African Remittances and Progress: Opportunities and Challenges

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Theme: Sixteen million international migrants originate from sub-Saharan Africa and remittance flows have grown in the last few years, but their impact on development remains unclear.

Summary: In Recent years there has been a surge in interest regarding the impact of migration and specifically remittances –the money that migrants send home– on development processes in their countries of origin. This paper surveys the key evidence, summarising the highly heterogeneous impact of remittances on African families, communities and states and explores some of the less well-digested implications from a European perspective.

Analysis:

Sub-Saharan African Migration and Remittances
There are more than 190 million international migrants in the world, of whom around 16 million originate from sub-Saharan Africa. Contemporary migration dynamics within and beyond the African subcontinent are highly diverse, encompassing temporary and permanent rural-urban migration, longer-distance worker migration, movements provoked by drought and famine, migration to escape persecution and violent conflict, as well as the circulation of students and professionals. Within the subcontinent (henceforth referred to as 'Africa'), countries with more labour market opportunities (such as South Africa, the Ivory Coast, Ghana and Nigeria) have seen substantial immigration particularly from poorer countries; and countries whose neighbours are struggling with violent conflict (such as Tanzania, Chad, Uganda and Kenya) host large numbers of refugees. The majority –63%– of Africans on the move are migrating within the subcontinent, a much larger proportion than in other world regions which have higher levels of external migration. The largest recorded African migrant populations in another African country are the nearly 1 million people from Burkina Faso in the Ivory Coast, followed by around half a million Zimbabweans in South Africa. However, a substantial minority also migrate outside the subcontinent to the Middle East, Western Europe and North America. The largest groups are some 249,000 Sudanese in Saudi Arabia and some 204,000 Angolans in Portugal.[1]

Historically, migration in Africa, as in many other places around the world, has been seen in a rather negative light. Colonialism relied on the strategic (often forced) mobilisation and migration of labour yet sought to control movement, often aiming ultimately to return

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[1] Migration data taken from World Bank (2008) and World Bank/University of Sussex's online Bilateral Migration stocks database. See *http://go.worldbank.org/TGZNEJBXD0*, accessed 30 April 2008.

people to rural homelands. Since independence, migration has often been associated with the issues raised by rapid urbanisation and the immiseration and fragmentation of rural families and communities. In short, migration has historically been cast as one of the problems that development will address.[2] The recent surge in interest in the potentially positive impact of migration on development processes in countries of origin has placed much emphasis on the growing importance of international migrants' remittances. While African remittances remain a relatively small proportion of global remittance flows (representing only 5% of flows to developing countries in 2007), recorded flows have certainly exhibited strong growth in the last 20 years, from only US$1.9 billion in 1990 to US$4.6 billion in 2000 and an estimated US$10.8 by 2007. In terms of sheer volume, the top three remittance recipients are Nigeria (US$3.3 bn), Kenya (US$1.3 bn) and the Sudan (US$1.2 bn).[3]

There are hopes that remittances might help lift families, communities and even whole countries out of poverty. Yet underlying recent policy analysis there is still a somewhat sedentary vision of development, whereby improved conditions at home eventually reduce emigration –reflecting the famous 'migration hump' theory–.[4] This partly explains why European governments seeking to reduce and control ever more tightly migration from outside the EU are so interested. How justified are these hopes? What is the impact of remittances in migrants' countries of origin?

Assessing the Impact of Remittances

The most obvious impact of remittances is on the recipient households. Remittances represent a considerable proportion of household income in some home countries. For example, analysis of the Ghana Living Standards Survey 1998-99[5] revealed that remittances comprised over average 9% of household income in Ghana: 41% of households received remittances at least once a year, on average US$218 each. Across Africa, as in many other parts of the world, studies suggest that remittances can be important to recipient households, which generally spend a large proportion of the funds on consumption.

