

# **JOINT CONFERENCE ON REMITTANCES**

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## **Presentation**

### **REMITTANCES IN PACIFIC ISLAND ECONOMIES: SENDERS, RECIPIENTS, FORMS, CHANNELS AND IMPACTS**

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# REMITTANCES IN PACIFIC ISLAND ECONOMIES

## *Senders, Recipients, Forms, Channels and Impacts*

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# REMITTANCES IN PACIFIC ISLAND ECONOMIES

## OUTLINE

- **Which migrants? Surveys of Tongans, Samoans & Fijians**
- **Who remits, who receives, and how much?**
- **What forms and channels used?**
- **How sustainable over time?**
- **What uses and impacts of remittances?**



## Problems with official data

- Need for household surveys among migrants and remittance recipients
- Problems with empirical analysis using official data from secondary sources (eg. OECD 2003; IMF study by Chami *et al.* 2003 – both draw negative conclusions)

(i) Arbitrary classification in Balance of Payments:

Current Account

*Migrant Remittances or  
Compensation of Employees, or*

Capital Account

*Migrant Transfers*



## Problems with official data

**(ii) Unrecorded flows: misses large part of remittance flows**

**(iii) Missclassified uses in national accounts: expenditure on human capital investment not treated as Investment or saving; eg. private spending on education and health = consumption**



# 2005 SURVEY OF TONGAN AND FIJIAN REMITTANCE RECEIVING HOUSEHOLDS

**Table 1: 2005 Survey: Recipients Household Sample**

<b>Country</b>		<b>Urban</b>	<b>Rural</b>	<b>Total</b>
Fiji	n =	208	210	418
	%	49.76	50.24	100
Tonga	n =	250	250	500
	%	50.00	50.00	100
Total	n =	458	460	918
	%	49.89	50.11	100



**Table 3 2005 Survey of Remittance Receiving Households  
(% Households in sample with at least one migrant)**

	<b>Household Income Group</b>						<b>Total</b>
	<b>&lt;\$1500</b>	<b>\$1500-3000</b>	<b>\$3000-4500</b>	<b>\$4500-6000</b>	<b>\$6000-7500</b>	<b>&gt;\$7500</b>	
Fiji n=	70	78	64	57	41	107	417
Tonga n=	168	109	66	37	26	94	500
Fiji (%)	30.00	29.49	21.88	42.11	36.59	43.93	34.53
Tonga (%)	54.76	57.80	60.61	67.57	53.85	60.64	58.2



**Table 4 2005 Survey: Destination of Migrants**

	<b>Australia</b>	<b>NZ</b>	<b>USA</b>	<b>Other</b>	<b>Total</b>
Fiji n=263	39.16	22.81	17.49	20.15	100
Tonga n=699	19.03	44.35	31.76	4.72	100



## Remittances: Propensities and Levels

- **Most migrants remit, even the poorest**
- **In Tonga, a very high proportion of households receive remittances, even those who do not have a migrant**
- **Fiji, despite being most developed Pacific Island country is becoming increasingly dependent on remittances**
- **High proportion of Fijian migrants with little education**



## 1993/94 SYDNEY SURVEY: REMITTANCES SENT

**Table 5 Sample Averages and Propensities  
(All figures in 1994 A\$ unless otherwise indicated)**

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<b>Country of Birth (n=)</b>	<b>Tonga (609)</b>	<b>Samoa (340)</b>
<b>Remitters' Average (A\$ per HH)</b>	<b>3,525</b>	<b>3,273</b>
<b>Incidence of Remitters (% HH)</b>	<b>89.7</b>	<b>75.3</b>
<b>Average Propensity to Remit (% of HH income)</b>	<b>9.3</b>	<b>8.0</b>

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**Table 6 1993/94 Sydney Survey:  
Tongans' Remittances by Income Category**

	<b>\$10- 20K</b>	<b>\$20- 30K</b>	<b>\$30- 40K</b>	<b>\$40- 50K</b>	<b>\$50K +</b>
<b>% Sample (n=609)</b>	<b>14.6</b>	<b>30.2</b>	<b>24.7</b>	<b>18.1</b>	<b>12.4</b>
<b>Remitters (%)</b>	<b>95.3</b>	<b>89.9</b>	<b>84.9</b>	<b>93.2</b>	<b>92.0</b>
<b>Remittances Sent (1994 A\$)</b>	<b>2563</b>	<b>2942</b>	<b>4075</b>	<b>3606</b>	<b>4974</b>
<b>% Income</b>	<b>14.9</b>	<b>10.7</b>	<b>9.8</b>	<b>7.6</b>	<b>7.5</b>



