Engaging the diaspora and migrant workers for home country development - Diaspora finance and remittances.pdf

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CHAPTER 3

Engaging the Diaspora and Migrant Workers for Home Country Development: Diaspora Finance and Remittances

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3.1 Introduction

With the growing emphasis on migration and development linkages since the 1990s, there is considerable interest in remittances and diaspora populations at the international level. In a context where remittances to developing countries are about three times higher than official development assistance (IFAD 2017; World Bank 2003, 2017), attention has increasingly shifted to remittances as a source of development finance. This chapter contributes to the growing empirical literature on the diverse contributions of migrants and diasporas to home country development (Boyle and Kitchin 2013; Kapur 2010; Kuznetsov 2013; Sahoo and Pattanaik 2014; Wickramasekara 2010, 2016), by focusing on financial remittances and diaspora finance.

Asia, with 104 million migrants, a substantial number of whom remain within the region, is said to be the origin for the greatest number of migrants (UN DESA 2015a). In addition to intra-Asia migration, there is a marked flow to the Gulf region, especially from South Asia. There is also migration, mostly of skilled persons, to Western destinations, the United States (US) and Europe, and to Australasia. These movements have given rise to a large Asian diaspora. The People’s Republic of China (PRC) and India have the largest global diaspora. At the same time, Asia accounted for four of the top five remittance receivers in the world in 2016—namely the PRC, India, Pakistan, and the Philippines. The International Fund for Agricultural Development (IFAD) has described Asia as the world’s largest remittance marketplace (IFAD and World Bank 2013). Thus, the potential of diasporas and remittances for development of Asian countries is high, and policy makers have devoted increasing attention to engaging with their diaspora communities for home country development.

This chapter reviews key issues involved in diaspora engagement, focusing on finance and remittances in the Asian region. It first covers definitional issues, followed by available estimates of the Asian diaspora. The chapter then focuses on engaging the diaspora to leverage development finance, followed in the final two sections by a discussion of remittance policies and remittance-backed financial products tailored to diaspora communities, migrants, or their family members.

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1 The authors would like to thank Nilim Baruah for useful comments for improving the paper, and Ilora Hossain and Leo Bernardo Villar for research assistance.


3.2 Definitions and Methodology

There are several definitions and connotations associated with the terms “migrant workers” and “diaspora,” which also pertain to the relationship between the two categories.

3.2.1 Definitions

Migrant workers

The International Labour Organization Convention on Migration for Employment, 1949 (No. 97) defines a migrant worker as “a person who migrates from one country to another with a view to being employed otherwise than on his own account and includes any person regularly admitted as a migrant for employment” (Article 11). The 1990 International Convention for the Protection of the Rights of All Migrant Workers and Members of Their Families provides a broader definition in its Article 2(1): “The term ‘migrant worker’ refers to a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national.” This definition does not specify a minimum of time abroad, and thus explicitly includes migrants in short-term, temporary, and seasonal employment (current, intending, or past), as well as self-employed persons.

Diaspora

Diaspora is a term increasingly used to refer to persons, communities, and populations outside of their country of origin or identity. It has historically been associated with the notion of dispersion of an ethnic population outside its traditional homeland (Cohen 2008).

Diaspora is not a legally or statistically precise term, and has been used with a variety of connotations. It refers to persons and communities of persons who originated/emigrated from a particular country or region. It is applied not only to settled and long-term migrants, but also to their children and even successive generations—sometimes many generations. In many contexts, including in development discourse, the term emphasizes continued ties with the “homeland” and related obligations toward supporting its development. The diversity of the diaspora in terms of ethnicity and community of origin, gender, migratory status (temporary, permanent, and irregular), skill profiles (low-skilled and high-skilled), generations, and capacity has to be recognized in any type of diaspora engagement policy (Wickramasekara 2009b).

For this discussion, we shall use the definition of diaspora provided by Van Hear, Pieke, and Vertovec: “populations of migrant origin who are scattered among two or more destinations, between which there develop multifarious links involving flows and exchanges of people and resources: between the homeland and destination countries and among destination countries” (Van Hear, Pieke, and Vertovec 2004: 3).

Remittances

Remittances are commonly defined as personal transfers of money by persons working abroad to their home country, usually to family members in local communities of origin. Remittances can also be in kind. According to the International Monetary Fund definition, remittances consist of both personal transfers and compensation of employees paid into/transferred to the origin country (IMF 2009).
Apart from financial remittances, some use the term “social remittances” to capture the many additional ways migrants and diaspora contribute to their countries of origin including through skills and knowledge, ideas and practices, and human and social capital (Levitt and Lamba-Nieves 2011).

**Development**

Since the late 1990s, development has become a catchword for contemporary discussions of migration. Because gross domestic product does not measure well-being, development cannot be equated with simple growth (Taran 2015; Wickramasekara 2009a). The Global Migration Group summarizes this broader conception as follows: “Development is more than an economic parameter and encompasses human rights. Development goes beyond economic growth to embrace notions linked to human development, which focuses on the individual, his/her family and community, and seeks to expand individual capabilities and choices through health, education, a decent standard of living, and political freedom” (GMG 2008: 106).

This definition reflects a human development approach, focused on increasing well-being and opportunities of human beings. Migrants/diasporas are not simply sources of cash, but mutual partners and stakeholders in the development of home countries. As such, not only the resources they bring, but also their rights and protection and integration in both origin and destination countries, must be given serious consideration.

