

5 Movement of People

Migration

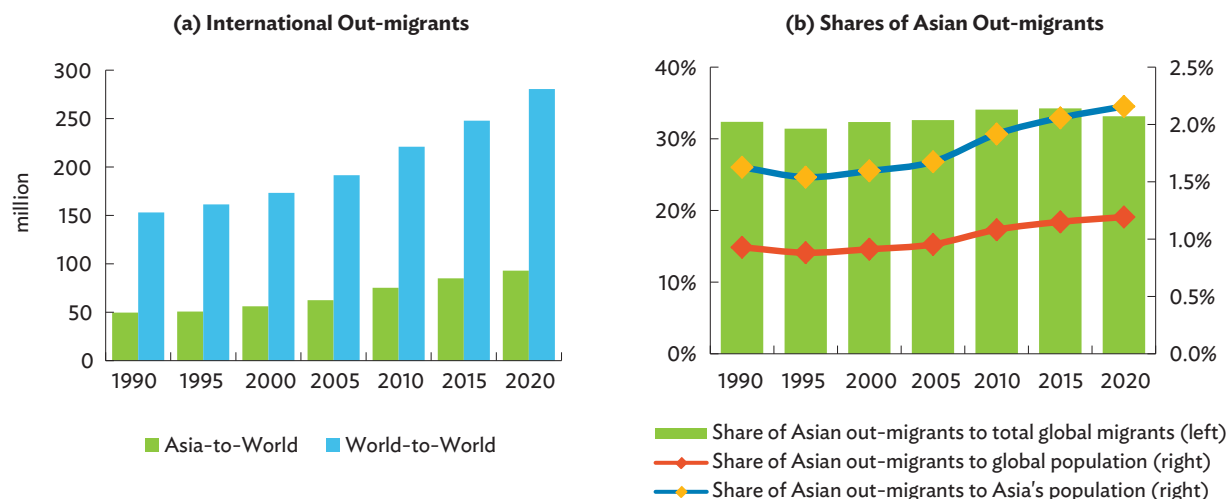
The coronavirus disease (COVID-19) pandemic continues to transform international migration and the mobility of people. In 2020, the stock of global migrants stood at 280.6 million—93.0 million from Asia and the Pacific.

International migration has been part of the growth and development journey of many low-income and middle-income economies and has enormously benefited societies in both origin and destination economies. Over the past 3 decades, the stock of international migrants had grown to 280.6 million in 2020 from 153.0 million in 1990 (Figure 5.1a), driven by large wage differences between origin and destination economies; changes in

demographic structure; changes in social, political, and cultural environment; and, in recent years, the effects of climate change (ADB 2016). The stock of Asian out-migrants reached 93.0 million in 2020 from 49.5 million in 1990. Throughout this period, migrants from Asia and the Pacific accounted for one in every three global migrants while the share of Asian migrants to the global (Asian) population increased to 1.2% (2.2%) in 2020 from 0.9% (1.6%) in 1990 (Figure 5.1b).

Relative to 2015, the stock of migrants from all regions increased in 2020, with the highest growth rates registered in the Middle East (18.6%), Latin America and the Caribbean (18.5%), and Africa (15.5%) (Figure 5.2a). The pace of growth in the stock of female out-migrants also increased, to 12.7% in 2020 from 11.8% in 2015.

Figure 5.1: International Migrant Stock and Asia's Shares



Note: Asia's share of total global migrants is computed as (migrants from Asia / total global migrants)*100.

Sources: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division, International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021); and United Nations Department of Economic and Social Affairs, Population Division, World Population Prospects 2019. <https://population.un.org/wpp/Download/Standard/Population/> (accessed October 2021).

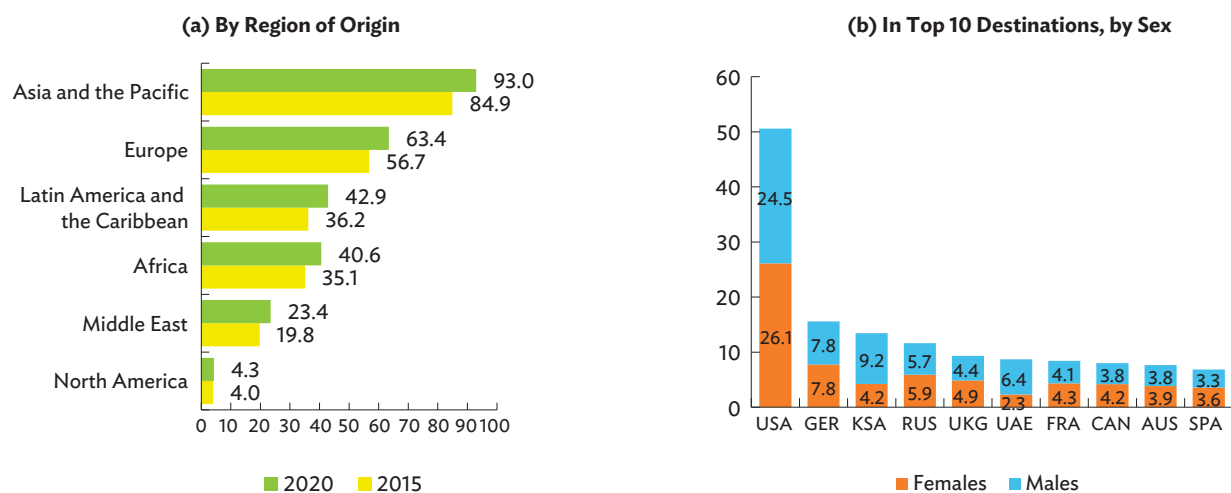
In Asia and the Pacific, the number of female out-migrants increased to 41.3 million in 2020 from 38.2 million in 2015. Female migrants are important agents of change in the socioeconomic spheres of households and communities. They contribute to the economic development of their origin economies through remittances and poverty reducing effects and lower domestic unemployment (UN DESA 2021; Le Goff 2016; ILO 1996). Destination economies benefit through increased labor supply and its consequent impacts on employment, production, and gross domestic product (GDP) (Sijipati 2015). Female migrants were also found to be more likely to remit a higher proportion of their incomes more frequently than men (UN Women 2017). Overall, there were more male migrants (145.6 million) than female migrants (134.9 million) but female migrants outnumbered males in the top 10 migrant destinations in 2020, except in the United Arab Emirates, Saudi Arabia, and Germany (Figure 5.2b). The United States (US) is the destination of choice for both male and female migrants and hosted nearly 20% (26.1 million) of global female migrants. Apart from economic drivers, female migration

is influenced by factors related to social and structural gender-based inequalities, and female migrants often work in a limited range of sectors and in low-ranking jobs (Foley and Piper 2020).

The pandemic disrupted migrant flows in unprecedented ways, even though it did not alter the upward trajectory of the global stock of migrants—the 2020 global migrant stock grew 3.3% compared with 2019 (out-migrants from Asia and the Pacific increased by 2.9%).³⁹

Around 91.3% of economies had no travel restrictions in January 2020 but by March, with the onset of pandemic containment measures and mobility restrictions, only about one-fifth of economies and territories allowed unencumbered international travel.⁴⁰ By May 2020, an estimated 96.2% of economies had imposed total border closure (67.4%), travel bans in some economies or regions (21.3%), and quarantine mandate on arrivals (7.5%). As an immediate result, hundreds of thousands of travelers, migrants, and seafarers were stranded, and

Figure 5.2: International Migrants by Origin and Destination (million)



AUS = Australia, CAN = Canada, FRA = France, GER = Germany, KSA = Saudi Arabia, RUS = Russian Federation, SPA = Spain, UAE = United Arab Emirates, UKG = United Kingdom, and USA = United States.

Source: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021).

³⁹ According to the United Nations Department of Economic and Social Affairs (UN DESA), early estimates assuming zero growth between 1 March and 1 July 2020 suggest a decline of 2 million international global migrants than initially expected between mid-2019 and mid-2020 (UN DESA. Migration Data Portal. <https://www.migrationdataportal.org/themes/international-migrant-stocks> [accessed December 2021]).

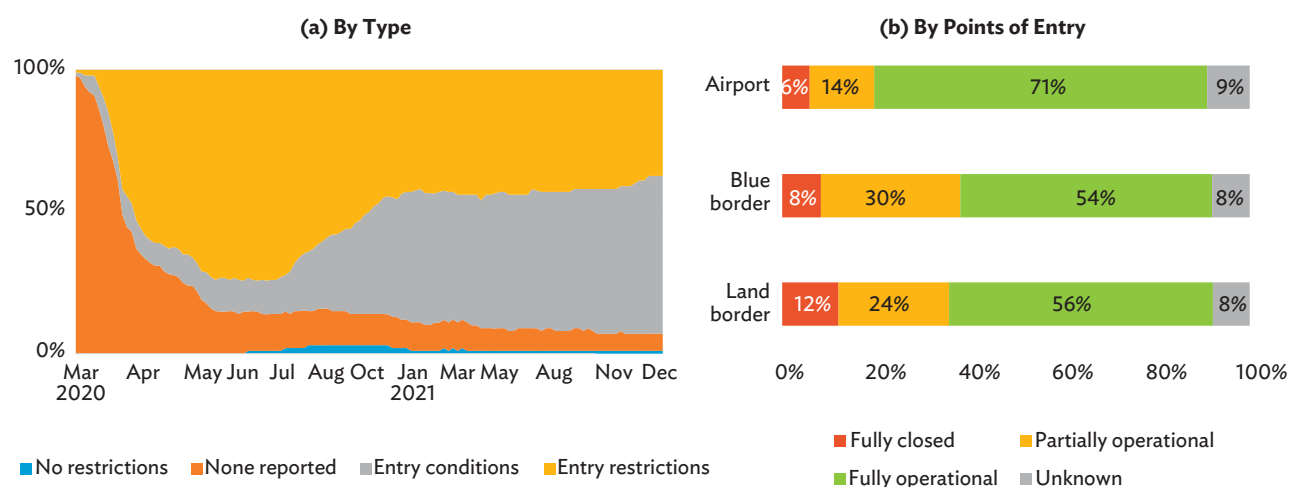
⁴⁰ ADB calculations using disaggregated international travel stringency data from Hale et al. (2021).

international tourism went into free fall (Benton 2021). In the first 4 months of 2020 alone, international arrivals declined by 44%, equivalent to a loss of 180 million arrivals relative to 2019 and tantamount to \$195 billion decline in tourism revenues.⁴¹

Governments have since shifted from restricting entry to imposing conditions for entry, requiring visa/travel/medical documentation (Figure 5.3a). As of December 2021, such entry conditions continue to follow an upward trend, representing around 50% of travel restrictions. Gradual efforts to reopen have seen 71% of airports and 54% of water borders become fully operational (Figure 5.3b). However, 12% of land borders remained closed. Meanwhile, the portion of partially operational airports was lagging, at 14%, while 24% of land borders and 30% of blue borders were partially operational.

As the pandemic constrained the movement of people, productive factors, and enterprise, the economic repercussions that followed limited opportunities for cross-border migration, some of which were caused by policy changes. The Nepali government temporarily halted sending migrant workers to the Republic of Korea under the Employment Permit System.⁴² Meanwhile, to ensure that the economy would have enough health workers during the pandemic, the Philippine government suspended their overseas deployment in April 2020. This measure was lifted in December 2020 and replaced by a deployment cap, which limited the number of outbound nurses to 5,000—the cap was raised to 6,500 in June 2021 (Calonzo 2020; Baclig 2021; Punzalan 2021). The Philippines is one of the largest suppliers of nurses globally (annual pre-pandemic average was 13,000 nurses) for which demand is continuously growing, driven by the ongoing pandemic.

Figure 5.3: International Travel Restrictions



ETA = economy/territory/area.

Notes: In panel a, data refer to percentage of ETA-to-ETA travel restrictions where ETA can be an economy, territory, or area. In panel b, blue border refers to international border crossing point on sea, river, and lake ports; and land border is international border crossing point on land and includes rail. Partially operational status refers to any of the following: (i) only transport of goods is permitted and travelers are not allowed to cross; (ii) travelers cannot use the entry point to enter the economy, territory, or area; (iii) travelers cannot use the specific point to leave the economy, territory, or area; (iv) the point of entry is open to returning nationals and residents only; and (v) reduced hours of operation or closure to specific nationalities.

Source: ADB calculations using data from International Organization for Migration. Mobility Impacts. <https://migration.iom.int/> (accessed January 2022).

⁴¹ UNWTO. Impact Assessment of the COVID-19 Outbreak on International Tourism. <https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism> (accessed October 2021).

⁴² The Republic of Korea's Employment Permit System allows small and medium-sized enterprises encountering labor shortages to hire foreign workers from 16 economies in Asia and the Pacific. Government of the Republic of Korea, Ministry of Employment and Labor. Human Resources Development Service of Korea. Foreign Workforce Employment Support. <https://hrdkorea.or.kr/ENG/4/2> (accessed August 2021).

Migrant workers in host economies, return migrants, and their families were disproportionately vulnerable to the pandemic shocks.

The pandemic, which started in 2020, was estimated to have resulted in the loss of around 114 million jobs relative to 2019 and a global labor income loss equivalent to \$3.7 trillion, roughly 4.4% of global GDP (Jones, Mudaliar, and Piper 2021). The consequences of human and economic immobility plunged the global economy into a crisis, hitting international migrant workers hardest, who are generally vulnerable to major economic shocks. Among those to lose jobs first were migrants, who are overly represented in vulnerable worker groups such as younger, undocumented, low-skilled workers employed in sectors which easily succumbed to the crisis (ILO 2020a). Massive job losses among working migrants occurred in hardest-hit sectors such as accommodation and food services, arts and culture, construction, hospitality, tourism, and retail.

Amid limited financial resources and inability to return home, many of these migrants were stranded. Migrants who retained their employment faced reduced work hours; forced labor; unpaid leave; delayed, reduced, or unpaid wages; and greater exposure to physical and mental health risks. There were also instances of a resurgence of xenophobic attacks amid limited access to health services and other forms of social protection that were otherwise available to nonmigrants (Rimal 2021; IOM 2020c). In Singapore, for example, 93% of the outbreak in COVID-19 cases occurred among migrant workers (Migration Data Portal 2021). In Qatar, where migrant workers make up 95% of the labor force, the pandemic exacerbated repeated violation of worker's right to wages—many employers used COVID-19 to not pay outstanding wages to workers who were forcibly repatriated (Human Rights Watch 2020). Government-initiated repatriation flights were used to bring significant numbers of migrants and overseas workers back to their origin economies, many of which were already reeling from the cascading impacts of the pandemic. India, the largest source of migrants globally, had repatriated around 3 million migrants by November 2020 (Migration Data Portal 2021).

Return migration and the loss of jobs was calamitous not only for remittance-sending migrants and the households they supported, but also to migrants' origin economies in general. Prior to the pandemic, many remittance-dependent economies in Asia and the Pacific were transformed by leveraging the effects of remittance inflows on retail consumption, and spending on education, health, housing, and related financial investments. The sudden, massive return of migrants lowered remittance flows and risked rolling back the progress on reducing poverty and improving quality of life.

Return migration could also worsen the absorptive capacity of domestic labor markets and threaten the dwindling jobs market in the region (Weeraratne 2020). This happened in Bangladesh, Indonesia, Nepal, and the Philippines, major sources of global out-migrants with labor market challenges that the pandemic aggravated. The return of at least 327,000 overseas Filipino workers in 2020 happened as the Philippines was experiencing historically high unemployment rates and severe contractions in real output (Kang and Latoja 2022). Around 75% of migrant workers who returned to Indonesia faced unemployment and a 60% decline in incomes (IOM 2020a). In Bangladesh, around 70% of return migrants surveyed reported difficulty in finding employment (IOM 2020b). The return of around 700,000 Nepalese migrant workers risks worsening the economy's inability to generate enough jobs for about 500,000 youth workers that the economy adds to its labor force annually (IOM 2020c). With migrants returning in droves, major migrant-sending economies in Asia and the Pacific also had to deal with mounting repatriation costs and quarantine-related expenses of return migrants. The pandemic also spotlighted the relative inadequacy of reintegration programs for return migrants (Box 5.1).

Outbound migration to non-Asian destinations has steadily increased, but the COVID-19 pandemic curtailed the flow of migrant workers from Asia and the Pacific.

Migrants from Asia and the Pacific prefer extraregional migration routes. Extraregional migration shares, which measure the relative share of Asian migrants bound for non-Asian destinations to total out-migrants from

Box 5.1: Return and Reintegration amid the 2020 COVID-19 Crisis—The Case of Overseas Filipino Workers

Return migration is often associated with “going back to one’s own culture, family and home” (ILO 2019). It occurs when migrants return to the economy of origin for a variety of voluntary and involuntary reasons. Reintegration is the re-inclusion or reincorporation of a migrant into the society of her/his economy of return (Haase and Honerath 2016). Reintegration programs in the Philippines consist of a package of interventions and mechanisms aimed at facilitating the productive return of overseas Filipino workers (OFWs) via services, which helps mitigate the economic impact and psychological costs of having to return and help returnees find paid employment or start an enterprise. These programs are overseen by the Department of Labor and Employment and are implemented primarily by the National Reintegration Center for OFWs; regional offices of the Department of Labor and Employment; and the Overseas Workers Welfare Administration.

For many OFWs impacted by the pandemic in 2020, their return was facilitated by the Department of Foreign Affairs’ repatriation program, the government’s foremost crisis management response. While largely inevitable, this return migration has posed growing challenges in potential losses in remittances, income, and employment. More importantly, the repatriation of 327,511 OFWs in 2020 (421,676 OFWs as of September 2021) turned the spotlight on migration mechanisms facilitating the safe return of migrants and support for the reintegration of returnees into societies of origin.

OFW returnees received support through a one-time \$200 (₱10,000) cash assistance. Expenses related to quarantine were also shouldered by the government and averaged around ₱3,000 per OFW per day. They also had access to several livelihood-oriented reintegration programs. Nevertheless, these returnees face bigger challenges, primarily due to the

loss of remittance income, which constrains consumption and savings. This was particularly acute for at least 50% of OFWs who returned to households larger than the average family size, according to the results of an International Organization for Migration (IOM) survey (IOM 2021a). Finding local employment was a major hurdle as well. Many OFWs returned at a time when many regions in the Philippines were besieged by record-high double-digit unemployment rates. It came as no surprise, therefore, that 83% of return migrants were still unemployed 3 months after arrival, and that for 48% of returnees, household income had dropped by 60%. The same survey also revealed that at least 50% of OFW returnees in 2020 registered for reintegration, and 58% indicated they needed financial help to support their basic needs. Many OFWs returned to communities strained by the socioeconomic costs of the pandemic and lockdown measures. Such an environment made it challenging to effectively conduct reintegration measures connecting returnees with training opportunities and livelihoods, especially with the recession crippling industries and curtailing the operations of many micro- and small enterprises.

