



## **Introduction to the Migration and Development Nexus (M&D)**

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Paper produced as teaching material for the General Information Cycle  
organised by the Belgian Technical Cooperation (2008)

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Today's migration is closely linked to the evolution of globalisation. Beyond market liberalization and political interconnection, revolutions in transport and communication have brought societies and economies closer to each other. In parallel, during the last decade, there has been rising awareness that more migration will occur- and be needed- in the future; and the international community has shown increasing interest in this issue, departing from strict unilateral or bilateral approaches and from exclusively security-based responses. Also, the need to achieve the Millennium Development Goals has shed a new light on migration as a tool for development.

In this context, the purpose of this note is to familiarize future development practitioners with this timely issue and introduce some basic concepts and options to handle the migration and development nexus (M&D) with regard to labour migration, remittances and diasporas. To that end, it will mostly resort to examples drawn from Belgian, EU and African situations.

### **1. Basic facts and figures**

Migration is defined as “*a process of moving, either across an international border, or within a State. It is a population movement, encompassing any kind of movement of people, whatever its length, composition and causes; it includes migration of refugees, displaced persons, uprooted people, and economic migrants.*”<sup>1</sup> However, in this introduction, we will mainly focus on international migration as distinct from asylum and refugee policies (to which a different set of obligations apply<sup>2</sup>) and mostly in regard to its interaction with development (therefore not discussing issues such as border control, visa policies, etc.). Due to the constraints of space, internal migration will not be addressed in this paper. Readers should however be aware that internal flows can have important impacts on developing countries' efforts in terms of urban development, social consequences, etc.

Movement of people has always existed. While it has long been a ‘group’ issue- with populations moving for settlement in new territories (conquering, fleeing, developing trade colonies, etc.)- the trend shifted in the 19<sup>th</sup> century- with the exception of post conflict situations or nomadic movements- towards individual or large-scale familial migration (from Europe to Northern America for instance). Migration is driven by pull and push factors. Today, demographic and labour needs in developed economies are among the pull factors and ageing is estimated to create a call for more migration in the near future<sup>3</sup>. On the other hand, push factors (also sometimes called the “root causes of migration) are numerous, ranging from world inequality and lack of development to bad governance, violations of fundamental rights, etc. in migrant sending countries. Climate change is also expected to cause more migration, as some estimates foresee that there may be 200 million “environmental” migrants by 2050<sup>4</sup>.

In 2005, the number of international migrants was estimated at 191 million (i.e. 3% of the world population) compared with 76 million international migrants in 1960, i.e. 2.5% of the world population at the time. Women constitute nearly 50 percent of the international migrant stock. While about forty percent of international migrants have moved to a developing country, the majority of them (115 million) live in developed countries.<sup>5</sup> The main destination countries today are the United

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<sup>1</sup> International Organization for Migration, *Glossary on Migration*, Geneva, 2004, 78 pp.

<sup>2</sup> For more information, see the compendium published by the UN HCR on the 1951 Geneva Convention relating to the status of refugee and its 1967 Protocol available at <http://www.unhcr.org/protect/PROTECTION/3b66c2aa10.pdf>

<sup>3</sup> United Nations, *Replacement Migration: Is It a Solution to Declining and Ageing Populations?*, DESA Population Division, available at <http://www.un.org/esa/population/publications/migration/migration.htm>

<sup>4</sup> Estimates cited in Stern N., *The Economics of Climate Change - The Stern Review*, Cambridge University Press, United Kingdom, 2007, page 56.

<sup>5</sup> Source: United Nations, *Trends In Total Migrant Stock: The 2005 Revision*, DESA Population Division, Pop/Db/Mig/Rev.2005/Doc, February 2006

States of America, the Russian Federation, Germany, Ukraine, France, India, and Saudi Arabia<sup>6</sup>. But in some countries- such as the United Arab Emirates or Qatar for instance- migrants constitute more than half the population<sup>7</sup>. In the European Union, in January 2006, the number of third-country nationals totalled 18.5 million, i.e. 3.8% of its population.<sup>8</sup>

**Box 1 – The Concept of “International Migrant”**

International migrants are defined as people living in a country other than where they were born. However, even the United Nations acknowledge some difficulties in handling this concept: “*Foreign-born persons are migrants because they must have moved at least once from the country of birth to the country where they live. But the foreign-born need not be foreigners. Foreign-born persons may be citizens at birth by, for instance, being the children of citizens of the country where they live, or they may be naturalized citizens.*”<sup>9</sup>

Some examples give a sense of these difficulties. For instance, the collapse of the USSR in the early 1990’s created new states, and former national citizens consequently became ‘foreign – born’ in these States. On the other hand, Burkina Faso witnessed an important jump in the number of its immigrants at the turn of the century, but these were mainly returning foreign-born Burkina nationals (notably fleeing the political turmoil in Cote d’Ivoire)<sup>10</sup>.

In Belgium also, this definition does not appropriately capture the diversity of the society. A recent study of Nicolas Perrin<sup>11</sup> broadens the scope from “foreigners” to “people of foreign origin”, including Belgian citizens born of parents who were not Belgian at birth. Based on 2006 figures, there were approximately 900.000 foreigners registered in Belgium, of whom two-thirds originated from EU countries<sup>12</sup>. Adding people that have opted for Belgian nationality (a group where people from outside EU tend to be more represented), the figures amount to 1.6 million people. When the number of Belgian citizens born from parents that were not Belgian at birth are taken into account, the figures reach over 2 million on a total population of approximately 10.5 million.

As we will see below, this discussion is not just a theoretical one. A failure to work with accurate, clear numbers of migrants and diasporas can be detrimental to project and policy implementation related to the migration and development nexus.

## 2. Migration as a global issue

By definition, international migration involves more than one country. Being closely related to State sovereignty, this issue has nevertheless been mostly managed- when it was managed at all- on a unilateral or bilateral basis. Throughout the last decade, however, there has been an increasing trend in addressing this issue in multilateral frameworks, especially since its interaction with development gained further relevance as the international community looked for strategies to achieve the Millennium Development Goals.<sup>13</sup> This global interest has taken the form of international conferences and reports that culminated in the 2006 UN High Level Dialogue on International Migration and Development (HLD) and the consecutive launch of the Global Forum on Migration and Development (GFMD).

<sup>6</sup> Ibid.

<sup>7</sup> International Organization for Migration, *World Migration 2005: Costs and Benefits of International Migration*, IOM, Geneva, 2005, page 389.

<sup>8</sup> European Commission, *Strengthening and monitoring measures for integration policies in the EU: the Commission adopts the Third Annual Report on Migration and Integration*, Brussels, 12 September 2007, IP/07/1314

<sup>9</sup> United Nations, *International Migration and Development*, Report of the Secretary General, A/60/871, note 1. More methodological considerations on this point are presented in United Nations, *International Migration Report 2002*, DESA Population Division, New York, 2002, pp. 9 et ss.

<sup>10</sup> International Organization for Migration, *op. cit.*, pp. 379-403

<sup>11</sup> Perrin N., *Migration internationale et populations issues de l’immigration en Belgique: Un aperçu statistique*, available at [http://www.diversiteit.be/NR/rdonlyres/E78DB0D2-7326-4FD1-B618-FBE8958B6FD4/0/SyntheseMigrNPpourJdm2007\\_corrW\\_FR.pdf](http://www.diversiteit.be/NR/rdonlyres/E78DB0D2-7326-4FD1-B618-FBE8958B6FD4/0/SyntheseMigrNPpourJdm2007_corrW_FR.pdf)

<sup>12</sup> In 2006, the main foreigners’ groups in Belgium were coming from (in decreasing order) Italians, French, Dutch and only after from outside the EU with Moroccans (81.000), Turks (42.000) and Congolese (DRC - 21.000). Source BELGA 13/11/2007.

