



International Conference on
**Migration, Remittances and Development
Nexus in South Asia**

*Crystal Room – Upper, Taj Samudra Hotel, Colombo
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Organized by
**Institute of Policy Studies of Sri Lanka
&
Friedrich Ebert Stiftung, Colombo**

Introduction to the Conference “Migration, Remittances, and Development Nexus in South Asia” organized by the IPS and FES, Taj Samudra Hotel, 4-5 May 2009 (Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka)

The IPS is pleased to host this conference with FES. This is the fifth consecutive annual event that we are organizing with the FES on South Asian regional issue. For instance, last year we looked at the Trade-Poverty Nexus in South Asia and year before last on Trade in Services in South Asia. Migration has been an issue that we have been thinking about for many years and we thought that the time is opportune to organize a conference on the subject. I would like to record my thanks to the FES, in particular, Joachim Schlutter, for all the financial support provided to host this conference.

Currently we are going through a phase when the global economy is facing a crisis. Job markets are shrinking in many parts of the world and consequently the demand for overseas jobs is on the decline. Migrant remittances have been one of the victims of the crisis although the magnitude of the adverse impact is yet to be assessed. This has become an issue for the South Asian region because most of the countries depend on remittances as an important source of foreign exchange. In most South Asian countries remittances now exceed FDI, ODA, and other foreign capital inflows and they occupy a position among the first five largest foreign exchangers to the respective countries. In Sri Lanka for instance remittances amount for 7.5 % of GDP and it is the second largest foreign exchange earner to the country. India I believe is the largest foreign remittance receiver of the world.

The development nexus of migration has taken centre stage in the research and policy agenda of developing countries in recent years. This can be seen from the growing number of dialogues, symposiums, journals, and websites on the subject matter. As an economic activity, migration can be identified as an export of manpower with its human and social dimensions which are absent in exporting commodities. Thus the treatment of the subject is quite different from a normal export commodity. In trade in services, job-seeking migration is considered under Mode 4.

Early development literature focussed on the importance of human capital and considered migration as a barrier for development. This is because highly educated workers generate positive externalities for the society which will be lost when they migrate from their countries. These positive impacts include effects on other workers, provision of key public services such as education and health, payment of taxes, and their contribution to the policy making in the country. In addition, less returns to the public investment on human capital was considered as an ill-effect of migration or ‘brain drain’.

Economists have now recognized that there are in fact benefits of migration, viz., increased knowledge, increased Foreign Direct Investment (FDI) and acquisition of new skill from the destination country. Remittances are a great source of support for balance of payments in South Asian countries. Skilled wages are normally higher abroad and more benefits from migration can be achieved with higher skills. Consequently, there will

be an incentive for more investment on education and this increment can be identified as 'brain gain' offsetting the traditional 'brain drain'. There are other benefits such as positive impacts to reduce the unemployment level in home country through: 1.) new vacancies formed by departing migrants, and 2) employment opportunities created by new investments made by remittances.

In economic terms, there are income and substitution effects of remittances on labour supply of a country. Income effect is the reduced labour supply of remaining household members as they take a portion of increased income as leisure. This reduction creates employment opportunities for other members in the community. Changing the return to supply of labour is the substitution effect.

Remittance recipients save part of their additional income. These savings may be invested in physical capital or human capital or used for consumption. Remittances remove capital constraints for the investment. In addition, technology transferred through migration helps in developing and continuing newly invested businesses. Some countries tend to invest in education as it may open paths to migration. These investments may be more important for the long term economic growth and development of countries.

At the micro level, private remittances can help increase household income. This increased income has impacts on consumption and livelihood development. Increased household income will help smooth consumption patterns of the household members by responding to adverse effects. On the other hand, this can be identified as a safety net mechanism for the poor. Remittances increase the household expenditure on areas such as education and health. In addition, migration facilitates households to create and expand social networks. Remittances also provide working capital to households that do not have access to financial sources. This will remove capital constraints on farm and small scale enterprises.

While these positive features of migration are noteworthy, migration can also lead to negative impacts. Migrant workers, particularly women, are faced with various social problems, vulnerabilities and risks (e.g., exposure to diseases and illness) in the destination countries. Moreover, there is evidence of various adverse social implications of migration of parents on their children. For example, mental depression of children in absence of their parent could lead to serve social problems such as drug abuse and sexual harassments.

Whether the economic impacts of remittances are positive or negative would also depend on its transfer system. Information on remittances transfer systems is important to maximize the development impacts of remittances. There are two channels to transfer remittances: formal and informal. Formal channels lead to economic growth through savings and investments and enhance foreign exchange reserves. Formal channels reduce illegal activities such as money laundering and financing terrorism. Remittances channelled through informal transfer systems are vulnerable to risks of exploitation. Informal remittance transfer channels, therefore, can be identified as a barrier to making

full use of such resources for development. Governments should provide incentives for migrant workers to transfer their money through formal channels.

Thus for any policy establishment it is essential to minimize the negative aspects and maximize the positive side and work out an optimal outcome. The link between migration and development needs to be clearly identified because not much research has been done on this area. Development impact of migration depends on the economic policies of the home and destination countries. Thus detailed information is required on this link when designing policies to maximize the benefits and minimize the losses.

In this conference we will have 9 papers on Migration, Remittances and Development -- eight of them focusing on the individual SAARC member countries and one paper looking at the entire region as a whole. These papers will highlight the country experiences and the link between migration and development. The papers will also highlight the government's institutional framework to maximize the benefits and minimize the adverse impacts on migration and remittances. In sum, the conference intends to take stock of how best that the region could make use of the remittances and minimize the adverse social impacts of migration.

Regionally is there anything that we could do together for the best outcome without disturbing the demand from the migrant recipient countries? For instance, can the Social Charter of SAARC include issues of South Asian migration? Can we have a Task Force for South Asian migration as proposed by SACEPS after its joint conference with FES on Migration in August 2007 ? We will be launching the South Asia Commission for Migration today where we propose to do joint work on the subject to further explore regional positions. Our Guest of Honour will elaborate on the proposed Commission and we intend to provide more details of the Commission at the 2nd South Asia Economic Summit in Delhi this year.

We will have an open forum for discussion with the audience of policymakers, researchers, private sector participants and civil society organizations with the aim of also enhancing policy capacity building in the region. At the end of the conference our objective is to obtain the revised country papers for publication as a book for wider dissemination.

With this brief introduction of the conference, let me once again extend a warm welcome to all of you and wish our foreign delegates a pleasant stay in Sri Lanka.

I thank you.