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| RESEARCH ARTICLE

Leveraging Remittances and Labour Export to Mitigate Forex Shortages in Malawi

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| ABSTRACT
This paper sets out to investigate three objectives namely: to assess the current remittance flows and channels to Malawi; to explore how other countries have successfully unlocked remittance potential and labour export; and to provide policy recommendation on how to optimize remittance inflow through formal channels and formal labour export arrangements. Using Ordinary Least Square Regression the study has established that there is a positive and strong relationship between remittance inflows and forex reserves in Malawi. The study also presents more findings to do with channels for sending remittances, policy suggestions to address barriers to sending remittance through formal channels, policy suggestions to improve labour export arrangements to unlock more forex inflows among others. The paper further provides lessons and recommendations for Malawians authorities to leverage remittances and labour export arrangement to mitigate forex shortages in Malawi. The major lesson secured from the case studies is that Malawi's legislation lacks the same degree of centralized support and incentives for remittances and labor export which are available in other countries such as dedicated labor export agencies. On policy, legislative, or regulatory suggestions to improve remittance flows to Malawi, one of the recommendations is that the government should consider providing strategic investment initiatives to the diaspora community to make their investments such as designated land space among others. On policy suggestions for improving labour export programs between Malawi and other countries, one of the recommendations is that labour export programs should have a mandatory requirement for a proportion of the employee's wages/salaries to be repatriated and banked with a Malawian bank account to improve remittances and eventually forex in the country.

| KEYWORDS
Remittances; Labour Exports; Forex, Formal Channels, Informal Channels

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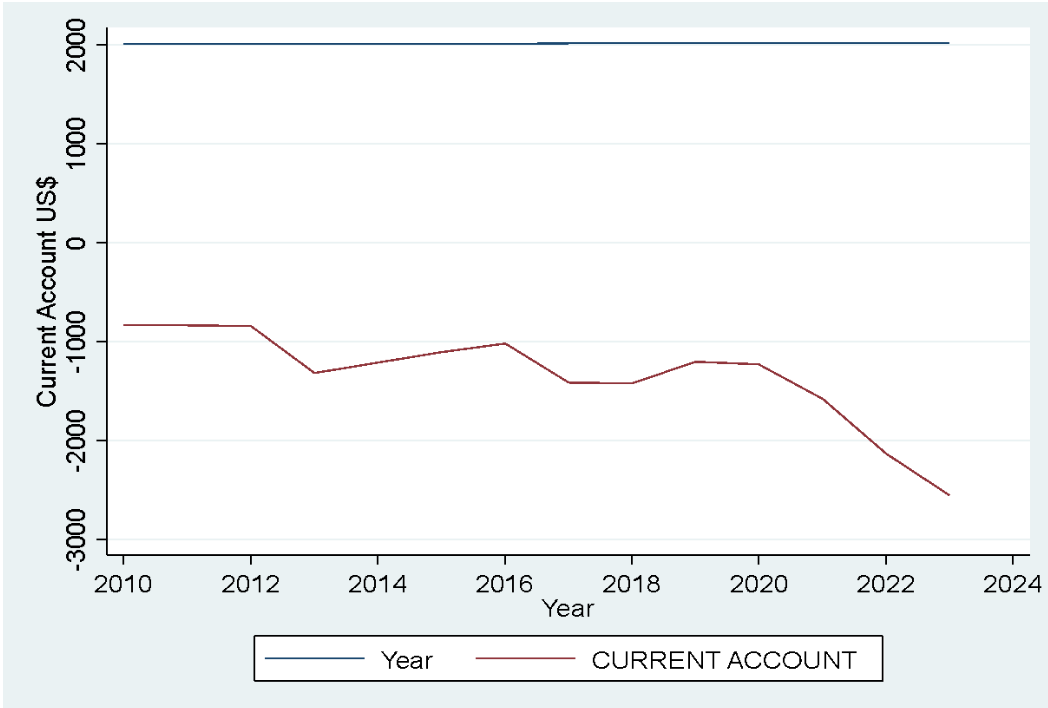
1. Introduction
1.1 Background
Malawi has struggled with persistent external sector imbalances, with declining foreign exchange reserves emerging as one of the key factors undermining economic stability (World Bank, 2024). The foreign exchange shortage has worsened even during the implementation of the nation's long-term development plan, Malawi 2063, as foreign reserves have become increasingly scarce. Over the past decade, the financing of imports has relied heavily on foreign exchange from project loans and grants, as the forex reserves remain in deficit. As of June 2024, total foreign exchange reserves were estimated at US$584.7 million, down from US$714.1 million in June 2023 (RBM, 2024). The chart below depicts the evolution of current account balances between 2010 and 2023, which have been in deficits.

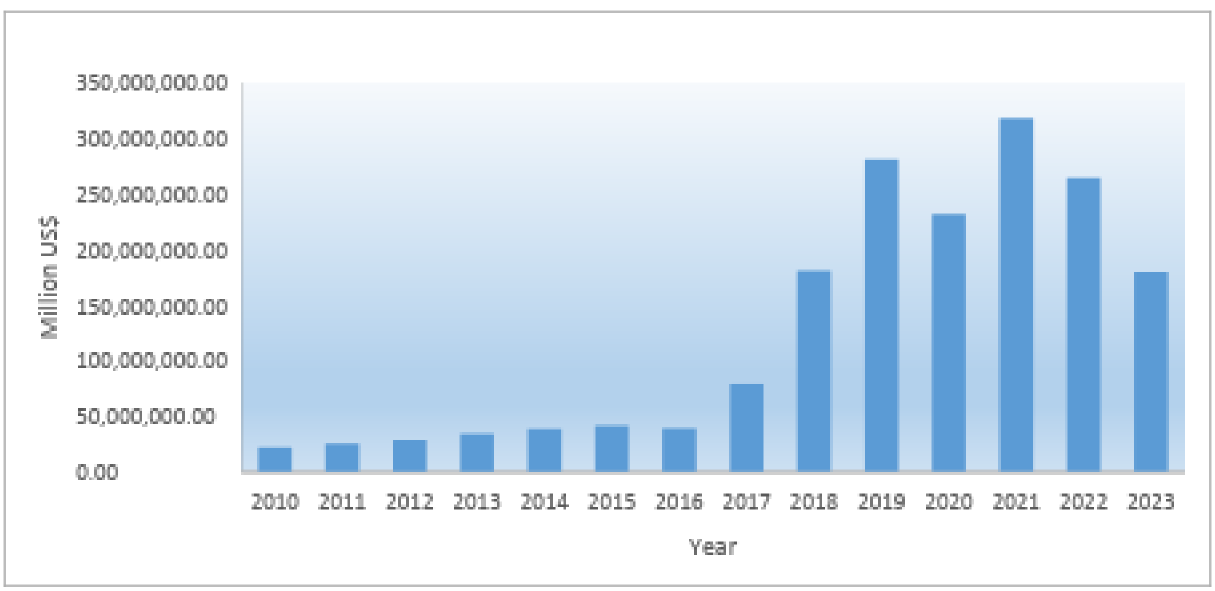
Chart 1: Current Account Balance



Source: Reserve Bank of Malawi

In many low-income countries, remittances from citizens living abroad (personal remittances) constitute a vital, stable source of foreign exchange, often acting as a counter-cyclical buffer during times of economic downturn (Chowdhury, Dhar, & Gazi, 2023). Remittance flows into developing countries have surged over recent decades, often serving as an economic lifeline for families and as an important macroeconomic stabilizer. Malawi, with a growing diaspora population, has yet to fully integrate these remittance inflows into its formal financial systems or development planning frameworks. The chart below illustrates personal remittance flows from 2010 to 2023.

