

International migration, remittances and rural development



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ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| AsDB | Asian Development Bank |
| ATM | automatic teller machine |
| BP | Moroccan Banque Populaire |
| DFID | Department for International Development (United Kingdom) |
| FAO | Food and Agriculture Organization of the United Nations |
| FDI | foreign direct investment |
| FFR | Financing Facility for Remittances |
| GCIM | Global Commission on International Migration |
| GTel | GlobeTel Communications Corporation |
| HTA | hometown association |
| IDB | Inter-American Development Bank |
| IDP | internally displaced people |
| ILO | International Labour Organization |
| IME | Institute of Mexicans Abroad |
| IOM | International Organization for Migration |
| IPCC | Intergovernmental Panel on Climate Change |
| IRnet | International Remittance Network |
| MDG | Millennium Development Goal |
| MFI | microfinance institution |
| MIF | Multilateral Investment Fund (IDB) |
| ODA | official development assistance |
| OECD | Organisation for Economic Co-operation and Development |
| SWIFT | Society for the Worldwide Interbank Financial Telecommunication |
| UNDP | United Nations Development Programme |
| UNFPA | United Nations Population Fund |
| USAID | United States Agency for International Development |

Introduction



Globalization and migration are rapidly transforming traditional spheres of human activity. The work of rural families is no longer confined to farming activities, and livelihoods are increasingly being diversified through rural-to-urban and international migration. Age-old boundaries are breaking down. Formerly isolated towns and villages in Latin America and the Caribbean have come closer to New York and Los Angeles than to the capitals of their own nations. The same is true of the relationship of certain areas of Africa and Asia to metropolises such as Berlin, Johannesburg, London, Paris, Singapore and Sydney. Development organizations that support rural poor families in overcoming poverty are realizing that essential members of these families are making their living abroad, far away from their dependants. The 'global village' has become a reality. However, the poverty that forced rural inhabitants to migrate still exists in their places of origin and continues to influence their lives and prospects in their 'adopted countries', as well as those of the people they left behind.

Migration is significantly reshaping the traditional social and economic structures of rural communities, in both positive and negative ways. In addressing rural poverty, one challenge is to take these new social and economic realities into consideration and integrate them into innovative strategies for promoting rural development. The complexities of the migration phenomenon must be incorporated into the development agendas of developed and developing countries, as well as those of development organizations.

The reasons for migrating are complex and vary from area to area. Migration may be prompted by major economic, demographic and social

disparities, as well as by conflicts, environmental degradation or natural disasters. Regardless of their origin and the causes of the relocation of almost 200 million migrants worldwide, their productivity and earnings constitute a powerful force for poverty reduction. Remittances are the financial counterpart to migration and are the most tangible contribution of migrants to the development of their areas of origin.

Mass migration movements are expected as a result of climate change, while agricultural production in many countries and regions, including access to food, is projected to be severely compromised. The areas suitable for agriculture, length of growing seasons and yield potential of some mainly arid areas are expected to decrease. Episodes of heavy rainfall and drought are likely to become more frequent and severe, thus triggering further migration of those already living under difficult conditions. Moreover, the intense movement of people across regions and countries may affect the growth of diseases and pest management systems, thus putting further pressure on food production and the performance of agricultural systems at large.

Many migrants have established a continuous social and economic interaction with their communities of origin and play unique roles as agents of change in both their countries of settlement and of origin. Governments, financial institutions and international development agencies can no longer afford to ignore the ever-growing impact that financial flows from migrants have on the economic and social development of remittance-receiving countries. They also need to focus on how migration can positively influence



Even if the majority of the world's poor people will continue to live in rural areas for the foreseeable future, more than half the world's population is already living in urban areas, and nearly 70 per cent is expected to be urban by 2050

the achievement of the development targets set by the Millennium Development Goals (MDGs).

Even if the majority of the world's poor people will continue to live in rural areas for the foreseeable future, more than half the world's population is already living in urban areas, and nearly 70 per cent is expected to be urban by 2050 (when the world's population is expected to reach 9.2 billion). These facts make it impossible to address rural development as a phenomenon isolated from urban expansion and migration.

A resolution on international migration and development was adopted by the United Nations General Assembly in 2004. It calls upon all relevant entities of the United Nations system – and other relevant intergovernmental, regional and subregional organizations – to adopt policies and undertake measures to reduce the transfer costs of migrant remittances to developing countries. Further, one item of the action plan to achieve the MDGs, agreed upon at the 2004 Group of Eight (G8) Summit, is to facilitate remittance support to families and small businesses. In 2007, the First Global Forum on International Migration was organized, with the participation of 155 countries. The forum is a global process designed to enhance the positive impact of migration on development (and vice versa) by adopting a more consistent policy approach, identifying new instruments and best practices, exchanging know-how and experience and establishing cooperative links among the various actors involved. Participating governments agreed that migration should not become an alternative to national development strategies in developing countries. Neither should it become a substitute for commitments to

development by donor countries. There is a need to analyse and address the development challenges of regions with high outmigration pressures in order to ensure that people are not driven to migrate out of necessity and despair.

This paper analyses the root causes of rural outmigration, focusing on its economic and social implications. It takes as its starting point the fact that mobility is inherent in human existence. Livelihoods and sociocultural changes are intimately connected with population movements. To understand present and fast-developing trends in human mobility, we examine the origins of migratory movements and discern how such transformations actually affect the natural resource base, as well as how they shape livelihoods and socio-economic/cultural coexistence. The main body of the paper presents an overview of migration and remittance flows, the role of financial institutions in leveraging remittances and the role of the diaspora in the development of communities of origin. Finally, the paper presents a discussion of future challenges linking migration to climate change, as well as the impact of transboundary diseases on agriculture and rural development.

1

Nature and recent evolution of migration



1.1 Brief historical considerations

Migration is the movement of people from one place to another. As long as *Homo sapiens* have existed, members of the species have migrated in search of food or to escape from disasters or conflicts. Population movements have been frequent during every epoch. They have often been gradual and related to the search for better livelihoods, lasting for a thousand years – the Bantu expansion in Africa – or for more concentrated periods – the few hundred years of the so-called ‘barbarian’ population movements in Europe, which peaked from the third to eighth centuries. These were followed by the *Ostsiedlung*, in which central Europeans constantly moved eastwards from the eighth century onwards. Turkish, Arabic and Mongol expansions and conquests have changed demographics and cultures in Asia, Europe and Africa, often very rapidly, and the same is true, for example, of the Inca conquests in Latin America. While Europeans and chattel slaves were arriving on the American continents from the sixteenth to the nineteenth centuries, South-East Asia received approximately 50 million migrants, mainly from India and southern China. However, it was not until the early twentieth century that a system of nation states, passports and visas was developed to regulate the flow of people across borders (Torpey 1999).

The last century has witnessed new, massive population movements due to internal and nation-state conflicts. Some examples: in 1923, 2 million Turks and Greeks moved in opposite directions, most of them forced to become refugees. Three years after Indian independence in 1947, more than 7 million Muslims had entered Pakistan and more

than 7 million Hindus and Sikhs had left Pakistan for India. In 1994, 2 million Rwandans left their country (mainly ethnic Hutus), and 500,000 mainly ethnic Tutsis had been massacred during the three preceding months. At present, there are approximately 8.4 million refugees and 7 million internally displaced people (IDP) in the world.¹

One of the most spectacular population movements, which still affects the modern world, was the transatlantic slave trade from the mid-sixteenth century to the 1820s. The forced and violent transfer of millions of Africans has had an important impact on the composition of the American population. Towards 1818 almost half the Brazilian population (4 million inhabitants) was composed of slaves. Today it is estimated that some 40 million people in the Americas and the Caribbean are descended from African slaves (Stalker 2007).

Europe has traditionally been a source of overseas migrants, with over 60 million people leaving the continent from 1820 to 1914.² The last two centuries experienced two main waves of European migration. The first occurred from 1846 to 1890, when some 17 million people left Europe. About 3.5 million Germans moved from their territories, pressed by rural poverty and periodic crop failures. Nearly 8 million people from the British Isles also abandoned their lands during this period. While some of them were pushed by the industrialization process, others left due to famine and emergencies, such as the Irish potato famine of 1845-1849. The destruction of potato crops by the late blight of potato in 1845, inadequate agricultural practices and an inappropriate reaction by British economic policy plunged the economy



and the Irish population into an unprecedented crisis. As a consequence, from 500,000 to 1 million people died, and 1 million emigrated to Great Britain and the United States or moved internally (Hatton and Williamson 2004, 17).

The second wave of migration occurred from 1891 to 1920, when 27 million people left, particularly from southern and eastern Europe. Although migration continued until the Second World War, after the First World War the pace of movements diminished significantly (Stalker 2007).

Nevertheless, the Second World War was connected with unprecedented mass death³ and huge population movements, such as the forced migration of ethnic Germans after the war, which resulted in the transfer of 13.5-16.5 million people (Overy 1996, 111).

After the conclusion of the Second World War, central and western European countries adopted policies to attract labour (guest worker programmes) for reconstruction of the devastated economies. Millions of workers from southern European countries that had been slower to industrialize (Greece, Italy, Portugal, Spain and Yugoslavia), as well as workers from Turkey and the countries of the Maghreb region, moved towards economically expanding areas (Meissner et al. 1993).

1.2 Current migration trends

The number of international migrants is at an all-time high (table 1 and figure 1). The presence of such migrants in industrialized countries more than doubled between 1985 and 2005, from almost 55 million to 120 million (Martin and Zürcher 2008, 3). Statistics from the International Organization for

Migration (IOM) indicate that in 2005 192 million people (3 per cent of the world's population) were living outside their countries of origin.⁴

In the mid-1960s, migration began to be dominated by a South-North flow (Sutcliffe 1998, 59-65). In the period 1960-1975, the stock of migrants in industrialized countries in the North was 2 per cent, during 1975-1990 it had increased to 2.9 per cent, and reached 3 per cent during 1990-2005. Developing countries experienced an increase of 0.2 per cent during the period 1960-1975, a peak increase of 2.6 per cent during 1975-1990, and a more modest 0.5 increase during 1990-2005.⁵

In 2005, Europe had 64.1 million immigrants within its borders, Asia 53.3 million and North America 44.5 million (table 2).

In 2005 the World Bank estimated that the number of emigrants from sub-Saharan Africa reached 15.9 million, 63.2 percent of whom have moved to countries within the region. Equivalent figures for East Asia and the Pacific were 19.3 million, for South Asia 22.1 million, for Europe and Central Asia 47.6 million, for Latin America and the Caribbean 28.3 million and for the Middle East and North Africa 12.9 million (World Bank 2008).

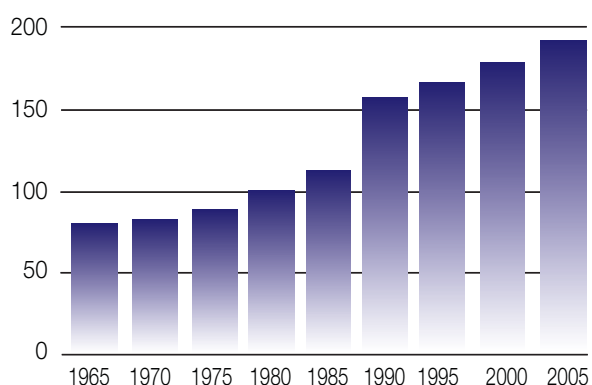
The number of both source and destination countries has also increased. Using a sample 152 countries, the International Labour Organization (ILO) found that from 1970 to 1990 the number of countries classified as destinations for labour migrants had increased from 39 to 67, while the sending countries had increased from 29 to 55 (Stalker 2000). However, the majority of international immigrants were still concentrated in

Table 1
International migrant stock from 1965 to 2005

| Year | World migrant stock (million people) | % of total population |
|------|---|--------------------------|
| 1965 | 78 | 2.3 |
| 1970 | 81 | 2.2 |
| 1975 | 87 | 2.1 |
| 1980 | 99 | 2.3 |
| 1985 | 111 | 2.2 |
| 1990 | 155 | 2.9 |
| 1995 | 165 | 2.9 |
| 2000 | 177 | 2.9 |
| 2005 | 191 | 2.9 |

Sources: United Nations 2006b.

Figure 1
International migrant stock from 1965 to 2005
(million people)



Sources: United Nations 2006b.

Table 2
Regional distribution of international migrants

| Region | 2000 migrants (million) | % of regional population | 2005 migrants (million) | % of regional population |
|------------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Oceania | 5.0 | 16.3 | 5.0 | 15.2 |
| North America | 40.4 | 12.8 | 44.5 | 13.5 |
| Europe ^a | 58.2 | 8.0 | 64.1 | 8.8 |
| Asia | 50.3 | 1.4 | 53.3 | 1.4 |
| Latin America and the Caribbean | 6.3 | 1.2 | 6.6 | 1.2 |
| Africa | 16.5 | 2.0 | 17.0 | 1.9 |

^a Including former USSR republics.
Source: United Nations (2006b).

a few nations. In 2005, 28 countries accounted for 75 per cent. Among them, 11 leading industrialized countries accounted for 42 per cent of international migrants, with the United States receiving 20 per cent. The main countries of emigration were the Russian Federation, Mexico, India, Bangladesh, Ukraine, China, the United Kingdom of Great Britain and Northern Ireland, Germany, Kazakhstan, Pakistan, the Philippines, Italy and Turkey (figure 2).⁶

An increasing number of people are moving between developing countries or internally. South-South migration is nearly as large as South-North migration. Approximately 74 million or nearly half the migrants from developing countries reside in other developing countries. Intraregional and domestic migration in developing countries is often far more important than overseas migration in terms of the number of people involved, especially from rural areas. Almost 80 per cent of South-South migration is estimated to take place between countries with contiguous borders, and most appears to occur between countries with relatively small differences in income (Ratha and Shaw 2007, 3-11). Since benefits tend to be lower and risk of exploitation greater, interregional migration in developing areas is likely to have developed as the only option for people affected by deep poverty, internal conflicts or natural disasters (ibid, 2).

South-South flows also involve migrant labour admitted on a temporary basis by rich developing countries experiencing labour shortages, such as the oil-rich countries of the Near East⁷ or the newly industrializing economies of South-East Asia.

Although it is impossible to obtain completely reliable figures related to illegal migration, all indications assert that it is on the rise. A rough estimate of the share of unauthorized immigrants in the world's immigrant stock places it at 15-20 per cent of the total, suggesting 30-40 million immigrants. The United States has the largest number of undocumented immigrants – 10-11 million or 30 per cent of its total foreign-born population. In Europe, undocumented immigrants are estimated at 7-8 million, although the number fluctuates in accordance with regularization programmes (Papademetriou 2005).

1.3 The human face – and the ‘feminization’ – of migration

International migrants include rural and urban women and men with different socio-economic profiles and ages. Some are highly educated and specialized people (whose migration is referred to as ‘brain drain’). Some are poor people for whom migration is a subsistence strategy. The United Nations Population Fund (UNFPA) estimates that the typical profile of migrants comprises young women and men from 15 to 35 years of age,⁸ generally belonging to medium and low socio-economic groups, but not to the poorest segments of society (Hatton and Williamson 2004, 1-30).

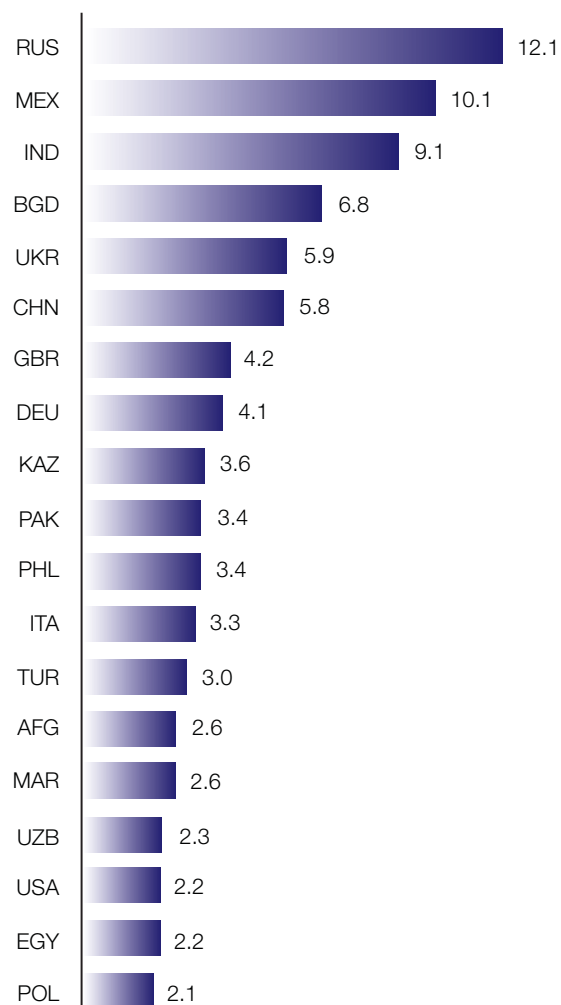
Although it is often presumed that the majority of international migrants are men, women comprise approximately half (Zlotnik 2003). Moreover, there is a general trend towards a ‘feminization’ of international migration. Women’s participation in migration has been shifting over time, along with a recognition of the role they play as economic agents. They have been migrating en masse over the last 50 years. By the early 1960s, they already accounted for 46.8 per cent of migrations, but it was not until recently that their substantial role as active agents has been acknowledged to a greater degree (United Nations 2006b; UNFPA 2006).

Women currently constitute 49.6 per cent of global migratory flows, although the proportion varies significantly by country and may in some cases be as high as 70-80 per cent. While there has been no major overall change in the percentage of women and men moving internationally, there have been changes in patterns of migration – with more women migrating independently and as main income-earners, instead of following men relatives (United Nations 2005a). In countries of the Organisation for Economic Co-operation and Development (OECD), family reunion still remains the chief vector of female immigration (50-80 per cent of the total for this category) (OECD 2002, 8). However, in recent years, women have formed an increasing proportion of employment-related migration and refugee flows.

The 2000 United States Decennial Census found that there were more men than women immigrants from El Salvador, but more women

Figure 2

Main countries of emigration
(million emigrants)



Source: Development Research Centre on Migration, Globalisation and Poverty (DRC 2007).

than men immigrants from the Dominican Republic. Migration from India to the United States is dominated by men, while immigration from China and the Republic of Korea to the United States is dominated by women (Morrison et al. 2007, 1-10). Since 2000, the number of women migrants has been surpassing men migrants in East and South-East Asia (Zlotnik 2003). In Africa and the Middle East, there are also indications that the number of women migrants is increasing significantly. In many parts of Africa, the weakening of traditional values and authorities is making migration a socially acceptable way for women to support their families in a context of declining need for farm labour (Tacoli 2002; Adepaju 2005). In Gulf countries, men migrants are clearly the overwhelming majority, although women from Indonesia, the Philippines and Sri Lanka are increasingly playing important roles (Lucas 2005, 1-18).

In some countries, the possibility of women migrating may be influenced by religious and other sociocultural constraints. A study of Asian migration demonstrated that while women dominate migration flows from countries such as the Philippines and Sri Lanka, sociocultural factors in countries such as Bangladesh and Pakistan apparently limit female emigration (Battistella 2003, 1-33).

While highlighting the fact that women migrants may become 'empowered', one also has to keep in mind that migrating abroad for many women means facing long working hours, increased financial obligations (including remittances to relatives left behind) and new family responsibilities (e.g. raising their children in the country of settlement or dealing with guilt and worry for having left their children behind with relatives), as well as acculturation issues (including discrimination).

When the men of a household migrate (especially heads of families), the effects on women relatives left behind can be negative, in particular for spouses or partners. Even with the arrival of remittances to the village and the growth of the local economy, women do not always benefit substantially. Newly created jobs are often primarily for men, while women tend to be stuck in traditional forms of employment (Baver 1995, 7). Often, women have to step in, doing more work

and taking on traditionally male chores. For example, in the agriculture sector in many Central American and Caribbean countries, certain agricultural activities have become female-dominated.⁹ Although the 'feminization' of agriculture in these countries could be seen as a positive trend, it is important to recognize that rural women must still carry out household and family responsibilities in addition to the agricultural chores. As a result, their daily workload has increased.¹⁰

By the nature of the work they undertake abroad, women may be particularly vulnerable.¹¹ To a greater degree than men, women tend to face harder and more precarious conditions in receiving countries, especially if they are illiterate, unfamiliar with customs and language in the host country, and lack any marketable skills.

Gender is also a key factor when considering the likelihood of remittances being sent and received. A 2004 survey of remittance recipients in the Dominican Republic demonstrated that 57 per cent of the remittance recipients were women, while 58 per cent of the remittance senders were women, thus implying that transfers to a large extent were made by a woman to a woman relative (IDB-MIF 2004b). In general, Dominican women migrants abroad send more remittances to their relatives than do men migrants.¹²

The same conclusion was found in other migrant populations, such as Tongan and Samoan migrants in New Zealand and Australia, among whom non-remitters were much more likely to be men (Connell and Brown 2004). It is argued that women throughout the Pacific have a much better understanding of household needs than men, and are more likely to respond to those perceived needs. The fact that women are more reliable senders of remittances can also be explained by social structures in which women have greater responsibility for household chores.

