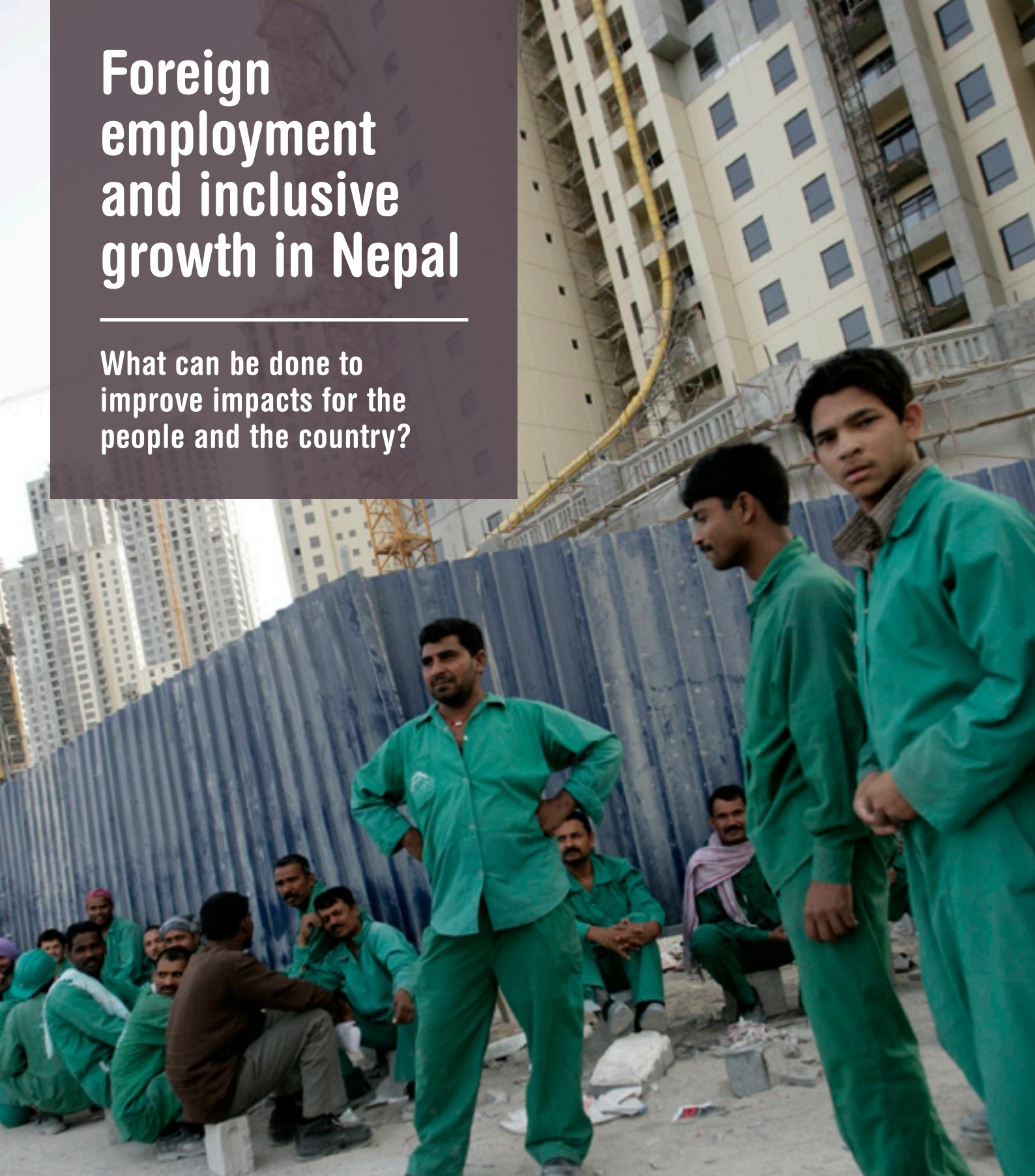


# Foreign employment and inclusive growth in Nepal

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What can be done to improve impacts for the people and the country?



Research  
& Policy in  
Development

 Centre for  
Inclusive Growth  
Practical solutions for Nepal

Harry Jones and  
Yurendra Basnett

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June 2013

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# Foreign employment and inclusive growth in Nepal

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for the people and the country?

Harry Jones<sup>1</sup> and  
Yurendra Basnett<sup>2</sup>

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June 2013

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# Acronyms

<b>CESLAM</b>	Centre for the Study of Labour and Mobility	<b>NCCR</b>	National Centre of Competency in Research North-South
<b>CIAA</b>	Commission for the Investigation of Abuse of Authority	<b>NGO</b>	Non-governmental Organisation
<b>CIG</b>	Nepal Centre for Inclusive Growth	<b>NHCR</b>	National Commission for Human Rights
<b>CPA</b>	Comprehensive Peace Accord	<b>NIDS</b>	Nepali Institute for Development Studies
<b>DoFE</b>	Department of Foreign Employment	<b>NMS</b>	Nepal Migration Survey
<b>DFID</b>	Department for International Development	<b>NRB</b>	Nepal Rastra Bank
<b>EPS</b>	Employment Permit Scheme	<b>NRN</b>	Non-resident Nepali
<b>EU</b>	European Union	<b>NRNA</b>	Non-resident Nepalese Association
<b>FDI</b>	Foreign Direct Investment	<b>ODI</b>	Overseas Development Institute
<b>FEPB</b>	Foreign Employment Promotion Board	<b>PMO</b>	Prime Minister's Office
<b>GDP</b>	Gross Domestic Product	<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>GNI</b>	Gross National Income	<b>SDC</b>	Swiss Development Cooperation
<b>ICT</b>	Information and Communication Technology	<b>TIA</b>	Tribhuvan International Airport
<b>ILO</b>	International Labour Organization	<b>UAE</b>	United Arab Emirates
<b>IOM</b>	International Organization for Migration	<b>UK</b>	United Kingdom
<b>IME</b>	International Money Express	<b>UN</b>	United Nations
<b>MoE</b>	Ministry of Education	<b>UNDP</b>	United Nations Development Programme
<b>MoF</b>	Ministry of Finance	<b>US</b>	United States
<b>MoFA</b>	Ministry of Foreign Affairs	<b>VAT</b>	Value-added Tax
<b>MoGA</b>	Ministry of General Administration		
<b>MoHA</b>	Ministry of Home Affairs		
<b>MoIC</b>	Ministry of Information and Communication		
<b>MoLJ</b>	Ministry of Law and Justice		
<b>MoLTM</b>	Ministry of Labour and Transport		
<b>MoTCA</b>	Ministry of Tourism and Civil Aviation		
<b>MoU</b>	Memorandum of Understanding		
<b>MTO</b>	Money Transfer Operator		
<b>NAFEA</b>	National Association of Foreign Employment Agencies		



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# Executive Summary

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This paper is focused on three questions:

1. How is labour migration contributing to inclusive growth in Nepal, and how can this contribution be improved?
2. How do institutions, incentives, structural factors and knowledge and information shape the drivers and constraints around the key policy issues?
3. What can realistically be done to make improvements, what are the most promising entry points and what are the prospects of success?

Every year, more than 4 million Nepalis travel abroad for work, with numbers increasing at an average of 47% between 1999 and 2009. Migrants find employment in India, the Gulf and elsewhere (see figure 1 for migrant destinations), typically accessing opportunities through informal agents, or a combination of informal and legal manpower agencies. Migration is ubiquitous, common across all geographic regions and ethnic and social groups, and with high participation across all wealth quintiles as well.

Remittances are equivalent to at least 25% of GDP and possibly over 33%, growing at an average of 24% over the past 10 years. Sent home through an effective system of Money Transfer Operators, remittances make crucial contributions to national financial stability and also to household finances, with over 55% of households receiving remittance income.

While richer households tend to get more remittances, the distribution of remittances is considerably more equal than the distribution of national wealth (see figure 2 on p.7 for the destination of migrants from different wealth quintiles). More than half of the impressive reductions in poverty in Nepal over the past two decades have been directly attributed to remittance income. Labour migration and remittances thus are a strong driver of inclusion and poverty reduction, and the most realistic hope for inclusive growth in Nepal in the near future.

There are however on-going problems and challenges that must be addressed, including high costs of migration, and unrealised benefits of migration and remittances. Below we have outlined these two problems, the drivers and constraints relating to each, and recommend key entry points that offer realistic hopes of fostering genuine change on the issue.



FLICKR / DANNY MCL

## High costs of migration

## Unrealised benefits of migration and remittance

Key problem	<p>Migrants typically find work through agents and travel through informal channels, but registered manpower agencies are also key players. Legislation designed to protect workers is poorly implemented, and migrants find themselves extorted for large fees to secure placements, deceived over various issues, exploited, and subjected to forced labour.</p>	<p>Money sent home (through a relatively efficient market for money transfer operators) does not seem to be contributing to productive investment in Nepal. Although the debate has tended to focus on the spending patterns of remittance-receiving families, a poor investment environment and insufficient services provided by banks are more important. Macro-level impacts of high migration and remittances are not managed, and returning migrants are not capitalised upon.</p>
Drivers and constraints	<p>The enabling force behind poor conditions for migrants is a demand for unskilled and semi-skilled labour that is far outstripped by supply. The structure of the migratory process, primarily the challenges associated with the large distance between employers and potential employees, creates opportunities for malpractice by middlemen. The protection of Nepali workers is hampered by a lack of jurisdiction, especially by the open border with India, and, crucially, the fact that exploitation is lucrative creates and fuels well-organised constituencies against reform. At home, corruption and political ties hinder enforcement of regulations, and abroad there is limited interest in protecting the rights of migrant workers and sending countries face a 'race to the bottom' for wages and rights. Migrants are in a poor position to demand fair treatment, in competition with one another and separated from support networks, and there is low awareness and a lack of information. There is, however, a growing civil society presence on the issue, as well as some assistance from international agencies, and, despite prevailing incentives, recent years have seen increasing political will to seriously tackle the issues. Action is facilitated by a relatively strong knowledge base on many aspects of the issue.</p>	<p>The unstable, interim and fragmented nature of Nepal's political situation has reduced the government focus on economic development in general. This is a continuation of historical trends of poor economic management, but migration and remittances now contribute to this as a vicious circle, as migrants are less likely to hold their own government to account. Many of the effects of unmanaged remittance inflows have financial benefits, but the collection of these is opportunistic and not systematic. Limited government control and insufficient knowledge on policy measures reduces the ability to proactively harness and direct remittances, but may not be the worst thing given present record on service delivery. In lieu of concrete evidence, policy positions and arguments tend to reflect ideological tendencies such as blaming the poor, while constructive and evidence-informed perspectives are currently siloed and fragmented. The basis for a broader constituency for change is lacking owing to the absentee nature of the population.</p>
Recommendations	<p>There are considerable constraints to reducing the exploitation of Nepali migrant workers, but also genuine opportunities for action. New regulation, when possible, will be an important part of a solution; legalising and monitoring informal agents and simplifying and decentralising migratory process requirements should be top priority. Action not relying on new regulation is most appropriate in the short to medium term, and working with the Department of Foreign Employment to improve implementation through better monitoring is crucial, although an unreliable entry point, requiring an opportunistic approach. There are promising entry points for monitoring and enforcement driven by other actors, including self-regulation by manpower agencies and monitoring by independent and constitutional bodies. Using information and communication technologies to bridge the gap between potential migrants and employers, for example through internet or mobile phone-based systems, could have a significant impact on exploitation. Support should also be given to civil society to continue, consolidate and expand the good work done on service delivery; access to justice and advocacy; and research. Action in receiving countries is also needed in the long term, including diplomacy and publicity, and collective action by sending countries.</p>	<p>An imminent turnaround in the contribution of remittances towards productive investments in the domestic economy is not likely, as they are already being wisely invested in human capital to some extent, and enhanced options for investing savings would require drastically improved economic institutions across the board. Small but important steps can be taken in the meantime, but caution must be exercised given the complexity and fragility of remittance flows. Improving financial services related to migrants and the use of remittances is important, and a number of avenues could prove fruitful such as special financial services for migrants, better microfinance and savings services and reducing exchange rate losses. These measures would need the leadership of Nepal Rastra Bank and support from international agencies. The value of returning migrants and non-resident Nepalis for productive investment needs to be capitalised on, with efforts to identify and provide rights and privileges to these groups, incentives and support given for them to invest in the country and efforts made to catalyse knowledge sharing and engagement.</p> <p>There is a strong need for improved knowledge and public debate, and this should be promoted by civil society and academia. Research is needed to build the knowledge base for policy and advocacy, and communication efforts and platforms for debate are needed to build a more informed public. This would build understanding, consensus and impetus around policy measures.</p>



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# Introduction

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The scale of labour migration and remittances in Nepal is staggering, and foreign employment provides one of the best hopes of ‘inclusive’ growth for the country in the foreseeable future. There are, however, some major problems associated with this, with migrants bearing unacceptably high risks and costs and insufficient efforts being made to harness the value of remittance flows for the development of the country. Exploitation is not *ad hoc*, however, and there are some strong forces working against efforts to improve the situation.

This paper is an attempt to highlight the key policy issues in this regard and to situate them in the context of key drivers and constraints underpinning action and inaction. It is hoped that it will contribute to an improved understanding among government, civil society, development agencies and the public of the opportunities and constraints in improving the impacts of foreign employment on inclusive growth in Nepal.

This paper is focused on three questions:

1. How is labour migration contributing to inclusive growth in Nepal, and how can this contribution be improved?
2. How do institutions, incentives, structural factors and knowledge and information shape the drivers and constraints around the key policy issues?
3. What can realistically be done to make improvements, what are the most promising entry points and what are the prospects of success?

The paper is structured as follows. Section 1, following this introduction, answers Question 1, looking at the current contribution of labour migration to inclusive growth; the institutional setup and key players; and the two key problems. Section 2 answers Question 2, examining the political economy dimensions around the two

key problems identified in the previous section. Section 3 draws out the implications of these for promoting action and change on these issues, providing recommendations for domestic and international actors.

## Background and methodology

This study was carried out by the Nepal Centre for Inclusive Growth (CIG), a project funded by the UK Department for International Development (DFID). The CIG works to find practical solutions to promote economic growth and social inclusion in Nepal, using technical assistance, facilitation and other in-kind support. The study was commissioned along with three others (on tourism, roads and petroleum imports) in order to map and scope sectors for potential CIG involvement, to identify potential entry points for CIG support and to provide guidance relevant to designing and managing a project in the sector. These papers have, however, been revised in order to be of relevance to a wider audience, providing recommendations for a variety of actors and purposes.

The study employed the following components:

- A systematic review of academic literature relating to Nepali labour migration, its key drivers and the political economy of migration and remittance;

- A review of available documentation relating to the sector from government, civil society and international agencies;
- 20 expert informant interviews carried out using the semi-structured interview technique, in Kathmandu in 2010 (as part of a previous project), in January and February 2012 and in December 2012. As is common practice when carrying out studies involving political economy issues, interviewees have been kept anonymous, but they included individuals representing a number of government departments, civil society and academia, international agencies and the private sector, and comprised Nepalis and internationals.

The study employed conceptual and analytical frameworks developed at the Overseas Development Institute (ODI), building on recent work aimed at making political economy analysis a practical tool for in-country programming. Research led by the ODI Politics and Governance programme looks at *political economy constraints to service delivery*, and how these have been overcome in practice. Using the conceptual categories of structural features, institutional characteristics, actor incentives and strategies employed, this work is

building a systematised approach to exploring governance aspects of service delivery at the sector level. Meanwhile, the *knowledge, policy and power* framework developed by the Research and Policy in Development programme (Jones et al., 2012) incorporates the role of knowledge, information and ideas into political economy analysis. This approach looks at political context, the role of actors, different types of knowledge and knowledge interaction processes, allowing for an understanding of how political economy factors shape the influence of knowledge and information, and how knowledge and ideas influence political economy and power dynamics.