Chart 2: Personal Remittances, received (current US$)



Source: World Bank

According to the World Bank, Malawi received $179.7 million in personal remittances in 2023 from US$318.6 million in 2021, representing a drop of 43.5 percent. Personal remittances comprise of personal transfers and employee compensations. Personal transfers are cash or in-kind transfers between resident and non-resident households. Employee compensation is the income of short-term workers, such as border workers and residents employed by non-resident entities (Masanjala, 2024).

1.1.1 Compensation of Employees - Inflows

Between January and September 2023, Malawian residents received US$8.57 million in 3,706 transactions, representing an average of US$2,313 per transaction. These remittances came from 80 countries and territories, although four countries account for over half, led by the USA (25 percent), United Kingdom (16 percent), Switzerland and South Africa (6 percent). These transfers are the exclusive remit of commercial banks and are dominated by National Bank of Malawi (48.8 percent), Standard Bank (41.37 percent) and FDH Bank (9.7 percent).

1.1.2 Remittance (outflows)

Between January and September 2023, Malawi remitted about US$12.3 million to persons in 55 countries or territories through some 2440 transactions, giving an average value per transaction of US$5,041 and India and China had the largest number of transactions. By value five countries accounted for two-thirds of the outflow (see Table 1).

Table 1: Remittance Outflows by receiving Country

Country	Remittance	Proportion
France	3.40	26
South Africa	1.72	14
India	1.31	11
China	0.89	7
UK & NI	0.69	6
Other Countries		36

Source: Masanjala, 2024

Most of these outflows were part earning (31 percent), balance of earnings (19 percent) and salaries (22.3). Other transactions like expatriate earnings, fees and maintenance allowance formed a small portion.

Additionally, strategies to enhance human capital export remain largely untapped, even though global demand for skilled labor provides a substantial opportunity for foreign exchange generation. Exporting human capital offers a long-term strategy for improving foreign earnings.

1.1.3 Labour Exports history in Malawi

In addition to exploiting remittances to build forex reserves in the economy, Malawi has implemented labour export policies partly to address unemployment challenges and partly to generate forex for the economy since colonial times. When the mining sector became a vibrant and important sector for the economy of South Africa in the 1890s, it begun attracting migrants from other Southern African countries like Malawi. The numbers of migrants from Malawi to South Africa reached its peak in the 1940s. In 1948, 40 percent of Malawi's able-bodied men were estimated to be living abroad[1]. Due to the intensity of activities in the migration sector in the Southern African countries in the 1940s and 1950s, foreign recruiting companies were opened, mechanized transportation systems were used and wages abroad were reported to have markedly increased. Malawi, Mozambique and Lesotho became the suppliers of considerable amount of labour across Africa between 1940s and 1960s. Malawi alone during this period supplied about 60,000 men to South Africa and in Southern Africa the number reached around 100,000s. Labour migrants and associated activities became an important source of revenues for the colonial administration in these countries. The administrations generated revenues from charging recruiting license and passport fees and taxing South Africa and the commodities that migrants returned with (Mitchell 2014).

[1] Annual Report of the Labour Department, for the Year ending 31st December 1948, The Government Printer, (Zomba, 1949), p.4.

Dinkelman et al. (2017) said the government of Southern Rhodesia provided free of charge buses called Ulere buses to attract cheap labour and a company called Witwatersrand Native Labour Association (WNLA) used to charter a 30-seater aircraft to fly migrants from Lilongwe to Lusaka in 1950s. Malawians entered into contracts to save up to 60 percent of their earnings and received this amount as deferred payment upon repatriation. These compulsory remittances were the basis for miner's ability to accumulate capital for use back in rural sending regions. The period between 1974 and 1975 represented the largest coordinated capital flows back to Malawi, the total deferred pay inflows reached about Us$53 million during this period.

In 1967, a Memorandum of Understanding called a Treaty of International Mine Labour was signed between the governments of Malawi and South Africa to formalize outmigration of Malawians. This treaty was curtailed following the crashing of a plane carrying Malawian workers. Besides South Africa, Malawi has also signed labour agreements with other countries such as United Arab Emirates in 2013. Tyche Business Services LLC, a United Arab Emirates-based private recruitment agency recruited Malawians to work in the Gulf Cooperation Countries in 2013(IOM,2015). Recently, in a move to boost Malawi's forex reserves and address unemployment, Malawi signed and agreement with Israel to send both unskilled and skilled Malawians to work in Israel's farms and industries in 2024 (British Council, 2024). Other major destinations in the world, where emigrants from Malawi head to include Afghanistan, India, United Kingdom, Ireland, United States and Canada. There are very few Malawians destined to Latin America and the Far East.

Besides using formal contracts to join the labour market abroad, some Malawians opted to travel independently and secretly to avoid exploitative contracts and to find their own means of securing employment in cases where they could not qualify for formal contracts among others. There has been voluntary migration of mainly uneducated and unskilled people outside Malawi seeking to find employment outside of agriculture sector in order to generate income to support their families back home and reduce poverty (Niboye, 2018). The Southern African Development Community has been the major destination for Malawians accounting for 90.8 percent and 79 percent of these emigrants are destined for South Africa (Table 2). Migration of Malawians to South Africa has been driven by various factors such as lack of employment opportunities, low wages and poor working conditions in Malawi(IOM, 2015).

Table 2: Non- Return Emigrants from Malawi.

Region	Males		Female		Both sexes	
	Number	%	Number	%	Number	%
SADC region	98,934	93.2	17,946	79.5	116,880	90.8
Other African countries	946	0.9	306	1.4	1,252	1.0
Countries outside Africa	6,235	5.9	4,314	19.1	10,549	8.2
Total	**106,115**	**100.0**	**22,566**	**100.0**	**128,681**	**100.0**

Sources: NSO, Population and Housing Census 2008.

1.2 Rationale for the Study

The sharp decline from an all-time high of over US$318.6 million in remittances in 2021 to US$179.7 million in 2023 could partly be attributed to the proliferation of the informal market for remittance flows. Anecdotal evidence has shown that through platforms like Meta's suite of applications and other informal channels, the Malawian diaspora has inadvertently fueled one of the largest black market economies in the country, where an estimated US$100-US$200 million worth of forex is traded annually. Based on 2021's remittance inflows we could deduce that remittances once had the potential to surpass tobacco as Malawi's top foreign exchange earner and were on track to become the largest source of forex outside of donations and grants.

Some sectors have also claimed that large differences between the official and black-market rates tend to drive remittances to informal channels and may partly explain the decline in officially recorded remittances in Malawi

(Masanjala 2024). This claim can be explained by the proliferation of profiteering from the forex exchange scheme using the banking system which offers a platform for Over the Counter Transactions.