**Table 7 2005 Survey: Households Receiving Remittances**

Migrants in HH?	Fiji			Tonga		
	Received Remittances?			Received Remittances?		
	No	Yes	Total	No	Yes	Total
No	220	54	274	45	164	209
(%)	80.29	19.71	65.55	21.53	78.47	41.80
Yes	19	125	144	7	284	291
(%)	13.19	86.81	34.45	2.41	97.59	58.20
Total	239	179	418	52	448	500
	57.18	42.82	100	10.40	89.60	100



**Table 8 2005 Survey: Value of Remittances Received  
(2004 US\$ per receiving household)**

	<b>Fiji</b> n=174	<b>Tonga</b> n=445
<b>With Migrant(s)</b>	<b>1600.05</b>	<b>3900.17</b>
<b>Without Migrants</b>	<b>689.27</b>	<b>1597.08</b>
<b>Total</b>	<b>1327.86</b>	<b>3066.91</b>



**Table 9 2005 Survey: Migrants' Education Levels and Remittances**

		Non-Primary	Primary	Secondary	Post-Secondary	Total
<b>Fiji</b>	<b>n=249</b>	<b>7</b>	<b>133</b>	<b>29</b>	<b>80</b>	<b>249</b>
	% of sample	2.81	53.41	11.65	32.13	100
<b>Tonga</b>	<b>n=699</b>	<b>0</b>	<b>12</b>	<b>591</b>	<b>96</b>	<b>699</b>
	% of sample	0.00	1.72	84.55	13.73	100
<b>Remittances/migrant (2005 US\$)</b>						
<b>Fiji</b>	<b>n=249</b>	<b>94.8</b>	<b>609.63</b>	<b>331.94</b>	<b>458.89</b>	<b>514.38</b>
<b>Tonga</b>	<b>n=699</b>	<b>0.00</b>	<b>566.26</b>	<b>1023.81</b>	<b>1521.33</b>	<b>1085.66</b>



## Size and composition of remittances

- **Remittances take many forms, cash and in-kind**
  - **formal bank transfers**
  - **informal cash transfers eg couriers or hand carried**
  - **in-kind transfers eg. clothing**
  - **payments on behalf of third parties**
  - **donations to organisations**
  - **migrants' own assets**
- **Remittances sent through a variety of channels, formal and informal - one-third to one-half of total through banking system**
- **For the poorest households remittances greater than all other income**



**Table 10 2005 Survey: Remittances Received by Income Category  
(2004 US\$ per receiving household)**

		<\$1.5K	\$1.5-3K	\$3-4.5K	\$4.5-6K	\$6-7.5K	>\$7.5K	Total
N=	Fiji	70	78	64	57	41	107	417
	Tonga	168	109	66	37	26	94	500
With Migrants	Fiji	30.00	29.49	21.88	42.11	36.59	43.93	34.53
	(%) Tonga	54.76	57.80	60.61	67.57	53.85	60.64	58.2
Remittances Received	Fiji	40	37.18	28.13	43.86	46.34	56.07	42.93
	(%) Tonga	91.67	86.24	96.97	89.19	80.77	87.23	89.6
Value (Cash & In-kind)	Fiji	2125.88	1317.29	1311.39	904.92	831.13	1297.77	1327.86
	Tonga	3027.75	2337.24	3247.89	2961.15	3269.58	3824.89	3066.91
Mean Value (Cash only)	Fiji	1970.72	1147.89	1163.06	763.42	553.85	1041.37	1124.63
	Tonga	2612.23	1884.09	2511.33	2354.17	2543.95	3007.66	2494.42



