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Remittances and the migration–development nexus—Challenges for the sustainable governance of migration

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ABSTRACT

This paper argues that possible effects of international migration on the environment have to be analysed with respect to both the three dimensions of sustainability and the migration stakeholders. It has recently been put forward that immigration has to be reduced for environmental reasons. In contrast, this paper embarks from the view that reducing immigration is costly, ineffective and ethically troublesome. It argues that there are strong interrelations between development and migration, suggesting that one has to consider development problems when discussing migration. In this context, the enormous amount of remittances of migrant workers could yield considerable potential for promoting sustainable development. Sustainable governance is needed to manage this potential wisely. In doing so, it is essential to consider the migration stakeholders (sending and receiving countries and the migrants themselves) and balance the three dimensions of sustainability.

The world is 'on the move': more than 175 million people are counted as migrants. Migration has become an important socioeconomic factor in almost all countries of the world. With about 100 million migrant workers and their families, international labor migration plays a major role within this context, yielding a complex and contentious challenge for the sending countries as well as for the receiving ones.

How should migration be governed from a sustainability perspective? The Carrying Capacity Network (CCN) adopts the position that immigration (to the U.S.) has to be reduced to protect the environment (DinAlt, 1997). Daly (2004) adopts a similar perspective, although he discusses immigration in the wider frame of globalization and internationalization, raising questions about development as well. However, both seem to argue from a point of view that has mostly environmental problems and the receiving countries in mind.

In contrast, my argument is that the sustainable governance of migration has to consider problems of development in the sending countries as well. There are three dimensions of sustainability and there are three migration stakeholders (migrants, sending countries and receiving countries) that should be treated as equally important in the debate. Playing environmental goals off against economic or social goals can be dangerous, as well as playing the migrants off against the sending or receiving countries. Within this realm, reducing immigration from current levels is not a credible policy option: migration has been increasing in the last years, despite tighter regulations and restricting policies of the receiving countries. The fact that migration cannot be prevented could hardly be overestimated: the pull and push factors are stronger than any border control can ever be. In this respect, immigration is inevitable because there will always be many people that are

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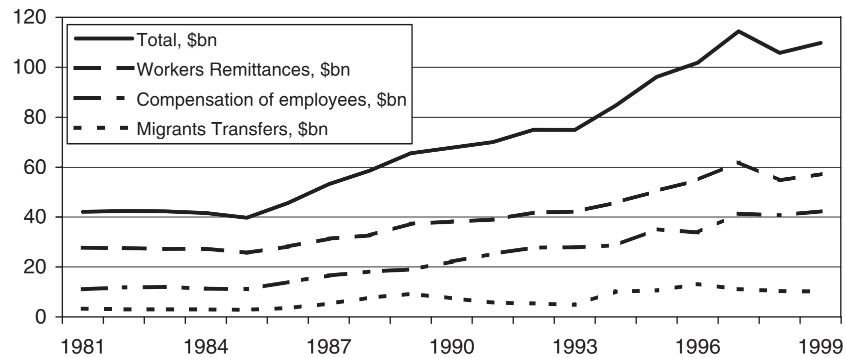

Fig. 1 – Global remittances (1981–1999). Source: Russell and Teitelbaum (1992) p. 61 (for 1981–1989); IMF (for 1990–1999).

willing to risk their lives to get into their target countries. Additionally, tight border control is costly for the receiving countries. Accepting migration as a part of our socioeconomic reality is therefore a necessary precondition for discussing the sustainable governance of migration.

Here, I make the case for the migration–development nexus: when talking about migration, one has to talk about development, too. A prominent example, which depicts the importance of this connection, is the enormous amount of money transferred by migrants across national borders. These remittances show also the potential for promoting sustainable development.

