



Stakeholders Mapping – Migration System

September 2018



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Acronyms

CBS	Central Bureau of Statistics
CP	Colombo Process
CSR	Corporate Social Responsibility
CTEVT	Council for Technical Education and Vocational Training
DAO	District Administration Office
DFID	Department for International Development
DoFE	Department of Foreign Employment
EPS	Employment Permit System
EWHA	Ewha Woman's University
FEA	Foreign Employment Act
FEP	Foreign Employment Policy
FET	Foreign Employment Tribunal
FEPB	Foreign Employment Promotion Board
GAMCA	Gulf Cooperation Council Approved Medical Centres Association
GCC	Gulf Cooperation Council (including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)
GDP	Gross Domestic Product
GoN	Government of Nepal
IASCI	International Agency for Source Country Information
ICC	Information and Counselling Centres
ILO	International Labour Organization
INGO	International Nongovernmental Organization
IOM	International Organization for Migration
JITCO	Japan International Training Cooperation Organization
KOICA	Korea International Cooperation Agency
MoFA	Ministry of Foreign Affairs
MoLESS	Ministry of Labour, Employment and Social Security
MoU	Memorandum of Understanding

MRC	Migrant Resource Centre
NRB	Nepal Rastra Bank (central bank of Nepal)
NRNA	Non- resident Nepali Association
NAFEA	Nepal Association of Foreign Employment agencies
NPR	Nepalese Rupee
PDO	Pre-departure Orientation
PNCC	Pravasi Nepali Coordination Committee
RAs	Recruitment Agencies
SAARC	South Asian Association for Regional Cooperation
SDG	Sustainable Development Goals
शीप	Skills for Employment Program
UN	United Nations
VDC	Village Development Committee
VET	Vocational education and training
MWWF	Migrant Workers' Welfare Fund

Executive Summary

This report maps out the process of migration in Nepal to destination countries, the stakeholders involved, the gaps and inefficiencies along the way, and direction for follow-on work in the inception phase. It also provides recommendations to take forward in the implementation phase, primarily around: i) reduction in the costs of migration, ii) reduction in remittance costs, iii) skills upgradation for Nepali migrants, and iv) promoting productive investment options for migrants' savings.

International migration has been recognized as one of the most significant effects of globalization¹. The United Nations in its International Migration Report (2017) estimated the number of international migrants worldwide to be 258 million, up from 220 million in 2010.² In 2016, migrants from developing countries employed abroad sent home an estimated USD 413 billion in remittances. In 2017, of the 258 million international migrants worldwide, 41% (106 million) were born in Asia, and since 2000, amongst the Asian countries of origin, India was the largest migrant sending-country with an estimated 17 million migrants, followed by Bangladesh with 7 million, Pakistan 6 million, and Nepal with 3.5 million.³

Most migrants from South Asia are unskilled or semi-skilled.⁴ In 2014, 74% and 12% of migrants from Nepal were respectively unskilled and semi-skilled, from Bangladesh (in 2015) the percentages were 44% of unskilled and 16.5% semi-skilled and from Pakistan in 2016 38.7% were unskilled and 18.31% semi-skilled. The cost of migration for this category of migrants is excessively high and varies according to the country of origin with Bangladesh being the most expensive country to migrate from with costs ranging from USD 1,767 to 5,154⁵ in 2014, followed by Nepal (USD 1,500)⁶.

In Nepal, exponential growth of both remittances and international labour migration began in 2000. From 2008-2017, over 3.5 million foreign labour permits were issued by the Department of Foreign Employment (DoFE)⁷. Remittances in 2016 represented 29.7% of the country's GDP⁸, compared to 2.4% in 2001, ranking Nepal amongst the top five remittances recipients as a share of gross domestic product (GDP).

Though it is not easy to define the "typical migrant" due to the difficulty of collecting reliable data⁹, there is abundant evidence indicating that the majority of these foreign workers are unskilled with a poor education. As a result, they are largely working in semi- or unskilled jobs, in hazardous conditions in what is often termed as the "3D" - dirty, difficult, and dangerous jobs¹⁰. Though several benefits are associated with labour migration, including improvements in human, social and financial capital,

¹ IMF Globalization: Threat or Opportunity? <http://www.imf.org/external/np/exr/ib/2000/041200to.htm#I>

² United Nations, Department of Economic and Social Affairs, Population Division (2017). International Migration Report 2017: Highlights (ST/ESA/SER.A/404).

³ Excluding Nepali migrants going to India since there is an open border policy between the two countries and back and forth migration is not recorded.

⁴ Internal and International Migration in South Asia: Drivers, Interlinkage and Policy Issues 2017 Ravi Srivastava, Arvind Kumar Pandey

⁵ World Bank-Migration and development brief 27-Migration and Remittances: Recent Developments and Outlook Special Topic: Global Compact on Migration April 2017

⁶ ibidem

⁷ Labour Migration for Employment - A Status Report for Nepal: 2015/16 – 2016/17

⁸ Migration and Remittances: Recent Developments and Outlook Special Topic: Global Compact on Migration April 2017

⁹ Ibidem page 3

¹⁰ <https://www.ilo.org/safework/areasofwork/hazardous-work/lang--en/index.htm>

migration comes at a cost such as exploitation, human trafficking, bonded labour and human rights abuses.

The recurrent complaints reported by Nepali labour migrants have been against recruitment agencies or individuals (middlemen) who deceived them during the pre-departure phase and employment process. Nepali migrants reported various forms of deception including contract substitution, long working hours, poor living conditions, exorbitant recruitment fees and costs, illegal passport retention, restriction of movement, unjustified wage retention or deductions. Women in particular also reported physical and sexual abuse.¹¹

UKaid श्रीप found several gaps and inefficiencies while mapping the various stakeholders intervening in the migration process. These have a direct negative contribution to the overall cost a Nepali migrant has to pay when looking for an employment abroad. These inefficiencies are explained in depth in this report. The most significant inefficiency noted was in the way visas were issued to employers/sponsors by the local Ministry of Interior to recruit foreign workers, the scheme is known as the block **visa/ work orders** system. This system, as explained further fuels the **visa trading** market and passes the sum of profit/fees realized at each stage of the trading chain, from the sponsors through the visa-brokers and the Recruitment Agencies (RAs), down to the migrants.

The Kafala or sponsorship law considers the employers/sponsor responsible for the legal status of the migrant, the latter can return to his country of origin or change employer only with the written approval of his sponsor. This is a breach to the freedom of movement; aggravated by the fact that employers/sponsors frequently retain (confiscate) the migrant's passport.

The Nepali Consular services in the destination countries are overwhelmed by the number of documents they need to attest and are understaffed. The GoN has decided to add a Labour attaché dispatched by the MoLESS to survey the work conditions of the Nepali migrants and support them in every destination country with more than 5,000 Nepali workers.¹² As an example, at the time of writing there is one Labour Attaché for a migrant population of 700,000 Nepali in Qatar. All the administrative handling of the migration files is done manually on paper, and there is hardly any digitalization involved. This reduces the productivity of the Embassy staff.

Another huge issue is that the migration process in Nepal is Kathmandu-centric as all the administrative offices and service providers intervening in the process are located in Kathmandu with the exception of the passport issuance offices that operate in the District of residence of the migrant. The majority of Nepali migrants live in Provinces 1 and 2 (East and Southeast) which is typically a day away from Kathmandu. Thus, an aspiring migrant has to spend between two to three weeks to complete the recruitment selection, pass the medical test and get the work permit. This situation significantly increases the cost of migration.

The whole recruitment process in Nepal from the recruitment phase to the final deployment of migrants in the destination country is managed by the Recruitment Agencies (RAs). RAs control access to foreign employment and determine the price Nepali aspiring migrants have to pay to work abroad. Nepali RAs very often are not directly in contact with the foreign employer but serve as agents for foreign RAs who

¹¹ Labour Migration for Employment-A status Report for Nepal 2016/2017 pg. 21

¹² Foreign Employment Act, 2064 (2007) Date of Authentication and Publication 2064-05-19 (September 5, 2007) pg.35

in turn are working with employers. Often Nepali RAs have to pay a commission to the foreign RAs to bid for available visas/jobs. These extra costs are passed onto the migrants.

There is a multitude of ministries and boards and committees managing migration, each with its own competences, complicating the migration management process. The Department of Foreign Employment (DoFE) is at the heart of the recruitment and migration process; no permits are issued without its approval. However, the Department is understaffed considering the various responsibilities it has, namely: i) regulating the RAs, ii) controlling the validity of documents, iii) exercising its legal competences, and iv) delivering judgments in case of complaints. A conflict of interest exists between the DoFE and the RAs since the DoFE has both role of regulator and judge when complaints against RAs are lodged.

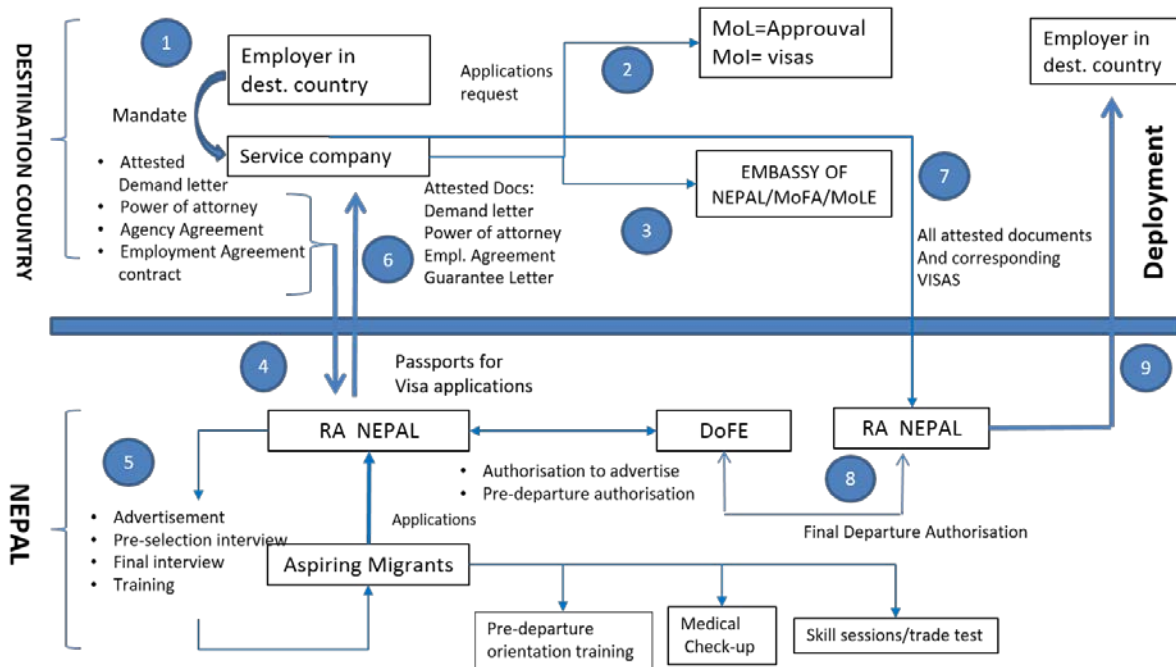
Another barrier is around the costly access to receiving and sending funds. A first-time Nepali migrant has to pay and borrow an average of USD 1,400 to migrate, and pay on average 35% of yearly interest to pay back loans given to help cover migration expenses. The majority of loans are provided by the informal sector- the moneylenders who charge excessive interest rates. Recruitment fees, plane tickets, passports, required trainings, the cost of lodging in Kathmandu, and other administrative fees contribute to the overall costs of migration. Regulation at the destination country and in Nepal make remitting a costly business. High foreign exchange costs and fixed cost per transaction add up to the overall cost of migration. These, and other barriers, are discussed in detail in this report.