It should be noted that this paper does not focus on providing new analysis of key problems and priorities (although some analyses and calculations have been carried out to support the work). Instead, the aim is to synthesise the existing material on problems in order to refine the key priorities, and to draw out their relevance to broader concerns around inclusive growth. The majority of the new empirical data in this paper relates to Sections 2 and 3, the political economy dimensions, and the analysis of entry points and prospects for successful action.

A man wearing a traditional Nepali cap (Dhaka topi) and a light-colored jacket is sitting in front of a shop. The shop has a sign that reads "PCO & TION" and "AT". The image has a teal overlay. A large white number "1" is in the top right corner.

# 1

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## Labour migration, remittances and inclusive growth

This section outlines the current contribution of labour migration to inclusive growth, maps the institutional setup and key players relating to labour migration and remittances and then highlights the two key policy problems: high costs and unrealised benefits.

## Current contribution to inclusive growth

Every year, an estimated more than 4 million Nepalis travel abroad for work, equivalent to one-third of the working male population (World Bank, 2011a), and around 7.2% of the population is estimated to be absent at any one time (NIDS and NCCR, 2012).<sup>3</sup> India is the most common destination, with around 72% of migrants: 2 million undertake seasonal migration<sup>4</sup> and 867,000 go there for more permanent work. Of the 1.2 million remaining who travel to countries apart from India (28% of the total), 64% go to Gulf countries, 19% to Malaysia and 15% to other developed countries (Australia, Japan, the UK and the US) (ibid.).<sup>5</sup>

These figures suggest that only 21% of those travelling somewhere apart from India do so through formal, registered channels; the remaining migrants use informal channels and transit through India.<sup>6</sup> Migrants abroad are mostly employed in manufacturing (32%), construction (16%) and the hotel/catering industry (16%).

Labour migration increased at an annual average rate of 47% between 1999 and 2009, using the figures on formal, registered migrants (Nepal, 2010a). The roots of this lie in the 18th century, when Nepalis joined the army of a Sikh ruler in Lahore (the colloquial term *Lahure* is still used today for all labour migrants), and from the early 19th century the country exported *Ghurkha* soldiers to the British army (Seddon et al., 2001). Since then, households have employed circular, labour out-migration largely to India, with typically 3% of the population absent. The large expansion and beginning of migration to Malaysia and the Gulf began in the 1990s promoted by more liberal travel policies and the growth of those countries. These trends were further accelerated by the Nepali conflict (World Bank, 2011a), with just one small dip in 2008/09 related to the global financial crisis (NIDS and NCCR, 2012).

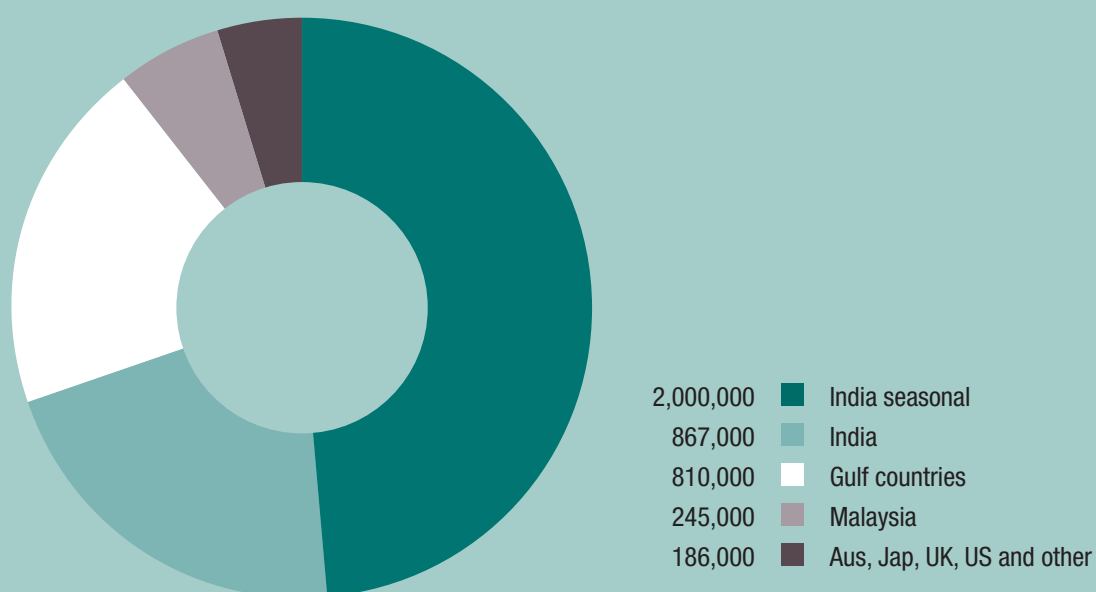
Official remittances in 2011 were at NRs. 346 billion (\$4.01 billion), equivalent to 21% of gross domestic product (GDP).<sup>7</sup> The real total is likely to be considerably higher, as this excludes remittances from India and informal flows (the Nepal Migration Survey (NMS) estimated that the real figure probably far exceeds 25% of GDP (World Bank, 2011a: i), while extrapolating from other robust figures the total could be \$6.3 billion, over 33% of GDP).<sup>8</sup> It is estimated that about half the remittances from abroad come from the Gulf countries, 21% from the 'other developed countries' listed above, 19% from India and 10% from Malaysia (World Bank, 2011a). Official remittances have grown by an average of 24% over the past 10 years; continuing at present rates, remittances would exceed the total GDP of Nepal in 2020 (see Appendix 1 for calculations).<sup>9</sup>

- 
3. In addition to this, 1.2 million Nepalis are abroad as non-work migrants, many on student visas, but there is inadequate information on how many actually work while abroad.
  4. For more detail on rural seasonal labour migration, see Gill (2003).
  5. Even these large figures must be incomplete, as 31% of recruiters in Nepal and India reported sending migrants to Iraq and 31% sent Nepalis to Afghanistan, where they are not officially allowed to work (ILO, 2008).
  6. Nepalis travelling abroad through formal channels, with institutional sponsorship, to countries apart from India amounted to 217,164 in 2009 (Nepal, 2010a), the same year as the NMS on which the above figures were based. In previous years, typical individual migration amounted to around 20% on top of this.
  7. NRB, excludes flows from India.
  8. This includes the non-India total mentioned above, along with an estimate for Indian remittances that was calculated taking the average remittances received by households with migrants in India multiplied by the estimated total of migrants in India.
  9. Nepal's GDP in 2009, as per World Bank data, was \$12.5 billion. GDP growth for the past ten years (2000-2009) was about 4%, which means GDP in 2020, all other things being equal, will be \$19 billion.



## Figure 1: Annual migrant destinations

SOURCE: WORLD BANK (2011A).



**Remittances make a major contribution to household income.** Migrants to India on average triple the wages they earn before migration while those to other countries earn typically five times their previous income (ibid.). This money contributes one-quarter of the income of all households and almost two-thirds of the income for those receiving money from abroad (ibid.). Households with a migrant in the 'other developed countries' receive NRs. 311,000 (\$4,050) per year, in the Gulf NRs. 163,000 (\$2,120), in Malaysia NRs. 113,000 (\$1,470) and in India NRs. 62,000 (\$ 800) (ibid.). This income has been particularly crucial during a time of overall weak economic growth, stagnation in agriculture and volatility and decline in manufacturing – our calculations show a decline in real per capita income of 6% over the period 2000-2009 (for more details see Appendix 1). Remittances are used primarily to pay for basic needs such as food and clothing (54%) and to pay off debts (22%) (ibid.), although other studies suggest repayment of loans come first, followed by education, food, health and land investments.

**There are a number of positive macro-level effects of labour migration and remittances.** Against weak export performance and a large amount of imports, remittances are an invaluable

source of foreign exchange that contributes to keeping a positive balance of payments – remittances have been the key factor in the surplus registered over each of the past 10 years despite a large trade deficit (Kharel, 2011). The additional household expenditure stimulated returns partly to the banking system, adding to liquidity. In the context of a low number of formal sector jobs in Nepal (no recent firm data are available but estimates are no more than 2 million, compared with a workforce of over 16 million), labour migration has also made a considerable contribution to reducing un- and under-employment. Other knock-on effects include higher wages resulting from reduced labour supply, and better rental terms for cultivation (typically by the poor and landless) of the land of absent migrants (Adhikari, 2006).

**There are also indirect contributions to the domestic economy thought to total around NRs. 13.5 billion (\$180 million)** (Adhikari and Gurung, 2011). Income for various private sector actors from daily migration activities (bus operators and internal transport, recruitment agencies, air ticketing etc.) is estimated to account for 34,000 jobs and generate a total of \$525 million per year, although more than half of this value leaves the country. In addition to this there are **contributions**



to government revenue estimated to total around \$34 million per year (around 10% if non-tax revenue), through passport fees, value-added tax (VAT) on the air passenger service charge and taxes and revenues collected from manpower agencies (ibid.). Remittances have also contributed to the growth of the financial sector, with a vibrant sector of financial institutions dealing with money transfer (26 commercial banks, 45 licensed money transfer operators and 2 finance companies, the majority of which cover all 75 districts).

**Labour migration as an economic activity is highly ‘inclusive’**, on many dimensions (for our working definition of inclusiveness, see Box 1). **In terms of participation of ethnic groups and people’s geographical origin, labour migration is ubiquitous.** Significant numbers participate from the Mountains, the Hills and the Terai, and from all five development regions; migrants are much more likely to come from rural areas than urban, and the Hills are slightly better represented than the Terai proportional to the population, but overall geographic participation is fairly even (World Bank, 2011a). All ethnic groups are also fairly strongly represented, with the lowest probability being Newars (21%) but above average probability for Muslims, Hill Dalits, Hill Janajatis and Brahman/Chhetri (ibid.).

## BOX 1: A WORKING DEFINITION OF INCLUSIVENESS

There is no single agreed definition of what it means for growth to be ‘inclusive’. For the purposes of this paper (and the others in the series), we use a broad definition, encompassing a variety of dimensions. The inclusiveness of a sector is judged by the extent to which

1. Participation and
2. Benefits

are distributed between people from

- a. Different wealth quintiles;
- b. Different social/ethnic groups; and
- c. Different geographic areas.

The empirical discussion in each paper will focus on only those dimensions on which data or evidence are sufficient, and no normative presumptions will be made as to what is the most desirable form.

**Benefits to migration are slightly less even among ethnic and geographic groups, but not massively skewed.** Migration to lower-value destinations such as India is more prevalent for the Mid-Western and Far-Western regions, whereas migration to the Gulf states is rare here. These areas also receive comparatively lower remittances per migrant. Migration to the Gulf states occurs primarily from the Eastern and Western regions and districts in these regions receive the highest total remittances and the highest per capita. Per capita remittances for households with migrants from the Madhesihi middle caste, Hill Dalits, Terai Dalits, Terai Janajati and Muslims/others vary only between NRs. 10,270 and NRs. 16,520, with Brahman/Chhetri and Hill Janajati around NRs. 23,000 and Newar NRs. 40,960.

**Labour migration is high across most wealth quintiles**, although in a nonlinear way. Participation increases from the first (poorest) quintile (around 40% probability) to the fourth quintile, where it peaks (at around 50%), and then drop to its lowest level for the wealthiest quintile (around 30%) (World Bank, 2011a). There are striking patterns in terms of destination, with India the most likely for the poorest quintile and dropping steadily for each higher quintile, and with probability of migration to the Gulf rising and peaking at the fourth quintile (ibid.) (see Figure 2).

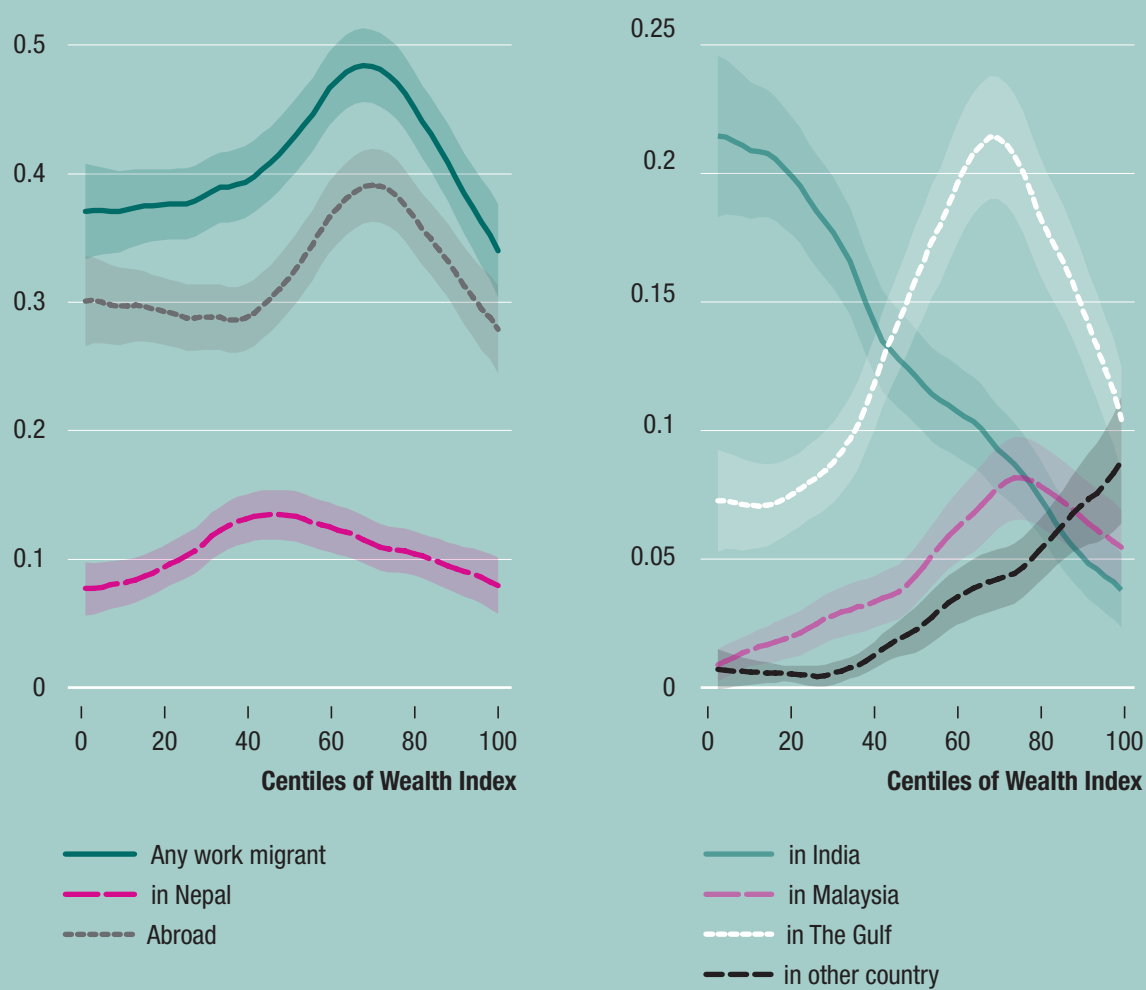
**Remittances appear to be a force for more equal distribution of wealth in Nepal.** The remittances received by the richest quintile are around one-third of the total, followed by 30.7% for the fourth, 17.2% for the third, 9.8% for the second and 9.2% for the poorest (ibid.). **Calculating the Gini coefficient of remittance incomes gives a figure of 0.274**, compared with a Gini coefficient for the country as a whole of 0.44 in 2004 and 0.33 in 2010.<sup>10</sup> Moreover, increased remittances has been proven to be the cause of more than half of the 11 percentage-point decline in poverty reduction in the period 1996-2004, (Glinskaya et al., 2007). It is estimated that the reduction to 25.4% by the end of 2009 owed mainly to increased access to remittances, with the ratio of households receiving remittances rising from 31.9% in 2003/04 to 55.8% in 2011 (NIDS and NCCR, 2012).

