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IMPACT OF COVID-19 ON MYANMAR'S MIGRANTS AND REMITTANCES

BRIEFING
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The socio-economic importance of the money sent home by Myanmar's migrants working abroad cannot be overstated. Remittances serve to diversify and smoothen household income and are particularly critical to strengthening the financial resilience of women and rural populations. The pandemic of coronavirus disease 2019 (COVID-19), however, is having an acute effect on the livelihoods of Myanmar's migrants and their families, with millions suffering from loss of employment and reduced income due to lockdown measures.

THE IMPORTANCE OF REMITTANCES FOR MYANMAR

Labour migration has long been an important livelihood strategy for the people of Myanmar. By migrating internationally for work, migrants and their communities have been able to survive periods of severe economic hardship and stagnation. Sending money home provides a measure of social protection. It mitigates the lack of government schemes to sufficiently protect households from exposure to the various social and economic strains associated with a sudden loss of income.

Before the pandemic, Myanmar had an estimated 4.25 million migrants living abroad.¹ Collectively, they sent back around US\$2.8 billion in formal remittances last year, constituting more than 4 percent of the country's GDP.² This is known to be only a portion of the national account as informal remittance channels are prominent, especially from Thailand, where almost

68 percent of the informal remittances to Myanmar originate from.³ Nearly all migrants from Myanmar send back remittances – 95 percent do so, with average amounts of \$222 from Thailand and \$154 from Malaysia.⁴ Remittances form an important source of income for at least 2.1 million recipients in Myanmar, of whom 72 percent live in rural areas and 56 percent are women. Moreover, remittances support more than 681,000 enterprise owners and almost 500,000 youth under the age of 25 years.⁵ The migrant women and men who provide this financial support are primarily low-skilled workers, who remit the majority of their incomes home in regular transfers of relatively small amounts.

As shown in Figure 1, demand-side data from the United Nations Capital Development Fund (UNCDF) FinScope Survey of 2018⁶ demonstrate that most of the states and regions that rely most heavily on overseas remittances are areas in the south-east of Myanmar, which are home to ethnic

minorities. The rate is highest in Kayah State, with a third of families here receiving money from abroad. Even before the COVID-19 pandemic, the livelihoods of households in many locations in the south-east were highly vulnerable due to the effects of protracted conflict and a lack of sufficient employment opportunities. The coronavirus crisis has further exacerbated the vulnerability of these households.

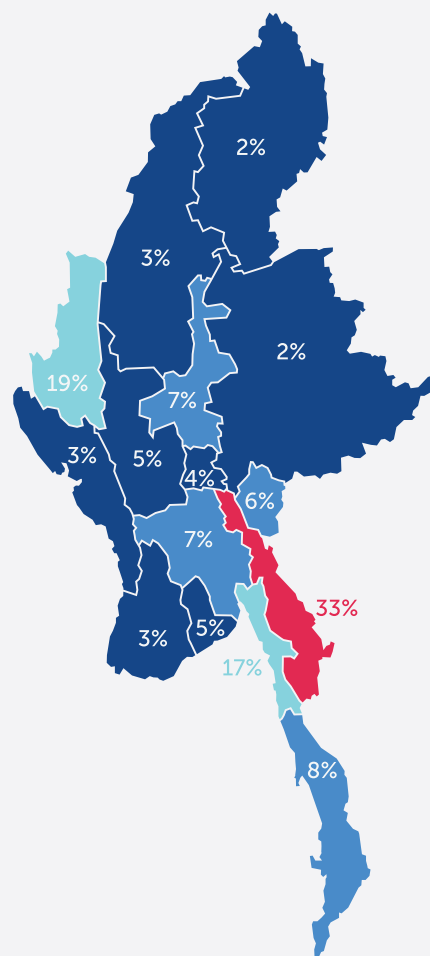
Ensuring remittance services are accessible and affordable during the pandemic would provide immediate financial relief for a significant number of households in Myanmar. Providing migrant-friendly transfer services not only taps the country's largest inflow of funds but also delivers direct support to some of the country's poorest and most vulnerable people, including those in remote rural areas.

