (Stalker 2001: 109). Wilson reports that the Philippines recorded some $50 billion in remittances between 1981 and 2000, with a probable total of $55 billion. Our own estimates for Nepal in 1997 suggested a total value of remittances somewhere between $574 million and $1.15 billion, or between 13 and 25 per cent of GDP (Seddon et al., 2002: 24, 35-7).

Many of the figures reported in the official statistics refer only to official and recorded transfers. As Stalker points out, "studies in individual developing countries suggest that migrants on average send only around half of remittances through official banking channels… some migrants therefore just carry back a bag of cash, or cart home expensive consumer goods, or send money with friends. Others use professional money couriers – the ***padala*** system in the

Philippines, for example, or the ***hundi*** system in the Indian sub-continent. These take foreign currency from the emigrants and hand over local currency to the family back home" (Stalker 2001: 109).

Wilson suggests that the proportion transferred informally varies considerable from country to country, and within South Asia indicates that, while in the cases of Bangladesh and Pakistan well over half (55 per cent for the latter and 59 per cent for the former) of all remittances are unrecorded, in Sri Lanka the proportion is significantly lower but still appreciable (38 per cent) and in India and the Philippines the proportion is much lower (16 per cent and 9 per cent respectively). We argue that in the case of Nepal, at least ten times the official recorded value enters the country, through private transfers made by Nepali migrants, as remittances, and possibly twenty times the recorded value. This may indicate that the estimates of the proportion of total remittances that is unrecorded is far larger than generally thought to be the case in other South Asian countries – and indeed, elsewhere, in other regions also.

Nepali Migrants and Remittances: Global Estimates

At the beginning of the millennium, Nepali workers are employed mainly in the Gulf (200,000 plus) and Malaysia (50,000 plus), with at least 500,000 (probably 1 million and possibly 2 million) working in India. Significant numbers are also working elsewhere. Only last month (April 2003), an agreement was reached which will see more than 4,000 Nepali workers going to Korea (For further details of varying estimates, see **Appendix 1**). Five years ago, migration to the Gulf was just beginning to become established and those migrants employed in east and southeast Asia were working illegally for the most part.

Five years before that, at the beginning of the 1990s, there was relatively little *overseas* (abroad but not in south Asia) labour migration, although small numbers were working in the Gulf, in southeast Asia and in east Asia (mainly in Korea and Japan). The bulk of foreign migrants worked in India, either in the private sector or in the public sector (army and police for the most part), or else were recruited into the British army (the Gurkhas). But already by the 1980s, the size of the Gurkha regiment had been seriously reduced and this option had therefore been effectively closed off for the majority of would-be Gurkhas from Nepal.

In other words, the pattern has been changing fast over the last 20 years and is likely to continue now to change faster. The number of Nepalis involved in labour migration is likely to increase, rather than decrease; and the importance of labour migration for Nepali economy and society will continue to be of major significance. Foreign labour markets, however, also change fast, and Nepali migrants will need to be adaptable if they are to respond to rapidly shifting demand for their labour. They will have to seek new markets and comparative advantages even to maintain and certainly to increase their market position - which almost certainly implies diversification of destinations and diversification away from the present heavy reliance on cheap unskilled labour.

Numbers of Nepalis abroad: aggregate estimates

The research undertaken for the DFID studies was undertaken between 1997 and 2000, and took 1997 as a 'base-line year' for comparative purposes. It estimated that, in that year, a total of roughly 100,000 Nepalis were working overseas. It estimated that, in addition to this, roughly 250,000 Nepalis were working in the Indian public sector (army, police and civil service). It was agnostic as to the number of Nepali migrant workers in the private sector in India. It guessed that at least twice as many were working in the private sector as in the public sector (i.e. 500,000) and probably more. The highest estimate used was 1 million - as an entirely arbitrary figure. The study took as its maximum number of Nepali workers abroad, in total, just over a million.