<sup>13</sup> For a detailed presentation of some of these various initiatives and programs, see Newland K, *The governance of international migration: mechanisms, processes and institutions*, Paper prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration, Migration Policy Institute, September 2005.

Within the United Nations, a first step had been taken at the 1994 International Conference on Population and Development (ICPD) held in Cairo, whose program of action (Chapter X) called for an “orderly international migration [that] can have positive impacts on both the communities of origin and the communities of destination”.<sup>14</sup> As migration was progressively included in the overall thinking around the new challenges to be faced by the UN, the Secretary General set up in 2003 the Global Commission on International Migration (GCIM)<sup>15</sup> and appointed a Special Representative for International Migration and Development and released in 2006 a Report on International Migration and Development<sup>16</sup>. In parallel, the General Assembly adopted resolutions related to international migration as well as to remittances<sup>17</sup>, and organised the High Level Dialogue; and the (then) Commission on Human Rights appointed a Special Rapporteur on the Human Rights of Migrants.

The Bretton Woods institutions (World Bank, International Monetary Fund) also increasingly analysed migration and extensively worked on remittances. Migration was also addressed at the World Trade Organisation (WTO), through the negotiations related to Mode IV of the General Agreement on Trade of Services (GATS). Outside the UN system, the International Organisation for Migration developed programs focusing on the role of diasporas in development (such as the Migration for Development in Africa – MIDA- supported by the Belgian development cooperation in the Great Lakes region, see Box 7 below). A Global Migration Group was also set up in Geneva to improve coordination among the main international organisations working on this issue<sup>18</sup>.

In parallel, States increasingly set up platforms for dialogue around migration, mainly at the regional level- where most migration still takes place- the closest of them for us being the dialogue between the European and African countries (see the conferences of Rabat and Tripoli in 2006)<sup>19</sup>. Of another kind, the Swiss government launched the Berne Initiative, a consultative process where governments gather to exchange of information on migration management policies, and which aspires at “a broad policy framework aimed at facilitating co-operation between States in planning and managing the movement of people in a humane and orderly way.”<sup>20</sup>

**Box 2 - The Impact of International Migration on Belgium<sup>21</sup>.**

We have seen above that global migration is increasing. In Belgium, the aforementioned study of Perrin shows that immigration flows are also on the rise, even though official labour migration policy was stopped in 1974; and that the 2005 immigration figures were higher than previous peaks of 1948 and 1964, at a time where this policy was still in force. Figures related to irregular migration in Belgium are rather limited (as the estimates for Belgium vary between 40.000 and 140.000 undocumented migrants<sup>22</sup>). They nevertheless have an impact on the economy and labour the market as well as a striking effect on public opinion. It is however important to note that illegal entry does not deprive undocumented migrants of the benefits of fundamental rights: in Belgium, for instance, they have access to education and emergency healthcare. We will come back to irregular migration under point 3.A

<sup>14</sup>Migration is referred to in a large number of multilateral treaties not least including the Universal Declaration on Human Rights and in the two 1966 International Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights. This normative framework will not be addressed as such in this introduction but a full list is available in United Nations, *International Migration and Development*, op. cit., § 283. More recent, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families adopted by the UN in 1990 is certainly the one crystallising most of the debate and tensions among the international community today.

<sup>15</sup> Global Commission on International Migration, *Migration in an interconnected world: New directions for action*, Switzerland, 2005, 88pp.

<sup>16</sup> United Nations, *International Migration and Development*, op. cit.

<sup>17</sup> United Nations General Assembly, *Facilitation and reduction of the cost of transfer of migrant remittances*, Resolution 30/206, adopted on 22 December 2005.

<sup>18</sup> The GMG brings together, in Geneva, representatives of the ILO, IOM, OHCHR, UNCTAD, UN DESA, UNDP, UNFPA, UNHCR, UNODC and the World Bank.

<sup>19</sup> An interesting matrix presenting the different Regional Consultation Processes (RCPs) has been produced in the preparation of the first GFMD meeting and is available online at <http://www.gfmd-fmmd.org/en/system/files/Session+3.4+Annex+A.pdf>.

<sup>20</sup> Source : <http://www.unhcr.org/home/RSDLEGAL/4034e9812.pdf>

<sup>21</sup> For an overview of the Belgian debate around immigration see Khader B., Martiniello M., Rea A. and Timmerman Ch. (eds), *Penser l'immigration et l'intégration autrement, une initiative belge inter-universitaire*, Bruylant, Belgium, 2006, 410 pp. Also available in Dutch, - ----, *Immigratie en integratie anders denken. Een Belgisch interuniversitair initiatief*, Bruylant, Belgium, 2006, 382 pp

<sup>22</sup> Cited in Perrin N., op. cit., page 17

**Box 2 - The Impact of International Migration on Belgium (continued)**

The world population grows by approximately 90 to 100 million people a year, mainly in developing countries, where job creation is not sufficient to absorb this new workforce. On the other hand, several analyses, such as the UN Replacement Migration Report of 2000<sup>23</sup>, point out that Western European countries may need to resort to migration to fill labour market gaps and respond to the ageing challenge. However, even though migration can play a role in filling temporary gaps in the labour markets, “replacement” solutions may run the risk of only delay but not redress ageing.<sup>24</sup> It is further difficult to predict the needs of the labour market in the near future<sup>25</sup>.

As we said, these international initiatives gained momentum at the 2006 High Level Dialogue held in the framework of the UN General Assembly. Throughout the process leading to this meeting, many States expressed their interest in continuing the global dialogue on the migration and development nexus beyond this event. However, the international community appeared reluctant to formally engage in migration, due to fears of North/South or Sending/Receiving country confrontations, and to a general perception of this issue being closely linked to national sovereignty. As stated by the UN Secretary General in his opening address to the HLD: “*Just a few years ago, many people did not think it possible to discuss migration at the United Nations. Governments, they said, would not dare to bring into the international arena a topic on which their citizens are so sensitive.*”<sup>26</sup> This resulted in the Secretary General’s proposal for the creation of the Global Forum on Migration and Development (GFMD), presented as a forum led by member states, which would offer them a venue to informally discuss challenges and opportunities offered by M&D, build confidence, and engage with relevant stakeholders<sup>27</sup>. Belgium offered to organize the first meeting of this process in July 2007.

Since its inception, the GFMD has progressively defined a structuring framework to address the M&D nexus at the global level, while avoiding duplication of existing initiatives. First, it provided a platform for dialogue, which shows its success through the large number of States (over 150) and civil society representatives that participated in its first meeting in Brussels. Second, its elaboration and discussion also helped frame the main issues related to this nexus through an incremental, confidence building approach. This approach further forged consensus within the international community by constantly reinforcing basic principles to guide the work on M&D (see *below*). Its ability to impact on the future agenda of the international community on the migration and development nexus is however one of the main challenges this process now has to face.<sup>28</sup>

<sup>23</sup> United Nations, *Replacement Migration: ...*, op. cit.

<sup>24</sup> For more on this, see Van De Cloot L., *L’immigration entraîne-t-elle un gain économique?* ING, Bulletin financier, novembre – décembre 2004, also available in Dutch, ---, *Loont migratie economisch?*, ING, Financiële berichten, November-December 2004.