**Table 11 2005 Survey: Composition of Remittances Received  
(2005 US\$)**

	<b>Cash</b>	<b>Bills Paid</b>	<b>In-Kind</b>	<b>Total</b>	<b>Remittances Per capita HH</b>
<b>Fiji n=174</b>	<b>986.78</b>	<b>137.86</b>	<b>203.23</b>	<b>1327.86</b>	<b>370.88</b>
<b>(%)</b>	<b>(74.3)</b>	<b>(10.4)</b>	<b>(15.3)</b>	<b>(100.0)</b>	
<b>Tonga n=445</b>	<b>2447.58</b>	<b>46.84</b>	<b>572.50</b>	<b>3066.91</b>	<b>753.02</b>
<b>(%)</b>	<b>(79.8)</b>	<b>(1.5)</b>	<b>(18.7)</b>	<b>(100.0)</b>	
<b>Total n=619</b>	<b>2036.95</b>	<b>72.42</b>	<b>468.70</b>	<b>2578.07</b>	<b>645.60</b>
<b>(%)</b>	<b>(79.0)</b>	<b>(2.8)</b>	<b>(18.2)</b>	<b>(100.0)</b>	



**Table 12 1993/94 Sydney Migrant Survey: Composition of Remittances Sent (All figures in 1994 A\$)**

	To Households			To Others		Total	
	Money transferred	Cash carried	Goods	Payments on behalf	Donations		Savings
<b>Tonga</b>	<b>1,003</b>	<b>1,227</b>	<b>856</b>	<b>205</b>	<b>234</b>	<b>-</b>	<b>3,525</b>
<b>Samoa</b>	<b>1,487</b>	<b>20</b>	<b>910</b>	<b>683</b>	<b>124</b>	<b>49</b>	<b>3,273</b>



**Table 13 2005 Survey: Channels Through Which Received  
(% sample)**

		Carried by	Carried By	Visit to	Bank	OFIS	ATM	Migrant	Friends	Migrant	Mail	Shop	Other	TOTAL
Channels used	Fiji	38.46	50.00	0.77	22.31	12.31	0.77	21.54	0.00	0.77	100			
	Tonga	57.83	68.89	4.38	15.21	17.05	5.30	19.82	8.99	3.23	100			
Frequent Channel Used	Fiji	21.43	48.41	0.00	7.14	7.14	0.79	15.08	0.00	0.00	100			
	Tonga	31.25	64.35	0.93	0.93	0.23	0.69	0.69	0.93	0.00	100			



## Estimates of duration – sustainability

- **Remittances do not appear to decline with migrant's length of absence from home - even migrants who have been away for 25 years or more!**
- **Implication is that country's overall level of remittances will not decline as average age of migrant community increases**
- **We explain this later in terms of a family-based human capital model, induced by migration opportunities**