For comparison, the 2001 census (four years later) suggested that 760,000 Nepalis lived abroad - about 3 per cent of the total population or 6 per cent of the adult working population. Of these, nearly 600,000 were in South Asia (mainly India), around 110,000 were in the Middle East, nearly 35,000 were in East and Southeast Asia, and around 23,000 were in western Europe, north America and Australia, with the remainder elsewhere. The 1991 census ten years earlier suggested a total of 660,000 inhabitants had migrated to foreign countries. This was about the same proportion of total and adult population.

The estimates available for the number of **Nepali migrant workers in India** in particular vary wildly (see **Appendix 1**). There is no control on the movement of Nepalis into India (as a result of successive treaties between the two countries) - no visas or passports are required, and Nepalis may take up employment freely - even in the public sector.

There is a formal distinction between Nepali migrant workers and Nepalis resident in India. Data from Nepal's national censuses of 1991 and 2001 suggest relatively low figures - around 500,000- 600,000 maximum (the 2001 census lists 591,741 Nepalis in south Asia). So too do figures from the Indian censuses, which, on the other hand, give relatively high figures for Nepalis resident in India. Confusion between these two may explain some of the very high estimates. One source, for example, cites Chetrendrajung Himali, central member of the Nepal Hariyali Party, claiming that there are 'at least 40 lakhs Nepalis in India' (in Bhattarai, Adhikair & Tamata 2003). On the other hand, some sources are very clear about the distinction between the two and still maintain a high estimate for Nepali migrant workers. The Asian Migrants Yearbook for 1999, for example, estimates that "India is host to the biggest number of Nepalese migrant workers. More than six million naturalised Nepalese immigrants (Nepalese who carry Indian citizenship) and 3.5 million migrant workers are believed to be in India" (AMC, 1999: 158).

Estimates from a variety of sources, therefore, range from as low as 500,000 to as high as 4 million, with between 1 and 2 million as quoted 'middle level estimate'. Very roughly, that would be between 5 and 10 per cent of the total Nepali population, between 10 and 20 per cent of the adult population, and between 20 and 40 per cent of the adult male population. From this perspective, we would suggest that our estimate of around 1 million (c. 20 per cent of total adult male population of Nepal) looks reasonable.

A way of calibrating these aggregate estimates of the numbers of workers is *to undertake field studies - both of 'sending' communities in Nepal and of 'migrant workers' in various 'destinations' - to assess the numbers and kinds of people involved in foreign labour migration in India.* Unfortunately, there are few such studies. Furthermore, it is recognised that there is very considerable variation from one locality to another, both within Nepal and abroad, so that it will be difficult to generalise from case studies.

As for **Nepalis overseas**, here too the estimates vary considerably, although this is in part the result of rapid changes - notably a very considerable increase in the numbers in the Gulf and in Malaysia over the last few years, since our research began. Our own estimates of some 40,000 in the Gulf in 1997 have been revised upwards to suggest a total of some 200,000 in 2003 (Other sources indicate even larger numbers, see **Appendix 1**). Since our initial research, opportunities in Malaysia have increased dramatically, and it is possible that the total number of Nepali workers in East and Southeast Asia has increased substantially as a consequence.

According to the Ministry of Labour press release (17 January 2003), in the fiscal year 2056-7 (1999-2000), 35,462 labourers went abroad for employment purposes, 55,025 in the fiscal year 2057-8 (2000-2001) and 104,739 labourers in the fiscal year 2058-9 (2001-02). The increment in the past two years has been of 57 and 58 per cent respectively **(MoLTM Press Release 17 January 2003).**

Nepali Migrant Workers in the Gulf: 2003

According to Thapa (2003), president of the Nepal Overseas Employees' Association, there are 450,000 to 500,000 Nepali workers currently in various countries of the Gulf. 'While there are no Nepalis in Iraq itself (sic), there are around 12,000 in Kuwait, over 70,000 in Qatar, over 350,000 in Saudi Arabia, and so on". (Bharat Singh Thapa **Spotlight**, 28 March 2003, p. 12).

Nepali Migrant Workers in the Gulf, East Asia and India: 2003

According to Poudel (2003), "according to official reports, there are 400,000 Nepalese working in Gulf and East Asian countries. There are an estimated 2.4 million Nepalese migrant workers in India".

