



Centre on International Migration, Remittances and Diaspora  
(CIMRAD)

# Pakistan Migration Report 2022



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Lahore School of Economics



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**June, 2022**

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First printing June, 2022

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## Preface

In an effort to provide a comprehensive overview of international migration to and from Pakistan, the Centre on Migration, Remittances and Diaspora (CIMRAD), Lahore School of Economics, published its first migration report in February 2020 ([www.gids.org.pk/publication](http://www.gids.org.pk/publication)). The present report is the second one in a biennial series planned by CIMRAD.

The Pakistan Migration Report 2022 tracks the major changes in the outflow of migrants from Pakistan and documents their return by comparing the pre covid-19 year, 2019, with 2020 and 2021. It also analyses the possible reasons against expectations of a significant rise in remittances in the post Covid-19 period. The report includes two special foci, one providing an in-depth review of the efforts made by the Pakistan government to fulfill migration related goals as a part of the Sustainable Development Goals and the Global Compact on Migration. Second, in the context of remittances, it highlights the efforts made by the government and State Bank of Pakistan to attract remittances through formal channels.

The two main findings of this report are as follows. First, migrant outflows witnessed a steep decline of 64% in 2020, followed by a slight recovery in 2021. Viewed in a historical perspective, the relative decline in outflows to the United Arab Emirates was particularly large and raises concern for future migration flows to the Gulf, as 95% of the total annual outflows are to this region. Second, remittance inflows continued their rising trend in 2019-2020 and 2020-2021 compared to 2018-2019 against all earlier expectations. However, remittance inflows from Saudi Arabia and UAE increased at a lower rate in 2020-2021 compared to 2019-2020, contrary to past trends. Considering the marked recent decline in migrant outflows, policy makers should not bank on upward trend in remittances in future, despite considerable efforts to encourage remittance flows.

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# Key Findings and Reflections for the Future

## Migrant Outflows

- A comparison of the annual outflow of migrants between 2019 and 2020 indicates a decline from 625,876 to 225,213, with a reversal of the decline in 2021 to 288,280.
- Saudi Arabia remained the largest recipient of Pakistani workers in 2020 and 2021, with 61% and 54% of all migrants heading to that country.
- An unusually large decline occurred in the outflow to the UAE, the percentage declining from 34% in 2019 to 24% in 2020, and only about 10% in 2021. Historically, the UAE has received much larger numbers, and outflows to the UAE exceeded those to Saudi Arabia in 2017 and 2018.
- Consistent with past trends, over half of all workers were unskilled or low-skilled in 2020 and 2021. General laborers continued to form about 40% of all outflows.
- Female migrants continued to form a negligible percentage of all out-migrants at less than 1%.
- In terms of the geographical origin of migrant workers, Punjab province gained slightly while KPK and Sindh lost some ground. The districts of Sialkot and Dera Ghazi Khan sent the largest numbers in 2021; however, each amounted to only about 5% of all migrant workers, with a wide range of districts sending migrants.
- Pakistan has made appreciable progress in addressing several of the migration related SDG goals. However, the speed of such progress is quite slow. New initiatives to assess recruitment costs have been launched.
- Pakistan has been quite proactive in its efforts to curb irregular migration from the country, by formulating legislative and administrative mechanisms.
- The voluntary repatriation of Afghan refugees through the UNHCR declined markedly during 2020 and 2021, with less than 500 persons leaving the country.
- The Migration Policy document that was apparently finalized prior to the Pandemic has still not been presented to the Parliament thus delaying several potential actions that could improve migration governance.

## Reflections on Future Migrant Outflows

- The reversal in the decline of outflows between 2020 and 2021 is a positive sign for future outflows. If the upward trend continues, that will help in sustaining and increasing remittances to the country. Furthermore, it will relieve the pressure of creating new jobs in the domestic labour market.
- In addition to the economic health of the Gulf countries, some non-economic factors will also determine future flows. These will include reforms of the kafala system, effectiveness of migration

through friends, relatives and recruitment agents, changing attitudes of the public and governments of host countries, and competitiveness of covid-free Pakistani workers.

- The rather drastic decline of outflows to the UAE is a warning sign. There is a need to identify the reasons for this decline and restore previous levels. However, the increase in outflows to Qatar and Oman almost compensated for the decline to the UAE, maintaining the predominance of the Gulf outflows at about 95%.
- Despite the government's efforts to diversify the destinations of migrant workers, not much progress has been achieved. Furthermore, private formal and informal channels continue to be the main mobilizers of new employment, with the government agency (Overseas Employment Corporation) filling less than 1% of the jobs required by foreign countries.
- Pakistan has made hardly any progress in improving the skill level of its migrant workers during the last five decades. A thorough evaluation of the current training programs run by the TVETs is needed to identify the reasons for the lack of upskilling of migrant workers and make improvements. If skills are not enhanced soon, Pakistani workers will lose to other South and Southeast Asian migrants competing for Gulf jobs.
- Impressive improvements have been made in the management of irregular migration from Pakistan. These efforts must be continued and strengthened. Also, additional efforts for successful reintegration of deportees and voluntary returnees are necessary.
- The presence of Afghan refugees continues to pose certain security issues and other questions for Pakistan. The current situation after the withdrawal of international armed forces and takeover of the government by the Taliban may result in the substantial increase of refugees in the coming months and years, exacerbating the existing challenges.

### **Remittance Inflows**

- Total volume of remittance inflows in 2021-2022 is expected to sum up to USD 31 billion.
- Contrary to expectations at the start of the pandemic, remittance inflows showed an increasing trend with a 6.4 percent increase in 2019-2020 and 27 percent in 2020-2021. The average monthly inflows between September 2020 till December 2021 rose to USD 2,519.9 million, well above the pre-Covid-19 level (July 2019 and March 2020) of USD 1,889.9 million.
- Saudi Arabia, UAE, UK, other GCC countries combined, and USA remained the top five remittance sending countries/region respectively in both 2019-2020 and 2020-2021 with an increase in flows. Similar trend is visible in the data for the first half of 2021-2022.
- Redirecting of transfers from informal to formal official channels was the most significant contributing factor towards the increase. Pandemic related restrictions, supplemented by the government and State Bank of Pakistan's timely efforts to promote official and digital channels for facilitating overseas Pakistanis attracted inwards remittances via the formal channels.
- Prominent government initiatives include the Roshan Digital Account and the Naya Pakistan Certificates. These have enabled the integration of the Pakistani diaspora abroad in the domestic banking system and opened investment opportunities. The tax regime has also been simplified under these new initiatives to make them more attractive.

- To further engage the diaspora through formal channels, mobile application based Sohni Dharti Remittance Program has been introduced that offers remitters redeemable reward points against their annual remitted amount.
- Move towards a complete market-based exchange rate regime complemented by amendments in the exchange company regulations lead to a decline in the kerb premium, making sending remittances via informal channels less attractive.
- Favourable interest rate differential with host countries may have also contributed to attracting investment-oriented inflows. However, significant increase in interest rates between September and December 2021 have not translated into higher remittance inflows. This could be linked with current uncertain macroeconomic scenario in the country.

### **Reflections on Future Remittance Inflows**

- It is unlikely that the surge in remittances seen during the early phase of Covid-19 will continue as the impact of the shift in flows from informal to formal channels and new investment initiatives and incentive schemes introduced in response to counter the impact of Covid-19 restrictions, is subsiding. Continued efforts are needed to expand avenues to fully tap into the investment potential of the diaspora as well as making it cost effective for remittances to use formal channels.
- Macroeconomic and political stability is a necessary condition to encourage investment- oriented remittances. Simultaneously, further expansion and development of the financial sector can play a major role in attracting remitters to use official channels. Building trust in the financial system is also important to increase the size of the formal remittance market.
- Increase in inflows from Saudi Arabia and UAE in the first half of 2021-2022 are very small. This is a cause for concern given that the two countries have been the main migrant destinations for Pakistani workers and the largest source of remittances in the past. Much of the meagre increase is associated with a drastic decline in migrant outflows to the region, hence highlighting in addition the need to explore employment opportunities and diversifying the markets for Pakistani workers.



# Chapter 1

## Introduction

Since the first report on international migration from, and to, Pakistan was published in February 2020 (Shah et al., 2020), the world of migrants from Pakistan and elsewhere has experienced phenomenal challenges. The underlying reason was the outbreak of the Covid-19 flu that was declared as a pandemic by the World Health Organization in March 2020. Many countries imposed total or partial lock-down of various economic and social activities and suspended international flights to curb the spread of the highly contagious virus. This led to several migrants being stranded in host countries, some losing their jobs, and others facing deportation because of status irregularities. Yet others faced reduction in wages or were forced to leave without wages owed to them by employers. In many sending countries, annual outflows of migrant workers registered notable declines due to postponement or cancellation of projects that would have required foreign workers. Furthermore, the number of returnee migrations far exceeded the normal volume registered prior to the pandemic.

In case of Pakistan, the annual outflow declined from 625,876 in 2019 to 225,213 in 2020, a decline of 64 percent. As the pandemic prolonged into 2021, the slower outflow was sustained but with a small recovery of 28% to 288,280. At the same time, an unexpected increase of 6.4 percent in 2019-2020 and massive 27 percent in 2020-2021 was observed in overseas remittances. The increase in remittances by foreign workers while their numbers were declining, and they were faced with job losses or other wage related problems seems contradictory and demands explanation.

The 2022 Pakistan Migration Report has two objectives. The first is to outline the major changes in the outflow of migrants from Pakistan, as well as document their return. We compare the major occupational composition, place of origin, and other characteristics for 2020 and 2021 with 2019, i.e., the two years following the pandemic vs. the year preceding it. While looking at the trends between the three years, we discuss the possible reasons and implications of the observed changes. The second objective is to describe the trends in remittances over the three years and discuss their likely correlates and determinants. In addition to the above objectives, we briefly review some of the recent efforts made by the Pakistan government to accomplish migration related goals set by the United Nations as part of the Sustainable Development Goals (SDGs), 2015-2030, and the Global Compact on Migration (GCM). Cooperation being sought with international organizations in order to accomplish some of these goals is also discussed. In the context of remittances, the report provides a comprehensive review of efforts made by the government and State Bank of Pakistan to attract remittances via formal channels.

In light of the above objectives, the report is organized according to the following sections. The Chapter 2 compares the outflows and characteristics of migrant workers in 2020 and 2021 vs. 2019. This section also includes an update on the voluntary return of Afghan refugees, and the trend in irregular migration from Pakistan. Chapter 3 summarizes the current efforts of the government and international organizations to facilitate and improve the governance and welfare of migrant workers, and its efforts towards accomplishing migration related SDGs. Chapter 4 analyses the changes in remittance inflows in the three years. Chapter 5 documents the initiatives of the government and State Bank of Pakistan to facilitate inward remittances through formal channels.

A brief reminder on how migration and migrants may be defined in Pakistan is given in Box-1 before proceeding with an analysis of the trends and patterns of migration and remittances.

### **Box 1: Defining International Migration and Migrants, Pakistan**

International migration from Pakistan consists of two main types: permanent where the migrant re-settles in the host country as a citizen of that country. In some cases, he may be a dual citizen of Pakistan and the host country, depending on the immigration policies of each. The second type consists of temporary migrants, primarily those who move for employment purposes on contracts, a majority to the oil-rich Gulf countries. Both these groups are included in the definition of the Pakistani “diaspora”, referring to persons of Pakistani origin who live or work in another country but maintain active social and economic ties with the country of origin. The term has no set meaning, and is defined by the IOM as “migrants or descendants of migrants whose identity and sense of belonging have been shaped by their migration experience and background” (IOM, 2019). The permanent migrants may span several generations that continue to identify and interact with Pakistan. The Pakistani diaspora is estimated to be around 9 million.

A concept similar to the diaspora is that of the “stock” of overseas Pakistanis. In terms of the total number of Pakistanis who are living abroad, data are less easily accessible. In some cases, the stock is estimated on the basis of data collected by the host country in their census or other civil registration sources. Prior to the pandemic, the stock of Pakistanis in the Gulf was estimated to be about 3 million (De Bel- Air, 2021). The Ministry of Foreign Affairs (MoFA) collects data on the stock of overseas Pakistanis living, working, or studying abroad that it shares with other government Ministries but are not routinely published. The stock of overseas Pakistanis was reported to be 8.4 million in June 2021.

Data on temporary migrant workers who proceed abroad annually for overseas employment after mandatory registration with the government is available on the internet and provides information such as the district of origin, country of destination, and occupation of the worker. The above data represents the “annual outflow” of migrants. During 1971-2021, a total of 11.6 million registered temporary labor migrants went overseas from Pakistan (BEOE database).

Another type of Pakistani migration on which relatively little information is available consists of irregular migrants who leave the country through irregular means, often with the assistance of migrant smugglers. In addition to those who leave the country irregularly, an unknown number of migrants who may have left legally but became irregular due to violating the rules and regulations of the host country are residing overseas.

Another type of cross-border movement that is important for Pakistan consists of refugees, primarily from Afghanistan. The refugee influx began after the Soviet invasion of Afghanistan in 1979, with more than 3 million refugees living in Pakistan around the turn of this century. Despite continuous efforts at repatriation to Afghanistan about 1.4 million registered refugees and perhaps an equal number of unregistered ones reside in Pakistan.



