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ECONOMIC DEVELOPMENT IN AFRICA REPORT 2018

Migration for Structural Transformation

CHAPTER 5

Migration and structural transformation: The long-term view

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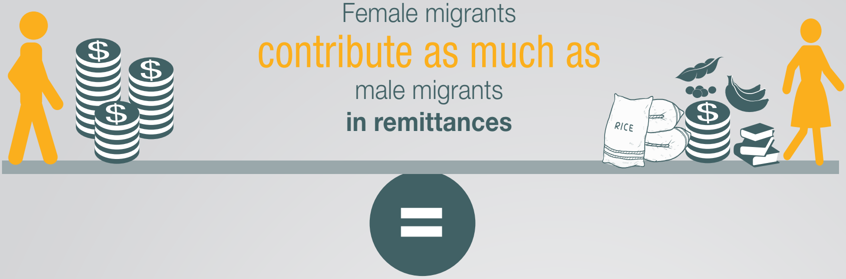
The economic history of the world shows that development is a long-haul and constantly evolving journey marked by specific milestones. The development path of countries in Africa is no exception. This chapter complements the analysis of the trade and sector-level dimensions of the relationship between migration and structural transformation (see chapter 4).

The first section takes as the point of departure the notion that sustainable economic development relies on sustainable social development. It examines changes in a series of socioeconomic indicators and their potential association with migration patterns, investigating concerns with regard to declining education levels and performances in health in receiving countries. The section then compares data on changes in migration patterns with data on changes in socioeconomic indicators in sending countries. The second section provides an overview of the extent of remittances at the aggregate level and uses household-level data to analyse the spectrum of its use by recipients in sending countries. The final section briefly considers other potential benefits of migration.

DIASPORA'S IMPACT ON AFRICAN DEVELOPMENT



Afwerki had talked to Mamadou some weeks ago about his uncle's letters in which he shared stories about some of his African friends in their struggle for living the American dream. The existential upheavals of one in particular, a fellow Ethiopian called Sepha, had an effect on Afwerki. It was his uncle's accounts of these other facets of migration that motivated him to stay in Africa. He vowed to contribute to making the continent a land of opportunities. He said that he was involved in some social investment ventures back home. He wanted the children, the nieces and nephews of women who now work abroad as domestic workers to have the same opportunities as his own children. "These women make so many sacrifices" he said, "so the least we can do is to make sure that these remittances are spent on studies that would equip the children in their families back home with the right skills to succeed in today's world." As they parted ways that evening, Afwerki said to Mamadou: "Don't worry my friend. Our descendants will turn the continent's narrative upside down. Foreigners will want to come to the continent and live the African dream. Trust me. Let's talk again in 2063".

5.1 Migration does not stifle social development in sending and receiving countries

Growing cities in the face of increased migration bear most of the burden on public services, from housing to education, utilities and transport infrastructure. In most instances, such strains reflect existing challenges in public funds allocations, which may or may not be exacerbated by the influx of foreign-born inhabitants. For instance, almost all of the cities included in a study on the impact of migration reported a need for more affordable and social housing for both existing populations and migrants (World Economic Forum, 2017). There is no evidence of a predominant share of foreign-born migrants in destination cities in Africa and elsewhere, yet media narratives often associate the presence of foreign-born inhabitants with delays in social progress. In the light of this context, this section investigates the dynamics of migration and social development trends in sending and receiving countries in Africa.

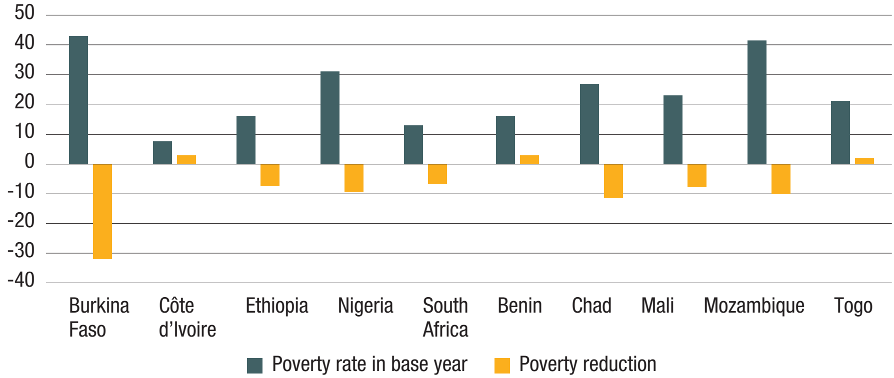
5.1.1 Migration patterns have not stopped progress on poverty reduction

An examination of the parallel changes in recent poverty headcounts and migration patterns reveals that there is little difference between the top receiving and top sending countries (figure 18). For example, Burkina Faso, which started at the highest poverty level, at 40 per cent in 1998, experienced the greatest reduction. Among receiving countries, Côte d'Ivoire is the only country in which poverty has slightly increased since 2000.

Figure 18

Top receiving and sending countries: Change of poverty headcount ratio at $1.90 per day, between 1996 and latest observation

(Percentage)



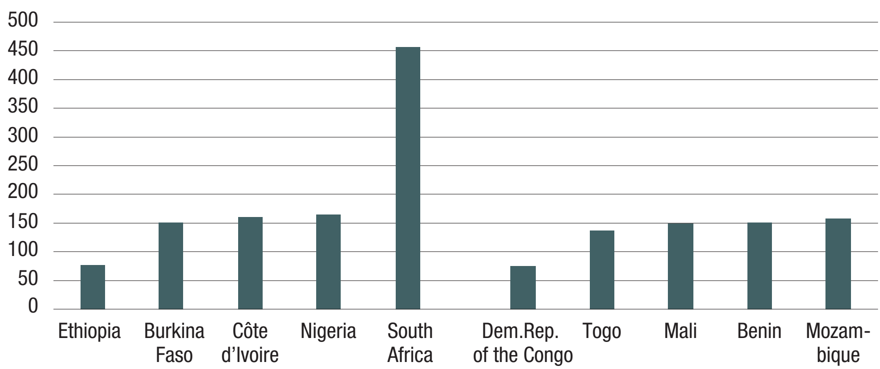
Source: UNCTAD calculations, based on the World Development Indicators database of the World Bank.

Notes: Calculated for top sending and receiving countries for which at least two data points are available. Observation years for top receiving countries are as follows: Burkina Faso, 1998; Côte d'Ivoire, 1998; Ethiopia, 1999; Nigeria, 1996; and South Africa, 1996. Base years for top sending countries are as follows: Benin, 2003; Chad, 2006; Mali, 2001; Mozambique, 2002; and Togo, 2003.

