Migrants – worth more than development aid?

Migration impoverishes the countries of origin, but they are partially compensated by the remittances that their emigrants send back. Collectively and individually, this money is well worth having. However, it sometimes has unfortunate effects.

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"We have decided to teach English to the Indians of the Altiplano, so they can find work more easily in the US. In future, labour will be our main export. It will be labour that brings in the hard currency."

So said the head of a Guatemalan non-governmental organization (NGO) in 1990, and he got it right. The currency that migrants send back to their countries of departure has become a vital contribution, often worth more than those nations' traditional exports.

There is no shortage of figures to prove it. For example, the *remesas* received by Mexico (the money remitted by its emigrants) amounted to US$4.4 billion in 1995, US$6 billion in 1999 and US$7.5 billion in 2001, of which about 20 per cent was sent by women. This is equal to the receipts from tourism.[1] Ecuadorians remitted US$1.425 billion in 2001. That was US$100 million more than in the year 2000 and US$400 million more than in 1999. In 1995, the developing countries that benefited most from such huge remittances were Mexico, India and the Philippines.

"In the course of ten years or so, Malian immigrants in France, but originally from Kayes, financed 148 projects in that region," Jean-Pierre Madjirangué told a workshop in Brussels in September 2002. "This entailed a total budget of almost 3 million euro (€), of which €2.5 million came out of their savings." Madjirangué is the Permanent Secretary of the African-European Civil Society Forum. He argues that "the Africans of the diaspora are present-day Africa's most important donors… Ugandans living abroad send about US$400 million back to Uganda every year – more than the country earns from the export of its main agricultural product, coffee".

According to Ghana's High Commission in London, Ghanaians abroad send between US$350 and US$450 million back to their country each year.

The World Bank notes that, in some years, the total amount of currency remitted by emigrants to their countries of origin equalled two-thirds of official development assistance. Clearly, then, it is worth looking into emigrants' contribution to development.

Compensation

Generally, those who migrate out of a country are its most dynamic, youngest and best-trained (or least badly trained) people. In the case of so-called "brain drains" (see article by André Linard, p. 66), the nation's intellectual elite is enticed abroad, after being trained at the expense of their country of origin.[2] So these departures represent a big loss for such countries. It would be tempting to see remittances as a form of compensation for this loss. Yet this is only partially true.

Quantitatively, remittances certainly have a positive influence on the balance of payments of the countries concerned. However, studies show that, qualitatively speaking, the impact of such payments has to be relativized. Firstly, because they are extremely dispersed among millions of recipients, as opposed to development aid which, even when decentralized, goes to clearly identifiable agents. Secondly, because several distinctions have to be made, mainly between consumption and investment. Some migrants remit money in order to share with their families back home the earnings that they have made in their country of destination, whereas others save up in preparation for their return. So the use made of these funds varies. Also, part of the remittances goes into consumption, while another part is invested and therefore produces multiplier effects.

In the first case, the migrant is driven by family solidarity, whether by conviction or by obligation. For, although the departure itself is an individual initiative, in most non-Western societies the individual always has obligations to the group. To earn well elsewhere and not to share that fortune invites censure, as two tales from Cameroon show.

Pefoura Ange, from Douala, is very bitter because, he says, “I have a big brother who has been in Portugal for the past five years, but he doesn’t send any money back. It’s as if they get other ideas put into their heads as soon as they go overseas. He no longer shows any signs of life. We didn’t know if he was still alive, until two of his friends who came back in February told us that they’d seen him recently. They told us he’s well, but we’re still waiting for him to do right by us.”

Voltaire Nkeuga is just as critical: “A cousin of mine has been in France for two years now, and he calls up to let us know how he’s doing. But then, nothing. If you tell him about a problem, he just says there’s nothing doing. If he even just sent one CFA10,000 note, we’d know he’d been making an effort. I reckon he just doesn’t have the willpower. But we’re still hoping.”