These developments show that there are various unchartered routes which people living in diaspora are using to send remittances to Malawi. Should these routes be identified and officials act on them, official remittances can help boost foreign exchange reserves in Malawi and consequently contribute to macroeconomic stability.

This research aims to explore targeted strategies for unlocking diaspora remittances and enhancing labor export. By examining global best practices and identifying context-specific approaches suitable for Malawi, this study intends to offer actionable insights into how these resources can support Malawi’s economic resilience and sustainable development. This research will illuminate how Malawi can leverage these resources and mitigate forex constraints effectively to achieve Malawi 2063 aspirations.

2. Research Objectives and Questions

2.1. Research Objectives

The main objective of the study is to explore how remittance flows and labour exports can be utilized to mitigate forex shortages in Malawi.

The study seeks to achieve the following specific objectives:

1. Assess current remittance flows and channels to Malawi
2. Explore how other countries have successfully unlocked remittance potential and labour export (Labour export programmes in other countries, other country’s legislations as compared to Malawi)
3. Recommend policy interventions to enhance Malawi's capacity to attract remittances and leverage human capital export for resolving external sector balance challenges. (Strategies for exporting Malawian human capital to high-demand international markets.)

2.2. Research Questions

The study will address the following questions:

1. What are the current remittance flows and channels to Malawi.
2. How have other countries successfully unlocked remittances and labour exports for forex generation, and what lessons can Malawi learn?
3. What policy interventions should Malawi adopt to integrate remittance flows and labour export into its economic development strategies?

3. Literature Review

A study in Malawi by Lloyd George Banda (2020) on re-conceptualization of the effects of remittances in rural communities in Malawi reveals some positive effects of remittances. Using a case of T/A Malanda in Nkhata-Bay, the study shows that remittances have a positive effect on general well-being of the recipient families especially in health, education and housing. This shows how important remittances are in Malawi. However, the study was conducted at micro level and cannot reveal the impact at macro level.

According to Abdul-Malik Abdulai (2023), international remittances remain one major source of international financial resources in the world. Yet very limited empirical studies exist on the impact of these remittances on economic growth, more especially in Ghana. To bridge this void in literature, the study analyzes the impact of remittances on GDP growth in Ghana from 1990 to 2020. The ARDL estimation technique was used to test the long-run association between the selected variables. The results showed that GDP growth rate has a long-run relationship with remittance inflows, foreign direct investment, unemployment rate, inflation, trade, population growth rate and official development assistance. Lastly, the mediating effect of unemployment on remittance inflows negatively affects GDP growth rate in both runs. It is therefore recommended that to ensure sustained GDP growth rate in Ghana, government should consider tapping into the contribution of remittances by ensuring reliable transfer means and cutting down the cost of transfer.

A study conducted by Abbas, Shujaat, Mehdi Nejati and Fateme Taleghani, on the impact of skilled labour migration on energy, environment and economic growth in home and host countries: A computable general equilibrium analysis utilizes a multiregional computable general equilibrium (CGE) model. This model is applied to explore the effects of skilled labor migration on economic growth, energy consumption, and environmental sustainability in both developed and developing countries. It categorizes developing nations into income groups to evaluate various migration scenarios, remittance flows, and reverse migration impacts on GDP, energy demand, and carbon emissions. The results of policy simulations indicate that skilled labour migration can reduce the gross domestic product, welfare, energy consumption and carbon emissions in home countries, and the reverse is true for the host countries. Whereas the inflow of remittances to home counties can enhance their economic growth, energy consumption, and CO_2 emissions, while reverse trend of remittances outflow is observed in host countries. Similarly, reverse migration can increase economic increase in developing countries along with increasing energy demand and carbon emissions. The study urges for developed countries to utilise skilled immigrants in environment friendly manufacturing industries

Another study by Sokchea Lim, A.K.M. Mahbub Morshed, and Stephen J. Turnovsky (2023) on the impact of migrant workers and remittances on two economies shows that the 21st century has witnessed a dramatic increase in both the number of migrant workers and in the world-wide average ratio of remittances to GDP. Particularly notable has been the increased migration of low-skilled workers from South Asian countries to the wealthy Middle East Gulf states. The study revealed that the impact of remittances on the recipient country's economy is potentially far-reaching. Therefore, this calls for a need to expand literature focusing on better understanding of the consequences.

On the other hand, a paper by Udaya R. Wagle (2024) shows contradictory insights. It assesses how the growing trend in labor migration to the Middle East during the past three decades may have helped shape the economic structure and performance across the member countries of the Gulf Cooperation Council. Following a descriptive and time series regression analysis of the limited cross-country data, it has shown that the experience with labor migration and its linkage with other aspects of the economy are varied. The migration trend coinciding with increasing personal remittances attests to the competitive demand for foreign labor. While labor migration shows mixed association with the key aspects of the economy, the stock of migrant population is negatively associated with economic growth. These results, which are from a six-country analysis from 1990 are useful to understand the complex nature of relationship between labor migration and economic structure and performance in the region.

Laura Mariana Cismaș Ruxandra Ioana Curea-Pitorac and Ioana Vădăsan (2019) studied the impact of remittances upon the origin country of emigrants. The study performed a quantitative analysis by using econometric models to highlight the correlation and the causality between the studied variables. The empirical research had two main objectives which were to assess if the remittances cycle is more stable over the business cycle than private capital flows and secondly, to analyze the influence of the inflow of remittances on the economic activity in central and eastern Europe countries, with emphasis on Romania. The results are in accordance with the recent studies in the field and conclude that the inflow of remittances is more stable over the business cycle but does not stimulate economic growth in Romania.

4. Methodology

To address the objectives of the study, the researchers employed a mixed method analysis which mainly focused on qualitative data collection methods to gather and analyse both primary and secondary data. Quantitative analysis was used to confirm qualitative data findings using simple learn regression. Primary data was gathered through interviews with business captains, government officials, Malawians living and working in the diaspora, experts on remittances and labour export among others. For Malawians in diaspora to be included in this study they must have lived in the foreign country for a period of at least 6 months and regularly send remittances to Malawi.

Secondary data was collected through desk review of existing research reports and documentation of information such as remittances inflow in Malawi, legal and policy instruments in the financial system, strategies other countries have employed to unlock remittances and maximize remittance inflow from labour export, policy suggestions from different interviews on how to channel informal remittance flows to formal channels in Malawi among, the existence of black market economy for remittances in Malawi, theoretical and empirical literature on remittance flows, methodology on studies of similar nature done for other countries among others. Secondary data collected also involved case studies on remittance flows from other countries. Quantitative secondary data was collected from databases of organizations such as Central Bank of Malawi and World Bank.

To collect primary data from the interviewees, a google online questionnaire was developed and sent to selected interviewees for completion. A purposive method and snowball technique was used to reach out to respondents of the questionnaire.

In cases where the questionnaire was not responded to the research team held structured interviews with the targets in government institutions, international and local organizations, financial institutions and civil society organizations to obtain relevant information. The collected data was transcribed and analysed and interpreted in a coherent and systematic manner using detailed qualitative data analysis techniques.