# 1993/94 SYDNEY SURVEY: TONGANS AND SAMOANS

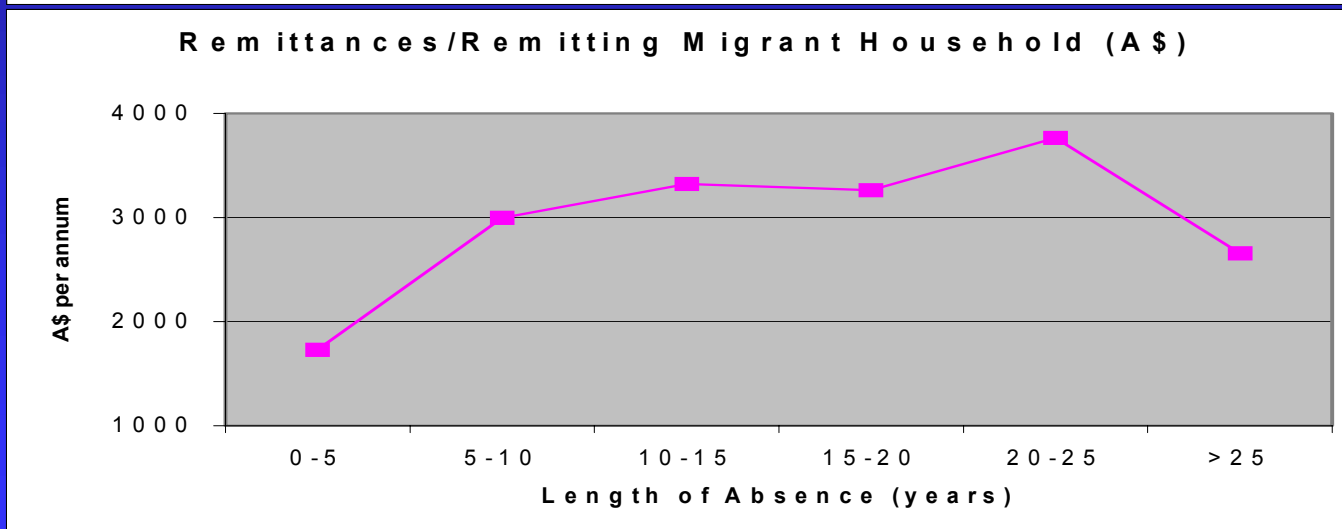
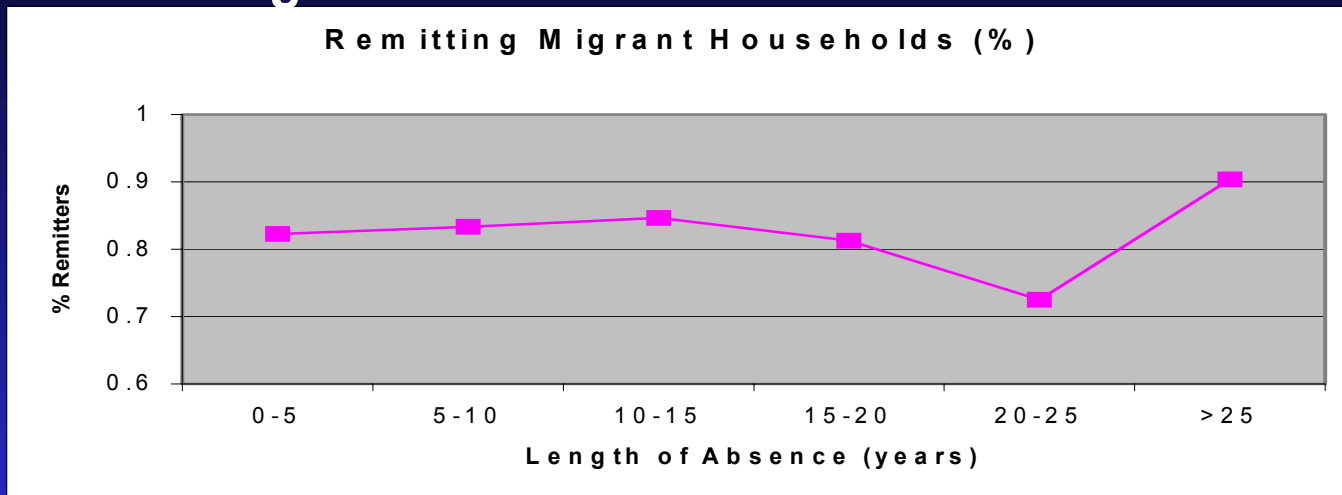
**Table 14 Total Remittances by Years Away from Country of Origin  
(All figures in 1994 A\$, unless otherwise indicated)**

Country	Tonga						Samoa					
Years Away (n=)	0-5 (19)	5-10 (169)	10-15 (230)	15-20 (109)	20-25 (59)	25+ (23)	0-5 (17)	5-10 (62)	10-15 (83)	15-20 (75)	20-25 (66)	25+ (39)
Remitters' Average (A\$)	1,995	3,321	3,647	3,502	4,315	3,162	1,875	2,823	2,918	4,280	3,163	3,427
Incidence of Remitters (% HH)	78.9	91.0	92.6	87.0	81.0	95.7	94.1	77.0	73.5	74.7	63.1	89.7
Sample Average Remittances (A\$ per HH)	1,574	3,022	3,377	3,047	3,495	3,026	1,764	2,174	2,239	3,197	1,996	3,074
Ave. propensity to Remit (% of income)	5.4	10.2	9.9	8.2	8.5	7.4	7.2	7.0	6.9	11.1	6.7	8.4



# 1993/94 SYDNEY SURVEY: TONGANS AND SAMOANS

## Figure 1 Levels of Remittances over Time



## Uses of and savings from remittances

- **Myth that remittances used mainly for consumption support, although they can offer protection to poorest in times of hardship**
- **Issues of ‘fungibility’ and ‘endogeneity’: need for counterfactual comparisons**
- **At macro-level remittances relieve foreign exchange constraint, and/or savings constraints to investment**



## Savings from remittances

- **At micro-level they contribute to household's saving capacity**
- **Remittance recipients save more than non-recipients, across all income categories**
- **Remittance recipients own more assets than others, across all categories**