The pandemic-induced return of OFWs offered a wealth of insights into emergency management and reception for returnees to support return migration and reintegration dynamics through reform and policy refinements. These included inculcating the value of preparedness to return for OFWs; reorienting return and reintegration mechanisms away from the one-size-fits-all approach and toward a dynamic and inclusive system that considers the diversity of migrants’ needs and interests; accelerating a migrant information infrastructure; and continuing to develop skills matching programs to effectively leverage the knowledge capital brought home by returned migrants.

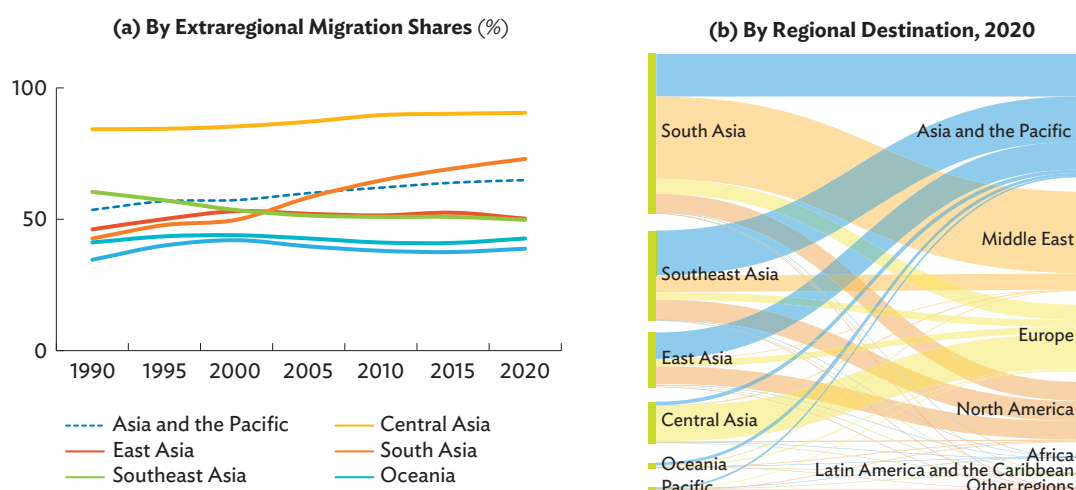
Sources: ADB using Haase and Honerath (2016), ILO (2019), IOM (2021a), and Kang and Latoja (2022).

Asia and the Pacific, have steadily increased since 1990 (Figure 5.4a). In 2020, 64.9% of migrants from Asia and the Pacific emigrated to destinations outside the region but shares varied across subregions.

At least 80% of out-migrants from Central Asia goes to non-Asian destinations, most noticeably to the Russian Federation, with which the region has historical, cultural, economic, and political links. Attracted by higher wages and more employment opportunities, Central Asian migrants in the Russian Federation averaged 65.5% of total out-migrants from the subregion from 1990 to

2020. Other parts of Europe (such as Germany, Ukraine, and Belarus) and the US are also key destinations for Central Asian migrants (Figure 5.4b).

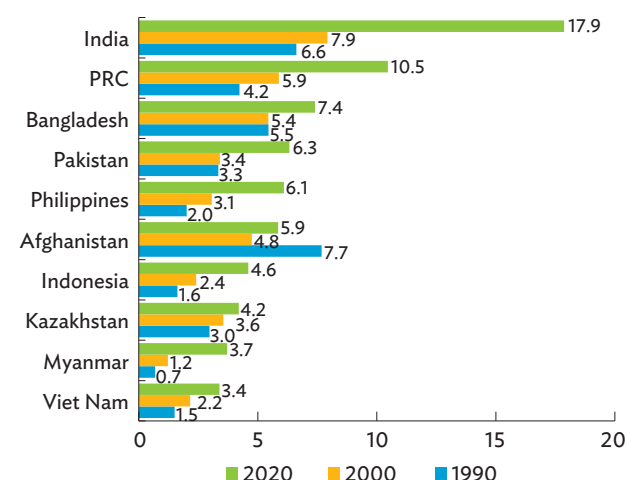
Extraregional migration shares of South Asia increased rapidly from 49.8% 2 decades ago to 73.0% in 2020, with the Middle East as the primary regional destination. During this period, the number of South Asian migrants nearly tripled. Driven by high wages and accessible employment opportunities, migrants to the Middle East steadily increased, with at least 50% of South Asian migrants in that region by 2020. The proportion of

Figure 5.4: Out-migrants from Asian Subregions

Note: In panel (a), extraregional share is computed as the share of outbound Asian migrants in extraregional destinations to the total number of Asian out-migrants. Panel (b) refers to the stock of migrants from origin Asian subregions to regional destinations.

Source: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021).

South Asian migrants of the population in the Middle East rose to 6.2% in 2020 from 3.4% in 2000. India had the largest number of outward migrants in 2020 (17.9 million) and has been the top source of Asian out-migrants since 1995 (7.2 million). Other South Asian economies with large diaspora populations include Bangladesh (7.4 million), Pakistan (6.3 million), and Afghanistan (5.9 million) (Figure 5.5).

Figure 5.5: Top 10 Sources of Migrants from Asia and the Pacific (million)

PRC = People's Republic of China.

Source: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021).

However, the COVID-19 pandemic curtailed the flow of migrant workers from India, Bangladesh, and Pakistan to the Middle East in 2020 with some signs of recovery shown in 2021 (Table 5.1).

- Migrant flows from India in 2020 were only one-fourth of the 2019 level. Significant reductions occurred in the flow of Indian workers to the United Arab Emirates (down 73.8%); Saudi Arabia (down 46.6%); and Qatar (down 58.3%).
- From a pre-pandemic level of 700,159 in 2019, the flow of Bangladeshi migrants was slashed by two-thirds to 217,669 in 2020. Migrant flows declined significantly to Saudi Arabia (59.5% lower), United Arab Emirates (67.4%), and Qatar (92.8%). Data for the first 5 months of 2021, however, indicated some recovery relative to 2020 outflows—year-on-year deployment to Saudi Arabia was up 7.8% while the flow of workers to the United Arab Emirates increased fourfold.
- Overall, migrant flows from Pakistan plunged 64.1% in 2020, but its major destination economies are still Saudi Arabia and the United Arab Emirates, with deployment shares of 60.7% and 23.9%, respectively. Though way below the pre-pandemic average, the flow of Pakistani migrant workers in the first half of 2021 had reached at least 50% of the 2020 level.

Table 5.1: Migrant Flows from Bangladesh, India, and Pakistan

Destination/Origin	Bangladesh		India		Pakistan	
	2020	2019	2020	2019	2020	2019
Bahrain	3	133	4,175	5,897	7,843	8,189
Kuwait	1,744	12,299	8,107	42,925	419	126
Oman	21,071	72,654	7,206	26,436	10,336	28,391
Qatar	3,608	50,292	8,907	21,381	7,421	19,327
Saudi Arabia	161,726	399,000	44,316	83,030	136,339	332,713
United Arab Emirates	1,082	3,318	17,891	68,203	53,676	211,216
Other economies	28,428	162,463	3,543	120,176	8,671	25,241
Total outflow	217,662	700,159	94,145	368,048	224,705	625,203
Growth in 2019–2020 (%)	-68.9		-74.4		-64.1	

Sources: Government of Bangladesh, Bureau of Manpower, Employment, and Training Statistical Reports. <http://www.old.bmet.gov.bd/BMET/statisticalDataAction>; Government of India, Ministry of External Affairs, Performance Smartboard. <http://meadashboard.gov.in/indicators/15> (both accessed October 2021); and Government of Pakistan, Bureau of Emigration and Overseas Employment. (2020).

Meanwhile, in East Asia and Southeast Asia, the extraregional shares of out-migrants have been on a decline in recent years, as out-migration from both regions have turned toward a more intra-subregional path.

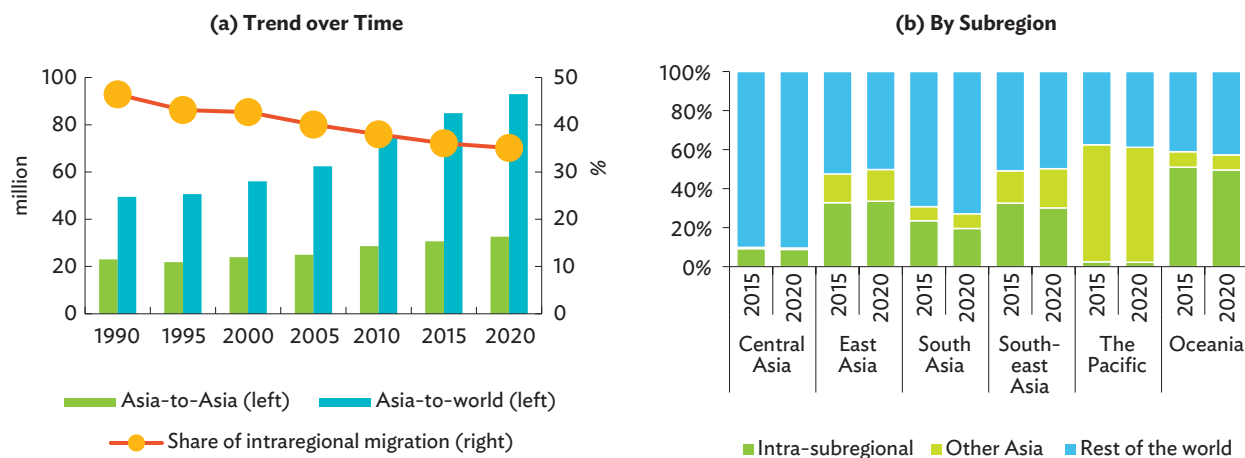
Intraregional migration accounts for one-third of total migrant movement in Asia and the Pacific, varying across subregions.

From 23 million in 1990, the stock of intraregional migrants in Asia and the Pacific had risen to 32.6% in 2020, although its share has been trending downward (Figure 5.6a). Subregionally, intraregional migration was highest in the Pacific and Oceania, followed by Southeast Asia and East Asia (Figure 5.6b). Labor agreements between the Pacific and Oceania economies, such as Australia's Pacific Labour Scheme and Seasonal Worker Programme and New Zealand's Recognized Seasonal Employer program encouraged migrant flow between these two subregions (ADB 2021). New Zealand, which had closed its international border since March 2020, excepted migrant workers from Pacific developing member countries (DMCs) and allowed their entry (through the Recognized Seasonal Employer program) in the first quarter of 2021, primarily to assist in harvest activities (Bedford 2021).

Intra-subregional migration is significant in Southeast Asia, which is a converging point of 23.6 million outbound migrants. Considerable income disparity is driving

out-migrants from lower-income to higher-income economies within Southeast Asia and beyond (IOM 2019). In 2020, 11.8 million (50.2%) of Southeast Asian migrants reside in economies within the region while 11.7 million (49.8%) are in destinations outside Asia. Efforts of the Association of Southeast Asian Nations (ASEAN) toward greater regional integration and shared geographic borders facilitate cross-border mobility. For instance, Thailand, with a stock of 3.6 million intra-subregional migrants (of which half are from Myanmar), granted a 2-year amnesty period to regularize around 655,000 migrant workers, most of them from Cambodia, the Lao People's Democratic Republic, and Myanmar (United Nations Network on Migration 2021).

Significant demographic changes in East Asian economies, such as low fertility rates and growing aged populations have caused their governments to revise immigration policies to attract foreign workers. In general, these policies help attract more international migrants, but most of the increase in additional migrants to East Asia comes from intraregional sources. For instance, in Japan, the total number of inbound migrants increased by 24.1% to 2.8 million between 2015 and 2020, of which 2.1 million (75.1%) were from intraregional sources. Leading the increase in the number of Japan-bound migration were migrants from the People's Republic of China (PRC), the Republic of Korea, and Viet Nam. Within the same period, the Republic of Korea also experienced a 26.1% growth in inbound migrants, 80.7% from Asian sources, most notably Thailand, Viet Nam, and the PRC.

Figure 5.6: Intraregional Migration in Asia and the Pacific

Source: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021).

Migrants from Central Asia to the Republic of Korea rose by 30.9% between 2015 and 2020, driven in part by its labor arrangements with Central Asian economies.

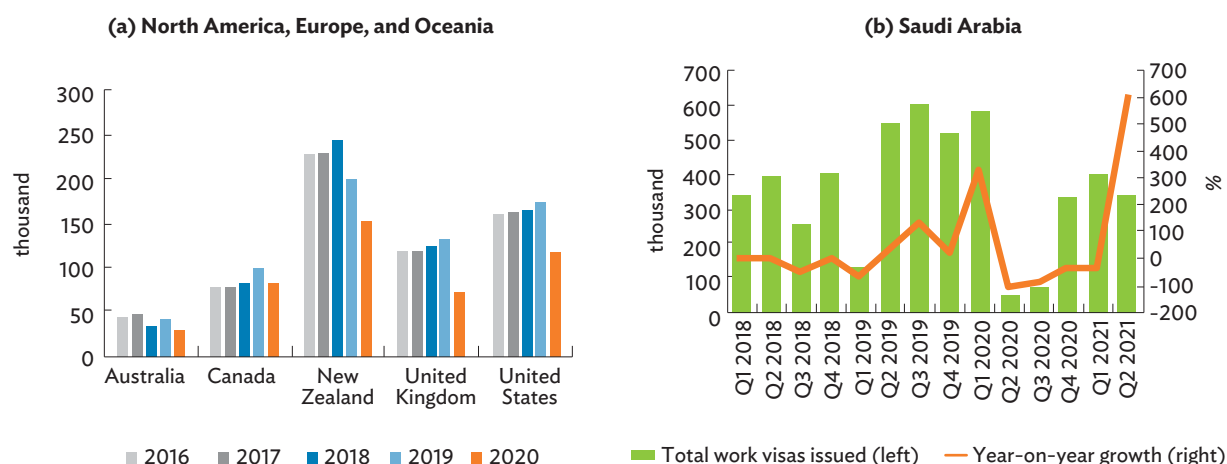
Major host economies have been reconfiguring their approach to post-pandemic cross-border migration.

The pandemic disrupted key processes related to the movement of migrants, including the temporary suspension of visa services, suspension of entry of certain types of immigrants, and changes in the technical coverage of certain types of visas. As a result, work permits and visas for migrant workers were drastically reduced, stalling migrant flow in major host economies. In the US, for instance, suspension of routine visa services in all consular offices from March 2020, as well as the temporary ban on the entry of certain types of non-immigrant visa holders (such as H-1B, L, J, and H-2B visas) from June 2020 reduced the total number of visas issued from 1.75 million in the first quarter (Q1) 2020 to 138,014 in Q2 2020. As a result, the number of work-related US visas (H-1 and H-2) issued to migrants from Asia and the Pacific, which had been increasing since 2016, fell 32.2% in 2020 (Figure 5.7a). A similar trend was observed in other developed-economy hosts of Asian migrants (Box 5.2). Saudi Arabia, the second-largest host of migrants from Asia and the Pacific, had issued an average of 1.6 million work visas annually, from 2017

to 2019. In 2020, work visas issued declined by 42.5% (Figure 5.7b). Migrant flows to Saudi Arabia have since resumed—work visas in the first half of 2021 were 17.0% higher than the same period in 2020.

Accelerated and inclusive vaccination programs and better disaster preparedness for migrants could improve cross-border mobility.

There has been no change in the top economies hosting Asian migrants in 2020 relative to 2015, even with the health dangers posed by the COVID-19 pandemic. These top migrant destinations, listed in Table 5.2, hosted 61.3% of Asian migrants based on 2020 estimates, and accounted for 38.2% of global COVID-19 cases and 31.9% of total deaths. Among the 10 economies, COVID-19 cases per million in the top-five extraregional hosts exceeded the world average of 36,596 cases, except Saudi Arabia. Total deaths per million in Canada, Russian Federation, and the US also exceeded the world average of 690 deaths. Rapid development of the vaccine offered hope that the spread could be brought under control, but was soon dashed by supply problems, uneven access, and slow implementation of vaccine programs, especially in developing economies. High-income economies have been relatively swift in getting their populations vaccinated—in the United Arab Emirates, the vaccination rate is at least twice the world average of 117 per 100.

Figure 5.7: Worker Visas Issued to Asian Migrants by Selected Migrant Host Economies

Notes: Australia data refer to visas issued under the Temporary Skill Shortage and Temporary (Work) Skilled Visa programs; Canada data refer to Temporary Foreign Worker Program Work Permit holders; New Zealand data refer to work visas issued; United Kingdom data refer to work visas issued to Asian migrants; and United States data refer to total H1 and H2 visas granted to migrants from Asia and the Pacific.

Sources: ADB calculations using data from Government of Australia, Department of Home Affairs. <https://www.homeaffairs.gov.au/> (accessed November 2021); Government of Canada, Employment and Social Development Canada. Quarterly Labour Market Impact Assessment Statistics. <https://open.canada.ca/data/en/dataset/e8745429-21e7-4a73-b3f5-90a779b78d1e> (accessed November 2021); Government of the United States, Department of State, Bureau of Consular Affairs. <https://www.state.gov/bureaus-offices/under-secretary-for-management/bureau-of-consular-affairs/> (accessed November 2021); Government of the United Kingdom, Home Office. <https://www.gov.uk/government/organisations/home-office> (accessed November 2021); and Kingdom of Saudi Arabia, General Authority for Statistics. <https://www.stats.gov.sa/en/814> (accessed November 2021).

Box 5.2: Pandemic-Induced Changes in Asian Migrant Flows to Other Major Host Economies

Mobility disruptions caused by COVID-19 affected the cycle of temporary migration of Asian migrants as the number of visas issued by other major host economies significantly declined.

In the United Kingdom, the number of work visas issued to migrants from Asia and the Pacific dropped by 40% to 74,060 in 2020 from an average of 123,449 in 2016–2019. Changes from 2019 to 2020 were drastic for both skilled workers (–35.9%) and temporary workers (–49.2%).