1.4 Migration and transnationalism

Constant and increasing movements of people across the globe are creating new forms of social arrangements and organizations and socially

constructed self-identities. 'Transnationalism' is a concept that is increasingly used to capture the nature of today's cross-border movements and their outcomes.

A growing trend in transnational social movements is the joint efforts of migrants to maintain and foster links with their places of origin through the creation and organization of 'hometown associations' (HTAs). HTAs are established not only in response to the social and cultural challenges faced by new immigrants in adjusting to life in a foreign country, but also to fund small-scale development projects in home communities through collective remittances.¹³ They are philanthropic units formed by immigrants, who seek to support their places of origin, maintain relationships with local communities and retain a sense of community while they reside in foreign countries (Orozco 2000; Orozco 2003b; Merz 2005).

HTAs are active throughout major migrant destinations, such as parts of eastern Asia, Europe and the United States. Although the total number of such organizations is unknown, as they change in number annually, there is evidence that they have multiplied in recent years. For example, 12 formal Senegalese immigrant associations were identified in France in 1984. Six years later, 195 HTAs from the same country were registered as non-profit organizations, and by the end of the 1990s, it was estimated that there were more than 400 Senegalese HTAs in France (Daum 1995). Mexican HTAs number approximately 3,000. Filipino groups may amount to 1,000, and there are about 500 Ghanaian HTAs worldwide (Orozco and Rouse 2007).

However, it must be kept in mind that HTAs are only one of several options through which diasporas maintain links with and help their communities of origin. Immigrant entrepreneurs are also 'social actors', who participate actively in transnational activities. Several case studies have examined how small and medium entrepreneurs in Africa, Asia and Latin America continuously affiliate with partners or clients in Europe, Saudi Arabia and the United States, creating social networks that benefit migrants, as well as the communities they left behind and the ones they belong to in receiving countries. For example, in the Dominican Republic, there are hundreds of small- to medium-sized transnational enterprises (including small factories, commercial/retail establishments and financial agencies). Such ventures are created and run by former migrants, who have returned to the Dominican Republic after acquiring capital and establishing ties with migrant communities in the United States, thus acquiring clients and investors abroad. Similar scenarios can be found in other parts of the world. In Viet Nam, for example, 1,274 projects and businesses have been set up by overseas Vietnamese, with a registered capital of US\$710 million (for a more in-depth discussion of transnationalism and HTA, see section 4.5)

2

Worldwide remittances to developing countries



Migrants send money back to their country of origin in a variety of ways. Where available, they may use formal channels such as banks and money transfer services. In other instances they may use informal channels, carrying money home or sending cash and in-kind goods home with returning migrants. For a variety of reasons, remittances are extremely difficult to measure. On the one hand, official figures may underestimate the size of remittance flows because they fail to capture informal transfers. However, overcounting occurs as well, as other types of monetary transfers – including illicit ones – cannot always be distinguished from remittances. Moreover, remittances may also be transferred via a third country, complicating estimates of remittance data by the source and destination countries. Thus remittance figures are general estimates at best, but new estimates do demonstrate the enormous impact that remittances from developed countries and rich countries have on developing countries.

2.1 Remittance trends

The inflow of remittances can be taken as an indicator of the economic relevance of migration. Remittances have grown at an extraordinary pace over the last decade. According to World Bank data, global remittances have increased from about US\$30 billion annually in the early 1990s to an estimated US\$318 billion in 2007.¹⁴ Some 75 per cent of this amount is directed towards lower middle-income and low-income developing countries. Recorded remittances constitute nearly two thirds of foreign direct investment (FDI) flows and more than double official aid flows to developing countries.

From 2002 to 2007, remittances to developing countries increased by 107 per cent (table 3). Much of this increase occurred in low- and middle-income countries. In 2005 it was estimated that approximately 500 million people (8 per cent of the world's population) were benefiting from remittances. Latin America and the Caribbean, East Asia and the Pacific, and South Asia obtain the largest shares of international remittances. According to 2007 estimates, these regions received, respectively, 25, 24 and 18 per cent of all official international remittances to developing countries. By contrast, sub-Saharan Africa received less than 5 per cent of all official international remittances (Adams 2007, 3).

The strong rise in remittance flows over the past several years is the result of increased migration, but can also be explained by increased competition in the remittances market, lower transfer costs, more remittances diverted into formal channels, and an improvement in the reporting of data in many developing countries. Worldwide, remittances have become the second largest capital inflow to developing countries after FDI and before official development assistance (ODA) (figure 3). In some countries, remittances have even surpassed the levels of FDI and ODA. According to the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), remittances to Latin America and the Caribbean reached \$66.5 billion in 2007, an increase of 7 per cent over 2006. During a year of economic growth across the region, migrant workers sent home one third more than net FDI, and more than ten times ODA, making 2007 the fifth year in a row that remittance inflows topped the combined sum of FDI and ODA to the region (IDB-MIF 2008).

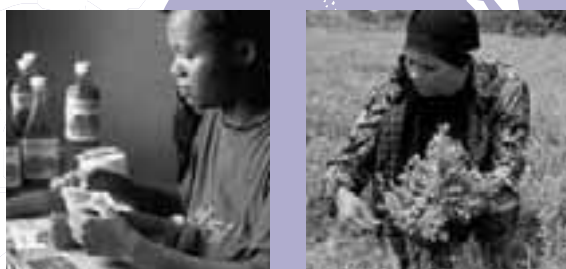


Table 3
Remittance flows to developing countries
 (US\$ billion)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Change 2006-2007 (%) | Change 2002-2007 (%) |
|---------------------------------------|------|------|------|------|------|------|----------------------------|----------------------------|
| East Asia and the Pacific | 29 | 35 | 39 | 47 | 53 | 58 | 10 | 97 |
| Europe and Central Asia | 14 | 17 | 21 | 29 | 35 | 39 | 10 | 175 |
| Latin America and the Caribbean | 28 | 35 | 41 | 49 | 57 | 60 | 6 | 115 |
| Middle East and North Africa | 15 | 20 | 23 | 24 | 27 | 28 | 7 | 86 |
| South Asia | 24 | 30 | 29 | 33 | 40 | 44 | 10 | 81 |
| Sub-Saharan Africa | 5 | 6 | 8 | 9 | 10 | 11 | 5 | 116 |
| Developing countries | 116 | 144 | 161 | 191 | 221 | 240 | 8 | 107 |

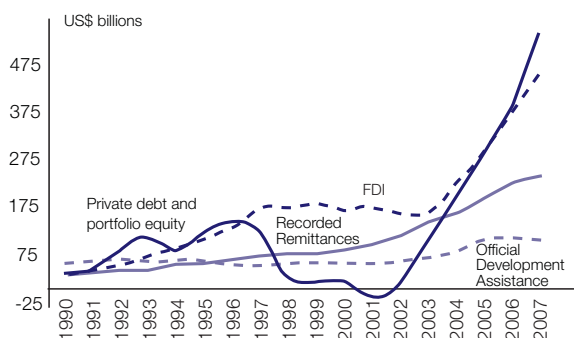
Figures for 2007 are estimates.
 Source: Ratha et al. (2007).

In absolute figures, the five top remittance receivers in 2007 were India (US\$27 billion), China (US\$25.7 billion), Mexico (US\$25 billion), the Philippines (US\$17 billion) and France (US\$12.5 billion) (figure 4). As with many other developed countries (e.g. Germany and the United Kingdom, although to a lesser extent), France receives a significant amount of remittances from workers resident in other European countries.¹⁵

For many poor countries remittances are the largest source of external financing. The remittance inflow is significant for several countries, and critical for some, as it makes up a relevant percentage of GNP and export earnings. According to World Bank data, remittances represent more than 50 per cent of GDP in Haiti and 15-20 per cent in El Salvador, Honduras and

Jamaica. In the Dominican Republic, Guatemala and Nicaragua, remittances make up 10-12 per cent of GDP. The importance of remittances can also be measured by comparing them with other private capital flows. In Guatemala, Honduras, El Salvador and the Dominican Republic, remittances are equivalent, respectively, to 14, 4, 3 and 2 times FDI flows. Even in Colombia and Ecuador, where remittances are lower in relative terms, they represent, respectively, 197 and 112 per cent of FDI (Özden and Schiff 2007, 64).

Figure 3
Remittances and capital flows
to developing countries



Figures for 2007 are estimates.
 Sources: Global Economic Prospects 2006: Economic Implications of Remittances and Migration (World Bank), World Development Indicators 2008 and Global Development Finance 2008.

2.2 Variations in remittance behaviour

Not all migrants send remittances. In order to understand the variations in remittance behaviour, it is useful to consider various characteristics of the sender, such as age, gender, occupation, length of stay, and educational and income levels. The amount depends on the migrants' family situation and tends to be higher when ties are closer. Migrants who remit the most (and most often) are generally of working age, have children or parents remaining in their countries of origin and have stayed in the country of settlement long enough to earn sufficient income to both support themselves and be able to remit something (Hugo 1998).

When a migrant is joined by his/her family, the likelihood of remitting generally decreases. A study on Senegalese migrants in France noted that unmarried migrants tend to remit more than migrants who have their families with them. The same assessment has been made of immigrant communities in the United States (DeSipio 2000; Lanly 2004). Remittances are also dependent on the educational and salary levels of the remittance sender. For example, among Mexican immigrants, higher education and salary seem to correlate with a lower likelihood of remitting, while migrants whose incomes increase modestly (earning more than the lowest earning levels of recently arrived migrants) are more likely to remit (DeSipio 2000).

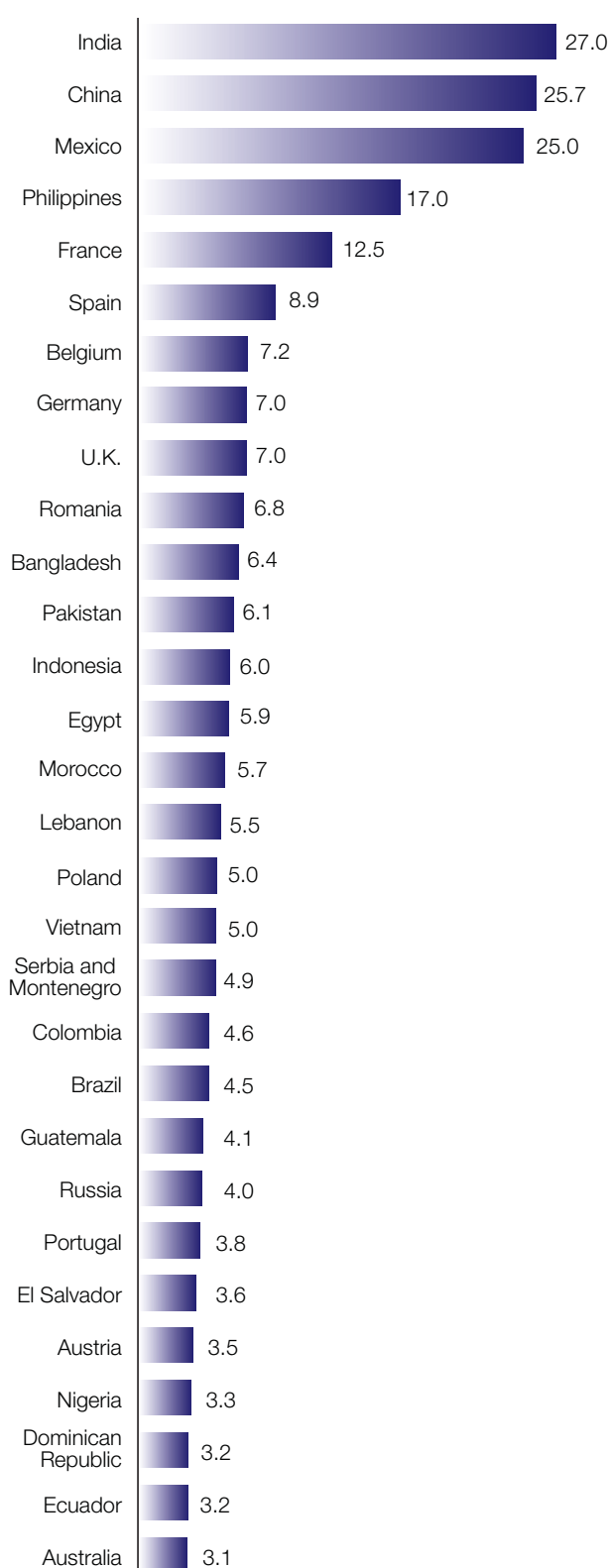
A study on remittances by Tongan and Samoan nurses from Australia reveals that although they remit more per capita, they are less generous than others in terms of the proportion of income remitted, and this proportion falls steadily as their income level increases (Connell and Brown 2004). This may be explained by the fact that once a migrant has achieved a certain target level of family support, remittances no longer rise with income.

Visa, residency or citizenship status also influence remittance behaviour. For example, studies of Philippine and Vietnamese migrants indicate that undocumented migrants remit more regularly than legal ones (Groupe Agence Française de Développement 2004, annexes 20, 48, 54; Bagasao et al. 2004, 16-17). Moreover, living conditions in the host country, as well as the cost of living, are also important determinants of remittance behaviour.

The typical amount remitted per transaction by international migrants ranges from US\$100 to US\$1,000 (Sander and Maimbo 2003, 16). According to the World Bank (2004), the global average transaction value is US\$200.

Migrants make significant sacrifices to send an average of US\$200 eight or more times per year to their home country. Several studies indicate that permanent migrants send about 15 per cent of their salary home, whereas temporary migrants may remit up to 50 per cent of their income (USAID 2002, quoted in Sander 2003a, 8). For the average Latin American or Caribbean migrant in the United States, who earns less than US\$25,000 per year, remittances may account for nearly 10 per cent of his or her income (Orozco 2002b, 7). Migrants with low income are often more committed to sending higher percentages than better-off migrants. Thus many of them remain marginalized in the host country and have limited possibilities to invest in their own well-being.

Figure 4
Top remittance recipient countries, 2007



Source: World Bank (2008, 12).

2.3 Formal versus informal channels for transferring funds

Migrants have various options for sending remittances: money transfer companies (Western Union, MoneyGram, etc.) or credit card companies; regular mail service; financial transfers through banks, credit unions or the various transfer options offered by companies (e.g. supermarkets or through mobile phones); informal channels such as couriers, or more sophisticated channels such as the 'Hawala' and 'Hundi' transfer systems;¹⁶ or hand-carried by migrants themselves.

Where the financial sector is missing, weak or mistrusted, people tend to use informal money transfers, while in stronger, liberalized economies, they trust the formal sector. Despite recent efforts to convince migrants to use authorized financial channels, many continue to use informal ones. Banking the 'unbanked' – that is, reaching out to those who lack ready access to banking services – is a key factor in any effort to bring about a shift from informal to formal financial institutions among remittance senders and receivers (Inter-American Dialogue 2004, 14).¹⁷

Informal money transfers are very common among low-income groups in Africa and Asia. The Hundi and Hawala transfer systems are particularly important in Bangladesh and the Sudan. Forty per cent of all remittances are routed through the Hundi system in Bangladesh, and it has been estimated that the Hawala system provides up to 85 per cent of Sudanese remittances. Conversely, Latin American and Caribbean migrants mainly use formal channels. Partly due to the rapid growth of the volume of remittances in the 1990s, services for transferring remittances have expanded and diversified (IDB-MIF 2004a, 13-14). This is especially true in the non-bank financial institution sector. Money transfer companies, such as Western Union, handle the majority of remittances from the United States to Latin America and the Caribbean. A 2003 study found that 70 per cent of all remittances were wire transfers, and only 17 per cent of all remittance senders from the United States to the Latin American and Caribbean region use informal channels (Suro 2003, 6-8).

2.4 Cost of remittance transfers

Globally, the average cost of sending remittances was about 12 per cent of their value in 2004 (World Bank 2006, 137). However, costs may range from a low of 0.2 per cent to about 20 per cent, depending on the remitted amount, type of service used, destination and transfer location. Costs tend to be highest for small transactions, since most transfer services charge a minimum fee.

A comparative study of the transfer costs to 11 low-income countries in Africa, Asia and Europe demonstrated that banks have become considerably cheaper than international money transfer companies over the last several years. The mean value of remitting through banks was 7 per cent, compared with 12 per cent for companies such as Western Union (Orozco 2003c, 9). A recent study of the corridors between France and the Comoros, Mali, Morocco and Senegal shows that money transfer costs are still quite high. The cost of transferring € 300 varied from € 10 to € 29. Bank transfer was the cheapest, while transfer through Western Union was the most costly (BAfD 2007, 27). A survey of 84 firms offering remittance transfers from the United States to 14 Latin American countries shows that the average cost of sending US\$200 in remittances was 7.6 per cent of the amount transmitted.¹⁸ Average transaction costs of sending money to Latin America and the Caribbean have dropped by half since 2000, largely due to stronger competition and the adoption of new technologies among service providers (Suki 2007, 22-23).

Although there has been a general decline in the cost of remittances, overall they remain grossly overpriced. In addition to the international money transfer fee, remittance senders are often faced with other costs, such as check-cashing and conversion fees. The cost becomes higher for remittance receivers in rural areas because of the long distances they have to travel to collect the money (Orozco 2004a, 15-16). Recipients also often pay a fee to collect the funds or are faced with unfavourable exchange rates.

Governments, intergovernmental organizations and community-based organizations are currently involved in efforts to lower the cost of remittance transfers. As more banks and credit unions become involved and extend their services to migrant communities and their rural communities of origin, costs will most likely continue to decrease. However, it is important that migrants and recipient communities gain a better understanding of the various options for remitting and receiving. In particular, migrants and recipient communities need access to local financial institutions, not only because of the lower remittance costs, but also because of the greater opportunities to initiate or increase their savings and their access to other financial services such as housing loans.

New technologies may also help lower the cost of remittance transfers and allow migrants and their families at home to send and receive remittances with greater ease. One of the popular techniques in the Americas is the use of automatic teller machine (ATM)/debit card transfer services, which are being offered by a growing number of private banks. When migrant workers enrol in such programmes, they are issued a debit card to be used by a designated person in the home country. The cost of this type of transfer can be less than half the cost of a traditional transfer (Johnson and Sedaca 2004, 11).

One type of money transfer service that is expanding quickly uses the Internet, offering mostly online-to-offline transactions. The sender processes a transaction over the Internet, using a credit card or bank account number, while the recipient collects the payment through traditional mechanisms: cash payouts, bank accounts or debit card accounts. The reach of this type of transfer service will continue to expand, but it is still limited by access to the Internet and to financial service infrastructure such as bank branches or ATMs.

Mobile phones hold the greatest promise for Africa and remote corners of Asia and Latin America. For example, the G-Cash programme of GlobeTel Communications Corporation (GTel) is a Philippine

service using short-message-service (SMS) to execute transactions and cash centres to pay out the funds received. Text messages are used both to initiate transfers and notify senders and recipients of successful transfers.¹⁹ As of March 2006, there were 1.3 million registered G-Cash users (USAID and DFID 2007). The outreach opportunities for mobile-phone-based transfer and payment services are rapidly increasing in Africa.²⁰

Enabling remittances and payments through technologies such as mobile phones has several advantages for poor people: it eliminates the need for costly travel to the nearest bank; it can include international as well as domestic transactions; it can reach rural areas; it is a near-instantaneous transfer mechanism; and it allows transactions in small denominations. The key impediments to mobile communications as deliverers of remittance services, however, are security and regulation. Governments must be convinced that transaction processes are secure, both for individual consumers and for the system overall (USAID and DFID 2005).

An example of how the creation and strengthening of financial institutions in rural areas can help reduce the cost of sending and receiving remittances is the International Remittance Network (IRnet), a network set up in 2000 by the World Council of Credit Unions (WOCCU), which allows members of credit unions to send money for a fee lower than those of transfer alternatives.²¹ WOCCU, in collaboration with MoneyGram and Vigo Remittance, has facilitated transactions amounting to US\$1.5 billion through approximately 300 credit union locations throughout the United States and 900 rural and urban credit union locations in Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Kenya, Mexico and Nicaragua (Grace 2007).