Following the assessment of the barriers/gaps along the migration process, the report concludes with a set of recommendations that can enable raising migrants' net income, increasing migrants' savings and investment, and increasing migrants' productive investment. This report serves as the foundation and a reference point for follow-on work under the migration component by UKaid शीप in the implementation phase.

1. The Migration Process

A typical migration process involves public and private stakeholders as shown in the Figure 1.

Figure 1. Migration Process to GCC Countries



At the destination (receiving) country level, they are the **employer**, the **Ministry of Interior** that will issue visas and residence permits to the foreign workers, the **Ministry of Labour** that will verify if the jobs openings cannot be filled by local workers, **national recruitment or service providers** who will procure the foreign workers while representing the employer, and the **Consular offices of the country of origin** of the foreign workers for the attestation of documents and permission to recruit in the country, in our case Nepal.

In Nepal, in addition to the Ministry of Foreign Affairs (MoFA), the main public stakeholders include the Ministry of Labour Employment and Social Security (MoLESS), the Department of Foreign Employment (DoFE), the Foreign Employment Promotion Board (FEPB), the national Recruitment Agencies (RAs), Civil Society, various service providers and the aspiring migrants themselves.

1.1 The Migration Process: Destination and Sending Countries

Of Nepali labour migrants in 2016, 56.6% migrated to the Gulf Cooperation Council (GCC) Countries¹³, of which 20.3% went to the Kingdom of Saudi Arabia (KSA) and 21.7% to Qatar. Both these countries employ foreign workers under the *Kafala* (sponsorship) system.

A company or a private employer in the GCC countries has the status of sponsor under the *Kafala* system. Under this system, foreign workers are considered to be temporary contractual workers.¹⁴ A

¹³ Labour Migration for Employment-A status Report for Nepal 2016/2017

¹⁴ Gulf Labour Markets and migration-The legal framework of the sponsorship Systems of the GCC countries: a comparative examination.

foreign employer or other sponsor must submit a request and receive the agreement for hiring foreign workers from the Ministry of Interior that will deliver the visas and residence permits and to the Ministry of Labour for its approval. Once the visas and permits are obtained, the foreign employer must--either directly or through a recruitment agency or other service provider--obtain the attestation of the Demand Letter, Power of Attorney, and sample of the Employment Contract from the Embassy of Nepal in the recipient country.

In Nepal, under the Emigration Employment Act 2007, the recruitment process is typically initiated when a foreign employer or other sponsor under the *Kafala* system issues a Demand Letter and a Power of Attorney to a recruiting agent in Nepal. The Demand Letter mentions the type of job, the name of the employer, the number of workers being recruited and the employment conditions. The Power of Attorney is an authority letter that permits the recruiting agent to recruit workers on behalf of the employer and to represent the employer in the recruitment process. In addition, the employer is required to issue a sample employment contract which includes details of the wages, accommodation facilities, and food allowances that would be provided to the migrant workers.¹⁵

With these documents attested, the RAs in Nepal can start recruiting Nepali workers. The RA will have to ask for a pre-departure agreement from the DoFE, advertise the jobs on offer in the local press, select the candidates, have them pass a medical check and a pre-departure orientation programme, obtain the final departure authorisation from the DoFE, and finally deploy the migrants to the destination country. In Nepal the majority of work permits are issued through RAs (82% on average), discussed further below.

1.2 Migration Process Inefficiencies

There are a number of inefficiencies in the migration process, with visa trading being one of the largest. In the KSA, when hiring foreign workers, the employers/sponsors usually place block visa/work orders requests to the Mol. Visas are granted on the basis of the number of workers requested per employer/sponsor. There is no control from the Mol that each visa request corresponds to a real job opening. And, though the KSA has reduced the time validity of these block visas to one year,¹⁶ the visa trading market called ironically “free visa” flourishes with dramatic consequences for migrants who are deceived into this system. Visas not linked to real job offers are sold by unscrupulous sponsors to visa trades or intermediaries who sell them on to aspiring migrants making a profit at every on-selling. Even registered RAs in the KSA auction their visa lots to RAs in Nepal. The same profit-making process is then repeated. The more the intermediaries in the recruitment process, the higher the costs for the migrants. The cost of such a “free visa” can reach USD 2,000¹⁷, the job offers purchased by intermediaries or RAs in the destination county are marked up by 30% before being sold to their equivalent in Nepal. According to an ILO report¹⁸, **70% of the visas issued by Saudi Arabia are traded on the black market.**

For example, a sponsor needs four employees to run his/her bakery. S/he will ask for ten visas/work orders from the Ministry of Interior. S/he will sell/auction these visas to brokers or /and Recruitment

¹⁵ Nepal Foreign Employment Act 2007 Chapter 4 - Provisions relating to prior approval and Selection workers.

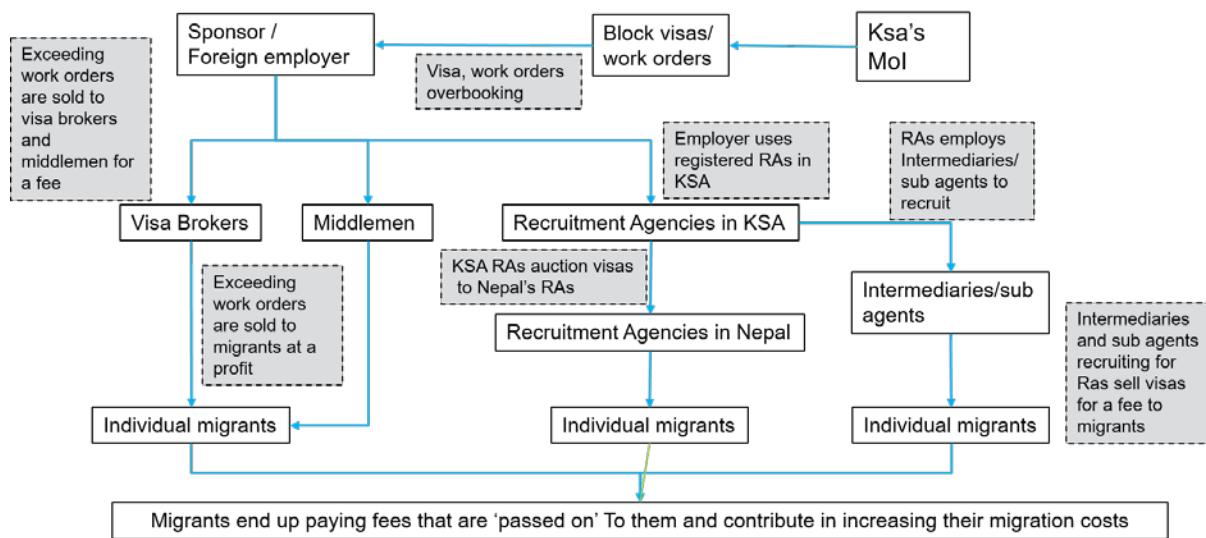
¹⁶ PWC Middle East <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/block-visas-in-saudi-arabia-now-valid-for-one-year.html>

¹⁷ ILO GoB “the Cost-causes of and potential redress for high recruitment and migration costs in Bangladesh 2015

¹⁸ Ibidem pg.16

Agencies. The latter will sell these visas to migrants or other intermediaries at a premium cost. Once the ten workers arrive in Saudi Arabia, the sponsor will employ four of them in the bakery and allow the other six to find job for themselves, while paying the sponsor rent on an annual or monthly basis. The sponsor may even support the workers in finding a job, acting as a manpower broker. Eventually a worker who was issued a visa to work in a bakery may end up doing a totally different job and end up being in a precarious situation since his/her original visa was for a job in a bakery. Migrants who use this “free visa” system end up being dependent on their sponsor who will charge them for the renewal of their resident permits along with housing and food costs. These costs can reach 500 Riyal (USD 136) a month.¹⁹ (See **Figure 2** for a visual representation of this process.)

Figure 2. Example of Visa Trading in the KSA



¹⁹ Transparency International- Good governance in migration process Challenges and the way forward 2017 pg. 28
-Amnesty International-Exploited Dreams 2014

2. The Migration Process in Nepal: Government Bodies and Agencies

2.1 The Ministry of Labour Employment and Social Security (MoLESS)

Nepal's Ministry of Labour, Employment and Social Security (MoLESS) is the leading body that governs labour administration and management. The Ministry has been mandated by the GoN with the responsibility for labour administration and management, including regulating foreign employment as defined in labour-related legislation. It is responsible for promoting safe, dignified, and decent foreign employment and facilitates relations among employers, workers, and other stakeholders by creating an enabling environment for them.

2.2 Department of Foreign Employment (DoFE)

The Department of Foreign Employment (DoFE) was established with the enactment of the 2007 Foreign Employment Act (FEA). It regulates and oversees the activities of the Recruiting Agencies (RAs) in Nepal and other businesses offering services related to foreign labour migration. Its responsibility is to ensure that these service providers conduct fair and decent practices in the full observation of the law.

The department regulates foreign employment activities, including:

- Manages the issuance renewal and revocation of the RAs' licenses
- Investigates workers' complaints against RAs or agents and has the power to prosecute for the complaints placed against RAs
- Monitors and prevents fraud related to foreign employment by confirming that jobs advertised are valid
- Checks that the job notifications, the work contracts and the demand letters are genuine
- Issues the pre-departure approval to RAs to initiate the recruitment of Nepali workers only once the Demand Letter, the Power of Attorney, the Employment Contract, Service Agreement, and Guarantee Letter have been previously attested by the Embassy of Nepal in the destination country
- Issues the final approval work permits that eventually allow migrants to leave Nepal to their work destination

2.3 The Foreign Employment Promotion Board (FEPB)

The Foreign Employment Promotion Board (FEPB) is chaired by the Minister for Labour and Employment. Its main functions are to support labour migration through promotional activities targeting foreign employment and to ensure the social protection and welfare of migrant workers. The FEPB has to:

- Monitor the international labour markets for finding new destinations countries for Nepali migrants
- Manage the Foreign Employment Welfare Fund;²⁰
- Formulate, implement, monitor and evaluate programmes to use the skills, capital and technology of returned migrants and mobilize them for national interests;
- Regulate the registration of businesses that provide pre-departure orientation training to migrant workers;

²⁰ Nepal Foreign Employment Act 2007 "The Foreign Employment Welfare Fund is established under the FEPB for the social security and welfare of the workers who have gone for foreign employment and returned from foreign employment and their families." pg. 17

- Verbalize and approve the curricula of the pre-departure orientation training;
- Develop short- and long-term policies related to foreign employment;
- Monitor the implementation of the Foreign Employment Act; and
- Issue recommendations for its amendment and advises the Government on the fixing of service fees and promotional costs.