**3.2.2 Methodology and Data**

Over the past 2 decades, thanks to the International Monetary Fund and the World Bank, considerable progress has been made on data collection methods for understanding remittance flows. There has not yet been similar progress toward gathering adequate data on diaspora populations due to conceptual and methodological challenges. Wickramasekara describes the problem as follows:

First and foremost is the fact that there is no standard and consistent definition of a diaspora population. Second, it is difficult for countries of origin to keep track of migrant communities abroad over long periods of time. The transition to citizenship in host countries and the emergence of the second and third generations make tracking the diaspora quite a tricky exercise. Third, while some countries or agencies have started electronic databases of the diaspora population, registration is often voluntary and there is substantial underestimation. One can only provide a range of estimates from low to high (Wickramasekara 2009b: 4).

Countries of origin must also understand the characteristics and profiles of their diaspora populations in terms of migratory status, skills, age, gender, occupations, and incomes to engage them in development efforts. Further, social and cultural norms in countries of origin and residence make women less visible as part of a diaspora. Undocumented workers may also not often be counted in diaspora estimates. Targeted surveys are needed to provide better profiles of migrant and diaspora populations, but this is both time consuming and costly. The Organisation for Economic Co-operation and Development (OECD) series “Connecting with Emigrants: A Global Profile of Diasporas” (now in its second edition in 2015), is an innovative exercise in mapping diasporas, although the focus is on diaspora populations within OECD countries (OECD 2015).
Although diaspora typically connotes settled communities and long-term residents, it is important to extend the diaspora concept to include temporary migrant workers since they send a substantial proportion of remittances to home countries. It is not generally possible to distinguish the respective remittance contributions of settled diaspora populations and temporary migrant workers from available estimates.

The paper draws mainly on secondary sources to assess remittance trends and diaspora engagement including papers presented at the 7th ADB-ADBI-OECD-ILO Roundtable on Labor Migration.\(^2\) The analysis has been constrained by the lack of up-to-date information on some key aspects of diaspora populations and remittances at regional and country levels. For instance, updated information on financial products and their use in countries of concern is not available without primary data collection. This should be done in the future to assess the adoption and impact of financial products tailored to remittance senders and receivers.

### 3.3 Mapping the Asian Diaspora

Table 3.1 presents data drawn from several sources on the diaspora in selected Asian origin countries. The UN Population Division 2015 defines an international migrant as a person who is living in a country other than his or her country of birth (equated either with the foreign-born or with foreign citizens).

By UN estimates, there were 244 million international migrants living outside their countries of birth or citizenship in 2015 (UN DESA 2015b). A significant portion of this global migrant population, 43% or 104 million, were born in Asia and a large portion is found in other Asian countries (UN DESA 2015a). During 2000–2015, the number of migrants originating in Asia grew at a faster annual rate than those from any other world region, by an average of 2.8% per year.

The 2015 UN report, “International Migration Report: Highlights” has estimated diaspora populations of different countries by simply counting the population living outside the country of birth or citizenship as the diaspora (UN DESA 2015b). According to this estimate, 16 million Indians living outside of their country of birth in 2015 comprised the largest diaspora in the world (UN DESA 2015b). This seems to be an underestimate, especially considering that the same source estimated the PRC diaspora as being only approximately 10 million (Table 3.1). These estimates do not count the second or third generations of diaspora parents as captured in the concepts of “Overseas Chinese” or “Person of Indian Origin”. Country data discussed later in this section show a large deviation between UN figures and national estimates. Column 5 of Table 3.1 shows that while the PRC and India have large diasporas, they represent only a small share of their total populations. The Lao People’s Democratic Republic and Afghanistan have the highest shares of the population overseas, followed by Sri Lanka and Cambodia.

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The figures in Column 4 (Table 3.1), representing the emigrant population (15 years old and above) in OECD countries in 2010–2011, are well below the UN figures because they cover only OECD destinations and only those aged 15 and above. The biggest sources of emigrants are from the PRC, India, and the Philippines, respectively, with Viet Nam and Pakistan forming the second tier.

Column 7 (Table 3.1) shows second-generation diaspora communities from each country in Australia, Europe, and the US based on the World Bank data (World Bank 2015a). It follows the same pattern, with India, the PRC, and the Philippines providing the largest numbers of second-generation diasporas.

### 3.3.1 Chinese Diaspora

Estimates of the Chinese diaspora range from 30 million–55 million worldwide. PRC government sources estimated about 50 million nationals and diaspora members worldwide in 2008, with 73% in Southeast Asia, 12% in North America, and 5% in Europe (Xiang 2016). About 70% of the Chinese diaspora population form “near-diaspora” located in Southeast and East Asia, while the “far-diaspora” refers to those in Europe and the Americas, mostly as a result of new migration waves following globalization trends (Wickramasekara 2017).
3.3.2 Indian Diaspora

In the first systematic effort of its kind, the High Level Committee on the Indian Diaspora estimated a global diaspora population of over 20 million in 2001 (Government of India 2001). In December 2016, the Indian Ministry of External Affairs estimated the global Indian diaspora, or Overseas Indians, at 30.8 million. The category includes Non-Resident Indians (NRIs), who are Indian citizens resident outside of India for more than 6 months, as well as Persons of Indian Origin, who are foreign citizens of Indian origin or descent including second and subsequent generations, and Overseas Citizens of India, extending to the second generation only (Wickramasekara 2017). The Overseas Citizen of India and the Person of Indian Origin cards have now been merged to create a level playing field for both categories like the status of NRIs.

For India, the near-diaspora would be those working and staying in the Gulf Cooperation Council (GCC) countries, and South and Southeast Asia. The High Level Committee of the Indian Diaspora estimated that 30% of those in the GCC countries belong to the skilled and professional category, and may be renewing visas and living for longer periods than temporary migrant workers (Government of India 2001).