5. Findings

This section provides findings related to some of the objectives of the study which include importance of remittances in Malawi, channels for sending remittances to Malawi, assessment of current remittance flows and channels to Malawi, findings on how other countries have successfully unlocked remittance potential and labour export (Labour export programmes in other countries, other country's legislations as compared to Malawi) policy suggestions to address barriers to sending remittance through formal channels, policy suggestions to improve labour export arrangements to unlock more forex inflow among others.

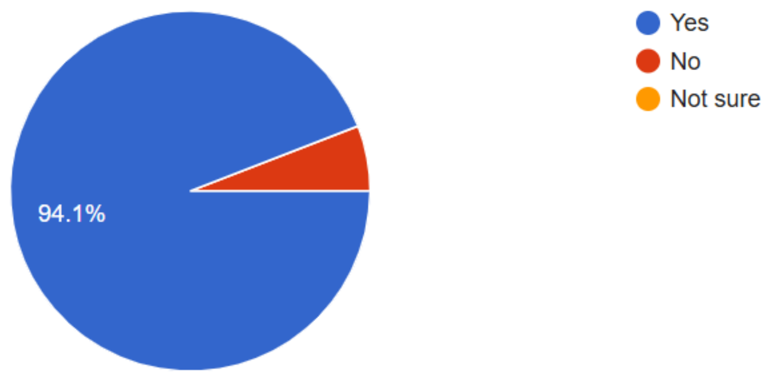
5.1 Importance of Remittances in Solving Forex Problems in Malawi

Chart 3: Regression Results of Impact of Remittances on Foreign Reserves

Source	**SS**	**df**	**MS**	Number of obs	=	20
Model	9.436le+l7	3	3.1454e+17	F(3, 16)	=	22.78
Residual	2.2093e+17	16	1.3808e+16	Prob > F	=	0
Total	1.1645e+l8	19	6.1291e+16	R squared	=	0.8103
				Adj R-squared	=	0.7747
				Root MSE	=	1.2e+08
freserve	**Coefficient**	**Std.err.**	**t**	**p > |F|**	**[95% conf.interval]**	
dremit	4.065349	0.977666	4.16	0.001	1.992789	6.137909
doda	0.0546493	0.158267	0.35	0.734	- .280862	0.390161
toba	0.0012434	0.000244	5.1	0	0.0007266	0.00176
cons	1.47e+08	3.96e+07	3.72	0.002	6.34e+07	2.31e+08

The study run an Ordinary Least Square Regression to establish the relationship between remittances on Forex Reserves. The results show that remittance inflows captured by *dremit* have a positive and significant impact on forex reserves captured by *freserve*. Based on these quantitative findings the study went further to confirm with interviews the views on the importance of remittance to solving foreign exchange problems in Malawi. 94.1 percent said remittances have a great role to play in solving forex shortage problems in Malawi.

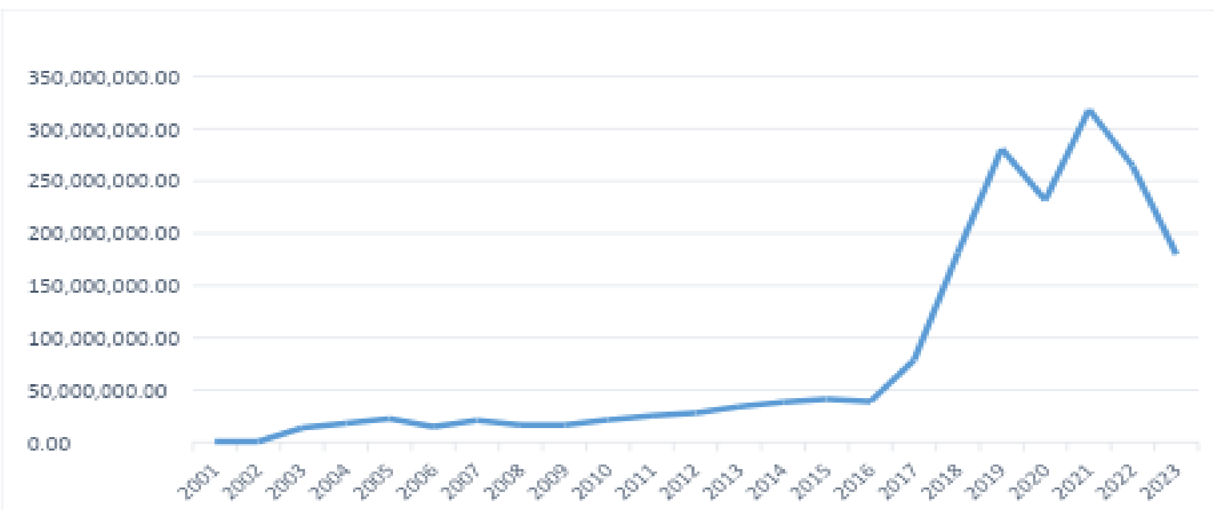
Chart 4: Respondents Views on the Importance of Remittances in Solving Forex Problems in Malawi.



5.2 Remittance Flows

Remittances inflow grew at a modest and steady pace between 2001 and 2016 but recorded a notable surge from 2016 to 2019. This was followed by a sharp decline in 2020, primarily due to the economic disruptions caused by the COVID-19 pandemic. In 2021, remittances rebounded reaching a peak of US$319 million and thereafter sharply declined, dropping to US$ 180 million in 2023. Even at the 2021 peak, remittance inflows provided only 1.2 months of import cover against Malawi's monthly requirement of US$ 250 million. By 2023, remittances fell below a single month's import cover, further diminishing their contribution to the country's foreign exchange reserves. The personal remittances data, however, only captures recorded flows through formal, and the actual magnitudes of the remittances inflow are likely to be larger than available estimates if unrecorded formal and informal transactions were captured. Figure… shows the trend in personal remittance to Malawi between 2001 and 2023.

Graph 1: Remittance Inflows



Source: World Bank, WDI

5.3 Formal Remittance Channels to Malawi

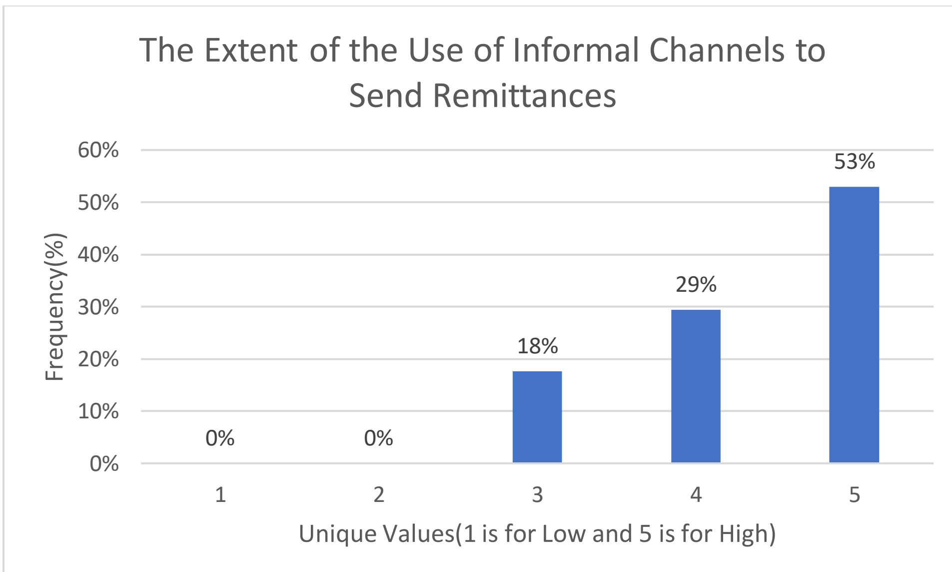
The two major channels for remitting funds to Malawi are through direct bank transfers and money transfer agencies. Studies have shown that the bulk of personal transfers (94 percent) between 2021 and 2023 were from

