

Terms of Reference

National or International consultant: National

Description of the assignment (Title of consultancy): Policy notes on “The Socio-economic Impact of Remittances’ transfer to Lebanon

Project Title:3-pronged Approach to Building Lebanon forward” - Social Protection component, ID 00125270

Period of assignment/services: 25 working days spread over a period of 2 months

Background and context

For many years, Lebanon has been a leading recipient of remittances, both in absolute and relative terms. Averaging above \$6 billion and equal to 16% of GDP during the past decade, remittance inflows played a key- if not leading role- in Lebanon’s economy. These inflows constituted an essential part of the country’s social safety net, accounting on average for over 40% of the income of the families that receive them. However, the recent economic and financial crisis- that started to escalate as of fall 2019- adversely affected the level of remittances transferred to Lebanon, given the loss of confidence in the Lebanese banking and monetary system and the economic uncertainties that started to emerge as of then. Also, the spread of COVID-19 pandemic and the resulting global economic crisis largely affected the transfers of workers worldwide. The World Bank estimated that remittances to low-and-middle-income countries are expected to fall by around 14 percent between 2019 and 2021, according to the latest estimates published in the World Bank’s Migration and Development Brief.¹

These developments are likely to affect the world and Lebanon’s ability to meet Sustainable Development Goal (SDG) indicators, namely, increasing the volume of remittances as a percentage of gross domestic product (GDP) (SDG indicator 17.3.2).

The role that remittances play in the economy is controversial, mainly in terms to their contribution to the broader macro-economic, monetary, and fiscal framework as well as the social wellbeing of households and labor supply. Notably, remittances play key role in public sector funding, productive sector investment, household consumption, exchange rate stabilization, balance of payment and others.

With the current devaluation of the Lebanese currency, soaring inflation and multiple exchange rate regimes, remittances sent from emigrants abroad become an important consumption smoothing mechanism for the recipient households, enabling the latter to partially weather the severe implications of the crisis and providing a social safety net, compensating for the absence of a government-driven support. However, given the protracted nature of the Lebanese economic crisis, there are great uncertainties regarding the continuous flow of these remittances, their use, and their potential contribution to economic recovery.

¹ The World Bank, Phase II: COVID-19 Crisis through a Migration Lens Migration and Development Brief 33 October 2020

Scope of work, responsibilities and description of the proposed analytical work

As briefly described above, transfer of remittances to Lebanon is being largely affected by intertwined factors driven by local, regional and international developments. Given the importance of remittances in the local economy, UNDP seeks to hire a consultant to perform an analysis of remittances in terms of their flow, cost of transfer to beneficiaries, impact on the various sectors of the economy, and to propose policy recommendations that would sustain the flow of these remittances. In particular, the consultant shall be tasked to the following:

1. Conduct an in-depth analysis and prepare an evidence-based policy note covering the following aspects:
 - Flow of remittances to Lebanon highlighting total flows (and percentage of GDP), comparison with FDIs and other financial flows, main countries of origin, comparison with selected countries in the region and best comparators.
 - Factors impacting the flow of remittances, be It local, regional or international. It is important to highlight the impact of the emerging developments reported over the past couple of years that could have largely affected remittances, including the outbreak of COVID19 (global and local context), the economic and financial crisis that lately struck Lebanon, economic developments in the main countries of origin for these remittances, most importantly oil-producing countries, and any other contributing factors.
 - Costs associated with transfer of remittances to Lebanon from main countries of origin - including transaction fees, exchange rate margins, average cost of transferring money through commercial banks and other money transfer operators. It is important to perform a comparison of these costs with selected countries in the region and world-wide, and to establish a correlation between the cost of sending remittances and the total flows. The analysis should lead to policy suggestions to optimize the overall cost level in light of internationally accepted practices.
 - Macro and micro-level Impacts of remittances in terms of their contribution to economic stability, government finances, productive sector and investment, household income and consumption.
 - A solid summary of the pros and cons of remittances in the case of Lebanon. For instance, these remittances have played a prominent role in shaping the economic identity of Lebanon, as they were channeled into two major economic sectors that substantially contribute to the economic output, namely the financial and real estate sector. Also, remittances are known to have a smoothing effect and countercyclical in nature with respect to income in the recipient country- i.e., in case income in the country goes down remittances are likely to increase. Anecdotal evidence in Lebanon may indicate that remittances contribute - to cushioning the impact of the economic crisis and provide social safety nets for households receiving these transfers- which may be partially offsetting the loss in income and lack of access to financial assets. The continuous flow of remittances to fund consumption may be thus contributing to poverty alleviation for a wide segment of households who are vulnerable or on the verge of falling into poverty. Given these observations, the policy note should answer key questions such as: will remittances create a Dutch-disease in the case of Lebanon affecting productivity and creating dependency on these financial flows? How are remittances affecting the well-being of households and the

