

4 Leveraging Labour Migration for Mountain Development

Recognising the Importance of Remittances

In the three case studies in the western HKH, migrants and their households voiced the same demands. They need assistance to obtain better-paid jobs; they require access to cheaper credit and safer ways to send remittances to their families; and they need better options for investing their earnings. Although the western HKH has one of the highest migration rates in the whole HKH region, few policy or development interventions have so far addressed these needs. To some extent, the contributions of migrant labour to economic development remain unrecognised, with migration perceived as having negative economic, political, and social impacts, resulting in a hostile attitude by governments towards migrants (Deshingkar 2005).

However, the trend is changing, and gradually more HKH governments are recognising the relevance of remittances and their positive impact on development. In line with broader empirical research, the case study for Uttarakhand clearly indicated a significant decline in the number of migrant families living below the poverty line (BPL). Among the sample households it was found that the percentage of BPL families decreased from 68 per cent (at the time of migration) to 35 per cent (at the time of the study), with migration and remittances being a strong factor in this change (see Table 5). Similarly, remittances account for almost 20 per cent of the decline in poverty in Nepal since 1995, against a background of armed insurgency and economic downturn (Lokshin et al. 2007).

Table 5: Financial status of migrant households before and after migration in Uttarakhand

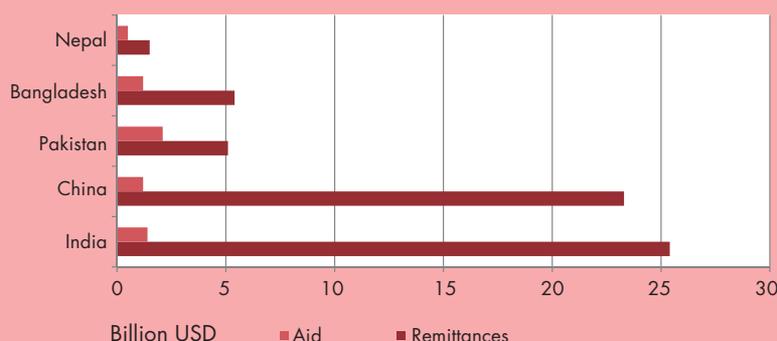
Village	Before migration			After Migration		
	BPL HHs	APL HHs	% BPL HHs	BPL HHs	APL HHs	% of BPL HHs
Kangsali	9	3	75	6	6	50
Takoli	10	1	91	5	6	45
Musoli	8	4	67	3	9	25
Dhapola sera	6	4	60	3	7	30
Kothi	6	5	55	2	9	18
Sawad	7	5	58	5	7	42
Total	46	22	68	24	44	35

BPL = below poverty line; APL = above poverty line; HH = household

Source: Field Study India in Jain 2010

Indeed, for many HKH nations, official remittances are a multiple of development aid (Figure 7). Field observations strengthen the assumption, that this is particularly pronounced in the mountain areas. In Nepal, almost half of some hill households receive remittances that represent close to 35% of their income (Hoermann and Kollmair 2009). In Pakistan, remittances account for half of household income for recipient families (Arif 2009). To families in the western HKH, remittances, unlike government or development aid, reach them directly and immediately; they are central to the basic subsistence needs of mountain people.

Figure 7: Formal remittances to some HKH nations compared to official aid flows, 2007



Data Source: World Bank 2008

Migration and remittances have progressively become more visible in the global development agenda. Several major international conferences in 2009 focused on how to improve the development impact of labour migration. At the International Forum for Remittances in Tunis, the Vice-President of IFAD regretted that there are not more such events in light of the sheer volume of remittances, as compared to development aid (Figure 7). The recommendations of the Forum are basically the same as the demands of the western HKH migrants, and target better management and utilisation of the potential presented by migration and remittances. The six recommendations were: (1) increase competition for remittance transfer; (2) empower market actors (particularly micro-finance institutions, credit unions); (3) achieve effective and efficient regulation for remittance transfers; (4) adopt new technologies; (5) expand access to financial services; and (6) make more financial services available in rural areas (IFAD 2009b). The Global Forum for Migration and Development (GFMD), an international forum established on the recommendation of Kofi Annan in 2006, joins policymakers and civil society from around the world annually to investigate methods through which migration can contribute towards development goals. Supportive policies and development interventions need to target both the immediate needs of migrants and their communities, and provide long-term orientation and planning that proactively addresses the continuously changing context.

Although HKH policymakers are paying increasing attention to the beneficial effects of managed migration, there is still room for improvement, particularly considering the high rates of labour migration within the region (see Figure 8). Some major recommendations on how to mitigate impediments and increase the development impact of migration in the western HKH are given in the following.