IMPACT OF COVID-19 ON THE LIVES AND LIVELIHOODS OF MYANMAR'S MIGRANTS

Myanmar's international migrant population has been heavily affected by the COVID-19 pandemic. The crisis has led to widespread loss of income and tens of thousands of returnees. Before the onset of COVID-19, the major destination countries for Myanmar's migrants were Thailand, Malaysia, Singapore, China, South Korea, Japan and Saudi Arabia. At least 71,000 migrants are thought to have returned to Myanmar to the end of May 2020, primarily from Thailand and China.⁷ The total figure is unclear, however, due to the large number of informal returnees. Returning migrants are required to quarantine for 21 days in community-based quarantine facilities and a further 7 days at home before they can rejoin their communities.

Thailand was the first country in south-east Asia to close down all non-essential

Figure 1. Percentage of families in Myanmar receiving international remittances in 2018



Source: UNCDF FinScope 2018

services through an emergency declaration, halting key industries like manufacturing, construction, hospitality and tourism, which employ hundreds of thousands of Myanmar's migrant workers. Following a rush to return home at the end of March, the border checkpoints between Thailand and Myanmar were closed.⁸ There have been repeated delays in allowing further returns of international migrants, because the negotiated bilateral process has conflicted with the emergency prohibition against inter-provincial travel within Thailand.

The Thai Government finally allowed the first batch of migrants to return on buses through the Mae Sot–Myawaddy border checkpoint on 22 May. While this was a

positive development, many migrants from Myanmar had been stuck in Thailand for months without income, as they were the first to lose their jobs as a result of the lockdown measures.⁹ There is growing financial desperation among the migrants who remain stranded in June. At least 30,000 migrants have registered with the Embassy of Myanmar in Thailand to return, although many organizations working with migrants believe the number wanting to return is substantially higher.

At the same time, it is known that as many as 65,000 of Myanmar's migrants wish to return to work in Thailand as the economy begins to reopen. Procedures for Myanmar's workers to migrate again to Thailand are being developed but they are currently very restrictive, and the requirements include a demand letter from a Thai employer, a certificate of fitness to travel, a negative COVID-19 test and two weeks of quarantine on arrival. Nevertheless, many returned migrants are highly motivated to go back to work in Thailand – most left their communities in Myanmar due to limited job opportunities, and the local labour market has only deteriorated since. The initial findings of a rapid assessment by the International Labour Organization (ILO) among migrants returning to Myanmar found that 58 percent had plans to re-migrate to their previous jobs in Thailand.¹⁰

A large number of Myanmar's migrants, totalling over 25,000 by the end of May, have also returned to Kachin and Northern Shan States, from work in China.¹¹ Significant populations of migrants from Myanmar also reside in Malaysia and Singapore, where strict lockdown measures have prevented migrants from either working or returning home. Myanmar's migrants have been especially vulnerable to COVID-19 in these countries due to the crowded dormitories they live in

and Malaysia's recent crackdown with the detention of hundreds of irregular migrants.¹²

Many of Myanmar's migrants working abroad, particularly those who are undocumented, have had difficulty accessing government social protection and emergency aid measures in their destination countries. Although regular migrants working in the formal sector in Thailand are eligible to receive unemployment and health insurance benefits from the social security scheme, very few have been able to access them due to language barriers, a lack of awareness of how to access them, fears of discriminatory treatment and other practical restrictions.¹³ A large share of Myanmar's migrants are therefore reliant on informal peer support and emergency aid delivered by civil society and labour organizations.

Significant flows of migrants returning to Myanmar can be expected to continue for several more months because the economic impact is such that there are fewer jobs available. Back home in migrants' communities of origin, many households will become financially stretched without the remittance income. Later in the post-COVID-19 crisis phase, migrant communities will likely be desperate to renew their livelihoods, but systems for re-migration may not be fully in place. If so, this would lead to higher flows of irregular migration and greater vulnerability to exploitation during recruitment and employment.

IMPACT OF COVID-19 ON INBOUND REMITTANCE FLOWS TO MYANMAR

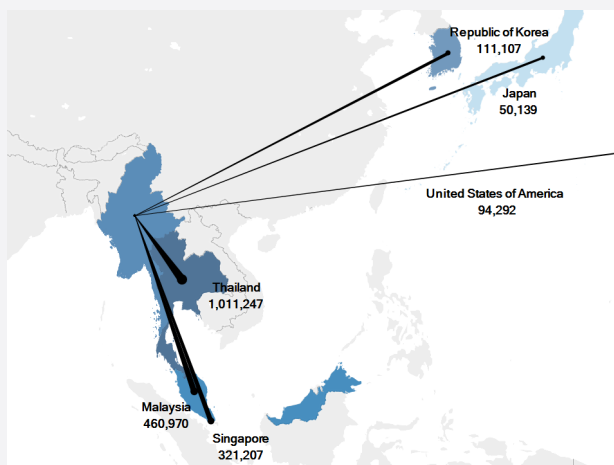
The influx of migrants returning from neighbouring countries and the unemployment among those remaining abroad will have a major impact on Myanmar's remittance corridors. Around