Table 4 presents key facts and figures on migration and remittances for developing regions.²²

Table 4
Facts and figures on migration and remittances for developing regions^a

| Migration | Remittances |
|--|---|
| SUB-SAHARAN AFRICA | |
| <ul style="list-style-type: none"> ■ Stock of emigrants: 15.9 million or 2.1% of the population. ■ Top 10 emigration countries: Mali, Burkina Faso, Ghana, Eritrea, Nigeria, Mozambique, Zimbabwe, South Africa, the Sudan, the Democratic Republic of the Congo. ■ The prevailing type of migration is intraregional, although there is also significant international migration to former European colonial powers, such as France, England, the Netherlands and Italy, among others. ■ Identified destinations: high-income OECD countries (25.2%), high-income non-OECD countries (2.9%), intraregional (63.2%), other developing countries (0.2%), unidentified (8.5%). | <ul style="list-style-type: none"> ■ In 2007 remittance flows to the subregion approached US\$10.8 billion. ■ Top 10 remittance recipients in 2007 in US\$ billion: Nigeria (\$3.3), Kenya (\$1.3), the Sudan (\$1.2), Senegal (\$0.9), Uganda (\$0.9), South Africa (\$0.7), Lesotho (\$0.4), Mauritius (\$0.2), Togo (\$0.2), Mali (\$0.2). ■ Top 10 remittance recipients in 2006 as percentage of GDP: Lesotho (24.5%), the Gambia (12.5%), Cape Verde (12.0%), Guinea-Bissau (9.2%), Uganda (8.7%), Togo (8.7%), Senegal (7.1%), Kenya (5.3%), Swaziland (3.7%), Benin (3.6%). |
| EAST ASIA and the PACIFIC | |
| <ul style="list-style-type: none"> ■ Stock of emigrants: 19.3 million or 1.0% of population. ■ Top 10 emigration countries: China, the Philippines, Viet Nam, Indonesia, Malaysia, Thailand, the Democratic Republic of Korea, Myanmar, the Lao People's Democratic Republic, Cambodia. ■ Identified destinations: high-income OECD countries (50.0%), high-income non-OECD countries (27.3%), intraregional (13.1%), other developing countries (1.1%), unidentified (8.5%). | <ul style="list-style-type: none"> ■ In 2007 the subregion received US\$58.0 billion in remittances. ■ Top 10 remittance recipients in 2007 in US\$ billion: China (\$25.7), the Philippines (\$17.0), Indonesia (\$6.0), Viet Nam (\$5.0), Thailand (\$1.7), Malaysia (\$1.7), Cambodia (\$0.3), Mongolia (\$0.2), Fiji (\$0.2), Myanmar (\$0.1). ■ Top 10 remittance recipients in 2006 as percentage of GDP: Tonga (32.3%), the Philippines (13.0%), Kiribati (9.9%), Viet Nam (7.9%), Mongolia (6.8%), Solomon Islands (6.3%), Fiji (5.8%), Cambodia (4.1%), Vanuatu (2.8%), Indonesia (1.6%). |
| SOUTH ASIA | |
| <ul style="list-style-type: none"> ■ Stock of emigrants: 22.1 million or 1.5% of population. ■ Top 5 emigration countries: India, Bangladesh, Pakistan, Afghanistan, Sri Lanka. ■ Identified destinations: high-income OECD countries (20.3%), high-income non-OECD countries (25.3%), intraregional (34.5%), other developing countries (11.4%), unidentified (8.5%). | <ul style="list-style-type: none"> ■ In 2007 the subregion received US\$43.8 billion in remittances. ■ Top 5 remittance recipients in 2007 in US\$ billion: India (\$27.0), Bangladesh (\$6.4), Pakistan (\$6.1), Sri Lanka (\$2.7), Nepal (\$1.6). ■ Top 5 remittance recipients in 2006 as percentage of GDP: Nepal (18.0%), Bangladesh (8.8%), Sri Lanka (8.7%), Pakistan (4.0%), India (2.8%). |
| EUROPE^b and CENTRAL ASIA | |
| <ul style="list-style-type: none"> ■ Stock of emigrants: 47.6 million or 10.0% of population. ■ Top 10 emigration countries: Russian Federation, Ukraine, Turkey, Kazakhstan, Poland, Serbia and Montenegro,^c Uzbekistan, Belarus, Bosnia and Herzegovina, Azerbaijan. | <ul style="list-style-type: none"> ■ In 2007 Europe and Central Asia received US\$38.6 billion in remittances. ■ Top 10 remittance recipients in 2007 in US\$ billion: Romania (\$6.8), Poland (\$5.0), Serbia and Montenegro (\$4.9), Russian Federation (\$4.0), Bosnia and Herzegovina (\$1.9), Bulgaria (\$1.9), Croatia (\$1.8), Albania (\$1.5), Armenia (\$1.3), Tajikistan (\$1.3). |

- Identified destinations: high-income OECD countries (28.5%), high-income non-OECD countries (5.3%), intraregional (57.6%), other developing countries (0.2%), unidentified (8.5%).
- Top 10 remittance recipients in 2006 as percentage of GDP: Tajikistan (36.2%), the Republic of Moldova (36.2%), Kyrgyz Republic (27.4%), Armenia (18.3%), Bosnia and Herzegovina (17.2%), Albania (14.9%), Serbia and Montenegro (13.8%), Georgia (6.4%), Romania (5.5%), Bulgaria (5.4%).

LATIN AMERICA and the CARIBBEAN

- Stock of emigrants: 28.3 million or 5.1% of population.
- Top 10 emigration countries: Mexico, Colombia, Cuba, Brazil, El Salvador, the Dominican Republic, Jamaica, Ecuador, Peru, Haiti.
- Identified destinations: high-income OECD countries (79.0%), high-income non-OECD countries (0.6%), intraregional (11.9%), other developing countries (0.05%), unidentified (8.5%). Until recently, the United States was the main destination; however, increasing migration to Europe and intraregional mobility have changed this pattern. Italy and Spain are two of the main destinations in Europe, whereas Argentina, Costa Rica and the Dominican Republic are the main intraregional destinations.
- In 2007 remittances to the region were estimated at US\$59.9 billion.^d
- Top 10 remittance recipients in 2007 in US\$ billion: Mexico (\$25.0), Colombia (\$4.6), Brazil (\$4.5), Guatemala (\$4.1), El Salvador (\$3.6), the Dominican Republic (\$3.2), Ecuador (\$3.2), Honduras (\$2.6), Jamaica (\$2.0), Peru (\$2.0).
- Top 10 remittance recipients in 2006 as percentage of GDP: Honduras (25.6%), Guyana (24.3%), Haiti (21.6%), Jamaica (18.5%), El Salvador (18.2%), Nicaragua (12.2%), Guatemala (10.3%), the Dominican Republic (10.0%), Ecuador (7.2%), Bolivia (5.5%).

MIDDLE EAST and NORTH AFRICA

- Stock of emigrants: 12.9 million or 4.2% of population.
- Top 10 emigration countries/territories: Morocco, Egypt, Algeria, Iraq, Iran (Islamic Republic of), Gaza and the West Bank, Jordan, Tunisia, Lebanon, Yemen.
- Identified destinations: high-income OECD countries (52.2%), high-income non-OECD countries (21.3%), intraregional (16.3%), other developing countries (1.7%), unidentified (8.5%).
- In 2007 the Middle East and North Africa received US\$28.5 billion in remittances.
- Top 10 remittance recipients in 2007 in US\$ billion: Egypt (\$5.9), Morocco (\$5.7), Lebanon (\$5.5), Jordan (\$2.9), Algeria (\$2.9), Tunisia (\$1.7), Yemen (\$1.3), Iran (Islamic Republic of) (\$1.1), the Syrian Arab Republic (\$0.8), Gaza and the West Bank (\$0.6).
- Top 10 remittance recipients in 2006 as percentage of GDP: Lebanon (22.8%), Jordan (20.3%), Gaza and the West Bank (14.7%), Morocco (9.5%), Yemen (6.7%), Tunisia (5.0%), Egypt (5.0%), Djibouti (3.8%), the Syrian Arab Republic (2.3%), Algeria (2.2%).

Source: World Bank (2008).

- a The designation 'developing' regions is intended for statistical convenience and does not necessarily express a judgment about the stage reached by a particular country or region in the development process.
- b Includes: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, the Republic of Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovenia, Turkey and Ukraine.
- c Serbia and Montenegro became separate countries in 2006, however, since the historical statistics of the two countries were combined, the World Bank Factbook reports them jointly.
- d Estimates from the Inter-American Development Bank's Multilateral Investment Fund (MIF) are much higher. According to the MIF, Latin American and Caribbean migrants sent some US\$66.5 billion back to their homelands in 2007, about 7 per cent more than in the previous year. However, the MIF noted that this is the first time since they started tracking remittances in the year 2000 that the region has not seen a double-digit yearly increase. According to the MIF, this is mostly because the region's two top recipients of worker remittances, Mexico and Brazil, departed significantly from past trends. Remittances to Mexico were virtually unchanged in 2007, rising barely 1 per cent to US\$24 billion, while those to Brazil dropped 4 per cent to about US\$7.1 billion in 2007. In the case of Mexico, the slowdown in remittances could be partly attributed to stricter enforcement of immigration laws and a slowing economy in the United States. In Brazil's case, increasing economic opportunities at home and a strengthening local currency have reduced the appeal of sending money home for many Brazilian immigrants in the United States, www.iadb.org/NEWS/articledetail.cfm?Language=En&parid=2&artType=PR&artid=4459.

3

Poverty and inequities: Key determinants of current outmigration from rural areas



International migrants from developing countries are of both rural and urban origin (ratios vary from country to country and change over time according to socio-economic conditions in both sending and receiving areas). However, we will focus on the rural factors that motivate vast sectors of the population to consider migration in order to improve their lives and diversify their sources of income. During the last 50 years, 800 million people have migrated from rural to urban areas, and it is expected that these migrations will continue to increase.²³ Even though internal and international migrations have differing characteristics, the motivation for displacement is similar – the search for new options to improve the quality of life – and is thus an indication of limited opportunities.

It has been estimated that more than 800 million poor people live in rural areas of the developing world and depend on agriculture and related activities for their survival. Even in 2025, when the majority of the world's population is projected to live in urban areas, 60 per cent of the poorest people are expected to remain in rural areas (IFAD 2005), where inequity and poverty are greater. According to FAO estimates, agriculture is the only source of income for close to 70 per cent of the world's rural poor population, of which a great part is made up of small farmers. The growth of agriculture and rural development have a key role in food security and poverty relief, and they can play a determining role in economic growth and the reduction of inequities and migratory pressures.

Evidence has shown that remittance flows to rural areas are important for all developing regions and contribute to economic progress in rural areas. The

flow of remittances into rural areas in Asia is among the highest. This is partly because half of the Asian countries are 65 per cent rural. In Europe remittances to rural areas are received in a lower proportion than in other places of the world. Among eastern European countries, however, the ratio of remittances per capita to per capita income is 60 per cent in those communities where the population is over 35 per cent rural. Some countries – such as Albania, the Republic of Moldova and Romania – see over 50 per cent of remittance flows going to rural areas. Remittances sent to rural regions in Latin America and the Caribbean represent about one third of all flows. Many people from the Near East, whether from the Middle East or the Caucasus, migrate from rural areas and remit to their places of origin. For example, 48 per cent of remittances to Georgia go to rural areas, as do over 60 per cent of remittances to Azerbaijan. In Africa, a majority of remittances also go to rural areas and are predominantly related to intraregional migration, particularly in western and southern Africa (IFAD 2007b).

3.1 'Push factors' in rural areas²⁴

The globalization process under way over the last several decades has led to increased international trade, higher capital flows, globalized production processes, and economic integration through the creation of common markets and bilateral trade agreements. As a result of this model, world trade and wealth have grown substantially and technological breakthroughs have been achieved.

However, few have been able to take advantage of the benefits created by these processes. Within



this context, social and economic inequalities between and within countries have not only remained but they have increased substantially. In 1975, per capita GDP in high-income countries used to be 41 times higher than in countries with low income, and 8 times higher than in middle-income countries. Today, high-income countries have per capita GDPs that are 66 times higher than those of countries with low incomes, and 14 times higher than those of countries with middle incomes (GCIM 2005).

The United Nations Development Programme (UNDP 2005b, 20) documents that the poorest 40 per cent of the world's population, that is, the 2.5 billion people who live on less than two dollars a day, account for 5 per cent of the world's income, while the richest 10 per cent, most of them living in high-income countries, account for 54 per cent of the world's income.

When assessing global poverty, it is important to keep in mind that inequalities are not just intrinsic to differences in income between countries or between groups and individuals within a country. The levels of opulence on display in our age are unprecedented in history, and they are present within a global context of noticeable deprivation, misery and repression. The economist Amartya Sen has consistently pinpointed the intricate connection between equity and development, stressing that the one is not possible without the other and that any development practitioner must be constantly aware of the new and old problems that plague the world:

... persistent poverty and extensive unmet basic needs, famine and the problem of hunger,

the violation of essential political freedoms, as well as of basic freedoms, the lack of attention to the interests and needs of women and the worsening of the threats that loom over our environment and over the preservation of our economic and social existence (Sen 1999, 382).

The biggest losers have been the most vulnerable and disadvantaged groups in society, especially rural women and men in developing countries. Three out of four poor people in developing countries live in rural areas, and most depend on agriculture or related activities for their livelihoods.

According to a World Bank country rating study, in agriculture-based countries – those where agriculture contributes an average of 32 per cent of GDP growth – 70 per cent of poor people live in rural areas. In transforming countries, where agriculture is no longer a main source of economic growth, contributing on average only 7 per cent to GDP growth, 82 per cent of all poor people live in rural areas. In urbanized countries, where agriculture directly contributes only an average of 5 per cent to economic growth and where poverty is mostly urban, rural areas are still home to 45 per cent of poor people. (World Bank 2007, 24)

While important differences exist among various regions and countries, some common features are present in the rural context of developing countries. Traditionally, lack of access to fundamental assets and to productive services and inputs – such as land, water, credit, extension, market information and technical innovations – has prevented smallholders in developing countries from capitalizing on their agricultural enterprises and increasing their productivity.

Difficulties and obstacles faced by rural women are even greater, as they are frequently unacknowledged as producers and are discriminated against at all levels. Regardless of the important contribution of rural women to economic development and their significant participation in the labour force in developing countries, their access to human, social and physical resources is substantially less than that of men. They have fewer possibilities to improve their theoretical and practical knowledge, and their ability to participate in decision-making processes is significantly more limited. Women own less than 2 per cent of all land and receive only 5 per cent of extension services worldwide. It is estimated that women in Africa receive less than 10 per cent of all credit going to small farmers – and a mere 1 per cent of total credit going to the agriculture sector (IFAD 2003).

The numerous limitations faced by women, particularly in rural areas, have compelled them to look for alternative options in other places. For example, in Latin America, a great part of the migrations from rural areas during the 1960s and 1970s was made up of women seeking better opportunities as maids in cities (Villarreal 1996). In recent decades, rural women have continued to migrate to urban areas and, besides domestic work, they are also employed in export assembly plants or *maquilas*, particularly in Central America (Vargas-Lundius 2007, 221-27).

With the liberalization of markets, small farmers from developing countries have not only seen themselves forced to compete with imports from a highly productive and subsidized agriculture sector in industrialized countries, but have also had to face the instability and downward trend in the prices of many of their export products. These facts, among many others, have a negative impact on rural livelihoods. The situation is worsened further by the difficulties of supplementing and diversifying incomes in markets with high unemployment rates, precarious labour conditions and low salaries. These circumstances exacerbate inequalities, increase poverty levels and put food security at risk.

In contrast with the highly subsidized agriculture of developed countries (subsidies are calculated at some US\$360 billion per year), most developing

countries have drastically diminished investments in the agriculture sector. National and international policies have been neglecting the importance of agriculture and rural development. Over the last 20 years, national and international allocations of resources to agriculture and rural development have diminished substantially. While the participation of agriculture in ODA was reduced from 18 to 3.5 per cent in the period 1979-2004 (World Bank 2007, 41), its participation in public expenditure decreased from 11.3 to 6.7 per cent in the period 1980-2002 (FAO 2007, 6).

Discriminatory policies and initiatives have contributed to growing inequalities between the rural and urban sector, and to the inability of the former to meet the needs and interests of rural women and men. In almost all developing countries, conditions of rural poor people are far worse than those of the urban poor in terms of consumption levels and access to education, health care, water, sanitation, housing, transport and communications.

Mortality rates among children below five are much higher in rural areas. For example, in Bolivia, mortality rates are 1.9 times higher among children in the countryside than among those who live in cities. The children most likely to drop out of school or to not attend at all are those from poorer households, particularly in rural areas. For example, nearly one third of children in rural areas of the developing world do not attend school, compared with 18 per cent of children in the same age group living in cities (United Nations 2007, 11). In many countries, the rural/urban division also substantially magnifies gender inequalities. For example, in Pakistan, the rural/urban gap in school attendance is at 27 per cent, but the gap between rural girls and urban boys is at 47 per cent. Indigenous populations in Guatemala have a much higher probability of living in poverty, but the incidence of poverty among the rural indigenous population is almost five times the average of urban non-indigenous people (ibid. and UNDP 2005b).

Within this context, agriculture and the rural sector offer limited and inadequate options to satisfy the needs of rural populations and provide them with opportunities to improve their quality of life. Rural



households may try to move out of poverty through agricultural entrepreneurship, the rural labour market and the rural non-farm economy. They may also choose to migrate to towns, cities or other countries. Often these various options are complementary (World Bank 2007). Although agriculture continues to be the largest source of employment for rural populations, non-farm activities are gaining in importance. In the late 1990s, rural non-farm activities were estimated to account for 42 per cent of rural household income in Africa, 40 per cent in Latin America and 32 per cent in Asia (Vargas-Lundius and Lanly 2007).

3.2 How the current context facilitates migration processes

Changing demographic patterns over the past 50 years are currently stimulating increased demand for local labour within developed nations, creating a potential labour market for women and men from developing countries.

Efficient telecommunications and means of transportation are reducing distances between nations, while transportation and communications costs are declining. Television and radio increase global awareness of existing opportunities and of the glaring differences in well-being and living standards, not only inside countries and regions, but also between developed and developing countries.

The first migrants facilitate the migration of relatives or friends, who in turn help others migrate. Growing migration networks reduce transaction costs and risks of future displacements. The low cost of phone calls, introduction of e-mail and fax, and cheaper transportation facilities allow regular interaction in real time with people in migrants' countries of origin and frequent visits for breaks or to deal with emergencies.

Successful migrants provide potential migrants with resources and support: information on procedures (technical and legal), financial help, job prospects, administrative assistance, access to services (for example, education, health and housing) and emotional solidarity (Massey et al. 1999). For example, for Filipino immigrants to the

United States, it has been demonstrated that the primary source of information about immigration preference categories, passports and visas is neither the United States embassy, nor newspapers and travel agents, but personal contacts with relatives and acquaintances already in the United States (Stalker 2007). Mexican villages are often linked with specific United States farms through informal networks. Initial migrants may arrange with their employers for friends and families to arrive at the same workplace, taking responsibility for the new employees (*ibid.*).

Migration networks are moulded by local histories of migration, national conditions and sociocultural and gender prerequisites. For example, it has been found that skilled migrants rely more on networks of colleagues or organizations and less on kin-based networks than do unskilled workers (Meyer 2001, quoted in Vertovec 2002, 3).

Over the last decade, both legal and illegal agencies have been established to identify job opportunities, arrange transport and accommodation and deal with bureaucratic proceedings connected with passports, visas and work permits. Such agencies operate within source and destination countries. Costs vary according to country destination, risk and distance. A study in the Thai border town of Mae Sot found that migrant domestic workers paid brokers 5,000-6,000 baht (approximately US\$160 to US\$190) to find employment, from which they then earned 2,000-4,000 baht per month, with food and accommodation provided free.²⁵

In practically all Asian countries, agents are normally licensed by the government to facilitate the placement of workers abroad. Agents, who originally had been paid by employers for the procurement of labour, eventually are allowed to charge workers a regulated, but frequently violated, placement fee for their services. For example, in Bangladesh, unskilled workers may pay up to US\$2,000 to land a job in Saudi Arabia, which is more than 80 per cent of what they can expect to earn during their first year. Funds for the transfer are usually raised by borrowing from family members or by mortgaging a house or land. In the Philippines, recruiters are limited by law to

charging migrants the equivalent of one month of the salary they are expected to earn abroad. However, since there are more applicants than jobs, many are ready to pay the equivalent of two to six months' wages to move up in the queue of workers applying for foreign jobs (Stalker 2007). Pre-departure expenses of Filipino migrants to Italy, including agency recruitment fees, could reach up to € 6,000. This amount is generally borrowed from migrant relatives and may take years to repay, as a live-in domestic worker, on average, earns € 700 per month (INSTRAW, IFAD and Filipino Women's Council 2008, 15 and 18).

3.3 Migration as a household strategy

Just as there are countries that are more prone to generating emigrants, there are individuals and households that are more inclined to migrate than others. Generally speaking, it is not the poorest countries that produce the most migrants – emigration pressures are usually strongest in 'relatively' poor nations, which nevertheless suffer from deeply rooted inequalities and low expectations of progress (Alonso 2004). Similarly, the most disadvantaged households and individuals do not have migration as an available choice. It is when income or wealth increases above a specific threshold that migration becomes more likely, while the acquisition of high levels of income or wealth makes migration unnecessary (McKenzie and Rapoport 2004; Hatton and Williamson 2004; Skeldon 2002).