Some studies suggest that remittances can help recipients deal with crises, smoothing income and consumption in the event of crises and downturns. For example, a study of urban-rural remittances in Botswana found that remittances enabled rural people to preserve crisis-sensitive assets, such as livestock, and thereby helped them to adopt riskier livelihood strategies that may be more lucrative.[6] A study in the Kayes region of Mali also found that remittances are at least partly insurance-motivated.[7] But other micro-level studies reach different conclusions –for example, a study of smallholders in Cameroon found that remittances fail to act as an effective social security mechanism when the migrant does not expect any sizeable inheritance–.[8] Analysis of household

[2] For a detailed analysis and review of relevant documents see Bakewell (2007).
[3] Remittance data taken from World Bank (2008) and World Bank's online remittance database, *http://go.worldbank.org/M35MDDOEU0*, accessed 30 April 2008. Note that data for 2007 is an estimate. The macro-economic recording of remittances depends on the nature of official financial reporting systems and the extent of the use of informal mechanisms, leading to the under-recording of remittances to Africa and many other parts of the world. Some of the increase in recent years may be accounted for by better financial reporting or movement of money into formal channels after crackdowns on informal channels following 9/11.
[4] Martin & Taylor (1996), Bakewell (2007) and De Haas (2008).
[5] Mazzucato *et al*. (2007).
[6] Stark & Lucas (1988).
[7] Gubert (2002).
[8] Schreider & Kneer (2000).

survey data from Kenya's Central Province also highlighted anticipated inheritance as an important motivating factor for urban sons sending money to their rural parents.[9]

Even where remittances do help boost the income and protect recipient families from risks, this may not be a reliable arrangement long-term. For example, research in Ashanti villages in Ghana demonstrates that while remittances can be an important factor in recipient families' well-being, often families remain heavily reliant and may fall back into poverty if the migrant stops supporting them.[10] In this context, there is a lot of interest in whether remittances are also spent in ways that might clearly boost the independent economic status of the recipient household. Of course, in many settings, remittances are used in ways that foster local livelihoods. Remittances can be ploughed back into local livelihood strategies, both old and new. For example, research in the Senegal River Valley points to the importance of remittances in establishing irrigation systems.[11] A study of non-elite return migrants in Ghana and the Ivory Coast found that migration and remittances provide an important source of finance for small businesses.[12] Research in Nigeria and elsewhere highlights migrants' investments in property in anticipation of retirement to their place of origin and as a way to maintain membership rights in their home community.[13] Finally, where migration and remittances allow family members to obtain a better education this can imply substantial longer-term improvements on family welfare.

But remittances also have effects beyond recipient households, in the wider community and the country as a whole. While the multiplier effects of consumption spending and investment have been extensively analysed in Latin American contexts and shown to be significant,[14] there is very limited evidence on the ways that remittances are re-circulated in African economies and the wider implications.

The evidence regarding the impact on equality is also fragmented and inconclusive. It would seem that, as in other contexts, much depends on the scale on which the analysis is carried out (whether considering equality at community, rural-urban, regional or national levels). Other key factors are the migration stage and geography (as longer-distance and more profitable migration becomes more common, the costs of migration are reduced, and poorer people also more able to participate) and the related distribution of remittances (where remittances are received by better-off households they can widen disparities, but if received by poorer households can increase equality).[15] For example, during the 1990s, with declining terms of trade of cash crops, and deteriorating urban employment opportunities, growing numbers of Ghanaian poor emigrated.[16] But the large-scale Ghana study referred to above found important differences between domestic remittances (received by 35% of households, averaging US$199) and foreign remittances (received by only 8% of households, and averaging US$454). While foreign remittances were larger in value, locally-sent remittances reached poorer segments of the population.[17] There is much interest in the impact of remittances on poverty reduction, high on the development agenda in many countries. A recent review of relevant economic

[9] Hoddinott (1992).
[10] Kabki *et al.* (2004).
[11] Shaw (2007).
[12] Black, Tiemoko *et al*. (2003).
[13] Osili (2004).
[14] Durand *et al*. (1996).
[15] Jones (1999).
[16] Litchfield & Waddington (2003).
[17] Mazzucato *et al*. (2007).

studies of African migration suggests that econometric analyses demonstrate that remittances do, overall, contribute significantly to reducing poverty in Burkina Faso, Ghana, and Lesotho.[18]

Finally, there is the vexed question of whether remittances facilitate economic growth. While overall, in 2006, recorded remittances represented 1.6% of Africa's GDP, for some countries these flows were highly significant –the top three were Lesotho (25% cent of GDP), The Gambia (13%) and Cape Verde (12%).[19] On the positive side, at the macro-economic level, remittances provide a source of savings and investment can relax foreign exchange constraints and help to finance external deficits, can improve a country's creditworthiness. On the more problematic side, large flows can lead to exchange rate appreciation which can lower export competitiveness; if they reduce the labour effort and workforce morale, they can reduce productivity.[20] All in all, Africa provides rather limited and inconclusive evidence on the effects of remittances in terms of long-term economic development. Regions with high out-emigration often appear to remain dependent on remittances over long periods. For example, in the extremely poor Kayes region of Mali, since repeated droughts in the 1970s, migration has become a major livelihood strategy. An estimated 10% of the population has emigrated: 'the Kayes region of Mali is extraordinarily dependent on remittances, which have improved the lives of residents, and added schools and clinics, but do not seem to have led to the establishment of large numbers of businesses that promise stay-at-home development'.[21]