South Africa and Mukuru was the most popular platform accounting for US$98 million. There were also 86,173 investment transactions, 99 percent of which originated in South Africa and almost entirely channelled through Mukuru. A total of US$ 6.82 million in diaspora investment was received in Malawi representing US$79.13 per transaction.

5.4 Informal Remittance Channels to Malawi

The study has established that the levels of informal remittances is very high through both desk review and questionnaire administration. The following are some of the informal channels through which remittances are sent to Malawi: cross border smuggling, parallel market currency swaps, depositing forex with unscrupulous traders and peer to peer transfers.

Chart 5: The Extent of the Use of Informal Channels to Send Remittances (1 is low and 5 is very high)



5.4.1 Cross border smuggling

On smuggling the respondents indicated that some people smuggle forex and goods into the country by by-passing border posts using unchartered routes or hiding forex in their goods whilst crossing the borders. People mainly involved in such activities include international merchants and transporters. When they smuggle the forex, they sell it on black market or keep it as an asset.

5.4.2 Parallel market currency swaps

There are in country forex/currency swaps and international currency swaps. In country currency swaps are the traditional ways of buying or selling forex on the black market of Malawi. This channel mainly is mainly driven by two factors. The first one is through currency arbitrage and the second one is through increased accessibility to the parallel market.

A. In country Swaps

i. Currency Arbitrage:

- The parallel or black market for foreign exchange usually thrives when there are huge disparities between the official and black market rate. Remitters often opt for engaging in currency swaps with local businesses or informal brokers in the parallel market. This allows them to convert their remittance funds into local currency at a better rate than official exchange rate. Through such transactions, the recipient of local currency receives more value for the same amount of foreign currency.

ii. Ease of Accessibility:

- In Malawi, the formal banking system often requires the sender and receiver to have bank accounts which require minimum documentation and availability of bank branches mainly in rural areas for receivers to access banking services. Due to limited accessibility of banking services by the rural majority who also lack proper documentation and financial literacy to access formal banking services, they opt for parallel markets which are easily accessible.

B. International currency swaps

These forex Swaps happen among entities in different countries. These kinds of forex swaps are mainly conducted by local business entities who are operating in two countries say, Malawi and South Africa who assist a client with currencies in the two countries. A Malawian bus driver who commutes between Malawi and South Africa might need rands for upkeep whilst in South Africa. He may buy rands from a Malawian businessman in Malawi using the Malawi kwacha to be paid Rands equivalent by partners of a Malawian businessman in South Africa when he gets to South Africa. The vice versa also happens when the driver wants Malawi kwacha. These kinds of transactions also happen even among public officials who have received up keep allowance in Malawi Kwacha but need say US$ dollars or rands in a country of field business. These transactions also happen among big business people among different countries.

5.4.3 Peer to peer transactions

The third channel involves peer to peer transactions. In these transactions there is a middle agent (money broker) with huge amounts of Kwachas and forex balances in his accounts. A remitter sends forex to an agent's forex account in Malawi and the agent deposits Malawi kwacha equivalent to the remitters account in Malawi. This agent also helps those who want to purchase goods and services outside the country with the forex he/she is holding. In this type of transaction, the agent buys the goods or services abroad on behalf of an entity in Malawi. When this purchase is done the agent surrenders the goods and services in exchange for Malawi kwacha equivalent from the entity who was looking for them. In this system the agent both helps those who are remitting funds to Malawi by offering them Kwacha equivalent and also those who want to purchase goods abroad using forex holdings. The currency transaction normally happens at a black-market rate and the entities involved in the transactions avoid currency exchanging fees charged by financial institutions this is why the channel seems to be informal although the funds transfer transactions happen in the formal system.

An example of how this system operates can be drawn from Malawians living in the United States of America (U.S.A). A WhatsApp group operates for Malawians in the U.S.A where members exchange currency. There are around 1,000 active participants and this is how it works: Malawians in the U.S.A who want to send money home transfer funds to a guy with a U.S. bank account in Malawi. The guy then deposits the equivalent amount in Malawi kwacha directly into the recipient's account back in Malawi at a pre-agreed rate, which currently hovers around 2,650 MKW/USD. This guy also has clients in Malawi, mainly traders who need US$ dollars for international purchases. He handles their transactions, and they send him funds in kwacha at a premium rate, so he profits from the exchange rate difference. It is estimated that about 80% of group members send an average US$2,500 each month, which translates to US$2 million/month.

5.4.4 Wahala system

Related to the systems of transmitting remittances above is the Wahala system which is also risky, trust based but yet relative low cost because official charges by either banking system or the money transfer agents do not apply to the sender. Wahala is prevalent in regions or countries where the conventional banking system is very limited or non-existent.

This system operates without physical money crossing the borders and rely on a network of brokers or money agents called Wahaladars who facilitate transactions. This is how the system generally operates:

1. The system has a sender and a receiver who live in two different countries The receiver contacts a money broker in a country of residence and gives them themoney and details of the receiver in another country.

1. The broker in the sending country contacts his fellow broker in the receiving country and provides all the necessary information i.e the amount of money to give the receiver and the contact details of the receiver. The money broker/agent in the receiving country gives the agreed amount to the receiver and collects a small fee from the receiver.
2. Over time the two money agents settle their debts without meeting each other physically. They may exchange goods or services or one may transfer money to the other through formal channels.

5.4.5 Cryptocurrency

With financial innovation proliferation some people are sending remittances using cryptocurrencies with the aid of Binance, an American technology company. Binance and cryptocurrencies have become increasingly popular as mechanisms for sending money informally across borders due to low fees, speed and ability to bypass traditional financial systems. The steps for remitting finance through Binance are as follows:

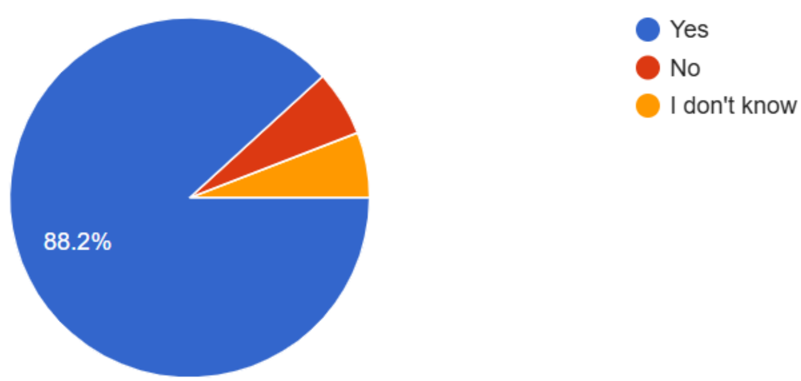
Both the senders and the receiver need to create accounts on Binance, which is one of the largest cryptocurrency exchanges globally. The sender buys cryptocurrency (such as Bitcoin, Ethereum or stable coins like USDT) on Binance using their local currency. Payment methods used when buying include bank transfers, credit cards, or peer to peer(P2P) trading.

