

STRATEGY PAPER :

**PRACTICAL MEASURES TO ENSURE ENHANCED
CO-ORDINATION AMONG ACTORS WORKING ON MIGRATION
AND DEVELOPMENT IN CAMBODIA**



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Acronyms

AFD	Agence Française de développement
ASEAN	Association of Southeast Asian Nations
CARAM	Coordination of Action Research on AIDS and Mobility
CDRI	Cambodian Development Research Institute
COSECAM	NGO Coalition to Address Sexual Exploitation of Children in Cambodia
CWPD	Cambodian Women for Peace and Development
DFID	Department for International Development
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IOM	International Organization for Migration
KAPE	Kampuchean Action for Primary Education
LDC	Least developed countries
LSCW	Legal Support for Children and Women
LOC	Local organizing committee
MDG	Millennium Development Goals
MOLVT	Ministry of Labour and Vocational Training
NGO	Non Governmental Organization
NPRS	National Poverty Reduction Strategy
UNIFEM	United Nations Development Fund for Women
USAID	United States Agency International Development
WB	World Bank



Introduction

Motivation

IOM Cambodia has committed to conduct a development project to assess any impact migrant remittances from Thailand may have on the community development in Cambodia. The goal of this project was two-folded where a set of measures to increase the remittance numbers and a better management scheme would be implemented after a thorough assessment of the situation.

However, first of all, it seemed necessary to screen a general situation of migration and development in Cambodia. There are at least 30 nongovernmental organisations, four international agencies, several governmental bodies, as well as banks and micro-financial institutions that are involved in migration or remittances issues. Their work is essential for many beneficiaries as well as for establishment of an efficient Cambodian labour migration policy.

However, it is worth to question an impact any activity may have on a sustainable development and long-term improvement of life for the beneficiaries. The argument is that in a such wide domaine as migration success of one project can be guaranteed when stakeholders coordinate well their activities and set up a clear working plan with shared and attainable objectives.

Together with the IOM staff the author of this paper observe that there is an important potential for the community development in Cambodia relating to remittances, but also that the work done in this direction is not well coordinated, insufficiently discussed and communication tools between the stakeholders are not established adequately.

To maximise the success of this IOM projecy or any other related to migration and development in Cambodia, a general situation of remittances had to be reviewed. Therefore, this paper determines facts, identifies needs, obstacles and potentials in this area, as well as provides an updated database of contacts and a list of studies conducted on migration/remittances in Cambodia. It is meant to serve as a frame for coordination work that should be over the time filled with the new data, new studies, new recommendations, updated contacts, specific results of the projects,...

What difference can it make?

It is preferable to believe that this strategy paper can have several positive effects. Among others, it could (1) encourage the development of complementary joint projects rather than individual and isolated ones, (2) set up a good communication foundation among the stakeholders working on migration issues, and (3) provoke the development of a project traceability mechanism which could enable efficient use of financial resources



and encourage donors to invest in the area that can bring a sustainable development to the country.

Who is concerned?

All the stakeholders working on issues related to migration but also the banks and financial institutions, as well as Cambodian diaspora and their organisations from abroad. Employers should not be left out from this list, neither.



1. Why remittances should be considered as a tool for development in Cambodia

There has been a tremendous increase in migrant remittances to developing countries and consequently an even stronger growth of interest in remittances from policy makers, researchers, donors, and others in the international development and financial services community.

At the present, it is estimated that approximately 125 million migrant workers send money to support 500 million family members in their home countries. The total of officially recorded remittances exceeded USD 318 billion in 2007, of which developing countries received USD 240 billion, more than twice the level of development aid from all sources. Migrant remittances constitute an important source of external finance, especially for many least developed countries (LDCs), and hence represent the most direct link between migration and development.

Countries like the Philippines, India, Morocco and Bangladesh (to name just a few) show today that remittances can have a positive impact on their community development and the reduction of poverty. Moreover, for LDCs such as Haiti, Nepal, Samoa and Yemen, remittances add up to more than 10 per cent of their GDP¹.

Cambodia, along with fifty other LDCs, is following this global trend of remittances increase. The last (2007) Migration and Remittances Factbook compiled by the World Bank² shows that Cambodia had approximately USD 322 million of inward remittance flows in 2007. In less than 10 years remittances have tripled, and today represent more than 4.1 per cent of the GDP³. According to ILO study (2008) those remittances could raise to USD 500 million, with proper migration management system in place.

These figures, though, do not necessary reflect the real potential of remittances on community development in Cambodia. Helping to realise and magnify that potential in a way that reduces poverty calls for smart and careful programming, backed by a thorough, country-specific understanding of labour migration, diasporas and remittances use patterns. Only if properly managed, international labour migration can be a strong force for economic growth and social development in Cambodia, as well as a facilitating factor in the achievement of the Millennium Development Goals.

The research for this Strategy paper made us realise that several stakeholders working on labour migration in Cambodia have already undertaken some steps towards studying the impact of migrant remittances on the community development. Nevertheless, the

¹ IOM (2006) Ministerial Conference of the Least Developed Countries on Enhancing the Development Impact of Remittances, p. 7.

² www.worldbank.org/prospects/migrationandremittances

³ Data report officially recorded remittances. The true size of remittances, including unrecorded flows through formal and informal channels, is believed to be larger.



interviews with different actors (NGOs, International Organisations, government officials, banks, microfinance institutions, donors and scholars) suggested the lack of efficient coordination among the stakeholders, scarce initiatives on joint actions and seldom or no discussions on links between migration and development.

2. Objectives of the Strategy paper

This paper is a summary of the accomplished studies⁴ in relation to remittances and their impact on development in Cambodia. It is designed in order to inform on future areas of work and research for NGOs, multilateral agencies and donors of official development assistance, in the field of migration and development. While acknowledging that this is a highly complex and diverse subject, the foremost aim of this paper is to encourage the stakeholders to develop the mechanism for enhanced coordination and improved planarization of work related to migration and development and hence strengthen the impact of remittances on the reduction of poverty in Cambodia.