3.3.3 Philippine Diaspora

The Philippines has generated a large diaspora through successive waves of migration to other countries (Lawless 2005). The Commission on Filipinos Overseas (CFO) has estimated the total diaspora at about 10 million (Table 3.2). An interesting feature is their breakdown by migration status. Temporary migrants constitute 41% of the total, while irregular status migrants are 11%. The US is the top destination with 3.5 million, followed by Saudi Arabia (1 million), the United Arab Emirates, Malaysia, and Canada. The UN DESA estimate of the stock of Filipino migrants was about half of this, at 5.3 million.


### Table 3.2: Stock Estimate of Overseas Filipinos (end of December 2013)

<table>
<thead>
<tr>
<th>Global</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Irregular</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4,869,766</td>
<td>4,207,018</td>
<td>1,161,830</td>
<td>10,238,614</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>47.6</td>
<td>41.1</td>
<td>11.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

3.3.4 South Asian Diaspora

India is the major source of South Asian diaspora. Yong and Raman (2014) estimate the total South Asian diaspora to be close to 50 million: “It is roughly estimated that there might be around 25 million–30 million Indian diaspora, 7 million–9 million Bangladeshi diaspora, 5 million–7 million Pakistani diaspora, 2 million–3 million Sri Lankan diaspora, 4 million–5 million Afghan diaspora, and around 2 million Nepali diaspora living around the world. In total, the global South Asian diaspora thus might be over 50 million strong and continues to grow” (Yong and Rahman 2013: 3).

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3.4 Engaging the Diaspora

3.4.1 Diaspora Roles and Engagement Policies

Policies for engaging the diaspora are becoming a significant component of development strategies of origin countries in all regions similar to the earlier focus on remittances (Boyle and Kitchin 2013; Gamlen 2006; Pellerin and Mullings 2013). There is a high degree of consensus on diaspora roles in recent literature (Boyle and Kitchin 2013; Kuznetsov 2013; Sahoo and Pattanaik 2014; Wickramasekara 2009b). Boyle and Kitchin (2013) identified the following diaspora roles: advocacy, direct investment, knowledge networks, philanthropy, return migration, tourism, and human capital efforts. While all the above roles are possibilities, information on the relative impact of different diaspora contributions is still inadequate (Wickramasekara 2010). As highlighted above, policy makers must recognize the diversity within the diaspora in their interactions in order to make their engagement policies effective.

Table 3.3 provides a summary of different diaspora roles. It stands to reason that states must tailor their strategies to these actors’ particular profiles. For example, both skilled and low-skilled diaspora populations can contribute to home country development, although there is tendency to focus on the skilled and intellectual populations in some strategies (Wickramasekara 2009b, 2010).

Table 3.3: Different Roles of the Diaspora

<table>
<thead>
<tr>
<th>Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Diaspora finance</td>
</tr>
<tr>
<td>- Direct investments by overseas diaspora and diaspora returnees</td>
</tr>
<tr>
<td>- Diaspora savings transfer through diaspora bonds, foreign currency accounts</td>
</tr>
<tr>
<td>- Financial remittances</td>
</tr>
<tr>
<td>- Financial capital brought in by returnee diaspora</td>
</tr>
<tr>
<td>- Philanthropic contributions (financial)</td>
</tr>
<tr>
<td>□ Skills, human capital, and technology transfers through permanent and temporary returns, and diaspora knowledge networks</td>
</tr>
<tr>
<td>□ Diaspora tourism, and exports related to home country goods</td>
</tr>
<tr>
<td>□ Promotion of political and economic reforms at home through advocacy and reducing reputation barriers at international and regional levels</td>
</tr>
<tr>
<td>□ Social remittances and cultural interactions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Sustaining conflict and fueling insurgent movements in home countries</td>
</tr>
</tbody>
</table>

Source: Adapted from Box 6 in Wickramasekara (2009b).

Most of the early approaches to diaspora involvement focused on using or mobilizing its members for origin country benefits, implying in essence a one-way flow. The terms adopted indicate this approach: “harnessing, mobilising, tapping, exploiting, leveraging, eliciting, embracing, governing, or controlling” (Boyle and Kitchin 2013; Plaza and Ratha 2011; Ratha et al. 2011). Later, the term “engagement” came into use with the recognition that consulting with the diaspora on their perceptions and priorities, and obtaining
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their support, leads to better outcomes (Wickramasekara 2016). It is important to stress that diaspora populations do not represent a “golden goose” to be exploited at will by countries of origin. They need to be treated as mutual partners and stakeholders in home country development. The following statement by the then Indian Prime Minister Atal Bihari Vajpayee at the first Indian diaspora conference in January 2003 sums up this broader vision of engagement:

We invite you not only to share our vision of India in the new millennium, but also to help us shape its contours. We do not want only your investment. We also want your ideas. We do not want your riches, we want the richness of your experience. We can gain from the breadth of vision that your global exposure has given you.4

In the past 2 decades, with the growing recognition of the breadth of potential diaspora contributions, home country policy makers as well as host countries and multilateral agencies have been seeking ways to attract diaspora involvement. Origin states have formed various initiatives to interface with their diaspora. Gamlen classified them into three types based on a review of 70 countries and their diasporas: capacity-building policies; extending rights to the diaspora; and extracting obligations from the diaspora (Gamlen 2006). At the same time, Gamlen identified three categories of states based on the rights they provide: exploitative (obligations without rights); generous (rights without obligations); and engaged (both rights and obligations).