In fact, the option of migrating – especially migrating internationally – is not available to all, and often poor and very poor people may be excluded, due to the high financing and economic costs and to factors such as limited access to networks and information. The possibility of adopting migration as a livelihood strategy is affected by the availability of economic assets such as land, livestock and savings and the capacity to afford the costs of migrating. Evidence from India and sub-Saharan Africa indicates that although poor people have higher migration propensities, the poorest people cannot afford the material costs of migrating (Waddington and Sabates-Wheeler 2003, 13).

Migrants from any given community, and particularly the initial emigrants, tend to be not only comparatively well accommodated before they decide to migrate, but are often also those community members that are most innovative and dynamic (Skeldon 2002). Migration of the poorest people for survival is linked more to the processes of internal migration. Overseas displacement involves transportation, insertion and risk costs that the poorest people cannot assume (or do not even consider as a possibility) (Hatton and Williamson 2004).

Migration is generally a household decision and is a highly complex procedure that considers: potential benefits; family, social and economic costs; changes in the division of labour; migration policies and rules; availability of networks; and many other aspects that may facilitate decisions to leave or create barriers.

Household members tend to act collectively not only to maximize and diversify income, but also to minimize risks and loosen constraints created by a variety of market failures, including missing or incomplete capital, insurance and labour markets. This is particularly true in rural areas (Stark and Taylor 1989; Katz and Stark 1986; Taylor and Martin 2001). Migration can be a potential means to diversify economic activities to overcome risk and obtain liquidity and capital (Azzari et al. 2006, 9).

A heterogeneous mix of factors may affect mobility and decisions to migrate: wage differentials between areas of origin and destination; the local employment situation; distance to areas of dynamic economic activity; total labour supply within the household; and the potential migrant's level of education, labour market experience, access to assets, age, sex, etc. Moreover, these factors vary widely among countries and regions (Waddington and Sabates-Wheeler 2003). For example, while education seems to exert very little influence on migration decisions in Morocco and Senegal, it seems to be fundamental in Egypt and Ghana, especially for women (Schoorl et al. 2000, 14-20).²⁶

Varying household structures and size may lead to different migration strategies. For example, in Mali



and other West African nations, larger households have better opportunities than smaller ones to devise efficient strategies and face the lack of labour caused by migrants' departure (de Haan et al. 2000).

Migration-determining factors are different for men and women and affect them in diverse ways. Demand for unskilled female labour is found mainly in the service sector, which includes household help, babysitting, caretaking of the elderly or handicapped, kitchen help in restaurants, etc., or work in the textile industry. In the case of unskilled male labour, demand is found mostly in agricultural production of fruits and vegetables, construction activities, manufacturing and transport. This is a reflection of the gender division of labour that, in general, assigns responsibility for family and household care to women. Socioculturally generated and maintained roles tend to infringe further upon women's mobility, their access to education, productive services and their ability to participate in decision-making processes. Culturally encouraged patterns of machismo are not only prevalent in rural societies, where they may act as barriers to women's migration, but are present in migrating women's destinations as well.

Family migration networks are consistently found to be among the most important variables driving migration decisions, particularly to destinations that are associated with high migration costs and risks and a scarcity of information (Taylor 2006; Massey et al. 1987). The majority of people are not ready to leave what is familiar – especially their relatives (spouses, sons and daughters) and friends – to run the risk of being cut off from their sociocultural context, to face the difficulties implied in learning a different language, or to take chances or accept sacrifices. Even though the income of the migrants is undoubtedly higher than in their countries of origin, the people who send money to their family members must make huge sacrifices, as in reality they must support two households, and one of them is often located in a country with a high cost of living.

Besides personal/household decisions and restrictions, migrants are also affected by national policies that try to ban or restrict immigration through quotas that limit numbers (by source

country or in total) or select immigrants in accordance with certain characteristics (Hatton and Williamson 2004). Migratory flows and the dynamics of population movements are clearly influenced by migration policies adopted by national governments. Such policies are often related to political preferences and biases based on preconceptions about 'national character', which may be illustrated by some Asian examples (keeping in mind that similar distinctions and limitations are present in the policies of all migrant-receiving countries).

Since the early 1970s, Singapore has adopted an approach to migrant labour that periodically adjusts its measures in response to the demands of the country's fast-growing economy. Foreign access to the labour market was originally limited to Malaysian workers, but Singapore employers are now allowed to hire migrants from other Asian countries. To limit the influx of migrants from mainland China, Hong Kong is trying to attract workers from other countries, mostly for specific projects. Foreign workers are also hired in the domestic sector, mostly from the Philippines and more recently from Indonesia and Thailand. Japan and the Republic of Korea have traditionally been known for very restrictive migration policies. However, Japanese labour demands have encouraged the entry of workers of Japanese descent from Brazil (254,394 in 2000) and Peru (46,171 in the same year). Taiwan has adopted a policy of admitting labour only from Indonesia, Malaysia, the Philippines, Thailand and, more recently, Viet Nam (Battistella 2003, 5).

4

Impacts of migration and remittances on rural development



Remittances play an essential role in ensuring food for many rural poor households and thus constitute an efficient strategy for facing adversities such as low agricultural productivity and the inherent risks and instability of farming activities. Moreover, remittances may serve as insurance to improve or counter crisis situations, thus limiting negative effects on food security (Lucas 2005 and 2006). Studies have demonstrated that migration and remittances act as such insurance against risk situations for destitute, vulnerable households. For example, remittances sent to Botswana allowed rural poor households to survive hardships imposed by the severe droughts (Lucas and Stark 1985). Remittances also helped rural poor households in Ghana mitigate the effects of high inflation periods (Lucas 2006).

Despite these common perceptions, findings on the effects of migration on rural employment, agricultural production and rural development strongly diverge. Generally speaking, it is possible to distinguish two contrasting views concerning the assumed benefits and shortcomings of migration. One view considers that the overall impact of rural outmigration on migrant-sending areas is negative and recommends designing policies to promote rural employment and development in order to limit population movements from rural areas. Supporters of this view insist on the negative impact of labour loss in the sending areas and its disruptive effect on the local economy.

A second view considers that migration can have a positive impact on development at local, regional and national levels. Supporters of this view consider migration to be a household strategy in which economic and social links between the migrant and

his/her household are maintained. This view emphasizes the benefits arising from the transfer of resources to rural areas, such as financial or in-kind remittances, as well as the generation and transmission of new skills and innovative ideas. Individual and collective remittances contribute to the subsistence and well-being of rural families. Investment of migrants' income in farm and non-farm activities and even increased consumption may also create employment opportunities directly and indirectly. Accordingly, it is recommended that policies be designed to increase the social, economic and financial links between migrants and their communities or countries of origin.

Reality, however, is more complex. A wide range of variables – such as local context, type and extent of migration and size of remittances – interact with and influence the effect of workforce loss in rural areas and the impact of financial transfers from migrants to their family and community of origin.

The major impacts of migration and remittances on agriculture and rural employment depend directly on patterns of expenditure, investments and labour allocation of migrant households, and indirectly on the multiplier effects of remittances and changes in the labour, goods and services markets.

4.1 Departure of rural women and men from rural areas: the labour dimension

Migration represents a loss of human resources for rural migrant-sending areas. The impacts of the loss of labour on the labour market depend on a multiplicity of variables such as the type and patterns of migration, household structures, migrant



characteristics and demographic patterns, as well as the local conditions of agriculture systems (level of development, labour intensity, labour market, etc.) and the degree of integration/isolation of the involved areas. For example, in densely populated regions, outmigration may be a way to alleviate underemployment in agriculture, reduce the pressure on land and other natural resources and protect the livelihoods of the farmers who remain behind. Certain more-productive types of agriculture support a higher number of inhabitants per area unit than other less-productive types on which the same number of people could not survive.

Although migration has important effects on local labour markets, empirical studies on this subject are scarce. Emigration probably does reduce labour supply overall, and more specifically reduces the availability of the departing labour categories. Whether this results in increased wages or diminished unemployment depends on several factors, such as institutional barriers to wage flexibility, the prevalence of surplus labour and the role of international trade in relevant product markets, as well as the ability of those left behind to acquire skills rapidly and other means to enable them to take up vacated positions (Lucas 2005, 4). Whether high emigration rates towards high-income countries will lead to general wage gains depends on the local and national context. In some areas wage gains are absent, often due to the fact that emigrants are replaced by underemployed or unemployed people, while in other countries wages are increased.²⁷

While in some cases remittances can provide a way to compensate for labour shortages, in others the quantity sent may not be enough to cover the

vacuum left. The labour shortage may also be covered by the influx of cheap labour from other areas. For example, migration to France from the Bakel Region of Senegal has fostered the influx of Malian migrant workers into Senegal (Cotula and Toulmin 2004). Several of the smallest households in central Mali consider this outflow of young labourers detrimental, as their remittances are often considered a poor substitute for a young man's contribution to filling the family granary (McDowell and de Haan 1997, 19).

Seasonal migration allows for a better deployment of labour, because those underemployed during the agricultural lean season can find work in towns or other areas, thereby increasing their incomes. In assessing the impact of migration on the reallocation of resources by migrant households in Albania, it has been found that the type of migration (seasonal, circular or permanent) influences the allocation of resources to different agricultural activities, according to labour and capital requirements and physical and human capital endowments (McCarthy et al. 2006, 17 and 19). While permanent migration has favoured livestock production, temporary/seasonal migration has entailed a reduction in livestock holdings but an increase in fruit cultivation.

On the other hand, lasting outmigration can deprive rural areas of critical agricultural labour during farming seasons (Skeldon 2003; Cotula and Toulmin 2004). Longer-term, international migration, especially migration not occurring between border countries, usually means that migrants are unable to return home to engage in agricultural activities and employment during the farming season. Their absence may generate a labour shortage (Tacoli 2002).

Migration of one or more family members also has important consequences in terms of labour allocation and the division of labour within the household, and those effects are not gender-neutral. Departure of family members may lead to labour supply adjustments by remaining family members, such as taking up tasks on a family plot or the care of children and household duties. For example, in Passoré, Burkina Faso, the absence of able-bodied men has led to a 'labour gap', forcing women to work longer and harder in the communal fields and thus to have less time to work their own land. This example illustrates the fact that when men migrate from rural areas, it is very likely that the work burden of the women left behind will increase. Most likely they will have to continue their previous activities, as well as assuming additional responsibility for some or all of the migrant's tasks. The same may be true for men, who in the absence of spouses might be obliged to take on household chores and childcare tasks that formerly were assigned to the women of the household (Ramirez, García Domínguez and Míguez Morais 2005). Some may hire women for these tasks, seek help from relatives or engage in new relationships. Dependency on remittances from women spouses may in some cases affect male self-esteem, since in most societies men tend to be endowed with socioculturally determined roles as 'main providers' to the household economy. Loss of prestige may encourage feelings of social degradation, which may lead to alcoholism and other escape mechanisms.

4.2 Impact of remittances on agriculture

Evidence shows that the impact of remittances on agriculture is mixed and highly contextual. In some cases, migration and remittances foster household farm investment and agricultural production, while in others, the opposite occurs. Initially, labour availability for farm and non-farm production may decrease when family members migrate, particularly if households are unable to reorganize family labour endowments or lack the necessary means to hire additional labour (Lucas 2006, 1-19).

The situation may change when remittances start arriving. In many Latin American countries for instance, the average amount received by a household can be superior to GDP per capita. Remittances as a share of household income vary from country to country. For example, a study of communities in rural Mexico found that for every additional family member who migrated to the United States and sent remittances, the income of recipient families rose by approximately 10 per cent (Yúñez-Naude 2001, 3). According to household surveys in the Philippines, 17 per cent of the households surveyed received remittances, representing 25 per cent of total household spending. The equivalent figures in Viet Nam were even higher: 23 per cent of surveyed households received remittances, representing 38 per cent of household expenditures (Haughton 1999, cited in Vietnamese Development Fund 2004, 8). An ILO study in Senegal found that remittances made up 30-80 per cent of the receiving households' budgets (van Doorn 2002, 51).

In some cases, remittances can compensate for the negative impact of outmigration by allowing hired labour to replace the agricultural labour force lost. In others, remittances may reduce agricultural labour and production, for example by increasing non-farm activities and limiting people's willingness to take on low-paid agricultural activities. Receiving households may choose to spend their additional income on increased consumption, investing in housing, education and health, as well as in entrepreneurial non-farm activities, while others may favour agricultural production. Positive effects depend on the type of investment (whether farm or non-farm) and consumption patterns. If new resources are invested in agricultural and non-agricultural production, effects may be positive for both agricultural production and rural employment.

Examples from around the world seem to indicate that, taken as a whole, international migration and remittances have a beneficial influence on rural well-being and agricultural production. In Botswana, Lesotho, Malawi and Mozambique, labour migration to South African mines reduced crop production in the subsistence sectors in the short run, but over time remittances have



enhanced both crop productivity and cattle accumulation, except in Lesotho (Lucas 1987, 313-330). In Bangladesh, it has been demonstrated that while international migration allows the home-country households of migrants to increase production and income, internal migration does not have significant beneficial effects on rural well-being (Mendola 2005, 1-31). In rural China, remittances partially compensate for lost labour, contributing directly to household incomes and indirectly to crop production (de Brauw, Taylor and Rozelle 2001, 75-101).

In Ghana, migration from rural areas has negative effects on household farm income initially, although over time remittances tend to fully compensate for lost labour, contribute to household incomes and stimulate both farm and non-farm production (Tsegai 2004, 1). In Albania, rural remittance-receiving households generally shift their on-farm investment from crop to livestock production. Despite reductions in the work force, agricultural income does not seem to decline as a result of migration and total income is rising, partially as a result of the higher investments in livestock. It has also been found that members of households with migrants abroad work significantly fewer hours in agricultural production. Migration has no impact on farms' technical efficiency, and migrant households invest less in productivity-enhancing and time-saving farm technologies for crop production (Miluka et al. 2007, 1-30).

In western Mali, although migration has fostered the adoption of improved technology, migrant households do not show better agricultural performance than non-migrant households, because a reduction in the labour effort tends to offset any investments and improved technologies from remittance receipts (Azam and Gubert 2004, 1-36). In two regions of Ecuador, remittances have not been dedicated to agricultural improvements, but have been used for housing (Jokisc 2002, 26-27). In Mexico, the scarcity of workers and natural and economic factors related to migration have a negative impact on agriculture. It was noticed that, in a context of high migration, lack of innovative production techniques, reduction of plant and animal biodiversity, and a decrease or abandonment of farming activity tend to be the rule (Nava-Tablada and da Cloria Marroni 2003, 657-664).

The ways in which migration and remittances affect agricultural production and income go beyond their direct impact on farm activities (Taylor and Stamoulis 2001, 24-32). Studies in South and South-East Asia found that each migrant created an average of three jobs through remittances (Stahl and Habib 1991, 63-80 and 177). Research carried out in Mexico found that remittances create second-round income effects that favour poor people, both inside and outside the rural economy. Both migrant and non-migrant households benefit from remittance transfers. However, it generally takes several years for the positive effects of migration to take hold (Taylor and López-Feldman 2007, 1-28).

Even if remittances are invested in agriculture, the general trend seems to be that they accelerate an inevitable transition out of agriculture – or foster forms of agriculture that take on a subordinate role to off-farm activities. Several studies indicate that migration is used by household members as a strategy to move out of agriculture.²⁸

Obviously, it is more likely that investments in agriculture are made in areas where they are deemed to be profitable – regions in which arable land is relatively abundant and plot sizes large, irrigation water is available in sufficient quantities, and production areas are located near roads and other public infrastructure. Where water availability is uncertain or costly and other decisive factors obstruct agricultural production and family life – such as uncertain land property rights, complex collective regulations concerning maintenance and water distribution, and extremely small plot sizes – migrants tend to be far less inclined to invest in agriculture or might even partially withdraw from the sector (de Haas 2007, 19). By stating this obvious fact, it may also be kept in mind that many rural inhabitants migrated because they had already experienced agriculture as a low-profit, risky activity, avoided by the private and public sectors.

4.3 Remittances, poverty alleviation and inequality in rural areas

The effect of remittances on poverty appears much less controversial than their impact on inequality: there seems to be relative consensus

that remittances reduce poverty. Remittances are an important and stable source of income for many households in developing countries, especially in rural areas. They help reduce monetary restrictions, smooth consumption and overcome difficulties in periods of crisis.

Household surveys from 71 developing countries were used to arrive at the conclusion that international remittances reduce both the level and depth of poverty. It was calculated that a 10 per cent increase in per capita official international remittances in a developing country led to a 3.5 per cent decline in the percentage of people living on less than a dollar a day in that country (Adams and Page 2005, 8). This conclusion is supported by findings from Ghana (Adams 2006, 1-5 and 24-26), Guatemala, Lesotho and Mexico (Mendola 2006, 9). A poverty reduction ratio of 11 per cent in Uganda, 6 per cent in Bangladesh and 5 per cent in Ghana have been attributed to the inflow of remittances (Ratha 2007, 5).

Nevertheless, studies carried out in Mexico (Stark 1991) and Pakistan (Adams 1996) indicate that international migration increased inequality in both countries. Examining the net effects of migration and remittances on income distribution in Nicaragua, a study concluded that migration and remittances increased income inequality (Barham and Boucher 1998, 307-331). Studies in Bangladesh have reached similar conclusions (de Haan 1999, 20). A Mexican study stated that international remittances have a negative impact on income distribution – international migrants do not come from the poorest households – while national remittances decrease rural inequalities – more poor workers are able to move internally due to the reduced costs and risks involved (Rivera 2005, 14). The influx of remittances may cause an increment in land prices as a result of migrant households investing in land. Thus inequalities may be exacerbated when land becomes less accessible to poorer households and more concentrated in the hands of a few people (de Haan 1999, 20; Vargas-Lundius and Lanly 2007, 24).

Based on information from Mexico, it has been pointed out that the relation between migration and inequality depends on the degree of

distribution of emigrants within a specific community: low numbers of people involved in migratory flows may increase inequality, while a more generalized mobility tends to reduce inequality, as people from lower socio-economic levels access the migration flows (McKenzie and Rapoport 2004, 1-24).

It has also been found that migration and remittances have equalizing impacts, but it takes time for these beneficial trends to take root (Stark, Taylor and Yitzhaki 1986, 722-740). Migration is a dynamic process that changes over time. Initially, given that the costs and risks involved are high, migrants tend to come from 'wealthier' households, and remittances may thus sharpen economic and social inequalities in migrant source areas. However, when information becomes more accessible, networks more extensive and costs and risks diminish, migration also develops into an available option for people from lower socio-economic strata, thus inverting the initial unequal effects of remittances. This is made clear by comparative research in Mexico: international remittances had an unequalizing effect on income distribution in a village that had recently begun to send migrants abroad, while they constituted an equalizing factor in another village that had a long history of international migration (Stark, Taylor and Yitzhaki 1988).

The overall impact of migration and remittances on poverty and inequality will probably depend on the number of migrants originating from different income groups (and not on the differences in remittance earnings or propensity to send remittances), as well as on how costs and benefits are distributed among different groups, including non-migrant households. The overall impact over time fundamentally depends on the indirect effects taking place in specific contexts (Adams 2007).

Migration often sets off comprehensive social and political changes. Migrants learn about and experience the various cultural attitudes, political ideas and behaviour of their places of destination. Their families and communities may adapt to some of these new attitudes and apply the lessons learned, while other novelties and innovations may create conflicts within households and communities.

In any case, there is no doubt that migration influences social, political and cultural patterns. An example of this is an increasing sociocultural acceptance of women migrating independently and of the enhanced economic and social independence this entails for them.

There are indications of gender experiences of upward social mobility vis-à-vis the country of origin. Research in the United States indicates that many first-generation immigrant men from South America and the Caribbean experience downward social mobility, being forced to accept lower-skilled jobs and thus feeling degraded ethnically/racially. As a result, they often find integration difficult or even resist integrating by maintaining a 'sojourner' mentality. Their wives, by contrast, may experience migrating to the United States in terms of upward social mobility, because of their engagement in income-generating activities through which they become more independent and escape a stricter patriarchal environment. They become aware that their voices carry as much weight as those of their men relatives.

Some women that have migrated on their own for work may become reluctant to return. For example, even after saving their earnings for several years with the intention of returning to the Dominican Republic, several Dominican women migrants told a researcher that they were reluctant to return and face the possibility of losing their new-found social and economic independence (Baver 1995, 5). As a result, some women prefer to remain in the destination country. Women, in particular if they have their children with them, tend to engage much more than men with local authorities (kindergarten, school, social services), thus giving them the opportunity to integrate more quickly. This is also reflected in the fact that women are more likely than men to become naturalized citizens (Jones-Correas 1998).