1. The migration–development nexus

The various connections between migration and development have recently been widely discussed as 'migration–development nexus' (Nyberg-Sørensen et al., 2002a,b; McKinley, 2003). Besides connecting migration with problems like poverty, conflicts, refugees and aid, the discussion focuses on the question whether migrants can be a development resource (Nyberg-Sørensen et al., 2002a). The literature discusses adverse development effects of migration like 'brain drain' and positive development effects of migration like the potential for poverty reduction, implementation of livelihood strategies, the accumulation of human and financial capital and transnational links between the sending and the receiving countries on local and national levels (McKinley, 2003).

Under which conditions can migration be a source of development? The most important issue is to facilitate a 'migration cycle' which ideally consists of the 'three R': recruitment, remittances and return (Papademetriou and Martin, 1991). But often, migrants do not acquire skills that can be used for development in the sending country. And measures that are introduced to help people to return to their country of origin are difficult to implement because they often only help people that would have returned anyway. That is why some authors also strengthen the role of the migrant communities abroad that can have a positive effect on development. In this case, migrants do not return but help their country of origin otherwise (remittances, information, knowledge transfer, exchange) (Nyberg-Sørensen et al., 2002a, p. 11f.).

Migration also implies problems of worsening development perspectives: often, the most skilled laborers choose to migrate thus yielding an overall loss for the societies when they do not return ('brain drain'). It has been calculated that the emigration of every high-skilled IT-specialist in India costs the country about $50,000 in lost productivity gains, not speaking of the education costs (EFE, 2001). In general, it is not the poorest that migrate as there are costs involved. The theory of the 'migration hump' suggests that a certain level of development stimulates migration because there are more efficient investment opportunities available for the remittances: reliable banking structures and stable economic conditions reduce the risks and uncertainties of migration and enhance its effectiveness. Thus development is not necessarily reducing migration (Nyberg-Sørensen et al., 2002a, p. 10).

So far, environmental aspects are not prominent with the migration–development nexus (Conway, 2004): this may be due to the large number of social, economic and cultural problems that are involved with the topic. However, environmental problems are acknowledged as being one of the root causes of migration. Inversely, migration also causes environmental problems, concentrating more people in urban areas in developed countries and 'exporting' a more environment-harming lifestyle through remittances and returning migrants. At the first glance, the migration–development nexus seems to offer few prospects for improving the environment. However, forcing people to stay where they do not want to stay may cause even more environmental problems (e.g. uncontrolled resource depletion). There is no alternative in accepting migration as a practice and trying to cope with its consequences. Doing so would also better account for the economic and social dimensions of sustainability. A possible option is to look closer at the potential of remittances to promote sustainable development, discussed below.

More generally, the policy review by Nyberg-Sørensen et al. (2002b) distinguishes three migration–development regimes and related policies namely (1) closure and containment, (2) selectivity and (3) liberalization and transnationalism. Daly (2004) seems to favor the first policy option as he doubts that sending countries would continue to invest in education or try to reduce its birth rate because migration could replace those strategies (e.g. through remittances-sending migrants). This is indeed a serious challenge that migration brings about.

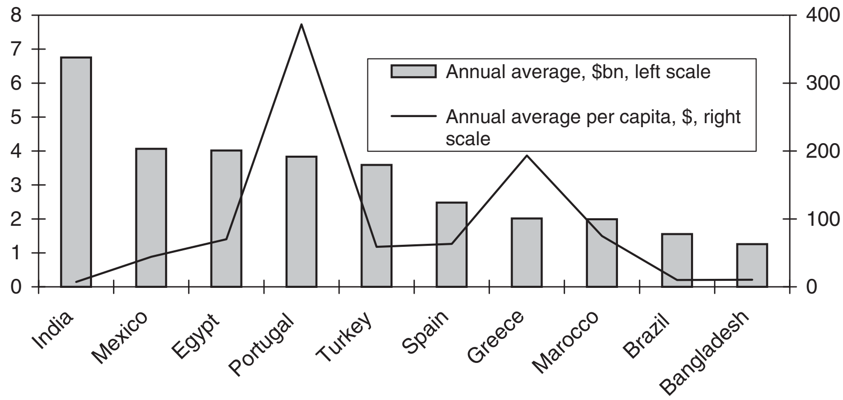

Fig. 2 – Top recipients of remittances (Average 1991–1999).