10. Authors' own calculation; other data from World Bank World Development Indicators at [databank.worldbank.org](http://databank.worldbank.org).

## Figure 2: Non-parametric regressions of probability of migration and wealth indices

SOURCE AND NOTES: NMS (2009), IN WORLD BANK (2011A).

### Migration Probability and Household Wealth



**The less inclusive face of labour migration is highly uneven gender participation.** Only 6-7% of migrant workers are female, with most going to India (51,000), many in Kuwait (25,000), Qatar (12,000) and Saudi Arabia (7,000) and 16,000 in developed countries (World Bank, 2011a). Women's earnings from migration are significantly higher than those of men, however – while those travelling to India earned similar amounts to male counterparts before migrating, they earned 25% more during migration, and those travelling elsewhere went from earning similar amounts to roughly double that of their male counterparts (ibid). Women working abroad send 60% more remittances home (ibid.).

## Institutional setup and key players

As well as the migrants themselves, there are a number of key players in labour migration and remittance processes (Basnett, 2013).

### Agents and agencies

Many migrants find work through **manpower agencies**. These formal, registered companies specialise in recruitment, playing a key role in bringing demand from overseas labour markets and meeting those demands with supply of Nepali labour. They establish business networks that supply information on demand for overseas labour in destination countries and are then responsible for a number of tasks during the process of recruiting workers and sending them abroad, such as pre-departure orientation.

There are currently 632 registered manpower agencies,<sup>11</sup> nearly all based solely in Kathmandu. About 400 are members of the industry association the National Association of Foreign Employment Agencies (NAFEA), and estimates are that not more than 100 are actively operating, with less than half of these dominating the market share (Manandhar and Adhikari, unpublished). It is estimated that \$710,000 is paid to these agencies per day by migrant workers (a total of around \$260 million per year) (Adhikari and Gurung, 2011), with a portion of this going towards paying for costs such as commissions to agents in receiving countries, advertisements in newspapers, taxes, air tickets etc. (Gurung, 2004).

In addition to these agencies, there are a large number of **informal agents** (or *dalals*). Individual agents can be formally registered but only 21 have done so (NIDS and NCCR, 2012). Many

migrants come into contact with these as the main recruiters or facilitators of their migration: estimates suggest that between one-third (ILO, 2008) and 80% (comparing NMS data with Department of Foreign Employment (DoFE) official statistics) of migrants go solely through these informal channels. Some of these brokers act as intermediaries between the would-be migrant and a formal employment agency in Kathmandu; others operate for informal recruiters located in New Delhi (ILO, 2008). These brokers facilitate the migration process by obtaining documents, filling applications, organising travel to Kathmandu or elsewhere and so on. The majority of agents, and especially sub-agents, have no legal status and are not registered or regulated (Gurung, 2004).

Very little is known about the informal recruitment agents. They operate with sub-agents through various levels of hierarchy and using social networks. Some estimates put the number at 20,000 or even 80,000<sup>12</sup> operating around the country in towns, villages and districts not reached by the official agencies. It has been suggested that the average monthly earnings of a low-level broker is around \$8,000 per year, with higher-level intermediaries taking around \$24,000 (Amnesty International, 2011).

### Regulation and regulators

The core policy for the management of labour migration in Nepal is set out in the **Foreign Employment Act 2007 and Regulation of 2008** (Nepal, 2007). This envisages the operation of selection, recruitment and employment of Nepali labour overseas as private sector-led, with the government providing a regulatory function focusing on the safety and welfare of migrants and ensuring they make well-informed choices. The Foreign Employment Act and Regulation were developed in response to increased levels of exploitation of migrant workers, coming into force in 2007 and 2008, respectively, after consultations with various stakeholders over three years. Nepal has not ratified a major International Labour Organization (ILO) convention related to the protection of migrant workers.

11. Official records show 846 have been registered, and 214 have since been cancelled.

12. <http://www.ekantipur.com/the-kathmandu-post/2011/12/23/money/online-registration-system-on-the-cards/229627.html>

To provide for migrant safety, the Act established a **welfare fund** for workers: every migrant must contribute NRs. 1,000 to a fund used to support workers encountering problems in destination countries, and in the case of death to repatriate the worker and pay compensation to the family. There is also **compulsory insurance** of between NRs. 2,000 and 3,000 to provide all migrants with health insurance coverage of NRs. 500,000. The government provides **labour attachés** in countries with over 5,000 Nepali workers (at present in Qatar, Saudi Arabia, Malaysia and the United Arab Emirates (UAE)), and safe houses for women have been set up in some countries.

The process of migrating for work is specified carefully:

- Manpower agencies must submit a ‘demand letter’ from the overseas employer, which outlines terms, conditions, nature and number of employment.<sup>13</sup>
- Once approved, they must publish the demand for labour for overseas employment in major national dailies before actual recruitment.
- At this stage, many migrant workers will pay various service charges to manpower agencies in order to secure their placement.<sup>14</sup> Agencies are required to provide receipts to evidence the amount paid in recruitment fees, and there are fee ceilings for 10 countries.
- The Foreign Employment Act states that the selected workers must undergo pre-departure orientation (on all aspects of work and life in destination countries) and a medical check.
- Manpower agencies are also required to provide migrants with their contract prior to departure.
- All selected workers then need to receive final approval from DoFE to leave for employment overseas.<sup>15</sup>
- Migrants must exit through national airports (i.e. Tribhuvan International Airport).

A number of requirements are placed on **manpower agencies**. They must first register as a ‘company’ under the Company Act of Nepal (Nepal, 2006), and must receive a licence from DoFE in order to legally recruit workers. Manpower agencies are responsible for ensuring the above process is properly adhered to, and are held responsible for the welfare of labourers while they are employed overseas. If the employer in the destination country does not meet the terms and conditions of employment, then manpower

agencies are responsible for repatriating the worker to Nepal and compensating for the loss incurred by the worker.

**There are severe punishments for infractions by recruitment agents:** agents are required to post NRs. 7 million in cash and NRs. 23 million in fixed assets prior to operating, considered as a deposit guarantee to compensate victims who are cheated by agencies. However, as of June 2011, no agency had been punished under the Act other than for failing to pay bank guarantees in relation to their registration (Amnesty International, 2011). There are also no mechanisms for auditing the enforcement of these rules.

Although it represents a major step forward on labour migration in Nepal, some stakeholders have criticised the Foreign Employment Act for overly centralised decision-making, an opaque institutional structure, lack of policy coordination and a lack of capacity (Nepal, 2011). As well as the core regulation, there are also various special and occasional policies, such as 10 bans and retractions of bans for female migrant workers – as a whole, and for particular countries since 1997 (Nepal, 2011). There are also a number of bilateral agreements and memoranda of understanding (MoUs) with specific receiving countries (including South Korea, UAE, Qatar and Bahrain) (for more detail see Sijapati and Limbu, 2012).

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13. Each demand letter must meet the requirements of DoFE, conforming to ILO conventions on the minimum wage, working hours, living conditions etc.

14. Based on interviews with manpower agencies, Gurung (2004) classified three types of packages. With some agencies (and with some contracts) no service fees or commissions are charged, with costs of recruitment met by the employer. A second type of package includes providing a visa but leaves the migrants to pay the remaining costs (NRs. 10,000-50,000) and some fees (NRs. 5,000-25,000). A third type leaves all costs with the migrant, totalling NRs. 60,000-80,000, as the agency pays a large commission (\$400-700). These figures may not be completely accurate (other data sources contradict them), but the different types of package and where the money goes are probably indicative.

15. In one slight exception, the governments of Nepal and South Korea have established a government-to-government recruitment scheme called the Employment Permit Scheme (EPS). Employers in South Korea wanting to recruit overseas labour are required to enter their demand in a database maintained by the government of South Korea. A desk established under the Ministry of Labour in Nepal maintains a database of prospective candidates and matches these with skills demanded in South Korea. Information on prospective candidates includes whether they have passed a South Korean language test in addition to certification of their skills.

Empowered by the Foreign Employment Act and Regulation, DoFE under the Ministry of Labour and Transport (MoLTM) acts as the sole regulatory body. DoFE regulates manpower agencies to ensure requirements are met, and has the power to fine agencies or remove their licences. It also authorises labour migration, and must provide permission for every individual wishing to work overseas. Its staffing is approximately 60, 40 of whom are junior (Manandhar and Adhikari, unpublished). It provides some skills training and promotion (around 30,000 migrants per year), and operates a hotline and complaints mechanism, carrying a maximum fine of \$7,000 for recruitment agents. As of June 2011, it had received 262 cases, 73 of them resolved, with 90% finding the recruiters guilty. There is not significant funding for overseeing migration, as MoLTM has a budget of less than 0.14% of total government spending.

In addition to DoFE, the **Foreign Employment Promotion Board (FEPB)** works to promote foreign employment business and make it safe, systematic and decent – its main function is to administer the welfare fund and raise awareness. There is also a **high-level task force on foreign employment** set up by Prime Minister Baburam Bhattarai in 2011, charged with providing recommendations on improving labour migration. As of publication, this had submitted its initial list of recommendations for actions and changes that can be made without requiring new regulation (we have had these translated and they can be found in Appendix 2), and it is working on its final report on institutional and systemic reforms.

## Remittance actors

The majority of migrants choose to send money home through formal channels (World Bank, 2011a).<sup>16</sup> This sees a large proportion of the flows going through **money transfer operators (MTOs)** and the commercial banks.<sup>17</sup> MTOs in Nepal must first register under the Company Act (Nepal, 2006), and need to receive approval from the Nepal Rastra Bank (NRB) for each remittance corridor and within it for each partnership with MTOs in the remittance source country.<sup>18</sup> They must partner with MTOs in remittance source countries, and must then receive approval from the NRB, under the Foreign Exchange Act (Nepal, 2010b).<sup>19</sup> Commercial banks, though registered under the Banking Regulations, must also seek approval from the NRB to participate in remittance flows.

A total of 26 commercial banks, 2 finance companies and 45 MTOs deal with remittances (Adhikari and Gurung, 2011). The market share of MTOs and remittance service providers is 70%, with 30% for banks (World Bank, 2011a), and the two largest MTOs in Nepal are IME and Prabhu Finance: with operations in the Gulf countries and Malaysia, these two facilitate the majority of remittances that flow through MTOs into Nepal.

It is estimated that it takes on average less than an hour for money to be available for withdrawal in Nepal from the source country, as the transaction is carried out electronically. The labour migrant remitting the money incurs a service fee, which is usually a flat rate.<sup>20</sup> In addition, there is also ‘exchange rate spread’, which acts as a cost for the labour migrant remitting money. The exchange rate spread is, in simple terms, the difference between the buying and selling rates of a currency. The **process of sending money proceeds as follows:**

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16. For instance, World Bank (2011a) estimated that about 81.5% Nepali labour migrants in the Gulf, 72.9% in Malaysia and 67.5% in other countries used money transfer companies to send money home.

17. MTOs in Nepal conduct mostly two types of operation: primary – when the labour migrant uses MTOs in destination countries that are also registered in Nepal (e.g. a labour migrant uses Prabhu in Malaysia, which is also registered in Nepal, to send money home); and secondary – when MTOs in destination countries use MTOs in Nepal to send remittances (e.g. if a labour migrant uses an MTO in Oman that is not registered in Nepal, then the MTO in Oman will use one of the MTOs in Nepal to facilitate the remittance flow).

18. For instance, approval received for the Nepal–Malaysia remittance corridor allows MTOs to facilitate remittance flows from Malaysia to Nepal, and not for other corridors such as Nepal–Qatar, which require separate approval. Similarly, within the Nepal–Malaysia corridor, approval is needed for each partnership with an MTO in Malaysia. Some of the MTOs, such as International Money Express (IME), are also registered in remittance source countries such as Qatar and Malaysia. But IME Nepal will need separate approvals from the NRB to facilitate remittance flows from IME Qatar and IME Malaysia. Furthermore, the Foreign Exchange Act permits only one-way remittance traffic – into Nepal but not out of Nepal.

19. The requirements for approval are a security deposit, a bank guarantee and agreement papers between an MTO in Nepal and its partner MTO in the remittance source country.

20. For instance, IME charges a flat rate of Riyal 15 for remitting from Qatar and Ringgit 15 for remitting from Malaysia.



- A labour migrant will deposit the money in a money transfer company at the place of his/her employment.
- While remitting, the labour migrant will also provide instructions such as whether the money will be collected by family/relative/friends and/or is to be deposited in their bank account in Nepal.
- If it is to be collected by someone, the person collecting the remittance will visit the partner money transfer company in Nepal with the unique code issued to the labour migrant and proof of identity.
- Based on this, the money transfer company in Nepal will settle the labour migrant's remittance. As per IME and Prabhu Finance figures, 90% choose to withdraw cash and the remaining 10% deposit it in a bank account in Nepal.

Remittances coming from India, more than money from other destinations, tend to be sent through informal channels. Nepali migrants either bring money with them, send it with friends and relatives or use *hundi*, an informal system for transferring of funds through an network of agents, based on informal norms and trust (Gurung, 2004).

## Key problems

This section outlines two constellations of issues that constitute the main policy problems relating to labour migration and remittance.

### High costs of migration

**Migrants to destinations apart from India must pay very large sums upfront in order to secure their posting abroad** – typically much more than the legal maximums. The NMS showed that migrants travelling to the Gulf paid an average of \$1,370 (NRs. 120,000, compared with the legal maximum of NRs. 70,000), to Malaysia \$1,500 and to South Korea and Japan \$9,600 (World Bank, 2011a).<sup>21</sup> One report found that the amounts paid were above the legal maximums 75% of the time, and the amount is typically extremely large compared with the income of the migrant.<sup>22</sup> **More than two-thirds of migrants took large loans** to cover this cost, most often from informal village lenders (47%) at a typical interest rate of 30-35% (Amnesty International, 2011; World Bank, 2011a).

**Many migrants face poor working terms and conditions.** Only 55% of migrants to India had lodgings, while 79% in the Gulf did (World

Bank, 2011a) but poor living conditions are reported to be widespread (e.g. more than 20 people living in 1 room) (Amnesty International, 2011). Around half find that they receive less pay than promised, and, although comprehensive comparisons are missing, one study shows that Nepali workers in Qatar are paid less for the same work than counterparts from other sending countries (World Bank, 2011b). Many face poor working conditions, with 30% reporting excess work time, and the physical toil they are subjected to is evidenced by the frequency of injuries and industrial accidents (25% reported being injured at work, 45% falling ill) (World Bank, 2011a). It is estimated that around 2,400 Nepali labourers die abroad each year, and bringing home bodies takes usually at least a year (Kathmandu Post, 2010). Exploitation, physical abuse and sexual violence are rife for domestic workers (Amnesty international, 2011), and female migrants are in a particularly vulnerable position (e.g. 67% report work-related illness or injuries compared with 40% total for men – World Bank, 2011a).