Therefore, the purpose of this paper is:

- to identify and assess the work that has been done in relation to remittances in Cambodia in order not to duplicate it and overlap activities,
- to assure the wide dissemination of studies that have been already done and therefore, enable the useful information to reach all stakeholders,
- to aggregate and propose a set of recommendations and therefore, encourage their concrete implementation,
- to create a tool for enhanced coordination among different actors by providing a database of all contacts, list of completed studies, recommendations on joint activities and establishment of Migration Coordination Point,
- to provide the potential donors with the information on the background of remittances and realized work in Cambodia in order to increase the effectiveness of donor assistance,
- to encourage the creation of a platform for debate on migration and development in Cambodia and foster practical and action-oriented outcomes at the national and later on at the regional level.

3. Structure of the Strategy paper

The strategy paper is designated for a larger spectrum of readers. For that reason some information in it might be at some point already known to the reader and in that case he/she should skip to the sections that are more of his/her interest.

⁴ This paper is presenting the studies that were available to us through a desk research and numerous interviews and correspondances with different stakeholders. There is, however, a possibility that some relevant studies are omitted.



The findings of this paper are based on (a) studies and sample studies realised on migration topics in Cambodia which are incorporated in this paper; (b) rich recent bibliography done on migration and development topic; (c) World Bank findings; (d) interviews with different stakeholders⁵ in Cambodia; and finally (e) on personal observations. The paper is divided into the five following sections:

- Key information on migration in Cambodia,
- General description of remittances,
- Compilation of realized researches related to remittances in Cambodia,
- Synthesized overview of the current remittances data in Cambodia,
- Recommendations on improving the remittances and migration-development related policy,
- Donors and international agencies involvement.

At the end of this paper an excel table with relevant contacts and existing migration networks in Cambodia is attached.

4. Migration trends in Cambodia

For better understanding of remittances issue, some key information on labour migration dynamics (internal and external) in Cambodia should be presented. However this information is more of an informative nature and should be read together with in-depth studies and reports on labour migration in Cambodia:

- **4.4 million migrants (2.1 men/2.3 women), whereas urban migration accounts for 1.4 million, rural areas 3.4 million⁶,**
- **rapidly increasing labour force** which grows at an annual rate of 3.5 per cent (since 2001),
- **Increase in migration to urban areas,**
- Prey Veng, Kampong Cham, Takeo, Kampot and Svay Rieng are the provinces with the highest percentage of out-migration,
- Koh Kong Province, Banteay Meanchey Province and Battambang are among the largest destination provinces for migration, beside Phnom Penh,
- Youth (aged 15-24 years) make a disproportionately large section of the migrants (30 per cent of the total migrants),
- Feminization of migration,
- **Main push factors** leading many Cambodians to migrate include landlessness, natural disasters, debt (debt for health reasons), land grabbing and lack of employment opportunities,

⁵ NGOs (CARAM, LCSW, COSECAM, KAPE, FRIENDS, CWDP), International Organisations (ILO, WB, UNIFEM, IOM, ADB), government officials (Ministry of Foreign Affairs, Department of Labour, banks (ACLEDA, ANZ Royal, CCC), microfinance institutions (Vision Fund), donors (ADF, USAID, EU) and scholars (CDRI Mr. Chan Sopha). Annex 1 – List of Persons met.

⁶ National Institute of Statistics, 2004.



- **Migration relies mostly on social networks (middlemen/mekhal)** to provide the necessary information to facilitate departure, entry and integration in the country of destination,



Many young Cambodian women from rural areas work in the garment industry around Phnom Penh. An estimated one million Cambodians of the total population of 14 million benefits directly or indirectly from the garment industry. (source: *Cooperation Committee of Cambodia*)

- Main destination countries are Thailand, Malaysia and the Republic of Korea,
- Between 1998 and the end of 2007, there were 20,630 official worker trips to Malaysia, South Korea and Thailand: 10,532 to Malaysia, 6114 to Thailand and 3984 to South Korea⁷,
- **most of the migrants are undocumented** 180,000 irregular migrant works in Thailand and tens of thousands have been smuggled or trafficked in Malaysia, Japan, Qatar, Hong Kong, Taiwan, Saudi Arabia, Somalia,
- **Policy documents on international migration** are the **Sub-Decree 57** on *Sending Khmer Migrants to Work Abroad*: **Sub-Decree 70** on the *Creation of Manpower Training and Overseas Sending Board (MTO SB)* and **Prakas 108** on the *Education of HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad*,
- to this date, Cambodia has signed the MOU with Thailand in 2003, bilateral agreements with the South Korea and Malaysia, and some other are in the stage of preparation (with Kuwait, Qatar, Japan and Singapore),
- **Cambodian international migration is generally unskilled**, migrants are mostly engaged in 3D (dirty, dangerous, difficult) jobs,
- Men generally migrate for longer term work mostly to Thailand (construction, factories, transport workers, fishing and fish processing); migrants to Malaysia are mostly females employed as domestic workers, but other employment sectors are also in construction, in manufacturing and in entertainment. Migration to the Republic of Korea is organized through a “trainee system” which allows Cambodian nationals to work in Korea for short periods of time (and maximum of three years) to acquire new skills that they may be able to use upon their return to Cambodia to secure gainful employment. The sectors most in of migrant workers include: manufacturing, construction, and the service sector.

⁷ Ministry of Labour and Vocational Training (2007).



5. Remittances in general

Though the purpose of this paper is not to discuss remittances as such, it is relevant at this point and due to readers' different level of knowledge on the issue to define remittances and remittance-related policy in general.

Remittances need to be understood in the context of migratory processes. Migratory movements date back to ancient times as people have always been crossing borders either in search of a better life, or to flee conflict, natural disasters at home or to escape from poverty. The number of people living outside their country of birth has almost doubled during the last 50 years and it stands today at 192 million⁸. These movements can be either temporary or permanent. Many people send some of the earnings from the work that they have in their new locations to their families in their country of origin and this is known as remittances.

It is increasingly common to regard remittances as the sum of three different entries in the balance of payments statistics. One of these components, **workers' remittances** broadly overlaps with the popular conception of remittances – proportion of the migrant workers earnings that they send to their families in the country of origin. **Compensation of employees**, is money that people earn by temporarily working outside the country where they formally live, for instance by crossing-border commuting or seasonal work. Finally, **migrants' transfers** are the assets that migrants take with them when they move from one country to another⁹.