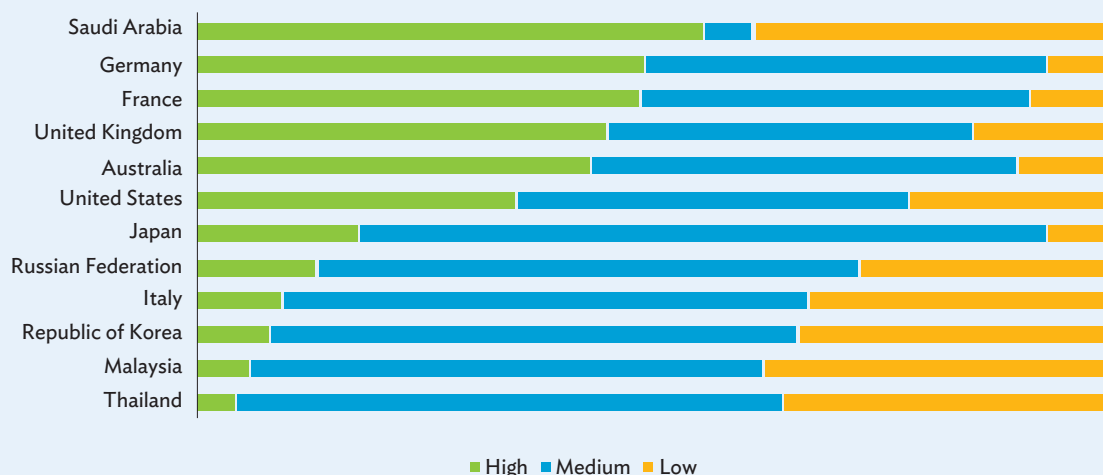
Canada has not changed its welcoming immigration stance. It was experiencing shortages even before the pandemic happened and even introduced the Express Entry System to facilitate the migration of skilled immigrant workers. Nevertheless, the number of work permit holders under the Temporary Foreign Worker Program declined by 14.1% between 2019 and 2020. Among the top-10 source economies of Canada's migration program are India, Pakistan, the Philippines, the People's Republic of China, and the Republic of Korea, which collectively comprise 47.1% of total permanent resident visas issued in 2019.

Visas issued under Australia's Temporary Skill Shortage scheme also was down by 31.3% to 28,410 in fiscal year 2019–2020 from 41,222 in the previous fiscal year. Visas given to technicians and trade workers had the largest cut

of 52.5%. Visas issued to workers from India declined by 17.9% but those issued to the Philippines increased by 14.8%. At the height of the pandemic, the Australian government allowed Pacific workers under both of its Pacific labor mobility initiatives (Seasonal Worker Programme and Pacific Labour Scheme) to remain working in the economy for up to 12 months.^a The impact of worker shortage on Australia's agriculture sector during the pandemic paved the way for the creation of the Australia Agriculture visa for migrant workers from Southeast Asian economies to be negotiated through bilateral agreements (Arora 2021). Although 43.1% of migrant workers in Australia are high-skilled, the economy recently revised its Priority Migration Skilled Occupation List in a bid to attract migrants with critical skills for the continent's strong post-pandemic recovery (the box figure presents the migrant skills distribution in major host economies). Meanwhile, New Zealand is also set to replace six of its existing work visas with the Accredited Employer Work Visa to better address the economy's skilled worker shortages while providing migrants with better working conditions. The extent to which these changes in migrant flows could impact key migrant-dependent industries (such as the health sector, food processing, farming, home care, small businesses) enough to induce a pivot toward a more inclusive immigration policy has yet to be fully assessed.

continued on next page

Box 5.2: continued

Employment Distribution of Migrants by Level of Skills (%)

Notes: The International Standard Classification of Occupations defines skill level as a function of the complexity and range of tasks and duties to be performed in an occupation and is measured by considering any one of the following: (i) nature of work; (ii) level of formal education; and (iii) amount of informal on-the-job training and/or previous experience in a related occupation. High skill level refers to managers, professionals, and technicians and associate professionals. Medium skill level refers to clerical support workers, sales, and service workers, skilled agricultural, forestry, and fishery workers, crafts and related trades workers, and plant and machine operators and assemblers. Low skill level refers to elementary occupations.

Source: ADB calculations using data from International Labour Organization Statistical Database (ILOStat). <https://ilostat.ilo.org/data/> (accessed 27 July 2021).

^a Government of Australia, Department of Education, Skills and Employment. Seasonal Worker Programme. <https://www.dese.gov.au/seasonal-worker-programme> (accessed September 2021).

Source: ADB staff.

Table 5.2: Top 10 Economies Hosting Asian Migrants and COVID-19 Cases

	COVID-19 Cases per Million	Deaths per Million	Vaccination per Hundred	Stock of Asian Migrants (million)	Share of Total
United States	164,433	2,480	153	12.5	13.5%
Saudi Arabia	15,739	251	144	9.4	10.1%
Russian Federation	70,730	2,074	100	6.8	7.3%
United Arab Emirates	76,262	217	224	6.6	7.1%
India	25,019	346	104	4.5	4.8%
Australia	15,625	87	165	3.8	4.1%
Thailand	31,786	310	147	3.6	3.9%
Canada	57,594	798	181	3.3	3.6%
Malaysia	84,149	961	176	3.2	3.5%
Pakistan	5,755	128	70	3.2	3.4%

COVID-19 = coronavirus disease.

Note: Data are as of 31 December 2021; global COVID-19 cases totaled 288,194,306.

Sources: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021); and Ritchie et al. (2020).

Since June 2020, economies have applied various combinations of measures involving screening, testing, quarantine protocols, and (more recently) proof of vaccination, to facilitate the opening of borders and international travel to nudge migrant flow. But even the slow and cautious reopening of borders have been intermittently stalled by sudden waves of cases involving more virulent strains of the coronavirus and the uneven inclusion of migrants in national vaccination programs. Amid rising COVID-19 caseloads, which have pushed health systems in some economies in the region to near breaking point—underscoring the need for long-term health infrastructure investments—the increase in the demand for migrant workers in the field of health and medicine has not abated. For instance, the United Kingdom and Brunei Darussalam asked to be exempted from the Philippine’s deployment cap of health-care workers to help fulfill its demand for additional doctors and nurses (Abuan 2021). Germany, which needs 150,000 new nurses by 2025, continued to hire Philippine nurses via its Triple Win Program (GIZ n.d.).

The COVID-19 pandemic indeed magnified the problem of lack of disaster preparedness migrants had to face. The incidences of COVID-19 are more prevalent among migrants and forcibly displaced persons than among nonmigrants. For example, the incidence rates of migrant workers who had resided in overcrowded accommodation in Singapore range from 5.64% to 21.15% (Hintermeier et al. 2021). This is aggravated by the fact that health is frequently forgotten in migration governance and that migrants are frequently left out in preparedness and response plans (Wickramage and Annunziata 2018; Guinto et al. 2015). Previous health crises also revealed that migrants were inadequately included in crisis responses. In their study on pandemic influenza plans in the Asia and Pacific region, Wickramage and Annunziata (2018) show that only three economies (Maldives, Papua New Guinea, and Thailand) have considered noncitizens.

Migrant inclusion in COVID-19 vaccination campaigns is uneven. Globally, out of 152 economies that have submitted their National Deployment and Vaccination Plan to COVID-19 Vaccines Global Access (COVAX), only 99 have included migrants in regular situations in their plans (IOM 2021c). Other national deployment and vaccination plans, meanwhile, remain ambiguous, implying only the inclusion of migrants in their vaccination plans without explicitly mentioning them.⁴³ Despite national efforts to include migrants in vaccination policies, a disconnect between policy and practice remains (IOM 2021c). Several obstacles emerged that have impacted migrant access to vaccines. To receive/register for vaccination, economies often require documents ranging from any form of identification to specific documents such as residence permit/national identification cards as informational barriers, mistrust (i.e., absence of reliable information for migrants), and technological requirements (i.e., internet connectivity, smartphones) for online vaccination booking also hinder migrants’ access to vaccines, while clarity is lacking on costs for migrants. Yet, progress is being made. Economies where migrants may freely access COVID-19 vaccines include Australia, New Zealand, and Thailand (Bangkok Post 2021). Singapore began vaccinating its migrant workers on 8 March 2020, and Malaysia offered free vaccination to all foreigners, including undocumented migrants (Channel News Asia 2021; Latiff 2021). Meanwhile, foreign workers in the Philippines will be included in vaccination coverage as soon as the economy has procured enough supply (Geducos 2021).

As economies start to rebuild, migrants can play an essential role.

While small as a share of the global population, migration can significantly contribute to economic growth in recipient economies, as it improves overall labor productivity through the complementarity between the skills of immigrants and natives (IMF 2020).⁴⁴

⁴³ For example, the Philippine National Deployment and Vaccination Plan for COVID-19 does not specifically mention migrant workers residing in the economy in its list of priority groups. However, the Department of Health has clarified that migrants with legal residency status in the economy are part of its inoculation program (Salavierra 2021).

⁴⁴ A simulation study by IMF (2020) suggests that migration could increase global GDP by about 6% between 2020 and 2050.

Migrant workers will likely play a key role in sectors badly impacted by the pandemic, particularly where migrants account for large shares in the total labor force (Box 5.3). Migrant workers boost not just their host economies but also their origin economies, through remittances, which are a lifeline for many families in low- and middle-income economies as well as a countercyclical and stabilizing macroeconomic factor.

It is crucial for host economies to leverage the power of migrants in economic recovery by including migrants in policies and plans for building back better. Australia, for instance, experienced its highest job vacancy (254,000 jobs) in the last 10 years after around 500,000 temporary visa holders left due to the pandemic (PwC 2021). Recognizing how important migrants are to the post-pandemic process, Australia has encouraged skilled migration as one of the

engines for economic recovery and has been expediting visa processing to attract skilled migrants to the economy and fill critical occupations. As a majority of the world's migrants work in economies that have 75% of the global COVID-19 cases (KNOMAD 2021b), coordinated action between and among these economies would support faster and stronger mutual recovery from the pandemic.

Regional cooperation initiatives can help Asia and the Pacific navigate strategic shifts in international migration by reforging the link between migration and development.

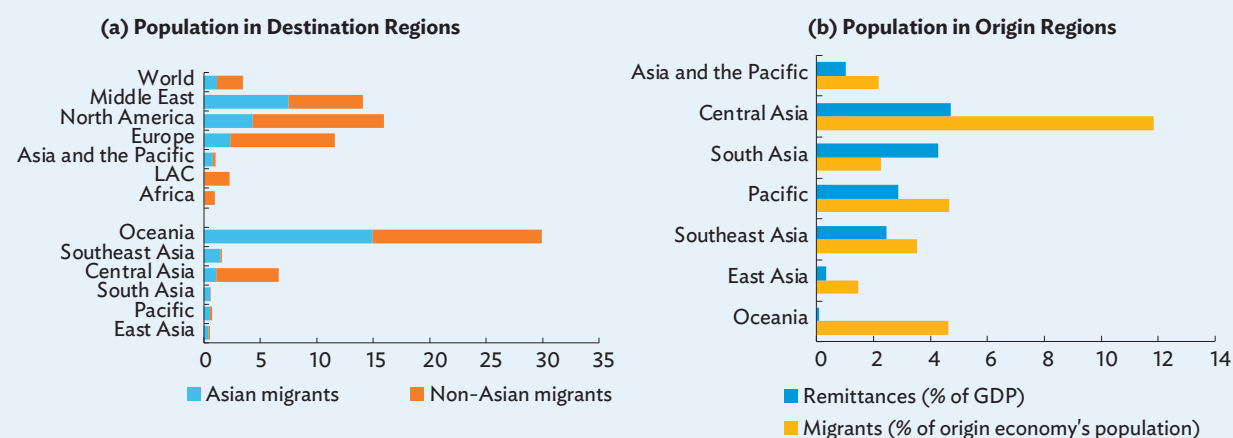
The COVID-19 crisis underscored the need to address key structural issues related to international migration for the long-term benefit of host and origin economies

Box 5.3: Share of Migrants as a Share of Population

The Middle East hosts the largest share of Asian migrants (7.5%), larger than the share of non-Asian migrants (6.6%). This is followed by North America (4.3%) and Europe (2.3%) (figure, panel a). Within Asia and the Pacific, with intraregional migrants accounting for less than 1% of the population, Oceania shows a significantly high share of Asian migrants (15.0%), while Asian migrants were only

a small fraction in other subregions. In regions of origin, migrants in Central Asia accounted for around 11.8% of its total population, with the Pacific (4.7%) and Oceania (4.6%) trailing (see figure, panel b). Central Asia (4.7%) also remains on top in terms of remittances received as share to GDP followed closely by South Asia (4.3%).

Share of Migrants, 2020 (%)



GDP = gross domestic product, LAC = Latin America and the Caribbean.

Sources: ADB calculations using data from United Nations Department of Economic and Social Affairs, Population Division. International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock> (accessed May 2021); United Nations Department of Economic and Social Affairs, Population Division. World Population Prospects 2019. <https://population.un.org/wpp/Download/Standard/Population/> (accessed October 2021); Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed November 2021); and International Monetary Fund. World Economic Outlook April 2021 Database. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April> (accessed May 2021).

Source: ADB staff.

and migrants' families. In consideration of the nature, characteristics, and drivers of migration from Asia, necessary reforms for a good recovery should be pursued at all stages of the migration process while guided by the spirit of the Global Compact for Safe, Orderly, and Regular Migration. Reinforcing the following policies is suggested:

Across economies, improve migrants' access to essential infrastructure to safeguard their potential to contribute to post-COVID-19 recovery and beyond. Ensuring access to health services and safe accommodation facilities can contribute to migrants' physical and mental well-being and help improve their productivity. Extending migrant access to social protection coverage and integrating them into risk-pooling mechanisms for social insurance will reduce overall vulnerability of migrant communities in host economies and foster social cohesion. For economies where migrant workers account for a significant share of the labor force, migrant workers can fill the labor shortages in key sectors to make economic recovery attainable. Across all economies, prioritize the vaccination for migrant workers alongside other essential workers.

Leverage technology to improve migration processes in migrant origin economies. A wide range of software applications are available to improve the recruitment system and better facilitate cross-border migration procedures, which could potentially reduce costs of migration, such as recruitment fees and placement fees. Engaging recruitment agency associations, recruitment intermediaries, placement agencies, and trade union associations to adopt or transition to technology can help governments achieve better oversight of recruitment practices. Similarly, an increasing number of online applications are available to track and monitor migrants, enable them to reach out to designated authorities during periods of distress, and/or report untoward incidents and abuse. This is especially opportune since the COVID-19 pandemic has expanded the range of uncertainties which makes migrant workers increasingly vulnerable to abuse, deceit, discrimination, and exploitation.

Accelerate efforts for secure and shareable migrant information systems in both origin and host economies. Accessible online, this type of infrastructure can speed up the facilitation of activities such as cross-border contact tracing, status verification, as well as catalyze the harmonization of standards for the issuance and use of cross-border health passports, digital vaccination certificates, skills accreditation certificates, etc. Aside from providing data-backed analysis of migration policies, migrant information systems are most useful for providing up-to-date information on migrants during periods of crises and conflicts which migration agencies, governments, and related migrant bodies may access. Migrant database systems can also help unorganized and informal migrant workers transition into the formal sector, where the ambit of the law and governance can better offer them support and protection.

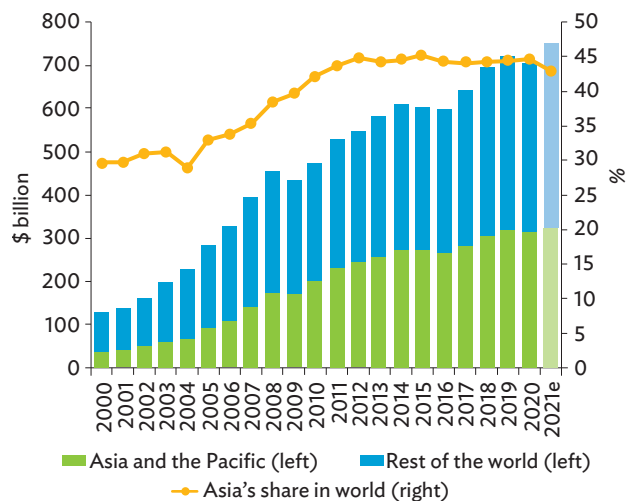
Reinforce commitments among migrant origin and host economies to promote the skills profile of migrants and strengthen shared initiatives for the promotion of regular, resilient, and safe migration, particularly in major migrant corridors. This includes strengthening synergies for migrants' human capital development by expanding the mutual recognition of migrant skills between origin and destination economies, and including it in the terms of trade and investment agreements among partner economies. Exploring the portability of social insurance within the regional sphere can boost international efforts to expand social protection for migrants. Among major intraregional and intra-subregional migrant corridors, international funding initiatives such as the United Nation's Migration Multi-Partner Trust Fund, can aid regional cooperation programs, which would advance the protection of migrant workers, promote cross-border access to labor markets, and address issues to gradually eliminate irregular migration between origin and destination economies. Regional cooperation and integration initiatives on migration may also be leveraged for the design of intervention programs to promote the inflow of remittances for development, lower remittance costs, and widen financial inclusion.

Remittances

Global remittance inflows to Asia and the Pacific totaled \$314.2 billion in 2020, a 2% decline from 2019, due to the COVID-19 pandemic. Inflows to the region are estimated to recover and grow by 2.5% in 2021.

Over the past 2 decades, the number of migrants going abroad from Asia and the Pacific has risen, reaching 93.0 million by 2020. Along with this increase in out-migration, the decline in the cost of remitting money, the wider use of formal remittance channels, and records of inflows to Asia and the Pacific indicated significant increases over time, reaching a peak level of \$320.7 billion in 2019. As the COVID-19 pandemic hurt the global economy—including 200 million remittance-sending migrants and 800 million family recipients—it was initially estimated that remittance volume would drop as much as 7.0% globally and 7.4% in Asia and the Pacific.⁴⁵ However, total remittance inflows to Asia and the Pacific declined by only \$6.4 billion in 2020, equivalent to a 2.0% reduction over 2019 inflows (Figure 5.8). In 2021, inflows to Asia and the Pacific are estimated to have reached a new peak of \$322.2 billion as global remittances recovered a strong 6.5% from a 2.3% contraction in 2020.

Figure 5.8: Remittance Inflows to Asia and the Pacific and the World



e = estimate.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed November 2021).