However, it is difficult to respond to this challenge with closure and containment. Closing the borders would minimize the chances for development, stressed by the migration–development nexus as well. From a pessimistic point of view, one could argue that migration actually deprives the south of development prospects. But this is difficult to hold for the 'brain drain'-argument, since 'closing borders' would mean first and foremost to keep unskilled workers out of the industrialized countries. Given that the industrialized countries would still have an interest in hiring high-skilled workers and specialists, the 'brain drain' would actually be worse in such a scenario. Thus a regime of closure and containment can easily lead to a regime of selectivity.

In sum, the migration–development nexus issue shows that when discussing migration, development problems have to be considered as well. But has migration the potential to promote sustainability and taking environmental problems into account? The widely discussed issue of remittances shows some interesting prospects.

2. Remittances

One of the very intentions of labor migrants is not only to earn money for themselves but also to send money back home to support their families. With ever-rising migration in the 1990s, these financial transfers have been increasing considerably. However, the empirical analysis of remittances is not an easy enterprise: besides declared money transfers, many prefer to send their money undocumented. The figures from the Balance of Payments that are presented in the following are astonishingly high, but might even be much higher if undocumented transfers could be fully accounted for.[1]

In 1999, global remittances were about $110 billion, compared to $40 billion in 1990 (see Fig. 1).[2] Thus remittances roughly double the Official Development Assistance (ODA): in relation to the world population, ODA is about $10 per person and year, whereas remittances are $19 (1999).

Looking at the top recipients of remittances, India ranks first with nearly $6.7 billion followed by Mexico, Egypt, Portugal and Turkey, all with about $4 billion (see Fig. 2). In the case of India, this equals to $7 per capita compared to Mexico ($44 p.c.), Egypt ($70 p.c.), Portugal ($387 p.c.) and Turkey ($59 p.c.).[3] Note that the difference between the overall sum for a country and the per capita sum is affected by both the percentage of people that migrate as well as the amount of money remitted by each migrant.

Compared to GDP, some countries reach extraordinarily high remittances/GDP-ratios, such as Lesotho (32%), Samoa (25%), Jordan (21%), Yemen (18%) and Nicaragua (13%). There are all in all 27 countries that have remittances/GDP-ratios above 3% (see Fig. 3). Thus, in comparison to their economies, remittances are for many countries a considerable contribution.

Compared to exports, the results are even more striking: there are four countries that have in fact higher remittances than exports namely Albania (197%), Lesotho (145%), Georgia (137%) and Sudan (102%) (see Fig. 4). These countries are followed by 17 other countries with remittances/exports-ratios above 20%. Consider that remittances can be seen as the revenues of the 'export of labor'. For many countries, their labor force has become an important factor in being able to participate in world trade.

Concerning Official Development Assistance (ODA), some LDC have very high remittances/ODA-ratios, with Lesotho (668%) ranking first, followed by Yemen (328%), Sudan (301%), Myanmar (236%) and Bangladesh (139%) (see Table 1). There are more than 50 countries that have remittances/ODA-ratios

[1] I use the definition set out by Russell and Teitelbaum (1992), to include the lines 'Workers' Remittances', 'Compensation of Employees' and 'Migrants' Transfers' in the notion of remittances when discussing global flows. However, for the following country-by-country analysis, it is useful to leave 'Migrants' Transfers' aside because it is reported for very few migrant-sending countries. The definitions of the different lines can be found in IMF (1993).

[2] Here, Remittances are 'Workers Remittances' (Balance of Payments, BOP) only. In the following graphs and tables, Remittances are calculated as the BOP lines 'Workers Remittances' and 'Compensation of Employees'.