Figure 19

Top receiving and sending countries: Nominal gross monthly minimum wage at constant 2011 purchasing power parity, 2010

(Dollars)



Source: UNCTAD calculations, based on the ILOstat database.

5.1.2 Wage differentials remain small across countries with varying migration trends

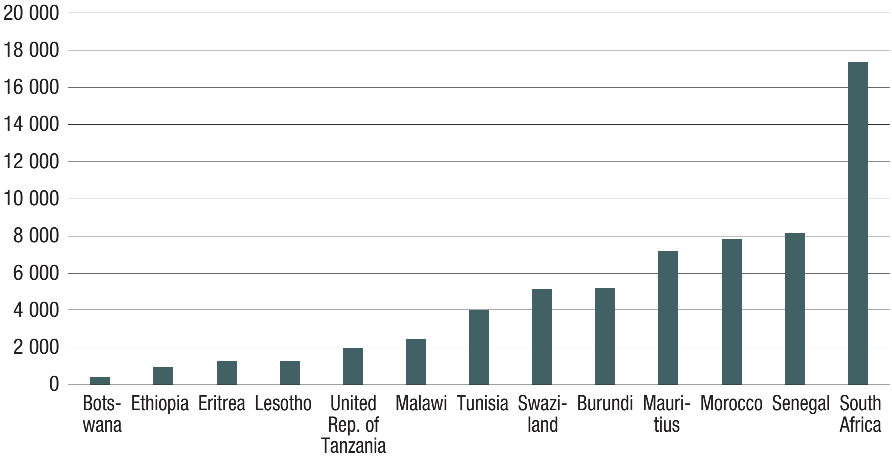
In 2010, there were no clear differences between sending and receiving countries with regard to the monthly minimum wage, with the exception of South Africa (figure 19).

An analysis of national minimum wages and salaries paid to employees in the manufacturing sector that captures variations over time is shown in figure 20. Both datasets used in the analysis indicate that there are no clear differences between sending and receiving countries with regard to wage levels. Receiving countries do not appear to be more prone to lower wages than sending countries. Wage differentials in Africa are generally smaller due to the relative homogeneity of economies.

Figure 20

Three-year average manufacturing wage paid per employee, 2009–2011

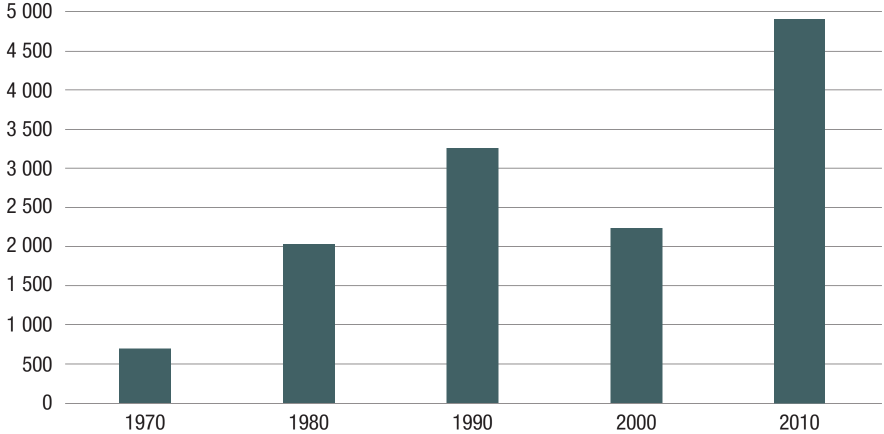
(Dollars)



Source: UNCTAD calculations, based on the ILOstat database (national minimum wages) and the United Nations Industrial Development Organization Industrial Statistics database, arranged at 3-digit and 4-digit level of the International Standard Industrial Classification of All Economic Activities, revision 3 (wages and salaries in manufacturing sector).

In 1970–2010, in parallel with the increase in migration stocks, wage differentials also rose, except for a decline in 2000 (figure 21). A bivariate analysis of the relationship between migration and wages suggests that bilateral migration reduces wage differentials, but that the effect is small, with an elasticity of 0.02 per cent, and not significant in different specifications. This finding is supported by the fact that wage differentials between sending and receiving countries are small, as is the expected wage-depressing effect in the receiving country. The analysis does not aim to ascertain a causality link between migration and wages, but provides insights on the variations in bilateral migration and wage data over time in origin and destination countries.

Figure 21
Average bilateral wage differential between countries in Africa
(Dollars)



Source: UNCTAD calculations, based on the United Nations Industrial Development Organization Industrial Statistics database, arranged at 3-digit and 4-digit level of the International Standard Industrial Classification of All Economic Activities, revision 3.

5.1.3 The increase in migration happens in parallel with improvements in education and health, especially for women

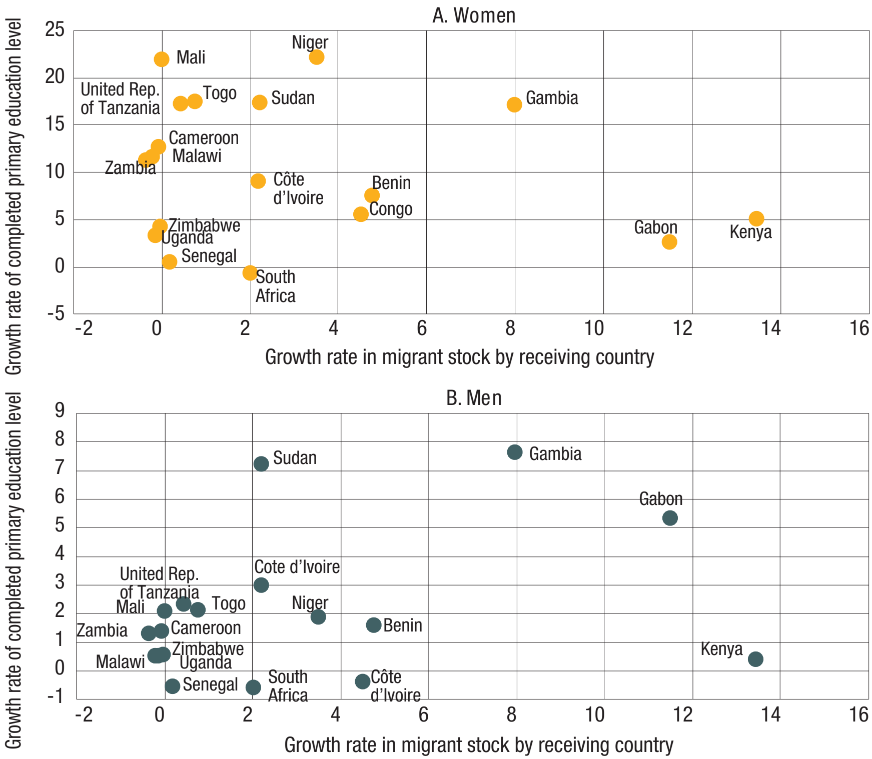
Migration and education

On the one hand, migration can help to increase education in a sending country through remittances and the consequent ability to send more children within a household to school. However, spending on education in sending countries may decline owing to lower public revenues resulting from labour emigration. On the other hand, migration can put more pressure on a receiving country by increasing the strain on corresponding public services, captured by higher expenditures on education. In receiving countries, educational attainment at the primary level has consistently grown faster than migrant stocks, women's educational attainment has improved at faster rates, at above 5 per cent, than the growth of migrant stocks (figure 22a), and the growth rate of men's educational attainment has been below 4 per cent in many countries (figure 22b). In sending countries, the patterns of change of both men's and women's educational achievement are less marked than in receiving countries (figure 23(a) and (b)).