Among regions, Asia and the Pacific continued to receive the largest share (44.6%) of global inflows (Table 5.3). However, the combined effects of the global pandemic, weak oil prices, and movements in foreign exchange rates resulted in lower remittance inflow levels across all regions, except for Latin America and the Caribbean (KNOMAD 2021a). Relative to 2019, 2020 data reveal that Asia

Table 5.3: Remittance Inflows by Recipient Region, 2020 and 2021

Region	Share of Total, 2020	Remittance Inflows (\$ billion)		Growth		Level Change (\$ billion)	
		2020	2021e	2020	2021e	2020	2021e
Asia and the Pacific	44.6%	314.4	322.2	-2.0%	2.5%	-6.4	7.8
Europe	23.9%	168.8	176.9	-5.6%	4.8%	-10.0	8.1
Latin America and the Caribbean	14.8%	104.1	126.4	6.2%	21.4%	6.1	22.3
Middle East	3.3%	23.1	22.9	-8.1%	-0.9%	-2.0	-0.2
North America	1.0%	7.3	7.0	13.3%	-5.0%	-1.1	-0.4
Africa	11.8%	83.6	91.7	-4.0%	9.7%	-3.5	8.1

e = estimate.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed November 2021).

⁴⁵ Remittance Community Task Force Secretariat (2020) and KNOMAD. Remittances Data. <https://www.knomad.org/data/remittances> (accessed May 2021).

and the Pacific had a \$6.4 billion shortfall, while flows to Europe fell by 5.6% and contracted the most in by value (\$10.0 billion). Inflows to North America fell by 13.3%, to the Middle East by 8.1%, and to Africa by 4.0%. Estimates suggest that global remittance inflows will grow by 6.5% to \$751.2 billion in 2021—inflows to Asia and the Pacific will recover with a 2.5% growth or additional inflows of around \$7.8 billion over 2020 (KNOMAD 2021a).

Several factors including altruism, social assistance, and financial incentives to use formal channels have contributed to resilient remittances.

Remittances to Asia and the Pacific initially slowed, especially during March to May 2020 when government mobility measures were most restrictive but rebounded thereafter. By running counter to an economy's downtrend, remittance inflows buttressed the limited fiscal space of developing economies and provided a lifeline to many households that lost jobs and incomes.⁴⁶

With remittance senders eager to support their families' needs in their home countries, these "economic first responders" helped prop up recipient countries' markets through the impact of remittances on income and consumption activities of beneficiary households (Ersek 2021). This altruistic behavior by remittance senders who cut down on their consumption and drew down their savings was pointed as the primary driver of remittances in the pandemic (Ratha 2021; Kpodar et al. 2021). For instance, record inflows to South Asia could be due to their high degree of altruism relative to other middle-income economies (Mercer-Blackman and Li 2021).⁴⁷ Such altruistic motivations to remit may in turn create countercyclical movements of remittances that may have mitigated the negative impacts caused by the crisis (Box 5.4). The following factors also enabled remittance inflows in 2020:

- Fiscal stimulus in developed migrant host economies, specifically cash transfers, positively impacted migrants, enabling them to remit amid the pandemic, as in the case of migrant workers in the US.⁴⁸
- Mobility restrictions constrained in-person transactions from March to May 2020 and made it very prohibitive to remit via informal means. This influenced the remittance-sending behavior of migrants which accelerated the formalization of remittances, including digital channels, hence improving the capture of remittance data (Dinarte et al. 2021). For instance, remittances to Pakistan from its biggest remittance source economy, Saudi Arabia, increased by 22% (Jamal 2021). In Nepal, the government introduced a digital wallet service to Nepali migrants abroad so they could send remittances online, which led to the sharp increase in remittance inflows in June 2020 (Ernst 2021; IOM 2021b).
- Tax and related incentives also encouraged remitting via formal channels. Pakistan incentivized banks and financial institutions to market their home remittance services, while Bangladesh and Sri Lanka offered cash and percentage incentives to their nationals abroad who remitted through authorized channels (Takenaka, Kim, and Gaspar 2021).
- The depreciation of the local currency in the recipient economy against the US dollar also raised remittance money received by recipient families, as in Bangladesh (IOM 2021b). However, an exchange rate depreciation vis-à-vis the US dollar in receiving economies could also result in lower US dollar remittances, since less US dollars can buy the same basket of goods as before the depreciation (Poghosyan 2020).

⁴⁶ Unlike capital flows, remittances are unrequited transfers that do not have to be paid back and hence tend to have substantial effects on consumption stability particularly for liquidity-constrained income cohorts (ADB and World Bank 2018).

⁴⁷ Altruism is captured in the World Bank's 2014 and 2017 Global Financial Inclusion (Global Findex) surveys in which respondents were asked whether they can come up with emergency funds as well as whether the source of funds are from family and friends.

⁴⁸ In the US, for example, employment of migrants quickly recovered after April 2020. Combined with government cash transfers, this stimulus enabled migrants to send remittances to their origin economies.

Box 5.4: Countercyclicality of Bilateral Remittance Inflows to Asia and the Pacific

The role of remittance inflows into developing economies has been highlighted, particularly during economic downturns, as they are more reliable sources of external financing, for example, than foreign direct investment and tourism receipts. Evidence of strong resilience in remittance inflows to developing economies during economic downturns and crises suggests that remittances may be countercyclical to the receiving economy, i.e., negative association between remittances and business cycles.

With a focus on Asian recipients, a gravity model of bilateral remittances is estimated, as remittances are influenced by the characteristics of both remittance-sending and receiving economies. Annual data in the analysis cover 44 recipient economies in the region and 213 sender economies from 2010 to 2018.

Models of bilateral remittances are estimated using ordinary least squares, random-, and fixed-effects models, controlling for bilateral migrants stock, relative business cycles, economic size, income level, and time invariant variables including proximity between two economies. The relative business cycle is calculated as business cycles of receiver economy vis-à-vis its sender economy based on the standardized Christiano-Fitzgerald filtered of log of annual gross domestic product time series.

The significant, negative coefficients on relative business cycle show that bilateral remittance inflows to the region are countercyclical to the business cycles of a receiving economy relative to a sending economy (table). While various types of motives exist that lead to either countercyclical, procyclical, or acyclical remittances, such a finding suggests that motives like altruism may play a stronger role than other motives in Asia and the Pacific.

An additional analysis suggests that the degree to which remittances are countercyclical varies by subregion—Central Asia and Southeast Asia, where several economies with high economic dependence on remittances tend to show stronger countercyclicality than other subregions. Aside from the business cycles, other key determinants of bilateral remittances include exchange rate, capital account openness, and political stability. The cost of sending remittances is negatively associated with remittances, depending on the model specification.

The findings carry several policy implications and call for the attention of the policy makers and stakeholders. As remittances to Asia and the Pacific tend to be resilient during the downturn of the economy, governments can leverage these characteristics through reforming various areas of remittance policies by lowering the costs of remittances, accelerating finance sector development, introducing measures to incentivize and facilitate remittances, and maintaining a stable political climate.

Estimation Results

Dependent variable = Log (bilateral remittances _{ijt})	(1)	(2)	(3)	(4)
Log(migrant stock _{ijt})	1.058*** (0.008)	0.940*** (0.014)	0.987*** (0.004)	0.754*** (0.027)
Relative business cycle _{ijt}	-0.135*** (0.014)	-0.021*** (0.007)	-0.061*** (0.010)	-0.070*** (0.012)
Log(GDP _{it})	0.123*** (0.007)	0.194*** (0.012)	-0.222 (0.368)	-0.468 (0.453)
Log(GDP _{jt})	-0.069*** (0.009)	0.020 (0.015)	-0.106 (0.187)	-0.458** (0.214)
Log(per capita GDP _{it})	-0.054*** (0.014)	-0.000 (0.022)	1.005*** (0.358)	1.308*** (0.441)
Log(per capita GDP _{jt})	0.115*** (0.014)	0.134*** (0.020)	0.092 (0.198)	0.299 (0.229)
Log(distance _{ij})	0.120*** (0.027)	-0.154*** (0.046)	-0.015 (0.016)	
Contiguity _{ij}	-0.429*** (0.111)	-0.397** (0.175)	-0.114** (0.047)	
Common language _{ij}	0.006 (0.046)	0.224*** (0.070)	-0.011 (0.028)	

continued on next page

Box 5.4: continued

Dependent variable = Log (bilateral remittances _{ijt})	(1)	(2)	(3)	(4)
Colonial history _{ij}	-0.169 (0.125)	0.081 (0.196)	0.047 (0.044)	
Constant	-9.827*** (0.296)	-11.464*** (0.453)	-8.332 (6.686)	4.806 (8.241)
Year FE	yes	yes	yes	yes
RE for economy pairs	-	yes	-	-
FE for recipient and sender	-	-	yes	-
FE for economy pairs	-	-	-	yes
Observations	6,335	6,335	6,335	6,335
R-squared	0.900	0.895	0.988	0.500
Number of economy pairs	-	2,622	-	2,622

FE = fixed effect, GDP = gross domestic product, i = remittance-receiving economy, j = remittance-sending economy, RE = random effect, t = time.

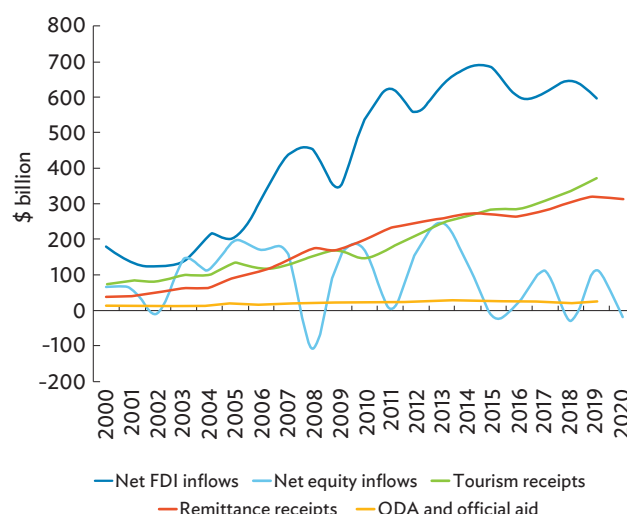
Note: Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Source: Kim et al. (2021).

Source: ADB staff using Kim et al. (2021).

Aside from the consumption-smoothing mechanism of remittances, which serves as an important form of protection for recipient households, remittance inflows have become an increasingly important source of financial flows to Asia and the Pacific (Figure 5.9). Making up 10.3% of total inflows to the region in 2000, the share of remittances rose to 22.3%, on average, during 2015–2019. The ratio of remittances to official development assistance had gone up from a factor of 3 in 2000 to almost 13 in 2019. In the 5 years prior to the pandemic, growth in remittance inflows (average 4.2%) was only second to tourism receipts (6.8%) and far more robust than net foreign direct investment inflows (–3.1%). In 20 developing economies in Asia and the Pacific, remittance inflows were proportional to around 5% of GDP. Beyond the aggregate figures, remittances are a major source of financial support for families, especially in the rural sector (Box 5.5). Through remittances, many recipient households in Asia and the Pacific can finance transformational activities such as education and entrepreneurship, which could positively spill over to communities and the local economy (Remittance Community Task Force Secretariat 2020). As the pandemic continues, lower or no remittances could put many Asian households at risk of or even sliding back into poverty.

Figure 5.9: Financial Flows to Asia and the Pacific, by Type



FDI = foreign direct investment, ODA = official development assistance.

Sources: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed May 2021); and World Bank. World Development Indicators Database. <https://databank.worldbank.org/source/world-development-indicators#> (accessed December 2021).

Box 5.5: Remittance Inflows during a Pandemic-Ridden 2020: The Case of Rural Households in Bangladesh

Bangladesh, like many other top remittance-recipient economies in the region, experienced record low remittance inflows at the onset of the COVID-19 pandemic in 2020. In March, remittance receipts fell 12.5% (equivalent to \$182 million) compared with the same month in 2019. It further dropped in April by 23.8% (year-on-year) while it managed to post a smaller decline of 13.9% in May. Since June 2020, however, remittance inflows rebounded, offsetting earlier losses, and capping off 2020 with an annual growth of 18.6%.

How was this macro-level remittance shock felt at the household level? Did remittance-recipient families experience an equivalent scale of shocks? To what extent did the fluctuations in remittance income affect their social and economic well-being?

Data from repeated tele-surveys among nationally representative rural households in Bangladesh reveal that a great majority of overseas remittance-dependent households received lower remittance money in the second quarter of 2020, with some witnessing the unexpected return of their migrant family member/s, mainly due to pretermination of contracts.^a Major findings from the surveys reveal that:

- Among the 2,211 households surveyed, around 275 (12.4%) reported having at least one migrant family member abroad, of which around 9.5% indicated that they did not receive any amount of remittance during the period even before the COVID-19 pandemic (i.e., December 2019 to February 2020). However, from March to May 2020, the share of migrant-sending households receiving no remittances from their migrant family member/s further increased to 40.4%.
- Between March and May 2020, households only received an average of Tk6,380 (\$75) per month, a 65% reduction from the Tk18,255 (\$215) monthly average they received 3 months prior.
- The number of migrants who returned from March to December 2020 due to permanent or temporary job loss affected a quarter (25.45%) of migrant-sending households.

While remittances significantly declined from the beginning of the pandemic, the survey data showed some recovery in the latter half of 2020. For example, the proportion of migrant-sending households with no reported remittance inflows gradually declined from 40.4% in March–May 2020 to 22.2% in the second survey wave (June to August 2020) and further to 14.5% during the survey period of September–December 2020. Accordingly, the average monthly remittances also increased from Tk6,380 in March–May to Tk14,605 in June–August, and further to Tk15,892 in September–December. Malek, Truong, and Sonobe (2021a, 2021b) reported that the rebound of remittance inflows in the latter part of 2020 helped recipient families smooth their consumption without resorting to the sale of any of their household assets.

Although aggregate remittance inflows obtained from the tele-survey data are generally consistent with the macro data from Bangladesh Bank, the household data trend has shown greater proportionate decline and fluctuation over time, also suggesting a slower recovery. Assuming an equivalent scale of shock in the remittance-recipient economy, the extent of shock felt at the household level may have been underestimated.

In general, remittance inflows to Bangladesh remained strong in 2020 despite the many challenges induced by the pandemic. But the same may not be true for families of returned migrants who lost their jobs abroad and their remittance income. Unexpected reduction or suspension of remittances can leave recipient families particularly vulnerable. Migrant-sending households use remittances to buy essential items such as food, clothing, shelter, health, and education, some without alternative sources of income to support those needs.

Many existing government emergency social protection measures are linked to employment (e.g., unemployment benefits and minimum wage guarantee program) and these, by design, will not reach hard-hit remittance-recipient households. Financial support is deemed crucial for these families while ensuring economic reintegration of their returned migrant members. Further, it may help to expand social protection coverage to low-income remittance-recipient households who may be falling back into the poverty trap.

^a A nationally representative sample involving 2,211 rural households from 62 villages in 56 districts (known as the Mahbub Hossain Survey sample) was contacted and participated in a telephone survey led by ADB Institute in three rounds, i.e., June 2020, September 2020, and January 2021.

Source: ADB staff using Malek, Truong, and Sonobe (2021a, 2021b).

Remittance inflows to Asian subregions declined in 2020, except for South Asia and the Pacific. A strong rebound is estimated in 2021, except in East Asia.

South Asia was the largest remittance-recipient region in 2020, followed by Southeast Asia and East Asia (Table 5.4). Driven by remittances to Bangladesh, India, and Pakistan, formal remittance flows to South Asia had been increasing

Table 5.4: Remittance Inflows to Asian Subregions, 2020 and 2021

Subregions	Share of Total, 2020	Remittance Inflows (\$ billion)		Growth		Level Change (\$ billion)	
		2020	2021 ^e	2020	2021 ^e	2020	2021 ^e
South Asia	46.8%	147.1	158.9	5.2%	8.0%	7.3	11.8
Southeast Asia	24.0%	75.4	76.4	-3.5%	1.4%	-2.7	1.1
East Asia	23.2%	72.8	66.9	-10.1%	-8.1%	-8.2	-5.9
Central Asia	5.3%	16.8	17.6	-10.8%	4.8%	-2.0	0.8
Oceania	0.4%	1.3	1.4	-39.6%	1.2%	-0.9	0.0
Pacific	0.3%	0.9	1.0	14.4%	3.1%	0.1	0.8

e = estimate.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed November 2021).

at an average annual rate of 4.8% in the past decade, peaking at \$147.1 billion in 2020. Inflows to the subregion even rose by 5.2% in 2020 despite the pandemic, which was primarily attributable to the cancellation of travel to Saudi Arabia in July 2020, allowing migrants to remit instead the funds they had set aside for the Hajj pilgrimage. Flooding in Bangladesh in July 2020 also prompted greater remittances from migrant workers overseas. Tax incentives offered by Bangladesh and Pakistan also improved the use of formal remittance channels which record cross-border flow of funds. Remittances are a critical funding source for South Asian economies. In 2019, remittances to the subregion were 2.5 times the size of foreign direct investment and at least 9 times the size of official development assistance. Inflows to South Asia are estimated to have surged by 8% to reach a new high of \$158.9 billion in 2021.

In the Pacific, vibrant inflows to Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu caused a 14.4% increase in remittances to the subregion in 2020. The uptrend is forecast to continue, with 3.1% growth in 2021 as higher remittances to Fiji, Kiribati, and Tonga prevail.