Recent Estimates on Numbers by Region

According to a recent report **Migrants under Shadow: A Multidimensional View of Indian Lahures** there is a total of some 3 million Nepali workers in India. This is based on a region by region estimate made by Nepali Prabasi Sangh (a Nepali workers' organisation in India):

Delhi and vicinity -	300,000
Gujarat (Surat, Baroda and Ahmedabad) -	300,000
Maharashtra (Mumbai, Kalyan and Viwandi) -	400,000
Punjab (Patiala and Samana)	200,000
Himanchal Pradesh	100,000
Andra Pradesh (Hyderabad)	100,000
Bihar	300,000
Uttaranchal	100,000
West Bengal (Kolkotta, Siligudi)	200,000
North East India	400,000
South India	300,000
Other	300,000
Total	**3,000,000**

The Growth of the Remittance Economy

In the mid 1990s, the National Living Standards Survey revealed that the total value of remittances coming into Nepal was dominated by those coming from abroad – well over half (55 %) of the value of remittances was accounted for by those coming from India (33 %) and 'overseas' (22 %), with urban Nepal contributing 32 per cent and rural Nepal a mere 12 per cent.

There is no doubt that the volume and value of remittances flowing into Nepal from migrant workers abroad is significant and increasing rapidly. All commentators are now agreed that remittances constitute a significant source of foreign exchange and many accept that they are perhaps as important as revenues from tourism or the export of handicrafts and manufactured goods or of rice, or foreign loans and grants. Some even see remittances as the major source of foreign exchange and as a crucial mainstay of the balance of payments.

(For example, a recent press communique by the Nepal Rastra Bank indicated that despite an increase in the trade deficit, the balance of payments was in surplus by Rs 3 billion during the first seven months of the current fiscal year, largely as a result of private remittances and miscellaneous other inflows. Total foreign exchange reserve in mid-February 203 amounted to Rs 111.2 billion, with the share of convertible currency in the total reserve rising to 80 per cent largely as a result of 'an increased inflow of workers' remittances from third countries' (cited in **The Kathmandu Post**, 25 April 2003, p. 8). Net private remittances rose, according to official figures, by nearly 30 per cent in the year, following a rise of over 25 per cent the previous year. The official figure for private remittances was Rs 10.9 billion.)

This was not the case even five years ago. At that time, remittances were recognised to be of some significance, but official figures suggested that they were less important than most of the other sources of foreign exchange, and the figures provided in official statistics were gross underestimates. It is still the case, however, in our view, that the official statistics grossly underestimate the flow of remittances into Nepal, although at least they recognise that their value has increased dramatically since 1997 - in fact, the official figures suggest that remittances may have increased three-fold since 1997.

Estimates of Remittances

Our research for DFID suggested that, in 1997, the flow of remittances totalled somewhere between Rs 35 billion ($574 million) and Rs 70 billion ($1.15 billion). This was estimated to be the equivalent of 13 per cent and 25 per cent of GDP respectively (cf Seddon, Adhikari & Gurung 2000, 2001, 2002). Given the substantial increase in migration to the Gulf and to Malaysia, it seems plausible that, despite a possible decline in migration to - and remittances from - the far east and other parts of southeast Asia, the overall level of remittances will have increased in the intervening years - to the point where a figure of Rs 75 billion (over $ 1 billion at current exchange rate) is now very reasonable and Rs 100 billion is not impossible ($1.4 billion).

The official statistics (CBS, 2002: 256) suggest that total remittances in 1997-98 were Rs 4.1 billion (roughly ten times less than our figure for 1997), but that they increased to Rs 6.5 billion in 1998-99, Rs stagnated slightly at Rs 6 billion in 1999-2000 and increased again to Rs 9.8 billion in 2000-01. The most recent estimate, for the first seven months of 2002-03, is Rs 10.9 bn. Again, our estimates give a figure some ten times that of the official sources - although it should be noted that whereas in 1997 it was our conservative estimate that was ten time greater, now we are suggesting our high estimate is ten times larger. This implies that a slightly greater proportion of total remittances may now be captured in the official figures.