Beyond their economic effects, remittances also have social and political dimensions that should not be overlooked. Just as migrants are not 'just labour', remittances are not 'just money' but reflect underlying social relations. For example, Zambian rural-urban migrants send gifts in kind to parents and other relatives as a way of preserving social relationships, often in anticipation of eventually returning to their rural home.[22] Somali refugees' cash remittances reflect some changes in family social relations, with women increasingly active in supporting family members under difficult circumstances.[23] Family and other social relationships and generational and gendered roles can be renegotiated as a result of migration. Migration and remittances can also influence broader socio-cultural practices in interesting ways.

On the political front, remittances can have complex effects on political accountability in home countries. Migration itself can provide something of a safety valve, reducing domestic unemployment and tension. Remittances can help people make ends meet, and cover budgetary deficits, reducing pressure on governments to implement reforms –some have argued that this may be the case in Zimbabwe and other countries–. More broadly, of course, remittances often go along with other forms of transnational engagement such as lobbying and fund-raising for political opposition movements and armed insurgencies, or donations to social projects in migrants' home communities.

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[18] Shaw (2007).
[19] Remittance data taken from World Bank (2008) and World Bank's online remittance database, *http://go.worldbank.org/M35MDDOEU0*, accessed 30 April 2008.
[20] World Bank (2006).
[21] Martin *et al*. (2002), p. 88.
[22] Cliggett (2005).
[23] Lindley (2007).

There are of course many conceptual and methodological challenges when it comes to measuring the impact of remittances.[24] One problem is the lack of comparative research in Africa. It is particularly important to ground analysis of the dynamics and effects of remittances in a wider understanding of the causes and processes of migration and the political regimes that attempt to regulate it. The causes and processes of migration have potentially critical implications for its multiple impacts in the country of origin. Overall, this brief review serves to highlight the considerable heterogeneity of impacts of remittances in African countries of origin.

Opportunities and Challenges

The common statement that remittances are 'good for development' is not particularly meaningful, given the rather limited empirical evidence base on remittances in African countries, and the complex and contested nature of 'development'. However, public policy environments clearly mediate the effects of remittances in migrants' countries and places of origin. Policies that facilitate beneficial contributions vary in scope.[25] First, at one end of the spectrum, some policies focus specifically on remittance flows, for example, encouraging the provision of cheap and effective money transfer services, offering special diaspora bonds and tax breaks. Related policies encourage broad forms of transnational engagement, including skills transfer, political participation through voting, and so on.

Secondly, at the other end of the spectrum, policies not directly focused on migrants and remittances can nevertheless help mediate the interactions between migration and development processes in the country of origin. The evidence reviewed above serves to emphasise that although remittances improve the welfare of recipients, and have wider repercussions in the local and national economies, this does not automatically translate into broader-based development in the country of origin as more euphoric migration-development accounts sometimes suggest. Remittance flows in and of themselves are unlikely to significantly erode wider structural constraints. Improving general political and economic infrastructure and the investment climate may be the best way to maximise the potentially positive impacts of migration-related interactions. For example, improved access and quality of financial services benefits a wide range of people, including remittance recipients. More institutionalised mediation of remittance funds also brings benefits to the wider community: 'Migration is likely to have a larger effect on development where local institutions exist to gather savings by migrant households and make them available to local producers –that is, where migrants do not have to play simultaneous roles as workers, savers, investors, and producers–'.[26]

Third, somewhere in the middle of this spectrum is the controversial issue of policies directed at migration dynamics. Clearly, remittances are the result of migration, but in remittance-development debates, this politically inconvenient point has often been rather sidelined. In some of the more euphoric recent literature, remittances emerge as a somewhat disembodied financial flow. For example, it is often emphasised that remittances 'are freer from political barriers and controls than either product or capital flows'.[27] Although it should not be forgotten that the post 9/11 drive to regulate international financial flows have affected remittance transfer infrastructures, this

[24] World Bank (2006). For example, whether to take account of lost domestic contributions of migrants in contribution of remittances to household income; how to estimate multiplier effects; ascertaining the impact of remittances on various types of poverty.
[25] See Carling (2005).
[26] Massey *et al*. (1998), p. 261.
[27] Jones (1998), p. 4.

assertion does seem valid –yet misses the bigger picture–. Clearly, remittances would not occur without migration, which is indeed subject to significant political barriers and controls. Both emerge from and in turn influence local development contexts.