building of human capitals? How these remittances affect the economic identity of Lebanon? How are remittances costs affecting the flow of remittances to Lebanon?

- Policy recommendations to maintain a steady flow of remittances while optimizing their economic and social benefits.

The analysis should rely on available data and should also build on lessons drawn from similar countries' experiences, in optimizing the use of remittances and facilitate their flows.

2. Support in organizing and moderating a round-table discussion to debate the findings of the policy note bringing together key experts, policymakers and other relevant stakeholders.
3. Document and consolidate the findings into a final policy note to be published by UNDP.

To develop the note, the consultant is expected to rely on: 1) a desk review covering available literature in Lebanon and the region; 2) a quantitative analysis and processing of data collected on remittances; 3) interviews with key informants in the Central Bank, commercial banks, diaspora representatives, economic attaché, Ministry of Foreign Affairs and other relevant informants. A further detailed methodology of the research should be provided by the consultant.

Expected Outputs and deliverables

Deliverable of this assignment include the following:

- A draft policy note to be used by UNDP used to initiate a national dialogue on remittances and their interaction with the local economy
- A round table discussion with key experts and stakeholders to present the policy note and get feedback.
- A final policy reflecting the roundtable discussions.
- Documentation of the proceedings of the round table discussions

Deliverables/ Outputs	Estimated Duration to Complete	Target Due Dates	Review and Approvals Required)
Deliverable 1: Draft policy note submitted	15 working days	4 weeks from contract signature	Senior Economist

Deliverable 2: Roundtable discussion and presentation of the policy note completed	2 working days	6 weeks from contract signature	Senior Economist
Deliverable 3: Final policy reflecting the roundtable discussions submitted	3 working days	7 weeks from contract signature	Senior Economist
Documentation of the proceedings of the roundtable discussions completed	5 working days	8 weeks from contract signature	Senior Economist

4. Institutional arrangements

The Consultant will be directly supervised by the Senior Development Economist

5. Duration of work

The duration of the assignment will be for 2 months, with a total number of working days is 25. The start date is upon contract signature.

6. Duty station

The Consultant will be home based. Meetings and round table discussions will be held online or in conditions that respect social distancing while taking the necessary precautions given the COVID pandemic.

7. Requirements for experience and qualifications

I. Academic Qualifications:

Education:

- University Degree in Economics, Development Economics, Finance, or any related field (business, etc)
- Master's degree in economics or higher in any related field is preferred

II. Years of experience:

- 10 to 15 years of overall experience in quantitative and qualitative research in Lebanon and preferably in the region.
- 4 to 6 years of relevant experience in financial research and quantitative analysis covering macro-economy, labor, migration, income, and others.

III. Technical experience:

The consultant will need to have the following experience:

- A proven understanding of the Lebanese economy, context and of the Lebanese financial and economic crisis.
- Experience and familiarity with financial flows, FDIs, remittances, balance of payment.
- Experience in convening high level interviews and meetings
- Experience in moderating round table discussions

IIV. Other preferences:

- Computing proficiency with competency in the use of Microsoft (Excel, Word, PowerPoint, etc.) and video conferencing.
- Excellent communication and writing skills in both English and Arabic.
- Proven high-quality report writing skills.
- Previous experience with UNDP is preferred

8. Scope of Price Proposal and Schedule of Payments

The payment of fees will be upon submission of an invoice to be settled at the end of the assignment upon completion and approval of all the deliverables.