**PART 1**  
**MIGRANT OUTFLOWS AND GOVERNANCE**



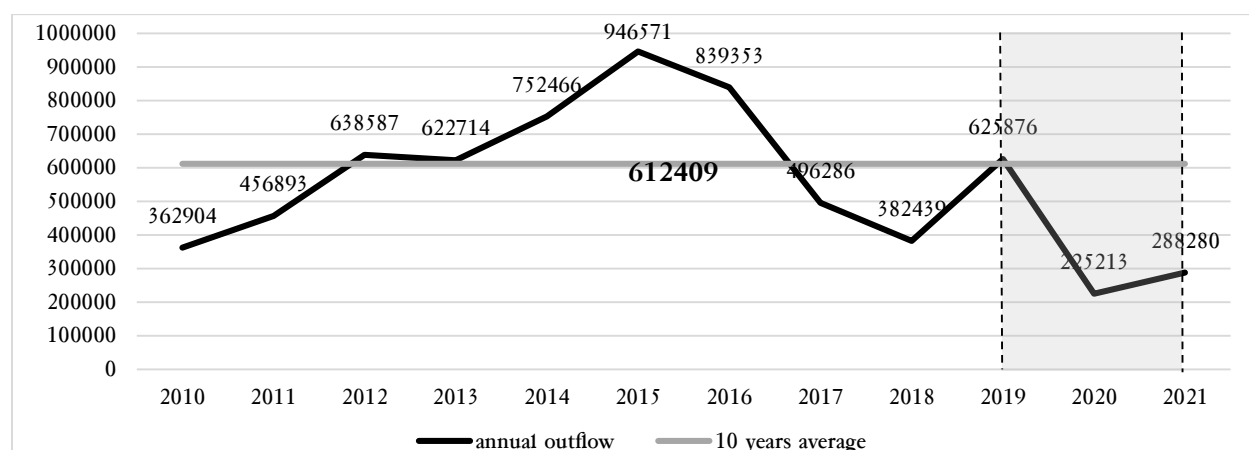
## Outflow and Characteristics in 2020 and 2021 vs. 2019

### 2.1. Outflow of Migrant Workers

The Bureau of Emigration and Overseas Employment (BEOE) has maintained the records of all overseas migrants leaving for employment and going through the mandatory registration process outlined in the 1979 Emigration Ordinance. While a total of 11.6 million migrant workers left the country during 1979-2021, annual outflows witnessed substantial fluctuations during that period. The outflow during 2015 was exceptionally high and reached almost one million, followed by sharp declines and then a recovery to 625,876 in 2019. Following the pandemic, the annual number fell to 225,213, or by 64 % in 2020. The declining trend was reversed in 2021 when the annual outflow numbered 288,280 (see Figure 2.1). A comparison of the average number of outflows in 2010-2019 with the two post-Covid years, 2020 and 2021 is shown in Figure 2.1. While the numbers show a large amount of fluctuation over the previous ten-year period, the average for this period was about 63% higher than the number who left in 2020 and 53 % higher than the number departing in 2021.

The two main reasons for the decline in outflows were the halt in recruitment of new workers and the non-completed hiring of those whose papers were already under process. According to BEOE estimates presented at a CIMRAD webinar on June 30<sup>th</sup>, 2020, about 102,000 workers whose jobs were under process were unlikely to proceed overseas while another 60,000 persons who had already registered to leave could not do so<sup>1</sup>. The latter group was described by the BEOE as highly vulnerable. These numbers have increased during the last year, as evident from the rapid decline in outflows between 2019 and, 2020 and 2021.

**Figure 2.1. Yearly outflows of Pakistani labour migrants, 2010-2021**



**Source:** BEOE database, various years

<sup>1</sup> CIMRAD webinar on COVID-19 and its impact on out and return overseas labor migration from Pakistan: major issues and concerns, June 30, 2020. Webinar report can be accessed at <https://www.gids.org.pk/wp-content/uploads/2021/09/CIMRAD-REPORT-on-webinar-held-June-30-2020.pdf>

A rapid assessment of the impact of Covid-19 on Pakistan's labour migration governance, recruitment practices and labour migrants was commissioned by the ILO recently (Siddiqui, 2021). A broad conclusion of the above assessment was that "it is clear that the pandemic has curtailed employment prospects, upended businesses, and thrown workers' lives and livelihoods into disarray". As part of the assessment, interviews were carried out with 80 stakeholders comprising migrant workers, government officers, overseas employment promoters and civil society representatives. All of the 54 migrants interviewed were "desperately worried about their employment prospects. They expect job opportunities to decline dramatically in destination countries, especially in the Gulf and particularly for unskilled and low-skilled workers who represent the bulk of Pakistani migrants". The report offered several suggestions on how to best manage the governance and welfare of migrants following the pandemic.

Arif and Farooq (2021) estimated the expected impacts of the pandemic on migrant outflows and return flows in 20/21. They assumed that the stock of Pakistani migrant workers was 5.7 million in 2011-2020 and calculated that if 10-30% of this stock returned to Pakistan, their number could range from 577,000 to 1,730,000. The above numbers would constitute 0.8%- 2.5% of Pakistan's labour force. Thus, large returns could have serious implications for the domestic labour force and consequent unemployment levels.

Research on the complex and multi-layered impacts of the Covid-19 pandemic on migrants from the Philippines, Egypt, and Pakistan residing in Jeddah and Dubai was conducted recently by Alsharif and Malit (2020). They reported that unemployment had increased markedly among foreign workers due to closure of businesses. Furthermore, wage cuts had become a "norm", resulting in the resort to part-time employment among migrants desperate to survive. Despite the prospects of declining wages, migrants especially the ones in low-skilled occupations were reluctant to leave since they were not very optimistic about job prospects in their home countries.

Evidence of a shrinking job market in the Gulf is reinforced by the future plans of host countries regarding the import of foreign workers. Each of the six countries have implemented policies to increase the participation of nationals in the labour force and reduce reliance on foreign workers. Kuwait has taken concrete steps to legislate the reduction of foreign workers in its population and labour force (Hamann, 2020). Saudi Arabia, that has remained one of the largest recipients of labour migrants from Pakistan for the last 50 years is implementing a program for Saudization of the labour force known as "Nitaqat" whereby quotas have been set for companies to ensure the participation of Saudis in their workforce. Saudization aims to employ more Saudis in jobs currently filled by expatriate workers by closing the gap in the cost for employers between hiring expatriates and nationals (Grand and Wolff, 2020). Companies failing to meet these guidelines can be fined or face closure.

Host countries aim to encourage the migration of highly skilled workers. Countries like Saudi Arabia and Qatar have launched new residency schemes for high-skilled workers. Saudi Arabia's policy to attract highly skilled workers aims to reduce the bureaucratic burden, offers the ability to own property, and allows workers to serve as their own employment sponsor in exchange for a sizable fee. While they want to encourage the migration of highly skilled workers, they plan to reduce the number of low-skilled foreign workers from South Asia and other countries and fill those positions with Saudi nationals. In order to discourage the growth in numbers of foreign workers and their families, an expatriate levy was introduced in 2012 by Saudi Arabia that was imposed on companies and on workers who sponsored their families. In the post-pandemic setting, the stress on the Gulf job market is likely to increase along with the competition for such jobs.

In addition to the host country's economic health and planned development policies, several non-economic factors that have mobilized migrant outflows in the past will remain important in the future. Shah and Hameed (2021) identified the following factors as likely determinants of future outflows to the Gulf countries to which almost 95% of Pakistani worker migrants are headed: (i) the persistence and reforms of the sponsorship (*kafala*) system in the Gulf; (ii) social networks of friends and relatives and the pervasiveness of agents and sub-agents; (iii) the attitudes of host countries towards migration; (iv) competitiveness of Covid-free workers in the future.

## 2.2. Major Destinations, 2019 and 2020 and 2021

Throughout its history of labour migration, Saudi Arabia and the United Arab Emirates (UAE) have been the leading destinations (Shah et al, 2020). The salience of Saudi Arabia increased further between 2019 and in 2020 and 2021 (see Table 2.1). From 53% in 2019, the percentage of foreign workers proceeding to Saudi Arabia in 2020 increased to 61%, while the outflow to the UAE declined from 34% to 24%. In 2021, the outflow to the UAE suffered a very large decline, amounting to only 9.6%, while Saudi Arabia held its prominence with about 54% of all out migrants. GCC countries remained the top five recipients with some changes between the three years. Roughly 95% of all labour migrants proceeded each year to the Gulf region during the 2019-2021 period. In 2021, both Oman and Qatar registered substantial gains. The outflow to Malaysia declined slightly from 1.8 to 1%. The two new recipients worth mentioning were Japan and China with 0.16% and 0.13% of all migrants. Thus, some notable changes seem to be taking place. The marked decline to the UAE to less than 10% may be a cause for some concern since larger percentages of Pakistani workers had proceeded to that country in 2017 and 2018 compared to Saudi Arabia. The decline to the UAE may be attributed to that country's change in visa policies instituted in November 2018, when work visas for Pakistanis were banned along with those of some other countries (Aamir, 2020). While there is no official notification of the ban according to Pakistan or UAE, the relatively large decline of outflows in 2021, seems to have resulted from the restrictive policies. Efforts to restore the former levels of employment are urgently needed.

**Table 2.1: Top ten countries to which Pakistani labour migrants went in 2019-2021**

2019		2020		2021	
Countries	Percentage	Countries	Percentage	Countries	Percentage
Saudi Arabia	53.22	Saudi Arabia	60.67	Saudi Arabia	54.34
U.A.E.	33.78	U.A.E.	23.89	Oman	13.38
Oman	4.54	Oman	4.6	Qatar	13.25
Qatar	3.09	Bahrain	3.49	UAE	9.57
Malaysia	1.81	Qatar	3.3	Bahrain	4.53
Bahrain	1.31	Malaysia	1.02	Iraq	0.98
Iraq	0.37	Iraq	0.52	Cyprus	0.68
China	0.2	UK	0.36	UK	0.36
Cyprus	0.16	Japan	0.16	China	0.21
UK	0.14	China	0.13	USA	0.19
Others	1.38	Others	1.85	Others	2.69

*Source:* BEOE database, 2019 – 2021

## 2.3. Stock of Overseas Pakistanis

In terms of the stock of Pakistani diaspora residing in other countries, no annual estimates are published by the government, unlike that for the outflows. Data for the number of overseas Pakistanis living, working and studying abroad in June 2021 is shown in Table 2.2. The total stock of overseas

Pakistanis was estimated as 8.4 million in 2021. About 53% of them were working and living in the Gulf countries. About 1.2 million Pakistanis were living in the USA as well as UK, and about 223,000 in Canada. Other countries with 100,000+ migrants included Italy, South Africa, Spain, Australia and France. A previous estimate of the Pakistani diaspora was published by the Ministry of Foreign Affairs in 2014, showing an estimate of 7.5 million overseas Pakistanis (MoFA, 2014).

Another internationally available source for stock data on Pakistanis consists of UN estimates. In terms of persons born in Pakistan but living in another country in 2019, the UN estimated the total number as 6.5 million (UNDESA, 2019). This number is substantially lower than the estimate reported by the Pakistan government, as shown in Table 2.2. A major reason for the difference is the definition of the stock of migrants used by the UN and Pakistan.

The type and skill level of migrants to the Gulf region is different from migrants to Western developed countries. Migrants to the Gulf are primarily temporary labor migrants with almost no possibility of becoming a Gulf citizen; migrants to Western developed countries usually have an opportunity to pursue a legal path to acquiring citizenship of the host country. In terms of skill level, at least half of the Gulf migrants are unskilled or low skilled (as discussed below). On the other hand, the skill level of migrants to the more developed countries is known to be higher, with the possibility of enabling higher wages, and remittance of larger sums of money to Pakistan (e.g., MPI, 2015).

**Table 2.2: Country wise number and percentage of overseas Pakistanis living, working and studying abroad, as of 8<sup>th</sup> June 2021**

Countries	Number of Overseas Pakistanis (%)
<b>Gulf region</b>	
Saudi Arabia	2,300,000 (27.5)
United Arab Emirates (UAE)	1,600,000 (19.1)
Oman	168,182 (2.0)
Qatar	160,000 (1.9)
Bahrain	120,000 (1.4)
Kuwait	95,453 (1.1)
<b>Total</b>	<b>4,443,635 (53.1)</b>
<b>Countries where 100,000 or more Pakistanis were residing in 2021</b>	
United States of America (USA)	1,200,000 (14.3)
United Kingdom (UK)	1,175,000 (14.0)
Canada	223,000 (2.7)
Italy	200,000 (2.4)
South Africa	170,000 (2.0)
Spain	120,000 (1.4)
Australia	100,000 (1.2)
France	100,000 (1.2)
<b>Total</b>	<b>3,288,000 (39.2)</b>
Other Countries with less than 100,000 Pakistanis	644,116 (7.7)
<b>Estimated total number of Overseas Pakistanis by MoFA</b>	<b>8,375,751 (100)</b>