**Agents deceive migrants.** Typically, migrants are not given sufficient orientation and training before departure (69% – World Bank, 2011a), and very little preparation in general. Deception on salary amount, type of job offered, work hours, overtime pay or rest days is possible because only half of migrants ever receive a contract (51% – *ibid.*); when it is provided it is often in a foreign language and not explained to them, and it is usually too late to challenge as they only receive their contract, passport, visa and flight ticket days or hours before departure, frequently at the airport itself; at this point they are usually too indebted to refuse the job (Amnesty International, 2011).

**Exploitative practices continue in-country:** 25% of migrants had their passport or ID confiscated on arrival in order to make them easier to coerce and control (Amnesty International, 2011)<sup>23</sup> and 35-40% were fired when they fell ill (World Bank, 2011a). Migrants frequently find no redress in their destination country, with

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21. Typically, securing a placement in India cost \$10-260 (World Bank, 2011a).

22. The average cost of migrating is more than three times GDP per capita, while the NMS found the cost was typically seven times migrants' monthly income and eleven times their total savings (World Bank, 2011a).

23. They cannot seek other work without risking detention and deportation.

reports of embassies either being unresponsive or simply taking incidents as opportunities to extract money from companies in order to then side with them against the worker (Amnesty International, 2011). Notably, these problems appear to happen less for migrants who work in India – possibly because of the relative ease of travelling there (ibid.).

**Migrants and their families are highly vulnerable to slipping into poverty and indebtedness** owing to the high debts taken on, combined with the real chance of workers being injured or otherwise made unable to work to pay off these debts. Combined with their frequently being paid considerably less than promised, these deceptions amount to forced labour by ILO definition, as workers must continue to work in order to bring down massive debts (Amnesty International, 2011). There is also more severe exploitation in the form of human trafficking for the purpose of forced labour (US State Department, 2011) and, while comprehensive figures are scarce, it is clear that forced labour, bonded labour and human trafficking are serious problems (e.g. 12,000 children per year are trafficked from Nepal to India alone, and 100,000 are thought to be sold into bonded labour) (Sijapati et al., 2011).

**Manpower agencies are not held responsible for these abuses.** As mentioned above, manpower agencies should be held legally responsible for these kinds of abuses and exploitation but the monitoring and enforcement of these rules is rated as highly unsatisfactory (see Table 1). As of June 2011, no agency had been punished under the Foreign Employment Act other than for failing to pay bank guarantees in relation to their registration (Amnesty International, 2011).

**However, informal agents seem to be the bigger problem.** Migrants travelling through the informal system face greater challenges: formal agencies are required to provide orientation (and the percentage that do roughly coincides with the percentage of migrants going through formal channels according to our estimate above), and this is proven to have a measurable impact in terms of reducing exploitation (typically, these problems happened less by 5-20% if migrants have government orientation before departure – World Bank, 2011a). The cases received by the government hotline provide an insight into where blame for abuses lies: **apparently around 80% of complaints are against individuals including brokers, with the remaining 20% against registered agencies** (NIDS and NCCR, 2012). This is also a major

**TABLE 1: NEPAL'S COMPLIANCE WITH THE FOREIGN EMPLOYMENT ACT 2007**

Provisions in the Act relating to...	Compliance rating
Establishment and strengthening of structures	Moderate to high
Regulation of recruitment agencies	Moderate
Transparency and accountability in the selection of workers	Low to moderate
Non-discrimination and special facility	Moderate
Classification of training	Moderate
Protection of the rights of workers	Low to moderate
Monitoring, investigation and prosecution	Low

SOURCE: NATIONAL HUMAN RIGHTS COMMISSION (2010).

problem with the Foreign Employment Act, as only a small portion of migrant flows come under the Regulation, with a large percentage of migrants never seeing a formal manpower agency, and even those who do getting there by informal means.

## Unrealised benefits and unmanaged effects of remittances

**There are a number of missed opportunities, unrealised benefits and unmanaged effects of remittances and migration.** Given the importance of migration and remittances relative to Nepal's population and economy, it is crucial to manage and marshal the flows for the good of the country. The dynamics of remittance flows to South Asia are complex and fragile (Seddon, 2004), and there is insufficient knowledge on these dynamics and how to best manage them given the small number of countries that have such large flows proportional to their size. However, there are a number of issues that represent key points for a policy agenda.

**Migrants' skill development is not capitalised on.** A migrant's skill level has a strong influence on their earning potential (World Bank, 2011a), but the evidence shows that government efforts to increase earnings potential by improving migrants' skills may backfire: competition

among sending countries keeps wages down for successful jobseekers, who lose out to lower-wage sending countries (ibid.). There are, however, some indications that labour migration creates incentives for investments in certain vocational skills (those that are likely to facilitate work-related out-migration, for e.g. nursing, construction and hospitality), which can in turn benefit the domestic economy. **There is also insufficient attention paid to making the most of returning migrants and non-resident Nepalis,** who could be an important developmental resource. Workers often return with qualitatively increased levels of skills.<sup>24</sup> Very little attention has been paid to the skills and experiences returning migrants bring home, and their potential to stimulate local economies through their knowledge and ideas and/or investment.

**There are some seemingly unnecessary transaction costs in sending money to Nepal.** The cost of sending remittances to Nepal is not a big problem on the whole, and healthy competition in the remittance transaction market has meant that the costs of transaction are similar to regional averages (e.g. ILO, 2008). There are, however, concerns about the exchange rate spreads, which act as costs on remittance transactions. Since Nepal has a pegged exchange rate and restricted currency, remittances in different currencies must first be converted to US dollars and then again to Nepali rupees. Converting twice increases the cost of remitting (see Appendix 1 for comparative figures on the cost of remittances to UAE, the average time taken, and the exchange rate margins for remittance originating in the UAE). While precise calculations are not possible,<sup>25</sup> **a very rough estimate suggests that around \$70 million per year is lost to households.**<sup>26</sup> Because there has not been sufficient research on this issue it is not clear why cross rates have not been used or exactly where these additional funds are accrued.

**Remittance flows do not seem to be contributing to productive investment.** It is clear that the \$4 billion per year in remittances is not properly leveraged to bring maximum value to the Nepali economy – for example, high remittances appear to have contributed to the formation of a real estate bubble (World Bank, 2011a). **Although debate about the use of remittances in Nepal has tended to focus on spending patterns of families of migrants, this fixation is misplaced.** Evidence shows that remittances tend to be spent on consumption rather than investment, or on non-productive investment such as land speculation,<sup>27</sup> but these spending preferences are not the key issue:

- First, spending on education and health (shown to be high priority, World Bank, 2011a) is included by these commentators under consumption, whereas they are surely an *investment* (in human capital) unless we accept a very narrow definition.<sup>28</sup>
- Second, given that many households receiving remittance are poor, spending on food and shelter (also high priority, World Bank, 2011a, and also criticised) is completely to be expected – as is paying off repayments on loans taken to finance migration in the first place.
- Third, and possibly most importantly, the investment decisions of remittance-receiving families seem to reflect ‘good sense’ given prevailing trends in the economy, with demonstrated poor performance in productive sectors and a poor investment climate, owing to political uncertainty, turmoil and instability.<sup>29</sup>
- Fourth, although remittance-dependent countries do tend to become fixated on how to shape household spending decisions, forcing migrant households to save more and consume less is counter-productive and tends to reduce overall welfare (ibid.).

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24. For example, a typical migrant will have received minimal skills training at the outset of migration. Meanwhile, at destination, he/she will have worked for at least two to three years, so on return will have a number of years of work experience in productive sectors such as manufacturing or services, as well as exposure to and greater awareness of the external world and markets.

25. As the NRB is unable to identify the source countries of remittances.

26. This figure is based on an extrapolation of the UAE exchange rates, calculating the difference between the amount lost to exchange rates by converting to Nepali rupees compared with into Indian rupees, and estimating, using that percentage, what is lost to result in a total of \$4.01 billion in remittances from countries apart from India, i.e. \$4.01 billion/0.9821 = \$4.01 billion. As such, this is a very rough estimate used for illustrative purposes only and should not be quoted.

27. Common criticisms focus on money being spent on imported goods such as motorcycles, televisions etc., or on speculative investments, particularly on land and property in urban areas.

28. These are also quite understandable given the deficiencies in public service delivery in these areas by the government.

29. i.e. putting money in land has given significantly better returns than any bank account or investment instrument.

**One real problem reducing the impact of remittances is insufficient services provided by banks, particularly insufficient access to credit and insufficient innovation in the financial sector.** The sophistication of the financial sector is one of the key factors shaping the impact of remittances (World Bank, 2011a). Rather than expecting households to make the link between savings and productive investments, encouragement could be given, or pressure applied to banks to offer attractive and accessible products for remittance-receiving households. Only opened to the private sector in the mid 1980s, it has long been recognised that the Nepali financial sector is in need of reform (Adhikary et al., 2007), and a number of studies (Carling, 2004; Pant, 2008; World Bank, 2011a) highlight the relevance of improved supervision. Remittances are seen as a missed opportunity for the financial sector (Ferrari et al. 2007), and improved and innovative products and services need to be offered to remittance senders such as savings deposits, home loans and health and life insurance (ILO, 2008). Better links between MTOs and microfinance institutions could help. There is also insufficient access, with poor penetration of banks outside of Kathmandu.

**There are other macro-level issues that are currently unmanaged.** The beneficial impact of remittances for a domestic economy is dependent on human capital, strong economic institutions and a good investment environment (World Bank, 2011a), which are all missing to a great extent in Nepal. There are also strong effects on the labour market: the outflow of migrants creates acute localised shortages and unreliable supply of labour (Adhikari, 2006), and real wage increases without increases in productivity (World Bank, 2011a). While in the short run this has advantages in terms of improved benefits for workers, it could be that further constraints are being placed on the competitiveness of Nepali industry. It creates a disincentive for businesses to develop the skills of their workers (for fear of them then leaving for more lucrative work abroad), **and there are some suggestions that it has contributed to a kind of ‘Dutch disease’ in Nepal** (although causality is hard to establish). Remittances lead to higher consumption and hence raise imports and appreciate the real exchange rate, while also shrinking domestic exports and manufacturing owing to labour market effects and reduced incentives to invest in or produce tradable goods (ibid.).



A black and white photograph of three men standing in a queue at an airport. The man on the left is wearing a white cap, a patterned scarf, and a high-visibility striped jacket. The man in the middle is wearing a white cap and a dark jacket. The man on the right is wearing a white cap and a dark jacket, looking down at a small object in his hands. They are standing behind a white stanchion with a black strap. The background is a plain wall.

# 2

# Political economy of labour migration



This section outlines the drivers and constraints around the two key policy issues on labour migration and remittances in Nepal. It looks at the dynamics behind each of the issues, looking at how political economy factors shape the prospects for addressing it and what the role of knowledge is. For each, the points are arranged to move from structural characteristics to institutional features, incentives facing actors, strategies employed and then the role of knowledge, information and beliefs in both stability and change.

## Drivers and constraints of the costs of migration

The enabling force behind poor conditions for migrants is a demand for unskilled and semi-skilled labour that is far outstripped by the supply – this puts employers in a very strong position to dictate terms and conditions. Fast-growing economies with labour-intensive sectors such as manufacturing, construction and services create a demand for workers, which cannot be met by domestic populations – especially in many Gulf countries with small, relatively rich populations. Sending countries in South Asia and elsewhere have large, low-income and low-skilled populations. With large gaps in the performance of Gulf economies and those of Nepal, Bangladesh etc., there is a corresponding gap between the wages on offer in these countries for similar work. With this large wage differential, companies only have to raise pay and conditions a small amount over migrants' domestic opportunities in order to access a massive potential supply of willing migrants to take up these positions; prospective migrants, in competition with each other for a limited number of jobs and with limited domestic opportunities, are forced to accept poor conditions. The strong position of foreign employers is illustrated by the fact that clients in receiving countries often demand that agencies provide workers without paying any commission (Gurung, 2004).

The structure of the labour migration process creates large opportunities for malpractice by those linking demand and supply. There are usually large distances between migrants and their prospective employer, with jobs in countries often relatively unknown to the migrant, making it difficult to verify claims of recruitment agents. Securing a job through an agent is a 'one-shot' activity, requiring

from the potential migrant a heavy amount of commitment *before* (s)he is able to assess whether the agent might make good on their promises, and the distances (and associated travel costs) make it considerably harder for migrants to reject placements once they have reached their destination. Deadlines for filling the placements add further pressure for accepting claims. These factors increase opportunities for exploitation, partly evidenced by the fact that migrants to neighbouring countries report lower levels of abuse than those travelling to the Gulf and other more distant destinations (World Bank, 2011a).

The protection of Nepali migrant workers is hampered by a lack of control and jurisdiction – over key actors and key migration routes. Dalals and informal agents provide functions to formal agencies based in Kathmandu (linking potential migrants in rural and remote areas to agencies) that must be required otherwise they would not continue to be paid. They are not recognised in the Foreign Employment Act, but a generally low level of law and order outside Kathmandu means they can continue to operate despite illegal status. This means there is no clear entry point for government to monitor, or improve the policing of, these middlemen. Second, the open border to India severely hampers the ability of the government to influence the migratory process. The fact that the majority of migration seems to occur through informal channels, with workers crossing the open border to India before leaving through an Indian airport, illustrates this point. Also, this means many of those responsible for the exploitation of Nepali workers are therefore individuals and organisations in India (ILO, 2008), making the issue of bringing perpetrators of exploitation to justice one of foreign policy rather than direct regulation and enforcement.

**Exploitation of Nepali migrant workers is lucrative, which creates and fuels constituencies against reform.** Given the huge numbers travelling abroad for work with expectations of improved incomes, and the space and opportunities the situation presents, middlemen and employers can make considerable amounts of money. Giving lower wages and worse conditions to labour migrants enables agents to generate larger profits, so long as they can get away with it, and one study put a figure of NRs. 17.2 billion per year (\$198 million) as a conservative estimate<sup>30</sup> of the total value of corruption and exploitation in foreign employment (Manandhar and Adhikari, unpublished). With a variety of actors organised to extract rents in Nepal and elsewhere, these flows create vested interests directly opposed to improved regulation and enforcement, who are able to draw on considerable resources with which to pursue their aims.

**Enforcement of the Foreign Employment Act is hampered by corruption.** As the gatekeeper on official labour migration, DoFE is able to extract considerable rents. It is reported to operate with an organised network of corruption, with pre-agreed allocations of quotas to collect and share rents in an organised way through all levels of the administration; it seems likely that at least NRs. 350 million (\$4.7 million) per year is made by the department<sup>31</sup> (Manandhar and Adhikari, unpublished). This makes the department one of the main 'prizes' for political competition over ministries between political parties. This in turn means that the main body responsible for monitoring and enforcing the Foreign Employment Act is run for very different purposes, and probably explains the poor government record in investigating and prosecuting agencies.

**Political links further hinder enforcement.** Registered manpower agencies are known to have strong links to high levels in Nepali politics (Manandhar and Adhikari, unpublished). For politicians and political parties such links are useful not just for the revenues and rents available but also in order to find work for their cadres, constituents and supporters (and hence recruitment agencies provide a natural extension to age-old patron-client relationships embedded in Nepali politics). These links further reduce the ability of DoFE to enforce the Foreign Employment Act. It should be noted, though, that with high levels of political instability, and coalitions very frequently formed and reformed, using

political links for protection is not a completely reliable strategy for an agency involved in exploitation. As such, it is not surprising that evidence suggests migrants travelling through registered recruitment agencies are less likely to be subjected to abuse and exploitation.