A survey conducted in the village of Miraflores in the Dominican Republic found that more than 65 per cent of its households had sent migrants to Boston in the 1990s. The survey found that most young women had changed their ideas about the kind of men they wanted to marry. They learned that when both men and women go out to work in

Boston, the man helps out much more with the children and housework when he comes home at night. They had also experienced that when married couples came back to visit from the United States, they seemed to make decisions together, and husbands apparently treated their wives with more respect. In response to these social remittances, women stated that they did not want to marry a man who had never migrated and thus continued to treat women in the 'old way'. They wanted to be with someone who would treat them as equals (Levitt 2004, 5).

Migration can also change the traditional make-up of families and influence parent-child relations. In certain areas (particularly rural ones), age ratios change – because the elderly, children and youngsters are often left behind – as well as gender roles and relations.²⁹ In addition, the separation of wives and husbands may lead to serious estrangement of married couples and problems in holding the family together. Several studies have explored the social and psychological effects on families left behind by women migrants. There are indications that the social costs of migration in the Philippines are high in terms of exacerbating social problems, including juvenile delinquency and marital break-up.³⁰

The increased outmigration of women from rural areas has also put pressure on families left behind, particularly on men who, in many cases, are unable to carry out childcare and other household chores previously under the responsibility of women. When women leave, they usually rely on the help of relatives; as a result, many children of migrant women are being raised by their grandmothers or aunts.

4.4 Impact of remittances on health and education

At the household level, remittances generally improve the standard of living. They increase and diversify income and allow household members to allocate more resources to providing food, accessing health services and sending their children to school. Opinions diverge regarding the effects of migration and remittances on health and education. Some researchers have found that the

health and educational status of children belonging to migrant households tends to improve with remittances, while others emphasize that the impacts of migration are not always positive and that the social and human costs for future generations are high and hard to measure.

Most studies use maternal and child mortality rates and birth weight as key indicators, while also analysing health care benefits. On the whole, studies have shown that remittances have a positive impact on health. A study carried out in several Latin American countries found that remittances improved children's health in Nicaragua and Guatemala, particularly among low-income households (Fajnzylber and López 2007). In Mexico it was verified that children born into international migrant households in rural areas were less likely to die during their first year and that they had a higher birth weight than other children. It was also verified that the children had gained improved access to medical care, particularly since migration had increased their parents' and relatives' awareness of the importance of health care (Hildebrandt and McKenzie 2005, 257-289).

However, it was also found that preventive health care, such as breastfeeding and vaccinations, was less common among migrant households. Other findings have called attention to the negative health impacts of psychological troubles and difficulties triggered by parental absence or abandonment, as well as the spread of infectious diseases such as HIV/AIDS and careless attitudes towards children's health when they have been left with friends or distant relatives. In Ecuador, for instance, teachers, health workers and members of the local churches in areas with long-standing, high levels of outmigration have reported that school performance among children from migrant households is often poor and sometimes hampered by drug and alcohol use (Pinos and Ochoa Ordóñez 1998, 7-17).

Findings in South Africa indicate that children from remittance-receiving households are much more likely to be enrolled in school than their counterparts from other households (Lu and Treiman 2007; Mansuri 2007, 59-98). A study in

Mexico found that the impact of remittances depends largely on the gender of the household head, and remittances are most likely to be invested in education if they are sent by migrant fathers to mothers (Malone 2007). A survey in Guatemala found that households receiving international remittances spend 58 per cent more on education than households without remittances (Adams 2005) and that women remittance recipients tend to invest more than men in human capital, particularly in health and education (INSTRAW and IOM 2007, 74). While assessing school enrolment and attendance (completed grades) in Mexico, it was found that children from migrant households are more likely to attend school, have higher completed grades and overall better progress than children from non-migrant households (Hanson and Woodruff 2003, quoted in Özden and Schiff 2007).

Data on rural Pakistan reveal that children in migrant households are not only more likely to attend school, they are also more likely to stay in school in the age range in which school dropout rates peak, and to have higher completed grades in their age cohort (Mansuri 2007, 140). Nevertheless, negative connections between remittances and education have also been observed. Research in Albania has identified overall negative impacts of migration on education, particularly in rural areas and for girls, recording that the disruptive effects of migration on family life have hampered children's school performance.³¹

4.5 Transnational communities and hometown associations

International migrants are building what have been called 'transnational communities' in which migrants (but also non-migrants) are social actors, not only in the receiving country but also in their country of origin. They are engaged in a variety of economic, political and social transnational practices that directly affect local development.³² Migrant communities with close links to their places of origin have always existed. However, the increased and diversified capability of migrants to intervene in their places of origin is quite new and is supported by factors such as constantly



improved means of communication, the needs of relatives and friends left behind, and a desire to help their communities prosper by creating new and better opportunities.

The emergence of transnational communities and the impact they are having on the socio-economic development of migrant-sending countries have not been extensively studied. However, in recent years the importance of transnational communities has begun to gain attention, and governments are increasingly institutionalizing a transnational view in their national and international migrant policies.³³

Collective remittances constitute a “novel form of philanthropy – grassroots in nature, democratic in practice and transnational in scope” (Gordon 2005, 51). Migrant organizations are central to the practice of collective remittances – acting as intermediaries, pooling donations and allocating them to specific development projects. Hometown associations, most of which operate in rural towns, are the most common type of migrant organization, bringing together migrants from the same city or region in the home country (Silva 2006).

The main purpose of HTAs seems to be of a social nature, since most of them organize community activities such as dances or dinners, thus providing new immigrants with the social networks they might need in a new and sometimes hostile environment and reducing their vulnerability. HTA social events are often combined with fundraising to assist the social and economic development of their associated towns or villages.

Not all migrant communities have the same level of organization. Varying levels may be explained by a number of factors: age of the migrants and persistence of the migratory flow; size of the migrant community; solidity of the social networks; and the role played by governments and NGOs in sending and receiving states in forming and strengthening HTAs.

HTAs support a wide range of social and economic projects in the communities of origin. The type of project varies from one place to another, responding to specific needs – usually oriented towards the improvement of communal infrastructure. Most investments are used for

education (construction and repair of schools), health care (clinics), water supply (water points), installation of electricity, telecommunications, paved roads and, more rarely, agricultural ventures (mainly irrigation schemes). Generally, the call for aid comes from a communal leader or group of villagers/town dwellers to a group of migrants from the same area. However, it is also common that the initiative for a community project arises among the migrants themselves, who then seek out a counterpart in their town or region of origin.

Since HTA investments are oriented towards public infrastructure rather than domestic consumption, they tend to have a greater ‘multiplier effect’ and impact on local development than do individual remittances. Nevertheless, there are prestigious projects with little, if any, impact on the local economy, such as the construction of religious buildings, which aim to enhance the prestige of a village and the migrants from the region, as has occurred in Latin America and many western African countries.

The number of Mexican HTAs based in the United States reached 2,300 at the end of 2006. In 2007, they donated US\$17 million and have been able to mobilize an average of US\$60 million a year, because for every dollar invested by an HTA, the projects received US\$3 through Mexican federal, state and local contributions. Between 2002 and 2007, the 3x1 Program has financed 7,353 projects (mainly construction and improvement of schools, parks, drinking water systems, health and infrastructure projects) amounting to US\$370 million (SEDESOL 2007). Migrant communities keep demanding that the federal government increase its yearly contribution. In addition, they are making efforts to shift some of the focus of projects supported by the 3x1 Program from community development to income-generating activities that can also help generate employment.

Guyana provides another example of the growing importance of HTAs. There are 300 Guyanese associations in the United States and Canada, comprising 300,000 migrants. In 2004, Guyanese HTAs had donated approximately US\$3 million in support of development projects in their home country (Orozco 2004c). In collaboration with

French authorities, the European Union and various NGOs, the 55 Malian HTAs that comprise the Association pour le Développement du Cercle de Yélimané en France raised € 3.3 million from 1990 to 2003 (FAO 2003b).

Most HTAs succeed in stimulating local development in several, complementary ways, particularly through their promotion of the collective good and the consequent strengthening of informal solidarity. The management skills, administrative techniques, local knowledge and understanding of HTAs lead to better targeting of funds, which may benefit other donors as well. HTAs may also provide political support to their hometown or region of origin. Studies in Latin America and West Africa have shown that HTAs have gradually become powerful political advocates, supporting the resolution of local problems in the regions with which they maintain ties. Migrants may also organize along ethnic categories. For example, the Binational Front of Indigenous Organizations, a community-based coalition of indigenous organizations, communities and individuals in Oaxaca, Baja California, Mexico, and in the State of California, United States, represents a collectivity of six distinct indigenous communities (FIOB³⁴ and IOM 2008, 54).

HTAs may join larger federations composed of several associations from the same region or country. Membership in a federation increases coordination among members and entails greater commitment to certain projects. Federations may serve as a liaison between the immigrant groups and large donor organizations, thus providing HTAs with more-effective negotiating ability.

For example, in 2005, the Federation of Zacatecan HTAs in the United States established a partnership with First Data, a global leader in electronic commerce and payment services, including Western Union, to help fund development projects in Mexican communities that experience high levels of migration and poverty. With First Data's contribution, the 4x1 Program³⁵ has the potential to leverage US\$5 million in funding for development projects in Mexico. The types of job-creating projects that will qualify for funding include educational facilities, health-care

centres, agriculture infrastructure, natural resource conservation efforts, and community-based economic development projects such as structural improvements or technological upgrades to existing small businesses. HTAs also organize international meetings to strengthen the links between scattered migrant groups and to explore ways to improve their lives abroad and their initiatives towards their communities of origin.

The associations are conscious of their limited fund-raising base and choose activities appropriate to their resources: the majority of Mexican HTAs raise about US\$10,000 per year, although some groups generate up to US\$100,000 annually. This has a substantial impact on the rural receiving communities. Most HTAs work in rural towns with populations below 1,000, average annual per capita incomes below US\$400, and highly underdeveloped public and financial infrastructures, including the absence of commercial centres (Orozco 2005).

To increase the impact of collective remittances, some government authorities have implemented measures including: providing incentives to attract greater flows of collective remittances; collaborating with HTAs in the planning and implementation of projects; matching collective remittances with government funds; and soliciting and encouraging investments by emigrants in their areas of origin.

Mexico is currently at the forefront of countries developing programmes to attract and use collective remittances. Three of Mexico's most recognized programmes are:

- The **3x1 Program** was introduced by the Mexican State of Zacatecas in 1992. The programme matches each dollar remitted by migrants or HTAs in the United States with three additional dollars provided by the federal, state and local governments. In 2003 the programme was extended to 23 Mexican states and in 2007 it covered 27 out of 31 states.
- **Mi Comunidad** (My Community) was introduced by the Mexican State of Guanajuato in 1996. It aims to attract migrant savings towards investment in local businesses that can have a positive impact on the home community.

■ **Fondo Estatal de Apoyo de los Zacatecanos Ausentes** (FEAZA) is an investment fund created in 1998 that aims to promote and support the development of productive activities of Zacatecan migrants and their families. The fund provides loans for projects of proven viability and profitability. HTAs and their federation serve as intermediaries between the migrants and the state government.

The potential of these initiatives has caught the attention of other labour-exporting countries. In 2001 in El Salvador, the National Corporation of Municipalities reached an agreement with the HTA federation *Comunidades*, and in 2002 the first matching fund projects were initiated through the government body *Fondo de Inversión Social para el Desarrollo Local* (Social Investment Fund for Local Development). From 2002 to 2003 the fund implemented 45 projects worth approximately US\$11.5 million, of which approximately US\$4.5 million was mobilized by Salvadorans abroad, including US\$1.5 million in cash, US\$0.7 million in kind and US\$2.3 million from Salvadoran municipal and central government (Nostas 2006, 55).

Through its co-development policy, the French Government is encouraging investments in rural development. From 2002 to 2004, it provided a fund of € 2.6 million to cofinance local projects with Malian HTAs. A second bilateral programme, adopted by the joint French-Senegalese Committee for Co-development and Migrations, is being implemented in Senegal. It co-funds up to 70 per cent of a project's costs. Projects include schools, health clinics, small-scale dams for agriculture and water supply systems, cofinanced and implemented by Senegalese HTAs in their villages or regions of origin (Ministère des Affaires Etrangères 2005).

While some governments try to reach out to HTAs, many migrant associations are sceptical of cooperation with governmental institutions. They are reluctant to let the government administer funds that they have created through their own hard labour, and some associations have experienced government corruption and deficient

services. However, there are also migrant associations that believe that without government collaboration and co-investment arrangements, their villages and hometowns will not improve. In fact, most HTAs start out with the intention of not allowing politics to interfere with their development efforts, but they soon find that politics cannot be completely avoided. In particular, the relationship between municipal government and HTA is indispensable, although it may be problematic. If the municipal government is of a different political persuasion than the leadership of the HTA, tensions may arise and the municipal government may decide not to provide support. In some cases, the municipal government may even attempt to block efforts by an HTA to implement projects in the community.

Although HTAs are increasingly collaborating with counterparts in their places of origin, they are still unlikely to approach large and complex donor institutions with any direct proposals. In most cases, HTAs lack the time or technical capability to prepare project proposals. Those that have managed to do so usually rely on NGOs with experience in project preparation and implementation. Moreover, large donor institutions generally find it difficult to interact directly with small groups such as HTAs, since they may not have the legal status or the appropriate linkage with governmental and non-governmental institutions in their country of origin. Lastly, some donors may disregard HTAs' proposals due to their unfamiliarity with their aims and work. One area that needs further research is the potential role that leaders of HTAs and federations of migrant associations could play as transnational political actors, facilitating dialogue between their sending and destination states (Fernández de Castro et al. 2007, 12).

5

Moving forward: Strategic directions



5.1 Banking the unbanked

One main constraint on achieving rural development and eradicating rural poverty is lack of access to the financial system. The fact that rural populations of remittance-receiving countries are largely unbanked makes this constraint even more crucial, because it hinders the various ways in which remittances could help alleviate poverty and support economic growth in rural areas.

Access of remittance senders and receivers to the financial sector varies substantially worldwide. The percentage of remittance recipients living in Latin America that do not have a bank account is estimated at more than 90 per cent, while 43 per cent of Latino remittance senders in the United States do not have an account (IDB-MIF 2004a, 1).

On the other hand, a study on remittances from Japan commissioned by IDB (2005, 1-3) revealed that 92 per cent of remittance senders to Latin America have a bank account in Japan, and more than half have bank accounts in their home country. The survey also indicated that nearly 80 per cent of remittance senders say their family members have a bank account in their home country. This level of banking is unmatched in any Latin American country, enabling remittances from Japan to Latin America to be sent 'account-to-account' rather than 'cash-to-cash'. In fact, 79 per cent of Latin Americans in the United States send their money via international money transfer companies, whereas 82 per cent of Latin Americans in Japan send their money through banks. This partly explains why the average transaction cost of sending remittances to Latin America from Japan is much lower than from the United States.

In Asia and Africa, remittance senders' and receivers' lack of access to the financial system is widespread. A report by the Asian Development Bank (AsDB) analysed the development potential of the remittance market in the Philippines. It estimated that some 80 per cent of Philippine households are unbanked. This situation leaves senders and receivers economically disenfranchised, because they cannot take advantage of the variety of services provided by financial institutions (Mellyn 2003, 11-12).

Increasing access to the financial system for remittance senders and receivers

Given the important role that financial access and services could play in achieving rural development, concentrated efforts are being made to link remittance senders and recipients to financial institutions. In March 2004, the MIF formalized basic recommendations for the Latin American remittance market (the Lima Declaration). The second goal of the declaration, to be reached by 2010, is to raise the percentage of families receiving remittances through the financial system to 50 per cent. In April 2004, the finance ministers and central bank governors of the Group of Seven (G7) countries issued a statement promising that "On remittances, we will continue to work on our initiatives to reduce barriers that raise the cost of sending them and to integrate remittance services in the formal financial sector". At the 2004 G8 Summit, the action plan adopted included activities to increase financial options for the recipients of remittances in order to foster their development impact. That same year, the United States House of Representatives Committee on Financial Services welcomed the federal banking



regulators' agreement that financial institutions should receive Community Reinvestment Act credits for offering international remittance services.³⁶ In 2007, the G8 organized an Outreach Meeting on Remittances in Berlin to assess the progress of measures to facilitate remittance flows – agreed at the Sea Island Summit in 2004 – and to initiate a dialogue on new channels and instruments for transferring funds. Participants “called upon policymakers, the private sector, and the international community to continue their work to strengthen financial systems and to improve access to financial services – through better systems and attractive ways to remit, save and invest for migrants, diaspora, and remittance recipients – thereby contributing to reducing poverty and promoting economic growth” (G8 2007, recommendation no. 5).

Attracted by the ever-increasing volume of remittances and the potential business opportunities remittance recipients provide, a growing number of commercial banks have become involved in the remittance transfer and financial service business. One example is Groupe Banques Populaires in Morocco. This state-owned bank, with an extensive network of branches in Morocco and throughout Europe, offers various cheaper alternatives to traditional wire transfers, simple procedures and a wide range of banking services.

Another example is Banco Solidario in Ecuador, which, together with a number of Spanish banks, has joined forces to capture a share of the Spanish remittance market and offers an innovative range of services to migrants. For example, the bank has developed a savings

account called “My Family, My Country, My Return.” This account, based on remittances sent home, allows emigrants to have full control of their money while abroad – only the amount the sender has made available to withdraw can be removed by the recipient in Ecuador. Emigrants can also set aside part of their remittances to save for a house or business upon their return.

Despite substantial marketing campaigns and very large investments, United States banks have captured only a small part of the remittance transfer market in the Latin America and Caribbean region. In 2003, the four largest banks in this field – Citibank, Wells Fargo, Harris Bank and Bank of America – conducted fewer than 1.2 million remittance transactions, and the vast majority went to Mexico. In 2003, an estimated 40 million remittance transactions were carried out from the United States to Mexico, which means the banks have captured only about 3 per cent of that market (Orozco 2004a, 2).

While United States banks and credit unions have made inroads into the remittance market, usually offering a significantly cheaper alternative to traditional wire transfers, most Latin American immigrants continue to use private money transfer services (Suro et al. 2002, 16-17). A study commissioned by the MIF identified a number of factors that discouraged Latin American immigrants from establishing accounts at a depository institution. Among the most important were their legal status and lack of documentation, as well as fears of minimum balance requirements, high fees and a general distrust of banks (Bain 2003, 19-26).

Remittances and the Moroccan Banque Populaire

Morocco is the largest remittance receiver in the North Africa and the Near East region. According to the *Global Economic Prospect for 2006*, Morocco received US\$4.7 billion in remittances in 2004, an increase of 60 per cent from 2002.

Remittances to Morocco flow through the commercial banking sector as well as through social networks. In France the principal transfer channel is commercial banks (66.8 per cent), followed by the post (16.1 per cent) and personal delivery (13.7 per cent) (Groupe Agence Française de Développement 2004). The expansion of the national banking system has effectively increased official remittance flows.

The Moroccan Banque Populaire (BP) was created in 1969 and today has some 40 branches throughout France, Germany, the United Kingdom, Denmark, Spain, Italy, Belgium, the Netherlands and Sweden. Moroccans in Europe can open joint checking accounts at the local BP branch for themselves and for family members in Morocco. The Moroccan living abroad deposits funds that a relative can withdraw at no cost to either party.

In addition to checking accounts, BP offers emigrants a number of ways to wire money to Morocco. For example, they can wire money to a BP account, which the account holder in Morocco can withdraw at a fee of 0.1 per cent of the amount transferred, provided it is over US\$100. They can also wire money to a person in Morocco, to be picked up at any BP branch for a fixed fee of 90 Moroccan dirhams (about US\$10), regardless of the amount wired. Alternatively, they can send money through MoneyGram at any of BP's branches in Europe to any of its branches in Morocco. BP hosts this service and does not charge any commission over and above the commission charged by MoneyGram (Iskander 2002, quoted in Orozco 2002c). At least 60 per cent of remittances sent to Morocco go through BP (Johnson and Sedaca 2004, 9-10).

The case of the Dominican Republic shows that factors such as easier access and lower costs may not be enough to attract remittance receivers and senders to the formal sector (IDB-MIF 2004b, 16-20 and 38-50; Suki 2004, 4, 28 and 36). Even if fees for international money transfers are relatively higher and 47 per cent of remittance senders and 66 per cent of remittance recipients have a bank account, there is a tendency in the Dominican Republic towards the use of home delivery in cash. This can be explained by the fact that money transfer companies gained a first-mover advantage: they developed a home delivery product highly appreciated in a cash economy with a large informal sector. This case also shows that there is little correlation between the country's history of migration and the use of formal channels: migration is an old phenomenon, yet only 2 per cent of the remittance receivers collect their remittances through banks.

Throughout Africa, financial and monetary policies and regulations have created barriers to the remittance market. Partly due to restrictive licensing of money transfer services, commercial banks have been hindered from penetrating the remittance market (Sander and Maimbo 2003, 26). For example, only banks that are part of the SWIFT network or similar systems, or that have corresponding banks, can receive international transfers.