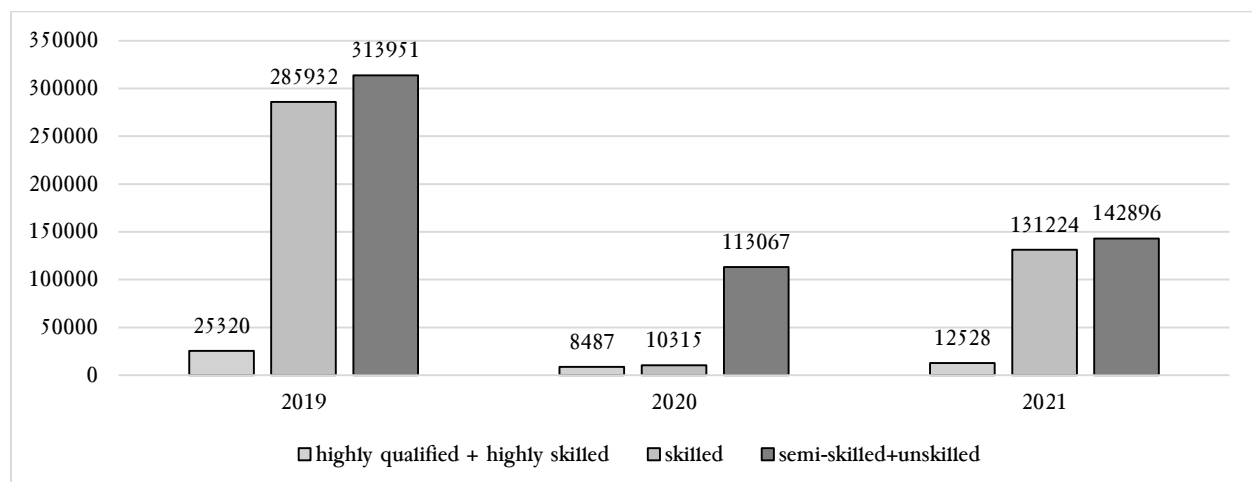
**Note:** “The term overseas Pakistanis refers to Pakistani people who live outside Pakistan. These include citizens that have migrated to another country as well as people born abroad of Pakistani descent. An overseas Pakistani is any person holding a Pakistani Passport, CNIC, NICOP, POC or OPF Membership Card proving his / her nationality / ancestry, and is working / residing / studying abroad permanently or temporarily for not less than six months”

**Source:** Ministry of Foreign Affairs, 2021

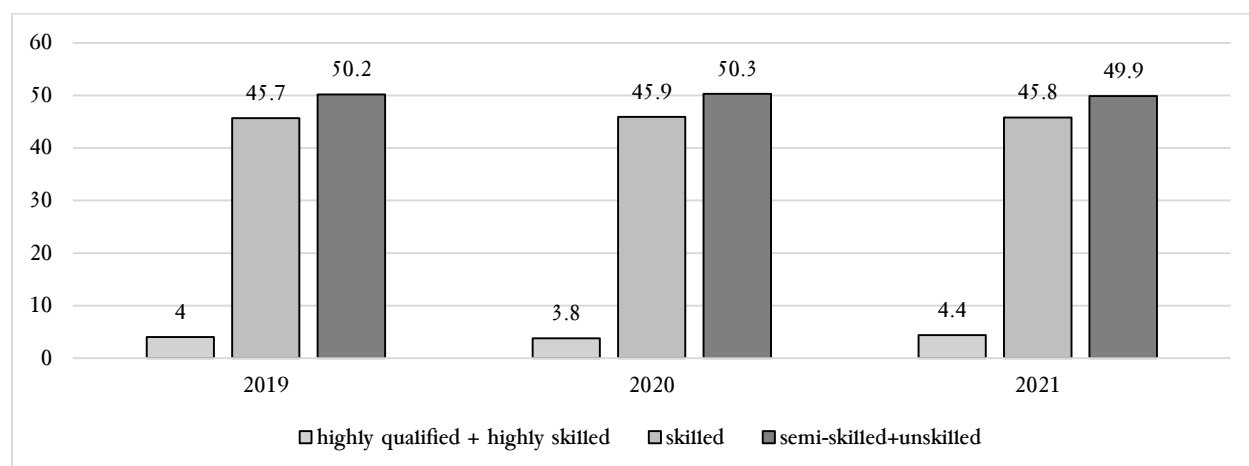
## 2.4. Occupation and Skill Levels, 2019, 2020 and 2021

During the last decade, about 50-60% of Pakistani labour migrants were unskilled or semi-skilled, and only about 5% were highly qualified (Shah et al., 2020). In 2019, half of all migrants were unskilled/semi-skilled that remained consistently so in 2020, as well as 2021. (See Figures 2.2 and 2.3). The percentage of highly qualified/highly skilled declined slightly from 4.0% in 2019 to 3.8% in 2020 and increased to 4.4% in 2021. In terms of the five leading occupations, general laborers held the highest rank in 2019 (39%), maintained in 2020 (42%), and 2021 (40%) as shown in Figure 2.4. Drivers gained prominence and their relative percentage increased from 29% to 34% from 2019 in 2020 but declined to 29% in 2021. In terms of the relative outflow of various occupations between 2019 and 2021, some occupations related to the construction industry witnessed the largest declines, as shown in Table 2.3. The number of carpenters declined by about 70%, while the number of steel fixers declined by 86%. The decline in the construction industry in the Gulf is not surprising in view of the lockdowns and suspensions of projects. However, an optimistic picture for Pakistani workers in this industry is present in the home country in view of the heightened focus by the Government on facilitating construction related projects, such as housing. Such endeavors may provide alternative employment opportunities to returnees as well as potential migrants.

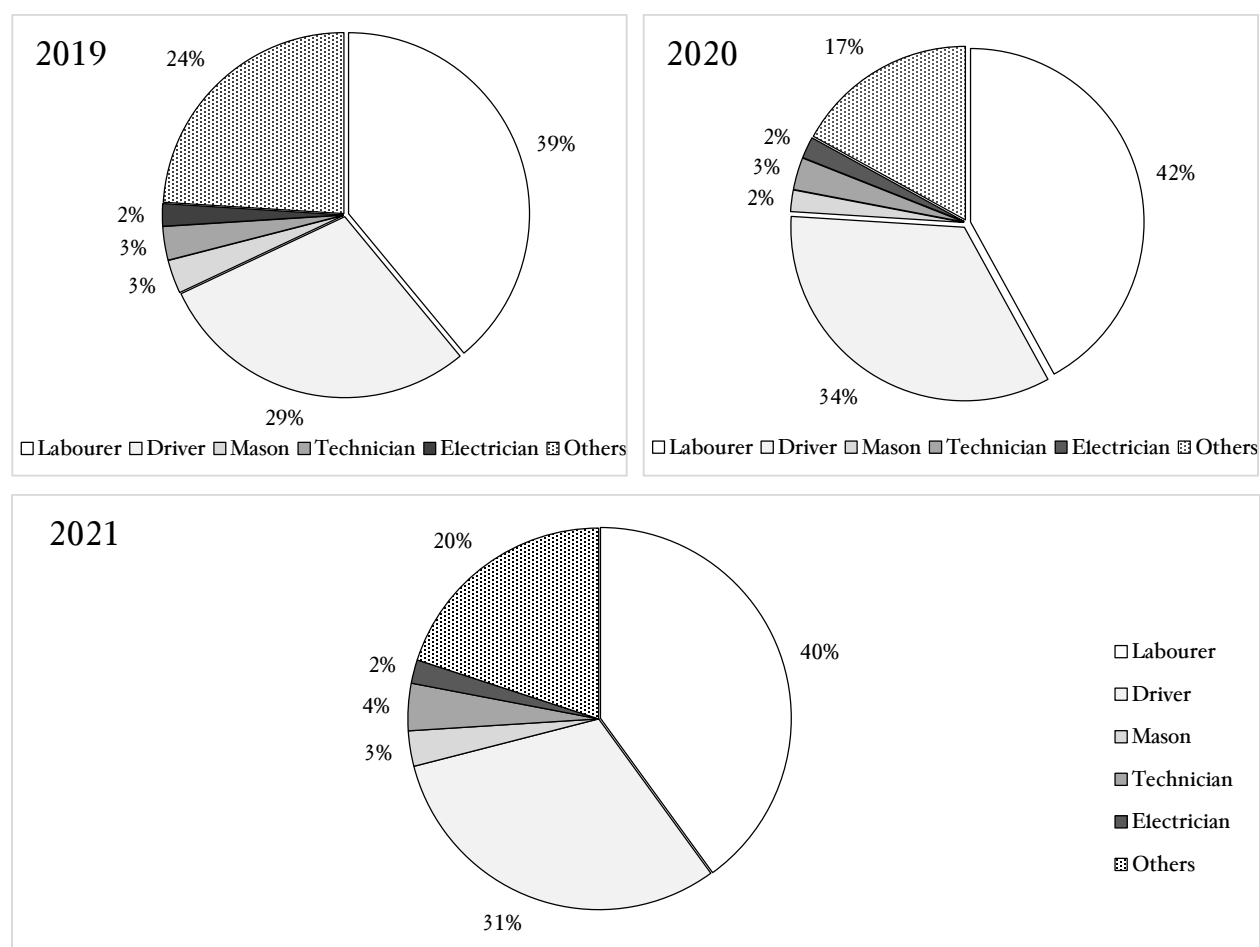
**Figure 2.2: Pakistani out-migrant workers according to skill level, 2019 – 2021 (Numbers)**



**Source:** BEOE database, 2019-2021

**Figure 2.3: Pakistani out-migrant workers according to skill level, 2019-2021 (Percentages)**

**Source:** BEOE database, 2019-2021

**Figure 2.4: Five leading occupations where Pakistani labor migrants were employed for year 2019, 2020 and 2021 in percentages**

**Source:** BEOE database, 2019 – 2021



**Table 2.3: Top ten occupations in 2019 and 2021, and percentage decline**

Sr. No.	Category	Year		Difference	Percentage
		2019	2021		
1	Labourer	242811	113781	129030	53.14
2	Driver	182920	87884	95036	51.95
3	Mason	19590	9123	10467	53.43
4	Technician	16890	11751	5139	30.43
5	Carpenter	13769	4168	9601	69.73
6	Electrician	15166	7103	8063	53.16
7	Steel fixer	9291	1225	8066	86.82
8	Mechanic	9002	4887	4115	45.71
9	Salesman	9430	2620	6810	72.22
10	Fitter	9135	3526	5609	61.40

**Source:** BEOE database, 2019 and 2021

## 2.5. Province and District of Migrants' Origin

Table 2.4 shows the breakdown of migrant's origin according to province. Punjab, being the largest province, sent the largest percentage of migrants in 2020 and 2021 as it did in 2019. Punjab's contribution to the outflow increased from 50% in 2019 to 55% in 2021. On the other hand, the relative share of Sindh and Khyber Pakhtunkhwa (KPK) declined during the same period. KPK has historically been sending a larger share of migrants than its share in the country's population but suffered a small decline from 30.4% to 26.6% between 2020 and 2021. In terms of the top ten districts of origin, small changes occurred between the three years (see Table 2.5). The districts of Sialkot and Swat were consistently among the top three districts in 2019 as well as 2020 and 2021. The top ten districts accounted only for one-third of all migrants in 2021, implying that migrants in Pakistan are drawn from many different districts within the country, and the impacts of migration on the country span a wide spectrum.

**Table 2.4: Percent distribution of emigrant workers by province of origin, 2019 - 2021**

Province	2019	2020	2021
Federal Territory of Islamabad	0.7	0.8	0.8
Punjab	50	52.9	54.7
Sindh	9.1	7.5	7.4
Khyber Pakhtunkhwa	29.8	30.4	26.6
Baluchistan	0.8	0.8	0.9
Azad Kashmir	4.8	3.4	3.7
N/Area	0.4	0.1	0.3
Tribal Area	4.4	4	5.6

**Source:** BEOE database, 2019-2021

**Table 2.5: Top ten districts generating Pakistani labour migrants, 2019 - 2021**

2019		2020		2021	
Districts	Percentage	Districts	Percentage	Districts	Percentage
Swat	4.1	Sialkot	4.7	Sialkot	5.12
Lower Dir	4.05	Swat	4.4	Dera GhaziKhan	4.67
Sialkot	4.0	Dera GhaziKhan	3.8	Swat	3.89
Dera GhaziKhan	3.45	Lower Dir	3.7	Gujranwala	3.62
Gujranwala	3.2	Gujranwala	3.55	Rawalpindi	3.21
Lahore	2.5	Faisalabad	2.82	Lower Dir	2.92
Faisalabad	2.4	Mardan	2.79	Faisalabad	2.82
Mardan	2.36	Lahore	2.78	Lahore	2.77
Upper Dir	2.27	Rawalpindi	2.75	Mardan	2.42
Rawalpindi	2.13	Upper Dir	2.35	Gujrat	2.32
Others	69.5	Others	66.26	Others	66.19

**Source:** BEOE database, 2019 - 2021

## 2.6. Women in Labour Migration from Pakistan

The tables published routinely by the BEOE on its website do not show a disaggregation of the outflows by gender, and a historical account of women's participation in migration is therefore not available. The annual report published by the BEOE for 2020, however, did include some information on migration by Pakistani women, shown in Table 2.6 (BEOE, 2020). Women comprised only 1,727 in the total outflow of 224,705 in 2020 (0.76%). Similar to men, the largest percentage of women went to Saudi Arabia, followed by the UAE. They proceeded overseas for a variety of jobs including skilled occupations such as doctors, nurses, and teachers as well as low-skilled work such as domestic service.