**Table 15 2005 Survey: Remittances and Savers  
(% sample)**

	Saved in 2004		Total Sample
	Remittances	No Remittances	
<b>Fiji</b>	<b>79.33</b>	<b>61.51</b>	<b>69.14</b>
<b>Tonga</b>	<b>59.38</b>	<b>51.92</b>	<b>58.60</b>



**Table 16 2005 Survey: Remittances and Saving by Household Income Category (US\$ 2004)**

		Household Income Level						Total
		<\$1.5K	\$1.5-3K	\$3-4.5K	\$4.5-6K	\$6-7.5K	>\$7.5	
<b>Mean Value+ (Cash &amp; Inkind)</b>	<b>Fiji</b>	2125.88	1317.29	1311.39	904.92	831.13	1297.77	1327.86
	<b>Tonga</b>	3027.75	2337.24	3247.89	2961.15	3269.58	3824.89	3066.91
<b>Mean Value of Saving 2004</b>	<b>Fiji</b>	1451.48	672.89	757.70	1318.48	1390.85	5344.25	2174.09
	<b>Tonga</b>	514.98	529.53	1344.20	761.33	1775.82	3521.78	1272.18



**Table 17 2005 Survey: Remittances, Saving and Assets by Household Income Category (US\$ 2004)**

	Household Income Level						Total
	<\$1500	\$1500-3000	\$3000-4500	\$4500-6000	\$6000-7500	>\$7500	
<b><u>Saving (2004)</u></b>							
Remittances Recipients	999.01	605.07	1231.96	1238.95	1872.96	4075.66	1726.93
Non-Recipients	112.51	559.08	753.95	873.99	1047.34	5434.19	1581.48
<b><u>Assets (2004)</u></b>							
Remittances Recipients	10885.51	13554.96	24420.95	21154.04	24492.41	41436.16	21916.28
Non-Recipients	4869.74	9171.63	9039.72	19700.73	18603.54	45676.94	17931.23



# Remittances and savings of return migrants

- **Returning migrants also remit more**
- **Own more assets in home country**
- **Own more assets in host country**



# 1993/94 SYDNEY SURVEY: TONGANS AND SAMOANS

**TABLE 18 INTENT TO RETURN: SAMPLE RESPONSES**  
**(percentage of total respondents in parenthesis)**  
 (DK = Don't Know)

	<i>Tonga (n=609)</i>			<i>Samoa (n=340)</i>		
	<i>Yes</i>	<i>DK</i>	<i>No</i>	<i>Yes</i>	<i>DK</i>	<i>No</i>
<b>No. HH</b>	<b>58</b>	<b>138</b>	<b>411</b>	<b>35</b>	<b>129</b>	<b>176</b>
<b>(% total)</b>	<b>(9.6)</b>	<b>(22.7)</b>	<b>(67.7)</b>	<b>(10.3)</b>	<b>(37.9)</b>	<b>(51.8)</b>



# 1993/94 SYDNEY SURVEY: TONGANS AND SAMOANS

## TABLE 19 MIGRANTS' INTENDING TO RETURN: ASSET OWNERSHIP AND REMITTANCES

	<i>Tonga (n=609)</i>			<i>Samoa (n=340)</i>		
	<i>Yes</i>	<i>DK</i>	<i>No</i>	<i>Yes</i>	<i>DK</i>	<i>No</i>
<b>Mean Aus. Assets* (A\$ '000)</b>	<b>19.9</b>	<b>17.2</b>	<b>21.9</b>	<b>17.8</b>	<b>7.9</b>	<b>14.3</b>
<b>O'ship Assets at home* (%)</b>	<b>75.9</b>	<b>58.7</b>	<b>52.8</b>	<b>48.6</b>	<b>7.04</b>	<b>10.2</b>
<b>O'ship Land at home (%)</b>	<b>63.8</b>	<b>55.1</b>	<b>50.9</b>	<b>42.9</b>	<b>5.4</b>	<b>8.0</b>
<b>O'shp Non-Land at home (%)</b>	<b>50.0</b>	<b>28.9</b>	<b>25.7</b>	<b>20.0</b>	<b>3.7</b>	<b>6.3</b>
<b>Mean Non-L Assets (A\$ '000)</b>	<b>10.1</b>	<b>4.8</b>	<b>3.9</b>	<b>5.7</b>	<b>1.5</b>	<b>2.0</b>
<b>Remitters (%)</b>	<b>91.4</b>	<b>83.7</b>	<b>91.5</b>	<b>100.0</b>	<b>83.5</b>	<b>64.2</b>
<b>Mean Remittances (A\$ '000)</b>	<b>4.7</b>	<b>3.8</b>	<b>2.7</b>	<b>5.6</b>	<b>2.2</b>	<b>2.1</b>