<sup>25</sup> See intervention of Professor Wets at the conference “The Global Governance of International Migration: A Belgian Perspective”, 12 June 2006, available at [www.egmontinstitute.be](http://www.egmontinstitute.be) Figures related to the evolution of world population are also drawn from this intervention.

<sup>26</sup> *The Secretary-General Address to the High-Level Dialogue of the General Assembly on International Migration and Development*, New York, 14 September 2006

<sup>27</sup> More information available at [www.gfmd-fmmd.org](http://www.gfmd-fmmd.org). For the civil society day, see [www.gfmd-civil-society.org](http://www.gfmd-civil-society.org)

<sup>28</sup> Matsas R., *The Global Forum on Migration and Development: A New Path for Global Governance?*, in *Studia Diplomatica* (forthcoming 2008).

#### **Box 4 – The Global Forum on Migration and Development (GFMD)**

The Global Forum on Migration and Development (GFMD) is a new initiative of the international community aiming to address the migration and development nexus in a practical and action-oriented manner. It is conceived as an informal, non-binding, voluntary and government-led process, open to all UN member states.

Created in 2006 at the proposal of UN Secretary-General, the GFMD held its first meeting in Brussels in July 2007. This meeting was organized by the Government of Belgium and included a civil society day- organized by the King Baudouin Foundation at the request of the Belgian Government- and two days of meetings for governmental delegates- organized through an international taskforce established within the Belgian Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation. It brought together more than 800 governmental participants, representing over 150 countries, as well as 200 representatives of civil society from all over the world.

The first GFMD meeting was articulated around three main themes: human capital development and labour mobility (highly skilled migration and brain drain; temporary labour migration; the role of non-state actors; circular migration); remittances and other diaspora resources (reduction of cost and formalization of transfers; micro and macro impact of remittances on development; and partnerships to be established between governments and diaspora organizations); and enhancing institutional and policy coherence and promoting partnerships (measuring migration's development-related impacts; coherent policy planning; the role of regional consultative processes on migration and development). Human rights, gender and root causes of migration were addressed throughout the meeting as cross-cutting issues.

The second GFMD meeting will take place in Manila, The Philippines, in October 2008.

### **3. The migration and development nexus**

The migration and development nexus must be perceived as a mutually beneficial relationship between two international policy areas. The idea is that migration policies are more efficient if they include development considerations, and that development policies gain in efficiency if migration is included in their planning.

#### *Development policies*

Development policies gain in efficiency when migration-related issues such as, for instance, the expatriation of highly skilled professionals, or the role of remittances and diasporas are taken into account.

Development policies can also prevent that people migrate by necessity rather than by choice- to use the expression coined by the GCIM. Migration is a fundamental right, enshrined in the Universal Declaration of Human Rights (art. 13) - but is counterbalanced by the sovereign right of States to allow entry onto their territory. Therefore, development efforts should not be used for the limitation of migration flows but should more appropriately focus on redressing the “root causes” of migration.

In this respect, it is however important to note that “*poverty does not lead automatically to higher migration. The poorest people generally do not have the resources to bear the costs and risks of international migration. International migrants are usually drawn from middle-income households.*”<sup>29</sup> As a consequence, development policies must look at the provision of livelihoods - including health services, education, and other human development indicators- going beyond increasing income as having only more money at one's disposal, *caeteris paribus*, may just provide more opportunity to migrate. Of another kind, this remark also raises the issue of the redistribution of benefits arising from migration.

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<sup>29</sup> United Nations, *International Migration and Development*, op. cit., §53

Aid can also enhance developing countries capacity to face social and economic challenges related to in- and out- migration flows (such as brain drain, accommodation of irregular migrants in transit countries, etc.).

### *Migration policies*

Migration policies also gain in efficiency when development-related issues are taken into account. For instance, it is important that immigration policies focussing on highly skilled professionals do not deplete countries of origin's work forces to avoid hampering the achievement of development goals.

Also, when migration policies are temporary and aim at the return of the migrants at some point, continuing parallel development efforts in the country of origin ensures that incentives are provided to the migrants to return, in terms of job opportunities, education level for their children, access to qualitative health systems, etc.

Finally, as we will see below, development efforts are needed to create an enabling environment in the country of origin (in the areas of governance, private sector development, etc.) for diaspora or remittance-related projects to be effective. Security being, of course, the first of the incentives to be provided.

### *Principles*

However, these two policy areas have their own logic and working on the migration and development nexus therefore requires respect for two core principles. First, avoid that development policies become a tool for the regulation of migration flows. Second, avoid that migration is seen as an alternative to development efforts, as this would reduce any incentives for necessary reform both in countries of origin (for instance, in the labour market where unemployment pressure could be lowered through emigration) and of destination (where- cheaper – migrants workers be a disincentive for entrepreneurs to invest in innovative technology, for instance).

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Many issues can be related to M&D (human rights, social consequences, etc.). In this introduction, we will however limit our approach to current key challenges related to three topics: the role of labour migration as a development tool and the development potential of diasporas and remittances.

#### *A. Labour migration as a development tool.*

It is estimated that there are more than 90 million international labour migrants worldwide, with 30% of them in Asia<sup>30</sup>. Today's international dialogue on migration focuses more on the positive aspects of migration for development than on security concerns, stressing potential "win-win-win" strategies (i.e. beneficial to migrants, countries of origin and of destination)<sup>31</sup>. They show the positive impact that immigrants workers have on countries of destinations' economies (contributing to the financing of social security provisions, not taking over local jobs, helping prevent relocations, etc) as well as in destination countries' (notably through remittances or diaspora networking).

This is often opposed to the dangers and strains created by unmanaged and illegal migration on economic development and social cohesion (unfair competition on the labour market, migrants' exploitation, etc.), not to mention, of course, the dramatic- and sometimes deadly- conditions under which irregular migrants try to reach their destination. In this regard, a key challenge lies in disentangling politically and economically driven irregular migration as the concept of "economic refugee" is not internationally recognized. In the absence of official labour migration policies, over-

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<sup>30</sup> Source: Omelaniuk I., *How important is Labour Mobility for Development*, in *Studia Diplomatica* (forthcoming 2008).

<sup>31</sup> See, for instance, United Nations, *International Migration and Development*, op. cit., pp 44 et ss. and World Bank, *Global Economic prospects 2006*, IBRD/ The World Bank, Washington DC, 2005, 180 pp.

stretching the Geneva convention on protection of refugees is often perceived as the only way to enter the country (along with overstays of students, marriage, etc.). Conversely, one may assume that implementing official labour migration policies could lower this pressure along with the current efforts of fighting the smuggling and the employment of undocumented migrants.

We have seen that there is increasing awareness around the fact that these flows will be needed – or, at least continue to happen- in the near future. In this context, there have been increasing calls for active migration management policies going beyond border control, even in countries that until recently appeared reluctant to resort to immigration. These migration policies are expected to offer opportunities for better policy planning in various areas such as economic growth, development and social cohesion, including integration or protection of migrants’ fundamental rights and the social security of local populations - elements that are central to ensuring public support for migration policies- and which can benefit the social and economic development of both countries of origin and destination as well as the migrants.

**Box 5 - Brain Drain.**

‘Brain drain’ is one of the biggest concerns usually expressed when addressing international labour migration. Usually defined as “*the migration of human capital from less to more developed economies*”<sup>32</sup>, it can, unfortunately, also take the form of ‘brain waste’ when, due to legal or other constraints, a migrant is employed in the country of destination in a position far below his or her qualifications.