**Table 2.6: Outflow of Pakistani women workers by country of destination, 2020**

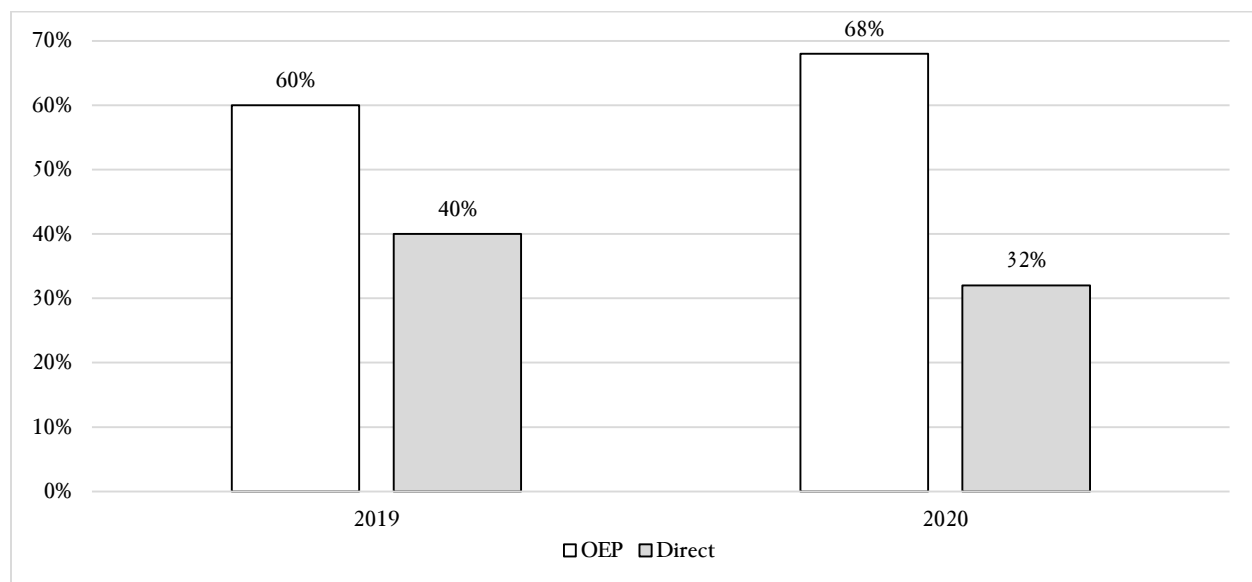
Sr No.	Countries	No. of Emigrants
1	Saudi Arabia	511
2	United Arab Emirates	363
3	United Kingdom	200
4	Bahrain	89
5	Canada	81
6	United States	67
7	Oman	63
8	Qatar	54
9	Spain	42
10	Ireland	34
11	Others	223
	<b>Total</b>	<b>1727</b>

**Source:** BEOE report, 2020

## 2.7. Arranging Migration through Formal and Informal Channels

Pakistani workers find overseas employment through two main types of channels: Formal licensed agents known as Overseas Employment Promoters (OEPs) and other informal channels such as friends and relatives who are generally migrant workers and can arrange the employment of subsequent workers. Among the employment arranged through formal channels, an overwhelming majority is facilitated by the BEOE and a negligible proportion by the Overseas Employment Corporation (OEC) that is responsible for fulfilling any demand received by the Pakistani government from a foreign government. In 2021, the OEC arranged employment for only 0.5% of all workers who left the country (BEOE). The migration arranged by these two channels in 2019 and 2020 is shown in Figure 2.5. About 60% of all overseas employment was arranged through OEPs in 2019, that increased to 68% in 2020, while employment arranged through friends and relatives declined. Some probable reasons for the decline in migration through networks are the shrinking opportunities for new jobs, and the unexpectedly high returns among migrants some of whom may have facilitated the migration of their friends and relatives in the past.

**Figure 2.5: Outflow of migrants through Overseas Employment Promoters (OEPs) or direct, informal channels, 2019 and 2020**



*Source:* BEOE report, 2020

## 2.8. Irregular Migrants to, and from, Pakistan

It was noted in our earlier report that the number of irregular migrants residing in Pakistan was estimated to exceed 3 million in 2004, with a majority being ethnic Bengalis who remained in Pakistan when Bangladesh was created in 1971 (Shah et. al., 2020). Most of these residents live in Karachi district and other areas of Sindh province. After fifty years, their number has grown through natural increase of the population, but an accurate count of this group is not available to us. They live in Pakistan as “illegal aliens” without a legal right to reside in the country. Thus, they are stateless and face numerous difficulties due to their irregular status, as documented by some

research studies. In terms of information on this group, or programs to improve their situation, very little knowledge is available.

In terms of irregular migration from Pakistan, no firm estimates of the yearly outflow of such migrants is available. It was estimated by ICMPD (2013) that about 300,000 persons leave Pakistan through irregular means, including the ones who are subject to migrant smuggling and human trafficking. Many irregular migrants from Pakistan head to Western countries in Europe and North America. One source of information on this group consists of those who are apprehended and recorded in the destination country. Table 2.7 shows the estimate of Pakistanis in an irregular status found in Europe from 2013-2020. Due to the relatively long history of Pakistani migration to the UK, it has been a major country for Pakistani irregular migrants. In 2013, the UK was home to 8,240 irregular Pakistani migrants, but this number declined to 1,865 in 2019. Greece, serving as an entry point to Europe for irregular migrants, has witnessed an increase in Pakistani irregular migrants. 2015 seemed to be an exceptional year when more than 82,000 Pakistanis were apprehended in Europe as illegal residents, with exceptionally large jumps for the numbers in Spain and Hungary. Among the possible explanations for the above hike, one could identify better vigilance by the host countries in catching irregular migrants, or the greater success of migrant smugglers in facilitating passage. A change in host country policies might offer a third explanation and would require further analysis. In terms of the trend between 2015 and 2020, the number of irregular Pakistanis in Europe declined substantially, from 82,215 to 20,250.

Pakistani deportees from various countries also provides information about irregular migration from the country. As reported by FIA (2016/17), 123,093 deportees were received back through Pakistani airports in 2017, 93,736 from Saudi Arabia and 10,393 from the UAE. Transit countries such as Iran and Turkey are important partners in apprehending and deporting Pakistanis intending to proceed to Europe, as described in our previous report. Recent newspaper reports indicate that irregular migration through transit countries such as Iran continues to be fairly large. It was reported by Dawn newspaper that a total of 7,984 irregular Pakistanis were deported from Iran to the Taftan border in just two months, September and October 2020 (Rind, Dawn. October 5, 2020).

In order to combat migrant smuggling and human trafficking, Pakistan has been highly proactive and has taken legislative and administrative steps to curb irregular migration, as described in Section 2.7 of this report.

**Table 2.7: Pakistan Nationals found to be illegally present in Europe (2013-2020)**

Country	2013	2014	2015	2016	2017	2018	2019	2020
Belgium	345	365	365	390	290	225	195	100
Germany	3,085	2,980	11,720	8,935	3,650	2,850	2,910	2,235
Ireland	140	100	310	630	1,120	565	350	75
Greece	4,150	3,525	27,260	13,460	9,280	10,145	10,330	7,110
Spain	2,080	1,935	1,555	1,185	815	770	1,030	895
France	1,600	2,370	4,210	2,815	4,000	3,010	3,815	2,425
Italy	520	330	650	615	525	715	1,100	740
Cyprus	395	225	200	185	160	490	970	450
Austria	2,310	880	3,145	4,050	2,810	900	690	495
Poland	75	70	100	80	100	110	65	50
Portugal	110	115	245	265	160	95	85	45
Romania	65	55	40	120	150	40	40	85
Slovakia	15	5	35	25	10	15	10	15
Sweden	125	345	5	30	5	10	15	15
Hungary	3,760	425	22,695	5,895	4,400	1,035	310	235
United Kingdom	8,240	9,790	8,210	6,115	5,545	2,895	1,865	NA
Others	625	775	1,470	2,115	860	1,320	3,275	5,280
Total	27,640	24,290	82,215	46,910	33,880	25,190	27,055	20,250

*Source:* Eurostat, various years

## 2.9. Afghan Refugees in Pakistan

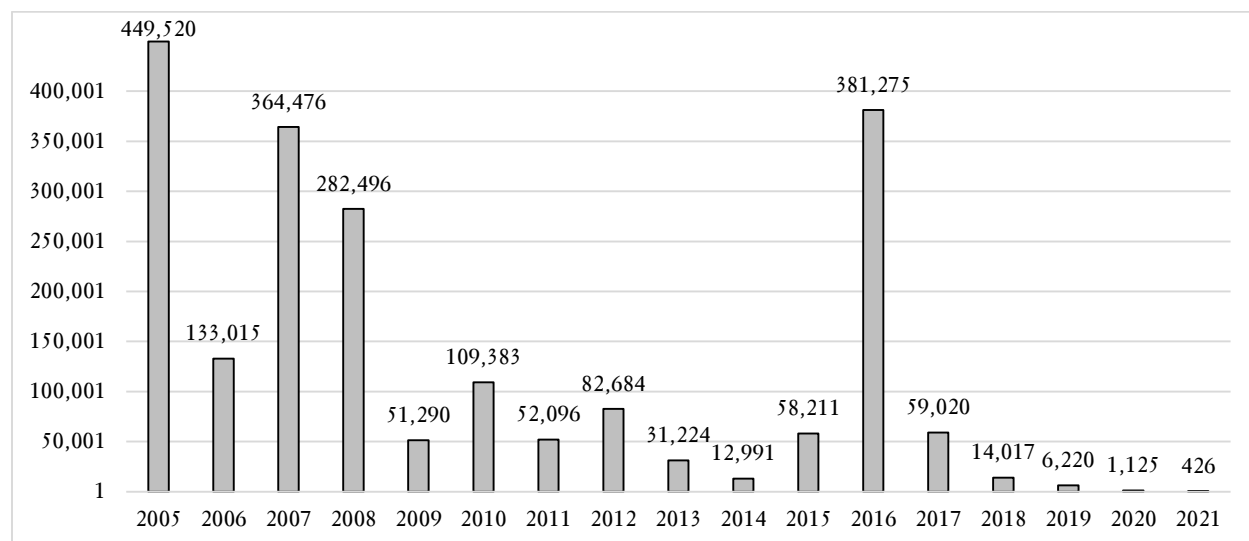
For more than forty years Pakistan has been home to millions of Afghan refugees. When the Soviet Union invaded Afghanistan in 1979, Pakistan received an influx of about 3 million refugees who were provided safety and shelter, as described in our earlier report (Shah et al, 2020). Unlike the case of Bengalis and Burmese, the international community and aid agencies have been actively involved in assisting the Pakistan government to manage, document and repatriate Afghan refugees. A census of Afghan refugees was held in 2005, following which a comprehensive exercise to register the refugees and provide them with a Proof of Residence (PoR) card was carried out. A total of 1.4 million Afghan refugees had been issued PoR cards by July 31, 2019. However, an unknown number of undocumented Afghans continued to reside in the country.

A voluntary repatriation program was started in 2002 with the assistance of the United Nations High Commission for Refugees (UNHCR). A total of 4.32 million Afghan refugees were repatriated between 2002 and 2021, as shown in Figure 2.6. During 2016 a record high number of 381,275 were repatriated, followed by marked declines. In the post-Covid period, only 1,125 were repatriated in 2020 and a mere 451 in 2021.

The withdrawal of the American and other armed forces from Afghanistan in August 2021 has again generated a very precarious situation that has already generated additional refugees whose number may be further exacerbated in future. According to a recent analysis of the situation, Kamali-

Charani (2021) suggests that “the pressure on Pakistan to host big numbers of Afghan refugees will increase if a mass migration out of Afghanistan will begin”. The UNHCR collected some information by interviewing new arrivals from Afghanistan who came to Pakistan between April 1-September 10, some of whom sought asylum through UNHCR. Among all the interviewees, none had any intention of going back to Afghanistan (UNHCR, 10 September, 2021). Earlier data on Afghan refugees indicate similar findings with about 80% expressing an unwillingness to return when asked a question in the 2005 census.

**Figure 2.6: Yearly voluntary repatriations of Afghan refugees, 2005-2021**



**Source:** Afghan National Registration Database (ANR). All statistics are updated as 15<sup>th</sup> of September, 2021. More information available on UNHCR: data portal, <https://data2.unhcr>.

## Improving Governance and Achieving Migration-Related SDGs

The UN has specified ten indicators related to international migration, as part of its Sustainable Development Goals for 2015-2030 (UN, 2018)<sup>2</sup>. Pakistan is trying to achieve some of these goals, even though the link between such goals and migration is not specifically defined in its priority areas (GOP, 2019). As documented in our earlier report, Pakistan has addressed at least four among the ten SDG indicators related to migration so far (Shah et. al, 2020). Regarding reduction of recruitment costs (Indicator 10.7.1), the BEOE is undertaking initiatives such as computerizing the registration process at Protectorate offices, campaigning against illegal job advertisements, ensuring that OEPs inform prospective migrants about total cost of migration, matching foreign jobs with job seekers data etc. To address SDG indicator 10.7.2 on establishing a well-managed migration policy, the Government is in advance stages of approving a “National Emigration and Welfare Policy for Overseas Pakistanis”. In terms of reducing the transaction costs of remittances to less than 3% (Indicator 10.c), the Government is ensuring that no fee is charged on remittances above 200 US dollars, opening of bank accounts is facilitated, and awareness campaigns are held to inform migrants about these initiatives. Regarding SDG 8.8 on protecting the rights of migrant workers, the BEOE has established a complaints portal that can help identify workers in difficult or precarious situations. Further progress on accomplishing some of the migration related SDGs is documented below.

A comprehensive mechanism for the implementation of the Sustainable Development Goals (SDGs) has been established as part of the overall effort to implement various targets and indicators. Specific support units have been established at the federal and provincial levels to assist in efficient implementation and follow up of the prioritized SDGs under the guidance of the Ministry of Planning, Development and Reforms. Pakistan has designed a National SDGs framework that was approved by the National Economic Council in 2018 (GoP, 2019). Among the priorities identified as most important for accomplishing the SDG goals, SDG 10.7 that aims to facilitate orderly, safe, regular and responsible migration was not highlighted as a priority area in Pakistan’s first comprehensive voluntary review. However, various efforts aimed at accomplishing some of the migration related goals and indicators have already been under way, as mentioned above and elaborated below.