Views on the impact of migration and remittances on the development of sending countries seem to remain a controversial issue, which is subjected to cycles of pessimism and optimism. The general pessimistic view was that remittances do not promote growth but rather intensify the dependency on sending communities, and are thought to be squandered on conspicuous consumption. The impact of remittances are limited as, for instance, they cannot be relied upon as a strategy to assist the poorest regions and countries in the world. The poorest of the poor are not typical migrants and countries with the highest poverty levels are not producing large numbers of international migrants and are therefore receiving fewer remittances.

There has been, though, a change in recent years in the consensus view. Currently the importance of migrants' remittances as a source of development is widely recognized and discussed at the highest international political levels¹⁰. This is due partly to the fact that remittance flows to developing countries have become so large, and partly because the theoretical understanding of remittances has changed. In recognition of the importance of remittances for economic development, policy makers across the developing world have

⁸ IOM, <http://www.iom.int/jahia/Jahia/facts-and-figures/global-estimates-and-trends#3> (on 01.09.2008)

⁹ Annex 2- Migration related components in balance of payments statistics.

¹⁰ G8 Summit at Sea Island, Georgia, United States (June 2004); Ministerial Conference of Least Developed Countries on Enhancing the Development Impact of, Cotonou, Benin, Remittances (February 2006); Expert Group Meeting on International Migration and the Millennium Development Goals Marrakech, Morocco (May 2005).



taken various forms of policy action to encourage remittance flows, including in the areas of monetary and fiscal policy reforms, reforms in financial sector regulations, migration policy reforms or have created governmental bodies/agencies mandated to deal with migrants overseas and diaspora issues¹¹. Evidently, an important role in field of migrants and development has been assured by the NGOs, civil society, international organisations as well as the private sector which are aiming their activities towards assuring safe migration.

Moreover, several studies and reports acknowledge that international migration, if well managed, has the potential to support the achievement of Millennium Development Goals. Remittances and other migrant activities can contribute to poverty reduction, and greater equality between men and women can occur when women migrate and gain new skills or achieve more independency, to address only the few positive effects of migration. However, the impact migration can have on the Millenium Development Goals and vice versa, often depends on national policies being in place that aim to maximise the benefits and minimize the risks of international migration.

6. Migration and development in Cambodia

Migration and development is still an issue that has not been adequately explored in Cambodia. One of the reasons for that climate is the fact that labour migration is still considered as a relatively new topic and consequently the national policies are still facing difficulties to put in place effective labour management. The other important reason lies in the government's lack of interest to address migration as a development tool in its national development and poverty reduction strategies. We observe, the Cambodian government has addressed international labour migration only in its first National Poverty Reduction Strategy (NPRS) for 2003-2005¹², in which they acknowledge "*labour export has been an option for reducing poverty in several of Cambodia's Asian neighbors, such as the Philippines, Sri Lanka, Thailand and Vietnam*". Therefore the royal government policy is to "*encourage official labour exports to increase welfare, enhance skills, reduce unemployment and increase state revenues*". Some of the constraints to increased exports of workers were named, like low education, limited foreign language skills and complex regulatory and administrative requirements. It is hard to say to which extent this policy was implemented (also because this issue has not been analyzed in the NPRS Progress Report from 2004) but it is certain that much more needs to be done.

In addition, we observe that meetings of stakeholders working on migration are exclusively concentrated on the risks of irregular (and regular) migration including exploitation, abuses and human trafficking. According to the IOM staff in Phnom Penh office, there were no conferences or debates initiated on positive effects of migration and its potential on the development of the country.

¹¹ Annex 3 – An inventory of policy measures to enhance the development impact of remittances.

¹² National Poverty Reduction Strategy 2003-2005 (2002), p. 80.



6.1 Stakeholders working on migration and development

To this date, there are no actors or specific institutions in Cambodia, and neither any governmental body dedicated exclusively to the issue of migration and development (or remittances). The Department of Migrant Labour under the Ministry of Labour and Vocational Training (MoLVT) is responsible for managing and developing migration labour policies, resolving issues and compiling statistics on labour migration. Beside this Department exist some other “migration coordination groups” where in the future the issue of migration and development could be discussed more in-depth.

On the governmental level:

Inter Ministerial Taskforce on Migration (IMTM) is co-chaired by the minister of Women’s Affairs and minister of MoLVT. It was established in October 2006, on the initiative of UNIFEM, in order to coordinate efforts and encourage proactive and collaborative initiatives to protect and empower women migrant workers.

As labour migration involves multiple ministries, this is a good initiative to coordinate the work among governmental agencies working on labour migration issues. However, the weak point of this group is that since its inception there were only two meetings and therefore it remains to be seen how effectively this new institution will function.

Labour migration task force has been created within the General Directorate of Labour of the MoLVT with Prakas 012/07 (January 2007). It represents the MLVT in the communication and the coordination of all affairs of the Labour Migration Section with national and international donor agencies and concerned Institutions. Its main task is to cooperate with stakeholders in studying, preparing the policy and action plans which are under the Labour Migration Section. The fragility of this group is in lacking the proposition force and financial means for the policy implementation.

On the civil society level:

Migration NGOs Network (MNN) was created in 2007 and initiated by UNIFEM. The network is lead by a Steering Committee composed of organisations most active in labour migration and human trafficking. MNN offers an opportunity to its members to share information, discuss migration issues and concerns, and collaborate on advocacy efforts on behalf of migrant workers. Its strengths is in the wide participation of Association for Cambodian recruitment agencies, representatives of the government, and around 30 NGOs working on different aspects of safe migration. However, the network is encountering problems due to the leadership issues and likely due to the scarce joint activities.

Local organizing committee (LOC) of task force on ASEAN migrant workers is a group of several national non-governmental organisation whose objective is to lobby the government to implement the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers, which was signed by ASEAN leaders in Cebu, Philippines in January 2007 at 12th ASEAN Summit. This network is chaired by CARAM



Cambodia and on its last meeting in September 2008, it adopted Cambodian National Consultation Statement.