84 percent of the country's remittances are from Thailand, Malaysia and Singapore (see Figure 2) – other countries in the Association of Southeast Asian Nations (ASEAN). South Korea, the United States and China account for the remaining 16 percent. A number of studies have shown that the majority of remittances are sent through informal hundi networks.^{14,15,16,17,18} Such networks are likely to be disrupted by a decline in international trade, and the effect of movement restrictions on in-person transactions – adding yet another challenge for migrants who wish to send money home.

The World Bank projects that formal remittances for low- and middle-income countries will fall by 20 percent in 2020.¹⁹ Such a decrease from an estimated total of formal and informal inflows to Myanmar of \$10 billion would amount to an almost

Figure 2. Sources of international remittances to Myanmar

Graph displays total number of recipients represented for several source countries, with the estimate including both formal and informal forms of remittance.



Source: UNCDF Myanmar FinScope survey 2018

Disclaimer: The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNCDF concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

\$2 billion loss for the economy, hitting the 2.1 million remittance recipients hardest.²⁰

The speed of the economic recoveries in Malaysia, Singapore and Thailand will be key in determining the impact of COVID-19 on remittance flows to Myanmar.

BARRIERS TO MYANMAR MIGRANTS' ACCESS TO FORMAL REMITTANCE SERVICES

A major challenge to improving formal remittance flows to Myanmar is that many migrants have limited experience and less confidence in accessing formal remittance and financial services before going abroad. Only a small minority of Myanmar's migrants have bank accounts, whether at home (8 percent) or in their destination country (18 percent).²¹ There is a lingering public distrust in the banking system in Myanmar because of a history of periods of high inflation, low interest rates offered on deposits, and at least three episodes of demonetization since independence.²² The barriers to accessing formal banking services in the destination countries also continue to obstruct financial inclusion for Myanmar's migrants. The documentation requirements of banks often exclude irregular migrants, their isolated workplaces and restricted movement make access challenging, and migrants have reported feeling unwelcome as customers in many banks.²³

Informal hundi agents offer better terms for migrants to send and receive money; their services also tend to be more convenient, offering door-to-door delivery. This results in the continued high usage of informal remittance channels.^{24,25} If formal providers want to be able to compete with informal agents – especially during COVID-19 – their service delivery must improve. There is a real economic opportunity to do so, added to the business and public policy case for the need

to formalize and digitize these remittance flows.

Another challenge for remittances to Myanmar are the complex pricing structures created by banks that vary by township and state, which make it difficult for money transfer operators on the sending side to calculate costs. Even though some local banks have already migrated to modern, up-to-date core banking systems, these capabilities remain largely untapped, and old processes prevail.

THE OPPORTUNITY FOR DIGITAL REMITTANCES

It is likely that digital remittance channels via mobile wallets and internet banking will show lower reductions in remittance inflows, especially compared with offline cash-based transfers.^{26,27} However, digital remittance solutions have only recently become available in Myanmar and are yet to reach the majority of people.

Since the development of mobile financial service regulations in Myanmar, there are more mobile money agents (50,000-plus) than bank branches (2,000-plus). Regulations do not currently allow mobile financial services providers, such as Wave Money (the most popular service), to be the correspondent institution in a cross-border remittance. Other digital financial service providers, working on a banking licence, such as True Money, are allowed to conduct cross-border transfers in partnership with a local bank. The uptake of the latter business model remains marginal, as most people in Myanmar do not have a mobile wallet, and most of the mobile money transactions are still done over the counter using agents to transfer the money back and forth. Improving digital and financial literacy in rural areas, and increasing the uptake of mobile wallets

would expand access to digital remittances. This is especially important during the pandemic, while offline remittance services may be unavailable or unsafe to use.