3.4.2 Diaspora Finance to Home Countries

Potential of diaspora finance and remittances

The World Bank, in its Migration and Development Brief 24 (World Bank 2015b), and a blog by Dilip Ratha (Ratha 2014) advanced a rough idea of the potential of diaspora finance and remittances. It is claimed that action on four fronts can mobilize $100 billion annually for the benefit of developing countries:

- Mobilizing diaspora savings: $50 billion
- Reducing remittance costs: $20 billion
- Reducing recruitment costs: $20 billion
- Mobilizing diaspora giving: $10 billion

Diaspora bonds are bonds sold by the home country to its own diaspora as an alternative to borrowing from the capital markets. The potential of the diaspora bonds can be seen in the context of the annual savings of developing country diasporas, which have been estimated at $500 billion in 2013 (World Bank 2015b). A large part of these savings is in bank deposits in Western countries, earning very low interest. Even one-tenth of these deposits mobilized by source countries through diaspora bonds at higher interest could generate about $50 billion for financing development projects.

The Government of India has successfully issued diaspora bonds exclusively to NRIs and raised a total of $32 billion in three issues in 1991, 1998, and 2000 (Ozaki 2016). Ketkar and Ratha (2010) identified five Asian countries—the PRC, India, Pakistan, the Philippines, and Viet Nam—as potential sources for diaspora bond financing, given the potential market represented by their highly skilled emigrant stock in developed countries. Guichard has highlighted the potential for diaspora bonds and leveraging remittances in Bangladesh and Sri Lanka (Guichard 2016a, 2016b). The Addis Ababa Action Agenda of the Third International Conference on Financing for Development recommended lowering of remittance transfer costs to 3% by 2030, which is now adopted as a Sustainable Development Goal target (United Nations 2015). Reductions in remittance and recruitment costs require actions beyond that of the diaspora. Governments and other stakeholders can influence diaspora decisions on the volume of philanthropic contributions (individual or collective).

**Foreign direct investment inflows**

There are no reliable data to track direct investments by diasporas. Table 3.4 highlights the following:

- The PRC and India dominate both foreign direct investment (FDI) and personal remittance inflows in Asia.
- Indonesia and Viet Nam have attracted large FDI flows.
- For all South Asian countries except Afghanistan, personal remittances are much higher than both FDI and official development assistance (ODA).
- Except for a few countries, ODA is insignificant in relation to personal remittances and FDI.

Both the PRC and India have seen a large inflow of FDI following liberalization of their economies (Wickramasekara 2017). What is of interest for the present discussion is the role of the diaspora in these flows. It is well documented that overseas Chinese are behind the large FDI inflows to the PRC. For instance, in the 1990s, two-thirds of FDI into the PRC accrued from four economies (Hong Kong, China; Taipei, China; Macau, China; and Singapore). As of mid-2009, 54% of FDI came from these four economies (Tsai 2010).

According to Kapur (2010), although NRIs accounted for less than 7% of FDI to India during 1991–2004, professional diaspora holding high positions in multinational companies overseas may have been able to steer FDI and outsourcing investments to the country. India has been a pioneer in promoting diaspora investments, issuing diaspora bonds in 1991, 1998, and 2000 that offered a higher return for NRIs than was available in their countries of residence. The Government of India has taken a recent decision to treat investments by overseas Indians as domestic investment, and not as FDI. The Indian Prime Minister’s statement that FDI means “First Develop India” also highlights the spirit of new policies to embrace the diaspora (Jose 2015).

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5 Recorded FDI figures may overstate actual inflows because of the practice known as round-tripping whereby capital (usually black money) that leaves the country reenters as FDI.
## Table 3.4: Foreign Direct Investment, Official Development Assistance Received, and Personal Remittances

<table>
<thead>
<tr>
<th>Selected Asian Origin Countries (in $ million for 2015)</th>
<th>FDI Net Inflows</th>
<th>FDI Net Inflows*</th>
<th>ODA Received (net)</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>163</td>
<td>58</td>
<td>4,239</td>
<td>301</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3,380</td>
<td>2,235</td>
<td>2,570</td>
<td>15,388</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1,701</td>
<td>1,701</td>
<td>677</td>
<td>395</td>
</tr>
<tr>
<td>PRC</td>
<td>242,489</td>
<td>135,610</td>
<td>–332</td>
<td>63,938</td>
</tr>
<tr>
<td>India</td>
<td>44,009</td>
<td>44,208</td>
<td>3,163</td>
<td>68,910</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19,779</td>
<td>15,508</td>
<td>43</td>
<td>9,659</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>1,079</td>
<td>1,220</td>
<td>471</td>
<td>93</td>
</tr>
<tr>
<td>Myanmar</td>
<td>4,084</td>
<td>2,824</td>
<td>1,169</td>
<td>3,236</td>
</tr>
<tr>
<td>Nepal</td>
<td>52</td>
<td>51</td>
<td>1,216</td>
<td>6,730</td>
</tr>
<tr>
<td>Pakistan</td>
<td>979</td>
<td>865</td>
<td>3,790</td>
<td>19,306</td>
</tr>
<tr>
<td>Philippines</td>
<td>5,639</td>
<td>5,234</td>
<td>515</td>
<td>28,483</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>681</td>
<td>681</td>
<td>427</td>
<td>6,980</td>
</tr>
<tr>
<td>Thailand</td>
<td>9,004</td>
<td>10,845</td>
<td>59</td>
<td>5,895</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>11,800</td>
<td>11,800</td>
<td>3,157</td>
<td>13,000</td>
</tr>
</tbody>
</table>

PRC = People’s Republic of China, FDI = foreign direct investment, Lao PDR = Lao People’s Democratic Republic, ODA = official development assistance.