[3] Here, only the line 'Workers Remittances' is considered to not distort the list with the high amounts of 'Compensation of Employees' for the highly integrated European Countries.

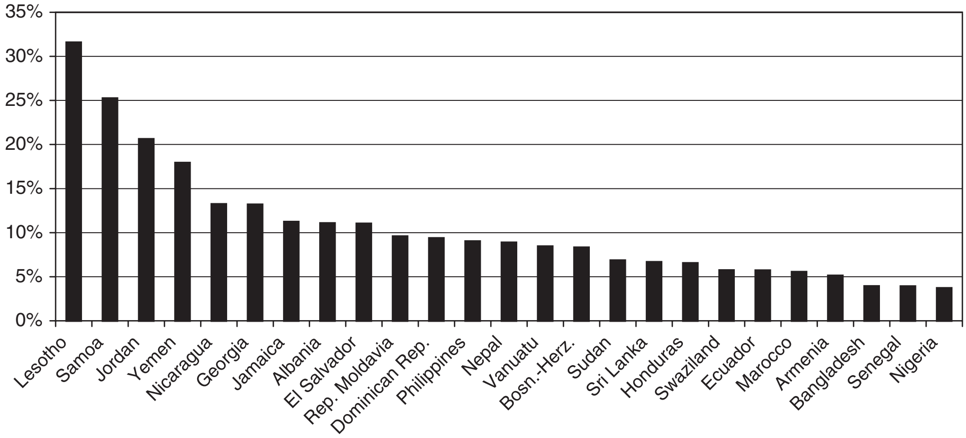

Fig. 3 – Remittances as share of GDP (Average 1998/1999). Source: World Development Indicators Database, IMF.

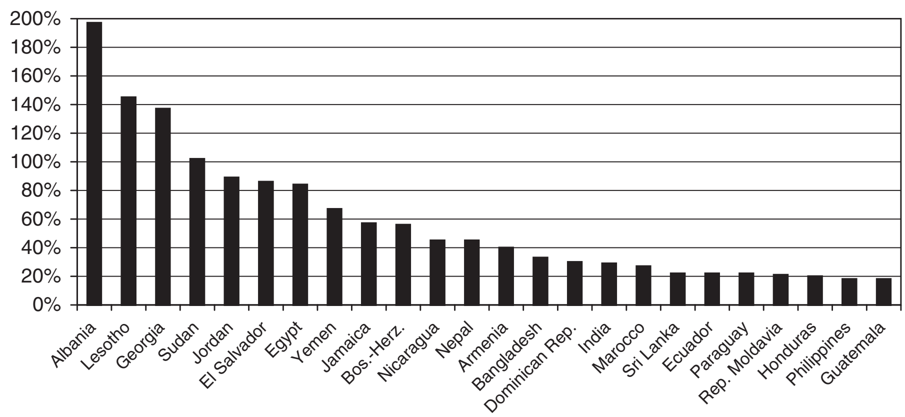

Fig. 4 – Remittances as share of exports (1999). Source: World Development Indicators Database, IMF.

above 20% although with most of the countries this is due to negligible amounts of ODA (i.e. East European countries).

With these statistics, two major problems have to be considered: first, the figures understate the real extent of the transfers. Some authors estimate the remittances to be twice as high as the officially documented sums (e.g. Gammeltoft, 2002). Second, developed countries usually report their Balance of Payments more accurately while developing countries might not be able to report specific data on remittances. Half of the LDC do not report remittances at all and only about one quarter reports the data continuously. Given these facts, most LDC and some other countries are rather dependent on migration and remittances; migrants are for many economies an important 'export': migrants contribute to their home economies with hard currency thus enabling them to import goods. It can therefore be concluded that remittances are an important financial resource for the migrant-sending countries (Ratha, 2003).