6.2 Case studies/research done on remittances or migration and development related issue

This strategy paper compiles 18 studies and research papers related to remittances and more broadly to Cambodian labour migration. There are only four studies (*Impact of Remittances on Local Communities in Cambodia: the case of Prey Veng province; A profile of Remittance Recipients in Cambodia; Insights into Migration and spending patterns based on a small-scale study of garment workers in Phnom Penh; Impact of Remittances of Cambodian migrant workers in Thailand on their families in Cambodia*) with an aim to assess the impact of remittances on local communities, and most of them are linked to the national remittances. This is a comprehensive reaction, as migration in Cambodia is still largely reserved within its national borders.

The common observation to those studies is that migrant workers might not become rich through out-migration but that thanks to migration their economic status has been seen to improve, particularly for those workers who cross the border and earn higher wages or move up the professional scale.

We are observing that case studies are mostly done either by international organisations or national research institutions. During the interviews we had with the NGO representatives or government officials it was said that those studies rarely or almost never reach them. The exchange of these studies is very poor also on the level between the international organisations.

For an easier overview this paper divided the compiled studies into six thematical categories and is announcing three forthcoming case studies on international remittances.

National Remittances

- CDRI (2007): *Domestic and Cross-Border Migration from the Tonle Sap (in "We are living with Worry All the Time": A Participatory Poverty Assessment of the Tonle Sap)* (by K.A.S. Murshid)
- WB (2006): *Impact of Remittances on Local Communities in Cambodia: the case of Prey Veng province* (by Bruno Maltoni)
- WB (2006): *A profile of Remittance Recipients in Cambodia* (put the whole title) (by Anne Christensen and Thomas Markussen)



- STOCHOLM SCHOOL OF ECONOMICS (2005): *Insights into Migration and spending patterns based on a small-scale study of garment workers in Phnom Penh* (by Elisabeth Dahlberg)
- CCC (2005): *Impact of the Garment Industry on Rural Livelihoods (Lessons from Prey Veng Garment Workers and Rural Households)*
- LSCW (2004): *Needs Assesments and Analysis of the Situation of Cambodian Migrant Workers in Klong Yai District, Trad, Thailand* (Migrant Support Project)

International Remittances

- ILO (2007): *Impact of Remittances of Cambodian migrant workers in Thailand on their families in Cambodia* (realized by Dorie Meerkerk).
- CDRI/NIS (2007): *Reviewing the poverty impact of Regional Economic Integration on in the Greater Mekong Sub-region (Cambodia Final Country Report)* (by Nou Keosothea, Phim Runsinarith, Tuot Sokphally).
- CDRI/DAN (2005): *The Cross Border Economies of Cambodia, Laos, Thailand and Vietnam*

Remittances and Labour Migration Management (Administering Labour Emigration)

- ILO (2008): *Labour Migration Management Institutions, Policies and Legal Framework in Cambodia* (realized by Chan Sophal).
- ILO (2008): *Interstate Cooperation on Labour Migration: Lessons learned from MOUs between Thailand and neighboring countries* (by Pracha Vasuprasat)

Remittances – gender and youth related studies

- CDRI (2007): *Youth Migration and Urbanisation in Cambodia* (by Lim Sovannara)
- UNIFEM (2006): *Cambodian Women Migrant Workers: Findings from a Migration Mapping Study* (by Chen Chen Lee)
- FRIENDS INTERNATIONAL (2006): *Kampong Cham Migration Survey*



Remittances and private sector

- WING/ ANZ Royal Bank (2008): *US Dollar-Cambodian Riel Study (Garment Factory Workers)* (by Orchid Insight)
- ACLEDA BANK (2005): *Channeling funds to rural areas through microfinance* (power point presentation for Joint Conference on Remittances, 12-13 September 2005, Manila prepared by Son Say)

Labour migration dynamics

- IOM (2006): *Review of Labour Migration Dynamics in Cambodia* (by Bruno Maltoni)
- WUP-FIN Socio-Economic studies on Tonle Sap (2003): *Where do you go? Migration and Urbanisation in Cambodia* (by Ulla Haapala)
- Economic and Social Commission for Asia and the Pacific (2003): *Migration Patterns in Cambodia - causes and consequences* (by Sarthi Acharya)

Forthcoming case studies

- IOM: *Analyzing the Impacts of Remittances for Cambodian Migrant Workers in Thailand and on local communities in Cambodia*
- CARAM Cambodia: *Remittance-impact on migrant workers' quality of life*¹³
- CDRI: *Economic Cost and Benefits of Cross-border Migration*¹⁴

¹³ Focus on Cambodian migrant workers in Malaysia

¹⁴ Focus on Cambodian migrant workers in Thailand



7. Information on remittances

An important element to be considered, when we are discussing remittances issue in Cambodia is that the official data available on remittances are mainly referring to the remittances flow coming from the United States, Australia and France. Those are remittances sent mainly from people who fled Cambodia due to political reasons during the Khmer Rouge regime. The remittances of these diasporas are usually transferred through formal channels such as banks and specialized agencies. We do not dispose with reliable information, though, on diasporas organization and their relation with the government and the communities they origin from.



“Review of Labour migration dynamics in Cambodia” is a document prepared by IOM in 2006. The document mentions two national workshops organised in Phnom Penh on Management of Labour Migration in Cambodia, where eleven key areas of intervention were debated among which remittances. (photo:IOM)

The situation of the remittances coming from the main destination countries for Cambodian migrant workers (Thailand, Malaysia and the Republic of Korea) differ considerably, as they are sent not only by legal migrants but also from undocumented migrants and therefore often transferred through informal channels.

7.1 Available data on remittances

Data Collection on Remittances ⇒ non accurate and insufficient

At the moment, remittance data are documented by the Central Bank and are included in Balance of Payments statistics in financial flows as private transfers. The definition covers migrant worker remittances and family support remittances provided by Cambodians abroad.

In the future, the National Bank of Cambodia will adopt ITRS to collect information about transfers made through the banking system. Currently, the classification of banking transactions is not consistent with the data provided by commercial banks.