‘Brain drain’ is often opposed to ‘brain gain’, which covers strategies aimed at bringing back highly skilled migrants to their home countries. These strategies can include ethical codes of recruitment, bilateral agreements for temporary migration enabling brain circulation, or can result from diaspora networking (including programs such as MIDA or TOKTEN in their institutionalised form<sup>33</sup>).

Other strategies aimed at mitigating brain drain include support to education in the country of origin in order to produce a sufficient number of highly qualified professionals to compensate losses due to migration (some countries having an active policy of “exporting” qualified workers); or at maintaining a certain level of professionals back home through efforts to enhance local working conditions, salary, tax policy, etc.

‘Brain drain’ has also been discussed in terms of compensation, that some developing countries have requested for the education of their highly skilled émigrés. But this issue has never really been taken up in the international community.

Properly managed international migration policies require increasing coordination at the domestic level- a “whole of government” approach. For sending countries, this may require enhancement of its education programmes and the skills of its workforce. For destination countries, good knowledge of labour needs, integration policies, provision of social services, and support of public opinion would be key elements.

Beyond that, such strategies require cooperation at the international – mostly bilateral - level, taking due account of sending and receiving countries’ needs and respecting migrants’ fundamental rights. Leveraging labour migration’s potential for development would also require enhancing coherence between policies related to M&D and other areas of international relations (trade, security, etc.).

In today’s globalisation era, labour migration appears to be more effectively addressed at the bilateral level, with some exceptions of common market and free movement areas such as the EU. The multilateral framework is however relevant to ensure broader respect of basic principles or cooperation on specific topics. However, full liberalization of the movement of workers at the global level (as it exists for goods and capital) runs the risks of creating competition in this area that could create major social strains with regard to minimum wage and social security systems existing in many countries.

<sup>32</sup> Kuznetsov Y., *Diaspora Networks and the International Migration of Skills: How Countries Can Draw on Their Talent Abroad*, World Bank, Washington DC, 2006, page 3.

<sup>33</sup> TOKTEN (i.e. Transfer of Knowledge through Expatriate Networks) is a UNDP program.



Many immigration policies or proposals today focus on highly skilled workers. However the migration of low skilled workers can also play an important role in development and poverty reduction. In this respect, temporary bilateral labour agreements have become an option for both high and low skilled migration, sometimes including aspects of circularity (i.e. enabling migrants to move back and forth more freely). Some of these agreements, as for instance between Spain and Morocco, also include developmental aspects, such as transfer of technology and human resources back to the country of origin.

History nevertheless shows that temporary migration tends to become permanent. Strong return incentives therefore need to be built into these agreements, while respecting migrants' fundamental rights. These could include, for instance, the opportunity to return next year, or programmes to facilitate return or, as we have seen above, the continuation of development efforts in the country of origin to create livelihoods for the returning migrants and their family.

**Box 6 – The EU approach on migration and development**<sup>34</sup>.

In the middle of the 1970s, most Western European countries implemented a “migration stop” policy and, a few years ago, “fortress Europe” was still a common feature of EU’s external relations. This perception has progressively shifted- even after the enlargement to 27 Member States - towards a recognition that active migration policies may be needed. Today’s migration in the EU can be summarized as mostly centred around the necessary economic, social and cultural integration of migrants and their descendants; strong security concerns (fight against illegal migration); the need to disentangle protection of refugees from economic migration; but also timid initiatives for re-opening the debate on migration policies while managing public opinion’s sensitivities; and the necessity to develop a common migration policy at the EU level. The global context in which this debate takes place is made up of ageing and labour market gaps mentioned above, the dramatic deaths of illegal migrants in the Mediterranean, a feeling of under-achieving the Lisbon agenda, and the interconnectedness of the Schengen area with regard to large-scale regularization of migrants. Figures related to the global imbalance in attracting low skilled and highly skilled migrants, which clearly favours the US and not the EU, also play a role in this debate. Interestingly, we also see that former migrant sending countries, as for example the Mediterranean countries, have now become destination countries.

The idea of the necessary common European approach on migration first officially arose at the Tampere European council of 1999 and was enshrined in the 2004 The Hague programme for creating an area of liberty, security and justice within the EU. In EU jargon, migration is a “third pillar” issue, where the Council takes the final decision. However, the European Commission’s proposals give a good overview of the evolution of this debate in Europe. In recent years, proposals for directives have been issued on topics such as the status of long term residents from third countries, access of researchers and family reunion as well as in relation to the fight against illegal migration (through the fight against employers of irregular migrants) and harmonization of return. More importantly for our purposes, the Commission issued in 2005 a *Communication on Migration and Development*. This concept was soon broadened in the EU “Global Approach on Migration”<sup>35</sup>, which, beyond the fight against illegal migration, opens the way to legal migration and takes into account the development impact of these flows. Beyond dialogue with Africa (at continental, regional or country levels), ENP countries (Western Balkans, Mediterranean) and soon Latin American countries, this approach is hereby relevant as it includes considerations related to circular migration and mobility partnerships<sup>36</sup>; proposals to set up migration information centres (such as in Mali), and the recent proposals to create a unique permit for work and stay<sup>37</sup> and to establish a EU “Blue Card” for highly skilled third country’s immigrants<sup>38</sup>.

<sup>34</sup> For an overview of the European debate on migration, see, for instance, Ragaru N., Krulic J. (ed.), *Flux migratoires, immigration, altérité : Débats politiques et réponses européennes*, in La revue internationale et stratégique, n° 50, été 2003, PUF, France, pp. 71-164; Hubert C., De Decker S., *Politique Européenne de migration : Quels chantier pour une meilleure intégration ?*, in Revue du marché commun et de l’Union Européenne, n° 507, avril 2007, pp. 239 – 253 ; and De Bruycker Ph., *Bilan de cinq années de mise en œuvre d’une politique européenne d’immigration*, in Khader B., Mariniello M., Rea A. and Timmerman Ch. (eds), *op. cit.*, pp. 239-254 (also available in Dutch).

<sup>35</sup> A brief presentation of the European Union’s « Global Approach to Migration » is given by Collet E., *The ‘Global Approach to Migration’: rhetoric or reality?*, The European Policy Centre, Policy Brief, Brussels, November 2007, 4 pp.

<sup>36</sup> *Proposal for a Council directive on circular migration and mobility partnerships between the European Union and Third Countries*, COM (2007) 248 final. (16 may 2007).

<sup>37</sup> *Proposal for a Council Directive on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State*, COM (2007) 638 final (23 October 2007).

<sup>38</sup> *Proposal for a Council Directive on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment.*, COM (2007) 637 final (23 October 2007).

Finally, it should be noted that international migration has also evolved along with globalisation and is now taking place in an economically and socially interconnected world. As stated by the UN Secretary General in his aforementioned report of 2006: *“Just a quarter of a century ago, going abroad in pursuit of opportunity, or in flight from conflict, meant a wrenching, long-term separation. Contact with home was, at best, a precious five-minute phone call every month, perhaps a visit every few years, and a cherished newspaper that arrived weeks late.”*<sup>39</sup> These evolutions, as we will see below, increase migrants and diasporas’ potential for the development of their country of origin.

### B. Enhancing diasporas’ potential for development

Until now this paper has mainly focused on policies and projects that institutional actors have implemented or could implement to unfold the benefits offered by the migration and development nexus. With this in mind, one can now look at how migrants and their descendants can play a role in the development of their country of origin, if they wish to do so. Interestingly, we will see that beyond the individual migrants, enhancing the development impact of diaspora activities and remittances requires partnerships where a large range of stakeholders can play a role (governmental agencies, private sector, financial intermediaries, NGOs, migrant associations, media, research, etc.).