### 3.1. Strengthening Emigration Policy (SDG Indicator 10.7.2)

As of this writing, further progress towards finalizing the document on “National Emigration and Welfare Policy for Overseas Pakistanis” through adoption by the Federal Cabinet or other legislative bodies remains to be realized. The finalized draft has not been presented before the National Assembly. Consequently, various steps outlined in the National Emigration and Welfare Policy for Overseas Pakistanis may not be implemented fully. In a Policy Brief prepared for the International Centre for Migration Policy Development, the methodology, key features, processes, and

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<sup>2</sup> This document can be accessed at:

[https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/201802\\_unpd\\_cm16\\_chen\\_sdg\\_indicators.pdf](https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/201802_unpd_cm16_chen_sdg_indicators.pdf)

recommendations of the above policy were described (ICMPD, 2020). A Policy Action Plan outlined in that document is as follows and will address several migration-related SDGs if implemented.

### Key Features of Policy Action Plan

Short term actions		Medium term actions		Long term actions	
Action	Implementing agency	Action	Implementing agency	Action	Implementing agency
Review and revision of 1979 emigration ordinance and rules	MOPHRD BEOE OPF OEC	Establishment of Labour market research cell at MOPHRD	MOPHRD	Implementation of migration governance process	MOPHRD BEOE
Revisiting the contents and structure of bilateral agreements	MOPHRD MOFA BEOE OEC CWAs	Development of pre-employment, pre-departure, and post arrival orientation mechanism	BEOE PEOPA Provincial govts.	Prevention of smuggling and migrants and trafficking in persons	FIA Border Control Authority MOPHRD
Development of the standard work contracts Foreign Service Agreement (FSA) in Urdu	BEOE	Strengthening and expansion of MRCs	MOPHRD	Abolishing unscrupulous recruitment practices and improving licensing criteria for OEPs	MOPHRD BEOE
Improvement in recordings of biometric data of migrant workers as per changing global dynamic	BEOE	Establishment of additional Protectorate offices in Sindh and Baluchistan and migrant intensive areas in Punjab and Khyber Pakhtunkhwa	BEOE	Reduction in the cost of recruitment (Employees- paid)	State Bank of Pakistan MOPHRD
Establishment of a referral network for returning workers	OPF	Formation of commission in the provinces	MOPHRD Provincial govts.	Ensuring minimum standards for work contracts	MOPHRD BEOE MOFA
Collaborative arrangement to have access to disaggregated data maintained by FIA at the airports	MOPHRD BEOE OPF FIA	Formation of high-level steering committees	MOPHRD	Development of strategy for engaging the Pakistani diaspora in development process	MOPHRD OPF

*Source:* ICMPD (2020, p. 24)

## 3.2. Protecting Migrant Workers, and Ensuring their Welfare (SDG 8.8)

### 3.2.1. Assisting Return Migrants During the Covid-19 Pandemic

Facilitating return migrants and integrating them into the economy and society is one of the three objectives of the proposed Migration Policy of Pakistan. The government upheld this goal during the Covid-19 pandemic and undertook several efforts to facilitate the return of stranded



migrants, as described by Siddiqi in a rapid assessment conducted for the ILO (2020). Special flights were arranged during April-June for the repatriation of about 250,000 stranded Pakistanis, including migrant workers. A Crisis Management Cell was established within the Ministry of Foreign Affairs to oversee the Government's crisis response operations. Community Welfare Attaches (CWAs) in destination countries were instructed to maintain close contact with stranded Pakistanis via telephone hotlines. They engaged with employers in host countries and attempted to minimize lay-offs and encouraged timely payment of wages. Pakistani embassies assisted stranded workers with rations, medical treatment, and airline tickets as necessary. The government set up several quarantine centres for returnees who tested positive upon return. After initial lockdowns and disruptions, the work of the offices that are responsible for organizing the orderly and legal migration of Pakistani workers for overseas jobs resumed fully by July 2020.

### 3.2.2. Registration of Return Migrants

In June 2020, the government set up an online data portal<sup>3</sup> to register return migrants who had lost their job because of the pandemic and were in a jobless state in Pakistan.

## OEC's Profile Build up of Returnees

Registration of Overseas Returning Workers (بیروں ملک سے واپس آنے والے ورکرز کی رجسٹریشن)

First Name (پہلا نام)* <input type="text" value="First Name"/>	Last Name (آخری نام)* <input type="text" value="Last Name"/>	Father's Name (والد کا نام)* <input type="text" value="Father Name"/>	Gender (جنس)* <div>Select Value</div>
Date of Birth (تاریخ پیدائش)* <input type="text" value="dd-MM-yyyy"/>	CNIC (شناختی کارڈ نمبر)* <input type="text"/>	Passport No. (پاسپورٹ نمبر) <input type="text"/>	Mobile Number ((پاکستان) نمبر)* <input type="text" value="+92-311-1234567"/> <small>For example 92-311-1234567</small>
Address(Pakistan) / (پتہ (پاکستان))*			District Pakistan ((پاکستان) ضلع)* <div>KARACHI EAST</div>

Detail of Education/Trainings/Experience (تعلیم / تربیت / تجربہ)

Education (تعلیم)* <div>Select Value</div>	Training Name (تربیت کا نام)* <input type="text" value="Enter Training Name"/>	Select Occupation (پیشہ منتخب کریں)* <div>Select Value</div>	Job Status (نوکری کی صورتحال)* <div>Select Value</div>
Country of Work (اندریے کا ملک)* <div>Abu Dhabi</div>	Experience in No. of Years (تجربہ سالوں میں)* <div>Select Value</div>	Iqama (اقامہ)* <div>Select Value</div>	Overseas Driving License (بیرون ملک ڈرائیونگ لائسنس)* <div>Select Value</div>

[https://jobs.oec.gov.pk/returnees\\_overseas\\_registration](https://jobs.oec.gov.pk/returnees_overseas_registration)

Return migrants were encouraged to fill out the following form for such registration:

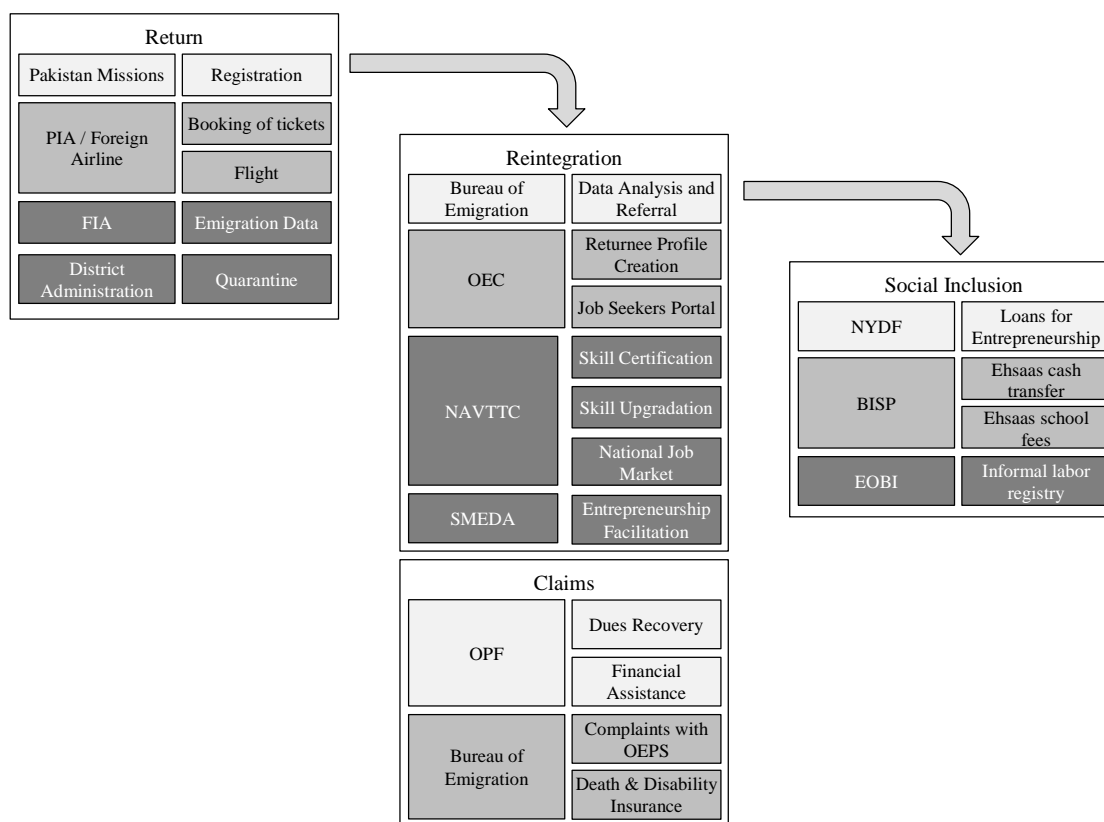
Data for about 98,000 return migrants who volunteered to fill out the form had been collected until November 2021. Since the completion of this form is not mandatory, only a selected number and type of migrants are likely to have filled out the form. According to an informal estimate the BEOE believes that the number of such returnees may be as high as 200,000. To facilitate the return of migrant workers, the Overseas Employment Promoters have been advised by the Ministry to prefer returnee migrants for employment abroad. Overseas Employment Corporation is required to contact these returned migrants whenever any job matching their credentials is available.

<sup>3</sup> (jobs.oec.gov.pk)

The Ministry of OP&HRD/ BEOE has developed a reintegration strategy with some of the following targets (BEOE director, personal communication, June 25, 2021; and November 9, 2021):

- Collection and compilation of data for impact assessment and addressing challenges to labor migration and sharing the same with all stakeholders.
- Facilitating returnees to obtain jobs in national and international job markets through upskilling & certification by National Vocational and Technical Training Commission (NAVTTTC).
- Facilitating the interested returnees for entrepreneurship through Small and Medium Enterprises Development Authority (SMEDA), National Youth Development Framework (NYDF) etc.
- Financial assistance through Ehsaas cash transfer and Ehsaas school fee by Benazir Income Support Program (BISP), and informal labor registry by EOBI.

The return and integration policy of the government has been summarized by the BEOE (2020) as follows:



**Source:** BEOE report, 2020

### 3.3. Improving Migration Data (SDG 17.18): Survey on Recruitment Costs

In addition to the database on return migrants mentioned in the preceding section, some efforts are being made by international organizations in collaboration with Pakistani organizations to gather data on specific aspects of the migration process. An example of such efforts is an

Implementation Agreement that has been signed by researchers at ILO, Pakistan, with the Pakistan Bureau of Statistics to conduct a national survey on measuring 'Recruitment Cost for Migrant Workers'. It is expected that the survey will be completed by the end of October 2021 and microdata will then be available for further analytical work. The methodology of the above survey is guided by ILO-KNOMAD<sup>4</sup> (Correspondence with ILO, Pakistan, June 24, 2021).

In an effort to maintain a robust database of returnee migrants, the MOPHRD/BEOE have collaborated with Federal Investigation agency (FIA) to have access to administrative data of returning migrants. The Labour Force Survey (LFS 2017-18) also initiated a pilot project and included information on overseas labour migrants. However, the data from the above survey has not been published yet (ILO, 2020).

### **3.4. Promoting Decent Work, Combating Forced Labour etc. (SDG 8.5, 8.7, 8.8)**

A majority of Pakistani temporary labour migrants are located in the Kingdom of Saudi Arabia (KSA) and UAE as discussed in chapter 2 of this report. Furthermore, a large majority of them are concentrated in semi-skilled or unskilled occupations. The future demand for such workers is expected to decline in view of the long-term plans of the two host countries that are planning to diversify their economies to limit dependency on oil exports. They have launched several reforms aimed at increasing the professional and skilled components of their labour force. A description of the Saudi plans is outlined in the Saudi Vision 2030 (World Trade Organization, 2021). To mitigate the effects of such policies on the relatively low skilled workers from Pakistan, the government is trying to enter into agreements with UAE and KSA that would provide skill verification certificates to Pakistani workers to avoid them being laid off. On December 6, 2021, an agreement was signed by the Pakistan government through National Vocational Technical Training Commission (NAVTTTC) with the 'TAKAMOL' of the Saudi Ministry of Human Resources and Social Development to provide skill verification certificates to Pakistani migrant workers in KSA. It is expected that this agreement will enhance the demand for Pakistani workers in Saudi Arabia and provide them some needed protections (Abbasi, 2021). In addition to efforts aimed at skill certification the government is exploring markets beyond the oil-rich Gulf countries to diversify the destinations of its migrant workers.

Skill upgradation of its labour force is an important goal for Pakistan. It has established NAVTTTC for this purpose. Technical and Vocational Training institutes (TVETs) have been established in each province to upgrade the skills of the labour force, including migrants. The Pakistan government is being assisted in its efforts for skills training by some international agencies such as the German GIZ commissioned to do so by the German government. The above project is being implemented in partnership with the Overseas Pakistanis Foundation. With funding from the GIZ, returnee migrants are provided training and a toolkit to start a business in four areas, namely as a plumber, electrician, carpenter, or mason.

Through its embassies and especially appointed community welfare attaches, the government is constantly trying to provide protection to its overseas workers and assisting them in various ways, as necessary. To enhance international cooperation regarding migration, Pakistan has entered into bilateral agreements with all the six Gulf countries, including the Skill Certification Agreement with Saudi Arabia mentioned above. It also entered into an agreement with the People's Republic of China in 2006 regarding vocational training and an agreement with the Republic of Korea in 2018 regarding worker migration. Pakistan also has signed MOUs or agreements with Libya, Yemen, Malaysia, and

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<sup>4</sup> Guidelines available at: [Measuring migration costs \(ilo.org\)](https://www.ilo.org/public/eng/mediacenter/pressreleases/2018/01/2018012401.htm).

Jordan (Shah et al, 2020). Bilateral agreements with Germany, Romania, Portugal, and Denmark are in the pipeline for enhancing labour migration.