# Remittances and human capital

- **Remittances also finance education of next generation – ‘migration and remittances induced human capital investment’**
- **Remittances improve income distribution and provide social protection ‘insurance’ eg. Health (next section)**



**Table 20 2005 Survey: Mean Education Levels of Migrant Households  
(Years schooling completed)**

	All Households		All Members		Adult Members	
	All Members	Adult Members	With Migs	w/o Migs	With Migs	w/o Migs
<b>Fiji</b>	<b>8.77</b>	<b>10.17</b>	<b>9.31</b>	<b>8.49</b>	<b>10.78</b>	<b>9.84</b>
<b>Tonga</b>	<b>10.78</b>	<b>12.97</b>	<b>11.19</b>	<b>10.2</b>	<b>13.04</b>	<b>12.87</b>

- **Tongans better educated than Fijians**
- **Tonga a less developed economy, but one which has been migration and remittance oriented much longer**
- **Households with migrants have higher education levels than those without**
- **Preliminary econometric evidence supports this finding**
- **Consistent with studies from other countries; “brain gain” with “brain drain”**



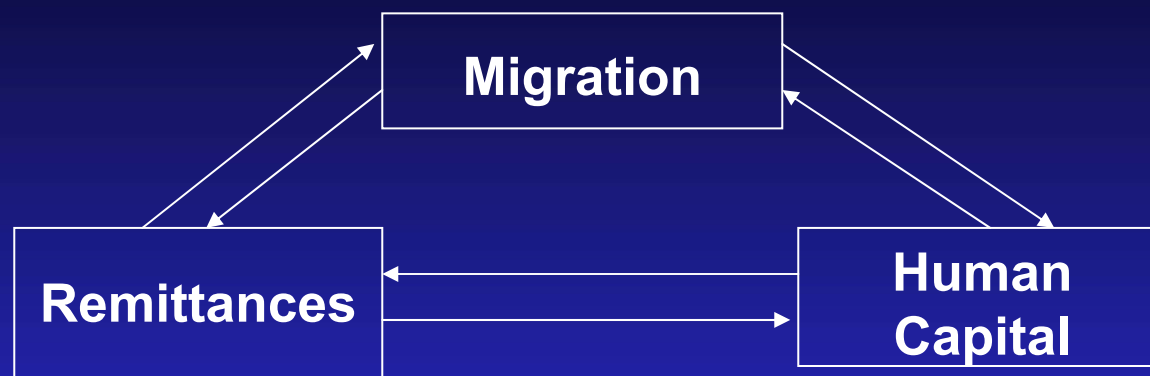
# **Life cycle model of remittances and human capital investment**

**Migrants remit for different reasons/purposes over different phases of their lives and uses change:**

- **First phase, mainly to parents, for consumption support**
- **Second phase, to provide for upbringing and education of next generation – savings and HC investment**
- **Third phase, savings and assets for retirement ‘nest-egg’**
- **Remittances in first phase are essentially the return on past human capital investment**
- **Remittances in second phase finance human capital investment**
- **Remittances in third phase provide self-financed pensions**