**There is limited interest in many receiving countries in protecting the rights of migrant workers.** Employers can push conditions below minimum standards owing to a lack of action by governments in many receiving countries. There are a number of possible reasons why there is limited interest in protecting migrant rights in receiving countries: it could be a result of poor regulation of business generally, or to do with political factors that mean migrants are less visible or seen as 'second-class citizens'. Many receiving countries have not ratified international conventions on migrant rights, and workers' rights more generally are very weak (e.g. there is no right to industrial action in some receiving countries). There are also large problems around the status and treatment of women in some of the Gulf nations. Given the financial gains made by those exploiting migrant labourers, there is a fair chance that collusion and corruption also have a role in sustaining these practices.

**At the destination level, competition between migrant-sending countries enables a 'race to the bottom' for workers' wages and rights.** Although it would be to the benefit of each migrant-sending country for their government to intervene to guarantee their rights are protected, these governments face a collective action problem in protecting workers' rights. Taking a stand individually to protect workers' rights raises the cost of employing nationals from their country, and hence would likely set their citizens at a disadvantage (and correspondingly result in advantages to those who do not stand firm on protection measures). For example, the high-level task force recommended a 'no fee recruitment system' whereby the foreign employer pays the fees of recruitment agencies (rather than the migrants), but in a competitive environment this would be very difficult to implement. This issue is particularly problematic for Nepal as a relatively small player compared with Bangladesh and others.

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30. This was based on the assumption that only 88,000 travelled through informal channels.

31. The informal rate is NRs. 1,000 per migrant, multiplied by the number travelling through official channels.

**Migrants are in a poor position to demand fair treatment, in competition with one another and separated from support networks.** Pre-departure, migrants are competing with each other for a limited number of positions in the face of few domestic opportunities. Although it is in their collective interest to pressure agents and agencies to improve conditions, the situation is not conducive to this: the pool of potential migrants is very large and distributed across the country, and potential 'free riders' would face high expected benefits with limited chances of repercussions (as they immediately leave the country). Once working in the destination country, the migrant is separated from all family, kinship and other ties, which would typically be drawn on to solve problems. The significance of this is illustrated by the NMS, which shows that, where migrants had social networks in destination countries, they were an important factor in protecting migrants from abuse; this is particularly important for those who travel through informal channels and hence have no recourse to law (World Bank, 2011a). Some recent examples of protests and collective action in destination countries by mistreated migrants (Republica, 2013) further illustrates this dynamic, but this is fraught with risks (especially in countries where industrial action is banned), and the fact that the main effect of this is to harm Nepalis' job prospects shows collective action by migrants could not succeed on its own.

**Low awareness and a lack of information on the part of migrants have an influence on continued exploitation, but it is a small one.** The process of securing and taking up a job abroad is opaque. Migrants frequently are not fully aware of the different steps required on their part or on the part of their agent, about the rights they have or the key risks they face; however, given all the above factors, this is not the most decisive factor in trends of exploitation. The NMS clearly demonstrates the effect of lower awareness: those who had received awareness and information sessions were between 5% and 10% less likely to experience various types of abuse or exploitation (World Bank, 2011a). In terms of the costs and benefits of migrating for work, there is a lack of strong data on the full costs (including training, forgone opportunities etc.) and research from elsewhere shows that migrants tend to overestimate the potential real gains once all the costs and risks of failure are factored in (Hanson, 2009). However, clearly, decisions are not always taken on according to a purely rational cost-benefit analysis, and travelling abroad for work has become institutionalised; it is seen by many as a 'rite of passage' for young Nepali men, a way to

enhance their status in the community. There is also a 'demonstration effect', with migratory trends spreading around social networks (World Bank, 2011a).

**The treatment of labour migrants is a high-profile issue, but this does not necessarily translate into a strong constituency for ending exploitation.** Instances of cheating, exploitation, extortion and other abuses committed against Nepali labour migrants are frequently reported in the press, and the causes and remedies are frequently under public debate. Public pressure in reaction to specific abuses often translates into knee-jerk reactions from government (e.g. the to-ing and fro-ing over female migrants), and heights of public sentiment are illustrated by an incident in 2004, when 12 Nepali labour migrants to Iraq were executed by a terrorist group on the 20th day of their entry into the country via Jordan. The video was posted online and triggered a violent reaction, with arson and riots causing damages of at least NRs. 5 million. There seems to be a high level of consensus on the importance of reducing exploitation, with few politicians or commentators speaking against the aim, but typically migrants are a weak constituency for bringing about domestic change as they are out of the country for long periods of time (World Bank, 2011a).

**There is a growing civil society presence on the issue.** Domestic and international non-governmental organisations (NGOs) are increasingly mobilised on the protection of migrants. There is a strong domestic community on research and advocacy around these issues, and NGOs working on women's rights have been working to protect female migrants for some time. Other human rights groups are slowly taking up migrants' issues, illustrated by work in 2009 by the National Commission for Human Rights (NCHR).

**There is some assistance from international agencies, but this is yet to make an impact at scale.** The ILO and the International Organization for Migration (IOM) have had a presence in Nepal for some time, and bilateral agencies such as Swiss Development Cooperation (SDC), and multilaterals such as the World Bank and the European Union (EU) are increasingly giving attention to the issue. However, thus far, although there are some efforts providing support for migrants at some stages, this is usually either project-based work that does not function at the scale necessary to truly address the problem, or engagement with government and ministries that sometimes leads to positive changes on paper but frequently is beset by systemic issues of low government capacity, insufficient domestic

ownership of reforms and rent-seeking behaviour. To date, there has been little effort to address systemic issues and the governance of migration.

Despite the prevailing incentives, recent years have shown an increasing government appetite to seriously address exploitation of migrants. The passing of the Foreign Employment Act by the Maoist-led government in 2008 must stand as an important step in the right direction, whether or not it is fully and effectively implemented yet. More recently, the Bhattarai-led government showed real will to tackle the issue by establishing a task force headed by one of the most credible voices from civil society, and implementing recommendations on how to reduce exploitation: replacing the head of DoFE, installing CCTV in DoFE's offices to monitor civil servants and shutting down a number of agencies, with others under investigation.<sup>32</sup> A minister was even sacked – an extremely rare event in Nepal – reportedly as a result of obstructing the prime minister's directives for and reforms of DoFE.

There is a relatively strong knowledge base on the issue, albeit with important gaps. The strong civil society research community is a major asset, and both Nepali academics and international agencies have contributed to a broad and deep knowledge base, especially highlighting the nature of abuses and exploitation, their scale and their impact. The Centre for the Study of Labour and Mobility (CESLAM)<sup>33</sup> has made important steps towards consolidating the knowledge base, and the Nepal Migration Yearbook is a valuable resource (NIDS and NCCR, 2012), but there are problems with some crucial studies not being formally published. There is in particular a gap in knowledge about some of the key causes of exploitation, with very little known about the shady world of migration through informal channels, the informal agents and the ways in which they work.

## **Drivers and constraints of the realisation of the benefits from remittances**

The unstable, interim, fragmented nature of Nepal's political situation reduces the government focus on economic development, especially issues with long time horizons. Since the end of the conflict and the signing of the Comprehensive Peace Accord (CPA), coalition politics and a low level of law and order have led to an extremely short average tenure for prime ministers (no more than one year),

with ministerial turnover even more frequent. In this environment, the incentives for those holding high public office are geared towards short-term concerns, while political attention and the public debate has focused largely on contests over positions of power and the immediate 'winners' and 'losers' in each step of the peace process. The economy has to a great extent been a low priority for Nepal's politicians and political parties, and there are large practical obstacles to any attempt to robustly manage economic issues and the country's development with a long-term vision (Jones 2010).

**This is a continuation of historical trends of poor economic management, a cycle to which migration and remittances (now) contribute.** The World Bank (2011a) argues that in Nepal, as elsewhere, migration and remittance may be having 'governance effects', perversely influencing the domestic policy environment. As the population increasingly sees their livelihoods and wellbeing to be secured by employment abroad, there is a lower tendency to hold one's own government to account for good policy; the government, with no pressing short-term political consequences, feels little pressure to take difficult, long-term programmes of domestic reform. This becomes a vicious cycle, as limited pressure to improve leads to poor performance of the economy and job creation, and hence more migration.

This assessment is supported by our interviews, historical evidence and some illustrative examples. For example, government decisions made during the conflict to ease migration for foreign employment were taken in order to avert the dangers of having large numbers of young men in rural areas without decent prospects for employment and income, as this would be likely to swell the ranks of the insurgency. The political economy effects of remittances are complex, contradictory and not amenable to generalisations (Grabel, 2008), and one caveat is needed to the World Bank thesis: there was never significant pressure for economic reform in the first place, nor was there a government of Nepal that was responsive to the demands of its people. A cursory knowledge of Nepali history shows that such economic development was quite far off the agenda of those in power at least up until 1950, and government since then has still

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32. This followed from the prime minister's visit to Qatar on his way to the UN assembly, where he visited the quarters of labour migrants working there: <http://www.ekantipur.com/the-kathmandu-post/2011/07/10/money/job-agencies-accused-of-fraud-to-be-scrutinised/223853.html>

33. <http://www.ceslam.org/>



been far from responsive or accountable to citizens' demands (Whelpton, 2005). As such, current trends are a continuation of historical distance between the needs of Nepalis and the priorities of their government, except with significantly increased benefits for ordinary people.

**Many of the unmanaged effects of remittance inflows have short-term financial benefits for different groups, but the collection of these is opportunistic rather than systematic.** For example, elites in Kathmandu have seen the value of their land and properties increase many times over in recent years as part of the real estate bubble fuelled by remittance flows (World Bank, 2011a). Poor penetration of banking services means that the majority of lending comes from the informal sector, including friends and family but also loan sharks, who take extremely high rates of interest (Ferrari et al., 2007). Some instances of government action attempting to improve the impact of remittances have also been treated by those implementing them as an opportunity for enrichment. The central bank issued 'remittance bonds', which failed to raise sufficient interest partly because of poor rates of return, low confidence in government (e.g. many investors received certificates more than five months after payment) and also alleged corruption in the form of high 'commissions' demanded in return for eventual delivery of the bonds.

**Realising benefits from large-scale remittance is a policy area where government has limited control,** although in present circumstances this cannot be considered a constraint on benefits being realised given the government's record on delivering services for the taxes and levies paid. Total remittances are extremely large, and the public debate has tended to focus on the aggregate numbers and the liquidity provided, discussing them along with other inflows such as foreign direct investment (FDI) and foreign aid. Remittances are very different to these, however, as transfers are individually small and highly distributed. As private transfers, the uses they are put to are diverse and there are only limited options for how the government can influence what is done with them at the household level. The complexity and fragility of these transfers should be recognised and attempts made to enact strong, heavy-handed legislation are doomed to failure (Seddon, 2004).

**Moreover, there is limited knowledge on how best to harness remittances for long-term development.** Only a small number of countries receive or have received remittances on as high a scale (relative to the domestic economy) as Nepal, and there are few 'success stories' among them. There have also been very few studies on macro-level impacts and

how they can be managed (World Bank, 2011a). As such, there is not a wealth of experience, expertise or a 'policy agenda' proven to enable a country to properly harness remittances and tackle macro-level effects.

In lieu of concrete evidence, **policy positions and arguments tend to reflect ideological tendencies, such as blaming the poor.** The overriding focus of debates about how best to leverage remittances for development places the responsibility for the failure to do this on the remittance-receiving households, who are portrayed as imprudent and rash with spending decisions. This reflects a broad tendency for elites to blame the poor for their own fate and that of the economy more generally (Bebbington et al., 2008); as argued in the previous section, this does not have a basis in evidence in Nepal in this instance. Other common arguments take a nationalistic tone, arguing that foreign employment should be restricted or banned in order to ensure Nepali workers contribute to their own country.

**Constructive and evidence-informed perspectives are currently fragmented.** There is increasing attention of civil society, academia and international agencies to understanding the links between migration and development. The main players in debate around the topic have relatively compartmentalised approaches to the issue. So, within the broader field of labour migration and remittances, each organisation sees an aspect that relates closely to its organisational position, but largely ignores the broader set of factors. For example, IOM approaches the issue from the perspective of 'safety' and 'management', UN Women looks at 'gender issues', ILO considers 'decent work', the World Bank has tended to focus on the remittance flows, the NRB has addressed anti-money laundering (with the exception of the remittance bond) and so on. Without a substantive policy debate on the issue, and without an obvious platform for bringing these actors together, insight, ideas and impetus for action are hard to generate.

**The basis and constituency for a broader movement are also lacking.** There is little to no political leadership for improving the way migration and remittances benefit the long-term development of Nepal. 'Pro-migration' stances are difficult for current politicians to maintain given the need to acknowledge one's own failings to create sufficient opportunities in Nepal, and the aforementioned challenges of short-termism and limited domestic pressure. In lieu of a strong voice by non-resident Nepalis (NRNs) and current and returning migrants, the fundamentals available to increase the pressure for action on the issue as a whole are not available.



A full-page photograph of a construction worker in the foreground, wearing a hard hat, safety glasses, a balaclava covering the face, a scarf, a heavy work jacket, a safety harness, and work gloves. The worker is holding a tool. In the background, another worker is visible, also in PPE. The image has a teal color overlay.

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## Implications and recommendations

This section draws out the implications of the preceding analysis, providing recommendations for government, civil society and external agencies interested in contributing to change on these issues.

## Reducing the costs of migration

There are considerable constraints to reducing the exploitation of Nepali migrant workers, but also genuine opportunities for action. The drivers of exploitation are strong forces that may be difficult to tackle head on, but a number of entry points present a reasonable chance of making important gains. The issue is quite suitable for support from external actors given commonly agreed policy goals (expressed in the Foreign Employment Act but also in public attitudes and debate) and there are a number of ways in which international agencies can make important contributions.

New regulation, when possible, will be an important part of the solution. The preceding analysis highlights the importance of the following priorities:

- **Legalising and monitoring intermediary recruitment agents:** *Dalals* and informal agents play a major role in exploitation and extortion of migrants, but a direct crackdown would likely not succeed. The sheer amount of money flowing through informal and illegal systems would probably render a direct shutdown of these activities impossible to enforce by the government of Nepal, although an attempt to co-opt part of that system and bring it into the formal sector would enable real progress to be made without having to face down insurmountable opposition. Agents would reap the benefit of their earnings now being legal, in return for improved practices, monitoring and moves towards professionalism. Although it is unlikely that regulation and formalisation would be fully implemented, the comparatively better record of registered agencies suggests that some progress would be made. Analysis is needed of the options and possible consequences of different approaches to regulating these agents (Gurung, 2004).
- **Simplifying and decentralising the migratory process requirements:** A number of steps could be taken to reduce the opportunities

for cheating and corruption presented by the migratory process. Bringing government registration and training services closer to people would be likely to have some success given the large distances to these opportunities, and because it would reduce the space for informal agents to operate linking across those distances (Nepal, 2011; Sijapati and Limbu, 2012). Formal agencies may be more likely to move out of Kathmandu as well, which would contribute to this effect. Simplifying the requirements would make the process less opaque to migrants (hence reduce their reliance on intermediaries), as well as reducing the opportunities for rent capture. The move would potentially fit in with a federal state restructuring.