Figure 22

Growth rate of completed primary education level by gender and growth rate in migrant stock by receiving country, 1960–2010

(Percentage)

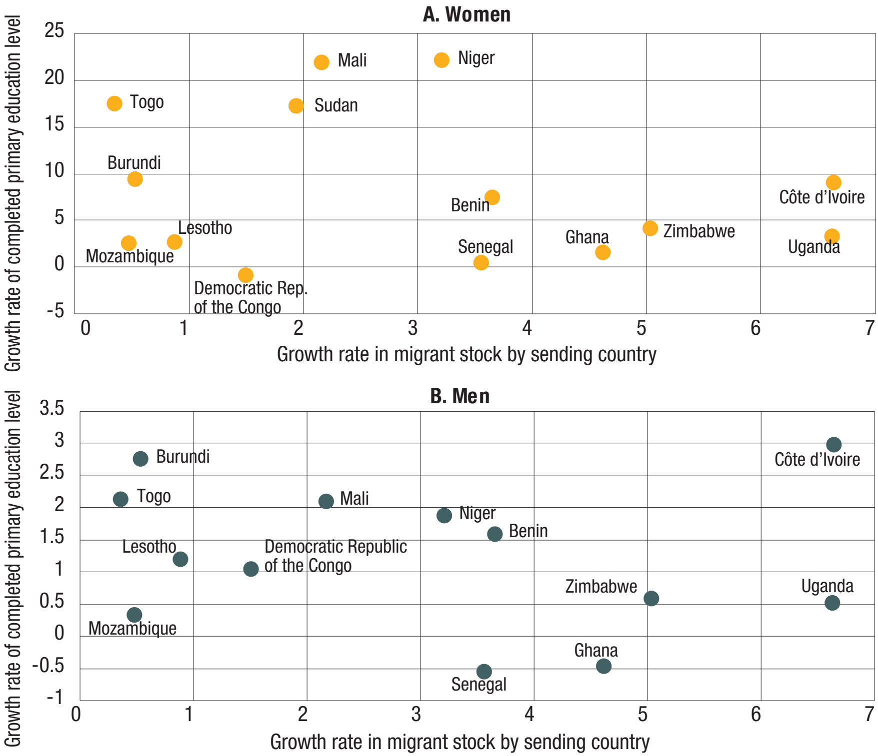


Source: UNCTAD calculations, based on the Barro-Lee Educational Attainment dataset.

Figure 23

Growth rate of completed primary education level by gender and growth rate in migrant stock by sending country, 1960–2010

(Percentage)



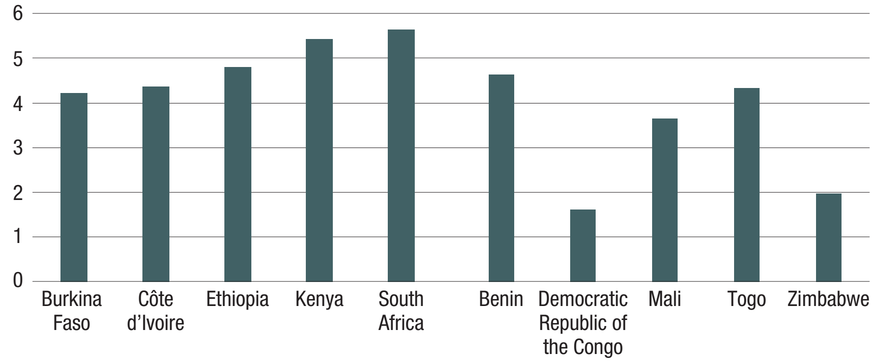
Source: UNCTAD calculations, based on the Barro-Lee Educational Attainment dataset.

Rising immigration levels can put more pressure on social expenditures in receiving countries. Government expenditure on education is on average higher in receiving countries than in sending countries (figure 24), yet there appears to be a negative relationship between an increase in immigration and changes in expenditure on education.

Figure 24

Government expenditure on education as share of gross domestic product by top receiving and sending countries, 2010

(Percentage)



Source: UNCTAD calculations, based on the World Development Indicators database of the World Bank.

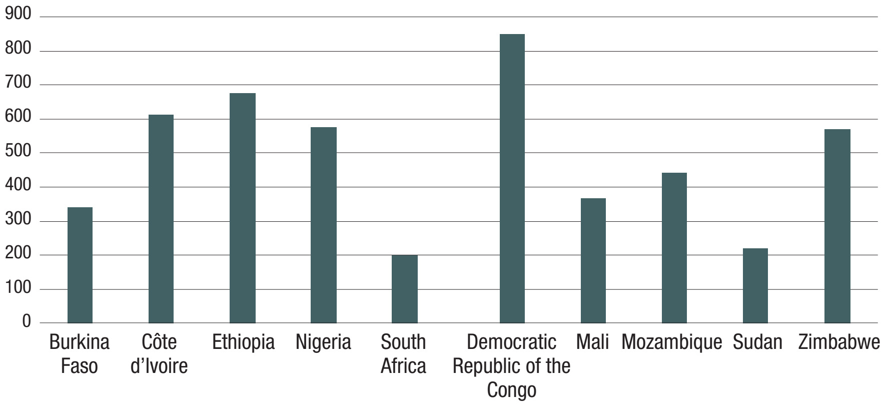
Migration and health status

There appear to be no major differences between sending and receiving countries on the maternal mortality ratio and immunization rates (figures 25 and 26).