2.4 The Labour Attaché

Following the 2007 Foreign Employment Act enactment, the MoLESS dispatched a labour attaché to every Embassy of Nepal present in countries with more than five thousand Nepali migrants. Responsibilities of the labour attaché are the following:

- Provide the GoN with relevant information related to the condition of labour, employment and immigration at the destination countries;
- Provide information on the availability of jobs that match the skills of Nepali workers;
- Report about the measures taken by the recipient country's authorities to guaranty the protection of the respect rights of migrant workers;
- Assist in resolving any dispute between migrants and counterparts involved in recruiting foreign labour migrants;
- Make the necessary arrangements for rescuing Nepali worker who has been deemed stranded while being employed abroad;
- Manage the repatriation of the body of deceased migrant worker; and
- Provide relevant information to migrant about their rights, access to welfare in the destination country and home, advise workers on the respect of the terms of their original contract.

2.5 The Foreign Employment Tribunal

The Foreign Employment Tribunal is a semi-judicial body consisting of three members chaired by the Judge of the Appellate Court, a case-trying officer of the Labour Court and a first-class officer of the judicial service. The Tribunal covers cases introduced by migrants who decided to migrate individually (without using the service of RAs) against individuals (agents or other)²¹ and cases forwarded by the Department of Foreign Employment. In 2017, out of the 931 complaints filed by migrants, 265 were filed in Court. (See Figure 9.)

2.6 The Ministry of Foreign Affairs (MoFA)

The Ministry of Foreign Affairs (MoFA) is responsible for the Embassies and consular services operating in the destination countries. The migration process is initiated only once the Embassy of Nepal has attested the five documents needed by RAs to recruit Nepali workers (the Demand Letter, the Power of Attorney, the Employment Contract, the Service Agreement, and Guarantee Letter). The MoFA is also responsible for the development of bilateral and international policy instruments related to migration and the respect of migrants' workers' rights in the destination countries. To date, Nepal has signed seven bilateral agreements of various nature (Figure 3).²² The Nepali missions abroad are directly responsible for Nepali migrant workers and their wellbeing abroad.

Figure 3. GoN Bilateral Agreements on Migration

²¹ Labour Migration for Employment -A status report for Nepal 2017 pg.21

²² Labour Migration for Employment - A Status Report for Nepal: 2015/16 – 2016/17

Destination Country	Year of Agreement	Nature of Agreement
Qatar	2005	General Agreement
UAE	2007	MOU
Republic of Korea	2007	MOU
Bahrain	2008	MOU
Japan	2009	Directive
Israel	2015	Joint Pilot Program
Jordan	2017	General Agreement

Source: DoFE

2.7 The Council for Technical Education and Vocational Training (CTEVT)

The Council provides vocational and skills training, either directly or through affiliates. It also designs and updates the curricula for the various training courses. The Council conducts research and analysis of the labour market trends and their evolution in Nepal. Finally, it conducts skill-testing and certifications of qualifications.

3. The Migration Process in Nepal: The Private Sector

3.1 The Recruitment Agencies

Registered Recruitment Agencies (RAs) in Nepal are members of the Nepal Association of Foreign Employment Agencies (NAFEA). This Association is the umbrella organization of 952 recruiting agencies. As stated on its website "NAFEA's primary aim is to ensure safe migration by defending the rights of both the workers and member organizations"²³. RAs in Nepal are regulated by the DoFE. The Foreign Employment Act requires that every RA must obtain a licence and be registered with the DoFE.²⁴ As mentioned before, over 3.5 million foreign labour permits were issued by DoFE from 2008-2017²⁵ (see Figure 4).

Figure 4. Labour Permits via Channel

Labour permits released 2008/09 to 2016/17	Total	Male	Female	Channel of Migration for total migration			
				Via Recruiting Agencies	Proportion in %	Individually	Proportion in %
2008/2009	219,965	211,371	8,594	163,896	74.51%	56,069	25.49%
2009/2010	294,094	284,038	10,056	225,188	76.57%	68,906	23.43%
2010/2011	354,716	344,300	10,416	240,994	67.94%	113,722	32.06%
2011/2012	384,665	361,707	22,958	260,034	67.60%	124,631	32.40%
2012/2013	450,889	423,122	27,767	395,655	87.75%	55,234	12.25%
2013/2014	519,638	490,517	29,121	441,121	84.89%	78,517	15.11%
2014/2015	499,102	477,690	21,412	448,593	89.88%	50,509	10.12%
2015/2016	403,693	385,226	18,467	366,917	90.89%	36,776	9.11%
2016/2017	382,943	362,823	20,120	353,993	92.44%	28,950	7.56%
Totals	3,509,705	3,340,794	168,911	2,896,389	82.53%	613,316	17.47%

Source: DoEF

On average, 81% of work permits were delivered through RAs and in 2017, 92% (354,000)²⁶ of migrants obtained their work permit through them. The remainder of work permits are delivered to migrants who arrange their migration themselves or who leave through G2G migration schemes and MoUs such as the Employment Permit System for South Korea, the directive regulating migration towards Japan through JITCO and its schemes of training (Technical Intern Training Program), and the joint pilot program between Nepal and Israel.

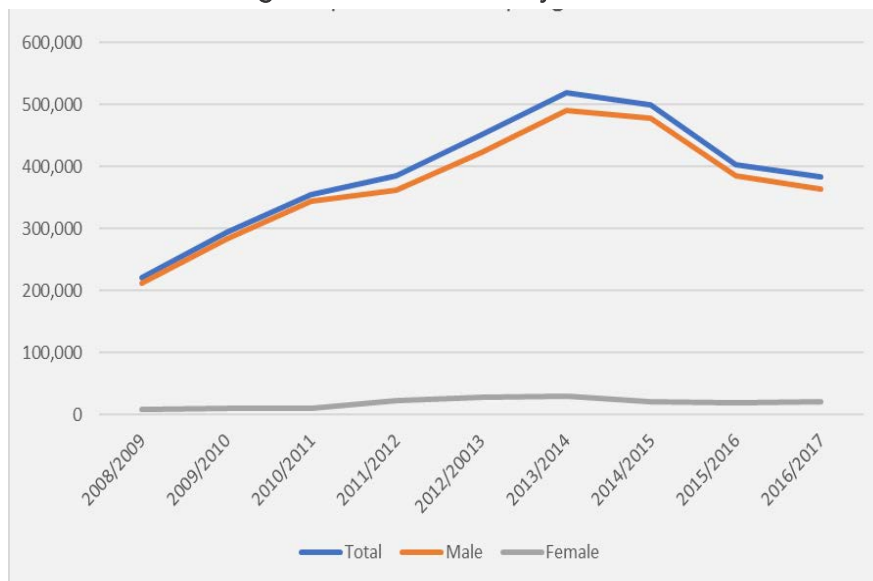
²³ <http://www.nafea.org.np/introduction>

²⁴ <http://www.nafea.org.np/members>

²⁵ Labour Migration for Employment - A Status Report for Nepal: 2015/16 – 2016/17

²⁶ Labour Migration for Employment-A status Report for Nepal 2016/2017

Figure 5. Work Permits by Gender



Only 4.8% of migrants through RAs were women (Figure 5). Consecutive bans (age and total ban) imposed by the GoN are one explanation for this; prior to 2010, all female migration to the GCC countries for low-skilled work was restricted. In 2012, this was changed to ban women under the age of 30 from migrating to the GCC countries for domestic work as a consequence of the growing number of reports of exploitation and physical/sexual abuse²⁷. In 2014, the age ban was temporarily expanded, forbidding women of all ages to formally migrate to the GCC for low-skilled work.

Unfortunately, despite the good intentions of the GoN, the age ban is likely causing unintended consequences for women, including an increase in informal migration and human trafficking.²⁸

Moreover, the "open border"²⁹ policy between Nepal and India allows Nepali women to cross the Indian border without the need of a visa or a labour permit. As a result, much movement goes unrecorded, making it hard to get reliable data on female migration. The 2011 Indian census reported that there were 640,862 Nepali immigrants in India, of which 341,630 were females; however, the actual number is likely much higher.³⁰

RAs role in providing services to aspiring migrants is preponderant. They hold a monopolistic position in this sector; **together with the RAs at destination countries, and they control the demand and supply of the foreign employment market.** Their involvement in any initiative affecting migration is unavoidable and advisable.

3.2 Recruitment Agencies Role

RAs in Nepal supply workers to foreign employers, they control the recruitment process from recruitment to deployment, exercising an important role through all the steps of migration. RAs

²⁷ ILO-No easy exit-migration bans affecting women from Nepal 2015

²⁸ Ibidem.