* UNCTAD FDI data differ from World Bank data, especially for Afghanistan and the PRC. The main author (Wickramasekara) contacted both agencies for a clarification, but did not receive the courtesy of a reply.


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### Remittances

Since there is considerable literature on remittances and migration, we chose not to deal with this issue in detail in this chapter. Apart from individual remittances, diaspora communities also send collective or group remittances, as shown in the case of hometown associations of Mexico (Orozco and Rouse 2007). However, not all remittances are sent by traditional diaspora groups. Temporary and circular migrants may transfer a substantial share of their earnings, especially those in the Middle East.

Remittances represent the most tangible benefit of labor migration. According to IFAD, Asia is “the most dynamic region for both remittance flows and migration growth” (IFAD 2017: 1). Asia is also the main remittance-receiving region, with the largest migrant population abroad. Asia contained 7 of the top 10 remittance-receiving countries in 2016. Table 3.5 provides remittance data for selected origin countries in Asia in 2015. India has been the largest recipient of remittances, with close to $70 million in recent years. Annex Table 3.A1 shows time series data on remittances for the same countries from 2005 to 2016.
As noted above, it is not possible to separate remittances sent by the settled and long-term diasporas and temporary migrant workers. Since the bulk of low-skilled workers migrate to GCC countries, a crude indicator would be the share of Gulf countries as a source of remittances. Using the World Bank bilateral remittance matrix for 2012 and remittance data of 2013, Wickramasekara (2015) estimated the remittance shares of GCC countries for some South Asian economies: Bangladesh = 35.4%; India = 4.7%; Nepal = 42.2%; Pakistan = 48.6%; and, Sri Lanka = 51.2%. These figures are obviously underestimated due to gaps in bilateral matrix data. For example, the Reserve Bank of India estimated the GCC share of total remittances to India at 37% in 2012–2013.

According to the World Bank, the South Asia region had the lowest average regional remittance costs in Q1 2017, at 5.4%. The cost to remit $200 to East Asia and the Pacific region averaged 8.2% in Q1 2017 (World Bank 2017)—far higher than the Sustainable Development Goals’ 3.0% global target.

**Philanthropic contributions**

Johnson (2007: 6) defines philanthropy as, “the private, voluntary transfer of resources for the benefit of the public.” There are difficulties in distinguishing diaspora philanthropy contributions from other financial flows, including remittances and financial investments. Philanthropic financial contributions can be individual or collective. It is, however, difficult to obtain reliable estimates of their magnitudes.
The best-known examples are the home town associations of Latin America, especially Mexico’s, where diasporas send funds to their communities (Orozco and Rouse 2007). The 2004 Asian tsunami disaster also showed how the diaspora community can be mobilized at short notice to respond to sudden disasters faced by home countries (Wickramasekara 2011; World Bank 2016). Organizations surveyed by the World Bank on the issue reported an increase in the frequency and amount (almost a doubling) of remittances following a disaster (World Bank 2016).

Diaspora philanthropy to enhance local community development has been a practice of Filipinos worldwide. In the Philippines, out of about 12,000 associations of overseas Filipino workers (OFWs), 4,000 were recorded as engaged in diaspora philanthropy (Alayon undated). Licuanan et al. (2015) concluded that diaspora donations to the Philippines have been a welcome addition to the limited resources available, and that the Filipino diaspora is responsive to natural disasters in its home country. The CFO’s Lingkod sa Kapwa Pilipino Programme (LINKAPIL) is a migrant giving program, in operation since 1989, which matches the donations of OFWs with the needs identified by communities or sectors in the Philippines. Between 1990 and 2012, LINKAPIL received over $50 million, which went toward supporting various programs, including disaster relief and scholarships, among others (Scalabrini Migration Center and IOM 2013). Besides financial assistance, the CFO has expanded the scope of migrant giving and participation to 10 areas, including transfer of knowledge schemes, volunteering, and investments (Scalabrini Migration Center and IOM 2013).

An earlier study, *Diaspora Philanthropy and Equitable Development in China and India*, attempted to analyze how philanthropy may contribute to equity in development by focusing on the dimension of diaspora giving and its relationship to development in the PRC and India (Geithner et al. 2004). The focus was on the philanthropic role of the PRC and Indian communities in the US toward their countries of origin. One study in the volume reported that between 18% and 28% of total funding for poverty alleviation in the PRC during the second half of the 1990s was nongovernmental. The authors observed that governance issues in India act as a constraint on both the capacity of diaspora giving and reducing social inequality. The imbalance in some of the philanthropy flows to regions and groups may exacerbate social inequities (Geithner et al. 2004).

Overall, there is some doubt on the degree of accountability, scale, sustainability, and predictability of philanthropic contributions to home countries. There is not much evidence of their impact at the macro level or their ability to reduce poverty as donations are often targeted to more prosperous communities (Geithner et al. 2004; Licuanan et al. 2015).

### 3.5 Policies on Remittances

Remittance policies have usually been directed at two objectives: (i) increasing the infl ow of remittances, and (ii) increasing the effective utilization of remittances. Countries are increasingly developing explicit policies with respect to remittances. These focus on increasing remittance flows, increasing movement through formal rather than informal channels, and, through securitization, leveraging the remittance flows to decrease borrowing costs and increase capital available for development projects (Ozaki 2012). For remittance recipients, receiving funds through formal channels enables them to establish credit and facilitates the use of other financial services. Many countries, including the Philippines as discussed below, are emphasizing financial inclusion and education for remittance recipients for these reasons.
At the same time, attention has focused on leveraging the flow of remittances to increase development finance in ways that both meet migrant/diaspora aspirations and support home country development. Although most migrant remittances are used to meet immediate needs such as food, education, and healthcare, studies have found that some funds are saved. According to the Consumer Expectations Survey 2016 (Q4) of the Philippines, 47% of sampled households reported using remittances for savings (Tayag 2017). The 2016 Bangladesh survey on investment from remittance estimated that 8.4% of total remittances were allocated to savings. An International Labour Organization (ILO) study in Tajikistan (ILO 2010a) found that 11% of remittances ($286 million) are saved for more than 6 months.