Several efforts are being made to impart timely and accurate information to different types of migrants on safe, orderly and regular migration. All migrant workers proceeding legally to any destination must go through one of the 9 protector offices located in major cities of Pakistan. Each migrant worker is registered, and the terms and conditions of his/her employment are reviewed and approved by the protector. To prepare the migrant for coping with life in the host country, he/she is given a mandatory half hour pre-departure orientation by trained staff dedicated for this service. In some cases, such as the Lahore office, the protector's office is assisted by the counselling staff of the Migrant Resource Centre (MRC), established by the Punjab government with funding from the International Centre on Migration Policy and Development (ICMPD). The potential migrant is given an orientation about respecting the laws and regulations of the host country and uphold good moral standards and behaviour to avoid any difficulties. He/she is also briefed about some basic facts about the host country, including its currency and exchange rate, weather patterns, religion etc. Migrants are advised to set up bank accounts in the host and home country. They are also informed that remittances through unofficial channels such as "*hawala*" and "*bundi*" are illegal (Communication with MRC officials, November 2021).

The government is taking active steps to curb irregular migration from Pakistan. As part of these efforts, the Federal Investigation Agency (FIA) officials hold various types of activities. It organizes nation-wide awareness raising campaigns in all provinces by distributing pamphlets and sending about 2 million SMS messages, with an outreach of 2.5 million people. It also organizes awareness sessions for the community and police in various parts of the country.

A major issue in labour migration from Pakistan is the exceptionally high cost that many workers must bear because of the informal (usually illegal) costs that a migrant must pay to procure a work visa. According to a survey held in 2016, the average cost of migration of Pakistani workers headed to Saudi Arabia and the UAE was USD 4,290 and 2,358 respectively (Amjad et al, 2017). The high cost is a result of the practice of 'visa trading' whereby a Gulf sponsor sells a work visa to the prospective migrant worker, through a whole range of intermediaries located in the host as well as home country who benefit from the process (Shah, 2017; ILO, 2020). The MOPHRD is trying to reduce dependence on intermediaries by publishing overseas jobs on its website. Furthermore, an online complaint management system has been established to address grievances of emigrants to ensure ethical recruitment practices.

A specific effort to reduce migrant vulnerability is the institution of the Foreign Service Agreement by the Protectorate of migrants. This agreement documents the type of occupation, skill level, name and country of employer, salary, employment promoter's details, as well as the total recruitment cost paid by the prospective migrant ([www.beoe.gov.pk](http://www.beoe.gov.pk)). The objective of including the recruitment cost on this form is to discourage the practice of overcharging by the intermediaries. An affidavit written in Urdu is also signed by the worker to ensure that he/she fully understands the terms of employment, and has not been subjected to fraud or misinformation.

### 3.5. Dialogues to Assess Pakistan's Progress on Achieving SDG Goals

The government has been engaging with international organizations to provide feedback on the efforts that Pakistan is making to fulfil migration related SDG goals. Pakistan prepared a voluntary

national review of its achievements on the SDGs in 2019 (GOP, 2019). It has also been participating in the regional review that evaluates different countries' progress on meeting the goals of the UN Global Compact on Migration (GCM) on Safe, Orderly and Regular migration, that has been adopted by Pakistan.

With the collaboration of the Danish government and the International Organization for Migration (IOM), a policy dialogue was held in Islamabad on 23<sup>rd</sup> April 2019, to deliberate on engaging Pakistani diasporas to achieve migration related SDGs (MoPD&R, 2019). The participants pointed out that the data on Pakistani diasporas needs to be strengthened through mapping exercises, and disaggregated datasets. The need for greater engagement of the diasporas to enhance the achievement of the SDG goals was also highlighted.

A Roundtable Discussion was organized by the Planning Commission SDGs Support Unit in partnership with IOM and UNDP Pakistan on April 29, 2021 (MoPD&SI, 2021). It was recognized that efficient data management practices are key to strengthening migration governance in a country, in addition to improved coordination and collaboration between various stakeholders. The importance of migration in Pakistan's development was highlighted and it was agreed that progress on achieving migration related SDG goals would enhance the benefits of migration further.

Pakistan is an active member of regional processes such as the Colombo Process and Abu Dhabi Dialogue (ADD), the Bali Process and the Budapest Process. Pakistan is the chair of the Thematic Area Working Group on Remittances to facilitate cheaper and faster remittances. In October 2021, Pakistan took over the chairmanship of the ADD for two years.

In addition to developing strong and mutually beneficial ties with other countries, the Pakistan government is working closely with international organizations on different migration related issues, including IOM, ILO, UNODC, and others. The UNDP has also been instrumental in supporting the establishment of the SDGs support unit within the Ministry of Planning and Reform.

### **3.6. Pakistan's Engagement with the Global Compact on Migration (GCM)**

A global compact to facilitate safe, orderly, and regular migration was adopted by 164 UN member countries, including Pakistan in December 2018. The GCM has established regional task forces to evaluate the progress of member countries on achievement of the 23 objectives of GCM. As mentioned above, Pakistan participated in a voluntary review of GCM in October 2020 by sending a comprehensive response to the regional office for GCM follow-up at the UN Economic and Social Commission for Asia and the Pacific (UNESCAP, 2020). The report provides a description of the various efforts taken by the government to fulfil the GCM goals and identifies certain gaps that need to be filled. For example, it suggests that destination countries should be urged to adopt an employer payee model to curtail recruitment costs incurred by the migrants, and thereby ensure safe and ethical recruitment.

Pakistan's engagement with the GCM objectives is routed through its existing administrative structures dealing with international migration, especially the MOPHRD and the Federal Investigation Agency (FIA) in the Ministry of Interior. There is no specialized unit responsible for the implementation of the GCM, and general discussions on the subject with various officials in the above agencies indicates relatively little knowledge about the GCM objectives. The government body

responsible for implementation of the GCM is the Ministry of Foreign Affairs, but we could not find any documents relating to this Ministry's efforts to implement the GCM.

Thus, it may be concluded that the government is engaging with various aspects related to international migration even though it does not identify migration-related SDG targets and indicators as priority areas in its planning.

### 3.7. Governance of Irregular Migration

Our discussion so far has focused on the governance of regular migration. Regarding cross-border illegal migration, the FIA is the main government agency responsible for combatting such migration. Pakistan has developed a legislative as well as an administrative framework for combatting human trafficking and migrant smuggling. The 'Prevention of Trafficking in Persons' Act and 'Prevention of Smuggling Migrants' Act were passed in 2018. Rules related to the above two Acts were formulated in 2020 and approved by the Cabinet in 2021. The FIA has established 26 Anti Human Trafficking Circles and Police Stations in FIA directorates to investigate and prosecute irregular migrants and traffickers. Through its membership of the Inter Agency Task Force, FIA performs its duties in coordination with other federal and provincial agencies to curb illegal migration and trafficking.

A National Action Plan has been developed with the collaboration of the United Nations Office of Drugs and Crime (UNODC) to combat human trafficking and smuggling, designed for implementation during 2021-2025. Some of the main strategies of the plan aim to develop cooperation among related bodies, educate stakeholders on forced labour, trafficking and smuggling, and build human resource capacity through training of work enforcement agencies, judiciary, and other frontline organizations. It is also trying to enhance border control services using biometric identification. Fencing of the borders with Afghanistan and Iran are part of these efforts. Fencing has been almost completed in case of Afghanistan and about 40 per cent in case of Iran. Among its other functions, the FIA has established link offices in Oman, Iran, and Greece to coordinate regional efforts to curb human trafficking. These offices also provide assistance to trafficking victims.

As part of its activities, the FIA pays special attention to cases where women and children may be subject to trafficking and smuggling. Its link offices are equipped to serve as shelters for victims that are rescued in foreign countries. Once rescued, the government provides safe passage to aid such victims to return to their families.

Pakistan has launched some programs to reintegrate irregular migrants who are deported from the host or transit country or are returned to the country through assisted voluntary repatriation programs by organizations such as the IOM. A victim reception centre has been established at Taftan with the collaboration of UNODC. These victims are provided shelter and aid to return to their place of origin and an effort is made to identify their smugglers and traffickers.

Some non-governmental organizations, such as IRARA with a branch in Pakistan, support the government's work by trying to reintegrate returnee migrants and deportees to rebuild their lives within their communities. IRARA is able to provide some financial assistance to such returnees to start up small businesses and become productive members of their families. Another such program is run by the Pakistan-German Facilitation and Reintegration Centre.

**PART 2**

**REMITTANCE INFLOWS AND GOVERNANCE**



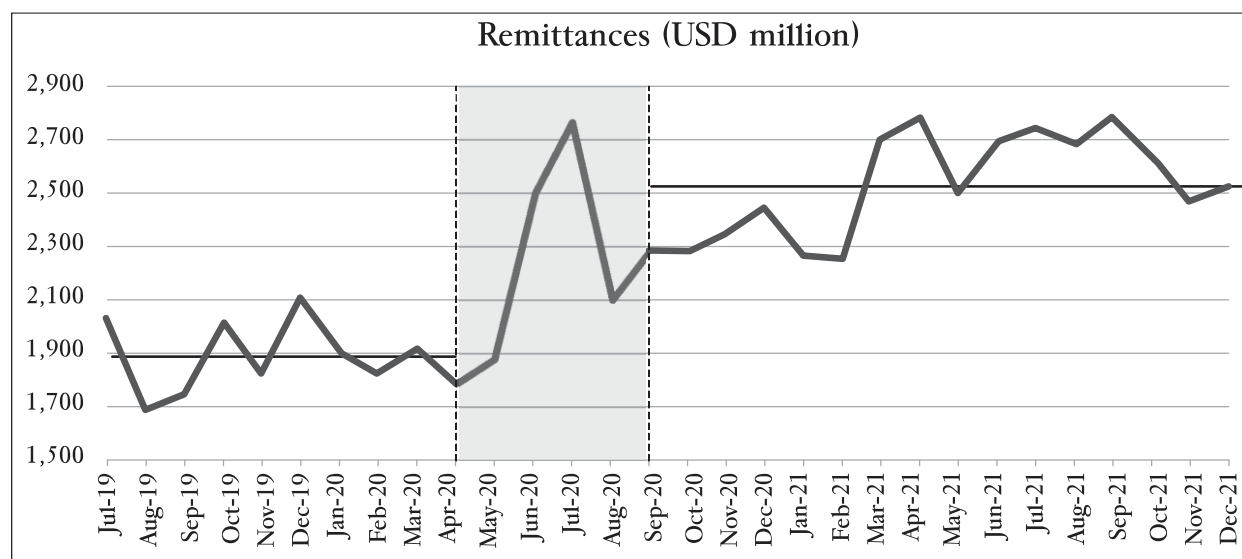


## Trend of Remittances in 2020 and 2021

### 4.1. Total Remittance Flows

Despite the onset of the Covid-19 pandemic and resulting global lockdowns towards the last quarter of 2019-2020 remittance inflows continued their rising trend with a 6.4 percent increase from the 2018-2019 level. According to monthly statistics (Figure 4.1) a substantial increase of 32.6 percent was recorded in June 2020. One of the widely discussed possible explanations was that these inflows represented accumulated funds that remitters were unable to send during the lockdown period. However, reviewing the figures for this period, only a relatively small decline was observed in April 2020 which could be linked to the uncertain environment at the time preventing and delaying sending of money back home by Pakistanis. Further, remittances maintained the increase in July 2020 as well. The cancellation of Haj (pilgrimage to Mecca) may have contributed to the increase as finances were redirected by overseas workers to provide additional support to households back in Pakistan (KNOMAD, 2020b). According to the State Bank of Pakistan the subsequent sharp decline in August 2020 mainly reflected the expected seasonal decline observed in the period after Eid-ul-Adha (Muslim festival) (SBP, 2020).

**Figure 4.1: Monthly Remittance Inflows, July 2019 – December 2021**



**Source:** SBP

Economic slowdown in host countries especially the GCC led to massive layoffs, the apparent surge in remittances could be reflecting the repatriated savings of those Pakistani workers. On the other hand, workers who were able to keep their jobs but were either not in the destination countries at the time of lockdown or had managed to travel back home without losing their jobs remitted a larger percentage back to Pakistan to meet their expenditures. Given these assertions have weight and

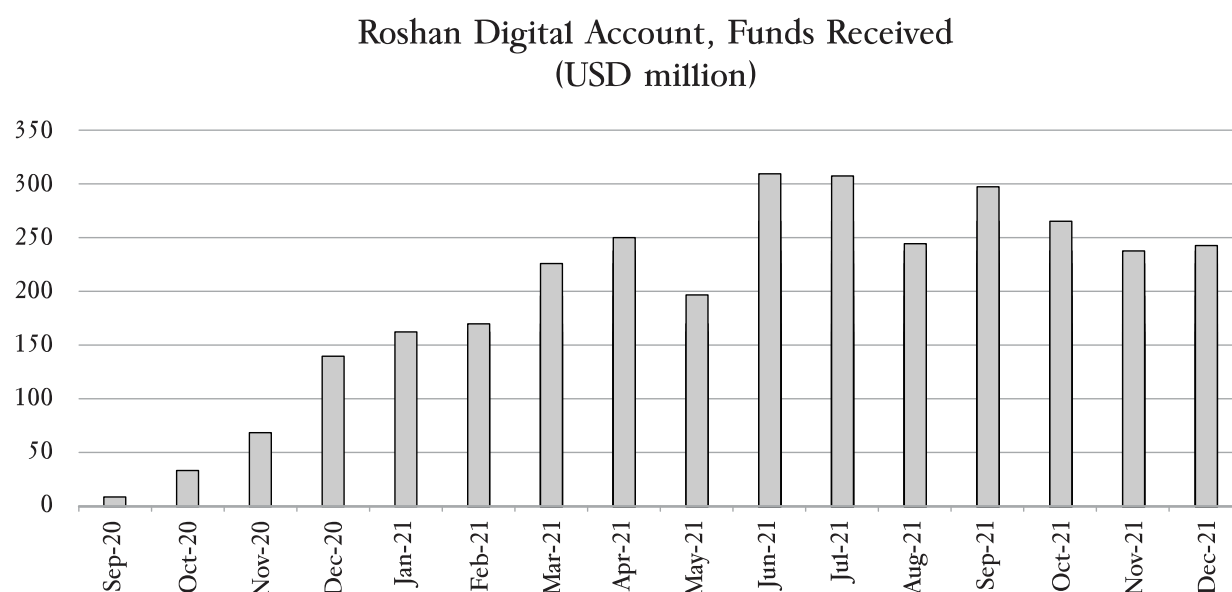
may have contributed to higher inflows, the data shows that even after setting aside such onetime transactions, volume of monthly remittances remained high compared to pre-Covid-19 times. The average monthly inflow between July 2019 and March 2020 was USD 1,889.9 million and over the period covering September 2020 till December 2021 the amount of average monthly inflows had risen to USD 2,519.9 million (refer to the lines in Figure 4.1)<sup>5</sup>. This is a possible indicator that the increase in remittances may not be a short run feature. In 2020-2021 total remittances reached an all-time high of USD 29.4 billion, marking a 27 percent increase from 2019-2020 where the aggregate volume tallied to USD 23.1 billion. The resilient response of remittances diverged tremendously from that predicted by the World Bank (KNOMAD, 2020a, 2020b & 2021a)<sup>6</sup>. Shahzad (2021) argues that this resilient response and the apparent “unprecedented” increase is not a new phenomenon. During the Global Financial Crisis, contrary to projection, Pakistan saw a 21 percent increase in remittances between 2007 and 2009.