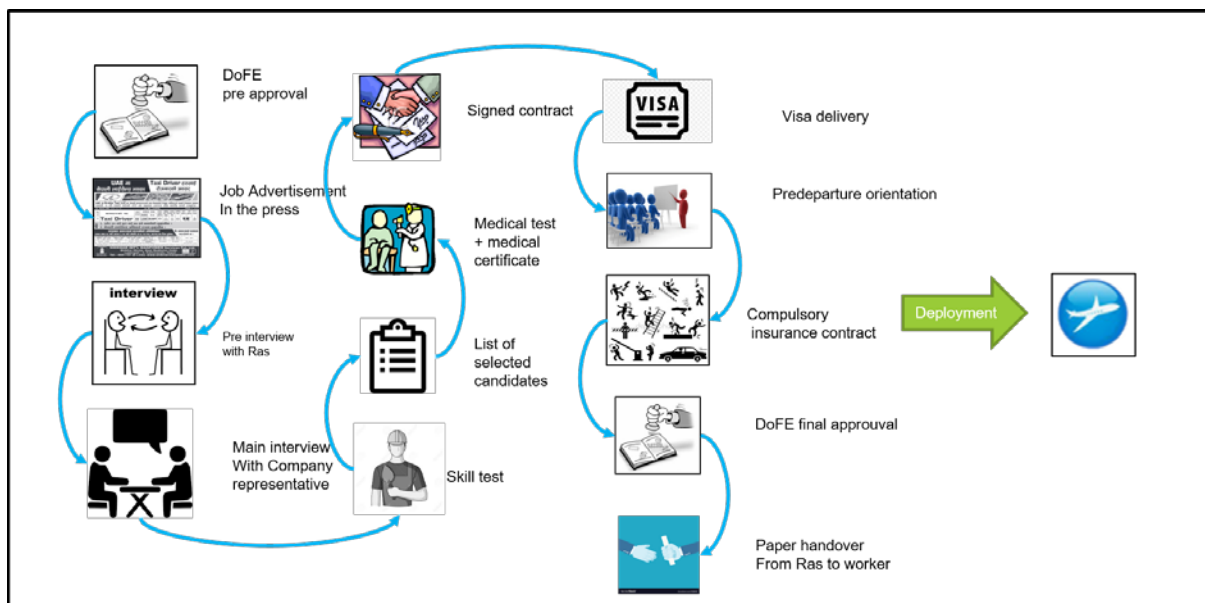
²⁹ 1950 Indo-Nepal Treaty of Peace and Friendship

³⁰ http://www.censusindia.gov.in/Tables_Published/D-Series/Tables_on_Migration_Census_of_India_2001.html
D-1: Population classified by place of birth and sex

establish contact with foreign employers through their representatives and recruit workers in Nepal and assess the profile of the workers required. The other services provided include in this order (see **Figure 6** for a graphic representation):

- Request the DoFE for pre-approval of the recruitment
- Advertise the available jobs in the main national daily newspapers as requested by the FEA
- Pre-screen and shortlist candidates through resume review and interviews
- Skill tests (although, not all RAs do it)
- Final interview with the foreign employer or its representative
- Signature of the contract
- Refer the selected candidates to undergo the compulsory medical test with one of the GoN recognised 112 medical centres or to the Gulf Approved Medical Centres Association (GAMCA) for those migrating to GCC countries
- Refer candidates to insurance companies to obtain the compulsory life insurance for foreign employment migrants
- Organise a pre-departure orientation class/session of 12 hours covering the laws and regulations of the destination country, safety measures, deployment system, and release a certificate attesting the candidate's attendance
- Procure the visa for the destination country (stamped in the passport or paper visa)
- Request and obtain the final approval and work permit from the DoFE prior to deployment
- Procure air ticket and hand over all the relevant documents to the migrant

Figure 6. Migration Steps and Stages in Nepal



3.3 Mapping Nepali RAs

Data about RAs is kept by the DoFE, who is responsible of regulating their activity, and by the individual RAs. Little information is publicly shared, besides their registration/ licence number and when possible, a website. In order to gather more relevant information, UKaid-शीप arranged a round table with Mr. Rohan Gurung, President of the NAFEA and four other managers of RAs.

According to Mr. Gurung, an average-size RA processes 500 work permits per year. The average processing cost per migrant equates NPR 27,465. Nepali RAs face a high level of competition when pitching for recruitment orders. Source countries in the SARC region all bid for the same jobs, and the

RAs that can procure the workers at the lowest cost win the contracts. Foreign employers are only interested in filling the vacancies for their economic activities and can't be bothered by how their agents recruit the workers on their behalf. They pay a fee and expect to receive the required number of workers. In turn, the foreign employers' agents are profit driven and use their privileged position to maximise their profit per work permit.

Since Nepal has to compete with less scrupulous sending countries, according to Mr. Gurung, any regulation capping the fees they can charge the Nepali aspiring migrant would reduce their competitiveness and "squeeze" them out of the recruitment market. The "zero cost" regulation imposed by the GoN caps the maximum fee a RA can charge to a migrant at NPR 10,000; this doesn't cover the average cost per migrant of NPR 27,465 mentioned before.

Mr. Gurung also mentioned that it is too costly for a medium-sized RA based in Kathmandu to open branches in every major province from where Nepali migrants originate. Therefore, they depend on (unregistered) local agents and brokers who gather the passports of aspiring migrants in the villages which they then sell to the RAs for a commission.

3.4 Nepali RAs Firm Survey

A Nepali RAs firm survey will be conducted by the programme during the last week of September. There will be 30 one-on-one interviews with RAs while 75 others will receive the survey questionnaires by mail. The RAs that will be surveyed were randomly selected from the JITCOS's list of recognized Nepali RAs allowed to recruit Nepali workers for Japan³¹ the list accepts only 202 Nepali RAs out of a total of 952 registered in Nepal³²

Preference will be given to RAs offering models that avoided multiplications of intermediaries in the migration value chain that leads to the passing-on of commissions and costs to the migrants who are at the end of the value chain.

FSI-Worldwide³³, one of the RAs already surveyed, offers such a model. Through a wholly-owned infrastructure, it provides migrants with all they need to migrate, acting as a one stop-shop whereas the traditional RAs direct migrants to other private service providers for their skill training and pre-departure orientation, etc., thereby increasing the migration overall cost.

3.5 RAs Sectors and Job Categories Covered

Most migrants from South Asia are unskilled or semi-skilled,³⁴ in 2014, 74% and 12% of migrants from Nepal were respectively unskilled and semi-skilled, from Bangladesh (in 2015) the percentages were 44% of unskilled and 16.5% semi-skilled and from Pakistan in 2016, 38.7% were unskilled and 18.31% semi-skilled.

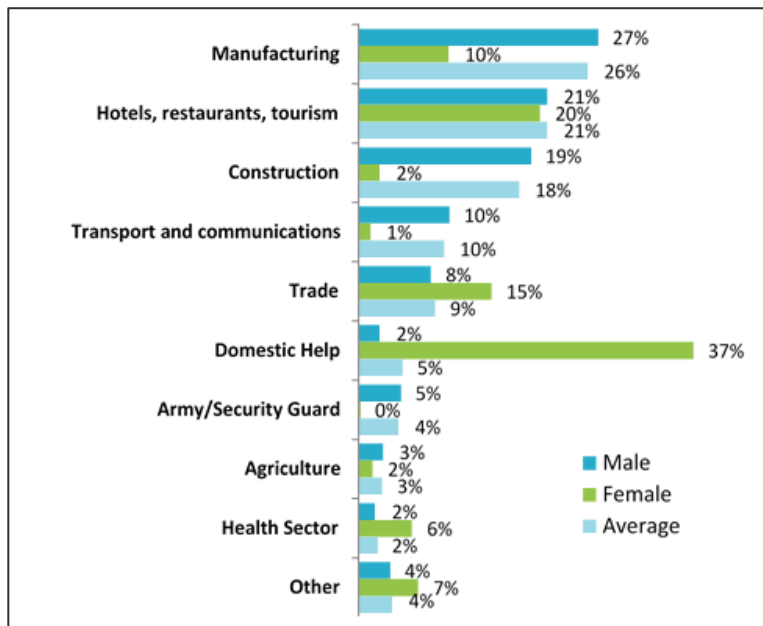
Figure 7. Migration by Sector

³¹ https://www.jitco.or.jp/english/engagement_sending_out/govern_ne.html

³² <http://www.nafea.org.np/members>

³³ <http://fsi-worldwide.com/about-us/approach/our-model/>

³⁴ Internal and international migration in South Asia:- Drivers, Interlinkage and Policy Issues 2017 Ravi Srivastava, Arvind Kumar Pandey



Source: Migrant Survey

A recent survey conducted by the International Agency for Source Country Information (IASCI) for the IOM and the GoN³⁵ provides the percentages of Nepali migrants per sector of employment in destination country and by gender (Figure 7).

Figure 8 offers a more detailed description of the jobs usually available through RAs by sector and skill level and hints at the kind of job category transition that may be possible through skills training. Chapter 6.11 will show the potential salary gain a migrant could earn by obtaining training.

³⁵ Maximising the development impact of migration in Nepal -survey -2016-2017 Nicolaas de Zwager, Ruslan Sintov.

Figure 8. RAs: Sectors Covered and Skills Required

Recruitment Agencies in Nepal: sectors covered and skills required per sectors											
Category	Engineering	Hospital / Medical	Office & Services	Construction	Mechanic / workshop	Manufacturing	Services	Hotel and Restaurant	Agriculture	Technicians	Drivers
SKILLED	Project Manager	Doctor	Chartered Accountant	Engineers	Engineers	Production Operator	Security Officers etc.	Chef	Veterinary Doctor	Plant Technician	Driver Light/ Heavy
	Civil Engineer	Nurse	Accountant	Safety Officer	Foremen	Fork Lift Operator	Security Guards	Cook	Agricultural Engineers	Chiller Plant Technician	Automobile Engineers
	Electrical Engineer	Ophthalmologist	Assistant Accountant	Site Supervisors	Vehicle Electrician	Steel Bender	Private Secretaries	Assistant cook	Junior Technician (J.T)	A/C Technician	Mechanical Engineers
	Mechanical Engineer	Ophthalmic Assistant	Office Manager	Charge Hand	Power House technicians			Restaurant Captains	Junior Technician Asst. (J.T.A)	Duct Technician	Engine, Fitters
	Drafter	Optician	Sales Manager	Heavy Equipment Operators	Maintenance Mechanics			Bar-Tenders		Auto mechanics	Fork Lift Operator
	Telecommunication	Pathologist	Sales Executive	Concrete Plump Operator	Tubers	Tailor Master		Steward		Machine Mechanics	Bulldozer Operators
	Architects	Lab Technician	Sales Supervisor	Scaffolder						Air conditioning Mechanic	Dumper Driver
	Chemical Engineers	Radiologist	Cashiers	Electrician							Lift Operators
	Metallurgical Engineers		Auditors	Plumber/ Pipe fitter							
				Carpenter-Shuttering/ Finishing							
				Mason- Tile/ Block/ Plaster/ Marble							
				Steel Fixer							
				Painter – Spray / Roller							
				Air conditioning Mechanic							
				Electricians							
				Draftsman							
				Welders							
				Building Painters							
SEMISKILLED			Secretaries	Mason-Helpers	Welder / Denter / Painter helpers	Refrigeration assemblers	Security Personnel etc.	Gardener			

Recruitment Agencies in Nepal: sectors covered and skills required per sectors

Category	Engineering	Hospital / Medical	Office & Services	Construction	Mechanic / workshop	Manufacturing	Services	Hotel and Restaurant	Agriculture	Technicians	Drivers
			Stenographer	Electrician Helper	Fitters	Tailor	Care Giver/ Housemaid	Telephone Operators			
			Steno Typists	Electrical Wireman			Receptionist	Waiter / Waitress			
			Receptionist	Maintenance Mechanics							
				Mechanics							
Unskilled											
			Clerical Staff	Bricklayer	Machine Operators	Factory Worker	Storekeeper	Room Boy	Corn Farm Worker		
			Office Boy/girl	Sand and Mortar Carrier	Hydraulic Mechanic	Helper	Message Boy/ Girl	Helper	Farm Worker		
			Sweeper/ Cleaner	Helper	Coolies of Helpers		House Keeper	Janitor	Livestock		
					Factory workers		Gardener	Storekeeper	Fruit		
								Cleaner	Poultry		
								Laundry Man			

3.6 RAs: Complaints and Compensation

The most recurrent complaints against RAs reported by Nepali labour migrants have been those RAs who allegedly deceived them during the pre-departure phase and employment process. Migrants reported various forms of deception including contract substitution, unjustified exorbitant recruitment fees and costs, and modification of the deployment location.