### 3.5.1 Pakistan Remittance Initiative

In 2009, Pakistan launched the Pakistan Remittance Initiative (PRI), a joint initiative of the State Bank of Pakistan, Ministry of Overseas Pakistanis, and Ministry of Finance (Assad 2016; SBI 2015). Its two specific objectives were as follows:

(a) facilitate and support convenient and efficient flow of remittances through formal channels, and

(b) cater to the other financial services needs of overseas Pakistanis and their families back home, including investment opportunities.

To meet these objectives, the PRI analyzed the existing national remittance system with a view to formulating a comprehensive strategy for remittances (SBI 2015). The analysis led to a strategy of “greater commitment of financial sector toward remittance services and resultant inculcation of remittance facilitation culture, transparency of remittance market with adequate consumer protection, and efficiency of payment system infrastructure” (SBI 2015: I).

The PRI adopted a number of measures as part of this strategy: enhanced outreach based on linking with foreign financial institutions; increased distribution channels, resulting in 10,000 additional physical locations in Pakistan for receiving remittances; improved payment system infrastructure, e.g., cash over-the-counter and inter-bank settlements; innovative remittance products, e.g., cards and internet-based payments; pre-departure briefings; and training and capacity-building programs for participating institutions.

The PRI is seen as a success story, and quoted as a good practice in terms of increasing the efficiency and coverage of formal remittance channels. The volume of remittances coming through formal channels has increased substantially, as reflected in the figures in Table 3.6 below.

Remittance transfer times have decreased and the range of remittances services and their outreach to rural areas have vastly increased. Increased competition has also reduced costs.

### Table 3.6: Inflow of Personal Remittances into Pakistan, in $ million, 2005–2016

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As Qureshi observed, “PRI is associated with a significant increase in the formal remittances sent to Pakistan as well as a strong shift in the channels used for remittance transfer. Estimates suggest that while the PRI led to a significant reallocation of remittances away from the informal channel to the formal channel, it is not clear that it has increased the total amount of remittances received” (Qureshi 2016: iii).

### 3.5.2 Financial Inclusion and Remittance Policies in the Philippines

The Philippines has focused its remittance policies on improving the institutional and policy framework, lowering transfer costs, increasing the use of official channels, ensuring secure and fast delivery to the households, and promoting financial inclusion and more productive utilization of remittances. The Philippine Development Plan, 2017–2022, targets a reduction in remittance transfer costs from the Q4 2016 average of 4.7% to less than 3.0% by 2022.

The CFO and the National Economic Development Authority have co-organized the Remittances and Development Council, which is a multi-stakeholder policy advisory body aimed at creating a safe and efficient remittance environment in the country. Under the UN Joint Migration and Development Initiative (JMDI), the CFO has promoted local government capacity building in selected regions to integrate migration into local development plans. It has also promoted financial literacy programs for OFWs.

Financial inclusion and financial education are important aspects of remittance policies in many developing countries, and they are a central focus in the Philippines. The Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, defines financial inclusion as “a state wherein there is effective access to a wide range of financial services for all Filipinos” (Llanto 2015). Expansion of access to low-cost formal financial services (financial access), education about the availability and benefits of those services, and use of services can bring direct benefits to migrants and their families as well as others to whom service is extended by facilitating saving, providing access to credit (at least microcredit), and insurance.

In 2010, the BSP launched the Economic and Financial Learning Program to bring together its key education initiatives for migrant workers abroad and their families in the Philippines. The program stresses the importance of building savings and directing those savings into productive investments, including businesses and financial instruments.

Technology appears to increase access to financial products and services in the Philippines. Apart from improving accessibility, payment products and services, particularly ATM/debit cards, electronic transfers, and mobile banking technology, have also helped make remittance transfers more cost-effective (Bagasao 2013).

A recent study (OECD and Scalabrini Migration Center 2017: 176) found that “migrant households are more inclined to invest in more traditional and potentially safer undertakings such as property, rather than in business,” the main reason probably being the difficulty of doing business in the country. Another finding of

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the study is that only 4% of the surveyed households receiving remittances had participated in a financial training program in the previous 5 years, implying that opportunities to encourage the productive use of remittances are being missed.

3.6 Remittance-Backed Financial Products and Financial Products Tailored to Migrants or Family Members

Financial institutions in a number of origin countries in the Asian region have introduced a range of financial products to mobilize remittances. These take several forms:

(a) Savings products: savings, current, and time/fixed deposits; certificates of deposit; accumulative deposits; foreign currency accounts

(b) Loan products: microloans; business, educational, agricultural, housing, car loans, business/enterprise loans for returning/reintegrating migrants; mortgage loans—local or transnational loans that allow diasporas to purchase real estate and housing in their countries of origin

(c) Investment instruments: investment accounts; bonds and stocks; diaspora bonds allowing governments to borrow long-term funds from diaspora; diaspora mutual funds

(d) Insurance products to enable migrants to mitigate financial vulnerability; life and non-life products (health, property, agriculture); micro-insurance; retirement funds

What is important is to have a range of products tailored to suit the financial profile of migrants. IFAD (2017) has identified three types of target households: households with incomes below the poverty line; vulnerable households above the poverty line, but at risk of falling into poverty if affected by shocks; and resilient households above the poverty line and with financial and productive assets.