The most notable explanation for the increase remains the redirecting of transfers from informal to formal official channels. Most Pakistani workers in the GCC countries which are the highest source of remittance inflows to the country, either rely on their close-knit circle to travel home for sending money to their families or make use of the unofficial Hundi and Hawala networks. Covid-19 related travel restrictions and lockdowns prevented the physical transfer of remittance amount and use of unofficial means. Given the need of time many turned towards the alternatives that routed these funds through the documented economy. Efforts by the government and the State Bank of Pakistan in promoting official and digital channels as well as introducing new initiatives with tax incentive schemes such as the Roshan Digital Account (RDA)<sup>7</sup> also played a role in attracting household remittance inflows as well as investments from overseas Pakistanis (and/or Pakistanis with declared assets abroad). Between September 2020 and December 2021 a total of USD 3,160.0 million have been received under the RDA initiative. In the initial phase monthly figures showed an overall increasing trend, however more recent figures show a slow down or stagnation in receipt of funds (Figure 4.2). As a percentage of monthly remittances received, RDA funds contribute between 9-11 percent (Table 4.1). Investment appears to be the primary motive of sending remittances via RDAs. This inference is drawn from the estimate of share of investment in Naya Pakistan Certificates (NPC) – Rupee and foreign currency (USD, Euro and Pound) denominated instruments issued by the government. The aggregate amount of USD 2,149 million invested in these certificates from September 2020 till December 2021 is equivalent to 68.0 percent of the total funds received under RDA initiative. Monthly breakdown is presented in Table 4.1.

<sup>5</sup> To account for one time factors that may have driven remittances upwards, time period covering April to August 2020 has been excluded. It is shown as the area between dotted lines in Figure 1.

<sup>6</sup> It must be noted the World Bank projections are made on calendar year basis, i.e. January to December, while figures for Pakistan in this report have been discussed on fiscal year basis, i.e. July to June.

<sup>7</sup> See chapter 4 for details of policies and initiatives introduced to attract inward remittances.

**Figure 4.2: Monthly funds received in RDA, September 2020 – December 2021***Source:* SBP**Table 4.1: Monthly data on funds received in RDA and NPC, September 2020 – December 2021**

Month	Remittances Received (USDmillion)	Roshan Digital Account (RDA), Funds Received (USD million)	Investment in Naya Pakistan Certificates (NPC) (USD million)	RDA % of Remittances	Investment in NPC % of RDA
Sep-20	2,284.0	7	2	0.3	28.6
Oct-20	2,284.2	33	18	1.4	54.5
Nov-20	2,338.8	70	40	3.0	57.1
Dec-20	2,437.1	140	93	5.7	66.4
Jan-21	2,256.9	161	109	7.1	67.7
Feb-21	2,250.5	169	109	7.5	64.5
Mar-21	2,703.3	226	143	8.4	63.3
Apr-21	2,778.2	249	161	9.0	64.7
May-21	2,490.6	197	142	7.9	72.1
Jun-21	2,688.0	310	233	11.5	75.2
Jul-21	2,736.1	307	228	11.2	80.4
Aug-21	2,682.6	245	197	9.1	62.3
Sep-21	2,779.9	297	185	10.7	65.4
Oct-21	2,628.6	266	174	10.1	65.7
Nov-21	2,459.7	239	157	9.7	64.8
Dec-21	2,520.4	244	158	9.7	80.4
<b>Total</b>	<b>40,318.9</b>	<b>3,160</b>	<b>2,149</b>	<b>7.8</b>	<b>68.0</b>

*Source:* SBP

## 4.2. Remittance Flows by Countries/Regions

Saudi Arabia, UAE, UK, other GCC countries collectively and USA remained the top five remittance sending countries, respectively. Similar to the overall trend in 2019-2020 compared to 2018-2019 level, remittances from Saudi Arabia, UAE and other GCC countries increased, while those from the UK and USA declined, perhaps netting out the effect to a smaller total increase. The large overall jump observed in 2020-2021, however, can be owed to the massive increase in remittance inflows from the UK and USA. According to the State Bank of Pakistan, policy support introduced in these countries in the form of unemployment benefits, direct cash transfers, utility and rent payment deferrals or tax concessions to counter the effect of fall in economic activity could have provided migrant workers including Pakistani migrants, with additional funds to remit back home (SBP, 2021a). It is worth highlighting that although in 2020-2021 inflows from the US rose back up, in USD terms the total amount received remained below the amount of inflows in 2018-2019.

Inflows from the other top three remittance sending countries/region also increased in 2020-2021 but by a relatively smaller percentage compared to the previous year (Table 4.2). The first half of 2021-2022 also shows an increase in inflows from all top five countries compared to the same period last year. The figures from Saudi Arabia and UAE are very small, this is concerning given that the two countries are the largest source of migrant receiving and remittance sending for Pakistan. This corroborates with the drastic decline in migrant outflows to the UAE, as pointed out in Chapter 2. It is essential that efforts are improved to explore employment opportunities and diversify the markets for Pakistani workers.

**Table 4.2: Country/Region wise change in remittance inflows**

	USA	UK	Saudi Arabia	U.A.E.	Other GCC Countries
<b>2019-2020</b>	-47.3	-24.7	32.2	21.5	37.3
<b>2020-2021</b>	58.0	58.3	15.9	8.9	13.7
<b>H1 2021-2022*</b>	24.0	14.8	2.0	1.8	11.7

*Source:* SBP

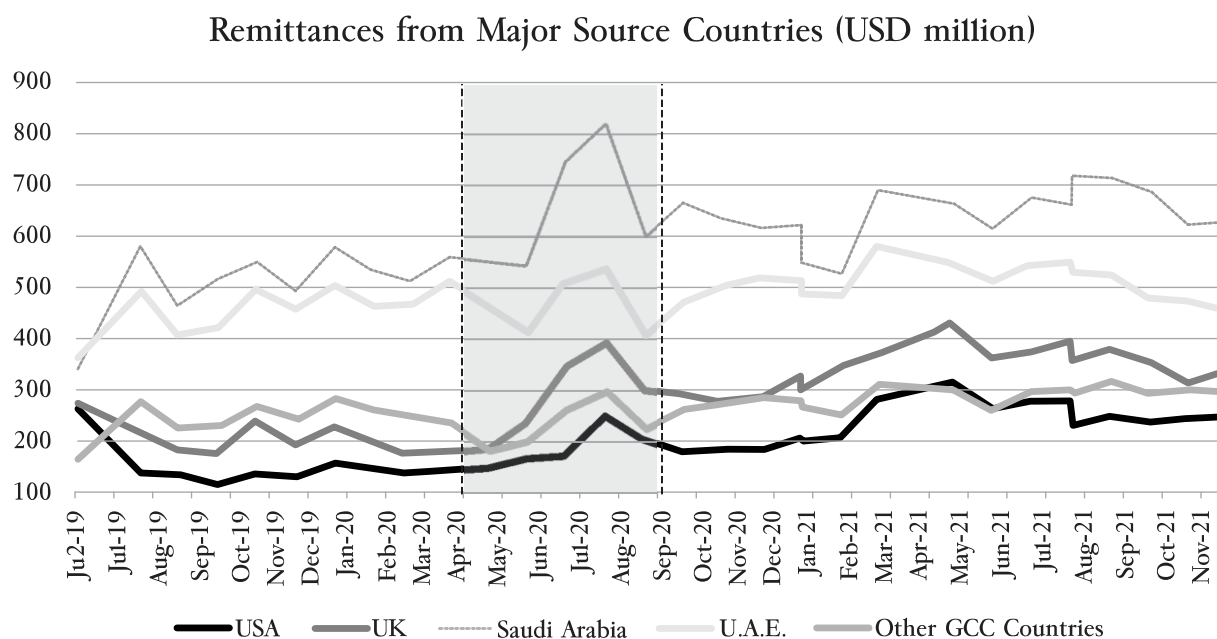
\*The figures represent change relative to H1 2020-2021, where H1 refers to the period from July till December

The difference in dynamics between remittances from the West (referring to the UK and USA) and the Middle East (GCC countries) can be associated with the purpose of remitting funds by overseas Pakistanis. As discussed in Chapter 2 major destinations for Pakistani labour migrants have been Saudi Arabia and the UAE with the corresponding skill level of majority labor migrants as unskilled or semi-skilled. Remittances sent back home by these migrants are largely for home sustenance hence the motive to send remittances to support families especially in difficult times such as the Covid-19 pandemic, remains high. These migrants perhaps also constitute a large number of remitters not using the formal channels. Relatively, although fewer new migrants proceed to the UK and USA for employment purposes (BEOE, 2021) and given the relatively smaller share of the two countries in the total stock of Pakistani migrants living abroad, their contribution to total remittances received is comparatively high (Shahzad, 2021). It may be inferred that per remitter amount is higher from these countries compared to the GCC due to higher skill set. Also the primary motive for

sending remittances of the well settled Pakistani diaspora in these countries is investment which is expectedly higher in volume compared to that for household use by migrant families living in Pakistan. However, it must be noted that investment focused inflows are more volatile and responsive to economic downturns<sup>8</sup>, investment opportunities, political and/or business environment.

On the whole, in the period following the first global lockdown (Great Lockdown) in March 2020 up until August 2020 accounting for Pakistan specific idiosyncratic factors discussed in section 4.1, the country wise average amount of monthly remittance inflows has increased above their pre-Covid-19 levels (Figure 4.3). The trend appears to be persisting so far.

**Figure 4.3: Country/Region wise monthly remittance inflows, July 2019 – December 2021**



*Source:* SBP

#### 4.3. Macroeconomic Management and Remittance Flows

Prior to the Covid-19 pandemic, as a macroeconomic stabilization measure the State Bank of Pakistan transitioned to a complete market based exchange rate regime. This move meant that the spread (kerb premium) between the official/interbank exchange rate and the rate offered by informal channels in the open market declined making it less attractive to transmit remittances via informal channels. According to the Economic Survey of Pakistan 2020-21, following the adoption of the new exchange rate regime; average monthly remittance inflows have increased (MoF, 2021). This policy stance combined with new initiatives and incentive schemes offered on use of formal channels, made informal channels even less attractive for remitters.

Between April 2021 and December 2021 the value of Pakistani rupee declined sharply against dollar and following the political situation in Afghanistan which increased dollar trading in the open

<sup>8</sup> see section 3.3 for a discussion on Pakistan's macroeconomic factors that may have contributed to rising remittance inflows

market, the kerb premium rose. However, prompt measures were taken by the State Bank of Pakistan to manage the activity in the open market, limit the outflow of dollar from the country and prevent further depreciation of the domestic currency as well as keep the kerb premium in check. Mandatory biometric verification amendments in the exchange company regulations for purchase of dollars \$500 or above were introduced<sup>9</sup>. Consequently, daily volume of dollar buying in the open market came down to \$2-3 million from the previous level of \$7-8 million (Iqbal, 2021). Moreover, to improve transparency of the transactions, exchange companies were advised not to conduct transactions with their customers via authority letter, instead must be carried out through authorised outlets only and no delivery services should be provided<sup>10</sup>. On the other hand, favourable interest rate differential combined with new initiatives and incentive schemes might have also attracted remittances from overseas Pakistanis. According to Shahzad (2021), despite a reduction in the policy rate by the State Bank of Pakistan to mitigate the macroeconomic impacts of the lockdown measures imposed to prevent the spread of the virus, the interest rate remained high compared to most host countries. Higher returns combined with new investment opportunities created the incentives for migrant Pakistanis to invest in their home country.

As the initial impact of the Covid-19 shock subsided, the IMF conditions under the Extended Funds Facility (EFF) program which Pakistan was underway when the pandemic hit were re-introduced in 2021. After 14 months of accommodative monetary policy, in September 2021 the State Bank of Pakistan increased the policy rate by 25 basis point. As of December 2021 the rate increased by another 250 basis point. However, data suggests that a higher interest rate has not yet translated into an increase in investment oriented remittances. This could be linked with an overall uncertain macroeconomic scenario in the country.