In the year 2016/17, the compensation amounts claimed by migrants almost doubled from the previous year, of the 1452 complaints lodged against RAs by migrants, 687 (47%) were settled through the DoFE, compared to 29% for the previous year, but the percentage of the amounts settled compared to the amounts claimed was slightly lower at 20.7% compared to 21.9% (Figure 9.). The total amount in penalties RAs had to pay to the DoFE for the year was NPR 2,810,000, double the amount of the previous year.

Figure 9. Complaints, Settlements, and Compensation by Individual or Agency

Complaints, settlements and compensation, by individual or agency, 2015/16–2016/17				
Amounts in NPR	2015/2016		2016/2017	
Complaints against:	Individual	Institution (RA)	Individual	Institution (RA)
No. of complaints	704	1,468	931	1452
Amount claimed NPR	475,334,241	219,762,261	321,776,686	436,065,118
Amount settled	55,638,525	48,039,560	69,103,338	90,314,470
% of claimed value settled	11.7%	21.9%	21.5%	20.7%
No of reported complaints settled	94	426	159	687
Complaints Filed in court	222	4	265	52
Amount claimed in court NPR	378,789,428	0	166,542,856	1,500,000
Decision by the DOFE	0	14	NA	NA
Penalty decided by the DOFE	0	1,400,000	0	2,810,000

Source: DoEF

3.7 Agents and Brokers

Agents, also called middlemen or private intermediaries, are often the first point of contact with aspiring migrants. Agents are not registered with the DoFE, have no license, and as such, operate illegally by providing informal services to aspiring migrants for a fee. RAs can operate only through registered branches, and the cost of operating branches in several provinces, including the cost of the first license and registration with DoFE, is often too high. For this reason, RAs prefer to use agents who work for lower fees and who are physically close to the villages of origin of aspiring migrants. Agents at the village level support aspiring migrants in identifying them, collecting the travel documents, and collecting the aspiring migrant's passport. They also negotiate a so-called "client portfolio" to regional brokers who centralise the employment demand and re-sell it to the licenced RAs in Kathmandu. At every step, additional commissions are charged, and the costs are passed on to the migrants who end up paying excessive fees to migrate.³⁶

³⁶ Verite-Labor Brokerage and Trafficking of Nepali Migrant Workers-2011

3.8 Orientation Training Centres

Every migrant is obliged to follow a 2-day pre-departure orientation training course where he/she receives general information relating to laws, rules, culture, language, and safety issues in the destination countries. These courses are provided in 74 government-recognized centres; unfortunately, most are located in the Kathmandu Valley. There have been reports that the quality of the training provided is low and that many migrants simply purchased Pre-departure Orientation certificates from the institutions providing the training³⁷ because it was cheaper and saved time.

3.9 Insurance Companies

The insurance sector is regulated by the Insurance Board (Beema Samiti). The sector cooperates with the FEPB to design and set the price of the insurance policies for Nepali migrants. Currently seven out of the nine life insurance companies sell a “foreign employment term life insurance policy” (Figure 10). This policy contract is compulsory for all migrants going abroad, with the exception of those who go to India, and provides a total coverage of NPR 2 million.

A life insurance contract is an essential tool that prevents migrants’ households from losing an important source of revenue as the consequence of the death of their migrant member or her/his permanent incapacity to work due to mutilations or severe injuries. This insurance contract functions as a safety net that prevents migrants from falling into poverty since the amount refunded will be sufficient to pay back the loan taken to finance the migration costs. A life insurance for international migrants is also an essential financial product that can be used for additional purposes, for example as a guarantee for a loan as will be explained in the next report.

Figure 10. Companies Offering Foreign Employment Life Insurance

Insurance company
Citizen Life Insurance Co. Ltd.
Reliable Nepal Life Insurance Co.Ltd.
Reliance Life Insurance Co. Ltd.
Surya Life Insurance Co. Ltd.
National Life Insurance Co. Ltd.
Nepal Life Insurance Co. Ltd.
Metlife Alico
Source BSIB reworked by author

The risks covered under most policies are enumerated in Figure 11. In 2017, the total amount covered was increased from NPR 1.5M to NPR 2M (an increase of 33%), but the fees that migrants have to pay were also increased. For instance, the cost of the contract for a 3-year period for a migrant aged 18-35 increased from NPR 2,430 to NPR 3,524 (an increase of 45%).

The absence of competition does not allow for prices to be determined by the market, and the FEPB intervention in defining the costs of the insurance policy may have unwanted consequences such as increasing the overall costs of migration, discussed earlier.

³⁷ The Role of Remittances as Effective Development Finance for Sustainable Development in Nepal-2016 survey Ewha Womans University, International Organization for Migration, and the Institute for Integrated Development Studies

Figure 11. Risks Covered Under Typical Policies

Risk Covered	Total Value of Risk Covered	
	2011	2017
Critical illness		500,000
Life Insurance	1,000,000	1,000,000
Loss of Income	200,000	200,000
Funeral Rites	100,000	100,000
Treatment	100,000	100,000
Corpse Repatriation	100,000	100,000
Total	1,500,000	2,000,000

3.10 Government-Approved Medical Examination Centres

As was explained earlier, every migrant has to pass a medical test in Nepal before s/he can obtain a visa and leave the country. For all destinations, with the exception of the GCC countries, there are 112 health institutes³⁸ licensed by the National Public Health Laboratory (NPHL) to deliver the health certificate needed for foreign employment. The cost of the medical test is set by the GoN at NPR 2,440 for men and NPR 2,540 for women.³⁹ Migrants who leave for the GCC countries have to go to one of the 12 GAMCA Nepal Approved Medical Centre and pay on average NPR 5,140.

All these medical centres are located in the Kathmandu Valley. Their geographical location increases the costs of migration; for example, a round trip from Province 2 to Kathmandu requires two days of travel plus the additional costs of accommodation and food along with the opportunity cost of lost work time.

3.11 Formal Financial Intermediaries

a. Commercial banks

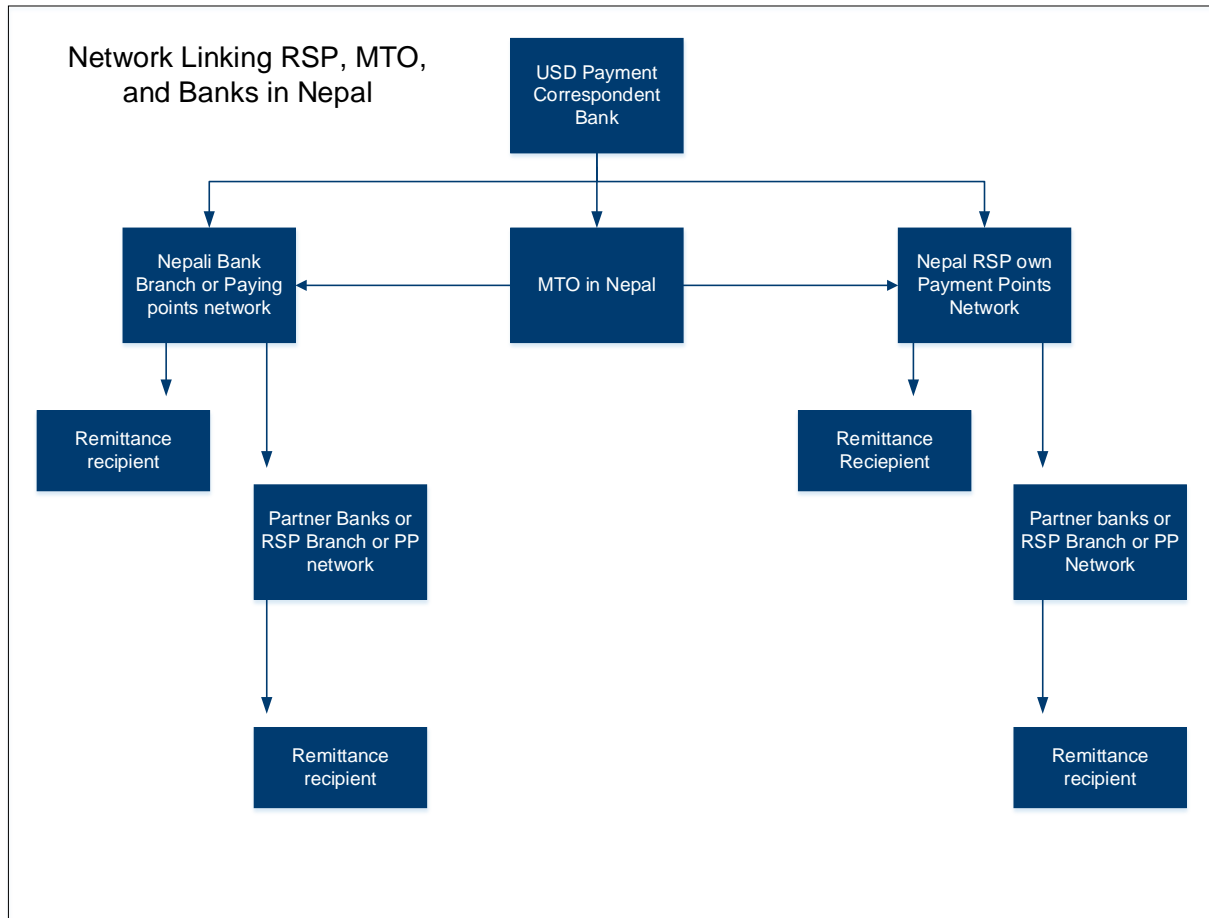
Commercial banks hardly play any role during the pre-departure phase: migrants and the 2011 population survey both showed that commercial banks provided only 7% of the loans needed to migrate. Access to formal banking in Nepal has improved but a large portion of the population is still unbanked through formal channels. Commercial banks do play a larger role in the remitting process. Seeing the potential profit, some banks started offering remittance services to migrants or make their network of paying points and branches available to Money Transfer Operators (MTOs) specialized in money transfers namely Western Union, MoneyGram, Instant Cash Global Money Transfer.

Examples of banks that entered the money transfer and remittance business are Global IME bank Limited and Global Remit, Prabhu Bank Limited and Prabhu Remit/ Prabhu Money Transfer to name a few. In some cases, banks have also partnered with other financial institutions in destination countries. As of the writing of this report, the majority of the Nepali banks though preferred to offer their network of pay-out points (PP) to MTOs for the final money disbursement to the Nepali recipient. Please refer to **Figure 12** that explains some of the cooperation models between banks, MTOs, or remitting service providers (RSPs) in Nepal.