3.6.1 The Philippines

The products promoted in BSP’s financial education series, launched in 2013, include savings, credit, payments, and insurance. Investment products were also introduced as one of the uses for remittances in the subsequent issues of the primer. The First Semester 2016 issue focuses on remittances and inclusion (BSP 2016).

Savings products include micro-deposit accounts, foreign currency accounts, and savings accounts specifically for OFWs. Credit products include educational, housing, property, agricultural loans, and loans for microenterprise. According to the Consumer Expectations Survey, OFW households are increasingly using their remittances for savings: 46.8% of OFW households allocated part of their remittances for savings.

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9 The Consumer Expectations Survey is a quarterly BSP publication to capture the economic outlook of consumers; it has non-migrant and migrant households as respondents and records remittance uses on a quarterly basis. Available at http://www.bsp.gov.ph/publications/regular_consumer.asp (accessed 23 November 2017).
during the fourth quarter of 2016. The same survey shows that 42.8% of the households apportioned their remittances for debt payments. Further investigation is needed into the extent to which such savings and repayments are through banks and microfinance institutions.

Insurance products include life and non-life insurance, as well as micro-insurance schemes. Although remittance-backed insurance products have long been available to OFWs, the Philippines is noted for having the lowest insurance penetration rate (1.04% of the total population) among ASEAN nations (ADB 2013). This is despite the availability of various government-based insurance products tailored to OFWs, particularly on social security, health, and housing.

Investment products are also not popular in the Philippines among OFW households. Although many banks and other financial institutions provide investment instruments, the BSP’s Consumer Expectations Survey for the third quarter of 2017 notes that only 8.5% of OFW households allocated part of their remittances to investments. Of the 482 households that received OFW remittances during the quarter, the usage shares are as follows: purchase of food and other household needs (98%); education (70%); medical expenses (52.5%); savings (42%); debt payments (40%); purchase of consumer durables (24.5%); purchase of house (14.5%); and investment (8.5%) (BSP 2017: 6).

Based on anecdotal references, low adoption of insurance and investment instruments in the Philippines can be attributed to many factors such as lack of financial literacy, misconceptions about insurance and investment, and consumerism promoted by the media. A culture of instant gratification seems to be a major factor in how Filipinos view insurance and investment. This indicates that Filipinos may be averse or disinclined to use funds for future gains. Therefore, while the share of households directing remittances toward savings is fairly significant, it is low for financial investments.

### 3.6.2 Bangladesh

Guichard (2016) has highlighted the potential of Bangladesh in terms of remittances:

Bangladesh has over 10 million migrants who work in low- to mid-level jobs, earning wages and remitting between $300 and $600 per month on average. However, Bangladesh also has a wealthy contingent in the United States, Canada, and the United Kingdom who, by all accounts, remit significantly back to Bangladesh (Guichard 2016).

The objectives of Bangladeshi policy makers with regard to remittances are similar to those of the Philippines: financial inclusion, reducing informal transfers, increasing remittance outlets, and expanding outreach by involving a variety of institutions in outreach programs, such as authorized mobile banking units, NGOs, Singer outlets, and post offices. Bangladesh also has a specialized bank for migrants and diaspora—the Probashi Kallyan Bank, a scheduled bank from June 2017—which grants subsidized loans for migration and also has a range of migrant services. In general, the speed and reliability of formal channels have increased and rival the informal hundi (hawala) system (Siddiqui 2013). Private banks control over 60% of remittance flows. Mobile banking penetration is found to be low compared to countries like Kenya (Guichard 2017: 4).

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10 The figures within brackets refer to the percentage of households, based on a multiple response question.
The availability and use of formal channels for receiving remittances increased substantially over the period 2003–2012 (Siddiqui 2013). Much like the Philippines, Bangladesh also offers savings, credit, insurance, payments, and investment products to migrant workers and their families, and the diaspora settled abroad. Unlike the Philippines, however, the Bangladeshi government and Bangladesh Bank (Central Bank) more actively encourage migrant workers to use their remittances for investment at home. Different government agencies and microfinance institutions also provide incentives for migrant workers to invest remittances or set up enterprises. There are a range of instruments listed below, but it is difficult to gauge their popularity or amounts invested in them.

- **Wage Earner Development Bond**
  This is denominated in local currency, and is available from Tk1,000 to Tk50,000, which is accessible to low-wage migrant workers. It is tax free, carries an attractive interest rate, and enables borrowing up to 90% against the value bond.

- **Non-Resident Foreign Currency Deposit**
  - The US Dollar Premium Bond is aimed at non-resident Bangladeshis with foreign currency accounts, and is available in $500, $1,000, $5,000, and $50,000 denominations.
  - The US Dollar Investment Bond is issued in the same denominations and under the same provisions, but with a 6.5% interest rate.

- **Non-Resident Investor’s Taka Account**: Provided to non-resident individuals/institutions including non-resident Bangladeshi nationals who are interested in trading Bangladeshi securities against foreign exchange remitted from abroad.

- **Variety of financial instruments offered by the banking system, microfinance institutions and NGOs**
  which are available to domestic savers as well as to migrant workers (deposit pension schemes, fixed deposits, and EBL Shonchoy, which is a daily interest-bearing and monthly interest-paying savings account (Siddiqui 2013).