Digital remittance solutions are generally faster, better regulated and cheaper than cash-based solutions. In the Thailand-to-Myanmar corridor, for example, while money transfer operators often set transaction costs below 3 percent (the target set for low-value remittances under the United Nations Sustainable Development Goals, SDGs), the bank-led formal transfers are much more expensive – often above 10 percent.²⁸ Digital remittances can also be linked more easily to other financial services such as domestic payments, savings accounts and insurance, providing expanded use-cases for migrants and their recipient families and friends.

Still, many digital channels in Myanmar face challenges, especially considering the low financial literacy of many migrant workers and their families. To send and receive payments through digital means such as mobile money or bank transfers, customers at both ends must first sign up for financial accounts. As many as 60 percent of remittance recipients in Myanmar consider financial services to be stressful, and 55 percent are unaware of mobile wallets.²⁹ Campaigns to raise awareness and digital and financial literacies for both migrants and recipient families are needed to ensure the use of digital remittance channels. The introduction of more cash pickup points beyond the customer's bank are another potential solution to support migrant remittances, leading to an increase in bank and wallet account opening and usage – yet such expansion is not currently allowed in Myanmar.

There is a rapid growth of financial markets in Myanmar, with access to formal financial

services increasing from 30 percent to 48 percent of adults between 2013 and 2018.³⁰ This generates new opportunities to link international remittance products to other financial offerings. For example, while 2 out of 10 remittance recipient families save in formal institutions such as banks, almost 4 out of 10 households still save informally and could be offered remittance-linked savings products.³¹ Linking remittances to other financial services such as payments, savings and enterprise credit not only widens financial inclusion, but also improves livelihoods and the financial health of recipient households.

ACCESS TO AFFORDABLE, DIGITAL AND MIGRANT-FRIENDLY REMITTANCE SERVICES

The government of Myanmar can offer various solutions to ensure affordable and migrant-friendly digital remittance services. The Central Bank of Myanmar can advocate that the Bank of Thailand allows banks, mobile network operators and remittance service providers in Thailand to participate in the cross-border remittance market to Myanmar, providing inclusive services for both documented and undocumented workers. Policy measures should also include ensuring that Myanmar's migrants are able to open bank accounts easily. Tiered 'know your customer' (KYC) requirements should be introduced in Myanmar.

The COVID-19 outbreak has made the target of lowering the cost of remittance services for migrant workers to under 3 percent, as established by the SDGs, is a particularly urgent matter. Given the major reduction in income for migrants and their family members during the pandemic, immediate interventions are critically needed to facilitate accessible and affordable remittance transactions. This would ensure that the

financial support migrants provide to their households is not lost in the 'last mile', including potentially through subsidizing the costs of sending remittances with public funds. To improve the uptake of modern remittance channels, governments and development partners could expand financial and digital literacy campaigns. A coordinated effort from trustworthy sources to raise awareness and build trust in digital platforms would help to provide Myanmar's migrants with clear and unbiased information about the benefits.

A critical step towards unlocking access to digital remittance channels would also be made by governments harmonizing regulations across countries in the ASEAN region. Harmonization may include KYC legislation that advances financial inclusion for migrants and recipient families. Efforts by central banks could reduce application times for companies obtaining licences to improve digital remittance innovations. Multiple approvals are often required – for each partnership, at each border, and often for each product. Finally, clearer regulation is needed on cross-border partnerships for new players, especially the non-bank institutions, fintechs and mobile money operators.

Extensive networks to provide information and support to migrants are well established in Myanmar and could be leveraged to link migrant households with remittance services if the incentives for their use are clear. The Livelihoods and Food Security Fund (LIFT) and its implementing partners under the 'Decent Work and Labour Mobility' programme have delivered direct assistance to almost 600,000 migrants and their family members during the COVID-19 pandemic. Interventions have been implemented over 2 months across 12 states and regions of Myanmar, as well as in major destination countries through radio and social media.

In summary, the decline in the flow of remittances to Myanmar represents the loss of crucial financial support for many vulnerable households, and in addition to the rapidly intensifying economic effects of COVID-19 on the country of origin, they are also impacting the local economies of host communities. Deep commitments must be made and delivered to help relieve the severe difficulties faced by Myanmar’s migrants in 2020, including action that must be accelerated towards a more inclusive

financial future – for migrants, for their host economies, and for their beneficiary families, friends and communities at home. Digital transformation is crucial to support the wider banking ecosystem as well as these vital flows of remittances now being so sorely affected by the coronavirus pandemic.

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