There is a tendency for European governments to ignore the more thorny issue of migration control when discussing remittances and related policy issues. Despite the widely acknowledged demand for migrant labour, and the hard work of many sub-Saharan Africans in quite often poorly paid and onerous jobs, in the last couple of decades European governments' concerns have grown regarding the impact of immigration, particularly on social cohesion. But restrictive policies still fail to prevent or control migration to the satisfaction of the governments involved, and as more people attempt to migrate, the human costs associated with unauthorised border crossings at key points such as the Spanish-African border are mounting.[28] In tightening migration controls, European governments are flagrantly ignoring warnings in remittance studies from countries like Mali that 'any measure aimed at reducing immigration flows from developing countries might deprive poor rural households of an effective means of risk-coping'.[29]

The notion that it might be possible to 'manage' migration by also addressing its causes has become popular in policy circles. It is often claimed that by tackling poverty and conflict in Africa, for example, it would be possible to stop –or at least substantially reduce– migration from the subcontinent. In recent years, circular migration and leveraging remittances have even become part of this picture, advanced as win-win-win 'solutions' (benefiting host countries, home countries, and migrants themselves), that will ultimately eliminate migration pressure.[30] Perhaps the most important flaw in this reasoning is the failure to recognise that processes of development in fact *produce* migration. Migration, like conflict, has been an integral element in processes of state formation and social change in both Europe and Africa. The processes of democratisation and structural adjustment –key planks of the dominant contemporary development model– have played a significant role in producing the economic upheavals and political conflict in Africa which is responsible for much migration within the region and beyond. The 'migration hump' model in fact suggests that a temporary increase in migration might be expected as part of 'normal development'.[31] An increase in wealth is expected to lead to a rise in migration, because more people can afford the costs of moving. As wealth increases further (partly because of feedback effects of migration) and as migrants establish networks which further reduce the cost of moving, migration accelerates, with poorer people able to migrate. Eventually though, with further improvement of conditions in the country of origin, emigration is expected to decrease. Research suggests that after wage gaps are narrowed to 1:4 or 5, and rapid economic and job growth creates the expectation of continued improvements, then economically-motivated migration greatly decreases.[32] At this stage, countries might even begin to become net importers of labour, as seen earlier in Spain, Ireland, Italy, Greece, Malaysia, South Korea and Taiwan).[33] But in the longer term, if conditions in the country of origin do not continue to improve, migration may plateau, rather than decrease.[34]

[28] Carling (2007).
[29] Gubert (2002), p. 285.
[30] De Haas (2007).
[31] Martin & Taylor (1996), Massey *et al.* (1998) and Schiff (1994).
[32] Martin & Taylor (2001), p. 115.
[33] De Haas (2007).
[34] Martin & Taylor (1996).

Conclusions: In short, ways out of the migration problem will not come cheap. A repeated criticism of current 'root causes' policy approaches is that those implementing them are much more concerned with controlling migration than seriously ameliorating conditions in poorer regions of the world. In practice, in relevant initiatives, measures for controlling migration are usually detailed and specific, while measures for reducing migration pressures have often been rather vague.[35] It would indeed seem that migration is an 'almost inevitable outgrowth of nations' incorporation into the global economy'.[36] History suggests that if European countries really want to see conditions in migrant-sending countries improve to the point where migration decreases, they may have to brace themselves for a temporary increase in migration, seriously re-think the European trade and other policies that currently hamper African economies, and sustain a genuine long-term solidarity with African countries –managing processes of change and social conflict– that has been hitherto conspicuously lacking.[37]

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[35] For example, many of the Action Plans produced by the High Level Working Group on Immigration and Asylum tend to list on-going development projects, while advancing much more detailed migration control plans (Van Selm, 2002).
[36] De Haas (2007), p. 832.
[37] De Haas (2007).

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