When the sender has acquired the cryptocurrency, they send it to the recipient's Binance wallet. Due to the borderless nature of cryptocurrencies the transfer of the coins can be done to any country without passing through the banking system. This process usually takes minutes or hours depending on factors such as block chain and network traffic.

The receiver can either sell the cryptocurrency received on Binance or they can use Binance Peer 2 Peer (P2P). In countries where conversion of cryptocurrency is accepted the receiver can sell the cryptocurrency for local currency on Binance. In countries where cryptocurrency trading is restricted, the receiver can use Binance's Peer to Peer platform. This allows the receiver to sell the crypto directly to another buyer in exchange for local currency, often through bank transfers, mobile money or other local payments.

5.5 Barriers to Remittance In-Flows in Malawi.

Chart 6: Existence of Barriers to Remittance Inflows



About 88 percent of respondents indicated that there are a number of barriers to remittance flows to Malawi especially through formal channels which push people to use informal channels. Informants shared the following as some of barriers to formal remittance flows:

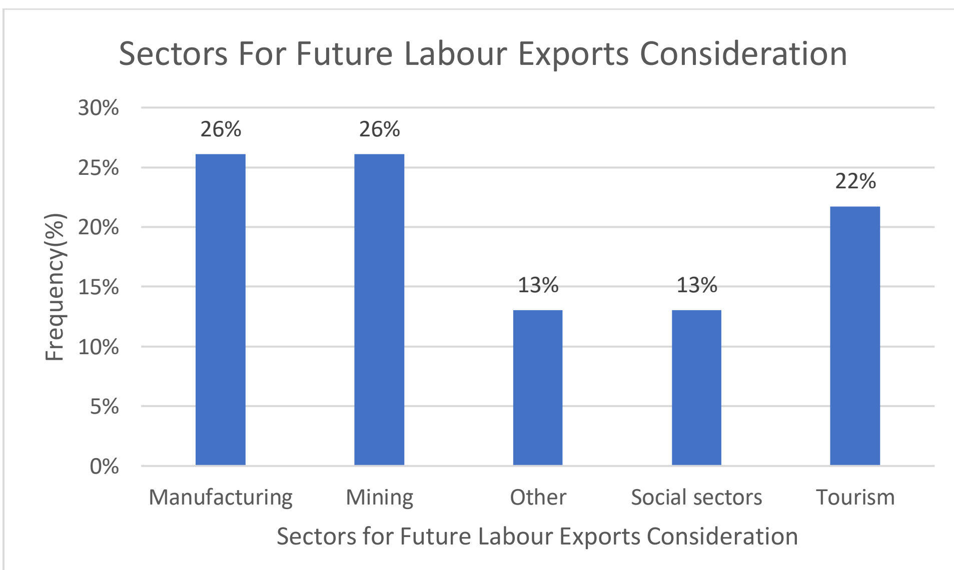
- Formal remittance channels reduce the value recipients receive and hence drive many to informal remittance channels.
- There is no clear law and policy in place to regulate smooth inflow of remittances.
- High Transaction Costs - high fees for transfers, making formal channels expensive and less attractive.

- Exchange Rate Discrepancies - Misalignment between official exchange rates and black market rates reduces the value recipients receive, driving many to informal remittance channels.
- Poor policy frameworks to incentivize remittances
- High paper work to open an account from abroad.
- Huge difference in the Telegraphic Transfer rate and the cash rate at the black market,
- One size fit all foreign denominated accounts, difficult to conduct a transaction from the foreign denominated account in Malawi i.e it takes time for the transaction to pass, and it requires a lot of paperwork for the transaction to be completed
- High cost of sending remittances,
- Lack of special products for diaspora such as diaspora direct investment,
- Lack of awareness of importance of remittance
- Lack of awareness on how to send money through formal channels and irregular migration status in host country.
- Forex exchange legislation (mandatory conversion of a portion of remittances to local currency)
- Lack of digital money sending infrastructure.

5.6 Additional Sectors Besides Agriculture in Which Labour Export Initiatives Should Also Focus On

When asked about other sectors beyond the agriculture sector in which labour export arrangements should be made between Malawi and other countries the respondents suggested that the government should prioritize mainly two sectors namely manufacturing and mining with a tie of 26 percent and mining followed by tourism with 22 percent.

Chart 7: Sectors for Future Consideration in Labour Export Arrangements



Respondents proposed that besides Israel, Malawi can also consider exporting labour to Saudi Arabia, Botswana, United Kingdom, United States of America and Canada. Respondents also claimed that there is a shortage of labour in the United Kingdom following Brexit. In addition, the following countries were also suggested; Qatar, Kuwait, United Arab Emirate, Oman, Mozambique, German, Malta, South Korea, Seychelles, South Africa, Ireland, Australia, New Zealand, Nordic and Schengen countries.

6. Case Studies Mechanisms Which Other Countries Have Used to Successfully Unlock Remittances and Exploit Labour Exports for Forex Generation

To find out about government systems/incentives established in countries other than Malawi for receiving, securing and investing remittances of the diaspora community through formal channels, case studies were developed for selected countries from which Malawian authorities can draw lessons from. Below are the case studies.

Case study 1: Bangladesh

What is undeniably true in the context of Bangladesh is that overseas employment has proved efficacious in reducing unemployment and increasing foreign exchange reserves (Barkat et al., 2014). A country with a population of 171 million people, has seen a steady increase in the remittance from US$1 billion in 1993 to US$12.8 billion in 2013 and US$18.4 billion in 2019 (Farhana & Mannan, 2024). Currently, there are 7.1 million emigrants who remitted 22 billion in 2022 through official channels (Farhana & Mannan, 2024; Goswami et al., 2023). However, challenges are faced in quantifying the actual amounts of remittances in the country as there is the presence of unofficial channels such as Hawala system or gifts and goods that migrants bring when they are travelling to their home country (Islam, n.d.).

Bangladesh has a migration system to achieve the triple policy objective of (1) maximizing migration flows and remittances, (2) maximizing the benefits of temporary migration for workers, their families, and the socioeconomic development of Bangladesh, and (3) minimizing migrants' vulnerability. Current systems attempt to tackle these issues through policies at each stage of the migration life cycle: pre-decision, pre-departure, during migration, and after migration (IOM, 2018).