**Action not relying on new regulation is most appropriate in the short to medium term.** The foreign employment task force's recommendations to this end should be taken as the starting point for such actions. An unofficial translation of these can be found in Appendix 2. The task force, despite having strong political backing and a well-respected leader from civil society, does not have sufficient human or financial resources to implement their recommendations and as such is an important partner for international agencies and donors looking to make a contribution on labour migration issues.

**Working with DoFE and MoLTM to improve implementation of the Foreign Employment Act is a crucial but currently unreliable entry point.** A number of actions relating to improved regulation of fraud and control of corruption outlined by the foreign employment task force promise to have a high-impact in terms of reducing the costs of migration (for the detailed recommendations see Appendix 2). Given the fluid and unstable coalitions currently characterising the Nepali government, and the potential of DoFE to generate large rents for those in charge, it is inadvisable to undertake actions requiring concerted efforts by that department (especially given the costs associated with an upcoming election), however, this renders a large number of the

task force's recommendations less feasible. The following marks out key principles for working with DoFE:

- **Opportunistic approach:** For actors working with DoFE, a flexible approach should be taken, capitalising on periods of genuine political will to make progress on issues opportunistically and incrementally, and providing only in-kind support, facilitation and technical assistance. The task force recommendations provide some suitable actions that could be supported in this way, including many that would require just sign-offs and initiation from DoFE rather than full responsibility for implementation, such as establishing mechanisms and procedures for legal action (under Recommendation 1 on regulating fraud).
- **Improving monitoring:** Developing the monitoring format at labour offices throughout the country and providing training for its implementation is another worthwhile recommendation from the task force (Recommendation 26). In the longer term, efforts need to be made to reduce corruption, improve DoFE's ability to police recruitment agencies and insulate it from political interference. An increased budget will be a key part of this, and increased budgetary independence would also be important, through allowing the department to take (higher) fees from recruitment agencies for the services provided. Improved monitoring and prosecution of agency malpractices could be achieved by providing the staff responsible with performance bonuses (research on incentive plans for DoFE employees is highlighted under Recommendation 10 of the task force).

**There are promising entry points for monitoring and enforcement driven by other actors.**

Although there are poor prospects for stronger implementation on the part of DoFE, there are others with a mandate or interest in improved enforcement who could be an important part of the solution in the short and long term. These initiatives would likely need external support, at least for their initial impetus.

- **Voluntary self-regulation by recruitment agencies:** Although it is likely that some registered agencies are involved in illegal and exploitative practices, it is also evident that a number of agencies operate to a high standard of professionalism and need to maintain their image for doing so. The latter

kinds of agency would have an interest in signing up to a voluntary monitoring and certification scheme in order to demonstrate their professionalism to potential clients, and in it being seen to operate effectively. Over time, if enough agencies signed up and clients became increasingly aware of the initiative, agencies would face rising incentives to improve their behaviour and join the initiative. Unfortunately, NAFEA may not be the best starting point for this, owing to political affiliations, but other entry points could be found.

- **Monitoring by independent bodies:** A number of bodies or groups could play an important role in monitoring the implementation of the Foreign Employment Act, and assisting with the monitoring and enforcement of regulations covering recruitment agency conduct. Constitutional bodies such as the NHRC (which has already done some work on labour migration) and the Commission for the Investigation of Abuse of Authority (CIAA) have the mandate to monitor and investigate key issues, as well as to compel others to take action on abuses. Sponsoring investigative work by the media or civil society would be another way to improve monitoring. As well as these, the task force recommendation to bring in additional manpower to the Ministry of Law and Justice for fraud investigation (under Topic 1) could also have an impact.

**Using information and communication technologies (ICTs) to bridge the gap between potential migrants and employment opportunities could have a large impact on exploitation.** As argued above, the geographic distances between the potential migrant and the employment opportunity, and the logistical challenges associated with those distances, create space for corrupt 'middlemen' to take advantage of migrants. ICTs offer a number of interesting possibilities for reducing the effect of these distances; with that, the influence of these middlemen would decline and quite possibly the level of exploitation and abuse.

- **Internet-based system:** The task force recommends an internet-based system, located at DoFE, whereby potential migrants can register their interest and details in relation to specific, advertised opportunities (under Topic 3 relating to management of agents, and Topic 7 on the establishment of an operating online system). The implementation of this recommendation by FEPB should be supported.



- **Mobile phone-based system:** The above system should be complemented by a mobile phone-based service, in order to ensure real gains in ‘access’. In addition, such a system would have the possibility of being self-financing (through fees for registration or information), and self-regulating (by agencies using the service).
- **Linking potential migrants directly to employers:** Although the above two systems would promise to cut down on abuses by intermediary agents, they would not directly affect the behaviour of registered agents. Making direct links between employers in destination countries and potential migrants in Nepal could potentially have a bigger impact, forcing formal recruitment agencies to provide a genuine service. Options should be explored for carrying this out.

**Support should be given to civil society to continue, consolidate and expand the good work done on this issue:**

- **Service delivery and advocacy:** Information and awareness services efforts targeted at migrants pre-departure should be scaled up to cover the whole country. Although migrants’ awareness is not the most decisive factor in exploitative practices, it nonetheless has some impact. Support for abused migrants should also be scaled up, including access to justice (Sijapati and Limbu, 2012). In addition, many of the services proposed to be carried out by government departments under the task force recommendations could instead be undertaken by civil society, such as establishing a justice support centre (Recommendation 1), orientation training for female household workers (Recommendation 15) and women’s skills training (Recommendation 20).
  - **Research:** Civil society and academia are already doing an excellent job, but there are some topics, not yet examined in great detail, where improved knowledge, widely communicated, could have important impacts on behaviour, policy and practice. Little is known on informal recruitment agents, their number and organisation, the functions they perform, the fees they charge etc. Improved knowledge on this would be invaluable for those combatting exploitation – and a national level survey is needed on forced labour and trafficking (Sijapati et al., 2011). Research on the actual full costs of migration could potentially play an important role in informing decisions to migrate, and calculations over the amount of debt to take on in order to fund migration.
- Action in and with migrant-receiving countries will be required** for long-term solutions to these problems. Only by focusing on both the ‘demand’ and the ‘supply’ side of foreign employment can the root causes be addressed.
- **Diplomacy, publicity and lobbying:** The governments of countries receiving large numbers of Nepali labour migrants should be pressured into reducing exploitative practices by companies in their country. The Nepali embassy is a key player, and bilateral agreements between Nepal and receiving countries are an important tool, but they must be made public and better implemented (Sijapati and Limbu, 2012). Efforts should be made to secure the protection of Nepalis under existing state and federal laws in India, and requests for assistance should be put to India as in the task force recommendations (Recommendation 19) relating to non-permitted migration leaving through Indian airports. There are also important roles to be played by civil society and international agencies, with a special role for IOM and ILO. Exploitation and abuse of labour migrants should be put on the agenda of all embassies in the country where they occur. Some countries will be more open to these efforts, and important windows of opportunity (e.g. the World Cup in Qatar, which provides international exposure) should not be missed.
  - **Collective action by migrant-sending countries:** There would seem to be promise in trying to build collaboration and potentially collective action between South Asian countries that are large exporters of labour, focusing for example on minimum standards for migrants, in order to provide a more solid base for negotiating with receiving countries (Sijapati and Limbu, 2012). Initial steps should focus on providing platforms for discussion and information sharing, looking for windows and opportunities to build political ownership. Many have argued that the South Asian Association for Regional Cooperation (SAARC) could be a key forum for achieving this (ibid.; Kelegeema, 2011). Civil society efforts are being made on this front and they should be supported, with the understanding that such efforts may take decades to come to fruition.

## Improving the benefits from remittances

**Making major improvements to the impact of remittances is not likely in the short and medium term.** On the one hand, as argued above many of the most popular uses that remittances are being put to should be considered productive investments already (in human capital). Aside from these, uses, increasing productive investment in domestic business and the economy would require both vastly improved financial intermediation, and also changes we are not likely to see in Nepal for some time, including long-term, evidence-informed management of the economy, a good investment environment and strong economic institutions. If and when these do emerge it could be that migration will decrease as fewer Nepalis see their future in foreign employment, and others living abroad begin to return home.

**In the meantime, some important steps could gingerly be made.** Unlike the issues of exploitation and extortion, there are not obvious blockages to action or strong stakeholders with vested interests against reform on key issues; in fact, in some areas there are genuine economic opportunities for those who take actions that would improve the benefits from remittances. However, it is crucial to bear in mind Seddon's (2004) warning about the complexity and fragility of these flows, and there is no strong public consensus on the need for intervention, or the central aims of intervention (e.g. capturing a share of remittances for development purposes vs. facilitating private investment of remittances). In such circumstances, it is important for interventions to be flexible and adaptive, paying attention to the multiplicity of impacts, intended and unintended (Jones, 2011). In particular, it will be crucial to watch for the opportunistic rent-seeking previously exhibited.

**Improving financial services related to migrants and the use of remittances is important, and a number of avenues could prove fruitful:**

- **Loans and special financial services for migrants:** Migration and remittances would have more beneficial impacts if migrants could take loans from the formal sector to cover the costs of their placement (and hence decrease the amount of remittance spent repaying debts), and such schemes could prove profitable for banks as well (Ferrari et al., 2007). Such a scheme could be linked to employers abroad, who would deduct repayments directly from wage slips. Other

services could include a special category of deposit accounts at commercial banks allowing migrants to deposit money directly from abroad, hold accounts in a foreign currency and receive preferential interest rates (Pant, 2008).

- **Better microfinance and savings services:** Remittances are seen as a missed opportunity for the financial sector in Nepal and efforts need to be made to increase the accessibility and utility of services provided to migrants families in order to invest and save remittances (Ferrari et al., 2007). This would mean upgrading the technical capacity and business orientation of microfinance institutions, and expanding access outside the Terai to banking and microfinance services.<sup>34</sup>
- **Investigating and reducing exchange rate losses:** The reasons behind the double exchange rate losses suffered by Nepalis remitting money from abroad, the total of which may be at least \$70 million per year, should be investigated. Support should be given to help banks and MTOs reduce these fees and secure 'cross rates'.

**These measures would need to be led by the NRB and would need external support.** Targeting the financial sector means involving banks and MTOs key partners and target groups; the NRB holds the mandate to take a leading role in such initiatives, and they have already made some moves to build a policy agenda for mobilising remittances for productive use (Pant, 2008). Technical assistance would be needed, for example to build capacity in key areas, but some further tools also may be required to catalyse change: this could be in the form of gap funding to institutions starting to undertake the preferred services, or introducing a 'demonstration institution', a foreign institutional investor ready to do things differently (Ferrari et al., 2007). It is likely that external support will be required to put together this package of technical assistance and funding, and donors have shown an ongoing and increasing interest in reforming and restructuring the finance industry in Nepal.

**The value of returning migrants and non-resident Nepalis for productive investment needs to be capitalised on.** Returning migrants and Nepalis resident abroad have financial resources and improved knowledge and skills

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34. Related reform of state-owned providers and improvements to government supervision may also be needed.



that, properly harnessed, could be a key part of the solution to bridging migration and long-term development (Sijapati and Limbu, 2012; Upreti et al., 2010). Giving these groups an increased stake and involvement in the development of the country could also gradually ameliorate the vicious cycle of migration and insufficient pressure for economic reform. Although the two groups are quite different, there are similar elements in interventions looking to work with them:

- **Identification and definition:** Task force recommendations to provide returning migrants with returnee ID cards should be implemented as a first step, and non-resident identity cards should be distributed (Upreti et al., 2010). Relating to this, it may be beneficial to broaden the definition of a NRN to be similar to that of the ‘person of Indian origin’ designation, and provide rights such as free visas.
- **Incentives and support for investment:** Programmes of information and assistance should be given for returnees to promote their investment in productive small and medium enterprises and social entrepreneurship. This could include training in financial literacy, business and entrepreneurship. Also, for returnees and NRNs, schemes could be set up to provide matching funding for investments, to facilitate collaboration with Nepali companies (Pant, 2008) or to strengthen their capacity to engage in development projects (Carling, 2004).
- **Knowledge sharing and engagement:** As well as the higher financial resources, returning migrants have improved skills; also, many NRNs are interested in helping their home country primarily by transferring skills (Adhikari, 2013). Capitalising on this would require improving links between migrants and businesses in Nepal to allow for the provision of advice, or the transfer of social capital through networks and mobilisation.

These recommendations do require action by the government, such as through recognition of NRN status, but, given past experience, it may be best for interventions to be led by others, ideally the NRN Association (NRNA) but also by domestic civil society and international development partners. Financial resources would be needed to support investment, but initiatives could aim to be self-financing in the longer term, for example by recouping some

costs from successful SME graduates from schemes. Knowledge sharing and networking could more easily become self-sustaining by using ICTs and online platforms to help directly link those with specific knowledge to those looking for it.

Aside from these potential avenues for intervention, **there is a strong need for improved knowledge and public debate.** There is a lack of evidence and understanding in the public debate, and a lack of consensus and impetus around potential policy measures. This work should be led by academia and civil society, which have already done a great deal of good work in the area, and should be supported by international development agencies where finance or technical assistance is required.

**Research is needed** to enable an increased knowledge base for policy and advocacy, building on international efforts such as Carling (2004) and Nepali work (e.g. Pant 2008), and in turn a wider range of actions and options would come into view. Key topics include:

- Understanding domestic labour problems created by large-scale migration, and identifying policy options for tackling the problems and actions that can be taken by the private sector;
- Assessing the extent and consequences of macro-level effects of migration and remittances in the Nepali case, and how they can be appropriately managed;
- Synthesis and consolidation of the knowledge base, continuing and building on efforts such as CESLAM and the Nepal Migration Yearbook (NIDS and NCCR, 2012).

**Communication efforts and platforms for debate on the links between remittances and long-term development are needed.** This would ensure that evidence-informed perspectives are represented in the public debate, would make the population more informed and aware of the issues and could lead to the formation of coalitions around specific options. Options include:

- Providing platforms for collaboration, engagement and discussion around the issues to enable stronger linkages to be made between academia and civil society. These would involve online platforms to facilitate discussion and debate, but also periodic meetings or conventions for face-to-face interaction;

- Improving public information and understanding of the issues. This could involve supporting more informed journalism on the links between migration and development, and funding the communication of research on the topic. It could also be more interactive, for example sponsoring a broad national consultation exercise on the issue or ‘citizens forums’;
- Building links between resident and non-resident Nepalis and allowing the latter to better contribute to policy debates in-country. Again, this could be done through a combination of online and in-person interactions, and also services to better link Nepalis abroad to the events and debates unfolding back home.

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# Appendix 1: Background analysis and calculations

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## Migration and remittance projections

Between 1999 and 2009, formal labour migration increased at an annual average rate of 47%. If this were to continue, by 2013 there would be more than 1 million Nepali labour migrants, and by 2020 more than 10 million (Figure A1 below shows trends in labour out-migration from 1995 to 2011). This assumes that the average rate of growth (47%) will remain the same over the next 10 years. This is maybe improbable, given that many determinants of labour out-migration, such as economic and political factors, are likely to improve. The intention here is not to predict, but merely to highlight the scale of migration.

