EXECUTIVE SUMMARY

Developing countries, and in particular those which have provided the largest migration flows towards the OECD member countries since the middle of the 20th century, wish to be better integrated into the world economy. The renewed interest in migration for employment, the international mobility of skilled workers and the highly qualified, the increase in the number of foreign students, are elements in the globalisation of migration. It is in this context that the links between migration and development can be focused around three main topics: immigrants’ remittances, return migration and a better use of human capital, in order to promote the economic development of sending countries. The international conference in Marrakech placed particular emphasis on the first of these topics: remittances and the economic development of sending countries.

In several emigration countries, remittances in 2004, estimated by the IMF at USD 126 billion, largely exceeded the volume of official development aid (ODA), and in certain cases even of foreign direct investments (FDI) or income from the export of goods and services. Remittances constitute a considerable source of hard currency for countries of emigration, sometimes covering several months of imports. The issue of remittances and the strong growth registered during the last decade have attracted increasing interest in several international organisations (IMF, World Bank, OECD), at a time when the volume of official development aid is tending to diminish slightly. According to certain analysts, remittances, which can be considered as structured financial flows, could contribute to a reduction in poverty, constitute an important supply of foreign hard currency for economic development, or accompany the growing flows of foreign direct investment, which are sources of development and employment creation.

The Marrakech Conference allowed, in the first instance, to underline the fact that relative to macroeconomic indicators, remittances are significantly higher in low and lower middle-income countries than in the other developing countries. Remittances are also unequally distributed across regions, with Asia receiving the lion’s share, followed by the American continent and, far behind, Africa. A review of recent studies on remittances and development has shown that they have indisputably contributed to improving the living conditions of migrants and their families, although it seems less evident that these transfers have had a positive impact on the economic development of the countries of origin. In fact, the diversity in the personal characteristics and economic situations of immigrants, and the ways in which they make use of their savings, makes it very difficult to attract and massively orient these funds towards the economic development of their home countries.

The reduction in the costs of transfers of funds was analysed in depth, based on experiences from OECD member countries (Greece, Italy, Mexico, Portugal and Turkey, but also in the Philippines and Morocco). The crucial role of the banking system was emphasised, as were best practices to reduce the costs of the transfer of remittances. In the case of Portugal, private banks have attracted the greatest part of remittances and they are transferred at relatively low costs. In Turkey, the system is more complex. It is first
based on the networks of Turkish banks abroad, and the savings banks in receiving countries, mainly in Germany. The Turkish Central Bank pays a large proportion of the transfer costs of remittances to Turkey. During the conference, examples from Portugal (Caixa Geral de Depositos) and from Morocco (Banque centrale populaire du Maroc), demonstrated also that the migrant is not only considered by these banks as a foreign hard currency provider, but is a client who can benefit from all the bank’s services. Consequently, not only is the transfer cost reduced, but it is also easier to channel part of the remittances to productive investment. On the contrary, in the case of a failure in the banking system or a lack of confidence in banks, intermediaries, such as Western Union, occupy a predominant position, even if the costs of transfers are very high. In fact, migrants prefer to resort to reliable services which permit the quick delivery of the funds to the recipients.

Taking advantage of new technologies could also help reduce the cost and reinforce the security of transfers. The development of new technologies is increasing the competition among suppliers of banking and financial services in both receiving and sending countries. The rich and varied experiences of the Equitable PC Bank in the Philippines allow valuable lessons to be drawn in this respect. This bank provides a wide range of services related to remittances, life and health insurance, and education of children, to future immigrants who present themselves to the administration charged with sending Filipinos abroad. The growing interest in migrant remittances and in the use of new technologies was also illustrated by the presentations of the MasterCard Group and the Inter-American Bank for Development. The latter institution is interested in migrants’ banking, especially those originating from Latin America and Mexico.

The Marrakech Conference revealed that the diversity in the personal characteristics and the economic situation of immigrants, and the ways in which they make use of their savings, makes it very difficult to attract and orient these funds towards the economic development of their home countries. Remittances are private transfers and the savings involved belong to the migrants and their families, who decide on their allocation. Many attempts to channel these funds towards development have been unsuccessful, because they have failed to recognise the primacy of individual choice. However, good practices do exist, the objective of which is to help migrants to make better choices, to gain their confidence, and to rely on the networks built up both abroad and in the home countries, to put remittances to good use for individuals, their families, and social and economic development as a whole.

In fact, the best way to maximise the impact of remittances on economic growth in developing countries is to implement sound macroeconomic policies and policies of good governance, as well as development strategies involving all actors in the economy. Good governance, a sound banking system, respect for property rights, and an outward-oriented trade and FDI strategy, are prerequisites for enhancing the efficiency of remittances in an economic development perspective. The state has a primordial role to play in establishing these key building blocks for economic development, supported by the international community. Remittances are neither a substitute for ODA nor for FDI flows.

The Conference demonstrated that the artificial distinction between “productive and non-productive” uses of remittances must be reconsidered. Remittances are used to reduce household poverty and satisfy basic needs, but also to increase investment in health and education, i.e. to improve investment in human capital in the countries of origin. There is an important gender dimension to such human capital investments.
Finally, in order that remittances may play a greater role in the economic development of countries of origin, it was highly recommended that information be widely distributed on remittance channels and opportunities for investment, and that one-stop shops be created, in order to provide information at all stages of the migration process. Policies should support and accompany migrants who wish to engage in entrepreneurial activities. If special incentive schemes are put in place, they should be designed for everybody, and be open to migrants and non-migrants alike.

Over and above remittances, migrants make other, invisible, transfers to their countries of origin: economic behaviour, knowledge and know-how, and social and cultural exchanges. Numerous examples, notably from Mexico and Morocco, show that migrants not only contribute to the financing of the infrastructure at local level (electrification, water provision and irrigation, road building, medical centres and schools), but that this is accompanied by profound transformations in the way of life and of traditional local management. A participative process, involving all the actors (migrants, villages, local authorities), constitutes the best guarantee of sustainability of the infrastructures and ongoing productive projects. More attention should be paid to civil society and private initiatives in both the receiving countries and sending countries, as well as to the decentralised co-operation processes, and to the role of local authorities, the scientific diaspora and the second generation.