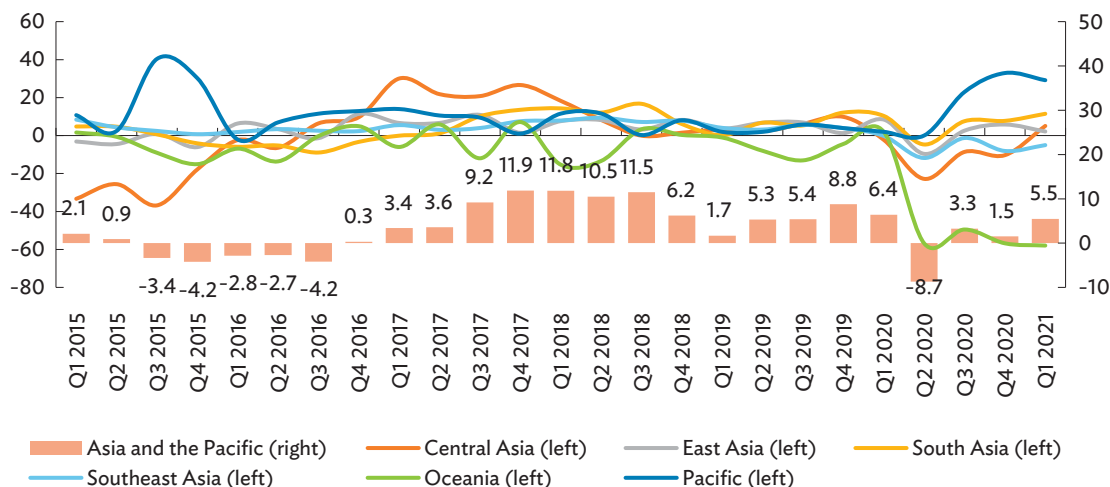
Pandemic-induced mobility restrictions and the depreciation of the Russian ruble broke Central Asia's remittance growth streak in 2016–2019 as inflows plunged by 10.8% in 2020. Inflows to all Central Asian economies declined in 2020 (except for Azerbaijan and the Kyrgyz Republic) amid the recession caused by COVID-19 and the wave of returning migrants from the Russian Federation. In

Southeast Asia, remittances were \$2.7 billion lower than in 2019—higher inflows from the US were not enough to offset the decline in remittances from migrants in the Middle East and Europe and the return of many Southeast Asian migrants. Remittance inflows to both subregions are forecast to recover in 2021 with estimates of additional inflows of \$1.1 billion and \$0.8 billion to Southeast Asia and Central Asia, respectively. Meanwhile, the decline in inflows to the PRC and Mongolia is estimated to continue to 2021, with the subregion's remittances contracting (by 8.1%) for the second consecutive year.

Remittance-Recipient Economies in Asia and the Pacific

Quarterly data support the relative resilience manifested by remittance inflows to Asia (Figure 5.10). Although remittances to the region took a major tumble (8.7% decline) in Q2 2020, inflows to all subregions began to recover, except Oceania. By economy, inflows grew strongly to Bangladesh (18.4%) and Pakistan (17.3%). The flow of Bangladeshi working migrants fell to 217,669 in 2020 from a peak of 1 million workers in 2017 and 700,159 in 2019.⁴⁹ Yet remittance flows to Bangladesh were particularly robust, as monthly flows recorded double-digit year-on-year growth rates from June 2020 to May 2021. Similarly, migrant worker flows from Pakistan were lower by 64.1% in 2020, but monthly remittance flows showed record growth rates from June to December 2020.

⁴⁹ Government of Bangladesh, Bureau of Manpower, Employment, and Training Statistical Reports. <http://www.old.bmet.gov.bd/BMET/statisticalDataAction> (accessed October 2021).

Figure 5.10: Trend of Remittance Inflows to Asia and the Pacific by Subregions (% , year-on-year)

Note: Some economies with incomplete or no time series data were not included in the data set used to generate this chart.

Source: ADB calculations using data from CEIC Data Company.

The uptrend for Pakistan continues—inflows for the first half of 2021 were higher by 29.5% relative to the same period in 2020.

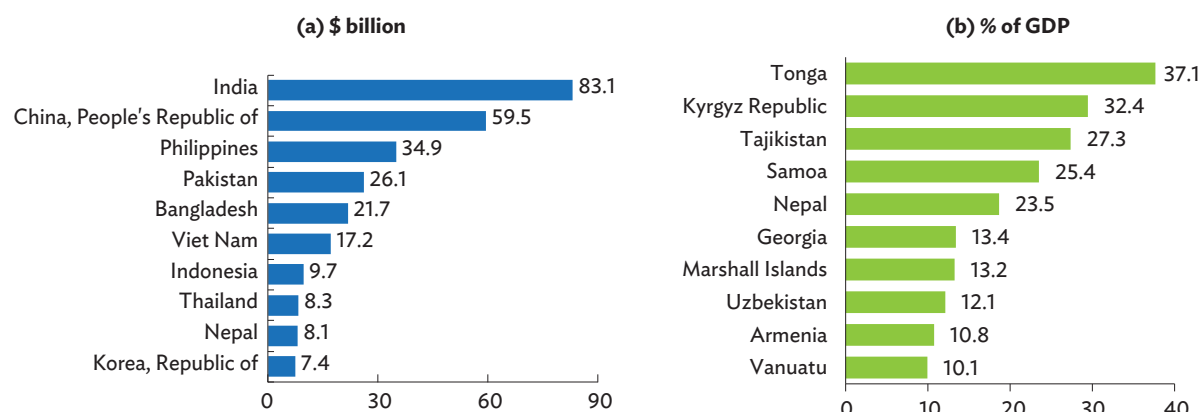
Bangladesh, India, Pakistan, the PRC, and the Philippines, were among the top 10 remittance-recipient economies in Asia and the Pacific, and globally. In 2020, inflows to these five economies (\$225.4 billion) accounted for 32.0% of global inflows and 71.7% of total remittances to Asia and the Pacific (Figure 5.11a). Remittances contracted in the PRC (by 13.0%) and, to a lesser extent, in India (by 0.2%). In the Philippines, total remittances declined 0.7% as those 327,511 overseas Filipino workers returned home in 2020. However, major sources of cash remittances to the Philippines recorded higher year-on-year flows from the US (5.5%), Qatar (8.2%), Jordan (19.4%); Singapore (12.7%); and Taipei, China (15.5%) in 2020.⁵⁰

In Georgia and the Kyrgyz Republic, the ratio of remittances to GDP increased by at least 0.5 percentage points despite the lower level of remittance flows. In Uzbekistan, however, the 18.3% decline in remittances pushed the remittance-to-GDP ratio to 12.1% from

14.8% in 2019. In some Pacific DMCs where remittances are the key source of foreign exchange inflow, higher remittance volumes were recorded by Vanuatu (up by 16.6%) and Samoa (up by 31.5%), driven by migrants' higher financial support inflows for their families, remittance flows from seasonal workers, and social benefits (Figure 5.11b). Inflows to Samoa in the first 6 months of 2021 were higher by 7.0% compared with the same period in 2020 and exceeded pre-pandemic flows by 11.3%.

Central Asian economies which depend on remittances for at least 10% of their GDP (Armenia, Georgia, the Kyrgyz Republic, Tajikistan, and Uzbekistan) had lower remittance inflows in 2020 with contractions in inflows ranging from 5.8% (Tajikistan) to as much 18.3% (Uzbekistan). Although monthly inflows to Armenia in 2020 were lower than the 2019 level for most months, remittances in 2021 are showing signs of recovery. Monthly remittance inflows to Armenia, Georgia, Kazakhstan, and the Kyrgyz Republic in the first half of 2021 were higher by 29.8% relative to 2020 and by 10.9% relative to 2019.

⁵⁰ Bangko Sentral ng Pilipinas. <https://www.bsp.gov.ph/SitePages/Statistics/Statistics.aspx> (accessed October 2021).

Figure 5.11: Top 10 Remittance-Recipient Economies in Asia and the Pacific, 2020

GDP = gross domestic product.

Note: Some economies with incomplete or no time series data were not included in the data set used to generate these charts.

Sources: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). Remittances Data. <http://www.knomad.org/data/remittances> (accessed May 2021); and International Monetary Fund. World Economic Outlook April 2021 Database. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April> (accessed November 2021).

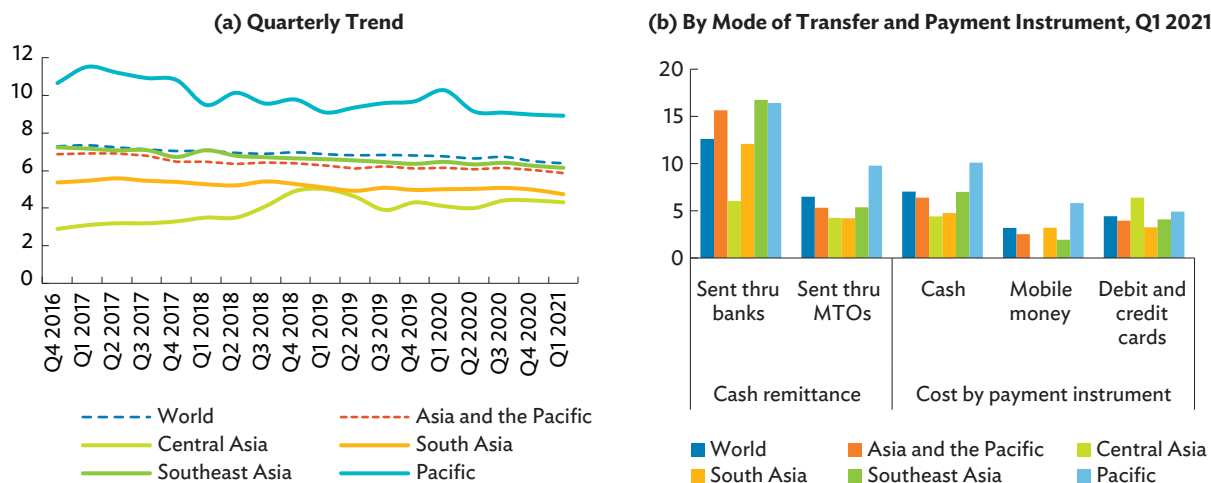
The average cost of remitting to Asia and the Pacific has been declining but remains higher than the Sustainable Development Goal target of less than 3% by 2030.

In the United Nation's 2030 Agenda, the average total cost of remittances is aimed to be lower than 3%, and corridors with costs higher than 5% should be eliminated. As of Q1 2021, the global average total cost of remittance was 6.4% of the transaction amount—5.9% in Asia and the Pacific. Remittance costs have been declining slowly, and existing average costs are still almost double the 3% Sustainable Development Goal target (Figure 5.12a). Remittance costs also vary by subregion—costs in Central Asia and South Asia are lower than the Asian average while costs in the Pacific, which were at its lowest level of 8.9% in Q1 2021, has been consistently much higher than the global average.

Lockdown measures during the initial months of the pandemic reduced the volume of transactions particularly those of nonbank remittance service providers. The remittance service providers mostly handling cash-based, in-person transfers had to close because they were tagged as nonessential business. This could explain the declines in remittance inflows in the months of March to May 2020 when mobility restrictions were most stringent.

Meanwhile, digital remittance service providers experienced an increase in transaction volumes as remittance senders who could not transact in person resorted to digital channels. Multichannel remittance service providers also deepened their digital engagement to ensure business continuity. According to Andersson-Manjang and Naghavi (2021), the size of remittances through mobile money jumped 65% to \$12.7 billion in 2020. As a result, more than \$1 billion was sent and received every month via mobile money.

By payment instrument, remittances sent through mobile money globally cost much less than cash—3.2% compared with 7.0% for cash and 4.4% for debit/credit cards (Figure 5.12b). However, cash transactions remain the dominant transaction type, accounting for around 70% of remittances sent through the three largest remittance service providers—Western Union, World Remit, and Ria (Remittance Community Task Force Secretariat 2020). Globally, cash sent through banks (12.6%) still cost far more than through money transfer operators (6.5%). In Asia and the Pacific, the spread between these costs have increased to 10.3 percentage points in Q4 2020 from 7.4 percentage points in Q4 2019. Advancing digitalization infrastructure will only work if accompanied by measures to develop the digital ecosystems in many migrant-sending developing economies and migrant-host economies.

Figure 5.12: Average Total Cost of Remitting \$200 (%)

MTO = money transfer operator, Q = quarter.

Note: Central Asia data on remittance costs using mobile money are not available.

Source: ADB calculations using data from World Bank. Remittance Prices Worldwide. <https://remittanceprices.worldbank.org/en> (accessed October 2021).

Only 4.7% of adults aged 25 and older in the world had a mobile money account in 2017.⁵¹

Large differences in remittance costs also exist among subregions and economies, reflecting how financial development, financial market competition, adoption of digital technology, and the state of remittance infrastructure development differ. For instance, remitting to Central Asia costs less relative to other subregions—to Azerbaijan the average cost is only 1.0%, while it costs 10.1% to send money to Vanuatu. Although the average cost of remittances is highest in the Pacific (8.9%), sending money to Southeast Asia via banks costs more (16.6%), with rates ranging from 8.8% (Philippines) to as much as 46.0% (Thailand). Meanwhile, remittances sent to South Asia through money transfer operators cost the least, at 3.8%. Measures to address these differences can help optimize use of digitalization technologies to reduce remittance costs and bring them closer to the desired Sustainable Development Goal target of less than 3% by 2030.

Policy Recommendations

The resilience demonstrated by remittance inflows to Asia and the Pacific in the first year of the pandemic emphasized the magnitude and reliability of remittance inflows and their crucial role in the post-pandemic recovery. Below are some policy suggestions to improve the use of formal remittance channels.

Boosting financial literacy is essential in migrant communities. Informing migrants and their families about the basic ideas of savings, remittance channels, prices of financial services, types of investment products, risks of unregulated remittance transfers and informal remittances, and financial fraud in transparent easy-to-understand language will not only expand their knowledge of basic finance but also empower them to use formal, hence safer, remittance channels. Promoting customized and gender-responsive remittance-related savings, loans, investments, and remittance-linked insurance products will promote financial inclusion of remittance-recipient families.

⁵¹ World Bank. Global Financial Inclusion Database. <https://databank.worldbank.org/reports.aspx?source=global-financial-inclusion> (accessed October 2021).

Develop technology-driven payment system

infrastructure. This will facilitate international remittance flows while supporting the market entry of digital financial service providers to expand the use of digital channels. Find ways for the banking sector to have greater interoperability with other classes of remittance service providers and incentivize the growth of fast payment services where available. Elevate the degree of financial expertise among remittance service providers through capacity building and knowledge-sharing activities on domestic or regional retail payment infrastructure for sending and receiving remittances.

Authorize flexibility in documentary requirements and adopt a risk-based approach that is appropriate for senders of low-volume transactions to expand the access of migrants to formal financial services.

Promote partnerships among remittance service providers and support regulations that would encourage their network expansion to poor and remote areas. In economies where remittance service providers rely on correspondent banking accounts, such as in the Pacific, improve the availability of banking services alongside guidance in complying with anti-money laundering/combating the financing of terrorism requirements. Harmonize guidance for promoting a risk-based approach for correspondent banking and encourage dialogue to ease exceedingly conservative approaches by correspondent banks while minimizing conflicts.

Incentivize informal remittance providers with nuanced regulatory frameworks and improve the competitive environment among financial service providers. Incentives and increased competition can work together to impact the cost of remittance. Engage more female remittance senders through capacity-building modules on how to send remittances digitally and help narrow the gender gap in digital remittance uptake. Expand distribution channels among typically underserved populations, such as families in rural areas, communities with low levels of literacy, and people with disabilities.

Leverage remittance-induced savings products as medium- to long-term forms of investment.

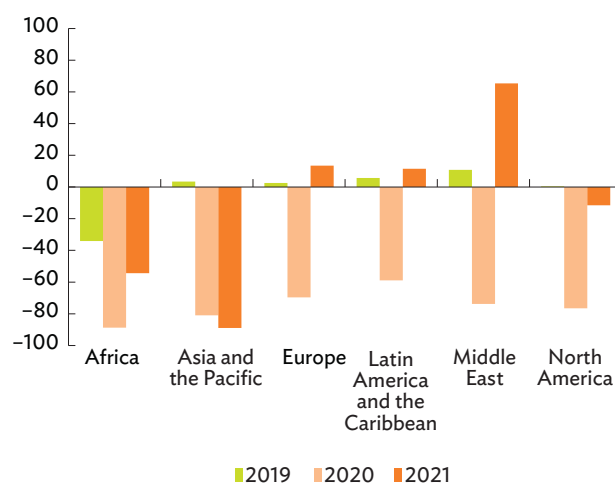
Recipient economies could tap these funds for development-centric capital accumulation activities.

Tourism

As the devastating impacts of the COVID-19 pandemic continue to challenge Asia's international tourism, establishing recovery momentum remains elusive amid prevailing travel challenges in many economies.

The COVID-19 pandemic continues to take its toll on global tourism. The highly interconnected sector, with a multiplier effect, the global travel and tourism industry led to a loss of \$4.5 billion of GDP contribution and 62 million jobs in 2020 (WTTC 2021). Tourism's share of global GDP declined to 5.5% in 2020 from 10.4% in 2019. Measures to contain the spread of the COVID-19 virus, which nearly halted travel and tourism activity across the world, resulted in a massive 72.6% drop in global tourist arrivals in 2020 relative to 1.5 billion tourist arrivals in pre-pandemic 2019 (UNWTO 2021b). The sector continued to face travel restrictions in 2021 with the emergence of new variants of the virus and slow vaccine administration, dampening travel confidence worldwide. Tourist arrivals remain deeply stunted in Asia and the Pacific (down by 88.9%), Africa (down by 54.3%), and North America (down by 11.5%) (Figure 5.13).

Figure 5.13: Tourist Arrivals, January–October
(%, year-on-year)



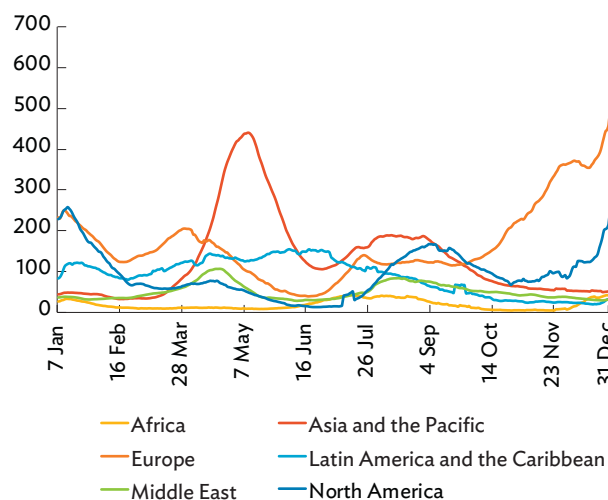
Source: ADB calculations using data from CEIC Data Company.

A study by Vanzetti and Peters (2021) estimated that a reduction in tourist arrivals by 74% in 2021 from the 2019 level will lead to real GDP loss of \$2.4 trillion. Even under an optimistic scenario in which arrivals decline from 74% to 63% in 2021 (i.e., partial tourism rebound), will cut the loss in global GDP by 30% to \$1.7 trillion (Vanzetti and Peters 2021). Across tourism's complex supply chain, the upstream and downstream effects of a lack of tourism activities threatens 100 million–120 million jobs. As economies continue to contain the spread of the virus amid cautious efforts to reopen tourism, recovery is expected to start later than sooner and to proceed more cautiously. Experts believe a return to pre-pandemic international arrival figures will not happen until 2023 or later (UNWTO 2021a).