Advent of microfinance institutions in the remittances market

While commercial banks may be more able to tap into financial and money transfer systems and provide more sophisticated services to remittance recipients than are money transfer operators, they may not serve the needs of poorer recipients, particularly in rural areas, without linking to smaller financial institutions. Involving credit unions and microfinance institutions (MFIs) more in the

remittance transfer process is a promising means of expanding financial access to poor people, particularly in rural areas with no access to larger commercial banks. These institutions already provide financial services to poor people and are well equipped to handle remittance payments and establish banking relationships, owing to their expansive networks and presence in both rural and urban areas (Johnson and Sedaca 2004, 10).

In some countries, partnerships between MFIs and the formal financial sector are being formed, and public- and private-sector infrastructure and knowledge are being shared and leveraged. The International Year of Microcredit in 2005 aimed to create awareness of the need to build inclusive financial sectors and to strengthen the powerful, but often untapped, entrepreneurial spirit in impoverished communities. One of the goals of the international year was to promote insurance, remittance and savings products. Encouraging signs of integration of microfinance into the formal financial sector are beginning to emerge, and there is evidence that some countries are considering legislation to create new types of financial licenses designed for specialized microfinance intermediaries.³⁷

In recent years, the international development community has increasingly supported credit union and microfinance networks that provide remittance services to poor people. In the Latin America and the Caribbean region, the MIF is supporting financial institutions in their effort to link remittance transfers and financial services in order to promote the mobilization of remittances for savings and productive investments. In Mexico, for example, there is an automatic clearinghouse facilitating remittance transfers through the Central Bank of Mexico.³⁸ However, since many credit unions do not have access to these clearing activities, the World Council of Credit Unions is working with Mexican and United States officials to help credit unions develop this capacity.

Fonkoze – Haiti's Alternative Bank for the Organized Poor – is the largest MFI in the country, offering a full range of financial services to rural poor people. Fonkoze's services include money

transfers at a very low cost. One of the objectives of its transfer service is to provide secure, cheap remittance transfers to encourage savings by both senders and receivers and to make both groups better consumers of financial services.

In Asia and Africa (particularly in rural areas), alternative financial institutions such as credit unions and MFIs have penetrated the remittance market to a large extent. In the Philippines, this has spurred high competition, pushing down the cost of remitting and increasing the share of the formal financial sector. There are cases of MFIs in Africa that have penetrated the remittance market to reach client groups likely to be remittance receivers and that are often un- or underserved by formal financial services. For example, in Senegal, two MFIs are formally involved in the international remittances market: l'Union Nationale des Commerçants et Industriels du Sénégal, and Djoloff Mutuelle d'Epargne et de Crédit.

Despite this potential, MFIs are often confronted with various obstacles. For example, the legal framework for MFIs in Senegal and other West African Economic and Monetary Union countries does not facilitate MFI access to the remittance market. An ILO study exploring possible ways in which MFIs could become involved in the Senegalese market states that one possibility would be to partner as a broker with the post office and commercial banks, which are licensed to deliver remittances in the country (Sander and Barro 2003).

MFIs do not confront legal constraints only. Their often-limited institutional and technological capacities hamper their efforts to capture a share of the money transfer market (Sander 2003b, 11-12). In Uganda, the United States Agency for International Development (USAID) is cofinancing a partnership between Hewlett Packard and three MFIs to develop a remote transaction device and smart card technology that may enable those MFIs to engage in remittance transfers (USAID 2004, 5).

In the Philippines, the lack of interconnectivity of community-based financial institutions to the mainstream banking system has prevented them



from enhancing their participation in the delivery of remittances and other financial products and services to rural families. In order to fully realize their potential, these institutions need to strengthen their management processes and technological level (Mellyn 2003, 10-12). In May 2003, the United States Treasury Department and the Philippine Ministry of Finance agreed to work together to improve mechanisms for overseas remittance services to the Philippines. One of the primary goals is to enhance access of the formal financial system to remittance senders and receivers.

Another obstacle to improving remittance transfers (e.g. reducing costs and enhancing speed, reliability and quality) and to mobilizing remittances for savings or investments is a lack of transparency in the market, with information on products and costs not available in an easy or accessible format. Better information on remittance services would enable migrants' families to receive money more cheaply and with more confidence. Better awareness of the size and potential of the market would encourage financial services firms to develop more attractive and user-friendly facilities.

In order to mobilize remittances towards savings or investment, a shift is needed from money transfer operators, which serve only a cash transfer or exchange function, towards the use and development of financial institutions, which provide remittance transfer services and often financial services (saving accounts, loans, insurance, etc.). Better transparency and information on remittance products and services would help foster competition and innovation, which in turn would help reduce the costs of these products and services. It would also help governments and private-sector efforts increase the flow of remittances through formal channels, which in turn would help increase access to other financial products.

5.2 Strengthening the diaspora-development link

Migrants have many ways of contributing to the development of their countries of origin, whether through remittance flows, goods, collective contributions of time and money, business networks, investments or the transfer of skills, culture, knowledge or experience. Greater efforts must be made to tap into this rich human capital.

Development agencies, governments, NGOs and diaspora groups could facilitate diaspora contributions by establishing mechanisms that enhance the diaspora-development link. To add value to development activities and initiatives carried out by diaspora groups in support of their country of origin, two-way discussion platforms need to be established, along with the means of disseminating information on activities and ideas of development actors and diaspora partners (Johnson and Sedaca 2004, 65).

In order to enhance the development potential of remittances, a remittance-receiving country should have an outreach policy directed at the community residing abroad as part of its economic strategy. Such a policy would enable sending countries to enhance their links with immigrant communities living abroad. These countries could set up agencies to advise prospective migrants on their rights and obligations, build or enhance already existing networks for investment, international trade and tourism, and invite diaspora groups and HTAs to participate in forums for dialogue on development (Nyberg Sorensen 2004a, 25).

Various countries have taken steps to promote the diaspora-development link. For example, in 1990, the Mexican Government created the Program for Mexican Communities Abroad, an office established in the Secretariat of Foreign Affairs. The programme is coordinating efforts by different government agencies to reinforce ties with Mexicans living abroad. Through the consular network, meetings were arranged in Mexico and the United States between leaders of immigrant organizations and authorities of their states and regions of origin. This has led to

the creation of many HTAs throughout the United States and of programmes to attract remittances (e.g. the 3x1 Program).

In 2003, the Mexican Government established a Council of Advisers to the Institute of Mexicans Abroad (IME) within the Secretariat. The council is composed of 100 Mexican migrants, including leaders of federations of HTAs. In 2003, IME initiated a project called Jornadas Informativas (Information Days) to inform migrants of Mexico's public policies in support of migrants' rights, enhance leadership capacity among migrant communities and foster links between migrant leaders and the IME. Between 2003 and 2007, IME organized more than 50 Jornadas Informativas.

In Asia, in 1980, the Philippine Government established the Commission on Filipinos Overseas. The commission's major functions are to: provide advice and assistance to the President and the Congress of the Philippines on the formulation of policies concerning or affecting Filipinos overseas; develop and implement programmes to promote the interests and well-being of Filipinos overseas; and serve as a forum for preserving and enhancing the social, economic, and cultural links between migrants and their home country. Since the mid-1980s, the commission has been promoting programmes and expanding opportunities for networking and information-sharing with Filipino migrants. In 1989, it launched the *Lingkod sa Kapwa Pilipino Program* (Link for Philippine Development Program), which has allowed Filipinos overseas to contribute to national development by supporting education, health and welfare, livelihood and small infrastructure projects in the Philippines. In 2000, the Government set up an overseas Filipino pension fund, which included resettlement services for returning migrants (Sander 2003a, 32).

In a major initiative, the Government of India established the High-Level Committee on the Indian Diaspora, with a mandate to prepare a comprehensive report, with recommendations, and a policy framework for creating a more conducive environment for leveraging the human capital of the diaspora. The report, presented in January 2002,

concluded that both monetary and social remittances are substantial at household, community and national levels, and recommended that greater investment guidance be provided through regular meetings with diaspora business people to brief them on changing industrial conditions and policies, support identification of suitable investment projects, and inform them of investment rules and regulations (Indian Ministry of Foreign Affairs, in Nyberg Sorensen 2004b, 11-12). The high-level committee is convinced that the reserves of goodwill among the diaspora are deeply entrenched and waiting to be 'tapped' once India adopts the right policy framework and initiatives.

In North Africa, King Mohammed VI of Morocco announced the launching of a new global policy in 2001 that is more responsive to Morocco's migrant community. The policy favours the emergence of new, dynamic migrant elites in politics, science, technology, culture and sports. Two public foundations are involved in this new policy: the Hassan II Foundation and the Mohammed V Foundation (*ibid.*, 8). IOM and the Hassan II Foundation have created a project entitled *Observatory on the Moroccan Community Living Abroad* to encourage the migrant community to become more closely involved in the country's cultural, social and economic development. In addition, the project works towards enhancing the cultural influence of Morocco in host countries, with the objective of promoting the emergence of partnerships between migrant associations and host communities (*ibid.*).

In Africa, initiatives to promote the diaspora-development link are being discussed at the regional level as well. In 2001, the Organization for African Unity (OAU) endorsed *Migration for Development in Africa (MIDA)*, an IOM capacity-building programme that helps governments mobilize the competencies acquired by nationals abroad for the benefit of African countries. MIDA identifies needs in the main economic sectors of participating countries and helps match them with the appropriate skills and resources available within the diaspora. Based on the

notion of 'brain circulation', it offers flexible arrangements for virtual (through the Internet or other information technologies) or temporary return, without jeopardizing the migrants' legal status in host countries (Mutume 2003).

In October 2004, the African Union organized the first meeting of intellectuals from Africa and the diaspora. Among the main themes were "Contribution of intellectuals from Africa and the diaspora to the strengthening of African integration in the twenty-first century" and "Relations between Africa and its diaspora". In one of the main papers presented at the conference, the author argued that African nations should have ministry staff members who would interface with the diaspora on every issue, and that African leaders should have a precise knowledge of African diaspora communities. This would allow them to target these communities for resources, ideas and reciprocal political and economic relations.³⁹ The South African Diaspora Network was launched in 2001 with funding from the World Bank Development Marketplace Competition. The key objective of this pilot is to facilitate networking between respected and influential ex-South African business people in key overseas markets and young, high-potential South African-based start-up ventures (Johnson and Sedaca 2004, 37-38).

Another regional initiative is the Digital Diaspora Network for Latin America and the Caribbean, which seeks to mobilize the technological, entrepreneurial and professional expertise and resources of the region's diaspora communities in North America and Europe by increasing its information exchange and institutional contacts with these communities (Lowell 2004, 2-3).

Another example is the Lebanese Business Network (LBN), a non-profit business vehicle seeking to help Lebanon's private sector re-energize its business connections with Lebanese emigrants and facilitate the return of Lebanese brainpower and capital. The LBN serves as a formal venue to reach out to and organize the broad and diverse network of Lebanese expatriates abroad. To enhance the impact of its activities, LBN has created alliances with

governmental and non-governmental organizations, including the Investment and Development Authority of Lebanon, a public investment promotion authority, and the Federation of Lebanese Chambers of Commerce, Industry and Agriculture. As of 2004, the network had attracted approximately 1,000 members. While LBN does not track communications among members for the sake of member confidentiality, its staff believe that some 15 per cent of its communications have had positive results (Johnson and Sedaca 2004, 35).

Internet-based professional networks are a new mechanism linking migrant professionals with professionals in their homeland. These networks help transfer crucial skills – in business, manufacturing, finance, agriculture and other sectors – for contributing to economic development. Internet-based expatriate networks have been increasing, and by 2002 there were 41 representing diaspora communities worldwide.

One Internet-based network, www.ethiopiandiaspora.info, is supported by the Italian Government and provides information to the Ethiopian community abroad on how to start a business in Ethiopia, investment advice and announcements relevant to the diaspora. The website encourages the diaspora's active involvement in socio-economic activities of the country and facilitates their participation in development efforts in Ethiopia (*ibid.*, 2 and 61). Information technology and websites are also being used as forums to promote remittances and development. One example is www.remesasydesarrollo.org, a website launched in 2004 containing information on conferences, papers, events, forums, statistics on remittances and development in Central America.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) has a programme on international migration. One of its objectives is to strengthen the capacity, sustainability and effectiveness of diaspora networks through information and communications technology. To this end, the Diaspora Knowledge Network (www.dk-network.org) was developed in 2004 as an

infrastructure through which members of the scientific and technical diaspora can contribute to development in their countries of origin.

While the international, regional and national initiatives described above are innovative steps forward, the potential benefits of using migrant expertise and skills have not yet been sufficiently explored or realized. Migrant associations would be eager partners in such initiatives, as they are becoming increasingly aware of their potential to assist their communities of origin through the experiences and skills they have gained abroad.

5.3 Other forms of untapped capital as development opportunities

Migrant workers are important contributors to the revenue and economic activity of their home countries. The economic contribution of the diaspora is concentrated in five areas: remittance transfers, tourism, ethnic or 'nostalgic' trade, air transportation and telecommunications (Orozco 2004b, 11).

A significant percentage of immigrants visit their home countries as tourists and represent a growing source of earnings. In Mexico, for example, at least 20 per cent of tourists are Mexicans living in the United States. In El Salvador and the Dominican Republic, tourism by migrants to their home countries represents about 40 per cent of the total (Orozco 2002a, 7). The vicinity of the United States to Mexico and Central America and Caribbean countries facilitates the flow of diaspora tourism, and these frequent travels facilitate and enhance the diaspora link with the home countries, as well as the economic contribution to the community of origin. Each traveller spends resources during his/her stay, and also hand carries presents in cash and kind to relatives. The same is true for all migrants who perceive coming home as a sort of pilgrimage to maintain family and cultural ties and to show and share the success and life acquired in the host country – even if the trip from the United States, Europe or the Middle East to the country of origin may also imply considerable costs. Although tourism has opened a range of

business opportunities that enhance trade, investment and development, in many countries governments have yet to develop a tourism policy aimed at its diaspora.

Increasingly, migrant communities are also creating a demand for ethnic goods. A report by the High-Level Committee on the Indian Diaspora concludes that Indian migrants have catalysed demand for Indian goods and services in their countries of settlement, ranging from food to fashion to the Indian entertainment industry. The report acknowledges that many members of the Indian diaspora have risen to high positions and can play an influential role in enhancing investments and boosting India's international trade and tourism efforts (Nyberg Sorensen 2004a, 11).

The volume of nostalgic products exported to the United States from various Latin American countries represents some 10 per cent of total exports. From 1990 to 2001, the value of the ethnic market in the United States almost tripled and there is potential for further growth, given the forecast of an increase in the Hispanic population in the United States and its high purchasing power. Among Ecuadorian migrants, 95 per cent consume products from home; while the figures for Mexico and Guyana are 93 per cent and 78 per cent respectively. Migrants in the United States are increasingly aware of the profits to be gained from the growing ethnic market sector and are establishing businesses in their countries of origin to produce local goods for export.⁴⁰

In spite of the ethnic market's high potential demand, small and medium-sized enterprises (SMEs) have a very marginal presence in ethnic market export activity. SMEs contemplating this market face various difficulties, including homogenization of products and the continually changing and exacting standards required by importers (especially from developing countries). Accordingly, governments can support SMEs in the ethnic products market by consolidating SME support programmes, strengthening the export capacity of small firms, informing SMEs of requirements for their products in foreign markets, and encouraging networking among SMEs in order to lower transport, input, advertising and distribution costs.

Diaspora business and professional networks have an important role in promoting investments by migrants in home country enterprises and ethnic trade, as do trade fairs and other forums of interaction. One of the diaspora's most important roles in the trade arena has been lobbying of host-country governments for trade agreements. The Government of El Salvador has begun to realize the importance of migrant purchasing power and, among other measures, is promoting trade and real estate fairs in areas of the United States with high concentrations of Latin American and Caribbean migrants. Another example is a government programme in the Mexican state of Jalisco, which offers loan support and technical assistance to small businesses owned by Jaliscans living in the United States (Inter-American Dialogue 2004, 4).

Telecommunications is another important business affected by migrant communities. For example, the frequency of international phone calls made by migrants from the United States to

their home country is very high and translates into millions of dollars for phone companies and the telecommunications infrastructure (Orozco 2004b, 12). The rising demand for communication between the diaspora and its communities of origin triggered the spread of telephone communications, and in many rural areas the installation of public telephones and mobile phone access have significantly increased. This is a flourishing business: for many relatives of undocumented migrants unable to visit their families, a phone conversation is the most frequent form of contact.

Clearly there is ample scope for tourism, ethnic trade and business investments to capitalize on the macroeconomic dynamics generated by international migration. The challenge is for countries of origin and host countries to effectively tap into the multifaceted capital coming from the diaspora by establishing appropriate mechanisms and incentives to mobilize its financial and human resources.

6

Future challenges linking migration and rural development: Climate change and emerging diseases

Certain challenges are progressively threatening the food security and the economic and social well-being of rural communities in developing countries. They include climate change and the spread of communicable diseases and pests affecting humans, animals and plants. If appropriate measures are not taken, inequalities, extreme poverty and hunger may increase at unprecedented levels, triggering changes that will affect future migration trends.

6.1 Climate change and rural outmigration

The Earth's climate is changing at an exceptional rate and the future implications are wide-ranging. While there is currently consensus that climate change will have a vast and significant impact on natural resources, this is not the case regarding its impact on agriculture and rural livelihoods. The divergences are focused on when, to what extent and where the effects of climate change will take place, as well as on the level of exposure, vulnerability and resilience of rural populations.

Impacts of climate change on agriculture and rural livelihoods in developing countries

The Intergovernmental Panel on Climate Change (IPCC)⁴¹ and other climate change forums and researchers affirm that expected developments for the next decades include an increase in average temperatures, rising sea levels, changes in precipitation patterns and droughts, and increased frequency and intensity of storms and extreme weather events (table 5).

Broadly speaking, according to FAO, the impact that climate change will have on agricultural production and rural populations can be classified in two major categories: impacts derived from variations in temperature and precipitation; and a greater frequency of extreme climate events.

Variations in temperature and precipitation will gradually lead to decreased water availability, reducing land suitability and agricultural productivity, especially in developing countries. Several of the predicted outcomes of climate change might leave areas uninhabitable or decrease the basis of subsistence for families.

Oxfam reports that weather-related disasters have quadrupled over the last two decades. From an average of 120 disasters a year in the early 1980s, there are now as many as 500 (Reuters 2007). Predictions indicate that in the near future drought events, cyclones and storms will grow in frequency, intensity and extension, causing a large increase in the number of people affected.

For farmers whose incomes and livelihood depend primarily on the quantity and quality of available natural resources, any impact of climate change on the land and water will have a significant impact on food security and development options. Accordingly, reduced livelihood alternatives are already forcing rural households to develop adaptation mechanisms, which may strengthen their ability to cope with slow climatic changes and extreme climatic events. Survival strategies include using food reserves, seeking local non-farm employment, borrowing food, and selling livestock or household



Table 5
Some examples of projected impacts of climate change on agriculture in developing countries
 (by region)

| | |
|---------------|--|
| Africa | <ul style="list-style-type: none"> ■ By 2020, from 75 to 250 million people are projected to be exposed to increased water stress due to climate change. ■ By 2020, in some countries, yields from rainfed agriculture could be reduced by up to 50%. Agricultural production, including access to food, in many African countries is projected to be severely compromised. This would further adversely affect food security and exacerbate malnutrition. ■ By 2080, an increase of 5 to 8% of arid and semi-arid land is projected in Africa under a range of climate scenarios. |
| Asia | <ul style="list-style-type: none"> ■ By the 2050s, freshwater availability in Central, South, East and South-East Asia, particularly in large river basins, is projected to decrease. ■ Coastal areas, especially heavily populated megadelta regions in South, East and South-East Asia, will be at greatest risk due to increased flooding from the sea and, in some megadeltas, flooding from rivers. |
| Latin America | <ul style="list-style-type: none"> ■ By mid-century, increases in temperature and associated decreases in soil water are projected to lead to gradual replacement of tropical forest by savannah in eastern Amazonia. Semi-arid vegetation will tend to be replaced by arid-land vegetation. ■ There is a risk of significant biodiversity loss through species extinction in many areas. Productivity of some important crops is projected to decrease and livestock productivity to decline, with adverse consequences for food security. Overall, the number of people at risk for hunger is projected to increase. ■ Changes in precipitation patterns and the disappearance of glaciers are projected to significantly affect water availability for human consumption, agriculture and energy generation. |

Source: IPCC (2007).

and farm equipment. Still, once these livelihood options are exhausted, people may be forced to migrate to escape from poverty and hunger.

Climate change and the threat of mass migration

The impacts of climate change and the vulnerability of poor communities to such change vary greatly, but climate change is usually

superimposed on existing vulnerabilities. Migration might be the only solution in areas in which livelihood choices are limited, decreasing crop yields threaten famine or loss of landmass in coastal areas is anticipated (Poverty-Environment Partnership 2003).