Between 2000 and 2010, remittances in Nepal grew at an average rate of 20% (see Figure A2 for remittance inflows between 2000 and 2010). At the current rate of growth, remittances are set to overtake Nepal's total GDP by 2020.<sup>35</sup> These figures have been calculated under the assumption that the growth rate of remittances (20%) and GDP (4%), derived from their average growth rates for the past 10 years (2000-2009), will remain the same. At first this may seem unrealistic, as these rates could very well change over the next 10 years. For instance, with the conclusion of the peace process,<sup>36</sup> one might assume that Nepal's economy will grow more rapidly. But even if we stretch the time horizon in calculating the average growth rate, from the past 10 years (2000-2009) to the past 36 years (1974-2009), the extent of data availability, the average rate of economic growth remains about 4%. Hence, if the average growth of remittance remains the same, by 2020 remittances will be as much as Nepal's GDP.

## Domestic economic performance 1990-2009

As the calculations show, the past 20 years have seen weak overall economic growth, stagnation in the agriculture sector and volatility and decline in the manufacturing sector. With 67% of the population working in agriculture and 13% in manufacturing, this has had a negative impact on household income. Taking into account inflation, real per capita income growth decreased at a rate of -6% over the period 2000-2009. Average earnings per capita in agriculture were \$319 between 1990 and 2009, with real earnings adjusted for inflation of labour in that sector at -6% per year between 1990 and 2009; in manufacturing, average earnings per capita were \$353, with real earnings in the sector decreasing by 3% per year.

Figure A3 shows the annual percentage growth in GDP in the value addition of primary economic sectors – agriculture, manufacturing and services. Growth in agriculture and services (except for 2002),<sup>37</sup> at an annual average of 3.36% and 4.42%, respectively, has been more or less stable. However, growth in manufacturing has been volatile and has contributed to low economic growth. For instance, in 2000 growth in manufacturing

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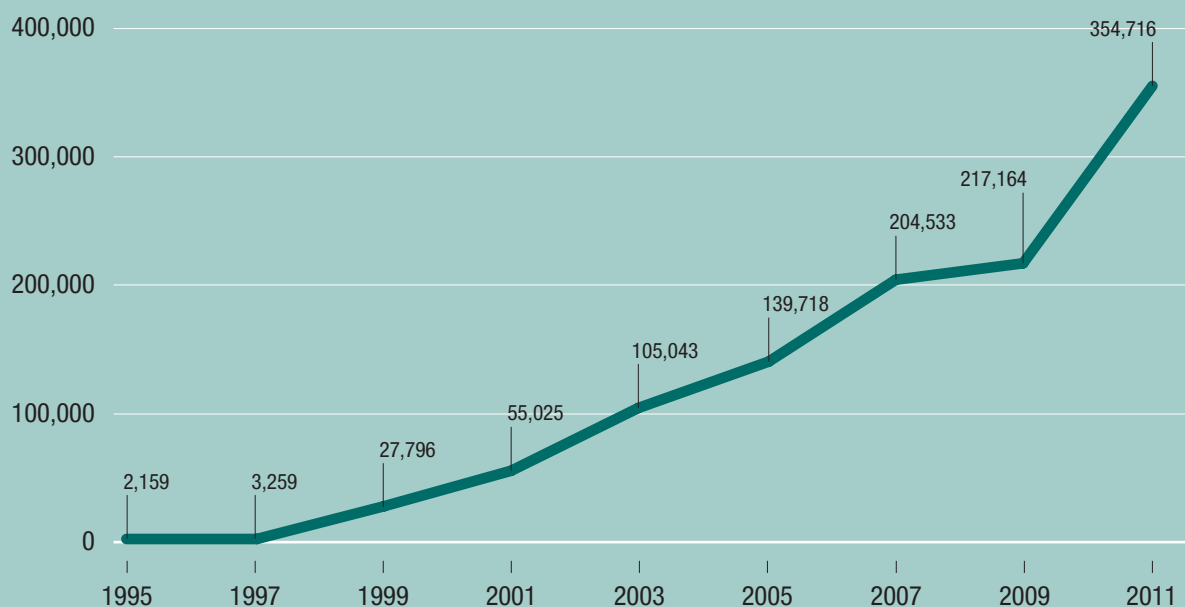
35. Nepal's GDP, as per World Bank data, in 2009 was \$12.5 billion. GDP growth for the past 10 years (2000-2009) was about 4%, which means GDP in 2020, all other things being equal, will be \$19 billion.

36. For further discussion on the peace process in Nepal see <http://www.crisisgroup.org/en/regions/asia/south-asia/nepal.aspx>. For a discussion on the conflict in Nepal (history and its causes), see Basnett (2009).

37. The conflict in Nepal was at its most intense in 2002 (see Basnett, 2009), which saw a huge reduction in tourist arrivals, with severe impacts on the tourism industry.

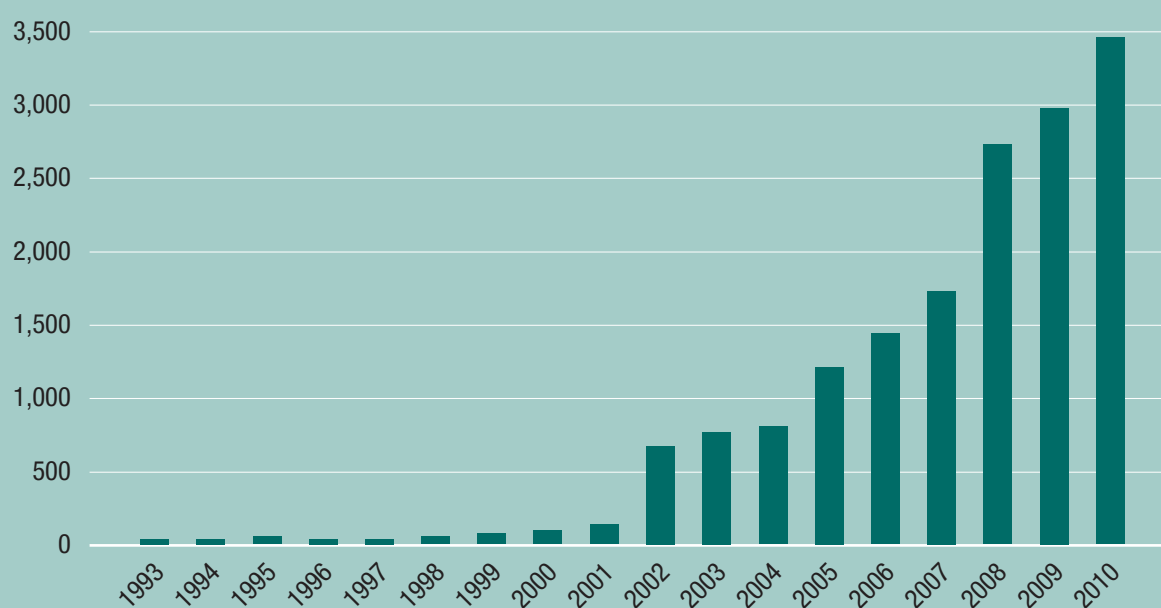
## Figure A1: Number of Nepali labour migrants, 1995-2011

SOURCE: AUTHORS' OWN CALCULATION BASED ON DATA FROM DOFE (NEPAL, 2010A).



## Figure A2: Nepal's remittance inflows, 1993-2010 (\$ millions)

SOURCE: WORLD BANK DATASET (WORLD BANK 2011C, 2011D, 2011E, 2011F, 2011G).



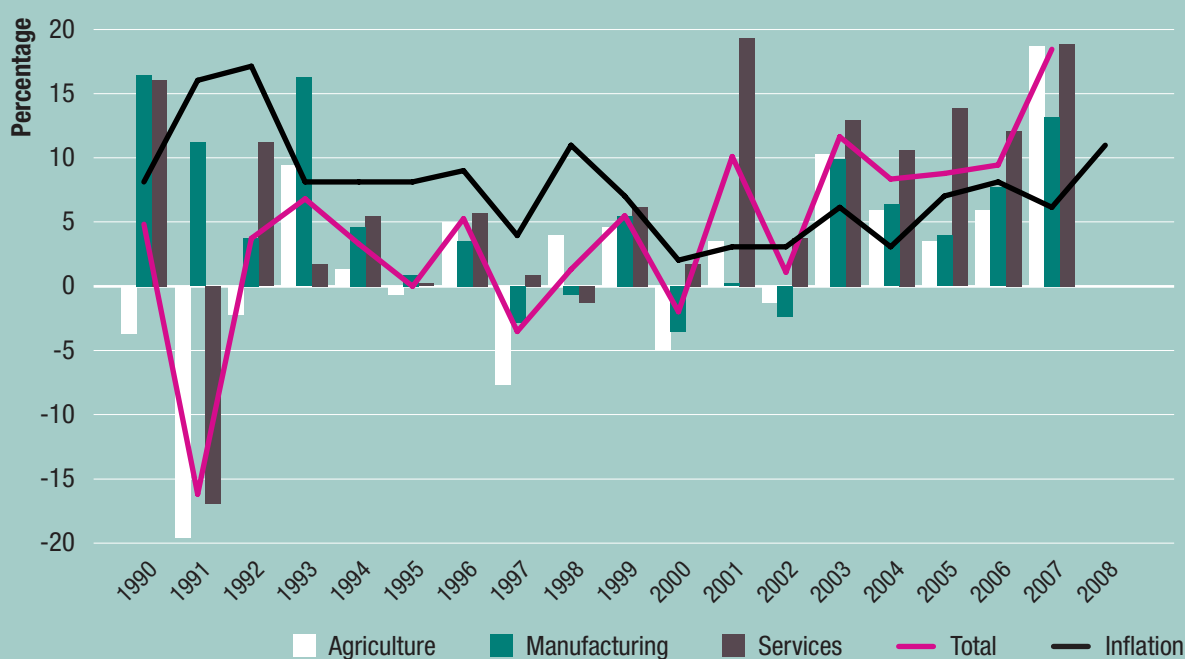
## Figure A3: GDP by major economic sectors, 2000-2009 (%)

SOURCE: BASSNET (2013), BASED ON DATA FROM THE WORLD BANK'S DATABANK (WORLD BANK, 2011C).



## Figure A4: Share of GDP by labour force, and inflation, 2000-2008 (%)

SOURCE: BASSNET (2011), BASED ON DATA FROM THE WORLD BANK'S DATABANK (WORLD BANK, 2011C, 2011D, 2011E, 2011F, 2011G).



stood at 7.2%; it fell to -5.32% in 2002, increased to 2% in 2006 and since then has remained at around 0.75%.

Overall weak economic growth, stagnation in the agriculture sector and volatility and decline in the manufacturing sector<sup>38</sup> have had a negative impact on household income. The majority of the population, about 67%, are employed in agriculture, with 13% in manufacturing and 20% in services (Nepal, 2008; World Bank, 2011g). Hence, weak performance in the agriculture and manufacturing sectors has meant that, for majority of households, income has either remained stagnant or declined. For instance, Nepal's gross national income (GNI) per capita in 2009 was \$440; it grew at an average rate of 2% between 2000 and 2009 (World Bank, 2011e). However, the rate of inflation in 2009 was 12%, and this grew at an average rate of 8% between 1990 and 2009 (World Bank, 2011f). This means real per capita income growth (income per capita growth-inflation) was -6%. Hence, people in Nepal were generally getting poorer over this period.

Figure A4 presents the rate of growth of estimated earnings of the labour force. As time series data for wages are unavailable, we instead use GDP divided by the labour force<sup>39</sup> to generate a rough estimation of trends in labour earnings. Average per capita earnings between 1990 and 2008 calculated in this way were \$481, growing at an average rate of 4%. Earnings are further disaggregated into the major economic sectors – agriculture, manufacturing and services,<sup>40</sup> and are at \$319 for agriculture, growing at a rate of 2%, \$353 in manufacturing (5%) and \$1,107 in services (7%).

The average rate of inflation between 1990 and 2009 was 8%. Earnings in the services sector, with a rate of growth of 7%, just about managed to keep pace with this; those in agriculture and manufacturing were not so fortunate. Real earnings in agriculture, adjusted for inflation, were -6% and in manufacturing -3%. In other words, earnings actually decreased at a rate of 6% in agriculture and 3% in manufacturing between 1990 and 2009.

If the past is an indicator of the future, the economic picture in Nepal looks even bleaker. In 2008, the labour force was composed of 13 million people, and it has been growing at an average rate of 3% since 2000 (Nepal, 2008; World Bank, 2011g). In other words, each year about 400,000 people enter the

labour force. Stagnation in agriculture and volatility in manufacturing mean that, for the majority entering the labour force, there is little opportunity to improve their economic condition.

Notwithstanding economic performance, Nepal has made improvements in other development indicators such as health and education (UNDP, 2010). This means that people are living longer and have better health and increased knowledge and skills. If we take longevity, health, education and skills as some of the important non-capital endowments of labour, we find that they have been progressively increasing over the past 10 years, while employment opportunities remain undersupplied. Furthermore, increases in the labour force have increased competition for the few available opportunities. Consequently, significant proportions of those who enter the labour force annually seek employment in East Asia, Gulf countries and other parts of the world.

The recent conflict intensified a trend that was already growing at the time, partly a result of the overall poor economic situation and a serious dip in tourism, one of the few growing areas of the economy over the past 20 years. Compared with agriculture and manufacturing, the services sector had been doing relatively well over the period 1990-2009: average per capita earnings in the sector, which accounts for around 20% of the population, were \$1,107; these wages on average grew in line with inflation between 1990 and 2009. However, this growth was badly hit during the conflict years, with the sector contracting and tourist numbers dropping by nearly 50% from 1999 to 2002 and not recovering to the 1999 levels until 2007.

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38. Low aggregate demand, poor infrastructure and inappropriate government policies have been identified as some of the obstacles to growth in the manufacturing sector. See Biggs et al. (2000).

39. Labour force is defined as the total number of people employed and/or seeking employment in the country.

40. This is calculated on the following basis: value added by the economic sector (agriculture, manufacturing, services) at constant US\$ divided by labour force by economic sector (agriculture, manufacturing, services).



**TABLE A1: COST OF REMITTING \$500 FROM UAE TO NEPAL AND UAE TO SRI LANKA**

Remittance corridor	Fees	Exchange rate <sup>41</sup>	Total cost (%)	Total cost (\$)
<b>UAE–Nepal</b>				
Bank	5.90	3.90	5.08	25.40
MTO	7.31	2.09	3.55	17.76
Total average	7.09	2.37	3.79	18.97
<b>UAE–Sri Lanka</b>				
MTO	4.63	1.12	2.05	10.25
Total average	4.63	1.12	2.05	10.25

SOURCE: [HTTP://REMITTANCEPRICES.WORLDBANK.ORG](http://remittanceprices.worldbank.org)

**TABLE A2: AVERAGE TIME TO REMIT \$500 TO NEPAL AND BANGLADESH FROM UAE AND SAUDI ARABIA**

Remittance corridor	Time	Companies	Transfer type
<b>UAE–Nepal</b>	Less than an hour	Money Gram; Western Union	Cash to cash
	3-5 days	UAE Exchange; Emirates International Exchange	Cash to account and account to account
<b>Saudi Arabia–Nepal</b>	Less than an hour	Money Gram; Western Union	Cash to cash
	2 days	AlRajhi Bank	Account to account
<b>UAE–Bangladesh</b>	Less than an hour	Money Gram; Western Union	Cash to cash
	3-5 days	UAE Exchange; Emirates International Exchange	Cash to account and account to account
<b>Saudi Arabia–Bangladesh</b>	Less than an hour	Money Gram; Western Union	Cash to cash
	2 days	AlRajhi Bank	Account to account

SOURCE: [HTTP://REMITTANCEPRICES.WORLDBANK.ORG](http://remittanceprices.worldbank.org)

41. The exchange rate margin is the cost resulting from the percentage difference between the current interbank exchange rate and the actual exchange rate applied to the remittance transfer.