In many cases, migrants do indeed send money back to their families. To do so, they often bleed themselves dry.

Perverse effects

Back home, meanwhile, the money received is put to very varied uses. These range from covering urgent medical costs to financing studies for the family members who have stayed in the country, or paying for their emigration in turn. Some of the money goes purely on consumption or prestige (a wedding, for example) and therefore has no direct impact on development, but other spending may be seen as a form of investment. It is not always easy to distinguish between the two.

In Burkina Faso, for instance, the sums sent back by emigrants in Côte d’Ivoire (Ivory Coast) keep entire families alive. The money is used to buy food, to pay school fees or medical bills, to finance weddings, to purchase cattle, ploughs or agricultural vehicles, to acquire grain mills or shops, to make investments, to buy plots for cultivation, to build houses, and so on.

In Mali, the impact of remittances is highly ambivalent. This country is often quoted as an example, due to the vicissitudes suffered by Malian immigrants sent back from France. So the financial manna was suddenly reduced, and the difference between “before” and “after” can therefore be measured. In the Kayes region, already mentioned, where the climatic conditions scarcely encourage agriculture and animal husbandry, 80 per cent of the inhabitants are rural, but their main resource is commerce. It has become second nature for young men to emigrate from this deprived region where people survive on money that comes in from elsewhere. The Malian immigrants in France financed the installation of photovoltaic equipment for generating electricity, at a cost of CFA400 million (€62,000). They also paid for agricultural water reservoirs and irrigation, as well as drilling in search of drinking water.

All of this enabled villagers to become self-sufficient in food.

The repatriation of these Malians from France therefore devastated the region's economy. The Government did take some measures, such as opening up gold mines, but many former emigrants are reluctant to work in them. "During our five years in France," one of them explains, "we were able to send enough money to the village to build mosques. On what we earn back here, we can't even afford rosaries or prayer mats."

About 140 km away, in the little town of Yélimané, the effect of the remittances is much more perverse. Almost all the families there benefited from this windfall and went on a spending spree. This led to unexpected inflation. From their own resources, they managed to build five schools, but the teachers sent in by the authorities soon packed their bags and left. "Yélimané is the most expensive town in Mali," explains primary teacher Sidi Coulibaly. "Water costs a fortune. When a butcher slaughters an ox, he lets the customers set the price. It's an opportunity for the heads of households to show how rich they are. They bid each other up."

"Money doesn't grow on trees," he adds, "but people round here act as if it does. They spend like there's no tomorrow. There isn't a single family that doesn't have a son in France or the States, sending big money back." As a result, the town is full of plush villas with dish aerials, everyone has a phone at home and there is even a little airfield for migrants coming back to visit their families.

Three kinds of use

As may be seen, the line between spending remittances on pure consumption and using them for development is a fine one. Certainly, consumer spending may in itself have a knock-on effect, by stimulating demand and possibly helping to create or maintain jobs. In Tunisia, for example, such money has facilitated the creation of small businesses, thus bolstering the local economy. This is not, however, a decisive contribution to development, if what we mean by "development" is a coordinated effort to improve the quality of life for the whole of a country's population.

Sometimes, there may even be negative consequences – notably inflation, but also damage to local social structures. Cuba, for example, is seeing the re-emergence of a strong social duality based not on the ownership of the means of production, as in classic Marxist doctrine, but on whether a person has access to the dollars sent in by exiles abroad. Many products that are unobtainable in the shops taking pesos can be bought in the dollar stores. In Mexico, one family in every ten has at least one member with migratory antecedents, and this gives privileged status.

Overall, three stages may be distinguished in the recipients' use of remittances. At first, they serve to cover the family's basic needs and improve its housing; next, they go into lavish spending; finally, they may be invested in productive activities.