Pushed by climate change and negative environmental effects on their livelihoods, rural women and men may follow different migration

patterns. To ease the pressure on limited and threatened natural resources, some members of rural households may migrate temporarily or permanently. Similarly, temporary or permanent migration could be a strategy adopted by households whose livelihood has been seriously impacted by sudden climatic events such as hurricanes or floods.

History records past population settlement and migration patterns caused by climatic changes. For example, the drought in the Great Plains of the United States in the 1930s, coupled with adverse economic conditions and declining crop prices, produced extensive failures of small farm production, particularly on marginal lands. The 'Dust Bowl' emergency triggered one of the largest migrations in American history. By 1940, 2.5 million people had moved out of the Plains states; of those, 200,000 moved to California (Worster 1979). In some East African countries, such as Ethiopia, populations have adopted various strategies, including temporary migration, to cope with recurrent drought. During the great droughts of 1969-1974, an important population shift occurred from arid zones bordering the Sahara towards urban areas of the Sahel, which grew by 6-10 per cent during this period (Findley 1994, 539-553).

When Hurricane Mitch hit Central America in 1998, the migration of Hondurans to neighbouring countries and the United States increased dramatically the following year. When prolonged and widespread droughts occurred in 1973 and 1984, almost all African countries were affected. In 1973, when the famine peaked, more than 100,000 people died in the Sahel region (MacDonald 1986), nearly half of all livestock and 2 million head of wild animals were killed, and more than 6 million people were forced to emigrate from their homelands to other regions (Sivakumar 2006, 29). The 1998 monsoon season in Bangladesh brought with it the worst flood in living memory, inundating some 65 per cent of the country and devastating the infrastructure and agricultural base. Since the 1950s, some 12-17 million Bangladeshis have migrated to India, in large part due to natural disasters, droughts and food scarcity (Leigh Haag 2007).

Such localized, short-term events not only threaten short-term food security, but also impact future development possibilities for millions of people, particularly the most vulnerable. They may be deprived of even their most essential means of subsistence (crop harvests, homes and assets, stored food, cattle, tools and machinery, etc.). During such acute emergencies, migration becomes the only viable survival strategy for affected populations.

In extreme cases, even the existence of certain countries may be in danger. In the absence of effective preparedness and mitigation strategies, a 1-metre rise in sea level would flood about 17.5 per cent of Bangladesh and much of the Ganges River delta (Selvaraju et al. 2006, 68-75). Half of Bangladesh is situated just a few metres above sea level and almost one third of the country is flooded during the rainy season.⁴² The country is threatened by a future loss of large areas of its coastline due to flooding and sea-level rise, a critical event which could affect 35 million people, or a quarter of the population (Leigh Haag 2007).

In some cases, domestic and international assistance can mitigate the worst impacts and solve some problems related to food security, especially in the short term – for example the efforts in connection with hurricane Mitch, the Indian Ocean tsunami and the drought in southern Africa in 1992, which reduced production in some African countries by 50 per cent (FAO 2003a, 357-372). However, similar events may increase in frequency and intensity in the future, and it is very uncertain whether national governments from developing countries and the international community will be able to react in an efficient manner under such circumstances.

According to FAO estimates, agriculture has to feed approximately 9.2 billion people in 2050, a population that is 2.6 billion more than at present. Moreover, the major part of the population increase will be in developing countries, particularly in Africa (United Nations 2005b). At the same time, climate change models foresee a decrease in precipitation and an increase in average temperatures, leading to desertification in huge areas, as well as drier soil conditions and reduced crop yields in other

regions. By 2020, yields from rainfed agriculture could be reduced by up to 50 per cent in some African countries, and an increase of 5 to 8 per cent of arid and semi-arid land in Africa is projected for 2080 (FAO 2005, 2). Adverse effects on agriculture and rural populations will unquestionably act as a powerful push factor in rural areas and will induce mass migration to developed regions, where average precipitation and soil moisture availability may increase and have a positive effect on average crop yields.

The situation in Haiti provides an example of outmigration caused by a shrinking land base and the obliteration of natural resources – worsened by extreme weather events that have increased in frequency and intensity. Haitians have not only been fleeing political oppression; they have been driven by large-scale deterioration of the environmental resources – soil, water and trees – that underpin their agricultural economy. Many Haitians access only 80 per cent of an acceptable calorie intake and are thus chronically malnourished. Life expectancy is only 49 years, and one child in 10 dies before the age of five. As a result of these environmental problems, at least 1.3 million Haitians, or one out of five of the population, have left their homeland – 300,000 of them heading for the United States. The predominant factor in the exodus has been environmental collapse (Myers 2002, 2). The case of Haiti illustrates that the already difficult situation of poor, vulnerable populations living on marginal and often depleted lands is exacerbated by environmental/political changes and is accordingly also extremely exposed to the effects of climate change.

If current tendencies continue, the future of geopolitics and the distribution of the world's population at the end of the century will necessarily modify substantially. In an extreme situation, the southern hemisphere (in particular, areas of Africa and Asia) will lose its potential for agricultural production owing to the extension of desertification. The northern hemisphere (East Asia, Japan, North America, Northern Europe and the Russian Federation) will become more attractive, as the extension of suitable lands for agriculture will significantly increase. Within this

context, dramatic changes may take place in future world population distribution as a result of massive displacements of populations from the adversely affected areas towards the favoured ones – that is, displacements from the South towards the North.

It is possible that food-insecure populations, particularly from some areas in Asia and Africa, will be negatively impacted by extreme weather events and the gradual decrease in agricultural productivity and reduction of land suitable for agriculture. These circumstances, added to the existing social, economic, demographic and gender inequities, could lead to massive migrations as a result of poverty, vulnerability and hunger.

To date, governments have not undertaken significant policy actions to reduce the probability of climate-related migration, particularly in rural regions of less developed countries. Such policies need to enhance livelihood options, making families more resilient if their resource base should change. In this way, development efforts and programmes to reduce poverty will lessen livelihood vulnerability, ultimately reducing the need for families to migrate because of climate change.

6.2 Transboundary diseases

The process of globalization and liberalization of the economy that has occurred during the last decades has favoured a rapid diffusion of diseases and plagues among humans, animals and plants. This is a consequence of the continuous and growing movement of people and trade in agricultural products. Since the early 1980s, numerous developing countries have faced the emergence and re-emergence of various transboundary diseases and plagues such as AIDS, malaria and tuberculosis in the case of humans, and avian flu and desert locust in the case of animals and plants. These diseases and plagues pose serious threats to the food security and livelihood, and even the survival, of millions of rural women and men. Moreover, their origin and spread are often connected with poverty and migration, and their harmful effects on livelihoods and well-being may contribute to migration decisions.

Today, more than ever, the movement of humans and transport of crops and livestock continue to be of grave concern to national and international authorities, since risks and threats of infectious diseases are heightened by increasing trade and travel around the globe. The advent of modern technology has meant that microbes and diseases are now able to move around the world in a matter of hours. Through their conveyance by air, water and land, humans are extending the spread of plants and animals, together with the diseases they might harbour (Wilson 1995, 39-46). Recent episodes of bovine spongiform encephalopathy⁴³ (commonly known as mad-cow disease – 1988 to present), avian influenza (2004 to present), and severe acute respiratory syndrome (SARS – 2004) are examples of how an increasingly mobile human population influences the spread of disease (O'Neill 2006, 1-23).

AIDS, malaria and tuberculosis kill more than 6 million people every year, and the majority live in rural areas of developing countries, mainly in sub-Saharan Africa and South-East Asia. According to estimates by the Joint United Nations Programme on HIV/AIDS (UNAIDS), in 2007 about 2.5 million new HIV/AIDS infections were registered and 2.4 million people died from AIDS-related causes. Sixty-eight per cent of the deaths occurred in sub-Saharan Africa (UNAIDS 2007). With respect to crop disease, according to FAO, in 2003-2005 the crops of 8 million rural poor west African households were severely hit by the desert locust. The outbreak may have been due in part to the neglect of preparedness mechanisms already in place and to a slow reaction to early warning signals. Since the first cases of avian flu were detected in 2003, more than 60 countries in Asia, Africa and Europe have been affected. The disease has resulted in the death or destruction of an estimated 250 million birds, threatening the livelihoods of rural poor families for whom these animals are essential – both for nutrition and income generation.⁴⁴

Migration affects disease and, conversely, disease affects migration. Although migration and communicable diseases (especially HIV/AIDS in the case of humans and avian flu in the case of animals) have recently received

considerable attention among scholars and policymakers, the existing links between them have been relatively neglected. For example, population movements have limited the effects of comprehensive malaria eradication campaigns. Infected people moving from areas where malaria is (or was) endemic to areas where the disease had been eradicated have led to a resurgence (Martens and Hall 2000).

In order to formulate sound policies to promote rural development and food security – as part of efforts to control and manage the spread of pests and diseases and mitigate their effects – a better understanding of the dynamics of transmitted diseases, their interrelationships and socio-economic causes is essential.

Population movements and the spread of diseases

The current volume, speed and reach of travel are unprecedented. The consequences of travel extend to the population visited and the ecosystem on which it depends. When humans travel, they transfer their genetic makeup, immunologic sequelae of past infections, cultural preferences, customs and behavioural patterns. Microbes, animals and other biologic life accompany them. Today's massive movement of humans and materials sets the stage for mixing diverse genetic pools at rates and in combinations previously unknown (Wilson 1995, 1).

Historically, population movement and mobility have played a key role in the spread of disease. Smallpox played a crucial part in decimating indigenous populations. Just before 1520, smallpox appeared on the island of Hispaniola, where it killed one third to half of the local population, spreading to other areas of the Caribbean and the Americas. The population of central Mexico is estimated to have dropped by one third in the single decade following contact with Europeans (ibid., 2-3). The colonizers, in turn, faced high mortality rates from exposure to new diseases, most notably malaria. Cholera epidemics typically followed major routes of commerce, appearing first in seaports before spreading further inland.

At the beginning of the nineteenth century, tuberculosis (TB) was responsible for 25 per cent of the deaths in Western Europe. Western Europeans later carried the disease to Central Africa, South and South-East Asia and the Americas, causing major epidemics in these regions. While TB incidence has fallen dramatically in Western Europe since the 1950s, it has remained high in most low-income countries. However, these trends are slowly changing, because most migrants travel from countries where the TB rate is more than 40 cases per 100,000 population (defined as high-TB incidence) to countries where the rate is less than 20 per 100,000 (defined as low-TB incidence).⁴⁵ Potato blight was carried from North America aboard a ship in 1845, and rapidly infected and devastated European potato crops. In 1714, and again in 1745, rinderpest, an infectious viral cattle disease, entered England from cattle shipped from the Netherlands. In the years that followed, colonizers introduced the disease to Indonesia, the Philippines and Africa (Villarreal 2007a, 40).

These examples, which could easily be multiplied, indicate a close relationship between migration and the spread of diseases, a connection that has not diminished over time. In fact, it is even likely that the spread of diseases is accelerating due to improved communications and globalized trade. Migration policies have to take these developments into consideration, in particular the impact they may have on the livelihoods of already vulnerable segments of the population.

Much has been written about the impact of population movement and mobility on the spread of HIV. For example, HIV infection in northern Malawi was tracked through its early stages by using blood samples from 1981-1984 and 1987-1989 (Iliffe 2006). The findings revealed decisively that HIV was brought from several outside sources almost simultaneously. Studies of rural-urban migration, of 'circular' or 'oscillating' migration (Lurie et al. 2003a) and of certain highly mobile groups (e.g. truck drivers, traders, military staff, fishers, mine workers) have identified travel and migration as important factors in HIV infection. In many countries, regions reporting higher seasonal and long-term mobility have higher rates

of infection, which can also be found along transport routes and in border regions (AsDB 2008, 1-16). Migration and mobility increase vulnerability to HIV/AIDS not only for those who are mobile, but also for their partners back home.

It has been found that the spread of HIV infection is no longer solely from returning migrant men to their rural partners, but also from women to their migrant partners (Lurie et al. 2003b, 245-252). Several studies show that the relationship between HIV/AIDS and travel and mobility needs to be considered in connection with several indicators: when individuals move, where they move, why they move and in whose company they travel (Coffee et al. 2005, 191). Others argue that the process of migration, rather than the movement itself, influences the spread of HIV by increasing high-risk sexual behaviour (Coffee, Lurie and Garnett 2007, 1-8; Mundandi et al. 2006, 705-771). Accordingly, they argue that migration in itself may not be considered a risk factor; rather it is the conditions under which migrants live and work that raise the risk of transmission. Migration of poor, rural, sexually active young people to urban centres and abroad plays a major role in the transmission of HIV to rural areas. These migrants who spend a lot of time away from home, are removed from social structures, are separated from spouses or partners, may engage in high-risk sexual behaviours and become infected, and upon return to their homes, may also infect their spouses.

As more and more women migrate within and across countries, there is an urgent need to address their vulnerabilities to certain kinds of epidemics. Apart from HIV/AIDS, there are several other epidemics at large, including various types of influenza, tuberculosis, typhus, bubonic plague and dengue fever. These diseases are not only exacerbated by poverty, but their impact may also be gender differentiated – not only in the sense that they may affect women and men differently due to different physiological characteristics, but also due to the fact that socially constructed roles often thwart the potential of girls and women to receive the necessary information and care. Migration programmes often focus on the male population, assuming that the majority of migrant workers are men and that they are the ones engaging in risky behaviours.⁴⁶

Both assumptions may be wrong, depending on the occupation of migrants and the conditions of their displacement. For example, Thailand has a large volume of women workers flowing from rural areas to the large industrial base in the central and eastern areas. There are also a large number of women travelling in the service and entertainment industries. These are normally young women or adolescents who are moving without guidance, support or information. As a result they are at risk for unprotected sex and for exposure to sexually transmitted infections, particularly HIV (figure 5) (UNDP 2003, 18). Women's vulnerability to HIV infection arises from existing gender inequalities: their low socio-economic status in society; lack of access to information; and tradition and social pressures that limit their ability to express their wishes regarding their sexuality, to choose their sexual partners and to demand protected intercourse.⁴⁷

Transboundary diseases and migration

As demonstrated by the Irish potato blight in the 1840s, outbreaks of plant disease can trigger comprehensive migration movements. The same is true for human disease. The bubonic plague (known as the Black Death), which is estimated to have killed from 30 to 60 per cent of the European population in the mid-1300s, spread through traders and people fleeing at first from Mongol invaders and later from the plague itself.

More recently, outbreaks of human and plant disease have triggered large-scale migration movements. In the mid-1970s in the United Republic of Tanzania, land shortages and severe crop pest and disease outbreaks were the driving factors in the migration of farmers out of the Bukoba District. In an effort to escape 'high disease-burden' areas, many of these farmers first migrated into the central part of the district and finally settled in Karage and Muleba districts. Thirty years later, however, banana bacterial wilt has emerged with a vengeance in Muleba District, wreaking havoc on banana production. In response, farmers are beginning to migrate out of that district, in an effort to seek a new, 'low disease-burden' area. In south-western Uganda, recent crop disease epidemics have destroyed

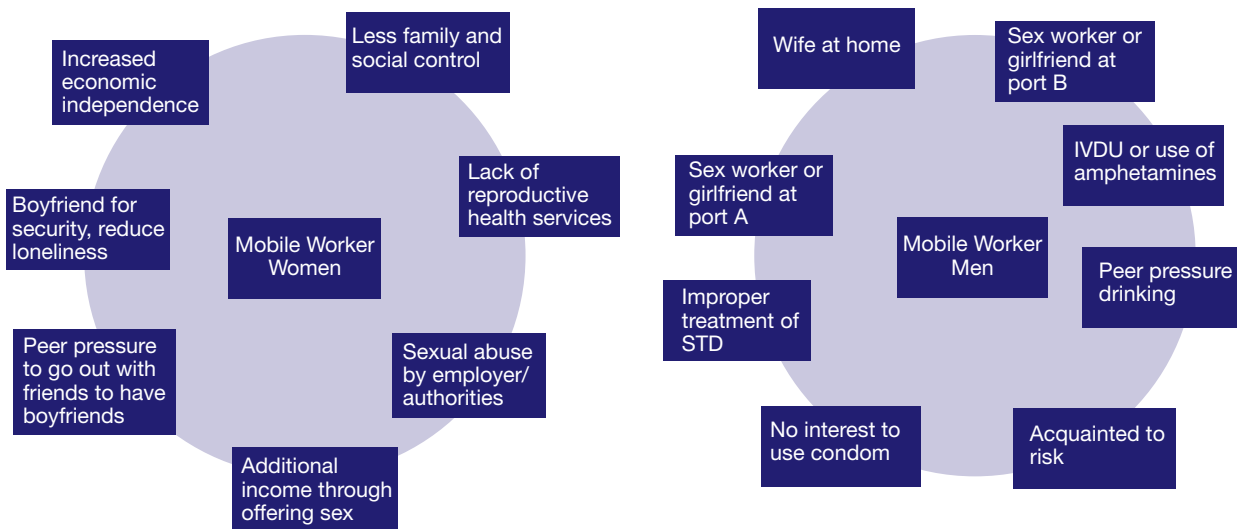
coffee and banana production throughout the region, and have led to the migration of mostly young, unemployed men to the fish landing sites in and around Lake Victoria, as coffee and banana farming is abandoned (Villarreal 2007a, 42).

Malaria has also traditionally been an underlying factor in migration patterns, as populations in highly affected areas seek out other locations with a lower disease incidence. For example, a study carried out in a Paraguayan community severely hit by malaria during the 1970s revealed that many families, in particular the youngest ones, had emigrated towards malaria-free zones (Conly 1975, 68-74).

Evidence suggests that individuals infected with HIV migrate out of areas in an effort to escape the stigma and discrimination attached to the disease. In the United Republic of Tanzania, for example, HIV-affected widows are increasingly migrating from the mainland to the Lake Victoria islands. Evidence also shows that many children are sent to other regions to escape the poverty caused by the epidemic, and orphans are redistributed to the members of extended families living in other places than their areas of origin. Similarly, when family members become ill, children are sent away to earn incomes to support their families (Villarreal 2007a, 42). In addition, children are often removed from school to save money and for their contribution to family labour. Finally, many women and men may decide to migrate.

In rural areas of developing countries, where livelihoods largely depend on agriculture and farming systems are labour-intensive, human diseases may exacerbate poverty and food insecurity, creating new pressures to move out of these areas. The loss of workers and work-days due to long-term diseases can result in significant decline in productivity, loss of earnings, and erosion of skills and experience. Long-term diseases such as HIV/AIDS, malaria and tuberculosis frequently induce households to introduce changes in production patterns and livelihood strategies, often resulting in a reduction of the land under cultivation, a decrease in the varieties cultivated, a shift from labour-intensive crops to less labour-intensive ones and from cash-

Figure 5
HIV vulnerabilities among mobile workers



Source: UNDP (2003a, 18).

oriented to subsistence production, and the abandonment of agricultural activity altogether. A study carried out in Ethiopia showed that healthy households dedicated 33.6 hours per week to agriculture, while households affected by HIV/AIDS varied from 11 to 16 hours (United Nations 2004, 1-7). In the United Republic of Tanzania it was found that women with sick spouses were forced to dedicate 60 per cent less time than normal to agricultural activities (FAO 2001a, 5).

When there is an interaction between human and animal or plant disease, the situation is even worse. A study carried out in Uganda and the United Republic of Tanzania (FAO 2007) has shown that the decreasing livestock production and crop productivity caused by plant disease outbreaks greatly intensified the food insecurity and poverty of households affected by malaria and tuberculosis. The findings highlighted that many women and men quit agricultural activities and that many other households opted for migration.

Current migration patterns are likely to increase, because diseases and pests threatening the lives and livelihoods of rural women and men will probably continue to spread with a renewed pace and virulence. Climate change has been linked to the spread of a number of diseases, including

malaria, Lyme disease and yellow fever. If cooler regions become warmer, the malarial mosquito will be able to survive and spread. Scientists predict that wetter, warmer weather will take the disease into new regions, creating new challenges for rural and poor populations in particular. There are already signs that malaria has extended into the previously cool highland areas of Rwanda and the United Republic of Tanzania. Increased rainfall in the tropical zones of Africa, as predicted by the IPCC, will increase the probability that malaria-carrying mosquitoes will be more numerous there (Christian Aid 2006, 1-48).

In discussing and addressing migration, it is advisable to apply a holistic viewpoint that includes the relationship between migration, disease and emerging challenges such as climate change. In a globalized world, old frameworks based on such dichotomies as rural/urban, resident/migrant lose their validity and have to be re-evaluated in the context of an ever-changing reality.

7

Implications for FAO and IFAD



The concern for migration issues expressed by FAO and IFAD derives from the fact that migration is closely related to rural poverty and rural development. For members of millions of rural households, migration has become a strategy to improve their lives, and migratory movements entail a wide range of economic, social, political, cultural, gender and demographic impacts. Although the various effects of migration are overwhelmingly transforming rural realities in many areas of the world, they have not received the attention they require.