3. Sustainable development and remittances

Do remittances have the potential to promote sustainable development, respecting not only socioeconomic goals but the environment as well? Remittances are an incentive to migrate in the first place and–given their sheer scale–can be seen as a possible source of sustainable development. In addition, remittances differ much from other financial resources of developing countries like Foreign Direct Investment (FDI), trade revenues or ODA.[4] The most striking feature of remittances is their directness: remittances are personalized financial transfers, adding up to the income of the receiving households, altering the income distribution (Barham and Boucher, 1998) and having substantial but not always positive socioeconomic consequences (Ballard, 2003). In this respect, remittances are difficult to govern because they are part of informal networks, of which the most important feature is that they function 'against' official systems.

However, there are some more challenges involved: first, remittance costs are high. These costs of about 6–20% of the remitted sum (depending on the amount) should be reduced by supporting and promoting alternative banking structures (Ballard, 2003). Second, most of the remittances go directly into consumption, only sometimes private housing is

[4] Remittances themselves can take various forms and fulfil various functions. See Goldring (2003) for a typology.

Table 1 – Remittances as share of official development aid (Average 1998/1999)

Lesotho	668%
Yemen	328%
Sudan	301%
Myanmar	236%
Bangladesh	139%
Nepal	73%
Senegal	32%
Togo	23%
Benin	21%

Source: World Development Indicators Database, IMF.

financed, but seldom, the money is invested (Myhre and Nurse, 2004). Using the alternative banking structures could enable popular savings and could, for example, help to convert micro-credit institutions to become formally regulated institutions (Nyberg-Sørensen et al., 2002a, p. 15). While during the 1990s the remittances flew somewhat unregulated, there are recently some ideas being put in practice in Mexico, India and Tunisia that make minor-scale investment for development purposes possible (Migration News, 2002). However, 'perverse outcomes' such as 'capital-rich underdevelopment' (Ballard, 2003) are reported as well, when remittances are used for consumption or housing while at the same time agricultural activities in the communities are declining. Third, it is not clear whether the remittances fully compensate for the 'brain drain' and how one could tackle this problem. Since the 'brain drain' is about a relatively low number of high-skilled migrants, programs that put a focus on a migration cycle for these migrants could be useful. And fourth, there can be negative effects on the macroeconomic level, e.g. remittances causing inflation (Nyberg-Sørensen et al., 2002a, p. 11f.). Concerning these challenges, it is crucial to consider that developing countries and their regions differ in many respects —concerning their size and population, progress of development, socioeconomic situation, natural resources, institutional stability and migration pattern. Sustainable governance would need to respect this diversity as well.

In the context of the transfer of social and human capital, remittances can foster local development, when linked with small enterprise development or microfinance. Remittances are especially interesting for environmentally friendly local and rural development since they avoid the 'center' and go directly into the 'periphery' (Ballard, 2003). Environmental projects could play a crucial role in this context, since local investment opportunities are attractive for returning migrants, but often, such projects are not available and the money is consumed or invested elsewhere. There is a sustainable governance gap here, because potential investments in environmental projects would require assistance from development agencies. Furthermore, the 'transnational practices' of migrants provide possibilities for achieving sustainable development by skill and knowledge transfer (Conway, 2004, p. 299). Migrants who are members of 'Hometown Associations' are likely to be interested in environmental problems of their region and are therefore potential partners in this process. In fact, they already contribute to development projects with donations as the case of Ghana shows (Asiedu, 2005). One can conclude that there are good prospects that remittances can facilitate sustainable development. But sustainable governance is needed to achieve this goal since there is by no means an automatism between remittances and sustainable development.

The paper has discussed some aspects of the many goals and challenges that are involved in the sustainable governance of migration. Above all, one should not forget that it is already difficult to compensate for the bad effects of migration —and even harder to govern migration while at the same time promoting sustainable development. But migration offers a rich potential for sustainable development. A careful consideration of the migration stakeholders is necessary to govern this potential wisely. Within such a framework, a strong voice that advocates environmental problems concerning migration is indeed vital.

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