³⁸ [http://www.nepalhp.org/index.php?name=Government Approved](http://www.nepalhp.org/index.php?name=Government+Approved)

³⁹ [http://www.nepalhp.org/index.php?name=Compulsary Tests](http://www.nepalhp.org/index.php?name=Compulsary+Tests)

Figure 12. Money Transfer between banks, MTOs, and RSPs



b. Money Transfer Operators (MTOs)

MTOs in Nepal are regulated by the NRB. At the time of the writing of this report, there were 48 MTOs operating in Nepal. MTOs offer one of the fastest methods to transfer money internationally but often, also the most expensive. MoneyGram, Western Union, and many others can deliver cash at hundreds of locations worldwide without the need for the sender or receiver of the money transferred to have a bank account. Their fees are typically calculated by assessing the distance the funds have to travel, the amount, and the speed in which their sender wants them to be delivered. Often it is not the initial cost of a transfer, called the fixed fee, that makes these transfers expensive, but the exchange rate margin that is applied by the MTOs.

3.12 Civil Society, I/NGOs and International Development Agencies/Partners

Despite its best intention in regulating and managing migration, the GoN has been unable to secure a safe, affordable, and dignified migration to its citizens. A long-armed conflict, political uncertainty, the Gurkha earthquake of 2015 and its devastating effect have reduced further the GoN's overall capacity to deliver on the specific needs of the migrants. This is why civil society and other partners have tried to support the GoN mainly with capacity building projects. Some of the larger, more well-known ones include:

- a. **Sami (Safe Migration) Project:** This project is sponsored by the Swiss Agency for Development and Cooperation has been active in Nepal since 2011. The overall goal of the SAMI Project is safer and more beneficial migration. The project intends to neither discourage nor encourage

Nepali citizens to seek work abroad, but to help harness the benefits of migration when it occurs. With this purpose, it provides potential migrants access to information and access to skills development. To do so, it has developed the concept of a Migration Resource Centre called Information Centres. These act as a one-stop-shop for migrants, inspired by similar initiatives taken by the International Organisation for Migration (IOM) Nepal. Families remaining in Nepal, returnees, and their families in distress are also provided access to legal and paralegal services and psychosocial counselling. The project also provides financial literacy classes for families, and short-term shelter for returnee women migrant workers who have experienced severe exploitation in destination countries.

- b. **National Network for Safer Migration (NNSM):** NNSM is an umbrella organization of civil society organizations in Nepal working in labour migration and development. It was established in 2007 with a sole purpose of integrating efforts of civil society organizations, especially for policy recommendations. Since inception, NNSM has been playing an instrumental role in policy advocacy for the protection and promotion of the rights of migrant workers and their families. It also focuses on empowerment and capacity development of its member organizations, network building for common platform and research/studies so as to contribute for making labour migration safer, dignified and productive.
- c. **Pravasi Nepali Coordination Committee (PNCC)** is a non-profit, non-political, non-governmental social organization dedicated to protecting and promoting Nepali migrant workers' rights. It was established in Nepal by returnee migrant workers in 2009 with the goal of providing all possible support to the distressed migrant workers especially in the GCC countries and Malaysia. It "strives to ensure that the rights of Nepali migrant workers are respected, guaranteed and promoted and aims to create an environment where Nepalese migrant workers can entertain their rights, by advocating, generating knowledge, sharing information, building partnerships and capacitating various response groups at national, regional and international levels".
- d. **Pourakhi** is a member-based organization of returnee women migrant working towards empowering women by helping out Nepalese women participate in international migration to economically support the family.
- e. **International Labour Organisation (ILO):** The ILO programme in Nepal is aligned with the ILO work worldwide, contributing to the overall goal of promoting decent work for all. The ILO Nepal Decent Work Country Programme (DWCP) 2013-2017 reflects the priorities of our tripartite constituents (Ministry of Labour and Employment, and Employers' and Workers' organizations) focusing on three fundamental areas: (i) Promotion of employment-centric and inclusive growth; (ii) Improved labour market governance and industrial relations; and (iii) Promotion of fundamental principles and rights at work. Gender Equality, Tripartism and Social Dialogue, and International Labour Standards are mainstreamed under the above three priorities.
- f. **The International Organization for Migration (IOM)** Nepal has been active in creating one-stop-shops for migrants called Migrant Resource Centres (MRCs). The first MRCs were handed over to the GoN who is operating them. The first one of the Centres was established inside the Labour Village in Kathmandu when migrants can ask for assistance and information about migration.

4. Recruitment Costs in Nepal

The Government of Nepal (GoN), through the MoLESS, has attempted to regulate the migration process and cap the costs for migrants. In 2015, the GoN tried to forcibly cap the fees charged by the RAs to NPR 10,000, down from NPR 70,000-120,000 that was previously allowed⁴⁰. The idea was that the employer should pay for the visa, air ticket, and other costs related to recruitment. The measure generated a strike movement from RAs and eventually the GoN failed to follow-up on the implementation of its own policy which is still in effect. What happens nowadays is that the RAs provide a receipt of NPR 10,000 to the migrants as evidence that the rule is followed and ask migrants to pay the difference in cash.

4.1 Breakdown of Migration Costs

The estimated cost that a migrant should incur to migrate ranges between NPR 31,000 to 50,000 (USD 310 and 500) (Figure 13), according to various surveys. In reality, migrants have paid between NPR 120,000 and NPR 150,000 (USD 1200 to 1400) to migrate. The extra-costs are explained by the various fees that are passed on to the migrants, partially due to the practice of visa trading, visa auctioning, the use of intermediaries, and the profit to the Nepali Recruitment Agencies. Cases of overbilling have been reported also for the obligatory medical test and the pre-departure orientation sessions.

Figure 13. Estimated Migration Cost

Costs enumeration			
Cost items (Amounts are in Rs. Year 2017)	Documented costs in Rs.	Costs due by migrants	Costs due by employer
Attestation of documents by Embassies (Avg.)	20,000		20,000
Airport Tax	1,130		1,130
Welfare Fund*	1,500	1,500	
Passport cost for fast delivery	10,000	10,000	
Employment application	500	500	
Police clearance report	50	50	
Visa Expenses (avg.)	13,400		13,400
Air Ticket (avg.)	40,000		40,000
insurance costs for 18-35 years category tenure 3 years	4,024	4,024	
Pre-departure Orientation (excluding transport and stay in Kath)	700	700	
Medical visit for GCC (avg.)	5,140	5,140	
pre-deployment time spent in Kathmandu Est.	10,000	10,000	
Total expected costs	106,444	31,914	74,530
Migration average cost in Nepal	150,000		
Excess amount paid by migrants (estimate)	118,086		

* those going to the USA, Israel for more than 3 years will pay Rs. 2,500

The difference between what a migrant should be paying and what s/he finally pays is made of the costs that are supposed to be covered by the employer but that are passed down to the migrants (NPR 74,530), and the hidden extra margin or fee of NPR 45,556 (150,000-118,086). The excess amount paid

⁴⁰ <https://www2.staffingindustry.com/row/Editorial/Daily-News/Nepal-Zero-cost-migration-policy-comes-into-effect-34614>

by Nepali migrants (NPR 118,086) is the result, amongst other things, of the visa trading that was described above.

4.2 Funding migration, the loan burden

The DoFE data indicates that over 80% of migrants used RAs to find employment outside Nepal and paid an average migration cost of USD 1,473⁴¹. Most migrants were unaware of the cost breakdown or the services they were entitled to.

To pay the migration costs, funding included a combination of household savings (33%), loans from money lenders (33%), friends and relatives (28%), and formal financial institutions and banks (7%). The interest rates moneylenders charge on these loans averaged 35% with reported rates of 60%.

Low-skilled migrants are the ones who pay the most to migrate and earn the least. The initial cost of migration compounded with high interest rates can severely limit the impact of the financial benefits of migration. A distinction has to be made between those migrants who are in their second or third migration cycle (long-term migrants with an average migration duration of 5 years who tend to earn more on average) and those who migrate for the first time. Nepali migrant workers have a low-level of education and professional experience, with only 7% of all migrant workers having completed a university-level education, and 45% having completed high school or professional/vocational education. The least educated and skilled earn on average USD 250.

A typical unskilled less educated young Nepali migrant will borrow NPR 150,000 from money lenders to migrate and will incur an average yearly interest of 35%. His/her first contract will have a duration of two years (the norm in GCC countries for most of the sectors) and will bring him/her NPR 25,000 a month. His/her debt, principal plus interest, assuming he/she will be able to repay it, represents 34% of the total expected revenue (see **Figure 14**).

Figure 14. Loan Weight on Pre-Departure Costs

Nepal	% or Equivalent Amounts	In NPR	In USD
Costs			
Average Cost of Migration		150,000	1,376
Average amount Borrowed	80%	120,000	1,101
Average Annual Interest Rate Charged (calc. for 2 years)	35%	84,000	771
Expected Revenues			
Monthly average wage for unskilled Mig.		25,000	229
Average Contract duration for GCC country	Months	24	0
Total Expected Gross Income		600,000	5,505
Share of debt in % of total Income		34.0%	
Gross income after Debt		396,000	3,633

⁴¹ The Role of Remittances as Effective Development Finance for Sustainable Development in Nepal- 2016 survey sponsored by IOM, Ewha, Koica, GoN, IIDS

5. Conclusions and Recommendations

Nepal's new federal system is envisaging a far-reaching approach to decentralisation, with significant devolution of decision-making, power, and resources. Migration management policy and public administration offices involved with migration will be impacted by the new federal structure. Likewise, other migration actors—private and public—will also have to adjust.

To address persistent issues negatively impacting migration, the GoN may take this opportunity to decentralize the provisions of services which to date have only been accessible in Kathmandu. Administrative requirements including pre-departure approval, final departure approval, medical certificates, life insurance subscription, complaints filing, legal assistance related to migration, and contribution to the migrant workers' welfare should be available at the local level to save migrants time, money, and consequently, to support legal migration.

Not only services but undisputable, factual information should flow from the centre to the periphery of the Federal State. The creation of a foreign employment database regrouping the information detailing the availability of the jobs on offer abroad, the working conditions etc. should be accessible by all the migration stakeholders.

5.1 Overall Observations

At the destination country, the legal framework regulating the contractual relations between employers and foreign workers and the recruitment process are vague and conducive to various forms of abuses.

There is an overall lack of **institutional** capacity at both the Nepal Embassies at destination countries (GCC mostly) and the DoFE, the linchpin department for the migration process.

The process of labour migration from Nepal is long, complex, uncertain, and Kathmandu-centric. This process is partially dependent on informal individuals/agents, and as a result, it enhances the risks of the migrant workers being cheated and deprived and increases the overall cost of migration.