Figure 25

Maternal mortality ratio by top receiving and sending countries, various years, 2009–2014

(National estimates per 100,000 live births)

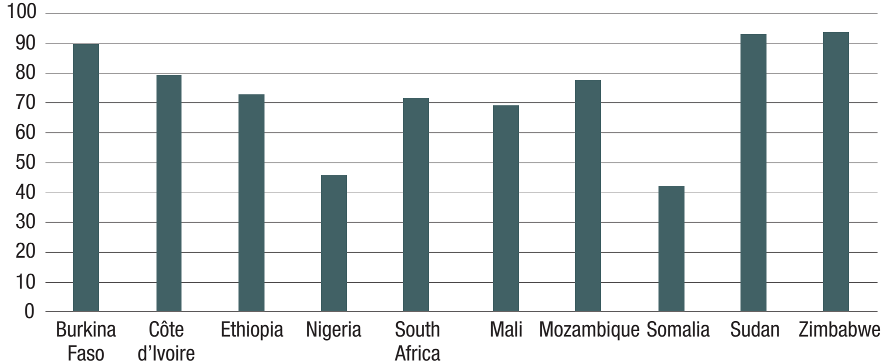


Source: UNCTAD calculations, based on the World Development Indicators database of the World Bank.

Figure 26

Immunization of children aged 12–23 months against diphtheria, pertussis and tetanus by top receiving and sending countries, 2010

(Percentage)



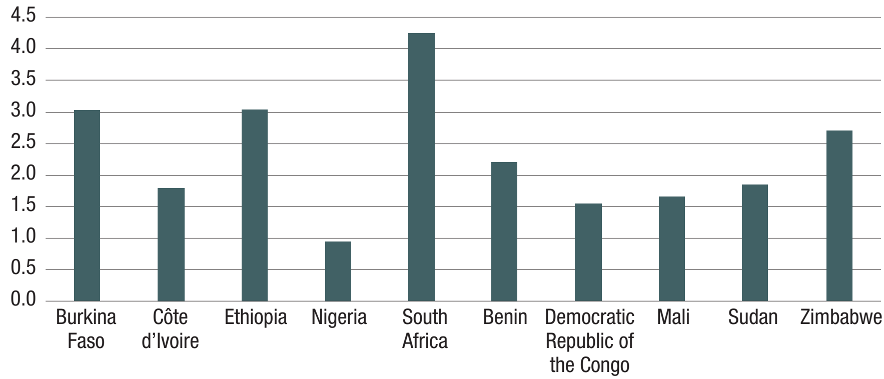
Source: UNCTAD calculations, based on the World Development Indicators database of the World Bank.

The fear that rising levels of immigration will require greater government expenditures on health in a receiving country is not corroborated by the data on Africa (figure 27). On average, when measured as a share of GDP, differences in expenditures seem relatively low between sending and receiving countries.

Figure 27

Health expenditure as share of gross domestic product by top receiving and sending countries, 2010

(Percentage)



Source: UNCTAD calculations, based on the World Development Indicators database of the World Bank.

There seems to be no correlation or a negative correlation with regard to changes in health expenditures and immigration over time, which suggests that immigration does not put a strain on public expenditures on health that may halt progress on health-related development goals. In contrast, the results show that migrants are likely to cover their own health expenditures. The limited fiscal implications may be due to many migrants not being eligible for social benefits in most receiving countries. Similarly, as other studies have shown, whether positive or negative, the net fiscal impacts of immigration are not likely to be large (United Nations Development Programme, 2009).

5.1.4 Under current circumstances, migration is neither a burden nor a panacea in achieving the Sustainable Development Goals

The analysis in this section suggests that migration plays a minor role in influencing trends in social development-related indicators in both sending and receiving countries. In addition, although more rigorous analysis and projections of likely trends are beyond the scope of this report, and a formal analysis of the causality between migration and social indicators was not conducted, the results of the analysis conducted suggest that migrants should not be blamed for any unsatisfactory public services in receiving countries. The burden of achieving transformative social development in sending countries should not rest on emigrants. In other words, as found in earlier studies, under current circumstances in Africa, migration is neither a burden nor a panacea. However, an examination of the possible prospects of many countries in achieving the health and education-related Sustainable Development Goals by 2030 indicate relatively good scoring overall (table 22). Yet these prospects could be better. The findings suggest that more needs to be done to improve the enabling policy and regulatory environment, which would enable countries in Africa to maximize the benefits of migration and establish the right conditions for sustainable structural transformation.

5.2 Remittances contribute to building the foundations of structural transformation in sending countries

Remittances are not a substitute for other forms of development finance, but are a critical financial flow for many developing countries. Remittances constitute one of the main mechanisms through which emigration leads to improvements in welfare in families and communities in sending countries. They can take many forms, whether cash, in-kind and social, all of which potentially enable family members to improve their diets,