The same ambivalence surrounds the funds repatriated by immigrants in preparation for their own return to their country of origin. When some of them get back, they buy "luxury" items such as vehicles or radio sets, as a way of making their presence felt and showing their success. But others, generally the better-off, invest in import-export businesses, transport or hotels. Most of the big hotels in Ouagadougou, for instance (the Nazemsé, the Splendide, Hotel Sana) belong to people who lived for a long time outside Burkina Faso. The same goes for its transport companies.

The right to share a wage

One aspect of all this is rarely discussed. The Migration for Employment Convention (Revised), 1949 (No. 97), provides that member States should permit "the transfer of such part of the earnings and savings of the migrant for employment as the migrant may desire", within the bounds of national legislation. Some host countries allow unlimited remittances, but others set a ceiling.[3]

After all, these are resources produced in one country but spent in another. It is understandable that the authorities sometimes take a dim view of such transfers. The migrants' home countries also have a stake in this. Some of them, such as the Philippines, South Africa, Sri Lanka and Viet Nam, oblige their migrant nationals to make over part of their earnings to the State. In the view of the ILO Committee of Experts on the Application of Standards, this may raise problems in relation to Article 9 of Convention No. 97.[4]

But States are not the only ones to limit the rights enshrined in Convention No. 97, and to covet this manna which usually arrives through intermediaries. The transfers follow two routes, one conventional and official and the other informal.

The official route is via post offices, banks, money orders and specialized companies like Western Union. Four years ago, the Banque internationale de Burkina Faso, for instance, started cooperating with an Ivorian bank on a scheme that lets Burkinans in Côte d'Ivoire open bank accounts in order to transfer their savings. Pending the customer's return to Burkina Faso, the funds are transferred to the name of a relative or friend.

The other, semi-official or informal method is to entrust the funds to a friend, relation or acquaintance who is going back to the home country and undertakes to hand the money over to the rightful recipient. Some of these funds never reach their destination. Those concerned are either relieved of their wealth by pickpockets and swindlers along the way or else they have to grease the many palms of the powers that be (multiple checkpoints set up by police, customs, gendarmes, military and game wardens, systematic frisking, confiscations, seizure of documents that have to be bought back). The money that the migrants intended to bring back home ends up staying in the host country.

However, it is not only the informal route that leads to such losses. The intermediaries also get some rich pickings. The volume of formal and informal transfers made by the 2 million Haitians living abroad is put at more than US$2 million per day, and the transfer costs can be as much as one-seventh of the sum remitted. The poorest migrants are particularly victimized here, because the smaller the sums sent, the more it proportionately costs to send them. "And the transfers have to be made in US dollars," explains a Haitian woman in Montreal, "so we first have to change our Canadian dollars at the market rate. So the agency takes a second cut. It all gets very expensive!" Migrants, who are first and foremost workers, can come to feel that they have wasted their time and their labour. And their countries are also deprived of resources.

These reflections should not lead us to conclude that remittances from the diaspora to the home countries are a negative phenomenon. On the contrary, they are a real boost for these countries, particularly when, as in Africa, official development assistance and private investment are getting scarcer. And simply enabling thousands of families to live better in the short term is a good thing in itself.

However, it should not be thought either that all of these sums are really and directly invested in development initiatives. They are used more locally than nationally. It would be dishonest for the industrialized countries to stop worrying about the brain drain from the developing world, on the pretext that the poorer countries are adequately compensated by the remittances from migrants.

Notes

[1] María Huerta: *La migración, opción real del empleo femenino,* Agence CIMAC, 2 May 2002.

[2] See, for instance, "Des années d'investissements perdues pour les pays en développement", in *Le Courrier CEE-ACP* (Brussels), No. 159, Sep.-Oct. 1996, pp. 59-60.

[3] ILO: *Migrant workers,* Report III(1B), International Labour Conference, 87th Session, 1999, pp. 237-238.

[4] ibid., p. 239. See also the web site of the International Organization for Migration, at http://www.iom.org, especially *The Migration-Development Nexus – Evidence and Policy Options,* July 2002.