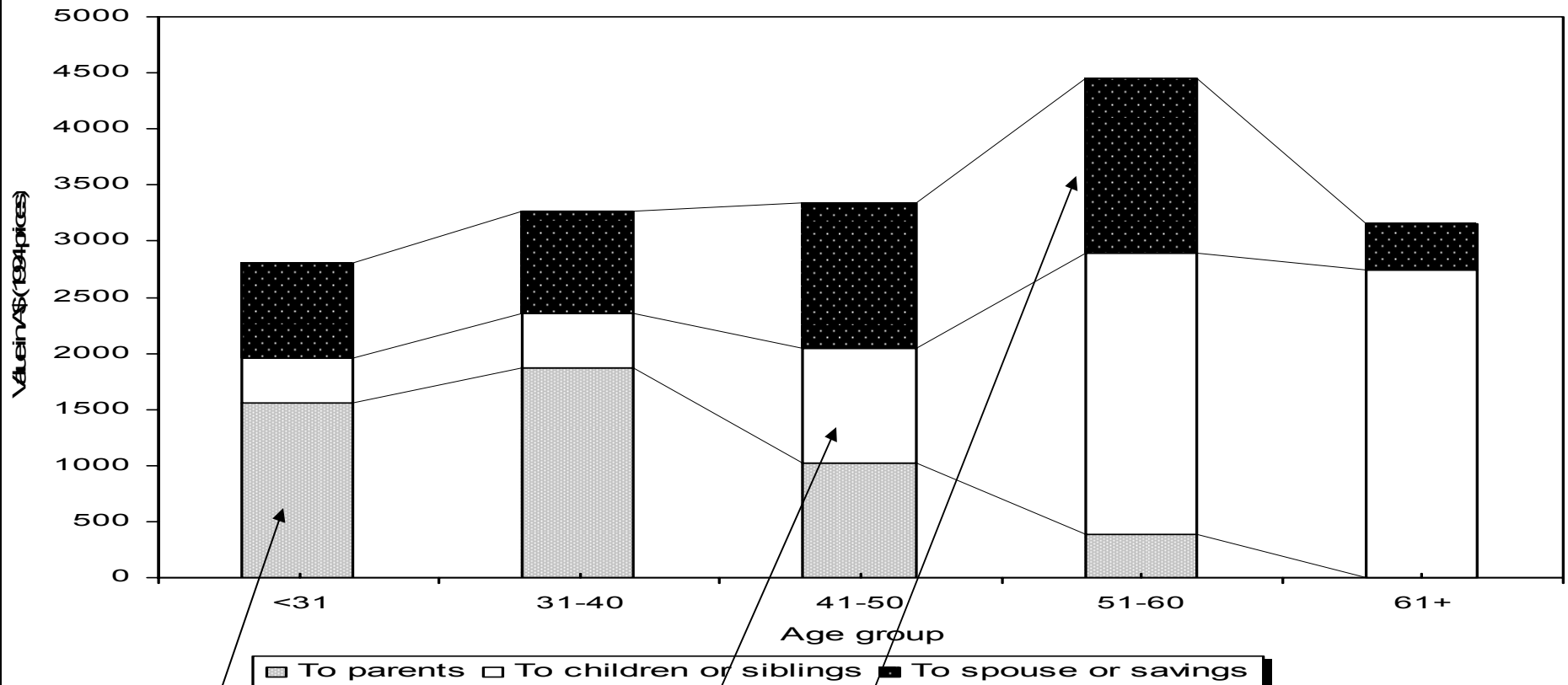
# Interrelationships between remittances and human capital



- **Migration/remittances increase HC investment**
- **2 possible relationships:**
  - (i) **indirect:**  
**lure of remittances > HC > migration**
  - (ii) **direct:**  
**Receipt of remittances > relieves budget/credit constraint > spending on HC**



## Figure 2 Mean Annual Remittances (Tongans)



- Remittances to parents essentially return on past, migration-induced HC investment ('loan repayment') – mainly consumed as to be expected
- Remittances to next generation finances HC investment, relieving credit constraint ('new loan to next generation') – need not be immediate family
- Remittances to self finance own assets as pension fund – mainly saving



## **Remittances improve distribution of income and protect poorest**

- **Households with income below required level receive more remittances**
- **Households' distribution of income improved when remittances and other internal transfers are included**
- **Consistent with our previous study for World Bank indicating that Fiji, although a more developed, export-oriented economy, was more vulnerable to exogenous shocks than Tonga, due to 'insurance' or 'social protection' function of migrants' remittances**