In Asia and the Pacific, the reinstatement of lockdowns amid the unpredictability of infection outbreaks (Figure 5.14) and the slow pace of vaccination have jeopardized plans to fully reopen borders. Although international travel has shown signs of easing globally by the last quarter of 2020, access to the region remains constrained by partial to full restrictions—as of Q4 2021, 23.8% of Asian destinations were still fully closed (versus 6.5% globally) and 20.9% continued to impose partial bans (versus 22.2% globally) (Figure 5.15). In 2020, the contribution of travel and tourism to the region's GDP fell by 53.7% to \$1.4 trillion and employment decreased by 18.4% to 151 million jobs (WTTC 2021). International spending fell by 64%, depriving many tourism-dependent Asian economies of foreign exchange earnings (UNWTO 2021b).

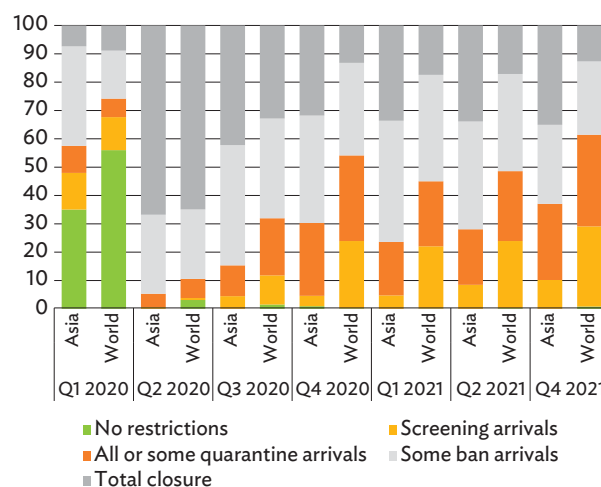
Prior to the pandemic, the dynamic performance of tourism helped carve out its role in the growth and development of many developing economies. From 2010 to 2015, global tourist arrivals grew by 4.5% annually from 950 million to 1.2 billion (UNWTO 2016). On average, 1.3 billion international tourists traveled annually from 2015 to 2019, only to drop to 0.5 million in 2020 (Figure 5.16). Tourist arrivals to Europe, the most visited region, fell by 64.9% to 230.1 million in 2020 from an average of 655.2 million in 2015–2019. In Asia and the Pacific, tourist arrivals fell by 82.8% to 54.4 million due to the COVID-19 crisis.

Figure 5.14: Daily COVID-19 Cases, 2021
(7-day rolling average, '000)



Sources: ADB calculations using data from CEIC Data Company; and World Health Organization. WHO Coronavirus (COVID-19) Dashboard. <https://covid19.who.int> (accessed November 2021).

Figure 5.15: International Travel Restrictions
(% of imposing economies)

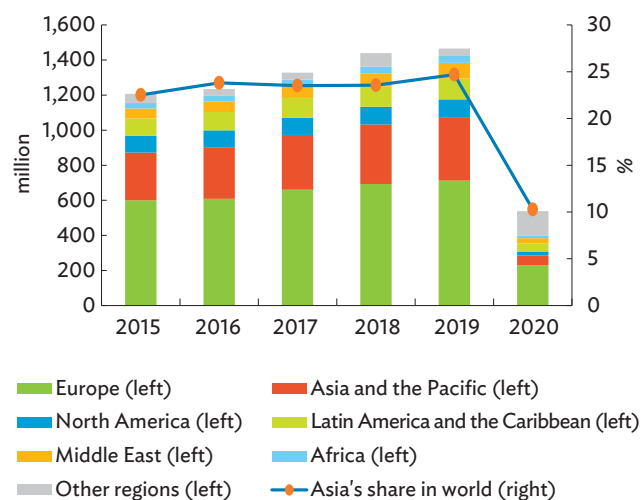


Q = quarter.

Sources: ADB calculations using data from Hale et al. Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford. <https://github.com/OxCGRT/covid-policy-tracker/tree/master/data/timeseries> (accessed December 2021).

Around 316 million tourists visited Asia and the Pacific, on average, and tourist arrivals grew at 7.4% annually in 2015–2019. The phenomenal growth in tourist arrivals translated to significant tourism revenues for the region. From 2015 to 2018, Asia and the Pacific earned a cumulative \$1.8 trillion in tourism receipts, or 27.2% of the global total (Figure 5.17a).

Figure 5.16: International Tourist Arrivals by Region of Destination



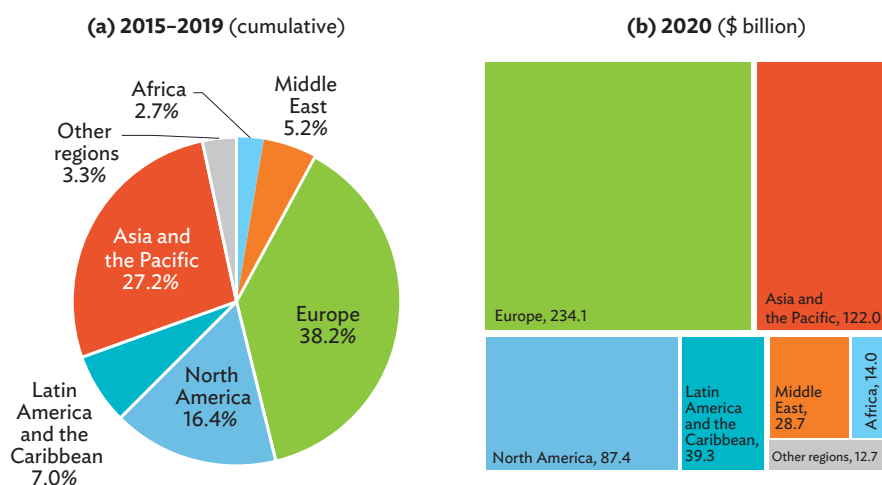
Sources: Maldives Monetary Authority. Statistics Database. <https://database.mma.gov.mv/> (accessed November 2021); Pacific Tourism Organisation (2020, 2021); UNWTO. International Tourism and COVID-19. <https://www.unwto.org/international-tourism-and-covid-19>; and UNWTO. UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (both accessed October 2021).

In comparison, European destinations generated \$2.6 trillion (38.2%) while North America earned \$1.1 trillion (16.4%) from tourism. Many factors contributed to the improved performance of the Asian subregion, including a rising middle class, affordable travel costs, use of technology for tourism marketing, ease of visa policies, open skies arrangement, and others.

The impact of COVID-19 on tourism set back the industry by 3 decades (UNWTO 2020). In 2020, Asia's tourism revenues fell by 66.4% to \$122.0 billion relative to its average pre-pandemic earnings of \$363.0 billion (Figure 5.17b). The estimated decline of 1 billion tourist arrivals in 2020 relative to 2019 cost the industry \$1.3 trillion in lost tourism revenue and the global economy by over \$2 trillion in GDP.⁵²

Among Asia's subregions, sharp declines in tourism greatly impacted East Asia and Southeast Asia, two of the region's most visited and highest grossing in terms of tourism receipts. In East Asia, the wide array of tourist destinations attracted 141.8 million international tourists annually, from 2015 to 2019, and earned for the subregion \$141.0 billion in annual tourism receipts (Table 5.5). In 2020, the pandemic slashed tourist arrivals to East Asia by 88.8% and tourism receipts by 72.7%. Southeast Asia, which had 38.2% of total visitors to Asia and the Pacific and earned 34.7% (125.8 billion) of Asia's tourism receipts in 2015–2019 saw tourist arrivals plunge by 81.9% and tourism receipts by 78.5% because of COVID-19. The sudden and steep contraction in arrivals and tourism earnings greatly affected economies in the subregion such as Thailand where tourism impacts a network of industries both within and outside its economy (Box 5.6).

Figure 5.17: International Tourist Receipts by Region of Destination



Sources: ADB calculations using data from Maldives Monetary Authority. Statistics Database. <https://database.mma.gov.mv/> (accessed November 2021); Pacific Tourism Organisation (2020, 2021); UNWTO. International Tourism and COVID-19. <https://www.unwto.org/international-tourism-and-covid-19>; and UNWTO. UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (both accessed October 2021).

⁵² According to UNWTO (2020), within the first 10 months of 2020 alone, arrivals fell by 900 million, and tourism revenues by \$935 billion—more than 10 times what the sector lost in the 2009 global financial crisis.

Table 5.5: International Tourist Arrivals and Tourism Receipts in Asia and the Pacific, by Subregion

Subregion	International Tourist Arrivals (million)			International Tourism Receipts (\$ billion)		
	2015–2019 Average	% of Asia's Total	2020 (change from 2019)	2015–2019 Average	% of Asia's Total	2020 (change from 2019)
Central Asia	19.3	6.1%	5.8 (-82.78%)	9.7	2.7%	2.1 (-81.0%)
East Asia	141.8	44.9%	16.9 (-88.8%)	141.0	38.8%	40.1 (-72.7%)
Oceania	12.1	3.8%	2.8 (-78.8%)	51.0	14.0%	32.1 (-42.9%)
Pacific	1.6	0.5%	0.1 (-91.6%)	1.7	0.5%	0.2 (-86.1%)
South Asia	20.6	6.5%	3.7 (-84.1%)	33.9	9.3%	15.9 (-59.6%)
Southeast Asia	120.6	38.2%	25.0 (-81.9%)	125.8	34.7%	31.6 (-78.5%)
Asia and the Pacific	316.0	100.0%	54.4 (-85.0%)	363.0	100.0%	122.0 (-69.6%)

Sources: ADB calculations using data from Maldives Monetary Authority, Statistics Database. <https://database.mma.gov.mv/> (accessed November 2021); Pacific Tourism Organisation (2020, 2021); UNWTO. International Tourism and COVID-19. <https://www.unwto.org/international-tourism-and-covid-19>; and UNWTO. UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (both accessed October 2021).

Box 5.6: Thailand's Tourism Sector and Regional Economic Growth—A Global Value Chain Perspective

A multi-regional input–output model was developed to extend the traditional input–output analysis of Thailand's tourism sector to include economies on the global value chain—the model included 62 economies and 35 industries per economy. Hotels and restaurants, air transport, and other services represented the tourism industry in Thailand.

Based on the output multiplier, the study finds that the air transport sector has the strongest spillover effect from the tourism industry to the whole economy, followed by hotels and restaurants and other service sectors. A \$1.00 increase in final demand for air transport, hotels and restaurants, and other services will stimulate the global output (within and outside Thailand) by \$2.91–\$2.95, \$2.34, and \$1.79–\$1.88, respectively. Extending the implications of the multiplier on employment suggests that a \$100 increase in Thai tourism's final demand can lead to an additional 12 and 12.5 employed persons, respectively.

The total intra-backward linkage slightly increased from 1.01 in 2007 to 1.03 in 2019 whereas the inter-backward linkage dropped from 0.88 to 0.73 over the same years (>1 means stronger linkage with other industries). The decrease in inter-backward linkage suggests the tourism industry in Thailand has become more independent and relied less on the upstream global market.

The Thai tourism's weak forward linkages with other industries suggest that tourism products are more likely to

be consumed as final demand, rather than intermediate products for other industries. Forward linkages are on a sustained growing trend while backward linkages are on decreasing trend in 2013–2019. The Thai tourism supply chain is dominated by imports and thus the industry depends on overseas markets more than the domestic market.

Thailand's air transport sector has the greatest backward and forward global value chain participation ratio across sectors. For instance, the backward ratio in 2019 reveals that 25% of final demand in air transport sector is from intermediate imports whereas the forward ratio indicates that 39% value added produced by the air transport sector is used for intermediate exports.

Traditional revealed comparative advantage and new revealed comparative advantage of hotel and restaurants sector surged from less than 2.00 in 2007 to 8.22 and 5.19 in 2019, respectively, reflecting the rapid and sustained growth of inbound tourism in Thailand over time. Air transport, on the other hand, has low comparative advantage.

Overall, the multiplier, linkage, and leakage analyses reveal that Thailand should maintain the development of the tourism industry as one of the pillar industries, because of its strong spillover effects to other domestic industries and is well supported by the domestic economy.

Source: ADB staff using Anyu (2021).

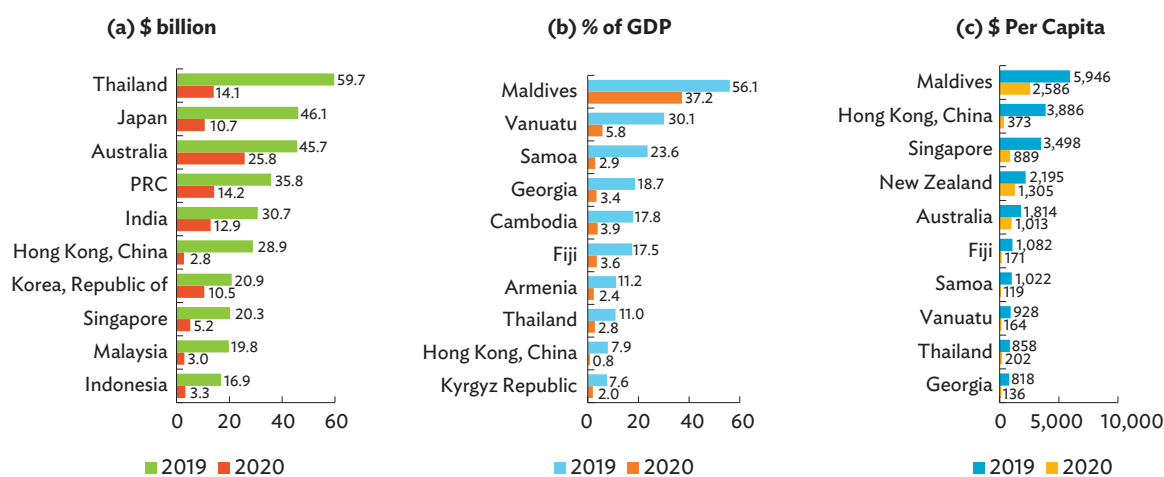
Similarly, Oceania felt the heat from the pandemic as the subregion, which attracted 12.1 million visitors during 2015–2019, saw a drop of 78.8% in 2020. Even international tourism receipts fell by 42.9% from an annual average of \$51 billion in the pre-pandemic years. Within Oceania, Australia and New Zealand were leading the travel and tourism sector. In 2019, of the total share in Asia's international tourism earnings, Australia and New Zealand were the top recipients in absolute terms (Australia, \$45.7 billion) and in per capita terms (New Zealand, \$2,195) (Figures 5.18a and 5.18c). However, in 2020, tourist arrivals declined by 80.7% in Australia and 74.3% in New Zealand, causing international tourism receipts to shrink by 43% and 39%, respectively.⁵³

The Pacific subregion had less than a 1% share of both arrivals and tourism receipts prior to the pandemic. But for some economies, tourism makes up a significant share of national output in 2019, such as in Vanuatu (30.1%), Samoa (23.6%), and Fiji (17.5%), as well as in per capita terms (Figures 5.18b and 5.18c). The pandemic hit hard

the Pacific subregion with sharp declines in tourism arrivals (lower by 91.6%) and international tourism receipts (down by 86.1%) in 2020. The pandemic also underscored major risks to the Pacific subregion's tourism sector: (i) dominance of leisure tourism products, which are vulnerable to changes in income and willingness to travel; (ii) concentration of sources markets on Oceania and the US; and (iii) limited flight connectivity, which constrains air transport, the primary means of access to Pacific destinations. Many economies in the Pacific have been closed to international tourism since March 2020 but some tourism-dependent economies are gearing up to reopen its borders (Box 5.7).

Pre-pandemic tourist arrival figures to Central Asia improved to 33.6 million in 2019 (from 22.6 million in 2018), signaling positive feedback generated by the Central Asia Regional Economic Cooperation (CAREC) program's tourism development strategy in 2019. However, the region suffered during the COVID-19 pandemic. Azerbaijan experienced a massive reduction in tourist arrivals (down by 72.6%) and tourism receipts (down by 83.0%).

Figure 5.18: Top-10 Recipients of International Tourism Receipts, 2019 and 2020



GDP = gross domestic product, PRC = People's Republic of China.

Note: Some economies with incomplete or no time-series data were not included in the data set used to generate these charts.

Sources: ADB calculations using data from International Monetary Fund. World Economic Outlook April 2021 Database. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April> (accessed May 2021); Maldives Monetary Authority. Statistics Database. <https://database.mma.gov.mv/> (accessed November 2021); Pacific Tourism Organisation (2020, 2021); United Nations Department of Economic and Social Affairs, Population Division. World Population Prospects 2019. <https://population.un.org/wpp/Download/Standard/Population/> (accessed May 2021). UNWTO. International Tourism and COVID-19. <https://www.unwto.org/international-tourism-and-covid-19>; and UNWTO. UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (both accessed October 2021).

⁵³ Data indicated that tourist arrivals to Australia declined to 1.8 million in 2020 from 9.5 million in 2019. During the same period, the figures for New Zealand dropped to 1.0 million from 3.7 million (UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> [accessed October 2021]).

Box 5.7: Reviving Tourism in the Pacific

Most Pacific developing member countries (DMCs) rely heavily on tourism for growth, employment, and foreign exchange. In 2019, the sector generated international tourism receipts of at least \$1.5 billion, accounted for 5%–40% of formal sector employment, and contributed from 9.3% to as much as 35.8% to gross domestic product (GDP).^a The sector generated as much as 87% of GDP in the Cook Islands and around 40% of GDP in Fiji and Vanuatu.

COVID-19 forced Pacific DMCs to close their borders, halting tourism activities and impacting jobs and businesses across tourism's supply chain. It brought to the fore the risks that otherwise remain less discussed due to positive economic outcomes.

With vaccination programs picking up pace in 2021, many Pacific DMCs are now gearing up to reopen. This is particularly so as the Cook Islands has achieved herd immunity with nearly all its adults fully vaccinated. After a 26.2% decline in GDP in 2020, the Cook Islands has set its path to recovery by restarting tourism through a safe travel corridor with New Zealand. Fiji, with almost 50% of its target adult population fully vaccinated, reopened its borders by November 2021, allowing resumption of commercial and international flights and entry to fully vaccinated travelers. Samoa, Tonga, and Vanuatu are discussing the potential of a one-way quarantine-free travel with New Zealand. Palau resumed its travel bubble arrangement with Taipei, China in August 2021 and anticipates 20,000 to 50,000 travelers. Kiribati is preparing to reopen its borders to international travelers by early 2022.