The ***Asian Migrant Yearbook for 1999*** (AMC 1999: 157) cites a figure for migrant workers' remittances returning to Nepal in 1997 as $49 million – clearly based on the official figures. But the ***Asian Migrant Yearbook for 2001*** (AMC 2001: 115) cites a figure for 1999 of $ 512 million – 10 times as large as two years previously – explicitly based on the more 'conservative' of the figures generated by our research and cited by GEFONT (the left-wing Nepali trades union federation). The change over the two years is perhaps more a reflection of the way in which 'the conventional wisdom' has changed than of 'the facts' themselves.

How Do They Organise Money Transfers?

Formal Channels

Clearly, as the official figures indicate, a significant proportion of money transfers and remittances come through formal channels - these provide the basis for the official statistics on remittances and related inflows. Banks, post offices, and other commercial money transfer systems are used, particularly by those in public sector employment. Those Nepalis in the British army, for example, or in the Indian army, police or civil service, or in more regular salaried employment in whatever country, tend to receive or place their earnings in a regular account or a savings account and to make transfers back to Nepal through similar channels.

Carrying Money Back

But whereas banks may be safe and reliable and reasonable swift for some, the majority prefer other methods of ensuring that their hard-earned cash returns home to their families and households. Some simply bring money back when they return on leave, or after the completion of a particular period of employment, or job. For seasonal labourers, this is usually the preferred method of bringing money back. An alternative, also used by Nepali migrants in India, and possibly by others elsewhere, is that of sending money with a trusted relative or friend who takes the money back on behalf of the worker.

The dangers of bringing back cash are recognised - theft and robbery, with or without violence is something many returning migrants dread; and there are particular places where the returning migrants congregate - bus stations, railways stations, border posts - where they are vulnerable. Wyss argues that the risk of theft is smaller in the case of returning migrants from the Gulf, or east and southeast Asia or from Europe or north America (Wyss, 2003: 87). There is also always the possibility that some of the savings will be spent on the way back - which may be a long and tiresome journey, particularly for those who were working in India - perhaps as presents, perhaps as 'recreation' for the weary traveller! The cash may be exchanged for gold or electronic goods, which enable the returning migrant to do a little trade, selling the imported goods and taking advantage of differences in prices to make a profit, and thereby enhance the value of the remittances.

The Hundi System

The usual method, however, widely used throughout the far east and south east Asia and also from the Gulf and from 'the West', is the ***hundi*** system (Seddon, Adhikari & Gurung 2002: 27-28). This has been described on many occasions, but involves simply a system of intermediaries - who collect money from migrant workers, transfer it and deliver it to the migrant's relatives 'back home'. This system is informal in the sense that it avoids the formal banking channels, although it takes advantage of banking facilities to exchange currencies and make transfers. It is also arguably illegal as it involves routine unofficial money transfers across national borders without payment of tax or official commissions.

A Nepali worker in, say, Korea or Malaysia or Qatar, will make contact with someone known to be linked to the ***hundi*** system as a collector of earnings for onwards transfer, or perhaps this person will visit the place of work. The worker and the collector will agree a sum in rupees equivalent to the amount the worker wishes to remit (implying an agreed exchange rate) and the work will hand over his savings for the remittance, usually in local currency. The collector will collect several remittances from various workers and pass them on to a ***hundi wallah***. This person will then transfer the total to his counterpart in Hong Kong (which is the major centre for Nepali ***hundi*** transactions in the far east), Singapore (centre for southeast Asia) or Dubai (for the Gulf). This person converts the money into gold or commodities which is/are then imported into Nepal by couriers or 'mules' and re-converted to Nepali rupees by a ***hundi wallah*** in Kathmandu. The cash may then be forwarded to a regional centre or even closer to 'home' and eventually reaches the family member to whom the remittance was dedicated.

This presents a simplified case, and it is probable that the system is in fact more complicated - with a greater variety of possible intervening mechanisms and variations - according to how many transactions are involved and how precisely they are organised. It may be, for example, that in some cases no 'actual transfer' is made but results from accounting which simply records and balances 'credits' against 'debits' in different accounts.