In addition, Department of Labour and Manpower reports that they do not have any reliable system to measure remittances flows or their impact on the community development. The data they can collect with the Labor Migration Information System



(LMIS)¹⁵ cannot trustworthily record remittances to Cambodia. Another important reason is also due to remittances that are sent through informal channels.

Main remittance inflows ⇒ mostly from three countries, but not due to labour migration

The most important remittance-sending countries are the United States, Australia and France. There are no sufficient data on remittances sent from destinations of Cambodian migrant workers like Thailand, South Korea and Malaysia.

Taxation and remittances ⇒ excluded

Income from remittances is not subject to taxation in Cambodia.

Remittance services ⇒ mostly through the banks; big share through informal channels and therefore risky, but a new branchless system WING could provide safer and cheaper transfer

According to the MoLVT, Cambodian migrants in Malaysia and the Republic of Korea are remitting money through a bank transfer to the recruitment agencies who in turn distribute the money to their families. All the migrant workers based in the Republic of Korea own a bank account. Informal system is mainly used by Cambodian migrant workers in Thailand. By far the most common system is the phone system or ICOM¹⁶ shop, but also by private operators who have connections with migrants' home towns and provinces. With regard to national remittances the most used mean for sending money back to their households was through a relative, going home personally or having a relative come to Phnom Penh.

Services like Western Union or Money Gram are not much used in Cambodia, neither by migrants nor diasporas. The main reason for that is a high transfer cost and the fact that those services are not spread in all provinces and districts. The fee charge depends on the transfer. Fee charge for the money transfer by SWIFT is in general lower than for money transfer by Western Union. We do not expose with the concrete data on the real use of those services.

¹⁵ System was launched, with help of Finnish government and IOM, in 2007 in order to strengthen the capacity of the Cambodian Government – in particular the Ministry of Labor and Vocational Training - in the management of labour migration issues and protection of migrant workers through the establishment of a database that will record detailed information on migrant workers, monitor key labour migration trends and provide an information base for policy development.

¹⁶ A communication system based on hand held radios.



Figure 1: Oversea Money transfer by Western Union with ACLEDA Bank Plc

	Amount	Fee Charge		Amount	Fee Charge	
		Over the world	China only		Over the world	China only
Available for US Dollar Currency only.	X≤100	15	18.8	1500<X≤1750	77	18.8
	100<X≤200	22		1750<X≤2000	90	
	200<X≤300	29		2000<X≤2500	110	
	300<X≤400	34		2500<X≤3000	130	38
	400<X≤500	41		3000<X≤3500	150	
	500<X≤625	46		3500<X≤4000	170	
	625<X≤750	47		4000<X≤4500	190	
	750<X≤1000	52		4500<X≤5000	210	
	1000<X≤1500	66		5000<X≤5500	230	

Updated: 3 June 2008

Thanks to ANZ Royal Bank Cambodia will obtain before long a mobile payments provider **WING**. WING is targeting those customers who are generally un-banked but at the same time have needs for transfer of money, safely securing cash and purchasing airtime and paying bills. According to their researches there are 2.4 million pre-paid cell phone customers in Cambodia, and 7-8 million unbanked. For the time being this service has been reserved only for the transfer of money within Cambodia¹⁷. Customers will be activated by community based “Wing Pilots” who will provide them with a debit card. The system will be easy to use and a low cost. However, the lack of wide penetration of Khmer Unicode phones does remain an issue to be overcome.

Policies in favor of savings ⇨ no national policies; some initiatives from main migrant destinations but lack implementation

Thailand: Memorandum of Understanding between Cambodia and Thailand on Cooperation on the Employment of workers (signed in 2003, implemented in 2006) refer to a saving fund¹⁸. The authorized agencies of the employing country shall set up and administer a saving fund in which workers have to make monthly contribution in the amount equivalent to 15 per cent of their monthly salary. The workers receive their entire contribution to the saving funds; including interest earned upon returning to their

¹⁷ WINGs primary focus is to provide a low cost electronic wallet for the unbanked in Cambodia, commencing with garment workers. However they recognize the need to activate the service in provincial locations from where the workers originate.

¹⁸ From XI to XVI articles.



permanent address but must apply for this at least three months prior to returning. The Governments must then refund the amount owed to the worker within 45 days of workers' return. However, the right to refund of their contribution to the saving fund is revoked for workers who do not return to their permanent addresses upon the completion of their employment terms and conditions.

Malaysia: Since 1998, every employee has been required to contribute to the Employees Provident Fund (EPF). However, expatriates and seamen are exempted. Migrant workers have to contribute 11 per cent of their wages to the EPF and the employer is required to contribute RM 5.00 every month. In theory, workers have the right to withdraw all their savings when leaving Malaysia.

Research and development projects ⇒ overlapping, no coordination plan and lack of recommendations implementation

We observe that not much research work has been done on remittances or migration and development in general in Cambodia. There is no track of what kind of research have been realised, what are the areas that should be studied in the future and what concrete actions could be undertaken. As no dissemination strategy has been set up the realised studies/ reports are poorly distributed and rarely discussed, and the recommendations in them are often overlooked.

This strategy paper includes and provides soft copies of 18 studies. However, only four of them are concentrated explicitly on remittances and only one refers to international remittance. Most of the studies related to remittances are small scale studies and they examine the situation of garment factory workers coming from Prey Veng and Kampong Cham regions.

The only study that examined the impact of remittances sent by migrant workers in Thailand to Cambodia was part of a larger ILO study also covering the impact of remittances sent home by migrants from Laos and Burma working in Thailand.

According to our sources, only one development project linked to remittances have been performed. The NGO Cambodian Women for Peace and Development (CWPD) during 2006-2007 provided an assistance to illegal Cambodian migrants working in Thailand for sending money safely back home. The program stopped with the termination of financial resources.

During the interview with the representative of the Vision Fund Cambodia we were informed that they provide trainings on financial literacy to people from rural areas, among them are also families with migrant members.