There is a high number of Government bodies intervening in the migration process and the decision-making process for some of them is cumbersome and slow. The FEPB for instance is composed of five ministry members or chair persons and eight other agencies or ministries representatives.

There is also a shortcoming in the availability of factual information, as a consequence the migrant workers don't know about the working environment in the country of destination, salary and other benefits, price of visa, and migration costs making him/her completely dependent on the RAs and middlemen.

Unregulated visa trading raises the cost of migration with the migrants bearing the costs. As a result, human and economic development cannot be optimized.

5.2 Overbilling

Most migrants are unaware of the breakdown of the costs they are supposed to pay or the services they are entitled to for the money they pay, nor do they have an overall understanding of the job abroad. This exposes them to overbilling and lack of juridical assistance in case of a legal dispute. Instead of paying NPR 32,000 (on average) to migrate they end up paying NPR 150,000

5.3 Migrant Workers' Welfare Fund (MWWF)

Migration costs directly paid by migrants keep on increasing. Contribution to the Migrant Workers' Welfare Fund managed by the FEPB has increased from a lump sum of NPR 1,000, irrespective of the

destination country, to now NPR 1,500 for a 3-year contract and to NPR 2,500 for longer-period contracts and according to the destination country.

5.4 Compulsory Insurance for Migrants

As discussed above, the compulsory insurance premiums have increased by **65.6%** since February 2017. Moreover, though the overall value of the insurance contract has increased, some of the risks covered and paid for by migrants may not be directly linked to the migration process, and hence deemed as unnecessary. For instance, the new “critical illness” package added to the overall Foreign Migrant insurance contract includes multiple sclerosis, major organ transplant, aorta graft surgery, heart valve surgery, cancer, and benign brain tumour to name a few. It would be useful to have the distribution table of such occurrences within the migrant’s population group to test the relevance of these added risks.

5.5 Access to Justice: Lack of Rights’ Awareness and Redressal Mechanisms

Recent surveys⁴² and reports⁴³ highlighted how Nepali migrant workers were not aware of either their rights under Nepali law, or how to claim for their rights in a court of law or through the DoFE or the Foreign Employment Tribunal (FET). Mandatory pre-departure training sessions where some information about migrants’ rights are given are held in Kathmandu. The excessive total costs, comprising a long trip from the districts of origin and permanence in Kathmandu, dissuade aspiring migrants from attending these pre-departure trainings; instead, they prefer to pay for a cheaper false certificate of attendance. Moreover, the training contains limited information regarding legal rights and options for obtaining redress and compensation, little is said over the MWWF and some migrants don’t even know that they are covered by a mandatory insurance contract. This lack of awareness hinders migrants from obtaining the entitled compensations and reduces the efficiency of the policies aiming at protecting them.

5.6 Overall Migration Costs

The migration cost is unnecessarily high as a consequence of all of the above as shown in **Figure 15** below and explained in prior sections of this report.

⁴² The Role of Remittances as Effective Development Finance for Sustainable Development in Nepal 2016-IOM/EWHA/KOICA/GON/IIDS.

⁴³ Migrant Workers’ Access to Justice at Home: Nepal, Sarah Paoletti, Eleanor Taylor-Nicholson, Bandita Sijapati, Bassina Farbenblum. Copyright © 2014 by Bassina Farbenblum, Eleanor Taylor-Nicholson, Sarah H. Paoletti, and Centre for the Study of Labour and Mobility, Social Science Baha.

Figure 15. Gaps and Inefficiencies Impact on the Cost of Migration

Gaps and inefficiencies	Impacts	Consequences
Legal and enforcement issues at both destination and country of origin	-Visa trading, illegal market for employment visa	-Unjustified and excessive migration costs hindering human and economic development. -Miss the expected benefits of migration. -Depletion of human and economic capital in Nepal
Lack of institutional capacity (budget, manpower)	-Contract substitution at destination countries.	
Lack of de-centralisation	-Risk of Illegal fee collection at different levels (document attestation, medical assessment, police clearance, visa stamping, predeparture orientation, skill training, final work permit release).	
Missing coordination between public, private and international stakeholders	-Lack of documentary evidence on actual cost of migration.	
Shortcomings in monitoring and regulation	-Lack of affordable loans to finance the costs of migration	
Long complex migration process	-Excessive interest rates to be paid on informal loans	
RAs monopolistic position on the migration market	-The GoN policy has led to an overall increase of the migration costs. Increase of the contribution to the welfare fund by 50%	
Dependence on informal agents/brokers at the village level.	-Increase of the life insurance contract up to 65%	
General lack of education, skills, dealignment between existing and required skills		
Asymmetrical information/lack of factual information about the foreign employment market.		
Limited access to formal credit institutions		
Compulsory services cost for migrants increase at a worrying rate		

5.7 श्रीप Recommendations and Possible Areas of Intervention

The strategy recommended to increase migrants' revenues revolves around a 3-pillar approach: firstly, reduce the excessive migration costs, secondly increase the salary of the less-skilled migrants through a tailored VET strategy that will support the transition from the lowest paid job's category (DDD-dirty dangerous and demeaning) to higher more rewarding occupations, and thirdly, reduce the cost of remittances. (The productive use of remittances as an extra revenue generator will be suggested in the next report).

5.8 Reduce Overall Cost of Migration

The GoN could reduce the costs of migration by subsidizing part of the fixed costs related to it including the insurance cost, pre-departure orientation, and medical control in Nepal. Under the new federal structure, the GoN could make most of the compulsory administrative chores available at the provincial if not the district level. The GoN should support the possibility to fly to destination countries from the local provincial airports whereby the Kathmandu International Airport would become a national transit hub and the migrants' documents would be checked once.

5.9 Reduce Borrowing Costs

The GoN should promote public-private partnerships (PPPs) with the financial sector and the RAs to support the provision of affordable loans for migration and reasonable fees for RAs. Taking a worst-case scenario and after a panel discussion with banks, migrants with the proper documentation could borrow at rates ranging from 10-15%. We assumed a loan interest rate of 18% for two years for our

simulations. If such a rate was made available, for the same borrowed amount of NPR 120,000, the loan burden in term of share of the total expected revenue would drop to 27%.

However, adjusting only the interest rates won't make a substantial saving, the principal amount migrants borrow also has to be reduced. In the past, the GoN tried to cap the total cost of migration (zero cost policy) with little success. If an agreement could be found with RAs willing to support a more ethical recruitment process, it would be reasonable to reduce the total cost of migration to NPR 90,000 (similar to what migrants in Sri Lanka pay) split into NPR 40,000 that the migrant has to pay for him/herself and a margin of NPR 50,000 to be paid to the RAs for their services. In this case, the ratio of the debt to total revenue would drop to 16.32% (Figure 16).

Figure 16. Loan Weight and Effect on Income

Loan Weight on pre-departure costs				Increase disposable income		
Nepal	% or Equivalent Amounts	In NPR	In USD	% or Equivalent Amounts	In NPR	In USD
Costs						
Average Cost of Migration		150,000	1,376		90,000	826
Average amount Borrowed	80%	120,000	1,101	80%	72,000	661
Average Annual Interest Rate Charged (calc. for 2 years)	35%	84,000	771	18%	25,920	238
Total Cost Principal Plus interests		204,000	1,872		97,920	898
				Total Saving	52%	973
Expected Revenues						
Monthly average wage for unskilled Mig.		25,000	229		25,000	229
Average Contract duration for GCC country	Months	24	0	Months	24	0
Total Expected Gross Income		600,000	5,505		600,000	5,505
Share of debt in % of total Income		34.0%			16.32%	
Gross income after Debt		396,000	3,633		502,080	4,606

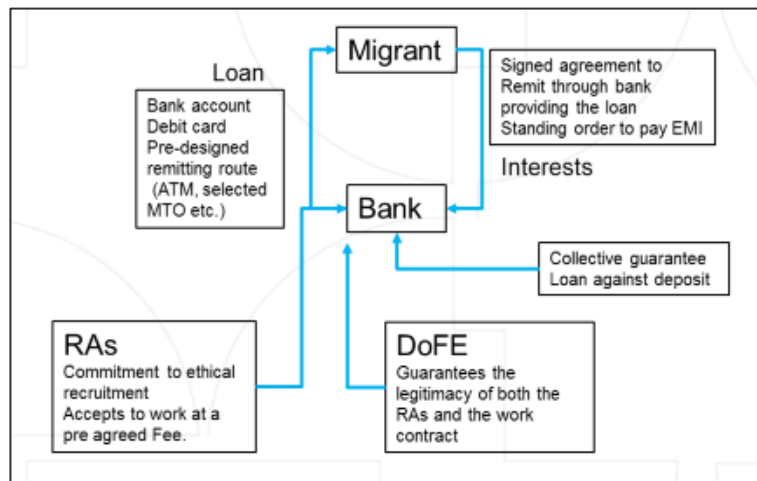
5.10 Solve Issues of Moral Hazard, Guarantees, and Collaterals

The Nepal Rastra Bank (NRB) and the Ministry of Finance (MoF) should facilitate the design of standardized financial packages aiming at providing loans to migrants. Often migrants don't have enough assets to use as collateral against a loan. Simple financial structures could bring a solution: migrants could deposit some of their savings on a blocked account with the bank that lends them the required money to pay for their migration costs.

Collective guarantee (family members etc.) could be used as an alternative or an additional security. The migrant will commit to remit through the bank lending him/her the money and settle the loan interests with a standing order. The DoFE would confirm the legitimacy of the RAs that will arrange the

migrant's employment and the legitimacy of the signed work contract (salary). The bank will provide a foreign employment loan plus other services such as a bank account, debit card, pre-agreed remitting route either through e-banking or partner MTOs (See **Figure17**).

Figure 17. Reducing Moral Hazard with Loan Guarantees



5.11 Increase Migrant's Salary through VET

Data collected from the advertised jobs published in the press by the RAs (see **Figure 18**) and from some websites of the Embassies of Nepal in the destination countries, made possible the creation of a small database where information about jobs available abroad is described.

Figure 18. Example of Advertised Jobs

[illegible]

Figure 19 records the name of the foreign employer, the RAs recruiting, and the jobs' qualification and corresponding salary. The sampled job category labelled unskilled (in green) pays an average salary of NPR 25,637. Some of the job descriptions of this category are cleaner, helper, washing worker, hotel room cleaner, etc. The second job category labelled semi-skilled (in grey) offers an average salary of NPR 37,663, 46.9% higher. Some of the jobs' description are waiter, coffee provider, electrician helper, etc. The data supports the idea that VET can yield an increase of revenues and the quality of the work done: with some tailored training, the transition between the two job categories should be possible, and the average wage increase achievable could motivate a selected group of migrants to be trained for a new kind of occupation.