Table 22

Immigration patterns and prospects for achieving health and education objectives

Level of immigration	Prevalence of undernourishment (percentage of population; three-year average)				Maternal mortality ratio (national estimate per 100,000 live births)				Primary education (net enrollment rate): Women				Secondary education (net enrollment rate): Women			
	Past 10 years	Present	Future: 2030	Future: 2063	Past 10 years	Present	Future: 2030	Future: 2063	Past 10 years	Present	Future: 2030	Future: 2063	Past 10 years	Present	Future: 2030	Future: 2063
High (> 300 000)																
Côte d'Ivoire		Poor	Medium	Medium		Poor	Poor	Poor		Medium	Good	Good	..	..	..	..
South Africa		Good	Medium	Medium		Medium	Medium	Good		Medium	Medium	Medium		Medium	Good	Good
Nigeria		Medium	Medium	Poor		Poor	Poor	Poor		Poor	Poor	Poor	..	..	..	..
Ethiopia		Poor	Poor	Medium		Poor	Poor	Poor		Medium	Good	Good		Poor	Good	Good
Burkina Faso		Poor	Poor	Medium		Poor	Poor	Poor		Poor	Good	Good		Poor	Good	Good
Kenya		Poor	Medium	Good		Poor	Medium	Medium		Medium	Good	Good		Poor	Good	Good
Cameroon		Medium	Good	Good		Poor	Poor	Poor		Medium	Good	Good		Poor	Good	Good
Uganda		Poor	Poor	Poor		Poor	Poor	Poor		Good	Good	Good		Poor	Good	Good
United Republic of Tanzania		Poor	Poor	Poor		Poor	Poor	Medium		Medium	Medium	Poor	..	..	..	..
Chad		Poor	Poor	Medium		Poor	Poor	Poor		Poor	Good	Good	..	..	..	..
Sudan		Poor	Poor	Poor		Medium	Poor	Poor		Poor	Medium	Good	..	..	..	..
Congo		Poor	Poor	Medium		Poor	Medium	Good		Medium	Good	Good	..	..	..	..
Ghana		Medium	Medium	Good		Poor	Poor	Poor		Good	Good	Good		Medium	Good	Good
Rwanda		Poor	Poor	Poor		Poor	Medium	Good		Good	Good	Good		Poor	..	..
Guinea		Poor	Medium	Medium		Poor	Medium	Good		Medium	Good	Good		Poor	Medium	Good
Gabon		Medium	Good	Good		Poor	Medium	Good	..	..	..	..	..	..	..	..
Democratic Republic of the Congo	..	..	..	..		Poor	Poor	Poor	..	..	..	..	..	..	..	..
Zimbabwe		Poor	Poor	Poor		Poor	Poor	Medium		Medium	Good	Good		Poor	Medium	Good
Medium (> 100 000)																
Burundi	..	..	..	..		Poor	Poor	Medium		Good	Good	Good		Poor	Good	Good
Liberia		Poor	Poor	Poor		Poor	Poor	Poor		Poor	Poor	Poor	..	..	..	..
Benin		Medium	Medium	Good		Poor	Medium	Medium		Medium	Good	Good		Poor	Good	Good
Mali		Good	Good	Good		Poor	Medium	Medium		Poor	Poor	Poor		Poor	Medium	Good
Libya	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Senegal		Medium	Medium	Good		Poor	Poor	Poor		Medium	Good	Good		Poor	..	..
Gambia		Medium	Medium	Good		Poor	Medium	Good		Medium	Medium	Good	..	..	..	..
Malawi		Poor	Poor	Poor		Poor	Medium	Good		Good	Good	Good		Poor	Good	Good
Mozambique		Poor	Poor	Medium		Poor	Poor	Medium		Medium	Good	Good		Poor	Good	Good
Togo		Medium	Good	Good		Poor	..	..		Medium	Good	Good	..	..	..	..
Central African Republic		Poor	Poor	Poor		Poor	Poor	Poor		Poor	Good	Good		Poor	Poor	Good
Niger		Medium	Medium	Good		Poor	Medium	Good		Poor	Good	Good		Poor	Medium	Good
Djibouti		Medium	Medium	Good		Poor	Medium	Good		Poor	Good	Good		Poor	Good	Good
Low (< 100 000)																
Botswana		Poor	Poor	Medium		Medium	Good	Good		Good	Good	Good	..	..	..	..
Mauritania		Medium	Good	Good		Poor	Poor	Medium		Medium	Good	Good		Poor	Good	Good
Sierra Leone		Poor	Poor	Medium		Poor	Poor	Poor		Good	Good	Good	..	..	..	..
Zambia		Poor	Poor	Poor		Poor	Medium	Good		Medium	Medium	Medium	..	..	..	..
Egypt		Good	Good	Good		Good	Good	Good		Good	Good	Good		Good	..	..
Angola		Medium	Medium	Good	..	..	..	..		Medium	Poor	Poor		Poor	Poor	Good
Algeria		Good	Good	Good	..	..	..	..		Good	Good	Good		Poor	Poor	Poor
Namibia		Poor	Poor	Poor		Poor	Medium	Medium		Good	Good	Good		Medium	Good	Good
Morocco		Good	Good	Good		Medium	Good	Good		Good	Good	Good		Medium	Good	Good
Tunisia		Medium	Good	Good	..	..	..	..		Good	Good	Medium	..	..	..	..
Swaziland		Poor	Poor	Poor		Poor	Poor	Poor		Medium	Good	Good		Poor	Medium	Good
Guinea-Bissau		Poor	Poor	Poor		Poor	Poor	Poor		Poor	Good	Good	..	..	..	..
Eritrea	..	..	..	..		Poor	..	..		Poor	Poor	Poor		Poor	Poor	Good
Comoros	..	..	..	..		Medium	Good	Good		Medium	Good	Good		Poor	..	..
Cabo Verde		Medium	Medium	Medium		Good	Good	Good		Good	Good	Good		Medium	Good	Good
Madagascar		Poor	Poor	Poor		Poor	Poor	Poor	..	Good	..	..		Poor	Good	Good
Sao Tome and Principe		Medium	Poor	Poor		Medium	Good	Good		Good	Good	Good		Medium	Good	Good
Equatorial Guinea	..	..	..	..		Poor	..	..		Poor	Poor	Poor		Poor	..	..
Mauritius		Medium	Medium	Medium	..	..	..	..		Good	Good	Good		Good	Good	Good
Seychelles	..	..	..	..	..	..	..	..		Good	Good	Good		Good	Medium	Medium
Somalia	..	..	..	..		Poor	..	..	..	Good	..	..	..	..	..	..
Lesotho		Medium	Poor	Poor		Poor	Poor	Poor		Medium	Medium	Good		Poor	Good	Good

Source: UNCTAD calculations, based on the databases of resources on education of the United Nations Educational, Scientific and Cultural Organization Food, the security indicators database of the Food and Agriculture Organization of the United Nations and the World Development Indicators database of the World Bank.

Notes: Future projections assume that the average annual growth rate in the past 10 years will be maintained. Categories are as follows: **Undernourishment:** <5, Good; <15, Medium; >15, Poor; **Maternal mortality ratio:** <70, Good; <300, Medium; >300, Poor; **Primary education rate**: >90, Good; >70, Medium; <70, Poor; **Secondary education rate:** >80, Good; >50, Medium; <50, Poor.

access education and health care, make investments in family and farm businesses and improve the quality of their lives. The role of each form is examined in this section.

5.2.1 Cash remittances

Cash remittances are commonly understood as flows of money in physical currency or via banking and finance systems between migrants and their families. Aggregate estimates of international migrant remittance flows show that cash remittances are greater than official development assistance and also more stable than foreign direct investment and are thus a critical and stable source of external finance for Africa.[12] Remittance flows have grown strongly since 2000, accounting for 51 per cent of private capital flows to Africa in 2016, up from 42 per cent in 2010. Such flows are generally much less volatile than foreign direct investment and official development assistance, and provide an important source of revenue for households in Africa in helping to smooth consumption. Cash flows to Africa rose from $38.4 billion on average in 2005–2007 to $64.9 billion in 2014–2016, accounting for 2.8 per cent of GDP and 14.8 per cent of total exports in 2014–2016. The prominence of remittances is particularly evident in a number of countries ranging from those with a high dependence on remittance flows as a share of GDP, such as Liberia (26.7 per cent) and Lesotho (18.2 per cent), to those where they greatly exceed export earnings, such as Cabo Verde, the Comoros, the Gambia and Liberia. Since 2015, remittances have accounted for the bulk of total external flows to Africa, as official development assistance declined from 37 per cent in 2001–2003 to 28 per cent in 2012–2016. Remittance flows are unevenly distributed between countries, partly reflecting the varying size and location of each country's stock of emigrants. In 2017, Nigeria ($22.3 billion) and Egypt ($18.1 billion) accounted for 60 per cent of total remittance flows to Africa. Other countries obtaining sizeable sums through remittances include, in 2017, Morocco ($7.1 billion), Senegal ($2.3 billion), Ghana ($2.2 billion) and Algeria ($2.1 billion) (UNCTADstat database).