Diasporas are difficult to define, and not all countries use this specific term when addressing their nationals abroad. In this introduction, we will use the informal working definition given during the first GFMD meeting: *«Individuals originating from one country, living outside this country, irrespective of their citizenship or nationality, who, individually or collectively, are or could be willing to contribute to the development of this country. Descendants of these individuals are also included in this definition.»*<sup>40</sup> This definition fits with both requirements of being global and included in the M&D context and we will therefore not address the political role of diasporas as such. It should also be noted that this definition is a voluntary one, which does not impose any exclusive identity to diaspora members nor create an obligation for them to be involved in the development of their country of origin.

In today’s interconnected and knowledge-based economy, diasporas have a key potential to help countries of origin for development<sup>41</sup>. It is however difficult to capture the wide range of impacts diasporas can have on the development of their country of origin. Orozco, for instance, characterizes these impacts as the “five Ts”: money transfers, tourism, transportation, telecommunication, and nostalgic trade<sup>42</sup>. Another example is given by a recent study of the Council of Europe, which focus on what it calls “social remittances” (as distinct of financial remittances) and which are defined as *“ideas, practices, mind-sets, world views, values and attitude, norms of behaviour and social capital (knowledge, experience, expertise) that the Diasporas mediate and consciously or unconsciously transfer from host to home countries.”*<sup>43</sup>

The following paragraphs will focus on strategies implemented to enhance the development impact of diaspora projects while point C will address strategies aimed at enhancing the development impact of financial remittances. These two issues are however intertwined as they ultimately relate to the same actors – i.e. the migrants and their descendants.

Before entering these analyses, it is important to keep some basic principles in mind, the most important of which is perhaps that migrants are human beings, not economic units, which means that

<sup>39</sup> United Nations, *International Migration and Development*, op. cit., §14.

<sup>40</sup> *Report of the First Meeting of the Global Forum on Migration and Development*, Bruylant, forthcoming 2008

<sup>41</sup> On this, see a interesting comparative analysis of diaspora networks in Kuznetsov Y., *op. cit.*

<sup>42</sup> Orozco, M., *Transnationalism and Development: Trends and Opportunities in Latin America*, in Munzele Maimbo S., Ratha D., *Remittances : Development Impact and Future Prospects*, The International Bank for Reconstruction and Development/The World Bank, Washington DC, 2005, pp. 307-329.

<sup>43</sup> North-South Centre of the Council of Europe, *Migration and Co-Development, Social Remittances of the African Diasporas in Europe, Case studies: Netherlands and Portugal*, Portugal, 2006, 58 pp. Available at [http://www.coe.int/t/dg4/nscentre/Resources%5CPublications%5CSocial\\_Remittances\\_August2006\\_en.pdf](http://www.coe.int/t/dg4/nscentre/Resources%5CPublications%5CSocial_Remittances_August2006_en.pdf)

their motivation may sometimes be more responding to personal (familial, etc...) rather than economic concerns.

Also, we have seen above that, by definition, an international migrant lives in a country different from her or his country of birth. This often means adaptation to a new society- sometimes requiring learning a new language- and an obligation to succeed in one's job (as the authorization to stay in the country of destination may be linked to their professional activity). Migrants also have to take care of their family and relatives in the country of stay or back home. Some may also volunteer in cultural or philanthropic self-organizations maintaining links with the country of origin. Therefore, betting on individual migrants to achieve countries of origin's development challenges appears both unfair and risky, as it over- strains their resources. This situation also applies, to some extent, to their closest descendants.

A second principle derives from the general observation that was made above on M&D, stressing that governments should not consider migration as an alternative to their development efforts (for instance, on reforming their labour market). Therefore, migration should not become an alternative at the personal level either. In other words, projects aimed at enhancing the development impact of diaspora activities (or remittances) should avoid spreading the perception among local populations that migration is the only means by which to support relatives and community.

Finally, diaspora activities (and remittances) are private initiatives. With specific regard to remittances, we will see that these are private flows that governments cannot direct, but for which incentives can be provided to enable them to play a role in local development.

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Diasporas have long been active in networking and philanthropic activities for the development of their country of origin. For instance, diaspora entrepreneurship is believed to have played a key role in the recent growth of China and India as, on the one hand, the Chinese diaspora is estimated to have accounted for approximately 70% of FDI to mainland China during the 1985-2000 period and, on the other hand, the US-based Indian diaspora played a key role in the "IT boom" known in India at the turn of the 21<sup>st</sup> century<sup>44</sup>. However, the success of diaspora initiatives appears conditional upon broader domestic reform. As we have seen above, migration should not be perceived as an alternative to development efforts, and diaspora-supported projects may fail, or not happen, where there is bad governance or lack of infrastructure for instance.

Diaspora projects can further be better achieved through partnership with local authorities and other stakeholders in both home and host countries of diasporas. Such partnerships require three steps to be undertaken by development practitioners (even though these are not always found as such in every situation): identification; adaptation of available tools and domestic coordination.

#### *a) Identification*

The identification of diaspora partners may first pose many challenges to basic development cooperation principles as, for instance, some diaspora organisations may play an active political role, which can create some reluctance at local governments' level to partner with them- while local governments are the ultimate decision makers with regard to national development<sup>45</sup>. Also some diaspora organisations can promote conservative views, notably on gender, which may contravene other development commitments for the advancement of women. A key issue however remains with regard to local ownership, where a balance must be struck between local population's ownership (in

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<sup>44</sup> See Kuznetsov Y., *op. cit.*

<sup>45</sup> Diasporas can play a politically destabilizing role. A study of Collier and Hoeffler related to civil wars notably states that "by far the strongest effect of war on the risk of subsequent war works through diasporas. After five years of postconflict peace, the risk of renewed conflict is around six times higher in the societies with the largest diasporas in America (...)." Quoted in Shain Y. and Barth A., *Diasporas in International Relations Theory*, International Organization, 57, Summer 2003, pp. 449-473

order to ensure the projects' sustainability) and diasporas' ownership of the project (as it remains a voluntary contribution based on their resources). This requires both good knowledge of local specificities - notably with respect to the local populations' perception of the diaspora, and the possible existing jealousy which may jeopardize projects' sustainability- as well as consultation with diasporas through the development planning processes. Further, enabling the integration of diaspora initiatives into national development plans, would avoid departing from a sectoral approach and ensure coherence of development efforts.

Generally speaking, diasporas gather around geographical (same region of origin), professional (same skills) or transversal (women) networks. The challenge is therefore to find the most reliable partners amongst this profusion. To that end, some governments have started developing strategies towards diaspora networks. This usually begins with an official recognition of their potential role and a departure from too strong a focus on return policies to better take advantage of diasporas' networking abilities. This is sometimes accompanied by initiatives aiming at gathering better knowledge of the diasporas' existing skills, even though one should acknowledge that some diaspora members do not want to be listed due to the delicate relations they may have with the governments of the home or host countries.

At the policy level, some governments have also created regular information tools directed towards their diasporas, such as websites or specific medias, complementing the traditional networks around which diasporas are articulated. These tools can provide accurate information to diasporas on development opportunities (including through the local population as diaspora often receive information through relatives back home), the lack of which often limits their involvement in development.