It is clear from this that the system depends considerably on personal trust at all stages. It might be supposed that this system involves high risks on the part of the migrant worker, but all reports suggest that the system works relatively well. It was our assessment that the system operates relatively straightforwardly and without undue disadvantage to the migrant worker (2002: 27). This is confirmed by Wyss (2003: 88) who reports that none of her interviewees had ever suffered a loss when using the ***hundi*** system.

In the system, money is constantly being transferred and converted in a continuing process and so the single transaction is 'lost' in a stream of others, enabling the ***hundi wallah*** to maintain sufficient funds in liquidity to be able to 'convert' the amount deposited with the collector almost instantaneously into local currency in Nepal for onward transmission to the family. The ***hundi wallahs*** will have telephones, fax machines and electronic communications - all the necessary equipment for high speed communications. Transfers are therefore very speedy and do not require complicated paperwork.

Hundi wallahs may often have legitimate businesses as 'cover' for their ***hundi*** business, or not. The ability to link the system of money transfers to a system of informal trade - which may or may not involve illegal transactions or smuggling (gold or commodities may be brought into Nepal within certain restrictions) allows the ***hundi wallah*** to make a profit which covers any transaction costs. The system is in this way able to provide a quick and efficient service with only a small commission - Wyss suggests 10 per cent for a transfer from Korea to Nepal. The ***hundi*** system is particularly valuable when the migrant worker is illegal and both bank transfers and hand-carrying pose difficulties.

The *Hundi* system and the Formal System Compared

Unlike the ***hundi*** system, transfers through the formal banking system tend to be relatively cumbersome and time consuming, particularly at the 'receiving' end. The banking system is relatively secure and transfers can be made at any time within normal working hours, but the procedures are usually complicated and the time taken between depositing the money and the money 'arriving' at the other end is often lengthy - several weeks. For migrants living illegally abroad, depositing money is difficult and even dangerous because of their lack of documentation; at the receiving end, banks may be far from where the household lives and difficult (and time-consuming) to reach.

In Wyss' sample only two migrants in Saudi Arabia, one in Malaysia and the migrants in Europe, transferred their money via the bank. Those working in the Gulf tended to use the hand carry system, while those working in India used nothing else (Wyss, 2003: 90).

Government Policy

1985-2002

The Department of Labour was established in 1971. The Ministry of Labour and Transport was established in 1981. The Foreign Employment Act was passed in 1985. This was based on the premise that it was 'desirable to control and organise foreign employment'. The Act defined the conditions under which private sector foreign manpower agencies could operate and established them as government licensees.

It was specified in the Act that 'HMG shall specify the countries for which foreign employment business may be operated by notification in Nepal Rajpatra'. In 1989, the Foreign Employment Act was amended.

The Eighth Plan was the first to refer directly to the objective of encouraging foreign employment and stated an intention 'to create appropriate conditions for increasing employment opportunities at home and abroad' (HMGN/NPC 1992, 555ff). In the same year, 1992, the Association of Foreign Employment Agencies (NAFEA) was established.

It was not until 1997, when the finance minister (Mahat) referred positively to the value of foreign migration and the foreign exchange it brought back into the country, that any positive attention was given to this matter. In 1998 the Foreign Employment Act was amended for the second time. The Ninth Plan referred to foreign labour migration and promised that 'institutional arrangements will be made in order to make foreign employment opportunities simple and well-managed for the Nepalese labour force' (HMGN/NPC, 1998: 211). The budget speech promised 'to provide 41,000 work permits for foreign employment'.

The Tenth Plan refers in general terms to a positive policy towards promoting foreign employment. It also refers to programmes for promoting foreign employment, providing entrepreneurship training for returning migrant workers and imparting skills to departing migrant workers. The labour sector plan includes an ambitious target to expand the number placed in foreign employment from 104,739 in 2001-02 to 550,000 in 2006-07.

In 2002, the government 'banned' the migration of women to the Gulf, following the death of a Nepali woman in Saudi Arabia. Recently, in January 2003, recognising that this had little effect on women's migration overseas, including to the Gulf, the government rescinded this 'ban'.