Pacific DMCs are redesigning their tourism revival strategies by incorporating tourism products that encourage tourists to stay longer and spend more in the destinations they visit. There are a number of collective initiatives in the subregion that could contribute to rebound of tourism activities. The most notable one is the mutually recognized regional health standards and protocols. The Pacific DMCs that are currently engaged in travel bubbles should adapt international travel protocols, covering most major source economies, and adhere to information- and data-sharing measures to raise confidence of international tourists and promote intraregional movement.

The Pacific DMCs should also consider recognizing skills of tourism professionals to create a bigger pool of resources to entertain more tourists in the post-COVID-19 recovery phase. In addition, the economies should engage in rebuilding and upskilling their existing tourism workforce. Learning of best practices from other small island economies will also be useful. Finally, a collective approach to rebuild airline connectivity and promote an open skies policy can improve both inter- and intraregional tourist movement across the economies. There are already some discussions happening in this direction. Palau, for example, is discussing the possibility of increased flight frequency of United Airlines between Palau and Guam. Meanwhile, the Australia Infrastructure Financing Facility for the Pacific guaranteed a loan provided to Fiji Airports to improve Fiji's air infrastructure and its provision of air traffic management services to airspaces in Kiribati, New Caledonia, Tuvalu, and Vanuatu.

^a ILO (2020b); UNWTO. UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (both accessed September 2021); and World Travel and Tourism Council (2021).

Sources: ADB staff using Klyne (2021); Ngirairiki (2021); Rovoi (2021); Samoa Tourism Authority (2021); Sen and Kenny (2021).

Georgia's tourism sector, which hosted 5.1 million tourists and employed 150,000 people in 2019, similarly suffered declines of 78.6% in tourist arrivals and 83.4% in tourism receipts, while Uzbekistan had a combined contraction of 77.6% in tourist arrivals and 76.7% in tourism receipts.

Arrivals to South Asia also went into free fall due to the COVID-19 crisis, from a pre-pandemic average of 20.6 million tourists down to 3.7 million in 2020. Earnings from international tourism were slashed by more than half the pre-pandemic average—from 33.9 billion to 15.9 billion in 2020—severely affecting the subregion's top 10 tourism earners, India, and Maldives.

In many economies, domestic tourism is helping pave the way for recovery readiness. To encourage the sector to navigate despite uncertainties, governments continue to support tourism.

Domestic Tourism

Since tourist travel is primarily driven by discretionary income and tourists' confidence, the pandemic-induced global recession and high degree of uncertainty about the safety of long-haul travel could keep tourism interest and travel propensity concentrated on short-haul destinations, at best. Vanzetti and Peters (2021) reports that it may not be until 2023–2024 for arrivals to recover their 2019 level. Domestic tourism, however, could recover sooner. At nearly six times the size of international tourism (9 billion domestic trips in 2018 based on UNWTO data), reengaging domestic tourism demand could help in economic recovery, preserving livelihoods and income. Asian economies constituted over 50% of these domestic trips. In 2018, domestic overnight trips represented more than 80% of all tourist arrivals in India, Japan, Malaysia, the PRC, the Republic of Korea, and Thailand, highlighting the significance of domestic tourism for the national economies.

Table 5.6 below shows the impact of the pandemic on domestic tourism for selected economies. Globally, domestic visitors' spending decreased by 45% during 2019–2020 (from \$4.3 trillion to \$2.4 trillion) compared with a greater decline of 69.4% (from \$1.7 trillion

to \$517 billion) for international travelers, owing to international travel restriction (WTTC 2021). Reflecting the trend, Asia and the Pacific experienced a smaller decline in domestic spending, at 48.1%, raising its share in overall travel and tourism spending from 74% of the total in 2019 to 85% in 2020. Many of the economies devised policies and provided fiscal support to the tourism industry, giving a buffer to the domestic tourism industry.

Cruise tourism is being considered for its potential to boost domestic tourism. Asia's cruise tourism is viewed with immense upside for domestic tourism, given the uncertainties of international travel and the pent-up tourism appetite of residents. The PRC saw high demand for maritime tourism among its domestic travelers. In December 2020, two domestic cruise ships saw robust demand for cabin tickets and sailed from Hainan province to nearby islands over 4 days (Xinhua 2020). In November 2020, Singapore decided to work on a pilot cruise tourism program called "Cruise to Nowhere" (Box 5.8).

With tourism's massive contribution in several areas of the macroeconomy, government support for one of the worst-hit economic sectors was and remains imperative.

Initially, most of the support for tourism was part of the overall fiscal and monetary policy packages that governments had applied to alleviate the economic impact of the coronavirus pandemic. Over a year into the pandemic, policy assistance got more targeted toward the

Table 5.6: Domestic Tourism in Selected Asian Economies

Economy	Contraction in Domestic Tourism, 2019–2020		Share of Domestic to Total Tourism Spending	
	(%)	(\$ billion)	in 2019	in 2020
China, People's Republic of	36.1	502.8	86%	88%
Japan	30.3	64.4	81%	95%
Korea, Republic of	34.0	9.1	51%	68%
Cambodia	36.1	0.6	23%	46%
Indonesia	35.2	7.6	55%	78%
Malaysia	32.7	7.1	51%	81%
Philippines	35.5	22.9	84%	94%
Singapore	36.1	3.8	29%	50%
Thailand	28.0	7.6	30%	57%

Source: World Travel and Tourism Council (2021).

Box 5.8: Domestic Tourism in Post-COVID-19 Recovery—Reinventing Cruise Tourism

Cruise tourism was a booming industry globally. In the 10 years to 2019, the number of global cruise passengers grew at 5.3% annually to 29.7 million. In 2019, the industry contributed \$154.5 billion to global output and created 1,166 jobs, on the back of demand from North America (52.0%), Europe (26.0%), and Asia and the Pacific (12.5%) (CLIA 2021). Buoyed by Japan- and Singapore-bound destination demand, cruise tourism in Asia and the Pacific recorded robust growth in the period 2016–2019 in terms of the number of ships (9.6%); number of cruises and voyages (7.1%); operating days (9.0%); and passenger capacity (8.0%) (CLIA 2016, 2019). However, the COVID-19 pandemic put cruise industry operations to a halt. Many cruise lines suspended sailing, and no-sail orders were issued to help contain the spread of the virus.^a Between March and September 2020, the suspension of cruise operations resulted in an output loss of more than \$77 billion and 518,000 jobs.

Many small island economies depend on cruise tourism for its multiplier effect on local and national economies.^b As economies chart their road map for revival of the tourism industry, including cruise tourism, signs of optimism seem to emerge for the future of the domestic cruise industry. A survey in late-2020 of 4,000 vacationers in North America, the United Kingdom, Europe, and Australia highlighted that 74% were likely to cruise in the next few years. Two of the three respondents agreed to cruise in the next year (CLIA 2021). Another survey indicated willingness among 76% of 4,600 travelers for cruising as COVID-19 ends (Cruise Critic 2021). To match the positive outlook, the cruise industry implemented stricter health protocols, while cruise liners decided to work closely with public health authorities and industry associations to

implement pandemic control measures. As a result, sailing resumed from July 2020, with around 200 sailings globally by the end of December 2020 (CLIA 2021).

Domestically, small economies like Singapore have slowly embarked on a cruise tourism program with 50% capacity and enhanced safety measures and infection protocols, calling it a “Cruise to Nowhere.” The cruise lines depart and return to Singapore in 3–4 days without berthing anywhere else. Even bigger economies like the PRC saw high demand for maritime tourism among its domestic travelers.

As economies resume on their path to recovery, domestic cruise tourism is expected to gradually advance to revive regional cruise tourism, which was becoming popular even before the pandemic. For example, in 2018, 1.4 million New Zealanders were traveling to Australia for cruise tourism (Saraogi 2020). Leveraging their archipelagic geographies, Southeast Asian economies were working together in 2017 to attract tenfold additional cruise vacationers by 2035 (from 450,000 in 2016–2017) (Abu Baker 2017).

To maximize the potential of cruise tourism and boost the tourism sector in the short term, economies with their own coastlines need to reinvent the cruise experience to align with consumers changing behavioral pattern in post-COVID-19. Developing proximity cruise itineraries for sailing near home, promoting industry safety standards, and enhancing pandemic prevention measures can help regain vacationers’ confidence, expand choices of domestic travel, and help the industry to rebound. Investing further in essential infrastructure and working with regional partners to improve regulations while carving out regional demand can nurture the cruise industry’s long-term potential.

^a These included Princess Cruise, Disney Cruise Line, Viking, Norwegian Cruise Line, Royal Caribbean Cruises Ltd., and others.

^b For example, the industry contributes around \$2 billion to the Caribbean or around 6% of GDP of some economies.

Sources: ADB staff using Abu Baker (2017); CLIA (2016, 2021); Cruise Critic (2021); and Saraogi (2020).

tourism sector as the adverse impact on the sector trickled down to the connected economic activities, leading to higher losses both in terms of GDP and employment.

Nationally, governments launched their respective tourism recovery plans and initiated a combination of policies—including providing safety nets and training for workers in the sector, increasing the scope of digitalization, capacity development, improving tourism infrastructure, as well as gradually opening tourism with

health and safety precautions—to support tourism’s emergence from the pandemic and its gradual recovery (Table 5.7). For instance, license renewal fees in 2021 were waived in Cambodia while service quality deposits in the PRC were refunded back to travel agencies. In Georgia, the government allocated the equivalent of \$330 million for infrastructure spending and tax exemptions in tourism. Tourism workers were also given financial aid for unpaid leave and free online courses for renewed training across the region.

Table 5.7: Key Responses to Revive Tourism in Selected Asian Economies

Economy	Policy Responses	
	Main Target: Domestic	International
Azerbaijan	<ul style="list-style-type: none"> • “Adventure is Near” campaign to promote outdoor tourism. • Support for companies engaged in domestic tourism by developing and promoting digitalization. 	<ul style="list-style-type: none"> • Introduced a four-phased recovery plan with lockdown and closed borders in phase one and toward a “new normal” with international travel in phase four. • Launched the Regional Innovative Tourism Product program to attract investments in tourism.
Georgia	<ul style="list-style-type: none"> • Launched Azerbaijan 101, an e-learning platform for travel agents and representatives. • Launched Sanitation and Hygiene Methods and Norms (SAHMAN) to help transform tourism’s health, safety, and hygiene standards for a post-pandemic world. 	<ul style="list-style-type: none"> • Launched these campaigns: “Explore what is yours”; “Georgia – Safe Destination!”; and “Travel for Georgia.” • “Work remotely from Georgia” campaign • Resumption of flights and broadening of air connectivity.
Uzbekistan	<ul style="list-style-type: none"> • Granted bonus subsidies for tour operators and travel agents to encourage longer tourists to stay longer. • Allocated funds to compensate hotel owners for construction and renovation expenses. 	
People’s Republic of China	<ul style="list-style-type: none"> • Published the COVID-19 Rules for Spring Festival to better manage domestic tourism during spring festival holidays. • Free online training programs and digitalization projects for tourism enterprises. 	<ul style="list-style-type: none"> • Launched a digital COVID-19 vaccination certificate to enable cross-border travels. • Guidelines for Reopening Tourist Attractions under the Circumstance of Pandemic Control and Prevention to boost safety perception.
Japan	<ul style="list-style-type: none"> • Relaxed restrictions on restaurants, bars, and nightlife venues. • Potential resumption of “Go to Travel” campaign to shore up domestic tourism numbers. • Issued subsidies to tourism businesses to help them to provide discounted travel products and services or issue time-limited coupons until 31 December 2021. 	<ul style="list-style-type: none"> • Allocated ¥9.6 billion to help recover demand for foreign tourism and ¥10.2 billion to create attractive stay content for diversifying customers. • Restoring airline services and campaigns once deemed safe to open for foreign travel. • Strengthening dissemination of accurate information from Japan National Tourism Administration and Japan Travel Agency regarding infectious diseases.
Republic of Korea	<ul style="list-style-type: none"> • Launched the “Feel the Rhythm of Korea” campaign, a series of eight music videos to promote inbound tourism. • Issued 1 million discount coupons between \$25 and \$30 to stimulate tourist consumption to around \$480 million. • Travel bubble with Saipan and Guam; “Flight to Nowhere” programs (sightseeing flights) with selected airlines. 	
Cambodia	<ul style="list-style-type: none"> • Partnered with the World Bank to develop seven ecotourism destinations to attract domestic tourists, help reopen tourism businesses, and develop infrastructure to promote community-based ecotourism. • Signed a memorandum of understanding with Wonderpass Technology Company to improve digitalization in the tourism sector. 	
Indonesia	<ul style="list-style-type: none"> • Launched the “Indonesia is Waiting” campaign. • Boosting the promotion of ecotourism campaigns across the economy. 	<ul style="list-style-type: none"> • Bali reopens to international travel from 14 October 2021. • The government prepared a List of Reopened Tourism Spots, which is updated regularly. • A certification program called Cleanliness, Health, Safety, and Environmental Sustainability was launched to help businesses reopen safely.
Malaysia	<ul style="list-style-type: none"> • Reopening of interstate travel in selected destinations to boost domestic tourism. • Domestic travel bubbles for fully vaccinated locals. • “Cuti-Cuti Malaysia Dekat Je” domestic promotion campaign to encourage Malaysians to explore nearby places for their weekend getaway. 	<ul style="list-style-type: none"> • The hotel industry has adopted standard operating procedures for safety, health, and hygiene practices in relation to COVID-19. • The government allocated \$113 million worth of travel discount vouchers, personal tax relief of up to \$227 for expenditures related to domestic tourism for all Malaysians, and a matching grant (Galakan Melancong Malaysia) for domestic promotion and marketing activities of local tourist businesses.

continued on next page

Table 5.7 continued

Economy	Policy Responses	
	Main Target: Domestic	International
Philippines	<ul style="list-style-type: none"> • Issuance of Safety Seals to ensure that establishments are adhering to safety protocols. • Scaling up vaccination programs for workers in tourism establishment to further encourage local tourists. 	<ul style="list-style-type: none"> • Launched the “More Fun Awaits” campaign. • Launched the Tourism Response and Recovery Plan to secure livelihoods, business operations, infrastructure, and enhance market and product development, in collaboration with private sector players and related tourism stakeholders.
Singapore	<ul style="list-style-type: none"> • S\$320 million funding in the form of “SingapoRediscovered Vouchers” to boost domestic tourism. 	<ul style="list-style-type: none"> • Rolled out a \$20 million Marketing Partnership Programme and a \$2 million SG Stories Content Fund. • Developed a CruiseSafe certification program to support safety and hygiene measures for travelers.
Thailand	<ul style="list-style-type: none"> • \$700 million program to support domestic tourism. • \$3 million in soft financing for tour operators. • Rolled out domestic tourism packages to spur tourism activity and help tourism businesses. 	<ul style="list-style-type: none"> • Phuket Sandbox program was opened to fully vaccinated travelers from all economies. • Thailand launched its Tourism Recovery Plan, which focuses around five pillars: reboot, rebuild, refresh, rebound, and rebalance. • Launched the Thailand Hygiene Plus Initiative to promote safe and hygienic spaces for travelers.
Viet Nam	<ul style="list-style-type: none"> • Promotion of domestic tourism since May 2020 through “Vietnamese People Travel in Viet Nam” and “Vietnam Green Tourism” campaigns. 	<ul style="list-style-type: none"> • Promoted online marketing to international tourists with “Stay Home with Vietnam” and “Visit Vietnam from Home” campaigns. • Phu Quoc City in Southern Viet Nam will be open to international travelers by late November 2021.

COVID-19 = coronavirus disease, SG = Singapore.

Sources: ADB compilation based on Agenda.ge (2020); Firn (2021); Government of Azerbaijan. Azerbaijan Tourism Board. <https://tourismboard.az/> (accessed October 2021); Government of Indonesia, Ministry of Tourism and Creative Economy/ Tourism and Creative Economy Agency (2021); Lim (2021); Pfalz (2021); Thaiembassy.com (2021); Tuoi Tre News (2021); and UNWTO. UNWTO Global Tourism Dashboard. COVID-19: Measures to Support Travel and Tourism. <https://www.unwto.org/covid-19-measures-to-support-travel-tourism> (accessed October 2021).

India launched the Incredible India Tourist Facilitator Programme, an online program for building skills and facilitating tourist visits in destinations.

Economies in Central Asia also launched several tourism campaigns, along with their recovery plans. For example, Azerbaijan launched its four-phased tourism recovery plan and the “Adventure is Near” campaign in 2020 to encourage local tourists to rediscover the economy’s range of nature and outdoor tourism. Georgia launched its safety slogan as “Georgia – Safe Destination!” and removed restrictions in July 2021, while opening its tourism information centers and businesses (such as restaurants) frequented by tourists (Agenda.ge 2020). It also launched the “Work Remotely from Georgia” program

to attract long-term visitors interested in working remotely from the economy, the “Travel to Georgia” and “Explore What is Yours” to promote domestic tourism (UNWTO 2021c). Uzbekistan launched the “Uzbekistan Safe Travel Guaranteed” program in a bid to set a safe environment for tourists and help promote medical tourism in the economy (Government of Uzbekistan, Ministry of Tourism and Sports 2021). Travel agents and tour operators had subsidy support until December 2021.⁵⁴

Subregional initiatives at institutional level were also pursued to support tourism as well as broader economic recovery. Strategies and frameworks were developed in CAREC and ASEAN to guide tourism recovery in these subregions. CAREC endorsed its Tourism Strategy 2030,

⁵⁴ UNWTO Tourism Data Dashboard. <https://www.unwto.org/unwto-tourism-dashboard> (accessed October 2021). For every foreign tourist that stays in Uzbekistan for at least 5 days, the tourism company is paid \$15 while tour operators get a 30% subsidy on air and train tickets for every group of 10 tourists that stays at least 5 days. Funds were also allocated for expenses for hotel renovation and reconstruction until 1 June 2021.

which acknowledges the need for health and safety, with priorities on building projects for digital connectivity and minimum standards in quality hygiene of tourism facilities. Similarly, ASEAN launched a Comprehensive Recovery Framework in November 2020, including programs for the tourism sector's recovery and resiliency, such as sharing of information, capacity building, adoption of digital technology, engaging the private sector, developing guidelines for safety and hygiene, and others.