At the institutional and regulatory level, the Government enacted the Overseas Employment and Migrants Act in 2013 which led to the development of the 2016 Policy on Expatriates Welfare and Overseas Employment 2017 Overseas Employment and Migrants Management Rules and 2018 Migrants Workers' Registration Rule) and there is a Ministry of Expatriates' Welfare and Overseas Employment overseas employment opportunity for Bangladesh workers through migration management. On the other hand, the Private sector is responsible for disseminating information related to migration opportunities, finding interested and qualified applicants for overseas jobs and supporting them in the process. Non-Governmental Organizations and Civil Society Organizations (CSOs) play a pivotal role in the development and improvement of migration systems. Besides this, there are bilateral labour agreements between Bangladesh and destination countries in the Middle East and Southeast Asia.

At the pre-decision stage, workers are provided with information on migration opportunities from licensed recruitment agencies to advertise (subject to the government's prior approval) and through community-driven information programs through NGOs and CSOs. On the cost of migration, the Government of Bangladesh has also set country-specific ceilings for the recruitment agencies to charge jobseekers and has fixed the maximum migration costs for low skilled male and female migrant workers. The government also launched smaller-scale programs to reduce migration costs, such as the Korean EPS program, where migrants pay US$900 instead of US$4,000.

At the pre-departure stage, when workers have made the decision to migrate and secured funding, there is a need to find an employer overseas, which is usually done with the help of middlemen who also arrange for interviews, prepare workers for interviews and accompanying them to various places and the cost is borne by the employer.

The Government also conducts pre-departure orientation and training for the workers to perform well on the job at their destination, be aware of the legal and logistical procedures to complete at the destination, legal rights and possible recourse with employers and understand the nature and work practices in the destination. It also has policies while migrants are abroad, such as labor attaches who provide onsite support, welfare funds that cover repatriation of migrants and compensation and financial assistance to migrant workers for their disability-(financed by migrant worker fees), remittances-the Bangladesh has authorized a number of private banks and relevant institutions to facilitate the transfer of remittances. However, the country lacks formalized return policies.

Case Study 2: Philippines

Over ten million Filipinos currently work and reside abroad, with more than half of them being permanent migrants (Adhikari & Khatri, 2024). There is a substantial amount of remittances that flow to the Philippines exceeding US$36 billion, but their utilization of these funds remains a persistent challenge. Improvements are seen at a household level where 55% is directed to meeting household expenses, 37% is allocated to emergency savings and loan repayments(Naidu et al., 2016).

The Government of the Philippines has been remarkably clear and consistent: migration should be promoted, but only for temporary work via regulated channels. In terms of the regulatory role, the Government of the Philippines enacted the Migrant Workers and Overseas Filipino Act of 1995, which provides a legal framework for the protection and welfare of Overseas Filipino Workers. This law led to the establishment of the Overseas Workers Welfare Administration (OWWA) (Juan, 2013). Several other policies, such as the Anti-Trafficking in Persons Act (2003), Expanded Anti-Trafficking in Persons Act (2012), Strengthening the Anti-Mail Order Spouse Act of 1990 and the Magna Carta for Seafarers, were developed and revised. In 2021, the Department of Migrant Workers Act was signed into law (Philippine Institute for Development Studies et al., 2023).

Employees are to be recruited by either a licensed recruiter or a government agency. The government also ensures that workers are protected from abuse and penalizes illegal recruitment. The government also put in place requirements for licensing the agencies.

In terms of support to migrants-the migrants receive subsidized benefits such as pre-migration training on social and work conditions abroad, life insurance and pension plans, medical insurance and tuition assistance for the migrant and his family. They also have an Overseas Worker Welfare Administration (OWWA) is compulsory and costs less than US$200 per year. OWWA issues an identification card to all official workers that is also a Visa Card that can be linked to the dollar or peso-denominated account in a consortium of banks. The card enables remittances to be sent at US$3 or less per transaction.

On return from overseas, there is the National Reintegration Center for OFWs that offers psychosocial counselling and various programs to support economic reintegration.

On remittances, the Philippine government offers financial literacy modules and promotes investment of remittance income into productive sectors and 5% of remittances were invested in the local economy(Agcaoili, 2019). The Philippines also has country information offices known as Philippines Overseas Labor Offices (POLOs) to help workers at their workplace, even though some other employers do not allow foreign diplomats to talk to migrants(Adhikari & Khatri, 2024).

Case Study 3: Nigeria

Nigerians in the diaspora are in several countries around the globe. Currently, there are 1.24 million migrants in diaspora. Nigeria has become a prominent recipient of remittances, with annual inflows ranging from US$19.7billion to US$25 billion since 2010 (Alhassan et al., 2024). Interestingly, remittances translated to 83% of the federal budget in 2022 and 11 times the Foreign Direct Investment (Ngene et al., 2024).

The government invoked the provision of the Nigerian Labor Act to license employment agencies. All private agencies are encouraged to be members of an umbrella body called the Human Capital Providers Association of Nigeria. The Government further established International Labor migration to develop pre-departure training, providing information for the destination countries and elaborating the labor migration policy. The policy aims to 1) promotion of good governance of labor migration, 2) protection of migrant workers and promotion of their welfare and that of families left behind, 3) optimizing the benefits of labor migration while mitigating its adverse impacts.

The country is also one of the beneficiaries implementing the Global skill partnership model, where the country of destination agrees to provide technology and finance to train potential migrants with targeted skills prior to migration and receives migrants with the skills they need to integrate(Adhikari & Dempster, 2019).

Case Study 4: Sri Lanka

Sri Lanka uses a combination of labor export, predominantly to the Middle East, with robust remittance management policies. Remittances account for a significant portion of Sri Lanka's Gross Domestic Product, and the government has developed policies to offer training and financial literacy to workers before their departure. Initiatives are in place to motivate and support remittance recipients to use the funds for productive investments, including small businesses and education. Sri Lanka's experience demonstrates how policy interventions at both the pre-departure and remittance stages can successfully enhance the economic benefits of labor export (Mohamed Aslam & Alibuhtto, 2023).

Sri Lanka has a Bureau of Foreign Employment (SLBFE) which handles employment opportunities abroad, assisting labor migration and offering financial, training, and welfare support for workers abroad. This centralization of labor export management establishes clear channels for foreign employment.

Furthermore, Sri Lanka incentivizes remittances by providing tax-free remittances and favorable exchange rates, guaranteeing that more funds are transferred into the country formally. In addition, Sri Lanka signs agreements with key destination countries to secure worker rights and wages, which maintains a consistent demand for Sri Lankan labor abroad (Withers, 2019).

Case Study 5: India

India significantly benefits from its large diaspora, especially in the Middle East, North America, and Europe. The Indian Government has initiatives such as Pravasi Bharatiya Divas (an annual convention for non-resident Indians) which aim to build connections with the diaspora, boosting investments and remittance flows back home. Remittances have supported financial stability and spurred growth in rural areas through small business investments, education, and infrastructure development. A combined approach of remittances and labour export leverages India's global workforce to bolster economic resilience (Ahmad & Rahman, 2023).