Recent Statement - January 2003

In January 2003, the Ministry of Labour and Transport Management issued a press release on their 'foreign employment promotion' programme. It is sufficiently important to quote in full:

"Foreign employment has become the backbone of our economy. It is increasingly being perceived as the most important economic growth sector for the coming 10 to 15 years. Therefore, to continue the contribution of foreign employment and to generate new opportunities. HMG/MoLTM has begun to work more seriously to address the existing problems and make foreign employment more simple, reliable and safe. Ensuring the best use of all prevailing opportunities and the identification of other new opportunities has become the biggest challenge in the present context."

In order to provide recommendations to face these challenges, the Ministry of Labour and Transport Management formed a five-member Task Force on 20 Mangsir 2059 (6 December 2002) under the co-ordination of the Director General of the Department of Labour and Employment Promotion. The Task Force identified various programmes and strategies, and subsequently a report on 10 Poush 2059 (25 December 2002) was submitted to the MoLTM.

Under the chairmanship of the Hon. Minister of MoLTM, meetings were called to obtain feedback on the Task Force Report. The meetings comprised of participation from various sectoral ministries, namely Ministry of Finance, Ministry of Home Affairs, Ministry of Industry, Ministry of Commerce and Supply, Ministry of Women, Children and Social Welfare, General Administration, Ministry of Foreign Affairs as well as other relevant institutions, such as the Nepal Rastriya Bank, the National Women's Commission, Police Headquarters and senior members representing the foreign employment agencies. Based on the report and the recommendations collected from these meetings, the MoLTM has decided to work in close co-ordination with various sectoral agencies with top priority being given to the following areas:

1. At present there is a restriction on sending women workers to the Gulf countries. However, various organizations, consultant agencies, women's rights activists' requests and reports from researchers and studies have been raising concern about the restriction, indicating it to be discriminatory. It is evident that, despite the existing restrictions, Nepalese women are going to the Gulf countries via India. There is also a demand from the governments of the Gulf countries for Nepalese women workers. Considering all these aspects, continuing the restriction does not seem relevant. Thus both the recommendation of the Task Force as well as the high level meetings with various related agencies, all indicate that apart from sending women as domestic workers and workers in unorganized sectors, women should be encouraged to work in other organized sectors for which efficient support security measures and policy measures should be developed. As per these suggestions, the Ministry of Labour and Transport Management has decided to formulate policy measures enabling women migrant workers to work in the Gulf countries as soon as possible.

2. Standard measures will be developed to send both men and women as migrant workers. Accordingly, no-one will be given permission to leave the country for work without prior orientation programme. The MoLTM will make this applicable at the earliest possible. A policy will be initiated to involve the private sectors.

3. Among the destination countries of the migrant workers, more than 50 thousands of migrant workers are working in countries like Saudi Arabia, the UAE, Malaysia, Qatar and a few other countries. In whatever capacity they are working abroad, the workers are entitled to the benefits, security and protection of the government of Nepal. Yet, despite

the thousands if migrant workers working all over the world, the Nepalese government does not possess sufficient official mechanisms to oversee the welfare of these workers. To overcome these drawbacks, HMGN has initiated a process to establish Labour Attaches in the UAE and Malaysia respectively. Similar procedures will be replicated in other receiving countries in due time.

4. The foreign employment sector has become the biggest sector contributing to Nepal's foreign currency income. However, this sector is yet to be classified as an industry, thereby preventing foreign employment from the various benefits enttled for this sector. Therefore, necessary processes are being undertaken for its classification as an industry.

5. Currently there is insufficient mechanism for migrant workers to send remittances to Nepal. But in Malaysia, to facilitate the remittance process, permission has been given to the private sector. Based on the experiences of Malaysia, and in support and coordination with the Nepal Rastra Bank, it has been decided that the private sectors will be mobilized to facilitate remittances.

6. In order to obtain a visa to work in Malaysia and Saudi Arabia, migrant workers have to undergo a process compelling them to go to India or Bangladesh to initiate the visa process. In this process, migrant workers are spending an additional Rs 6 crores every year. Despite this, people face a lot of hassles and lose a lot of time and effort. To overcome all of these problems, diplomatic efforts will soon be commenced in coordination and support from the Ministry of Foreign Affairs to open consulates of these two countries in Kathmandu.