Recommendations to Increase the Development Impact of Remittances and Migration

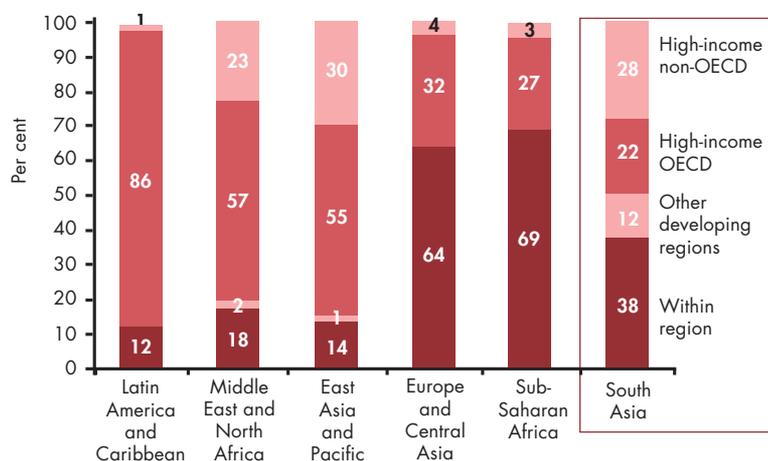
Foster and manage skilled migration

The outreach and quality of school education and vocational training in mountain areas is very low. The majority of migrants from the western HKH are unskilled and, as migrants, only qualify for low paid jobs. Low earnings make it difficult for migrants to save after covering consumption and accommodation needs at the destination. However, migrants learn skills at their destination. Unskilled labour is transformed into skilled labour with high potential for use at the place of origin. Nevertheless, these skills mostly find little opportunity for application in their origin communities (see Chapter 3).

Low savings, remittances lost in repaying loans, and unusable acquired skills or human capital for mountain areas are impediments to development that can be addressed by fostering and managing skilled migration:

- Increase the outreach of vocational training in rural mountain areas. Specific skills such as carpentering, stitching, metalwork, making tools, motor mechanics, plumbing, training in new technologies, and language competency are in demand and can help migrants to obtain jobs with higher salaries. Studies by the MigrationDRC (2009) reported similar demands for new skills and language competencies in other parts of South Asia. Currently, the education system does not impart vocational skills to students in the western HKH.
- Facilitate 'brain gain'. Evaluate what skills migrants can attain at their destination and which of these are relevant for the development of mountain communities. Focus vocational training thereon and facilitate respective job opportunities at their destination. Support the return of skilled migrants and the investment of their human capital.

Figure 8: South-south migration versus south-north migration by source region



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- Improve the availability of knowledge and information on job opportunities. Increase the capacity of aspiring migrants to arrange jobs independently and simplify procedures to emigrate. Migrants often lack the knowledge or information on how to get a job and need to pay a broker to arrange it for them. Many take loans from local moneylenders at exorbitant interest rates to pay broker fees and struggle to pay the loan back.

Make more financial services available in rural areas and build financial literacy

The majority of migrants cannot rely on family and friends for funds to migrate and turn to moneylenders for credit as there are no formal lending services. Moneylenders charge up to 12 times the price of formal credit institutions. Savings among mountain people are low partly because they have low earnings and lose a substantial part of these earnings in paying back loans, but also because savings and investment opportunities are rare in rural mountain areas and thus there is no incentive to save. Overall, the western HKH lacks formal financial services for credit, saving, and investment. Of equal concern is the limited financial literacy among marginalised mountain communities. The studies found that, even where formal financial services are available, they are not used because people are either not aware of them or shy away from the bureaucratic procedures involved. The limited outreach of formal financial institutions in remote mountain areas is one of the main reasons why migration sometimes turns into a debt trap, rather than a successful livelihood strategy (see Chapter 3).

The recommendation is, hence, twofold:

- Extend the outreach of formal financial institutions, such as banks, micro-finance institutions (MFIs), and credit cooperatives to provide cheaper loans and financial services for micro-saving, investment, and insurance.
- Use the extended network of MFIs and credit cooperatives to raise financial literacy among mountain communities.

Increase competition for remittance transfer and adopt new technologies

The major challenge involved in transferring remittances to the western HKH is the limited outreach of payout locations. In the few cases where payout locations are, or could be, available, regulatory issues or the limited financial literacy and awareness of communities on how to use these services, prevent them from being used (see Chapter 3).