Figure 19. Transition to Better Paid Jobs

Employer details	Nepali RA Name	Destination Country	Job description	Job qualification	Local Currency	Salary in Destination Country currency	in NPR equivalent	Average wage per category
Seasons Interior design	Jurneyman Overseas	Qatar	cleaner	Unskilled	QAR	650	19,129	307,642
Brick layer Inc	Employment solution	Qatar	helper	Unskilled	QAR	850	25,014	25,637
Hotel co	Bhandari Overseas Pvt. Ltd.	Qatar	cleaner	Unskilled	QAR	650	19,129	
Korea bridge	Capital International Manpower (P) Ltd	Qatar	washing worker	Unskilled	QAR	900	26,486	
Hotel co	Decent Employment Pvt. Ltd	India	helper	Unskilled	INR	13,000	20,784	
Ajwa Alarabi, Kingdom of Saudi Arabia	Rolex Recruitment Agency Pvt , Kathmandu Nep	SA	Worker	Unskilled	SAR	900	25,709	
Al Alwan Contracting Company	Blue Sky International Pvt. Ltd, Kathmandu Nep	SA	Helpers	Unskilled	SAR	800	22,852	
abab Al Engaz Est for Contracting, Saudi	Synnet International Ltd, Kathmandu Nepal	SA	Laborer	Unskilled	SAR	1000	28,565	
Radhwa Holiday Inn Yanbu Hotel & Villas	Golden Eagle Manpower, Nepal	SA	Hotel room Cleaner	Unskilled	SAR	1300	37,135	
Al Sarawat Farms	Societel Overseas Services, Kathmandu Nepal	SA	Agricultural Worker	Unskilled	SAR	1000	28,565	
Riyadh A Al Meaiki Cont. Est., Saudi Arab	Aroma International Pvt. Ltd, Kathmandu Nepal	SA	Ordinary Helper	Unskilled	SAR	1000	28,565	
Sulamin Al Amaril	Depely Manpower, Kathmandu Nepal	SA	Laborer	Unskilled	SAR	900	25,709	
Hotel dream	Aakarshan International	SA	electrical helper	semi-skilled	SAR	1,000	28,565	451,955
Farmland	Damaru Resources	Malaysia	care taker	semi-skilled	MYR	1,300	34,901	37,663
China build	Deity International Overseas (P) Ltd.	Saudi Arabia	Waiter	semi-skilled	SAR	1,500	42,848	
Korea bridge	Delta Employment Services (P) Ltd.	Saudi Arabia	Coffee provider	semi-skilled	SAR	1,500	42,848	
Al Alwan Contracting Company	Blue Sky International Pvt. Ltd, Kathmandu Nep	SA	Welder	semi-skilled	SAR	1,000	28,565	
Al Alwan Contracting Company	Blue Sky International Pvt. Ltd, Kathmandu Nep	SA	Electrician	semi-skilled	SAR	1,200	34,278	
Al Alwan Contracting Company	Blue Sky International Pvt. Ltd, Kathmandu Nep	SA	Pipe Fitter	semi-skilled	SAR	1,000	28,565	
Fawzia Obaid Rashid Al Enazi, Kingdom of	Unique Overseas Pvt. Ltd, Kathmandu Nepal	SA	Shawarma Chef	semi-skilled	SAR	1,400	39,991	
Fawzia Obaid Rashid Al-Enazi, Kingdom of	Delta Employment Service, Kathmandu, Nepal	SA	Waiter	semi-skilled	SAR	1,200	34,278	
Transgulf Readymix Concrete Co, Kingdo	Blue Sky International Pvt. Ltd, Kathmandu, Nep	SA	Heavy Duty Driver	semi-skilled	SAR	1,800	51,418	
Transgulf Readymix Concrete Co, Kingdo	Blue Sky International Pvt. Ltd, Kathmandu, Nep	SA	Tyre man	semi-skilled	SAR	1,000	28,565	
Transgulf Readymix Concrete Co, Kingdo	Blue Sky International Pvt. Ltd, Kathmandu, Nep	SA	Hydraulic Mechanic Hel	semi-skilled	SAR	2,000	57,131	

Source Embassy of nepal in Kuwait reworked by author

5.12 Lower Remittances' Cost

This aspect will be discussed in depth in the next report but in anticipation, we can recommend a stricter control of all the MTOs and remitting houses and the hidden foreign exchange fees they charge. The GoN should be promoting this agenda via international, regional, and bilateral platforms.

6. Takeaways and Next Steps

The Migration Component has integrated the UKaid-सीप approach principles into its work methodology as shown in **Figures 20 and 21**. The team has analysed Nepal's migration from a market development (M4P) perspective and after a rigorous mapping of Nepal's migration stakeholders and the process, it has defined the challenges gaps and inefficiencies having a direct impact on the cost of migration and has highlighted points of interventions for UKaid-सीप moving forward.

Figure 20. Migration Focus in सीप

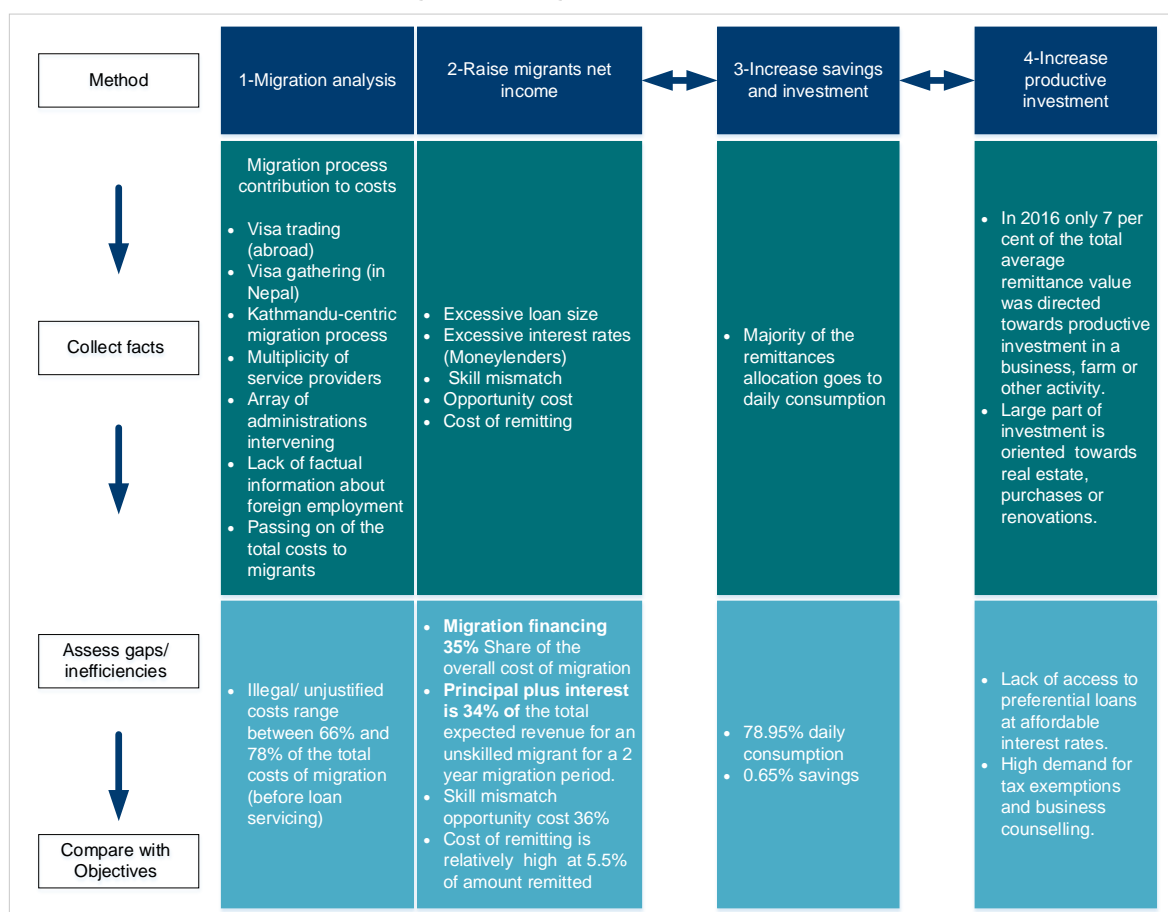
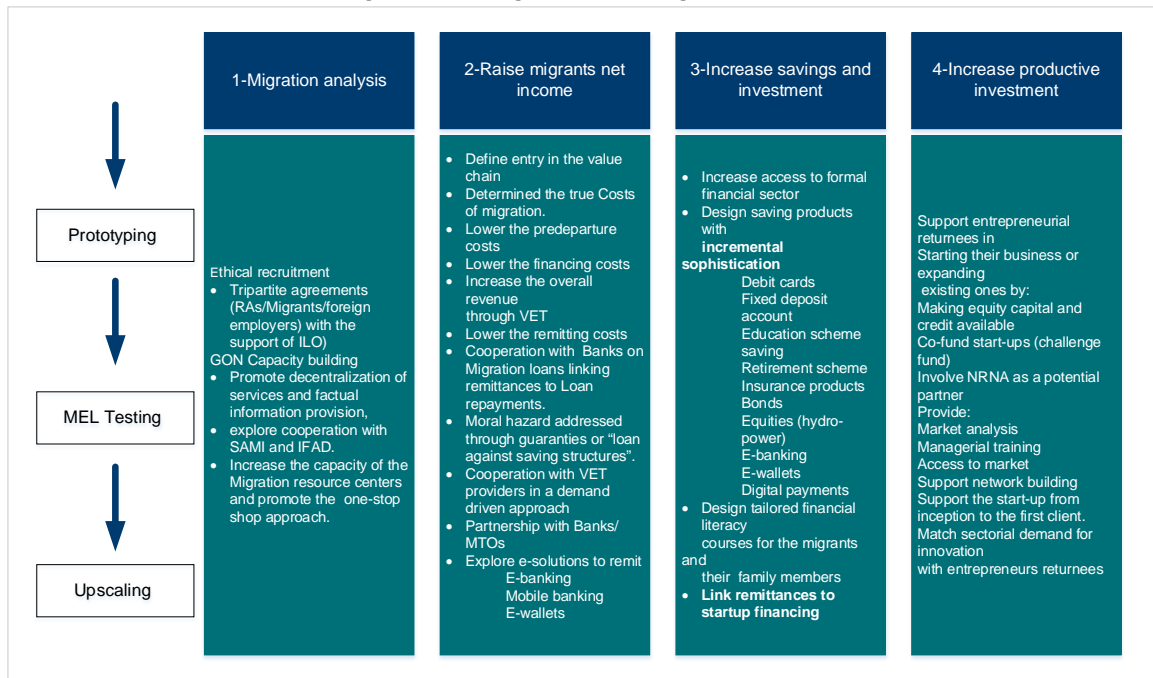


Figure 21. Programme Design Solutions



The recommendations drafted aim at raising migrants' net income, increasing migrants' savings and investment, and increasing migrants' productive investment. This report will be used as the cornerstone and referential for the reports to follow.