The Emigration act of India facilitates labor migration through licensing of recruiting agents, minimising illegal migration and exploitation. it allows for improved tracking and support for diaspora indian workers. furthermore, the indian government has created several diaspora bonds and financial schemes that are tax-free, helping to attract remittances through official banking channels. india also allows diaspora members to open non-resident external (nre) and non-resident ordinary (nro) accounts, which facilitate tax-free repatriation of funds karmakar, majumder, & ray, 2022).

6.1 Lessons for Malawi from the Case Studies

Malawi's legislation lacks the same degree of centralized support and incentives for remittances and labor export and these include:

- **Absence of Dedicated Labor Export Agencies**: Malawi does not have an agency equivalent to POEA or SLBFE, which specialize in securing safe, legal, and beneficial employment abroad for citizens.
- **Limited Financial Incentives for Remittances**: Unlike Bangladesh's tax-free remittance policy or Nigeria's Naira4Dollar, Malawi has fewer incentives that make formal remittance channels more attractive.
- **Weak Diaspora Engagement**: Malawi lacks structured diaspora engagement programs and financial products designed specifically for the Malawian diaspora, which could otherwise encourage investments and remittances.

7. Conclusion

The study has looked at historical and current programmes in labour exports and remittance inflows in Malawi. Through secondary and primary data collection the study has established that there are barriers to remittance inflows and respondents such as government officials and Malawians living in diaspora have also proposed policy and programmatic measures to deal with these barriers.

The paper has established that remittances are an important source of forex in Malawi. However, there is need for the government to put up strategies to maximize inflow of remittances in the country. These strategies include setting up institutions to manage remittances inflows in the country like established labour export agencies. Authorities also need to look into establishing incentives for remittances and set up a robust programme to engage the diaspora to encourage them invest and send remittances to Malawi. Due to lack of these policies, institutions and programmes, the study found out that there is proliferation of an informal market for remittance inflows and it works through mechanisms such as Wahala system, cross border smuggling, cryptocurrency among others.

This paper mainly focused on qualitative data analysis. There is room to use macroeconomic data to carry out econometric study to investigate the short run and long run impacts of remittances on forex reserves in Malawi.

8. Recommendations

To augment lessons from the case studies presented on measures adopted by other governments to secure and invest remittances and also promote labour export efficiently, through the questionnaires administered, our study also investigated on policy, legislative or regulatory suggestions to improve remittance flows and improve labour exports. The following recommendations were gathered.

8.1 Policy, Legislative, or Regulatory Suggestions to Improve Remittance flows to Malawi

With regards to areas of improvement in the legal, policy and regulatory frameworks to do with diaspora/improve remittance flows, the respondents suggested the following areas for consideration:

- Government should consider setting up a loan schemes for people living diaspora so that the repayment should be made with forex. The government can for example establish a mortgage scheme for people living diaspora so that payment for the mortgage should made to government account in Malawi using forex.
- The savings of a minimum of US$5,000 for a period of six months should become an investment and attracts higher interests.
- Government should consider providing incentives to bring the diaspora back home during festive seasons as a means of raising forex.
- Government should consider providing strategic investment initiatives to the diaspora community to make their investments such as designated land space
- Government should consider legalizing the flow of remittances through cryptocurrencies
- Government should consider reviewing the Malawi citizenship Act to ensure that all children born abroad should subscribe to diaspora bonds through their parents.
- Allow FCDAs to be fully operational with no withdrawal or transaction limits.
- Set competitive exchange rates aligned with market fundamentals for the diaspora.
- Reduce taxes or fees on remittances through formal channels.
- Register more remittance service providers to increase competition
- The government should review the foreign exchange denominated account system so that the percentage of money to be converted into the local currency is reduced.
- Government should come up with a policy targeting Malawian residents in South Africa which will lay out procedures of ensuring that the South African Diaspora is able to remit funds to Malawi easily. Some of the things to consider should include better rates, integrating remittances into mobile money transfers, establishing government South African Diaspora Fund considering that we transact with South Africa the most in Africa.

  ShopRite and Game Stores can be paid from the South African Diaspora Funds and hence reduce pressure on the USD. We can be importing all the government vehicles from South Africa and not Japan or other countries which demand US$ dollars.

- Allow the diaspora community to open bank accounts and transact online without too much documentation as some are undocumented immigrants.
- By legislation and policy, the Government should broaden the mandate of the Malawi Investment and Trade Center to include inward direct diaspora investment (e.g. the case of Ghana and Gambia). Through the reconfigured Malawi Investment and Trade Centre (MITC), the Government should create a "most favored nation" policy or legislation that guarantees Malawian diaspora investment incentives and tax breaks comparable to those available for foreign direct investment.
- Government should explore setting up a specialized diaspora co-finance and diaspora development fund (e.g. the case of Morocco) to stimulate Diaspora Direct Investment (DDI). For Morocco, the 'MDM Invest' programme enables Moroccans living abroad to access a grant of up to 5 Million Dirham (over US$500,000) or 10% of costs, for projects implemented in Morocco[2]. For Senegal, the 'FAISE' programme provides low-interest, 5-year loans of up to 15 Million CFA (over US$25,000), with repayment holidays, for diaspora projects. Other countries have made it easy for the diaspora to access domestic investment incentives such as loan guarantee schemes.

It was also proposed that for these reforms to be effectively and efficiently implemented there is need for the issuance of the executive orders from the Reserve Bank of Malawi and the Ministry of Finance and Economic Affairs as this would be ideal and quick other than policy regulations which would take time to develop.

8.2 Policy Suggestions for Improving Labour Export Programs Between Malawi and Other Countries

To improve labour export programmes, participants in the study put forward the following recommendations:

- Government should undertake research and engage more countries for pre-arranged labour exports.
- Train Malawians in skills and languages needed in countries with high job demand.
- Keep recruitment agencies in check to prevent scams and exploitation.
- Establish a modified life assurance policy for all the members of diaspora in the event of death or incapacitation.
- Review the National Labour Migration policy
- Establish Labour Migration regulations
- Government should ratify relevant conventions related to labour migration, such as ILO Convention 181 and 143
- Government should review National Employment and Labour Policy so that labour exports should adequately be covered.
- Bilateral agreements with other states should be formalized to protect the rights of Malawian workers and ensure fair treatment.
- Comprehensive recruitment standards should be set up to prevent exploitation.
- Authorities should make use of Trade in Service Protocol.
- Government should create an institution under the Ministry of Labor specifically to take care of migrant welfare including underwriting pre-migration orientation and assistance. Through this institution, the government should create a co-funding mechanism for labor exports including payment for passports for labor migrants; This fund should also take care of migrants' welfare during their stay (including labor inspections), help in investment information and education in preparation for return.
- Labour export programs should have a mandatory requirement for a proportion of the employee's wages/salaries to be repatriated and banked with a Malawian bank account to improve remittances and eventually forex in the country.
- Labour export programmes should also have an insurance policy for helping with repatriation of Malawians in case of emergency.
- Capacitate the Ministry of Foreign Affairs to conduct reintegration program for returning emigrants
- Encourage joint collaborative efforts with stakeholders providing technical assistance in emigration such as World Bank and United Nations

[2] Morocco: MDM Invest. Avalable from : http://www.ccg.ma/en/votre-projet/mdm-invest

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