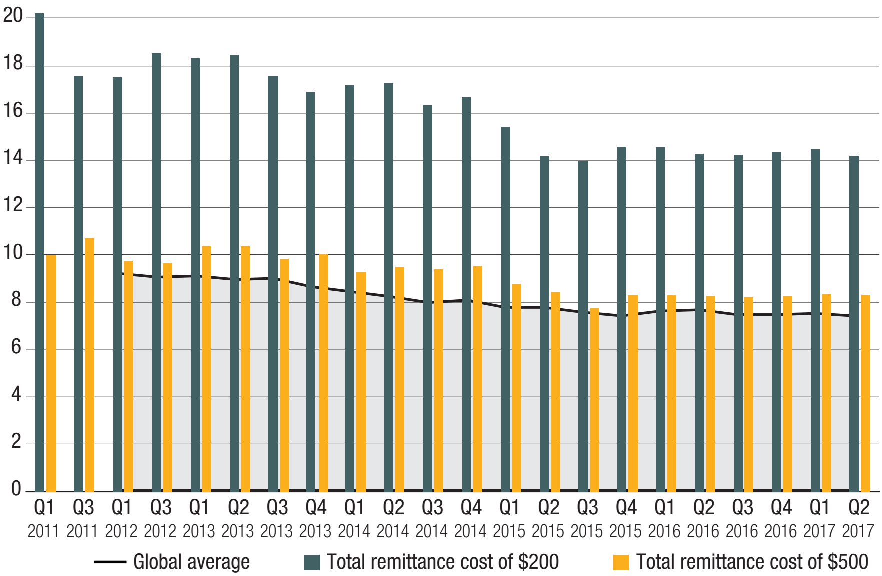
However, Africa has the highest costs of sending remittances in the world, averaging 8.9 per cent to send $200, almost double the cost of sending money to South Asia, against a global average of 7.3 per cent of the amount sent (figure 28). The transaction costs of sending remittances to Africa are significantly higher than the target in the

[12] Such estimates are compiled by the Global Knowledge Partnership on Migration and Development, typically coming from the Balance of Payments database of the International Monetary Fund, supplemented with information from country central banks and statistics agencies. The data is comprehensive, yet underestimates volumes of remittance flows between migrants and families. In part, this is related to problems of definition and how each country implements the definitions set out in International Monetary Fund protocols (for a full discussion, see World Bank, 2016). In addition, remittances are likely to be underestimated in official figures due to the diversity of the types of remittances migrants send and the chosen method of sending them.

Remittances at **51%** in 2016 of **private capital flows to Africa**

Sustainable Development Goals of less than 3 per cent. The high costs are partly due to stronger anti-money laundering and counter-terrorism financing regulations in the global financial system and partly due to a concentration of market power in banks and money transfer organizations. Banks may enter into exclusive agreements with money transfer organizations, which has the potential to limit competition among national remittance service providers and increase the cost of sending money.

Figure 28
Average total cost of remitting $200 or $500 from sub-Saharan Africa
(Percentage)



Source: UNCTAD calculations, based on the World Bank Remittance Prices Worldwide database.

Cash remittances are likely to be underestimated, as migrants may choose to send money via informal means to avoid paying punitive transaction costs. According to World Bank and Global Knowledge Partnership on Migration and Development (2017b) estimates, the costs of sending remittances along many corridors in Africa are above 8.9 per cent, due to a combination of low volumes and the slow uptake of technology in fairly underdeveloped financial markets. The average cost of remitting $500 from sub-Saharan Africa is below 10 per cent (figure 28). To circumvent such charges, most migrants send cash via travelling friends and family members or via bus and truck drivers or trust-based networks of brokers. Goods sent home to families are similarly sent via informal means, avoiding formal trade channels and charges. The amounts of such informal means of remittance sending are nearly impossible to estimate without comprehensive, comparable and representative surveys of households and migrants.

Analyses of the uses of cash remittances and likely impacts on the welfare of recipient households should consider the fungibility of income. It is plausible that income received from migrants may appear to be used for a particular purpose, such as food, but in practice also free up household budgets for other purposes such as investing in human or physical capital. It is also possible that households may adopt a mental accounting approach to household financial decisions, allocating virtual budgets to specific areas of expenditure. This argument draws on mental accounting ideas first developed by Thaler (1999) that challenge the assumption that money is fungible and suggest instead that persons mentally divide income into specific groups for different purposes. The existing evidence in the literature that seeks to show the impact of remittances on expenditure at the margin on a range of budget items is mixed. However, a systematic review of studies suggests that the balance of the evidence shows that migrant remittances are mainly used for productive purposes (Housen et al, 2013).

Evidence from the Migrating Out of Poverty surveys tends to confirm existing assertions on the use of remittances, from addressing the basic needs of households to spending on health and education and productive investments, for example in Ethiopia. Where remittances are low in frequency or value, notably in Zimbabwe and among internal migrants in Ethiopia, the primary use of remittances is for everyday consumption, principally food and clothing, in particular when remittances are from an internal migrant. Other than food, health and education, including school supplies, is an important category of expenditure funded by remittances (table 23).

In Ethiopia, compared with households with internal migrants, remittances received in households with international migrants are more likely to be used for farm or family business investments and development. Such households report a range of purchases, from seeds, inputs, farm machinery and land to other business equipment. This may be due to the behavioural response of households to the value of remittances. Ethiopia is a high remittance-receiving country, with higher amounts than reported in Zimbabwe. Such higher amounts lend themselves to savings or investments whereas, in contexts where the financial infrastructure is weak, it is harder to make small deposits and small amounts are therefore more likely to be spent as part of regular expenditure, leaving less income for investment. The data from Ethiopia and Zimbabwe further show that 55–60 per cent of migrant cash transfers are made via a

Table 23

Ethiopia and Zimbabwe: Main uses of cash remittances received by households

(Percentage)

	INTERNAL MIGRANTS	INTERNATIONAL MIGRANTS	TOTAL
Ethiopia			
Everyday consumption	70.8	33	53.8
Education and health	6.7	5.1	5.5
Paying off debt	2.9	8.5	5.4
Farm and/or business investment	16.8	35.3	24.8
Social and religious occasions	1.9	5.1	3.1
Household goods	0.5	1.7	1.4
Savings	0	8	4.1
Other	0.5	3.4	1.6
Total	**100**	**100**	**100**
Zimbabwe			
Everyday consumption	75.9	74.3	74.3
Education and health	14.8	20.7	17.3
Paying off debt	0.5	0	0.2
Farm and/or business investment	7.9	5	7.8
Other	1	0	0.4
Total	**100**	**100**	**100**

Source: Litchfield et al, 2018.