Some countries have further established institutionalized dialogue with their diasporas, such as the Council of Malians Abroad, which sends representatives to the Social and Economic Council of Mali. In many countries, diasporas have also been granted the right to participate in domestic elections even though they reside abroad (as, for instance, the Belgians abroad). Some countries, such as France or Italy, have parliamentary seats reserved for their constituency abroad. In addition, some governments have set up a ministry for their nationals abroad (e.g. Mali, El Salvador, Greece, etc.) and some Heads of State are also personally involved in these efforts.

These policies are relevant for linking diaspora activities with national development planning and poverty reduction strategies, both at national and local level, which may also require consulting with the diaspora when drafting such strategies. For small host countries with a limited number of foreign diaspora in their territories, this creates a further challenge that may lead to these issues not being addressed. In this situation, one option could be to create partnerships among development actors of different host countries harbouring diasporas of the same origin. This approach could also contribute to current international efforts for more coherence among donors.

#### *b) Tools*

With regard to the tools, there is some debate on whether development tools should be adapted to diaspora practices or the opposite<sup>46</sup>. This first approach focuses on enabling diasporas live their transnational experience and can for example include enabling diaspora mobility and facilitating their productive activities by creating a level playing field between diasporas and local populations and ensuring portability of social rights (including the payment of pensions), multiple re-entry visas, dual citizenship, etc. The second approach tends to bring diaspora organisations onto the same level as mainstream NGOs, which notably facilitates funding mechanisms but may leave unaddressed capacity challenges of diaspora organisations.

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<sup>46</sup> On this, see notably the paper preparer by Mr. Chukwu-Emeka Chikezie (AFFORD) for the preparation of the first GFMD civil society day with title Strategies for building diaspora/migrant organisation capacity for development, available at [http://smooz.gfmd-civil-society.org/gfmd/files/Session\\_5.pdf](http://smooz.gfmd-civil-society.org/gfmd/files/Session_5.pdf)

However, looking beyond this discussion, we see that some tools have already been implemented for creating these partnerships. France, for instance, has launched its “co-development” policy, which mainly consists of co-funding development projects carried out by migrant associations, in consultation with the local authorities. At the other end, some home countries have set up a local interlocutor for the diaspora, based in the home country, to ensure that their interventions are in line with local priorities and realities and with other donors’ activities. The private sector has also been relying to some extent on diaspora networks, while development NGOs seem to be lagging behind in unfolding the potential offered by diasporas.

Two last issues may briefly be raised with regard to these tools. First, of course, is capacity building as these networks, even though properly organised, may not have sufficient knowledge to manage development projects. A second gap is related to the availability of “meso-credit” instruments which could meet diasporas’ demands for co-financing projects requiring more funds than are available through micro-credit, but which are below minimal requirements for normal private sector development assistance.

**Box 7 – Belgian Development Cooperation and Africa’s diasporas.**

In the recent years, Belgium has increasingly been active in enhancing diaspora potential for development, especially in Sub Saharan Africa. International conferences were organised around this topic such as the “*Dialogue Day on Africa and Globalization : The Role of African Diasporas in the Development of Sub – Saharan Africa*” in May 2004 or the aforementioned GFMD meeting that dedicated one-third of its work to “*Remittances and other diaspora resources*”.

The Belgian Development Cooperation also supports the MIDA Great Lakes program, which aims at temporary returns – both physical and virtual - of highly qualified diaspora members to their home county. A MEDMA project focusing on entrepreneurship in Morocco was launched in 2007. Both programmes are run by the IOM. Belgium also sponsors the D-MADE project (Development Marketplace for the African Diaspora in Europe) managed by the World Bank<sup>47</sup>. Another Belgian initiative is the creation of a “diaspora assistance unit” (also known as “Cellule diaspora”), based at the Chamber of Commerce, Industry and Agriculture Belgium-Luxembourg- Africa-Caribbean- Pacific (C.B.L.-A.C.P), which aims at advising diaspora on how to submit business project proposals, before redirecting them to funding agencies<sup>48</sup>.

*c) Domestic coordination*

Domestic coordination, finally, is key to achieving success in diaspora activities, including among various levels of governance as local authorities in both home and host counties often play a key role in partnering with diaspora networks.

In home countries, the existence of a ministry for nationals abroad offers this opportunity for coordination, and we have seen that countries like China and India have benefited from their diasporas’ entrepreneurship thanks to broader domestic economic reforms that create an enabling environment for this to happen.

For host countries, creating such an enabling environment goes beyond the area of development cooperation policies and may require taking steps with regards to dual citizenship, voting rights, portability of social rights, etc. Also, socio-economic integration of diasporas could have a positive impact on their development activities<sup>49</sup>, while, conversely, diasporas’ integration may also be facilitated by the ability to be active in the development of their country of origin. This is also the idea behind the French co-development policy.

<sup>47</sup> More information on <http://www.dmade.org/>

<sup>48</sup> More information on the “Cellule diaspora” at [http://www.cblacp.org/en/cellule\\_diaspora\\_en.html](http://www.cblacp.org/en/cellule_diaspora_en.html). See also the background paper prepared for the first meeting of the GFMD with title “*Working with the diaspora for development*” (2.4) available at [www.gfmd-fmmd.org](http://www.gfmd-fmmd.org)

<sup>49</sup> Support to this view in Belgium is provided by Gatugu J., Manço A. and Amoranitis S., *Valorisation des transferts des compétences: l’intégration des migrants au service du co-développement, Le cas des Africains de Wallonie*, L’Harmattan, France, 2001, 161 p.

### C. Enhancing the development impact of remittances<sup>50</sup>

During the last decade, remittances have also attracted increasing interest from both finance and development communities at the global level- including G8 meetings- along with demands from migrants worldwide to access cheaper and easier remitting channels and to support their relatives back home in a more sustainable manner. However, remittances are a complex issue, as their links to development are numerous and their impact is not just economic but also social and cultural. Further, dealing with remittances also covers various policy levels and areas (capacity and confidence building, economic and business environment, etc.) and requires both coordination amongst a wide range of domestic actors (governments, financial intermediaries, migrant associations, etc.) and cooperation at the international level.

Technically, remittances are calculated as the sum of workers' remittances, compensation of employees and migrants' transfers<sup>51</sup>. In practice, what is understood as "remittances" by development practitioners mostly include three types of transactions, originating from the migrants themselves or from their descendants: first, individual - mostly small and regular - financial transfers to support relatives back home; second, money sent to friends or relatives in the country of origin to finance economic investments; and third, individual or collective philanthropic support to development projects. Besides that, "remittances" can also be considered to cover in-kind gifts, value transfers, or domestic financial transfers (in case of internal migration) as well as financial flows to developed economies. These last aspects will not be addressed in the following paragraphs.

According to the World Bank, remittances are the second largest sources of external finance for developing countries - totaling \$206 billion in 2006. They then totaled approximately two thirds of foreign direct investment (\$325 billion) and were twice as large as official aid (\$104 billion) to these countries<sup>52</sup>. However, this figure is believed to be a minimal estimation of these flows due to the lack of data available for some countries<sup>53</sup> (resulting from lack of capacity in collecting data or from statistical limitations such as thresholds below which transactions need not be officially reported); to the large use of informal transfer mechanisms; and to value transfers (i.e. goods sent by migrants abroad to be re-sold in the recipient country). Unrecorded flows are estimated to account for an additional 50% of the recorded flows<sup>54</sup>.