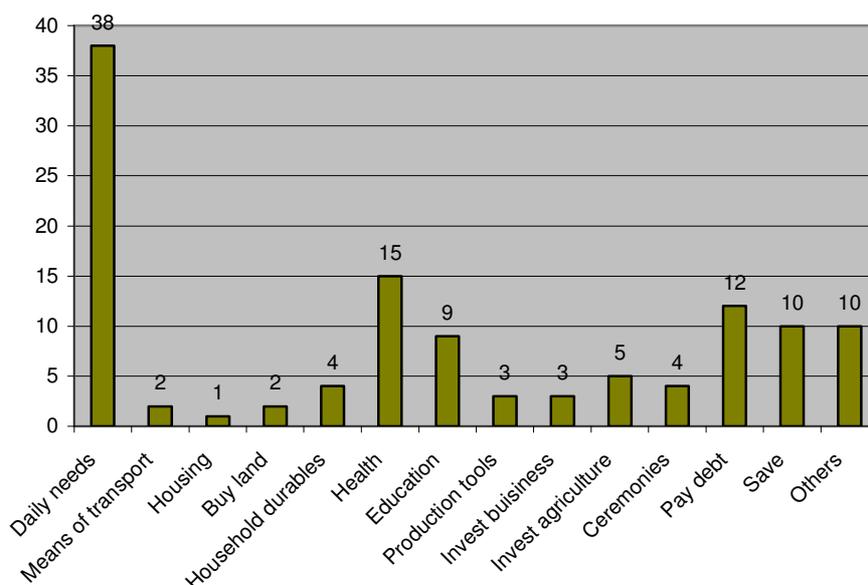
Use of remittances ⇨ basic goods, health costs and repaying debt

Patterns of migration and therefore remittances vary according to the gender, age, social and economic status, language skills and destination of the migrant.

Studies concentrated on the remittances sent by garment workers are showing mostly the same conclusions. Generally remittances were spent to support recurrent cost of subsistence rather than to start a small business. Remittances are in general spent in purchasing rice and other food, settle health expenses, invest in rice production, and pay off debts. Study on garment workers from Prey Veng shows that most of their earnings served only to support their basic needs in Phnom Penh. But remittance money is also used for sibling’s schooling, house improvements, savings and starting a small business.

Observation made by the ILO study on remittances from migrant workers in Thailand to Cambodia was that the villages who send migrant workers do not benefit from the remittance because the receiving families were poor and needed the money themselves. It is also questionable whether remittance receiving households are willing to invest in the village. Giving money for ceremonies is common, but financing a road for example is perceived without direct benefit for the household. However, some suggestions were proposed for using remittances to benefit the community including the building a road, school, water pump, and create a kind of village bank with low landing interests.

Figure 2: Expenditure of remittance in percentage (n=165). *Source: Center for Advanced Studies, 2007*





Economical impact of labor migration ⇒ **not measured in particular but in general improved financial situation**

Labour migration has a big impact and an increasing role in poverty reduction in a country where according to the World Bank 31 per cent of its population still lives under the poverty line, earning less than USD 0.50 per day. The remittances from migrants are very substantial and in some cases can support a rural family the whole year round. For some families migration has become the leading source of income. A majority of households having members migrating report being in a better financial situation.

Administration costs ⇒ **obstacles for higher remittances**

ILO Research from 2008 brought attention to the “administrative costs” which are affecting largely the increase of illegal migration as well as the lower remittances and negative impacts of migration.

The cost of sending migrant workers to Thailand is currently USD700 including USD 100 paid by each worker applicant and USD600 (20000bath) paid by the employer or recruitment agency, which deduct 2000 bath a month from workers salary for 10 months.

The cost of a passport in Cambodia is far much higher that in its neighbouring countries. In Vietnam the passport fee is only USD12, in Thailand and the Lao PDR, the fee is USD30 and delay for issuance is three to five days. On the other hand, the official cost in Cambodia for an ordinary passport (USD12) together with an “informal” fee (USD19) is USD 139 for an issuance within two months. It is possible to get passport within one week but in that case has to be paid USD224. The Cambodian government understood that the ordinary passport fee was too high for migrant workers who are officially charged USD40 (but in practice above USD50), provided that they are approved by the MLVT in a list sent to the Ministry of Interior. Like in other cases it takes not less than two months for the passport to be issued. This is too much long that employers can wait therefore the migrant workers are forced to buy their passports with one week and pay USD150-200.

Figure 3: Breakdown of costs of migrant workers to Thailand

Expenditure Item	Current Cost
Expenditure going to Cambodia	480
Passport	150
Medical Checkup	10
Exit fee	5
Training	15
Travel	10
Recruitment Agency income	70



Other expenses	220
Expenditure going to Thailand	220
Work permit	106
Application form	3
Medical Checkup	18
Visa fee	59
Travel to site	20
Other expenses	14
TOTAL	700

Source : CDRI, Chan Sophal (2008) based on the interviews with recruitment agencies and workers

7.2 Non available but indispensable data for better comprehension

We observe some key data were omit but are necessary to be assessed and studied in order to develop a thorough comprehension on the impact of remittances on the community development and therefore creation of appropriate policy measures.

Concrete positive impacts due to legal migration ⇒ to encourage better labour management

The elements like local consumption, demand for goods, move out of poverty, decreased borrowing rates, development of small but diversified businesses, or increase of savings can be observed in a longer-term context. Comparative analyse should be done between legal and irregular migrants in order to examine if and how their status contributes to higher remittances and greater impact on community development.

Social impact of remittances ⇒ to explore the potential intenational migration could have in the achivement of Cambodia Millennium Development Goals

Dependency on remittances among receivers, empowerment of women (in case if their husbands are migrating and they are staying in the households or when they are migrating and gaining new skills), education of migrant workers children, improvement of health conditions thanks to received remittances and health education in receiving country, ... are the elements that should be observed.

Social remittances ⇒ which kind of skills and technologies are brought back by migrant workers and the returnees

Study which would examine the transfer of skills and technology could enable local companies to easily find a qualified labour force for its national production. Also, an exhaustive research should determine the position and role the so called returnees are playing in the development of the country. Such studies would enable government to adopt policies in order to encourage the investments of their citizens living abroad.



Migrants and their saving/investment patterns ⇨ **in order to provide suitable financial literacy trainings**

To assure suitable and effective financial literacy trainings it is indispensable to examine migrant's behaviour towards savings and question how well they are informed about the services of microfinance institutions that they could benefit from.