7. As per the Foreign Employment Policy Act and Regulations, special services are required for migrant workers at Tribhuvan International Airport. To serve this purpose, there is an urgent need to re-establish the Labour Desk. Initiatives are thus to be taken as soon as possible to establish a permanent Labour desk at TIA.

8. The Foreign Employment Policy Act and regulations provide legal provisions for migrant workers to be insured. However, most accidents that occur in the countries of employment are not reported as industrial accidents, which results in nullifying the insurance claims of these labourers. There is also a (?no) provision for both legal and illegal migrant workers to be covered for rescue in case of accidents and disaster and repatriation, and also reintegration once they are repatriated. For this purpose it has been decided that a welfare fund will be established for their safety.

9. There is a yearly increment in the responsibility of the Foreign Employment Promotion Administration. The increasing openings in many new countries and the ever-increasing demand for labourers from the existing countries are making the responsibilities of this section heavy. To fulfil the required procedure for foreign employment, approximately 300 people per day have to visit the Ministry of Labour and Transport Management and the Department of Foreign Employment and promotion. As a result, there is a great backlog in internal labour administration and promotion programmes. The Department is also becoming incapable of providing fast and efficient services to the labourers, due to the increased work burden. Therefore, there is an urgent need to improve the services

of the Ministry and the Department of Labour to a one-window system, making its work and services more efficient and accessible. It is clearly perceived that unless there is an efficient management system and more effective programmes for the promotion of foreign employment, the existing foreign employment opportunities might not be sustained for a longer period. Furthermore, the high competition in the international labour market also necessitates and active and effective effort to face the various existing challenges of foreign employment in a more efficient manner. Thus special efforts will soon be made in establishing a separate Employment Promotion Department.

10. Foreign employment promotion programmes are not possible from any one sector and confining the efforts and focusing only on limited facts coming out from studies and researches is not enough. There is need for constant effort from both government and other sectoral agencies to identify new potential countries and to create new opportunities in foreign employment. There is also a clear indication that added opportunities can be sought through dialogues between state governments. Therefore, efforts will be made to effectively use diplomacy for the promotion of foreign employment. In support and coordination of the Ministry of Foreign Affairs, the Royal Nepalese embassies and other commissions will be mobilized for this purpose.

11. A new cell will be established in the Ministry of Labour and Transport Management. Some key activities of the cell will be to monitor the available time period in future for new opportunities of foreign employment; to study trends of the forthcoming days; to identify means to create an environment for migrant workers to become more efficient and capable for higher paying jobs; to estimate the future contribution of this sector; develop strategies to make the most of the existing regulating mechanisms within and outside the country; and also to produce a continuity of news and knowledge on all these issues. Foreign support will also be mobilized to establish and run the cell.

12. During the past couple of years, there has been a tremendous increment in the number of labourers going for foreign employment. Some of the reasons behind it is the fact that Nepal is being considered as a source country for migrant workers in Malaysia and the increase in trust in Nepalese workers in the Gulf countries. In the fiscal year 2056-7 (1999-2000), 35,462 labourers went abroad for employment purposes, 55,025 in the fiscal year 2057-8 (2000-2001) and 104,739 labourers in the fiscal year 2058-9 (2001-02). The increment in the past two years has been of 57 and 58 per cent respectively. To fill the ever-increasing demand of women workers in the Gulf countries, and also through the HMG efforts to form and effective mechanism for the promotion of the foreign employment market, a target has been set to increase the number of migrant workers to 126,000, which is an increase of 25 per cent more, during this fiscal year. This will provide a solid contribution to the national economy, with an inflow of approximately Rs 12 Arab equivalent convertible foreign currency (sic) within a year, which is in addition to the remittances already being sent in by the migrant workers involved in this sector.

Migration and remittance: a wholistic approach

The issues of migration and issues of remittance should not be separated. As ILO/DFID report indicates, despite its overwhelming and almost exclusive focus on migration, maximing development benefits from migration involves a consideration of remittance (ILO/DFID, 2000:19020). Furthermore, it is suggested that issues of trafficking or involuntary migration as part of a commercial operation (or of conflict) and health and welfare should not be ignored.