Beyond these global figures, remittances present some characteristics that increase their relevance for development. First, they are more evenly distributed across developing countries than private capital flows with smaller and poorer countries receiving relatively larger remittances as a share of their GDP<sup>55</sup>. Second, remittances also prove to be stable and even countercyclical, for instance in Sub-Saharan Africa<sup>56</sup>. Third, remittances augment the recipient's income more directly than official aid could do, including through indirect multiplier effects (enabling better access to social services, support small business investments, etc.)<sup>57</sup>. Finally, remittances - even individual flows - have, in

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<sup>50</sup> For more information on the role of remittances in development, see Ratha D., Matsas R., *Making Remittances Work for Development: Moving Ahead the GFMD Agenda*, in *Studia Diplomatica*, forthcoming, 2008.

<sup>51</sup> For definitions of the three concepts see IMF, *Balance of Payment Manual*, [www.imf.org/external/np/sta/bop/BOPman.pdf](http://www.imf.org/external/np/sta/bop/BOPman.pdf), para. 169, 302 and 352. This classification is expected to be revised in 2008. For more explanation on the rationale and methodology of this approach, see World Bank, *Global Economic Prospects 2006 : Economic implications of Remittances and migration*, The International Bank for Reconstruction and Development/ The World Bank, Washington DC, 2005, pp. 105-108.

<sup>52</sup> In 2006, remittances from the EU-27 to third countries amounted €19.1 bn. Source: Eurostat, *Remittance flows to and from the EU*, Luxembourg, 2007, 18 pp.

<sup>53</sup> In 2000 and 2001, for instance, figures were only available for 16 out of 49 Sub-Saharan African Countries. Source : IFAD, *Remittances: Strategic and Operational Considerations, Annex to IFAD Decision Tools for Rural Finance*, page 34. In 2003, 87 countries worldwide did not report data on remittances. See The World Bank, *Global Economic Prospects 2006*, op. cit., page 106.

<sup>54</sup> For a presentation of the methodology used to estimate informal remittances flows, see The World Bank, *Global Economic Prospects 2006*, op. cit., pp. 108-110.

<sup>55</sup> In 2004, remittance inflows respectively represented 31.1 and 27.1% of Tonga's and Moldova's GDP. Source: *Ibid*, page 90.

<sup>56</sup> Humanitarian actors working in relief operations may also wish to consider the role remittances can play a role in post conflict situations or after natural disasters.

<sup>57</sup> In this regard, attention should be paid to different remitting patterns and use of remittances between women and men. The impact of remittances on children may also deserve more attention as, while they can benefit from better access to health and education services, they may also suffer of being deprived of a close relationship with their parents.



aggregate, macroeconomic effects, which, like their micro effect, can be positive or negative according to the local conditions.

As for the aforementioned diaspora initiatives, the development potential of remittances is conditional on the domestic economic and political environment which must provide opportunities for the productive use of remittances, prevent dependency; offer sufficient local production to smooth the impact of large inflows on local consumption; ensure social protection for the local population (so as to remittances are not entirely allocated to that purpose), etc. Here also, migration should not be perceived as an alternative to development, nor remittances as a substitute for governments' development responsibilities.

Furthermore, it is important to note that remittances are fundamentally personal flows, which can often be a financial burden on migrants<sup>58</sup>. Consequently, remittance flows could difficultly be directed by governments or financial intermediaries<sup>59</sup>. Unfolding their development impact seem more promising through the provision of incentives and tools to senders and recipients.

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The world remittance market is actually an addition of corridors<sup>60</sup>, therefore a differentiated approach is needed according to each specific situation but some general considerations are common among them. In this regard, current international strategies can be summarized as follows:

- (i) Reduction of remittance costs is expected to encourage the use of formal remittance channels
- (ii) Increasing the use of formal transfer mechanisms in turn offers opportunities to leverage remittances' development impact by enabling the provision of options and incentives for individual savings, investment opportunities or support to local development projects.
- (iii) Formal transfers also enable better development policy planning and response to the possible negative impact of these flows, and facilitate financial intermediaries' access to international capital.

*i) Reduction of cost and formalization of transfers.*

Remittance costs are mainly made up of a transaction fee charged by the operator and a currency conversion fee<sup>61</sup>. Usually, these transaction fees present a regressive structure, with more being charged on small transfers. Besides that, transfer costs appear to depend on the corridors- which makes it necessary to address in one both the facilitation of formal transfers and the reduction of costs. For instance, the cost of South-South remittances (estimated to reach 30 to 45 % of the global recorded flows), often appears to be higher than in North – South corridors<sup>62</sup>, which pose the question of existing financial infrastructure in sending and receiving country and their interconnectedness. For instance, the number of bank accounts in DR Congo in 2004 was estimated to 35.000 for a population of more than 54 million<sup>63</sup>.

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<sup>58</sup> A study of remittances senders from Belgium to DR Congo and Ecuador shows that some migrants are reluctant to go back home for holidays due to pressing demands from relatives. Soenen H., Berlage L., Leman J., *Money in Motion. A Qualitative Study of Transfers of Ecuadorians and Congolese Migrants*, April 2004, pp 17-18. Remittances as financial burden on migrants' shoulder can also make more difficult their integration in the country of stay. See Milhaud C., *L'intégration économique des migrants et la valorisation de leur épargne*, 2006, page 9.

<sup>59</sup> Mandatory remittances schemes have proven difficult to implement and also set various questions of labour rights. See, for instance, Athukorala P., *Improving the Contribution of Remittances to Development: The Experience of Asian Labour-exporting Countries*, International Migration, vol. 31, n°1, 1993, pp. 103-122, and The World Bank, *Global Economic Prospects 2006*, ..., op. cit., pp. 97-98.

<sup>60</sup> Milhaud C., *L'intégration économique des migrants et la valorisation de leur épargne*, 2006, page 49.

<sup>61</sup> Money transfer operators may also benefit from "floats", i.e. the interest of funds being invested in overnight or short-term interest-bearing assets. See Ratha D. and Riedberg J., *Reducing Remittance Costs*, World Bank, 2005, unpublished paper.

<sup>62</sup> Source : Ratha D., Shaw W., *South – South Migration and Remittances*, Development Prospects Group, The World Bank, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/South-SouthmigrationJan192006.pdf>

<sup>63</sup> Source : OECD, African Development Bank, African Development Outlook 2004-2005, OECD, Paris, 2005, page 184.

Besides lack of infrastructure, access to bank accounts or other financial services can be limited due to costs or legal provisions, particularly for undocumented migrants or women in some countries. Formalization of transfers can also be enhanced through financial literacy programs to familiarize remittance senders and recipients with formal channelling of remittances, savings, investment opportunities, etc. Agreements between central banks, private sector intermediaries, or other financial actors (postal unions, micro-credit, etc) can also play a key role in formalizing remittances.

Increasing competition in the remittance market by enabling more actors to enter is expected to favour both reduction of costs and greater geographical coverage but is sometimes limited by legitimate concerns and regulations related to anti-money laundering and counter terrorism financing (AML-CFT). Some remittance sending countries have also set up websites that enable comparisons of transfer costs among different operators in the same corridors, the most famous of which being the UK-based “Send money home” website<sup>64</sup>. In other countries, such as the US, financial fairs have been organised, targeting remittance senders<sup>65</sup>.

New technologies also offer promising opportunities for both the reduction of cost and formalization of transfers, especially if one compares the figures related to cell phone owners and bank account holders in countries like the DRC where, in comparison to the aforementioned 35.000 bank accounts, there were 2 million mobile phones subscribers at that time<sup>66</sup>.

#### *ii) Support to development projects*

Motivations and determinants of remittances are numerous<sup>67</sup>. We hereby make an arbitrary distinction among three types of remittance flows: individual and regular support to relatives; business investments; and philanthropic support to development projects<sup>68</sup>.