## Remittance service comparisons

Table A1 compares remittance costs for Nepal from UAE with costs for remitting to Sri Lanka (the least costly remittance corridor from UAE).

Table A2 shows the average time taken to remit to Nepal, and finds it to be comparable with time taken to remit to Bangladesh.

Table A3 shows an example of the exchange rate margins, the cost of remitting \$500 from UAE.

**TABLE A3: EXCHANGE RATE MARGINS FOR REMITTING \$500 FROM UAE**

Remittance corridor	Exchange rate margin (%)
India	0.58
Pakistan	1.17
Sri Lanka	1.12
Philippines	0.78
Nepal	2.37
MTO	4.63

SOURCE: [HTTP://REMITTANCEPRICES.WORLDBANK.ORG](http://remittanceprices.worldbank.org)

# Appendix 2: Report 2068 of Migrant (Foreign) Employment Management Improvisation Task Force

(unofficial translation)

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
1. Regulating Fraud	Establishment of two separate sections in DoFE for Institutional and individual complaints	15 days	Two departments established and in operation	DoFE	
	Additional manpower necessary for investigation to be hired by DoFD; Gazetted Second Class 1 and Non-gazetted First Class 2	15 days	Additional manpower employed	Ministry of Law and Justice (MoLJ)	MoLTM
	Develop a case referral mechanism in between DoFE and the police overseeing criminal investigation and prosecution that takes place during foreign employment	Immediate	Investigation section of DoFE to submit report on the same	DoFE and police headquarters	Ministry of Home Affairs (MoHA), MoLTM
	Regarding cases related to foreign employment, whether the work procedure has been followed or not has to be audited every three months and the report submitted to the High Court and the government	30 days	Fast and efficient judicial performance accomplishment audit report	Justice Committee	
	Necessary resources to be provided to the Foreign Employment Court/attorney	30 days	Additional/required resources made available	MoLTM	Ministry of Finance (MoF)
	Procedure for legal action to be developed and broadcasted	15 days	All notices and procedures published and broadcasted	FEPB	Developmental organisation working in justice sector

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
	Modern/up-to-date technologies to be installed at departure at Tribhuvan International Airport (TIA) for scanning passports and travel documents	30 days	Machineries installed	Departures section, TIA	MoHA
	The existing committee to investigate cases without written evidence should meet at least twice in a month mandatorily to make it more active	7 days	Cases without evidence have been investigated	DoFE	MoLTM
	Justice Support Centre needs to be established to help victims	15 days	Justice Support Centre in place	MoLTM	Developmental organisation working in justice sector
	Arrange for complaints lodged at high commissions and embassies to be sent to DoFE immediately	15 days	Monthly publication from investigation section	Related high commissions and embassies	Ministry of Foreign Affairs (MoFA)
	With regard to complaints lodged at high commissions and embassies, a system has to be developed to check the employer with the related companies and verify	15 days	Monthly publication from investigation	Related high commissions and embassies	MoFA
	System to be established where all the complaints sent from high commissions and embassies must be accompanied by all available evidences and witnesses	7 days	Monthly publication from investigation	Related high commissions and embassies	MoFA
	All tasks related to the investigation of cases should be monitored in a timely manner	7 days	Monitoring report	MoLTM	
<b>2. Corruption Control</b>	All sections in DoFE should have CCTV installed with a recording facility and monitor the same	30 days	CCTV has been installed	DoFE	MoLTM
	All cash transactions to be handled by bank	7 days	Vouchers for all transactions	Department and Bank	MoLTM
	Bank to submit daily transaction report and collection details to DoFE	7 days	Daily report	Bank	
	Accounts section to verify on a regular basis	7 days	Monthly accounts	DoFE	
	In order to control 'settings' in TIA, the National Vigilance Centre (Alert Centre), the police and collective flying squad from DoFE to develop monitoring	7 days	Mobilisation of the team will control settings	DoFE	Prime Minister's Office (PMO)/ Cabinet Secretariat
	Make the departure section at TTIA accessible to the director-general and high-level officials from ministries with special passes for monitoring purposes	7 days	High-level officials should have monitored departures	DoFE	TIA



Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
<b>3.</b> Management of Agents in the Foreign Employment Sector *	All registered agents to be listed on DoFE's website. All concerned district authorities to be informed and accordingly publish on notice boards	7 days	Website fully updated with list of Agents	DoFE	MoHA, District Administration Office
	Start action campaign against all illegally operating agents nationwide, with local authorities	15 days	Local authorities should have received circulars regarding the campaign	MoLTM, DoFE	MoHA, District Administration Offices
	System of online application for people seeking foreign employment to be developed; employers can pay to use the rosters to choose their employees	30 days	Operation of registration system on the FEPB website	FEPB	MoLTM
<b>4.</b> Facilitation of Individual Labour Permit	Counters to be established in convenient places for people who wants to apply for individual labour permit	15 days	Easily available and accessible application forms	DoFE	DoLTM
	Mobilise volunteers through NRN-affiliated organisations to support in filling out forms; no one will be charged	15 days	Volunteers mobilised	DoFE	Network of NRN organisations
<b>5.</b> Certification of Individual Labour Permit	All employment contracts of workers going to the Middle East, Israel and Malaysia as household workers and caregivers should be certified by respective embassies	30 days	Contracts have been certified by respective embassies	Related embassies	MoFA
	For the labour permit and its renewal, there will be minimum of five counters established nationwide	15 days	Establishment of counters	DoFE	MoLTM, FEPB
	Every counter will have one officer, two assistants and one computer operator	15days	Employment of said human resources	DoFE	MoLTM, Ministry of General Administration (MoGA)
	Increase the involvement of the director-general in the process of evaluating the individual permits	Immediate	Director-general should have visited, inspected and collected updates from the counters on a daily basis	DoFE	MoLTM, MoGA
<b>6.</b> Improving the Sticker System	Three different types of stickers to be introduced for individual, institutional and household workers	30 days	Three different stickers should have come into operation	DoFE	MoLTM
	Stickers should contain basic details of the worker	45 days	All workers' stickers should have contained the minimum basic information	DoFE	MoLTM

\* Foreign Employment Act 2064 states that all investigation crimes related to foreign employment is responsibility of DoFE

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
7. Establish-ment of Fully Oper-ating Online System	DoFE should implement upgraded software in its system	Immediate	Software system in existence	DoFE	MoLTM
	Implement system for online communications with high commissions and embassies	Immediate	Information flow should have occurred online	DoFE, high commissions and embassies	MoLTM, MoFA
	Ministry should arrange for monitoring of the online system	Immediate	Monitoring report	MoLTM	
8. Renewal of Labour Permit	After the end of the contract period of the worker, the following documents should be provided to renew the permit: evidence of approval of labour permit in passports, welfare fund receipts and insurance documents	7 days	Number of renewals	DoFE	
9. Building and Infrastruc-ture Man-agement	DoFE will use its current building and if necessary either lease a building or build a shed for smooth operations	30 days	Counters should be built as per requirements	DoFE	FEPB
	MoLTM shall provide the infrastructure currently used to house the trolley buses to DoFE	15 days	MoLTM should have provided the said infrastructure	MoLTM	PMO/Cabinet secretariat
	In case MoLTM fails to provide the infrastructure, the Ministry of Education (MoE) building will be provided to DoFE on its transfer to the new location	30 days	MoE building has been used by DoFE	MoLTM	PMO/Cabinet Secretariat
10. Manage-ment for Employee Recruit-ment	There will be no internal transfers in DoFE or from other departments	7 days	Records of the employee administration department of MoLTM	MoGA	MoLTM
	Deployed employees at DoFE should have expertise in using computers as a mandatory requirement	7 days	Records of the employee administration department of MoLTM	MoGA	MoLTM
	Research to be started to implement incentive plans for DoFE employees		Research should have been conducted	MoLTM	MoGA, MoF
11. Manage-ment for Labour Relations Officer	Relations officer nominated for six different countries needs to be approved by MoFA and deployed accordingly	7 days	The relations officers should be stationed	MoFA, MoLTM	
	According to the Foreign Employment Act 2064, every country that has a population of 5,000 or more workers needs to have a relations officer; this process is to start immediately	30 days	The relations officers should be stationed	MoLTM	MoFA, MoF, MoGA
	To ensure smooth work performance of the relations officer, required resources should be provided along with a translator	15 days	All required resources along with translators should be deployed and stationed	DoFE, high commissions and embassies	MoFA, MoLTM

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
<b>12.</b> Improvement of Contract Management and Ensure Safety and Security	Certain information on a labour contract, such as salary, work type, company, incentives and benefits, period of employment, tickets etc., should be entered in software and be used as evidence as and when required	30 days	Contract monitored	DoFE, high commissions and embassies	MoFA, MoLTM
<b>13.</b> Facilitation of Service Delivery	Approved companies have standard types of receipts	15 days	Introduction of standard receipts	DoFE	Foreign employment agencies
	Department should maintain a control register in which the receipts of the businessman/agency should be recorded; this record should be brought into use	10 days	Control register should have been maintained	DoFE	
	The practice of first come first served shall be introduced by DoFE by implementing an electronic token system	3 days	Token system in existence	DoFE	MoLTM
	Postal counters shall be established and ticketing and document registration made easy	30 days	Postal counters in existence	Postal Service Division	Ministry of Information and Communication (MoIC)
	Information for the renewal of permits to be made available in flex print and displayed in the baggage collection zone at TIA	15 days	Flex board displayed	FEPB	DoFE, TIA
<b>14.</b> Management of Labour Desks and Information Networking	Separate immigration counter to be established at arrival and departures in TIA for labour migrants' use only	15 days	Separate immigration counter established	Immigration department	TIA, MoHA
	Labour desks should submit records on migrants to DoFE on a daily basis	15 days	Daily reporting	DoFE	TIA, MoHA
	Until the desks have been set up at immigration, there shall be a separate information desk set up outside TIA to help those in need	15 days	Information desk set up	MoLTM	NGOs
<b>15.</b> Orientation Training	Household women workers and caregiver training curricula to be developed and approved	30 days	Approved curricula	FEPB	MoLTM
	Current household workers and caregivers have immediate orientation training	30 days	Training should have been conducted	FEPB	MoLTM
	Campaign for monitoring this orientation training shall come into process, with a monitoring committee consisting of civil society, businessmen and media representatives	7 days	Monitoring report	FEPB, DoFE	Civil society, businessmen and media
	Under the Double Track System, manage and conduct orientation training through skills development centre	30 days	Training will have been conducted	Vocational skills development centre	MoLTM

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
16. Cost of Foreign Employment	There are few nations where the minimum wage has not been specified; hence, the minimum wage for these nations has to be specified and published	30 days	Publication	MoLTM	FEPB, MoLJ
	MoU to signed with Malaysia, Lebanon, Kuwait and Jordan (currently in process)	30 days	Signed MoU in place	MoFA	MoLTM
	Negotiate with the association of international flight carriers for concessions in airfares for Nepali migrants, especially women	30 days	Reduced airfare	International airlines	Ministry of Tourism and Civil Aviation (MoTCA)
17. Control of Undesirable Adverts	Any advertising of foreign employment should mention the permit number from DoFE	15 days	Publications and broadcasts	DoFE, department of communication	MoIC
	Strict prohibition of undesirable advertisements	15 days	Monitoring report	MoIC, DoFE	District Administration Office
18. Monitoring of Visit Visa	Monitor and prohibit work on visit visas in the Middle East, Malaysia and Israel	7 days	Monthly immigration report	Immigration department	MoHA
	Control outflow of migrants without labour stickers	7 days	Immigration report	Immigration department	MoHA
19. Control at Open Borders with India and Airports	To stop outflows of non-permitted labour at Indian borders and airports, request shall be put forth to India through diplomatic mediums	15 days	Regular diplomatic newsletters	MoFA	
	Concessions on customs duty shall be provided to permitted women migrant workers at TIA for up to NRs.10,000	15 days		MoF	MoLTM
20. Women Skills Training	Women looking for work in household sector and as caregivers will be provided skills training along with minimum level of language proficiency; 75% of the fees will be borne by the FEPB	30 days	Training report	FEPB	MoLTM
21. Scheme for Manpower Loan Targeted to Women	In association with banks and cooperatives, the NRB shall come up with a package for loan programmes	30 days	Operation of loan packages	NRB	MoF, banks and cooperatives
22. Registration of Returned Migrants	Improvement of arrival cards at TIA for better recording of returned migrants	15 days	Publish information in the gazette	Immigration department	MoHA, MoLTM
	Immigration department shall submit details to the labour desks weekly	15 days	Fortnightly report	Immigration department	MoHA, MoLTM
23. Passport	All districts shall be able to issue passports	7 days	Public notice	MoF, TIA customs	MoHA
	Permitted women migrants who have departed through TIA reimbursed passport issuing fees on their return	30 days	Information in gazette	MoF, TIA customs	MoLTM

Subject	Ideas/ways to be adopted	Timeline	Indicators	Responsible body	Supporting body
<b>24.</b> Management of Branch Offices of Foreign Employers	Clearly set guidelines and standard operating procedures in place for setting up new branch offices or renewing old ones	7 days	Guidelines in place	DoFE	MoLTM
	Until guidelines and standard operating procedures are approved, the operations of the branch office shall be halted	7 days	Notice	DoFE	MoLTM
<b>25.</b> Insurance	Uniformity to be established in insurance premiums	7 days	Notice from Insurance	Insurance board	MoF, MoLTM
	Insured people able to increase the volume of their insurance at the prevailing fees and other facility for additional services	15 days	Increased insured amount	Insurance board	
	Strict action against agents charging commission higher than specified	7 days	Action/penalty report	Insurance board	
<b>26.</b> Monitoring	Director-general delegates authority to the various labour offices in all 14 zones for monitoring of branch offices	7 days	Letter for delegation of authority sent	DoFE	MoLTM
	Monitoring format to be developed and initial training to be provided	15 days	Monitoring training to have been conducted	FEPB	MoLTM
	Non-permitted manpower agents (e.g. travel agents, consultancy firms, hotels and lodgings, individuals etc.) monitored for unauthorised holding of passports	7 days	Monitoring in progress	DoFE	MoLTM, MoHA
<b>27.</b> Constitution of Action Plan Supervising Committee	The implementation of this action plan will be monitored by a supervising committee consisting of a) secretary; PMO or Cabinet Secretariat, b) secretary; MoLTM, c) secretary; National Vigilance Centre, d) joint secretary; MoFA, e) joint secretary; MoHA, f) high-level officers, police	7 days	Establishment and operation of supervising committee	PMO and Cabinet Secretariat	
<b>28.</b> Monitoring of Health Institutions	The committee shall monitor the specialists appointed and permitted as medical examiners of migrant labours	15 days	Monitoring in progress	MoLTM	MoHP
	Bring consistency in the medical examination report card	15 days	Consistence will have been maintained	Committee of Specialists	MoLTM, MoHP
	Health professional organisations/ federations will have to monitor the quality of health check-up services of member organisation and submit the report to the specialist committee	15 days	Quality been monitored	Association of health service providers	MoHP
<b>29.</b> Code of Conduct for Foreign Employment Agencies	It has to be ensured that the agencies are following their code of conduct strictly with introduction of internal monitoring and evaluation system	3 days	Publishing the names of the agents that do not follow their code of conduct	DoFE	DoFE
<b>30.</b> Foreign Employment Policy	Policy to approve the foreign employment policy	30 days	Decision	MoLTM	PMO, Cabinet Secretariat





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