### **Box 2: Nature of Remittance Inflows to Pakistan**

Workers remittances to Pakistan increased considerably over the last two decades. The 9/11 incident was a major turning point with a 120 percent rise in remittances in 2002. Share of remittances from the Pakistani diaspora in the United States of America (USA) increased significantly. Security situation also contributed towards the shift to formal channels for sending money home.

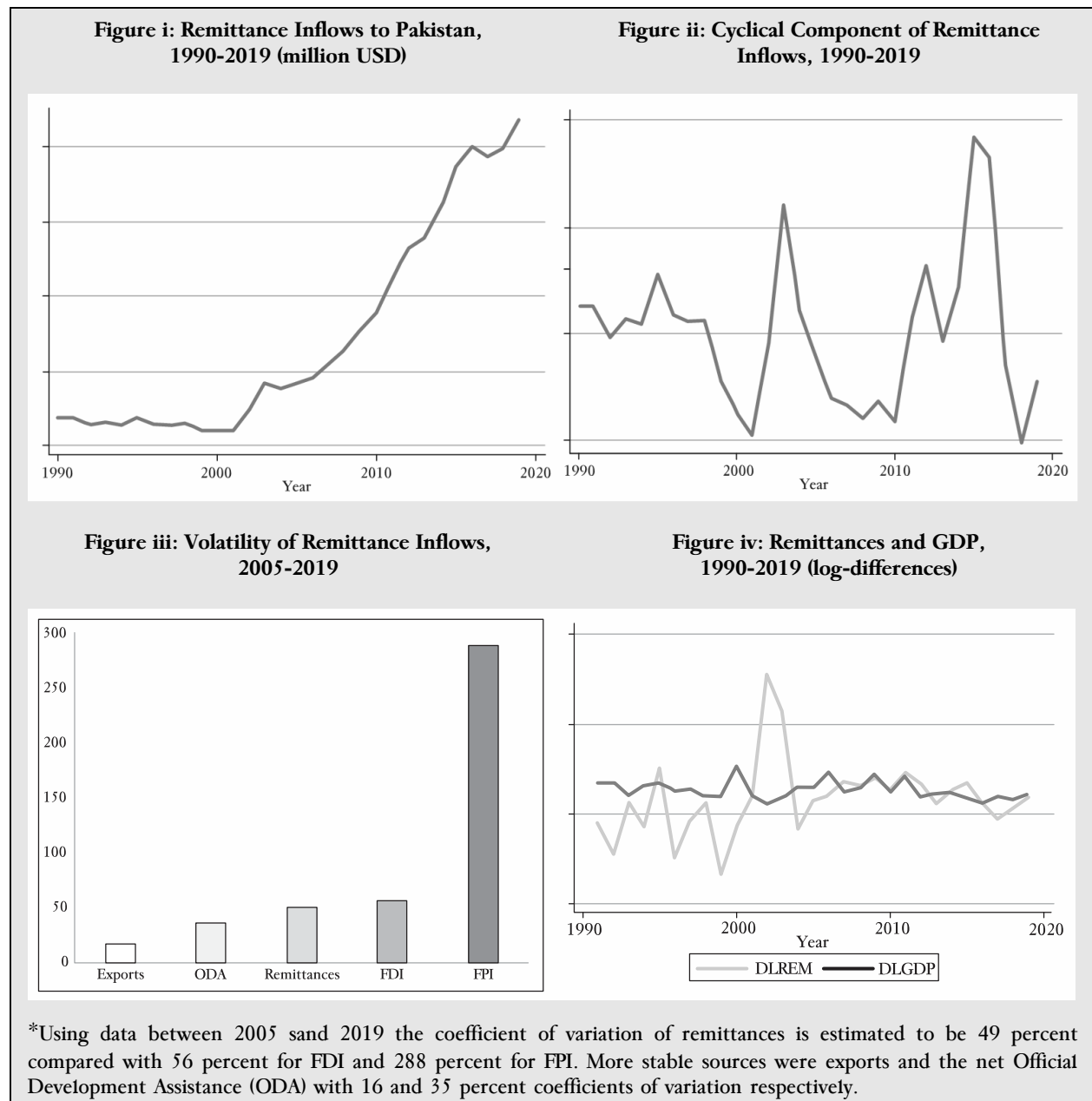
The fluctuations around the overall increasing trend of remittance inflows (Figure i) present a more volatile picture (Figure ii). Though when compared to other sources of private capital flows, including foreign direct investment (FDI) and foreign portfolio investment (FPI) they appear to be less volatile\* (Figure iii).

Remittances also tend to respond with a lag to changes in the country's GDP, however during the period of 2008 financial crisis the movement between the two was observed to be contemporaneous (Figure iv). The trends during the Covid-19 could be replicating the same patterns.

Estimate of cyclicity of remittances shows a pro-cyclical pattern with a correlation of 28 percent. Though the correlation appears to be weak, pro-cyclicity suggests that economic activity has a contribution in attracting remittances. Deteriorating economic conditions and consequent unstable political environment tend to discourage investment oriented inflows. Hence, despite remittance inflows being an important source of foreign exchange reserves to the country, they might not act as a prominent buffer to foreign exchange shocks in the economy. This demands consideration, given the over reliance and optimism towards these flows.

<sup>9</sup> EPD Circular letter No. 16 of 2021 – Amendments in Instructions for Exchange Companies dated October 6, 2021, available at <https://www.sbp.org.pk/epd/2021/FECL16.htm>

<sup>10</sup> FE Circular No. 8 of 2021 – Amendments in Instructions for Exchange Companies dated December 19, 2021, available at <https://www.sbp.org.pk/epd/2021/FEC8.htm>



#### 4.4. Future Projections

It is unlikely that the surge in remittances seen during 2020-2021, especially in early phase of Covid-19 will sustain. As noted earlier that the average monthly flows have increased well above the pre pandemic period as a result of the shift in flows from informal to formal channels and, new investment initiatives and incentive schemes introduced in response to counter the impact of Covid-19 restrictions. The weight of these factors has been diminishing and the flows are showing signs of stabilising around the average value of USD 2,500 million per month, with fluctuations of USD 170 million on average. If the trend persists from January till June of 2021-2022, the total inflows in the year are expected to sum up to USD 31 billion.

The situation however is highly uncertain. Macroeconomic and political situation in the country is likely to play an important role in determining the trend of future inflows of investment oriented remittances. Simultaneous efforts are also needed to expand investment avenues to fully tap into the potential of the diaspora. Further expansion and development of the financial sector can contribute to making it cost effective for remitters to use formal channels, while building trust in the financial system is paramount to increasing the size of the formal remittance market.



## Government Efforts to Attract Remittances Through Formal Channels

### 5.1. Digitization and New Investment Opportunities

Given the need of time and urgent necessity created by the Covid-19 situation, State Bank of Pakistan launched the Roshan Digital Account (RDA) initiative in August 2020. Through this initiative, efforts have been made to fully integrate the Pakistani diaspora with the banking system of the country, allowing them to open accounts with domestic banks remotely/digitally.

Besides providing access to conventional banking services, these accounts also expand the investment opportunities available to Non-Resident Pakistanis (NRPs). Naya Pakistan Certificates (NPC) as briefly described in section 4.1 are certificates issued by the government in domestic and foreign currencies offering attractive risk free returns at flexible tenure options. These certificates are being offered in both conventional and Shariah-compliant form to ensure availability of options suiting the NRP's personal preference. Investment can also be made in Pakistan Stock Market through RDA.

To make the initiative more attractive for overseas Pakistanis various products have been introduced under its banner. The Roshan Apni Car offers remitters car financing for their family members in Pakistan at attractive rates which are lower than the market, and the application process is made easy through a digital application system. Recently (in August 2021) Roshan Apna Ghar has been launched for purchase of property or availing financing for buying a house in Pakistan, thereby opening investment opportunities for overseas Pakistanis in the lucrative domestic property market.

### 5.2. Simplified and Convenient Tax Regime

To further facilitate overseas Pakistanis and make the formal channels for sending remittances more attractive (especially investment motivated), the government passed the Tax Laws Ordinance 2021 – an amendment to the Income Tax Ordinance 2001 – under which the taxation regime was simplified for the NRPs maintaining RDAs.

Tax filing requirements against income derived by NRPs through investment in NPCs, mutual funds or real estate have been removed. Consequently, any associated penalties or taxes (such as on cash withdrawals or bank transfers) applicable on non-filers have also been done away with under the revised taxation regime. Profit on RDA deposits is tax exempted and funds available in the account do not require approval from the bank or the State Bank of Pakistan to be remitted back. Profits on NPCs will be charged a 10 percent withholding tax and, capital gains and dividends received from mutual funds and/or companies will be taxed at 15 percent (with some exceptions mentioned). Under the real estate, both sale and purchase will attract a tax of 1 percent to be paid by the NRP against the capital gains made (SBP, 2021b).

In another recent move to simplify/clarify foreign remittance related tax policies the Federal Board of Revenue (FBR) issued a circular<sup>11</sup> addressing the debate whether remittances sent via Exchange Companies (ECs), Money Transfer Operators (MTOs), Overseas Money Service Businesses (MSBs) were eligible for tax concessions under law. Discrepancy in interpretation arose based on the wording of the Income Tax Ordinance 2001 that categorized the receipt of foreign remittance into Pakistan only via normal banking channel and encashed through a scheduled bank. Innovation in the financial sector over the years and introduction of supplementary money transfer mechanism with the establishment of EC, MTOs and MSBs has facilitated inflow of remittances via formal channels in similar ways to scheduled banks. However, these were not formally included hence preventing remitters using these channels to avail benefits as per law. On the clarifications provided by the State Bank of Pakistan which is authority on the foreign exchange regulations, remittances received via ECs, MTOs and MSBs have been included as eligible mediums for claiming tax exemptions.

### 5.3. Sohni Dharti Remittance Program

Sohni Dharti Remittance Programme (SDRP) is another initiative of the government to incentivise the Pakistani diaspora to send remittances via official channels. The program was approved by the Economic Coordination Committee of the Cabinet in August 2021 and launched in October 2021. SDRP is a loyalty program based on point accumulation structure, i.e. remitters will earn reward points against the remitted amount. There are three rewarding categories/tiers; green, gold and platinum associated with the total annual amount of remittances transferred. The rate of reward points ranges from 1 to 1.5 percent of the annual remittance amount in Pakistani rupee depending on the category in which the annual remitted amount falls. The reward points can be used to pay for services offered by various government institutions including PIA, FBR, NADRA, State Life Insurance Corporation of Pakistan etc. Reward points will also be redeemable in cash. The program is accessible to overseas Pakistanis through a mobile application available in both English and Urdu.

### 5.4. Engaging the Financial Sector

Simultaneous to introducing new products for easing Pakistani diaspora's financial access to their home country, the authorities (State Bank of Pakistan and Ministry of Finance) took measures to incentivise the financial sector in investing/focusing on attracting more remittances through formal channels. These measures included revisions in the Telegraphic Transfer charges reimbursement scheme and reintroducing of the incentive scheme for marketing of home remittances with an improved incentive structure to include more financial players. For details see Shahzad (2021).

Moreover, during the period 2020 till 2022 various instructions in the Foreign Exchange Manual – consolidated document comprising of the Foreign Exchange Regulation Act, 1947 and various amendments made from time to time – have been revised and/or incorporated by the State Bank of Pakistan pertaining to handling and facilitating movement of non-commercial/personal foreign exchange by authorised dealers (banks). Some of these include instructions regarding Foreign Currency Accounts, Non-resident Rupee Accounts, and operations of Exchange Companies (SBP, n.d “Circulars/Notifications - Exchange Policy Department”).

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<sup>11</sup> Circular No. 05 of 2022 – Operations (Income Tax) subjected Foreign Remittances – Exemptions dated August 30, 2021, available at <https://fbr.gov.pk/Orders/Income-Tax-Circulars/231>

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## **Centre on International Migration, Remittances and Diaspora (CIMRAD)**

The Centre on International Migration, Remittances and Diaspora (CIMRAD) was established in 2014 by the Lahore School of Economics and is the first institute of its kind in Pakistan. The Centre specializes in the study and analysis of international migration and its social and economic consequences – with a focus on the diaspora and the flow of remittances

Global international migration has increased during the last two decades according to the United Nations estimates. The number of persons living outside their country of origin reached 281 million in 2020. Between 2000 and 2010, the number of international migrants increased by 48 million globally, with another 60 million added between 2010 and 2020. Pakistan is a net emigration country, ranking as the seventh largest sending country in the world. Labor migrants, primarily low-skilled male workers, are a vital component of the overall migration from Pakistan, and numbered about 11.8 million during 1971-2021. Pakistan has taken several steps to regulate and improve the governance of migration in response to specific migration-related goals highlighted in the UN's Sustainable Development goals, and the Global Compact on Migration.

The World Bank estimated remittances to low- and middle-income countries at \$589 billion in 2021. Despite a severe global recession due to Covid-19 in the preceding year 2020 when remittances fell by 1.7 percent, a bounce back of 7.3 percent in the following year highlights the resilience of these flow. Pakistan is amongst the top ten remittance receiving countries. In 2020-2021 it received an all-time high volume of remittance reaching USD 29.4 billion. According to the State Bank of Pakistan, remittance inflows financed over 97 percent of the country's trade balance in that year. Measures taken by the concerned authorities for attracting these flows through official channels and providing investment opportunities for the diaspora facilitated these high inflows. In view of their significance as the major source of foreign exchange for the country, it is vital to continue reviewing and revising these policies initiatives.

Remittances can be beneficial to economic development but at the same time international migration can create a loss of skilled labour for the home country. Migrants can create cultural tension in host countries, but also face labour exploitation themselves. These complex social, economic and cultural issues will be explored through the lens of CIMRAD's research.

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