Micro health insurances ⇨ **to avoid heavy debts due to health costs**

As health costs are one of the important reasons Cambodians are forced to migrate and this represent also an important part of the remittance consumption, migrant workers should be informed about the existence of micro health insurances and the services they are providing. More data on those insurances are needed.

Cambodian Diaspora ⇨ **a study on how it could contribute to poverty alleviation**

The Diaspora Dialogs are an innovative, pro-active, ongoing process in some countries, especially on African continent. They are a new and dynamic way to involve migration in the development field by confronting the actors with possibilities and options in providing their countries with the efficient assistance. These possibilities are not explored at any extent in Cambodia, yet. There is no official data on Cambodian diasporas, or their possible role in the development of Cambodia. Their identification and later constructive and result based dialogs could determine the role they could play in poverty reduction in Cambodia.



8. Recommendations related to remittances

This paper is aggregating some of already proposed recommendations and combining them with the new one which emerged during the interviews with different stakeholders. In addition, we would like to draw attention to the recommendations proposed at the Ministerial Breakfast Roundtable “Towards Enhancing the Development Impact of Migrant Remittances in the LDCs in 2006. Six priority areas were recognized by governments (also Cambodian) and other actors that could enhance the development impact of remittances in LDCs and improve remittance services to migrants. lowering remittance transfer costs; improving access to remittance services; better information provision; support to migrant associations; improving knowledge base and creating conducive policy and institutional framework for remittance transfers and investment.

In order to maximize the benefits of migration and orientate it towards poverty reduction the following measures should be introduced. Work should be divided and permanently coordinated among the stakeholders involved in the work of labour migration and development.

Database

- Increase the reliability of statistics to include remittance flows from migrant workers abroad,
- Register the skills obtained by migrant workers.

Counseling and Advice

- Advise workers on how to remit their earnings (remittance channels and costs) as part of pre-departure orientation,
- Provide skills training based on labour market needs,
- Advise on microfinance institutions and possibilities to invest.

Lobby

- Cambodian government to promote policies and practices that enhance benefits and minimize risks of migration,
- Cambodian government to ensure that migration is more effectively included in national development plans and poverty reduction strategies,
- Cambodian government to ratify and implement the 1990 UN Convention on the Protection of the Rights of All Migrant Workers and Members of their Families.



Encourage regular migration

- Lower costs of official documents and shorten visa issuing time,
- Launch the “Information Windows” at provincial departments of labour and vocational training with aim to provide information on vacancies at national and international level but also to inform about the migrant rights and duties,
- Exploit the possibilities for guest worker programs – sending migrants to developed countries in order to develop skills and help through remittances.

Capacity-building

- Continue capacity-building within relevant Ministries to empower government officials with ability to better design and implement policies relevant to effective labour management.

Networking and coordination

- Form a **Migration Coordination Point** (according to many such Point should be managed by the IOM Cambodia) through which stakeholders could exchange information, conduct joint programs, advocacy and perform other activities,
- Creation of a common web site to publish registered and regulated recruitment agencies, post the available jobs, possibilities for vocational trainings, NGOs they can contact in case of abuses, short description of each organisation and its contacts,
- Organise Stakeholders Conference on migration and development with the aim to develop a strategy plan for further actions and development projects,
- Organise forums for sharing the best practices (each multilateral agency should prepare a short resume on its work related to remittances in other countries and regions),
- Enhance cooperation with NGOs and other stakeholders from receiving countries in order to develop regulations to punish abusive employers,
- Organise meetings with civil society organisations and employers’ and workers’ associations in order to participate in policy development and monitoring of exploitative brokerage practices,
- Encourage debates on migration and development on a regional level,
- Organise donor briefings.

Financial co-operation

- Establish links between financial institutions in Cambodia and receiving countries to discuss the possibility of providing legal channels for the transfer of remittances,
- Provide favorable financial conditions for migrant workers in order to attract investment in local communities,



- Develop structures to manage migrant savings and alternative investment systems,
- Develop trust in banking system.

Incentives to attract remittances

- Ability to invest (during the certain time) any amount of money in commercial and industrial sectors without enquiries into the source of funds by the government,
- Special incentives for emigrants interested to set up agro-based industries, or investing in communication and transport sectors,
- Quotas reserved for emigrants in government housing projects.



9. Donors' and international agencies involvement

Donors need to work together to develop coherent approaches to increase the positive benefits of migration and therefore the opportunities for poor migrants or more broad poverty reduction.

They can play an important role through facilitating the exchange of best practices in this complex area and connect national partners to global knowledge.

We are presenting shortly some of key donors and their policy positions with regard to migration and development. Some of those donors are present in Cambodia and could have an important impact on influencing the debate and actions which would lead to maximising the positive effects of international migration.

IOM (International Organisation for Migration) approaches the linkages between migration and development from the perspective that international migration, if properly managed, can contribute to the growth and prosperity of countries of origin and of destination, as well as benefit migrants themselves. One programme IOM set up which helps to mobilize competencies acquired by African national abroad for the benefit of Africa's development and has much of success is Migration for Development in Africa (MIDA)¹⁹.

DFID's (Department for International Development) priorities for remittances are to improve access, transparency and choice for remittance senders and recipients, with low costs and greater security. In their new policy paper on migration and development "*Moving out of poverty: Making Migration work better for poor people*"²⁰ DFID sets its position on how they will deal with the effects of migration in their poverty reduction programmes and working with partners on national and international levels.

USAID (United States Agency International Development) will engage in programmatic activities designed to amplify the development impacts of remittances. Among different activities USAID will concentrate its forces on studying the possibilities how can Diasporas communities contribute to the development in their homelands. The Agency has identified six strategic Diaspora engagement mechanisms²¹ which could be eventually used for relation between Cambodian government and its diasporas.

AFD (Agence Française de développement) focus its activities on migrations and migrant remittances, particularly in Maghreb countries. Also, it had commissioned a household study in four Francophone countries (Marocco, Senegal, Mali, the Comoros)

¹⁹ MIDA Strategic Plan for 2006 to 2010 available on

http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/microsites/mida/global_strat_mida.pdf

²⁰ Available on <http://www.dfid.gov.uk/pubs/files/migration-policy.pdf>.