Based on the formalisation of *small and regular transfers to relatives*, initiatives related to micro-pensions or insurances have been implemented to enable recipients to continue receiving a regular amount for a certain period of time after the death of the sender. Also, it is possible that senders' and recipients' savings in local financial institutions provide these intermediaries with funds to finance local projects. This could be further facilitated through partnerships between different actors such as banks, money transfer operators, micro-finance institutions, postal unions, etc. and diaspora organisations.

Migrants do not “have to” become *investors* just because they have higher earnings in hard currency. Not everybody has the will or the capacity to become an entrepreneur or an investor. Furthermore, there is also no obligation to provide aid back home<sup>69</sup>. However, as we have seen above, some countries have benefited from diaspora's investments for their development. In this regard, beyond appropriate domestic reforms, preventing investment failures often depends on a combination of accurate information, capacity building and reliable local partner/intermediary. This approach is partly reflected in the “diaspora assistance unit” that the Belgian Development Cooperation has set up for advising business projects from the African diaspora (see box 7). Of another kind, France launched in 2006 the ‘*compte d'épargne co-développement*’ (co-development savings account), providing migrants

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<sup>64</sup> <http://www.sendmoneyhome.org/> A similar website exists in The Netherlands: <http://www.geldnaarhuis.nl>

<sup>65</sup> See more information in Hernandez-Coss R., *The U.S.-Mexico Remittance Corridor*, World Bank Working Paper N°47, The World Bank, Washington D.C., pp. 23-25.

<sup>66</sup> OECD, African Development Bank, African Development Outlook 2004-2005, OECD, Paris, 2005, Tables, page 19.

<sup>67</sup> See, for instance, Carling J, *Migrant remittances and development cooperation*, PRIO Report I/2005, Oslo, 2005, pp. 12-14 ; De De Bruyn T., Wets J., *Les transferts de fonds par les migrants originaires des Grands Lacs d'Afrique centrale*, study implemented by the Hoger Instituut voor de Arbeid (HIVA) under the Direction of the International Organization for Migrations, 2006, pp. 5-7; Doorn, J. van, *Migration, remittances and small enterprise development*, page 3, available at [http://www.microfinancegateway.org/files/3069\\_03069.pdf](http://www.microfinancegateway.org/files/3069_03069.pdf); or, for an analysis of the Greek situation, Glytsos N., *Remittances and Development, The Case of Greece*, in OECD, *Migration, Remittances and Development*, OECD, Paris, 2005, pp. 201-216.

<sup>68</sup> In practice, however, disentangling these flows may be difficult and leave unaddressed specific situations (such as money transferred to repay loans provided to facilitate migration).

<sup>69</sup> Also, it is important to note that setting up a small businesses can just be an alternative to unemployment, weak economic infrastructure or a financial sector that prevents the allocation of these funds towards productive investments.



from selected developing countries and legally working in France with tax breaks on their savings, provided they invest this money in their country of origin.

Finally, we have seen above that diaspora initiatives for *philanthropic support to development projects* are numerous, and governmental efforts to enhance their positive impact are increasing. The Mexican “*Tres por Uno*” program- where additional resources are provided by Mexican public authorities to complement money donated by migrants- is often cited as a model to be replicated in other corridors. Such an approach would however require specific economic and social science analysis on respective diasporas’ willingness to participate, the integration of these projects in local development effort, etc. Practically, they would also need multi-stakeholder partnerships to ensure that the appropriate infrastructure is in place. Inclusion of such projects in broader development planning would further leverage their development potential through ensuring coherence and helping mobilize technical support from donors.

### *iii) Macro-economic impact*

Finally, we have seen that, remittances also have an aggregate macro-economic impact, even though they are private and individual flows. This gives financial intermediaries an opportunity to access additional external financing (at no cost to remittance senders and recipients) through improvement of credit ratings<sup>70</sup> and securitization operations<sup>71</sup>. Of another kind, some governments and private financial and non-financial institutions in countries of origin have raised funds from the diaspora through the issuance of diaspora bonds<sup>72</sup>.

## **Conclusion**

There is no automatic beneficial relationship between migration and development. Labour migration, diaspora and remittances by themselves do not enable any country to escape poverty and structural development problems. However, strengthening the migration and development nexus can open a wide range of opportunities to achieve win-win situations for developing and developed countries and the migrants.

In today’s interconnected world, migration has become a truly global issue, even though national specificities are important and must be taken into account. Its management requires domestic coordination and international cooperation while enhancing its positive links with development requires coherence among a wide range of international policy areas as well as the active intervention of a wide range of stakeholders (governments, international agencies, private sector, NGOs, migrant associations, trade unions, research, media, etc.).

However, these challenges urge to be faced as the creation of appropriate tools for labour migration, diaspora activities and remittances would not only positively influence the lives of the 200 million international migrants and their family, but would also contribute to the welfare of the world population as a whole.

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<sup>70</sup> Country credit ratings are decided by major international rating agencies (Fitch, Moody’s and Standard and Poor’s, etc) and research suggests that many developing countries could benefit from a sovereign rating of B or higher, should remittances be taken into their calculation. See Ratha D., De P., and Mohapatra S., *Shadow Sovereign Ratings for Unrated Developing Countries*, Policy Research Working Paper. World Bank, Washington DC, 2007.

<sup>71</sup> Briefly summarized, securitization enables the use remittances (as future hard-currency inflows) as a guarantee for borrowing on international markets. The risk for migrants is limited, as the securitization structure does not absolve the bank of this liability and, further, the amount of bond financing can only be a small fraction of the remittances flowing through the bank. See Ketkar S. and Ratha D., *Recent Advances in Future-Flow Securitization*, TheFinancier, December 2005.

<sup>72</sup> Ketkar S. and Ratha D., *Development Finance via Diaspora Bonds Track Record and Potential*, Paper presented at the Migration and Development Conference at the World Bank, Washington D.C. May 23, 2007, available at <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1100792545130/Diasporabonds.pdf>

## **Further readings**

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**Ionescu, D.**, *Engaging Diasporas as Development Partners for Home and Destination Countries: Challenges for Policymakers*, IOM Migration Research Series, No. 26, 2007, 65 pp.

**Report of the First Meeting of the Global Forum on Migration and Development**, Bruylant, forthcoming 2008.

**Studia Diplomatica**, *Migration and Development*, EGMONT Institute, forthcoming 2008

**World Bank**, *Global Economic Prospects 2006 : Economic implications of Remittances and migration*, The International Bank for Reconstruction and Development/ The World Bank, Washington DC, 2005, 180 pp.

## **Questions**

- a) In 2006, the number of foreigners in Belgium totalled :
  - a. Approximately 1 million people
  - b. Approximately 1,6 million people
  - c. More than 2 million people
  
- b) In 2006, the official figures of recorded remittances to developing countries was :
  - a. Double the figure of ODA and two thirds of FDI to these countries
  - b. Double the figure of FDI and two thirds of ODA to these countries
  - c. Equal to ODA, double to FDI to these countries
  
- c) The second GFMD meeting will be held in 2008:
  - a. In Brussels
  - b. In New York (UN)
  - c. In Manila
  
- d) The Belgian Development Cooperation supports the MIDA Great Lakes programme, which is managed by :
  - a. The International Labour Organisation
  - b. The International Organisation for Migration
  - c. The World Bank
  
- e) Send Money Home is ...
  - a. A UK-based website that compares remittances' fees in different corridors.
  - b. A French co-development program.
  - c. A Belgian development cooperation project with the purpose to assist African diaspora members in investing in their home countries.