Note: The Migrating Out of Poverty household surveys in Ghana did not ask respondents about the use of remittances.

formal financial institution, including banks, post offices and branches of the Western Union Company, in comparison with transfers in Ghana, where less than 30 per cent are made via formal banking methods. This may be because the data from Ghana is weighted towards internal migrants, who bring money home on visits or rely heavily on friends and family to carry or collect money for their families. Migrants from Ethiopia and Zimbabwe also rely on friends and family, and a number of international migrants from Zimbabwe rely on bus and truck drivers to deliver remittances yet, as more of them are international, in particular migrants from Ethiopia in the Middle East, they are less likely to travel home often.

5.2.2 In-kind remittances

In-kind remittances are goods that migrants send home, ranging from regular parcels of food and personal items to medicine, clothing, consumer durables, business equipment and other large items. In-kind remittances may help receiving households satisfy their consumption of certain items that may be difficult to obtain, particularly in rural areas, enabling households to widen their diets or acquire medicine or educational supplies. Certain in-kind remittances such as branded goods or consumer durables may also confer an additional social value for both migrants and recipients, and may also be traded locally. Sending goods rather than money may help ensure that migrants have control over the use of the funds and that the goods are used for their intended purposes. Women are less likely than men to send cash remittances and send less on average in cash, yet the value of goods sent by women nearly reduces the gap. For example, in Zimbabwe, a high percentage of women migrants send goods, mostly food and clothes, and the gap in the value of remittances between men and women is largely closed once the value of such goods is taken into account (Litchfield et al, 2018). In Kenya, a large proportion of men and women send cash remittances, while fewer migrants send in-kind remittances (figure 29). The Migrating Out of Poverty surveys present a similar picture for Burkina Faso, South Africa and Zimbabwe (Litchfield et al, 2018).[13] Focusing on cash remittances thus raises the possibility of underestimating the contribution that women migrants make to the economies of their households and communities.

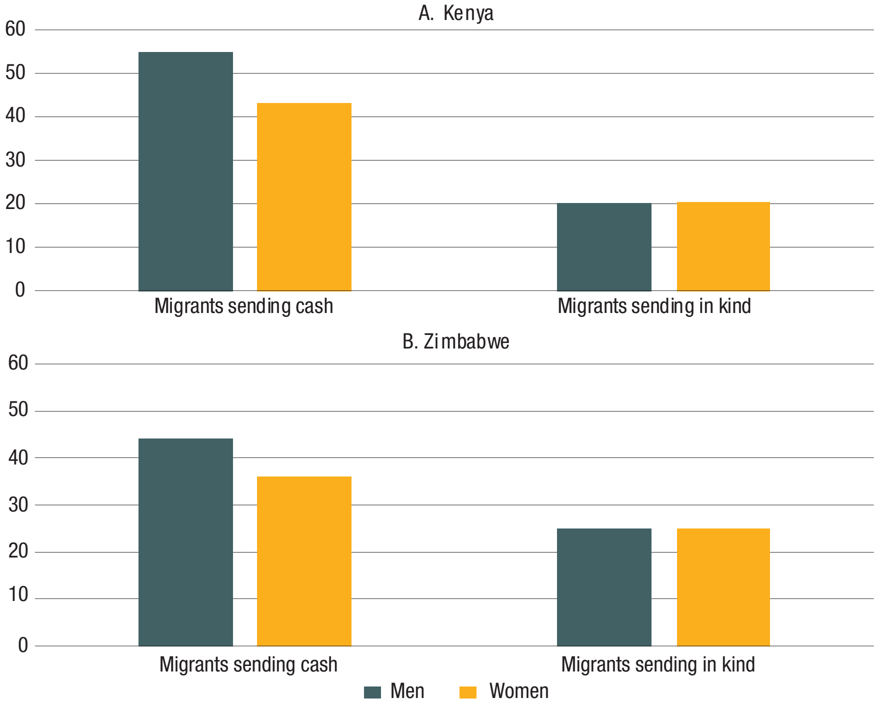
There are significant variations between countries with regard to the share of migrants sending remittances, ranging from a low of 39 per cent among men migrants in Ethiopia to a high of 66 per cent of men migrants in Ghana. There is no obvious

[13] The Africa Migration Project collected data on goods sent home by migrants mostly with regard to large and/or expensive items, including household appliances, business equipment, tractors and agricultural equipment and transport vehicles. The surveys suggest that in-kind remittances of this kind are important, in particular for women migrants.

gender-based pattern. For example, women from Ethiopia have higher remittance rates than men, perhaps reflecting their greater international migration employment opportunities.

Figure 29

Cash and in-kind remittances by gender of migrant in (a) Kenya, 2009, and in (b) Zimbabwe, 2015
(Percentage)



Source: UNCTAD calculations, based on University of Sussex, 2018.

5.2.3 Social remittances

Social remittances refer to the ideas, know-how, practices and skills, as well as the norms, beliefs, practices and attitudes to which migrants may be exposed during their migration and that they bring home on return or share with their families while away (Levitt, 2001). As they are intangible, they cannot be measured directly via household surveys, but their effects may be measurable, and may be positive or negative, depending at least in part on the ideas to which migrants have been exposed and the context in which this has taken place. For example, migration to countries with strong democratic institutions is found to influence attitudes on voting and democracy at home. A comparison of attitudes to political institutions in Mali between non-migrants and migrants living in Côte d'Ivoire and France found that non-migrants had different perceptions of democratic institutions than migrants, yet perceptions also differed based on where migrants had lived, as those who had lived in France were less interested in politics in Mali and more sceptical, while those who had lived in Côte d'Ivoire seemed less sceptical of political institutions in Mali, depending on education level (Chauvet et al, 2016). Similarly, international migration impacts fertility decisions at home, with migration to countries with lower or higher fertility rates associated with a reduction or increase, respectively, in fertility in the origin population (Beine et al, 2013).