**Table 21 2005 Survey: Relative Deprivation and Remittances Received**

<b>Actual vs. required Income</b>	<b>n =</b>	<b>Average Income (US\$)</b>	<b>Average Savings (US\$)</b>	<b>Number stable income earners</b>	<b>% received remittances</b>	<b>Average total remittances (US\$)</b>	<b>Average Cash Remittances (US\$)</b>
<b>Less than required</b>							
<b>Fiji</b>	<b>54</b>	<b>1425</b>	<b>2362</b>	<b>0.61</b>	<b>67%</b>	<b>2042</b>	<b>1857</b>
<b>Tonga</b>	<b>261</b>	<b>1520</b>	<b>782</b>	<b>0.64</b>	<b>93%</b>	<b>3262</b>	<b>2774</b>
<b>Same as required</b>							
<b>Fiji</b>	<b>106</b>	<b>3580</b>	<b>835</b>	<b>0.93</b>	<b>35%</b>	<b>1126</b>	<b>960</b>
<b>Tonga</b>	<b>65</b>	<b>4408</b>	<b>918</b>	<b>1.1</b>	<b>88%</b>	<b>2209</b>	<b>17 31</b>
<b>More than required</b>							
<b>Fiji</b>	<b>258</b>	<b>8912</b>	<b>2677</b>	<b>1.24</b>	<b>41%</b>	<b>1155</b>	<b>933</b>
<b>Tonga</b>	<b>174</b>	<b>10289</b>	<b>2137</b>	<b>1.4</b>	<b>86%</b>	<b>3082</b>	<b>2337</b>
<b>TOTAL</b>							
<b>Fiji</b>	<b>418</b>	<b>6587</b>	<b>2169</b>	<b>1.08</b>	<b>42%</b>	<b>1327</b>	<b>1124</b>
<b>Tonga</b>	<b>500</b>	<b>4947</b>	<b>1272</b>	<b>0.99</b>	<b>89%</b>	<b>3066</b>	<b>2494</b>



**Table 22 2005 Survey: Income Distribution, Remittances and Internal Transfers (Mean Income, 2004 US\$)**

<b>AVERAGE INCOME FOR INCOME QUARTILES</b>					
<b>Country</b>	<b>Income Quartiles</b>	<b>n</b>	<b>Av. Income</b>	<b>Av. Inc + Rem</b>	<b>Av. Inc. + Rem + Net Tr.</b>
<b>Fiji</b>					
	1st. Qtil	105	1,017.81	1,562.21	1,648.36
	2nd. Qtil	104	3,087.00	3,548.16	3,466.54
	3rd. Qtil	106	5,770.74	6,046.55	5,795.36
	4th. Qtil	102	16,734.35	17,335.61	16,089.55
<b>Total</b>		<b>417</b>	<b>6,586.38</b>	<b>7,055.65</b>	<b>6,688.35</b>
<b>Tonga</b>					
	1st. Qtil	140	428.54	2,665.39	2,879.60
	2nd. Qtil	114	1,824.38	3,622.14	3,779.65
	3rd. Qtil	121	3,855.05	6,165.29	6,209.04
	4th. Qtil	125	13,911.42	16,410.41	15,862.33
<b>Total</b>		<b>500</b>	<b>4,946.73</b>	<b>7,166.76</b>	<b>7,136.22</b>



**Table 23 2005 Survey: Income Distribution, Remittances and Internal Transfers (% distribution)**

<b>Quartiles</b>	<b>Cash Income Only</b>	<b>Income + Remittances</b>	<b>Income, Remittances + Transfers</b>
	<b>(% Total Income)</b>	<b>(% Total Income)</b>	<b>(% Total Income)</b>
<b>Fiji</b>			
<b>1st</b>	<b>3.9</b>	<b>5.6</b>	<b>6.2</b>
<b>2nd</b>	<b>11.7</b>	<b>12.5</b>	<b>12.9</b>
<b>3rd</b>	<b>22.3</b>	<b>21.8</b>	<b>22.0</b>
<b>4th</b>	<b>62.1</b>	<b>60.1</b>	<b>58.8</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Tonga</b>			
<b>1st</b>	<b>2.4</b>	<b>10.4</b>	<b>11.3</b>
<b>2nd</b>	<b>8.4</b>	<b>11.5</b>	<b>12.1</b>
<b>3rd</b>	<b>18.9</b>	<b>20.8</b>	<b>21.1</b>
<b>4th</b>	<b>70.3</b>	<b>57.2</b>	<b>55.6</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



# Summary

- *Household surveys of Tongans, Samoans & Fijians*  
**Necessary to capture full story – cannot rely on secondary data**
- *Who remits, who receives, and how much?*  
**Most migrants remit, even poorest, to own households, to others, to organisations, and to own assets**
- *What forms and channels used?*  
**Cash, both through banks and informal channels, in-kind, 3<sup>rd</sup> party payments. Bank transfers < 30% Tongan remittances**
- *How sustainable over time?*  
**No tendency to decay implying longer-term sustainability, and, not only sent to parents but to next generation; ie. self-reproducing**
- *What uses and impacts of remittances?*  
**Strong evidence of savings, investment in physical and human capital, social protection, and self-financed pension funds**