There is an urgent need for an increase in overall financial services in rural mountain areas. The following recommendations specifically address improving the transfer of remittances:

- Improve the rural outreach of micro-finance institutions (MFIs). Build the MFI regulatory framework and the capacity of post offices to act as payout locations.
- Increase awareness among migrants about the different methods of sending money back home and the risks involved in informal transfers.
- Adopt new technologies such as branchless banking and mobile banking in the western HKH to facilitate cheap, easy, and secure remittance transfers. There are already experiences of this in the Indian Himalayas. In the Hindu Kush, Vodafone-piloted mobile banking in Afghanistan and Pakistan is already in an advanced stage in expanding the outreach of mobile banking to the rural poor (see www.cgap.org).

Himalayan community organisations offer saving and credit schemes

IFAD and ICIMOD support the formation of community groups through the Western Uplands Poverty Alleviation Programme, Nepal. The average size of a community organisation (CO) is about 20 people. Villagers collect and save NRs 10 (US\$ 0.7) per person every month, which is available as credit to other members. The CO charges an interest rate of 12 to 18% per annum. Although, the COs are at an early stage and face typical management problems, one CO in Bajhang has already collected net savings of over NRs 100,000 (US\$ 7,000). Respondents claimed that half of the savings came from remittances.

Facilitate the investment of social and financial remittances in mountain areas

Migrants return with money and new skills. In most cases, there is little opportunity to invest either, or, as the case studies showed, migrants do not recognise local investment opportunities (see discussion in Chapter 3). The objective is to create investment opportunities that are tailored to the financial and human capital that migrants bring home.

The traditional path is to improve opportunities for agriculture or non-timber forest products (NTFPs). Such agro and non-timber forest product value chains require examination and intervention to increase the returns for mountain producers. Production technologies and marketing knowledge require upgrading. Farmers need greater support in soil and water conservation, improvement in irrigation, and agricultural financing and marketing, particularly through the wider outreach of extension services. In addition, an interesting finding for India was that in each village a sizeable chunk of land is lying fallow due to the permanent migration of land owners. Possibilities may be explored to facilitate the leasing of fallow land, through either the government or the private sector, to economically weak farmers with small landholdings (see Chapter 2).

At the same time, new investment opportunities require facilitation. The role of human capital, in the form of new skills and knowledge, which migrants attain at their destination is particularly relevant here (see Chapter 3). From the case studies, services such as those relevant to mountain tourism showed great potential. Both sites studied in India and Nepal are located in areas with good potential for the development of tourism, which is as yet unexploited due to lack of awareness of the opportunity, lack of skills among locals to materialise it, poor accessibility, lack of marketing support by the government, and limited business models and financing products. There is a strong need to recognise returned migrants for the capital they have acquired and are now interested in investing in their home communities by offering tailored support and guidance.

ICIMOD's role in migration

ICIMOD is working to raise awareness among public and private sectors and civil society about the significance of migration as a livelihood strategy in the western HKH region. Through studies, this regional Centre has highlighted the challenges and development potentials of social and financial remittances for the Hindu Kush-Himalayan mountain communities. ICIMOD is facilitating cooperation among regional and international stakeholders to leverage labour migration for mountain development.

Address the feminisation of mountain economies

The case studies clearly underline that labour migration in the western HKH is a predominantly male phenomenon. Women are generally left behind. As a result, any intervention to increase the development impact of labour migration in the origin communities, including in the migrants' households, requires a strong gender perspective.

The following aspects require consideration:

- Recognise that migration leads to the feminisation not only of mountain agriculture, but also of the overall mountain economy in the western HKH. Women take on more responsibilities at the place of origin, make decisions that are relevant to the development of their communities, and need stronger support targeted to their specific needs.
- The workload of the female members of migrants' households increases substantially. Agricultural techniques that women can handle and that save time must be developed, piloted, and scaled up.
- Capacity building initiatives need to target women. Migrants state that they would send more remittances on a regular basis if they were well invested in the place of origin. Currently, the practice is to save at the place of origin and invest only upon return. Keeping in mind that the more that is remitted regularly, the less will be consumed by the migrant at the destination, an urgent intervention is needed to build the capacity of women for financial literacy and financial products, and to build entrepreneurship.
- Only a few migrants are insured for injury or death, even though many work under hazardous conditions. More attention is needed to micro-insurance to offer basic protection for migrants and their dependent households. Awareness of HIV also needs to be increased.

These recommendations provide a guiding framework for leveraging labour migration and remittances to support development and poverty reduction in the western HKH region.