5.3 How the diaspora can contribute to development

Members of the diaspora, defined as those who have migrated and their descendants, who maintain a connection to their homeland, are actively engaged in trade promotion activities through their network of business contacts and knowledge of their origin countries. They are increasingly part of sophisticated investment ventures and the target of state-of-the-art investment products (Terrazas, 2010). In addition, there is growing evidence supporting the narrative of brain gain (Docquier and Rapoport, 2012). Diaspora members are a valuable source of expertise, know-how and technology transfer for origin countries. As part of a global trend in diaspora policies, several initiatives have emerged to involve the diaspora with the development paths of origin countries in Africa. Practical solutions include programmes based on diaspora skills mapping databases that match the diaspora with development projects (Ndiaye et al, 2011). For example, the Ghana Health Project of the Migration for Development in Africa initiative of IOM aimed to address the country's exodus of health workers by facilitating periodic and circular or temporary returns of qualified health personnel from among the diaspora living in the European Union to hospitals and medical training institutions in Ghana, and also offered health-care training opportunities for the capacity-building of medical personnel based in Ghana. Other examples include projects that allow for technology transfer in the form of medical equipment offered to hospitals in origin countries (Ndiaye et al, 2011). Given the spread of the use of new communications technology, there are also initiatives based on the virtual transfer of knowledge to university students in origin countries. The significant role of the diaspora is seen in the fact that many origin countries have established diaspora engagement strategies and have included them in their development plans.

Origin countries in Africa need to develop effective policies to better harness the economic potential of their diaspora, by encouraging the engagement of the diaspora in investment and knowledge networks, to enhance national development prospects (Anyanwu and Erhijakpor, 2010; Ndiaye et al, 2011; Ratha, Mohapatra and Scheja, 2011). This can be done through the active involvement of embassies in key destination countries, as improved engagement with the diaspora could enable better integration into global production networks by domestic suppliers of potential goods and services from origin to destination countries. Similarly, knowledge and know-how accumulated by the diaspora could help domestic firms acquire new capabilities and technologies and improve their capacity for knowledge acquisition. The latter is conditional on the capacity of the diaspora to organize itself into networks. Origin-country Governments should actively support such networks by involving their members in national development strategies and domestic industrial policymaking. The diaspora could also be a source of entrepreneurship in origin countries, either from abroad or as return migrants (Plaza and Ratha, 2011; UNCTAD, 2012). Policies could encourage joint-venture enterprise and investment programmes between diaspora members that wish to remain abroad and local firms in origin countries.

Policies should also aim to encourage the permanent return of return migrants as they can contribute to the building of productive capacities in origin countries with accumulated knowledge, experience and networks. However, to harness the benefits of return migrants requires favourable institutional environments in origin countries that target productive financing facilities via, for example, a national development bank that provides special lines of credit to complement investments and technical and managerial support to entrepreneurs to make their firms viable in the long term. Origin countries should also consider the creation of special incentives, such as lower import duties on equipment and intermediate inputs supplied or acquired for productive use by return migrants.

A year after meeting Mamadou, Afwerki, as a successful diaspora entrepreneur based in Rwanda, decided he was ready to act on his aspiration of investing productively in his ancestral village in the Highlands of Ethiopia. Following extensive consultations with his cousin and other relatives from the village, Afwerki decided to support local efforts to diversify agricultural production and to enhance the production of dried peppers for local, regional and international trade. Afwerki is convinced that the diaspora of Ethiopia in Kenya, North America and the United Kingdom could be a viable and suitable market for the produce. With increasing demand for healthy, low-cost natural foods and the need for sustainable incomes back home, Afwerki thinks heritage trade could be a win–win opportunity to be tapped successfully by his ancestral community. In the past year, his home community has formed a cooperative of 40 local farmers who have agreed to set aside land to produce peppers and to adopt organic standards. Afwerki was pleased when three cooperative leaders embarked on a week-long training programme in Addis Ababa on the application of organic agricultural production techniques. Their enthusiasm motivated him to fund the construction of box-type low-cost solar dryers for use at home and by village artisans, as traditional techniques of sun drying are less efficient. He also provided additional funding to setup a small vacuum sealing product storage facility for the peppers (and eventually other crops and related food products). Afwerki is now using his network of fellow entrepreneurs across the continent and marketing skills to promote the dried peppers with retailers in Kenya, Rwanda and Uganda. The cooperative members have big dreams for the future of their produce. It has been an eventful journey filled with unplanned obstacles along the way. And yet, Afwerki is confident that his community will benefit in the long-term through increased incomes, greater financial security and viable job opportunities for the youth.

5.4 Conclusions

This chapter provides evidence on the relationship between migration and social development indicators in origin and destination countries. On the one hand, immigration has not halted progress towards achieving the Sustainable Development Goals in the former. On the other hand, via remittances, emigration is likely to contribute to accelerating the achievement of the Goals in the latter. Such impacts could be amplified if the costs of transfers were lower. Constraints in unlocking the potential for remittances to contribute to development include a lack of competition due to the dominance of a selected number of international money transfer organizations. Lack of financial infrastructure to support the development of local money transfer organizations, along with limited access to banking, hinder services provision and keep costs high for senders. Improving access to formal banking transfers and mobile banking reduces the costs of transfers and may enable recipients to make more measured decisions about how to use remittances, including their use for productive investments.

The developmental impact of remittances, with regard to enhancing productivity, investment, productive capacities and structural transformation in origin countries, depends on the synergy of complementary policies, including policy design, local conditions, the interaction between local and international institutions, growth dynamics and the nature of linkages. Remittances have taken place largely as a private sector-led phenomenon, and evidence indicates that their development potential has barely been tapped in most countries in Africa (Plaza and Ratha, 2011). As with other private capital flows, remittances pose costs and risks as well as provide benefits. However, given their importance, and as they already take place on a significant scale, it is necessary to deploy them for the purposes of development and to carry out public policies to enhance their developmental impact in origin countries. For example, agricultural policies may be used to influence emigration flows, such as the Return to Agriculture Plan (2006) in Senegal, which incentivizes youth job creation and diaspora investment and aims to reduce food insecurity, unemployment, illegal emigration and rural exodus.

Policy coherence and integrated approaches are particularly important. There are existing policies and mechanisms available to facilitate migration and remittances within the continent (see chapter 2), yet there remains scope to strengthen cooperation and coordination nationally and internationally, including among origin, transit and destination countries, and including for the sharing of experiences.

Similarly, in addition to a growing range of sophisticated diaspora investment ventures, a number of initiatives countering the negative impact of migration through brain drain in origin countries can also contribute to making migration work for long-term development. The evidence presented in this chapter shows that, overall, migration plays a central role in creating the conditions for structural transformation in Africa, in both low-income origin countries and in destination countries. Under current circumstances, migration appears to be neither a burden nor a panacea in achieving the Sustainable Development Goals in countries in Africa. It is likely that with better policies and regulatory frameworks, migration could accelerate progress towards achieving the 2030 Agenda for Sustainable Development and the 2063 Agenda.