It is imperative to know more on a comparative basis about the alternative forms of money transfer and their advantages and disadvantages from workers' perspective. Also about the relationship between informal transfers and smuggling (gold, commodities, etc.) and other international transactions.

It is important to know in particular about the organization and management of foreign labour migration whether voluntary or involuntary (trafficking). The NGOs working with trafficking issues would be valuable. Moreover, it is also desirable to know more about the working conditions abroad for Nepali workers as to what kinds of work they do in different countries, what system of social protection do they have, how they relate to employers and what they feel about the work and working conditions.

There is also a need for better assessment of the numbers of Nepali workers employed, legally and illegally abroad, and better assessment of the scale of flows of remittances from the original sending countries and into which regions and districts of Nepal.

It is essential to know more about flows of remittances into the households and local community, and how such remittances are used and how this differs for different social categories and groups with different levels of resources. Also there is need to know more about the impact of the use of remittances on local economy and society.

Such an agenda requires significant research collaboration between different institutions in Nepal and internationally. The research needs to feed systematically into channels and institutions which will inform the policy-making bodies in Nepal and the other international and bilateral agencies interested and concerned.

Appendix 1. Different estimates of Nepali workers abroad Migrants overseas

Table 1 Nepali Migrants: annual departures: 1993-1997

	1993	1994	1995	1996	1997
SArabia	1,302	988	1,041	1,469	1,959
Qatar	153	238	245	505	477
Kuwait	316	45	13	18	107
UAE	282	250		223	295
Saipan				5	48
HongKong		63	86	59	67
Korea		234	774	55	455
Total	**2,053**	**1,618**	**2,159**	**4,493**	**3,408**

Source: Asian Migrants Yearbook, citing HMGN sources.

Table 2. Nepali migrants: annual departures - 1994-1997

	1994	1995	1996	1997
S Arabia	2,290	1,041	1,469	1,959
Kuwait	361	13	18	107
Oman	43			
Qatar	391	245	505	477
UAE	132		23*	95*
Bahrain	91			
Hong Kong	63	86	59	67
Singapore				
Korea	234	774	55	455
Brunei				51
Malaysia				
Saipan			5	48
Macao				
Maldives				
Kosovo				
Israel et al				
Total	**3,605**	**2,159**	**2,130**	**3,259**

* compare with 223 and 295 in previous table.

Department of Labour and Employment Promotion, 2002, cited in UNIFEM 2003: 7.

Table 3. Nepali migrants: annual departures - 1997 to 2002

	1997	1998	1999	2000	2001	2002
S Arabia	1,959	4825	14,948	17,867	17,966	17,337
Kuwait	107	137	609	465	885	307
Oman		7	90	32	68	86
Qatar	477	1802	9,030	8,791	14,086	15,203
UAE	95	284	1,417	6,360	8,950	6,784
Bahrain		111	787	583	904	556
H. Kong	67	155	301	209	331	406
Singapore			1			16
Korea	455	192	267	766	245	87
Brunei	51					46
Malaysia		89	151	171	11,306	43,697*
Saipan	48	143		1	11	113
Macao			102	119	82	47
Maldives			46	71	35	38
Kosovo				27	21	34
Israel et al			47	81	135	250
Total	**3,259**	**7,745**	**27,794**	**35,543**	**55,025**	**54,907***

*Source: Department of Labour and Employment Promotion, cited in UNIFEM 2003: 7. * There must be a mistake here somewhere.*

Table 4. Nepali Migrants Overseas: 1998-99

Saudi Arabia	135,000
Qatar	40,000
Kuwait	5,000
Bahrain	9,000
UAE	9,000
Saipan	5,000
Hong Kong (migrants)	1,000
Hong Kong (residents)	(17,000)
Japan	5,000
Korea	2,000
Malaysia	10,000
Singapore	1,000
Total	220,000 (minus HK residents)

Source: Asian Migrants Yearbook, citing GEFONT,

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