Vaccination programs, big data, and technological innovation have sparked hope for improved tourism performance in the near future.

Economies have responded with various policies to revive domestic tourism but in most cases, domestic tourism gains cannot fill the gaps left by international tourists, especially for highly tourism-dependent destinations. Vaccination is one of the key factors that could boost traveler confidence and hasten the restoration of domestic and international travel activities. In some economies where tourism plays a significant economic role, such as in Maldives and Singapore, at least 70% of the population has been vaccinated to kick-start international travel (Figure 5.19). But in other economies, slow pace of inoculation risks restart of tourism activities. These include many economies in Central Asia, South Asia, and the Pacific. Economies are also adhering to other models to restart their tourism activities. There are economies that have managed to achieve high vaccination rate for their popular tourist destinations, thus taking a more focused approach. For example, Thailand managed to inoculate 70% of the residents of Phuket, a popular tourist destination, before launching the Phuket Sandbox to revive the tourism industry.⁵⁵ For the first 2 months since the start of the pilot scheme in July 2021, Phuket has managed to attract more than

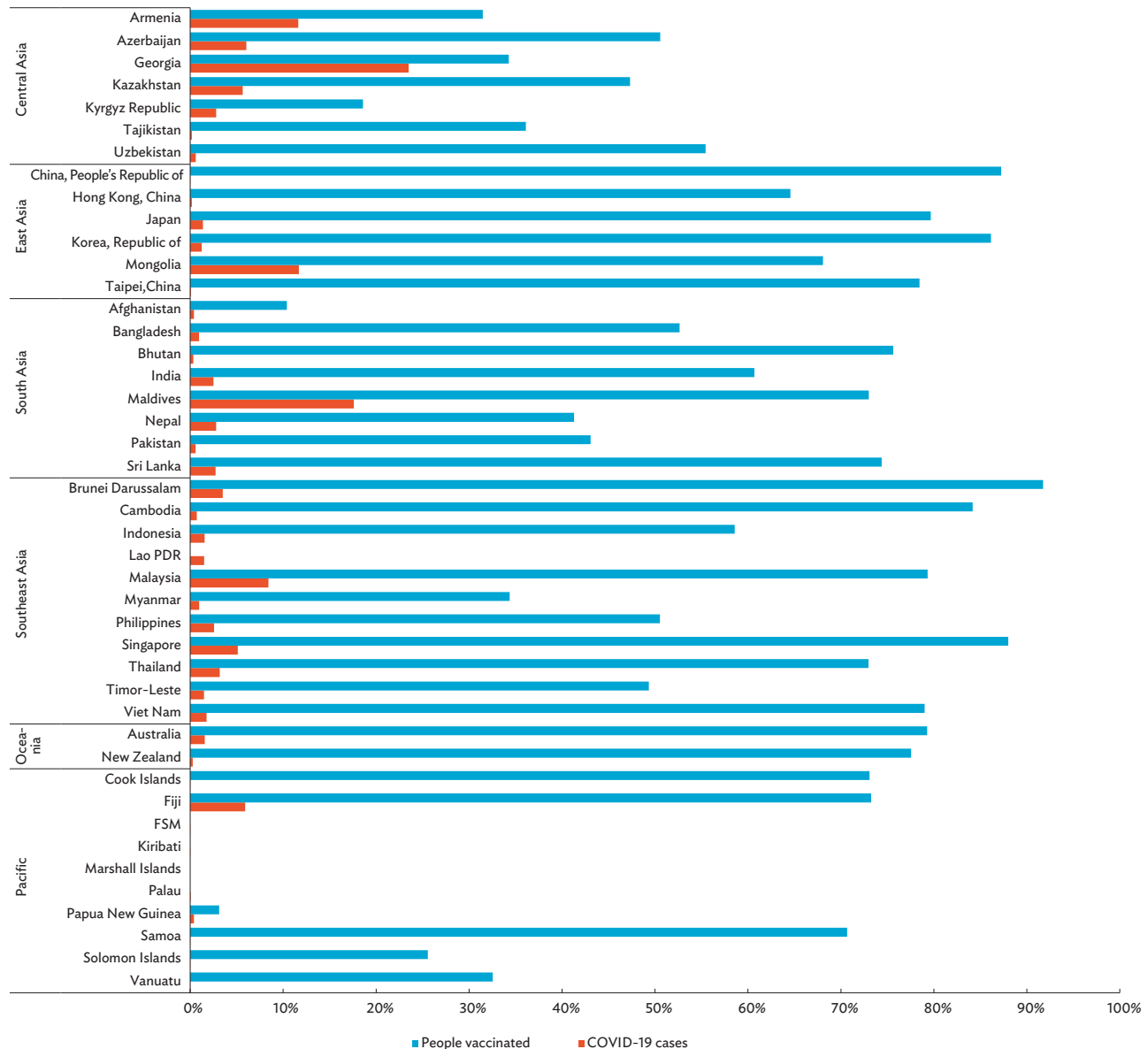
26,000 vaccinated travelers, generating \$4.9 billion (or B1.6 billion) in tourism revenue. Of the total visitors, less than 1% tested positive for the virus during this period (Thanthong-Knight 2021). There are other economies, like in Central Asia, that are seeing a slow uptake in vaccination as the infection rate is relatively low. In Armenia, for example, only 8.9% of the population had been infected with COVID-19, leading to high degree of vaccine hesitancy among its population. This prompted the government to allow nonresident foreigners to get the vaccine in the economy, spurring “vaccine tourism” among mostly Iranian tourists (Ghazaryan 2021).

A study by ADB and UNWTO (2021) estimated the impact of vaccinations using the number of outbound travelers forecasted by the Economist Intelligence Unit. Their estimates show that international tourism in Asia and the Pacific will remain stagnant in 2021, improve significantly in 2022 (but reaching only half of 2019 levels), and recover to pre-pandemic levels in 2023 at the earliest. If vaccine delivery were delayed by 6 months, the number of outbound travelers in 2022 would reach only one-fourth the levels in 2019, while full recovery would occur in 2024 at the earliest.

Related to accelerating vaccination measures, vaccine pass—a document showing one's record of vaccination—is being considered as a tool to help restart tourism by facilitating border reopening while still protecting vulnerable groups until herd immunity is reached. Vaccine passes are expected to incentivize vaccination, as it is linked to a resumption of more normal activities. The use of vaccine passes is not new and has been in practice for many years when traveling to certain economies that present risks of contracting viral diseases.⁵⁶ But for vaccine passes to work, it needs an internationally recognized standard for verification of vaccine authenticity and identity. Vaccine passes should also be supported by harmonized quarantine protocols

⁵⁵ The Phuket Sandbox is a pilot project by Thailand which initially allowed tourists from low- and medium-risk economies to enter Phuket under certain conditions and allowed them to move around Thailand after staying in Phuket for 14 days. Program coverage was subsequently extended to travelers from all economies provided they have been fully vaccinated. (Thaiembassy.com 2021).

⁵⁶ The “International Certificate of Vaccination or Prophylaxis” of the World Health Organization has been used for many years when traveling to economies which required vaccination against diseases such as yellow fever.

Figure 5.19: COVID-19 Cases and People Vaccinated in Asia and the Pacific (% of population)

COVID-19 = coronavirus disease, FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Note: Data as of December 2021.

Source: ADB calculations using data from Ritchie et al. (2020).

and cross-border contact tracing, which economies in Asia have yet to agree on and establish. If economies decide on adopting a digital vaccine pass, they should also ensure data security and interoperability of systems. ASEAN economies, for example, are assessing the feasibility of the ASEAN Digital COVID-19 Certificate,

which can facilitate the smoother flow of intraregional travelers among ASEAN member states. However, it will require, among others, the harmonization of the verification protocols among ASEAN member economies and strong coordination between airports, airlines, and travel authorities to facilitate easier

predeparture and arrival processes. ASEAN economies are yet to collectively achieve herd immunity, since the pace of vaccination varies widely among them.

Big Data and Technology

With the prevalence of lockdowns and movement restrictions, COVID-19 has accelerated digitalization and the use of big data by governments and private firms to aid in tourism recovery. Governments are also taking advantage of the opportunities provided by big data to formulate and implement tourism-related policies in partnerships with online travel agents, telecommunication companies, and financial services companies.

In Singapore, the Singapore Tourism Board in September 2020 partnered with financial services company VISA and digital tourism booking platform Klook to formulate policies for tourism recovery under the “SingapoRediscovered” campaign (Government of Singapore, Ministry of Trade and Industry 2021). Promotions for products and experiences, content development, and digital marketing will be curated to boost domestic spending. To support local tourism business, the government allocated S\$320 million (\$238.4 million) for a tourist voucher program redeemable via five big data and tourism platforms. Similarly, the Tourism Authority of Thailand partnered with online travel agent Agoda to support the government’s \$482 billion subsidized domestic tourism program using Agoda’s technology-driven booking and payments process for participants (Travel and Tour World 2020). The Tourism Authority of Thailand also partnered with Alipay and Fliggy (the travel services platform of Alibaba) to market domestic tourism packages to Chinese expatriates living in Thailand (TTG Asia 2020). Tourism Malaysia also tapped “Fliggy” to promote Malaysian tourism destinations to the Chinese market (Borneo Post 2021).

Big data analysis can also be used to examine how mobility restrictions correlated to tourist flow during the pandemic. Using high frequency, mobile-driven data can yield important insights about freedom of movement, consequent changes in tourist attitude and behavior, and viable policy support for managing tourism in high-traffic destinations (Box 5.9).

Policy Recommendations

Regional cooperation will be key in aiding Asia and the Pacific as it overcomes challenges in supply, coordination, and implementation of cross-border initiatives toward recovery and improved resilience in the medium term.

The pandemic has induced the expanded role of government in tourism and highlighted the importance of public–private partnerships at the national, regional, and international spheres. It is hard to expect for the tourism sector to go back to the “business as usual” paradigm as soon as economies around the globe gradually open their borders to international travelers. Evolving through and beyond the post-pandemic phase would require the sector to develop better capacity and readiness for transformation, keeping into account greater challenges of climate change, environmental sustainability, deeper community engagement for improved tourism products and services for better-value experiences for visitors. Regional cooperation is highly recommended in pursuing the following policy suggestions:

Continue to develop and upgrade health, sanitation, and information and communication technology infrastructure at the economy and regional levels to boost travel confidence.

The pandemic escalated the importance of health and safety requirements and emphasized the role of health and sanitation infrastructure in boosting travelers’ confidence. Economy-level investment in these infrastructures should be given priority, along with development of national safety standards and marketing strategies for better communication between policy makers and travelers. At the regional level, economies need to work together to encourage regional and global tourist arrivals. They need to develop regional health and safety standards to restore travelers’ confidence and stimulate demand. Cooperation in health and safety standards is also needed to prepare economies for similar shocks.

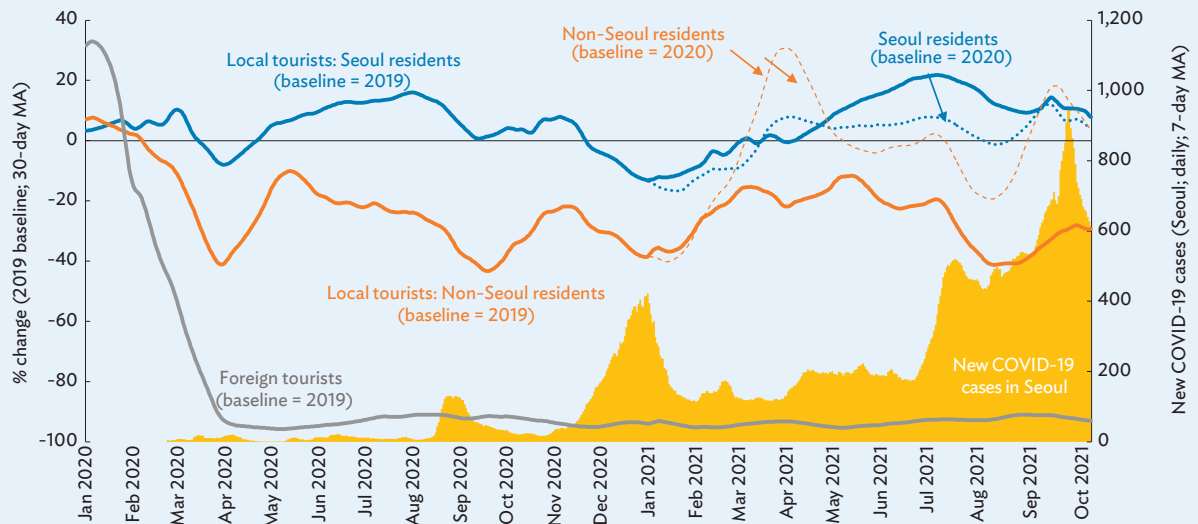
Box 5.9: Tourist Inflows Amid a Pandemic Environment—The Case of Seoul, Republic of Korea

The pandemic precipitated a significant decline in the inflows of foreign tourists to Seoul. According to high-frequency population data generated from mobile phone signals in Seoul, foreign tourists nearly stopped coming into Seoul since April 2020 onward, compared with the same periods in 2019 as a baseline. The mobility (or growth) of both Seoul-residents and non-Seoul-residents visiting Seoul for tourism purposes fluctuated showing negative correlations responding to the COVID-19 cases throughout the pandemic period.

Meanwhile, local tourists exhibited a tendency to travel adjusted to the pandemic environment with increased health risks and restricted mobility.

- The number of Seoul-resident tourists often increased compared with the 2019 baseline while the changes in the number of non-Seoul-resident tourists remained in negative territory. In addition, there were a couple of periods, i.e., June–July in 2020 and 2021, when they diverged—the number of Seoul-resident-tourists further increased whereas that of non-Seoul-resident tourists declined by far. This may be attributed to the increased reluctance to travel farther distance particularly during the summer vacation months.
- As local tourists had to face with increasing public fatigue caused by the prolonged pandemic coupled with frequently changing social distancing measures, a change in tourist behaviors was also observed. When compared with 2020, the number of tourists (both Seoul- and non-Seoul-resident tourists) increased their visits to Seoul in April–May 2021 and maintained the trend somewhat despite the high-level occurrence of new cases on average (the dotted lines in the chart).

Trend of Tourist Movements in Seoul, 2020 and 2021



COVID-19 = coronavirus disease, MA = moving average.

Notes: The data on Seoul-resident and non-Seoul-resident tourists are compiled by Korea Telecom based on their mobile phone subscribers' long-term evolution signal data. Local tourists are defined as those who (i) do not live (home or office) within the area; (ii) do not frequently or periodically visit the area; and (iii) stay in the area for the duration sufficient for sightseeing or consumption. Foreign tourists (short-term foreign visitors) are identified using Korea Telecom's roaming data.

Source: ADB staff using data from ADB (2021) and Korea Telecom.

Regional cooperation also gained importance considering the increased use of technology in all domains of economic activities during the pandemic. With greater digital adoption, economies need to take coordinated action for adopting contactless

technologies, such as iris recognition as a method for biometrics identification or mobile bookings and online payment for tourism-related transactions, to ensure safe travel experience. They need to facilitate greater use of technology to track tourist traffic in popular destinations,

increase cross-border information exchange over vaccine, testing, and tracing to safely promote tourism activities. Regional bodies should also collaborate on digital platforms to provide information on health and hygiene and implementation of like-minded safe travel protocols, building trust and flow of information across economies. The Mekong Moments platform, for example, uses a social media strategy to promote photos, videos, and write-ups of international travelers about their trips in Cambodia, the PRC, the Lao PDR, Myanmar, Thailand, and Viet Nam, which are accessed by many globally to learn about travel under the new normal.⁵⁷

To enable extensive use of digital technology across borders, economies need to strengthen their information technology infrastructure and regulations, including addressing challenges around cybersecurity and interoperability of systems. Economies together also need to devise plans to be more inclusive of people that lack digital literacy.

Encourage sustainable tourism to limit over-tourism and overcrowding of popular destinations.

The outlook for post-pandemic tourism products points to the emergence of smaller travel groups with preference for outdoor or nature-type activities. However, balancing physical distancing and the allure of the outdoors is going to be a challenge for economies where tourism is concentrated in few highly popular destinations. Transforming these markets into places with controlled tourist footfalls will become important post-COVID-19 not only for limiting the spread of the virus but also to manage the adverse impact of over-tourism and environmental degradation over the long-run. Hence, cooperation among economies will become important to address the challenges from regional public goods, thereby working out a balance between the short-term gains versus long-term sustainability concerns. Regional

institutions, similar to ASEAN and the Asia-Pacific Economic Cooperation, can work with their member economies on tourism strategies to develop new tourism products, such as community-based tourism, that will help to divert tourists from popular destinations while simultaneously support local communities to share their cultural experiences with visitors, thus linking the demand and expectation of both travelers and the local population.

Develop better measures for capturing tourism data across its value chain activities. This could provide new insights for mapping tourism policy support.

The tourism value chain spreads from the domestic economy, handling outbound tourists, to destination economies. While, for the domestic economies, there is the distribution network (i.e., travel agents and tour operators) and international travel (air transport), in destination economies, the tourism value chain is spread over multiple sectors, ranging from local tour guides, transport, accommodation, tourist destination, and others. Regional cooperation should enhance the capturing of data and reporting the same for these value chain activities, thereby improving greater understanding to safely facilitate cross-border flow of tourists and undertake informed policy making to benefit all participating in the sector.

Continue to develop human capital across the tourism value chain to reduce livelihood vulnerability during periods of crises. Share best practices in transitioning informal tourism workers into the formal sector.

As a labor-intensive sector, tourism is a leading source of employment and job creation especially for women, the youth, seasonal workers, part-time workers, and temporary workers. The high degree of person-to-person

⁵⁷ Mekong Moments is the official travel guide of the Greater Mekong Subregion. It uses global social commerce to visually market and collaboratively promote the region as a single tourism destination.

interaction in tourism activities also caused tourism to be one of the major sectors to be severely impacted by mobility restrictions applied to contain the spread of COVID-19. Upgrading and diversifying the skills of tourism workers can go a long way in making them less vulnerable to becoming unemployed during periods of severe macroeconomic shocks. Promoting the mutual recognition of skills among tourism professionals will

help ease labor movement in the sector, and the greater cross-economy experience will improve resilience in the future. Given the high degree of informal workers in the sector, engaging economies to share their experiences in transforming workers from informal to formal sectors will give this vulnerable group access to a wider range of support schemes for jobs and skills going forward.

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