²¹ To read more on Diaspora Network Alliance and USAID policy refer to http://www.usaid.gov/our_work/global_partnerships/gda/remittances.html.



to obtain information on the means, volume and types of utilisation of migrants' remittances. AFD devotes particular efforts to supporting co-development actions in order to facilitate migrant remittances and direct them towards productive investments.

The **International Fund for Agricultural Development (IFAD)** has developed a funding facility for innovative remittance services (launched March 2006) as part of a programme to promote savings and investments in poor rural areas in Latin America and the Caribbean by trying to ensure ease to other financial services (savings, loans, insurance).

Conclusion

Remittance issue in Cambodia is still an area that has not been sufficiently explored. Contrary to some other countries, migration does not present potential for development yet and is not adequately introduced to the national strategy for poverty reduction.

There might be a latent for community development in Cambodia due to remittances. This latent is based in particular on official inward remittance flows, which represented 4.1 percent of GDP in 2007 and is projected to increase in the future. These data are only a part of what can be measured but do not show a complete picture as there are many illegal migrant workers or legal workers who do not use formal channels to transmit money back home and therefore do not enter the official statistics. To encourage people to use legal channels and to enable them safe legal migration is both the latent to increase impact of migrant remittances to the poverty reduction and a challenge the Cambodian migration policy should concentrate on.

This paper provides information on remittances in Cambodia but also proposes a set of recommendations that should be examined and translated into actions. This should be a base for future national work related to remittances and for enhanced coordination among various stakeholders in Cambodia.

The paper does not try, though, to divide those recommendations or actions among the stakeholders, but rather leaves it open to each of them to reflect on how they could contribute through their work and their missions to maximize positive effects of migration and bring more significant changes in the lives of migrant workers and their communities.



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Annexes

Annex 1 – List of Persons Met/Contacted

AFD Cambodia	Mr. Eric Beugnot (Director)
USAID	Ms. Erin Soto (Mission Director)
THE ASIA FOUNDATION Consultant)	Ms. Sonia Margallo (CTIP)
EU Delegation Social Development)	Mr. Noeun Bou (Program Officer-
ILO	Mr. Pracha Vasuprasat (Bangkok)
WB Development Analyst) (Bangkok)	Ms. Myriam Caro Catedra (Human
UNIFEM Coordinator and Coordinator of Migration NGO Network)	Mr. Khoun Bunny (National
ADB	Mr. Mitra Minoshi (Philippines)
IOM Cambodia Manager) and Mr. John Mcgeoghan (Project Manager)	Mr. Bruno Maltoni (Project
Ministry of Foreign Affairs Legal and Consular Department)	Mr. Kim Sovana (Deputy Director,
MoLVT General of Department of Labour and Manpower)	Mr. Hou Vudthy (Deputy Director-
Council of Ministers Secretary General)	Ms. Chamroeun Katika (Deputy
ACLEDA Bank Remittance Unit)	Ms. Chhay Khea (AVP & Manager of
Cambodia Asia Bank	Ms. Khent LY (Customer service)
ANZRoyal Bank	Mr. Brad Jones (Managing Director)
VisonFund Director)	Mr. Bora OmSeng (Executive
CDRI manager)	Mr. Chan Sophal (Senior research
LSCW	Ms. Vichuta Ly (Director)
CARAM	Mr. Ya Navuth (Director)
KAPA	Mr. Sao Vanna (Director)
COSECAM	Ms. Sea Sovityea (Promdan Project)
CWPD	Ms. Chou Bun Lean (Project Officer)
FRIENDS INTERNATIONAL Assistant on Migration)	Ms. Lucie Eches (Technical
BANTEAY SREY	Ms. Chhoeun Thavy (Director)



Annex 2 – Migration-related components in balance of payments statistics

	Location in balance of payments statistics	Context of transfers	
		Stage of migration	Duration of migration
Workers' remittances	Income in the current account	During employment abroad	One year or more (considered residence)
Compensation of employees	Current transfers in the current account	During employment abroad	Less than one year (not considered residence)
Migrants' transfers	Capital account	Upon migration between countries	One year or more (considered residence)

Source: Carling, Jørgen (2007).



Annex 3 – An inventory of policy measures to enhance the development impact of remittances

Intermediate objectives	Specific objectives	Examples of measures
Increase the volume of current remittances	Maximize the volume of remittances sent from abroad	Promote short-term labour migration
	Minimize the depletion of remittances by transfer costs	Lower barriers to market entry for transfer service providers
	Increase financial returns to remittance deposits	Foreign currency accounts with premium interest rates
Promote the channeling of remittances directly to development purposes	Divert a proportion of remittances to be used by the state	Direct taxation of remittance transfers
	Promote donations by remittance senders	Voluntary check-off for charitable donations on transfer forms
	Stimulate development financing by hometown associations (HTAs)	Matched funding for HTA development initiatives
Stimulate direct investment of remittances	Outreach through the infrastructure of microfinance institutions	Small-scale credit for remittance-receivers
	Outreach through migrants' service bureaus	One-stop-shop for emigrant investors
	SME schemes (financial, infrastructural, or innovative)	Tax break on imports of capital goods
Stimulate indirect investment of remittances	Promoting transfers through financial institutions	Cross-subsidization of transfer services by banks
	Increase financial returns to remittance deposits	Foreign currency accounts with premium interest rates
Stimulate development-friendly consumption of remittances	Promoting consumption of local goods and services	Tariffs on imported goods with locally produced alternatives

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	Enabling migrants to spend on their relatives' behalf	Health insurance for non-migrants marketed to emigrants
	Address the social impact of remittance-fuelled business sectors	Surveillance of employment conditions in the construction sector
Stimulate sound management of remittances	Stimulate banking among unbanked senders and receivers	Cross-subsidization of transfer services by banks
	Promoting financial literacy among senders and receivers	Financial education programmes through community organisations
	Promoting transfers through financial institutions	Cross-subsidization of transfer services by banks
Secure future remittances	Promote continued migration	Bilateral labour migration agreements
	Promote diaspora engagement	Exchange programmes for children of emigrants

Source: Carling, Jørgen (2007).