Rahman et al. (2016) pointed out that the level of purchase of these instruments has been relatively low, probably due to a lack of awareness among migrant workers. They found that yields from Wage Earner Development Bonds (WEDBs), the US Dollar Premium Bond, and the US Dollar Investment Bond have witnessed a decline as a proportion of remittance earnings over the past 10 years (Rahman et al. 2016: 17). From 1981 to 2014, Tk6.66 billion were mobilized through WEDBs, whereas cumulative investments for US Dollar Investment Bonds were only around Tk2 billion and Tk510 million for US Dollar Premium Bonds since 2003, when these two instruments were introduced (Rahman et al. 2016: 18).

Several issues have been noted in regard to these financial instruments and products:

- Guichard (2016) observed that while the banks and microfinance institutions provide a broad range of financial products directed at the families of migrant workers, migrant workers themselves have limited access to financial products. The study noted: “The emphasis has been less on the migrant worker and more on their families that have remained in Bangladesh” (Guichard 2016: 4). This is true particularly with respect to blue-collar migrant workers.
Despite the number of investment schemes offered by public and private banks, these instruments remain largely unavailable to migrant workers. This is largely due to instruments targeting investors with large capital rather than catering to the needs of ordinary migrant workers. Except for the taka-denominated WEDBs, which migrants or family members can purchase in Bangladesh, the bonds and foreign currency deposits have to be purchased in destination countries; in addition, they require foreign currency accounts, which most short-term migrants cannot obtain (Siddiqui 2013).

In contrast to the Philippines, Bangladesh has a low penetration of technology-based payment products to unbanked populations. Nevertheless, banks are increasingly investing in payment infrastructure to improve fund transfer systems as well as reduce costs (Ozaki 2012).

Among average migrant households, there is a lack of awareness or interest in the financial products mentioned above. Among the remittance beneficiaries in Siddiqui’s 2013 study, none were aware of the existence of the US Dollar Premium and US Dollar Investment Bonds, and the relatives of only a few had deposit accounts.

Typical migrant families considered remittances primarily as income, and described primary uses in terms of household consumption (including for food, healthcare and education expenses), loan repayment, and purchase of land or buildings as top priorities. Purchase of land rather than purchase of securities was considered a main priority for investment (Siddiqui 2013). The Bangladesh Bureau of Statistics (BBS) survey of investment from remittances showed that 75% is invested in construction or reconstruction of houses/buildings/flats, while investments in all other sectors were minor, varying from 1% to 7% (BBS 2016: 20).

### 3.7 Conclusions and Recommendations

#### 3.7.1 Conclusions

The above analysis highlights that most Asian origin countries of origin are keen on engaging with their diaspora populations and mobilizing remittances for national development and alleviation of poverty. A number have had success in increasing the volume of remittances and promoting remittance transfers through formal channels. There is notable emphasis on strategies for financial inclusion and widening the range of financial services.

Mobilizing diaspora finance for investment, however, varies across countries. Smaller economies may not be able to emulate the success of the PRC and India in this respect. There is a gap between promise and reality regarding diaspora contributions to home country development.

Asian countries have had some success in expanding financial inclusion and diversifying portfolios to meet the needs and expectations of the diaspora and migrant workers and their families, including savings. However, there have been limitations in the uptake of investment instruments among migrant workers or their households. For low-income migrant households, the priorities are often spending on education and health, repaying loans, and purchasing property and housing, rather than investing in productive enterprises or financial instruments like shares, bonds, or fixed deposits. Diaspora populations abroad are largely motivated by a conducive environment for doing business at home and investment-friendly
policies. While there has been emphasis on financial literacy and financial education, and mobile banking, penetration of such programs is still low in relation to the needs. The Pakistan Remittance Initiative is a successful initiative for increasing the coverage and efficiency of formal remittance channels with lessons for other countries in the region.

3.7.2 Way Forward

Given that most countries do not have reliable estimates or profiles of their diaspora populations, efforts must be made to generate better information on these, with a focus on gender differentials and skills. The analysis here also highlighted serious data gaps in relation to remittance-backed financial products and diaspora investment products such as diaspora bonds. ADB and the ILO can address these information gaps through support to countries in data collection, analysis, and dissemination.

Countries of origin need to prepare a strategic plan for engagement with the diaspora, learning from countries such as the PRC and India. Confidence-building measures in the form of designated focal ministries, interactive web portals for information provision and dialogue with the diaspora, regular consultations with the diaspora through periodic conferences, support to diaspora associations, and possibly dual citizenship procedures are important steps (ILO 2010b).

The diversity of the diaspora populations is a critical factor in planning interventions. For instance, temporary migrant workers are important remitters, but do not generally have large funds for investing. Therefore, it is important to offer differentiated options to distinct segments of the diaspora. Many returnee migrants cannot be entrepreneurs, and they should be provided with wider investment options. A good strategy is to develop products linked to migrant motivations in sending remittances for better success (e.g., education, housing, health insurance). The development of products has to be accompanied by awareness creation and popularization by financial institutions.

A conducive economic, political, social, and legal environment is crucial for investment of remittances and channeling of diaspora finance. This would be more effective than special programs as the experiences of the PRC and India show.

Origin countries also need to build the capacity of government institutions and agencies to effectively interact with the diaspora communities and organizations.

It is also important to promote active cooperation between home and host countries to ensure access to diaspora communities, and protection of their rights and integration in host countries. Circulation-friendly visa regimes allowing for right of return on the part of destination countries will enable the diaspora to play a more active role in their home countries.
References


ENGAGING THE DIASPORA AND MIGRANT WORKERS FOR HOME COUNTRY DEVELOPMENT


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PRC = People’s Republic of China, GDP = gross domestic product, Lao PDR = Lao People’s Democratic Republic.