Both FAO and IFAD strive to create new opportunities for rural populations in developing countries and thus help regulate the volume of international migration or foster the return of international migrants to their areas of origin. Working in agricultural development means that interventions are planned in collaboration with governments, communities and other stakeholders to improve rural livelihood options. This is achieved by fostering agricultural production, strengthening rural infrastructure, supporting lucrative agricultural activities, providing education for potential rural migrants, including skills for securing employment, and facilitating access to markets. The realization of the importance of migration and remittances implies that interventions have to enable farm households to combine long-distance migration with agricultural production and continued control over resources such as agricultural land.

To withstand changes caused by outmigration and mitigate the effects of the natural hazards often triggered by climate change, measures are encouraged that increase the resilience of farming

systems, such as improving land-tenure legislation, promoting time- and labour-saving technologies, and making rural credit more accessible. Before emergencies occur, vulnerable communities must benefit from early warning systems that make it possible to plan interventions to ensure food/livelihood security in emergency and post-emergency situations.

As the largest specialized agency in the United Nations system, and the lead agency for agriculture, forestry, fisheries and rural development, FAO works to strengthen sustainable management of natural resources, improve food security of rural communities and foster investment in agriculture, thus helping to regulate rural outmigration and ease the pressure on urban centres (FAO 2004, 58-63).

FAO maintains a knowledge base on food security and rural development, making use of an interdisciplinary perspective by combining demographic, social and economic approaches. This base could be put to more systematic use. It could contribute to a better understanding and analysis of the relationship between migration and agricultural/rural development – in particular regarding poverty reduction, household agricultural production, investment decisions and the linkages between human migration and the spread of animal and crop diseases (FAO 2001b). Insights gained from such approaches can be used to support countries in their policy formulation processes – promoting coherence of rural development and migration policies – as well as identifying best practices in which migration has been made to work for development.



FAO may take advantage of its normative role in both developing and developed countries, as well as in international cooperation and inter-agency action, to have migration considered in the design of policies to promote food security. Through its collaboration with governments, donors and other stakeholders, FAO can promote suitable frameworks for rural finance and agricultural investment (FAO 2006). It is also in a position to contribute substantively to an ongoing interdisciplinary dialogue on migration and to stimulate a strengthening of lucrative forms of rural enterprises (e.g., farm production, off-farm services, agribusiness) (FAO 2004, 13-16). As a champion of 'right to food' and other measures to safeguard human rights within the context of nutrition and food security, FAO has a mandate to protect food producers, including migrants, and to prevent their abuse or exploitation, particularly in agriculture-related industries.

IFAD's work on migration and remittances is based on a careful analysis of opportunity and risk, focusing on how to help rural communities benefit from the positive impacts of migration and remittance services and manage the negative ones.

IFAD is a fund that promotes rural development through programmes and projects enhancing access of rural poor people to financial assets and services. It could deepen its collaboration with other financial institutions in order to develop and strengthen the remittance services offered by local financial institutions and credit unions, thus introducing more rural people to the formal financial sector. In addition to lowering transaction costs, this would help promote savings mobilization and facilitate remittance recipients'

access to diversified financial services (such as loans, savings and insurance).

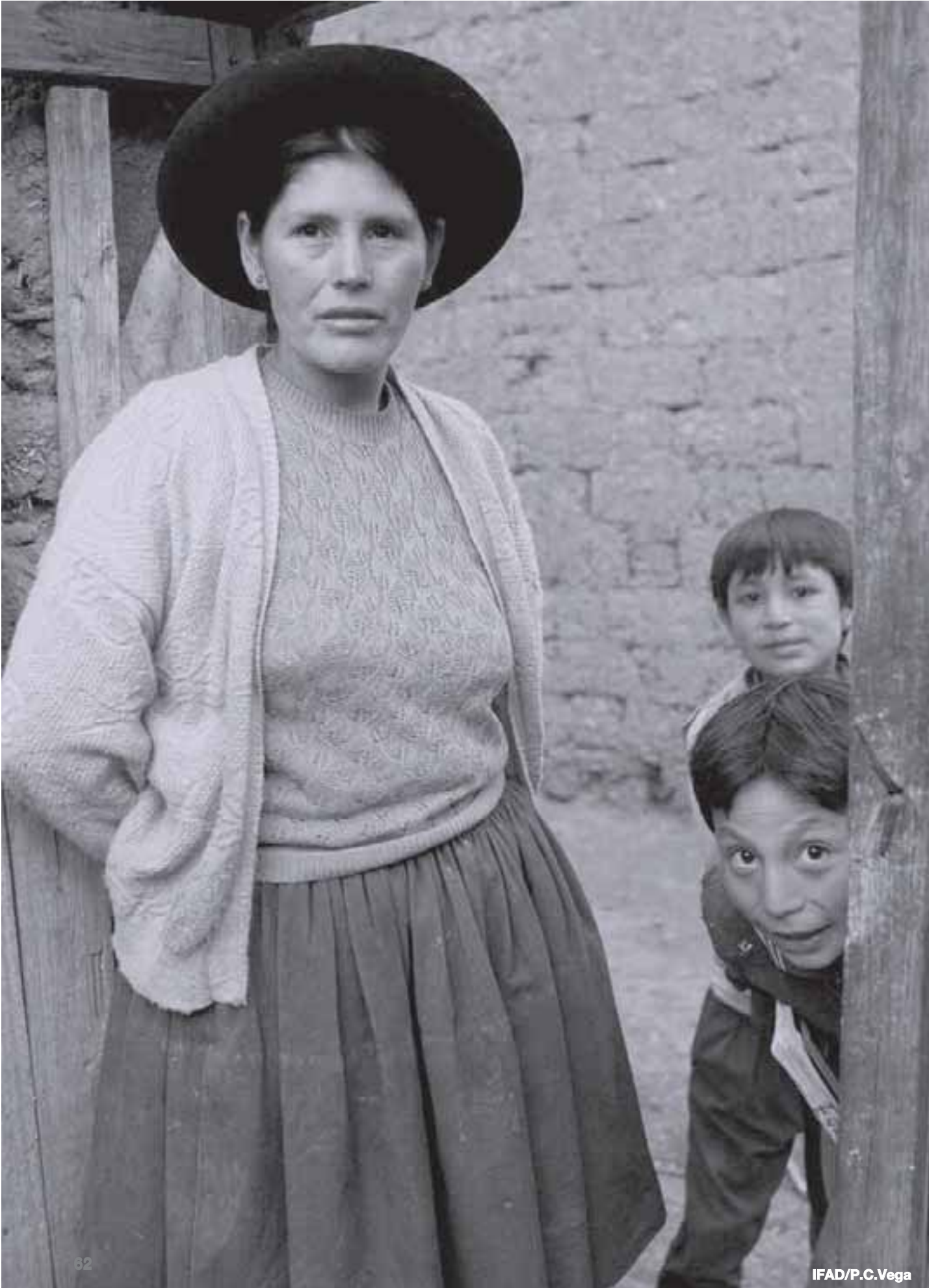
In this context, IFAD has established a Financing Facility for Remittances (FFR), in partnership with the European Commission, IDB, the Consultative Group to Assist the Poor (CGAP), the Government of Luxembourg, the Spanish Ministry of Foreign Affairs and Cooperation, and the United Nations Capital Development Fund. This US\$13 million multi-donor facility aims to increase economic opportunities for rural poor people through the support and development of innovative, cost-effective and easily accessible international or domestic remittance services with and within African, Asian, European, Latin American and Caribbean and Near Eastern countries.

The objectives of the FFR are to:

- (i) improve access to remittance transmission in rural areas
- (ii) link remittances to additional financial services and products in rural areas, and
- (iii) develop innovative and productive rural investment channels and opportunities for migrants and community-based organizations

The FFR will promote strategic partnerships among formal financial intermediaries, money transfer operators, MFIs, financial cooperatives, and non-financial institutions such as postal networks and philanthropic organizations, among others.

The facility will enable IFAD to provide support to those local financial institutions willing to engage in remittance transfers and other financial services to the rural population. IFAD can also intensify its collaboration with other intergovernmental

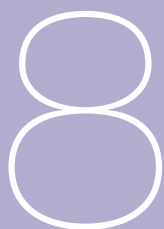


organizations to gain a better understanding of the impact of migration on rural development and to promote co-development activities with the diaspora. Through its rural development projects, IFAD can help rural communities capitalize on the growing level of tourism by migrants in their home countries and promote market fairs of local or traditional products. It can also provide technical assistance to migrant communities and their communities of origin to enable them to create niches in the ethnic markets of the migrant-receiving communities.

The FFR will also encourage HTAs and their counterpart organizations in the communities of origin to increase their capacities. Many HTAs lack effective counterpart associations and thus lack sufficient support for and orientation towards identifying and implementing development projects. Through its existing projects and continuous support to rural communities, IFAD can assist in strengthening the linkages between HTAs and their communities of origin. This will enhance its projects and provide greater benefits not only to the rural communities they serve, but also to migrants who maintain ties with and support these communities. Annex 1 presents a summary of projects currently financed through the FFR.

Policies in the sites of origin and destination need to consider all affected groups, whether migrants or host populations. FAO and IFAD could collaborate in addressing issues related to migration and remittances and their impact on agriculture and rural populations. The two organizations could also increase awareness of these issues through their intergovernmental cooperation activities (SARD 2007).

Relevant national policies in sites of origin would need to address the root causes of outmigration and render the option of remaining home a viable one for rural people. This could be achieved by supporting improved agricultural production and skills and vocational training, developing rural infrastructure and markets and creating rural employment opportunities. The resilience of farming systems would also need to be addressed through more-efficient agricultural technologies and more-accessible financial services.



Conclusions



Migrants are forging new and innovative links with their communities of origin, increasing their support through both financial contributions to their families and the development of rural communities. More than ever, migrants are able to retain strong ties to their hometowns and create settlement communities abroad in which their culture is kept alive and enriched. Back in the communities of origin, the lives of individuals and families are being influenced and changed by their absent relatives, through the influx of money, knowledge, experiences, ideas and culture. Migrants are significantly reshaping the traditional social and economic structures of rural communities, in both positive and negative ways.

Since they are involved in dual communities, migrants are unique players in social and economic development. They are actively participating in the improvement not only of their communities of settlement, but also of their communities of origin. A migrant may be involved in a community organization in the host country that is advocating improvement of migrant working conditions, and at the same time be involved in a migrant association that is funding the construction of a school or a clinic in his or her hometown.

A fairly new challenge in addressing rural poverty is to take these new social and economic realities into consideration and to integrate them into innovative strategies for promoting rural development. Moreover, development actors need to look upon these new economic and social realities as opportunities in carrying out their respective mandates, as well as contributing to the realization of the MDGs.

New empirical findings reveal that even a relatively modest increase in the share of remittances in a country's GDP will lead to a significant decline in the number of people living on less than a dollar a day. By contributing to lowering the cost of sending remittances, and helping senders and recipients increase their access to financial services and invest in employment- and income-generating projects, international development organizations and diasporas can play a crucial role in contributing to the achievement of several of the MDGs.⁴⁸

International financial institutions such as IFAD, which given its mandate works directly with rural poor communities, can play a significant role in leveraging the economic impact of remittances in rural areas. Similarly, using its comparative advantage in food security and rural development issues, FAO can play an important role in promoting an environment in which migrants and remittance-receiving households can be effectively supported, as well as encouraging improved agricultural production, skills and vocational training and strengthening lucrative forms of rural enterprise.

The increasing enthusiasm and engagement of the diaspora in the cofinancing of rural development projects is a promising development. Moreover, the social and human capital brought back by returning migrants and through HTA initiatives (e.g. knowledge, organizational and political practices and skills) constitute important contributions to economic and community development and must be recognized by development actors.

To promote remittances as a tool for rural development, agencies must carefully cultivate partnerships with migrant associations and must view



and treat migrants as equal partners in development. For development agencies and other stakeholders, this implies expanding their work scope to a transnational level, thereby including migrant communities abroad in the design and implementation of projects and engaging skilled migrants as resource people and potential service providers to their communities and countries of origin. For too long, target groups in migrant-sending countries have been considered within the context of national boundaries, and not within their transnational setting, thus ignoring the influence and potential of those that have migrated but remain active in the development of their communities of origin.

While analysing migration and remittances issues, it is important to keep in mind that behind the vast amounts of money flowing to the communities of origin are real men and women, who have made great sacrifices to establish themselves in a new country and to be able to send money home. Many of the families left behind, particularly those headed by women, continue to live in poverty and lack access to basic social services, such as health care and education, or access to financial resources and institutions. At the same time, many migrants continue to be marginalized abroad due to economic and social barriers. Their dedication to supporting relatives in the home country often comes at a cost to their own personal development in the new country. The money sent home might mean forgoing an opportunity to invest in their own education, or to start a business. However, despite their marginalization, migrants continue to work for their own integration into both their communities of origin and the new society in which they live and work.

While highlighting the possible benefits of remittances and other positive inputs to rural communities brought about by migration, it is important to keep in mind that the many decisions to migrate are founded on sociocultural factors such as inequities and shrinking opportunities, owing to lack, or even denial, of access to assets, natural resources and social services. While addressing the complex issues of migration, it is important to take into consideration the growing poverty among huge sections of the rural population, and the ever-increasing concentration of wealth among privileged groups around the world, combined with growing insecurity and a decreasing provision of resources and services within segments of rural society.

During the last 20 years, the agricultural sector and rural inhabitants in many regions have suffered continuous neglect and even outright discrimination – brought about by governmental policies and the fact that investments have been dedicated primarily to stimulating growth of the industrial and urban sectors, and more recently the service sector. National and international investments in agriculture and rural development have been decreasing steadily. Between 1979 and 2004, agriculture's share of ODA decreased globally from 18 to 3.5 per cent, while its share of public expenditure decreased from 11.3 to 6.7 per cent between 1980 and 2002.

It is against this background and the formidable threats to food security created by shrinking natural resources and biodiversity – worsened by population growth and climate change – that a holistic approach to rural problems has to be developed. This approach should be based on a

realization that no community is an island but is integrated within a complex web of interrelations, of which migration and remittances constitute an important part.

Migration is the result of inequalities – in the distribution of assets and in economic, social, political, cultural and environmental opportunities. Gender inequalities are also part of the equation, as women tend to be discriminated against and are often particularly vulnerable. Climate change will increase the level of vulnerability of rural poor people. For some, migration may be the only way to escape water shortages, drought, soil erosion and flooding. Governments must encourage measures that reduce the vulnerability of both people and ecosystems to the impact of climate change. In such a scenario, it is important to invest in local capacity and to enhance the resilience of rural poor people, encouraging an economic growth that includes and benefits them. This could be an effective way to manage migration, mitigate its negative impact and capitalize on its benefits.

Organizations such as FAO and IFAD have a major role to play in promoting greater investment in agriculture and in supporting governments in adopting sound policies – policies that address the root causes of rural outmigration and create viable options enabling rural people to consider migration as an alternative and not a last resort.

Annex 1

Summary of projects financed by the Financing Facility for Remittances⁴⁹

Credit and Savings Bank of the Dominican Association for the Advancement of Women – Dominican Republic

The Credit and Savings Bank of the Dominican Association for the Advancement of Women is developing a secure and regulated system of bank services to remittance senders and receivers, thus contributing to the mobilization of remittances towards income-generating projects managed by poor rural women. The project is lowering transaction costs and promoting savings and the opening of new accounts by remittance-receiving households, particularly those headed by women.

Integral Consortium – El Salvador

The Integral Consortium is comprised of three MFIs, which the project supports to improve their institutional capacity to increase remittance services and offer products directed to remittance-receiving families, in particular credit for productive investments as well as housing. The network is also identifying ways to cooperate with HTAs in the United States. At least 66 per cent of the support will be directed to rural women.

International Organization for Migration – Georgia

As a leading global migration entity, since 2003 the IOM has been conducting in-depth research in Georgia on the links between labour migration and development, including remittances. In collaboration with national and local government structures, universities and the National Bank of Georgia, as well as migrants and their communities of origin, IOM tests new and diverse technical possibilities

designed to improve and expand the access of poor rural people to remittances, including feasibility studies of mobile phone transfers, and opportunities to link remittances to savings and credit schemes. Migrants are informed about financial services, transfer options and costs, while awareness training is offered to national and local government structures. Efforts are concentrated on Georgian labour migrants in Greece, where the Georgian Embassy and the IOM mission are actively involved in the realization of the project.

Rural Savings and Credit Cooperative Salcaja – Guatemala

This rural savings and credit cooperative is being supported to develop adequate and more efficient financial products that facilitate remittance flows to productive projects, lowering transaction costs and offering additional services such as insurance and various types of credit. The cooperative is part of the World Council of Credit Unions/Vigo network of remittances transfer and has connections with Guatemalan HTAs in the United States.

Foudasyon Kole Zepol – Haiti

Foudasyon Kole Zepol (Fonkoze), “Haiti’s Alternative Bank for the Organized Poor,” is the largest MFI offering a full range of financial services to poor rural people in Haiti. Fonkoze is currently expanding and improving the delivery of money transfer services in rural Haiti and supporting Haitian HTAs to improve their effectiveness by offering streamlined financial services to local communities. Through this project Fonkoze is also partnering with money transfer companies and has opened eight new branches in rural areas.

New Horizon Investment Club – Honduras

The project is supporting HTA associations of Garifuna communities in New York to conduct an institutional diagnosis of Garifuna HTAs, determine their interest and capacity to invest in local projects, and prepare an investment proposal for developing communal tourist centres run by Garifuna communities in Honduras. Garifuna is the common denomination of Afro-Caribbean communities living along the coast of Honduras.

Institute for Mexicans Abroad – Mexico

The project aims at supporting the Institute for Mexicans Abroad (IME) in providing information to migrants about possibilities for enhancing the impact of remittances on local development. IME will conduct training events in the United States and Mexico to train migrant and communal leaders, of whom at least 50 per cent are women, on methods and possibilities to access financial services. A diagnosis of the level of financial literacy and investment level of migrants and their families will also be conducted.

Mexican Association of Credit Unions of the Social Section and other networks of micro banks – Mexico

The Mexican Association of Credit Unions of the Social Section and other networks of micro banks is being strengthened to offer more unified and systematic services in the area of remittance transfer, savings, credits and insurances to families of migrants. The project provides institutional support to the micro bank network to: increase the volume of remittance transfers by introducing modern communication technology; and increase the number of credit union members as well as the level of savings among remittance-receiving families and their access to other financial services such as credit and insurance.

Zacatecas Autonomous University – Mexico

In collaboration with the university, local support groups will develop plans for small business investments to generate employment and income in rural areas. The project includes training of

200 communal leaders, and the preparation and distribution of training material to migrants in the United States and their families in the state of Zacatecas, Mexico to increase their capacity to identify, establish and manage small investment projects.

Financing Institution *El Comercio* – Paraguay

This financial institution is receiving support from the Facility to develop a banking system that responds to the needs of Paraguayan remittance-receiving families of migrants in Argentina, the United States and Spain. Special attention is given to financial management training for women in rural areas. The project also aims to support the design of financial products that are attractive to remittance recipients as well as to recruit new clients and encourage savings and loans.

Veneto Lavoro – Romania

Veneto Lavoro is an organization that monitors labour market trends in the northern Italian Veneto region. In partnership with Veneto's regional government, *Veneto Lavoro* supports activities in Romania, aiming to facilitate the start-up of business activities of Romanian returnees. In collaboration with migrant associations and the Ministry of Labour and Social Affairs of Romania, *Veneto Lavoro* is currently designing a functioning model to link financial instruments and local development goals with the start-up of new business initiatives. The project provides technical assistance to economic return initiatives, develops new financial tools streamlined to the needs of migrants, and is establishing a 'bi-lateral bank account' for financial operations (in Italy and Romania) that will provide 'transnational' bank loans to Romanians residing in Italy and willing to invest in Romania. The project is also improving the network of ATM service machines in Romanian rural areas.

Research and Technological Exchange Group (GRET) – Senegal

This project supports Senegalese migrants from rural areas working in northern Italy and their communities of origin. *Groupe de Recherche*

et d'Echanges Technologiques (GRET) is France's largest development NGO providing microfinance support to developing countries. With support from GRET the *Programme d'Appui aux Mutuelles d'Epargne et de Credit au Senegal* (PAMECAS) is currently carrying out a study on financing and non-financing services available to Senegal migrants interested in the housing market. Following this study a pilot test will be offered to 50 migrants, selected in accordance with their abilities to contribute savings and repay loans.

North American Integration and Development Center – United States

The project aims at supporting transnational financial corridors between the United States and both Mexico and El Salvador by providing training to HTAs, connecting community financial institutions in the United States with those in Mexico and El Salvador and encouraging investments in businesses that create employment in the agricultural and rural sector. The project will encourage migrants to join United States-based credit unions and their families to join MFIs in Mexico and El Salvador.

Universal Postal Union – Francophone West Africa

This project supports the financial inclusion of rural populations (recipients of migrants' remittances) and small- and medium-sized businesses in six West African countries, providing access to high-quality Universal Postal Union (UPU) international/domestic remittance services, facilitating their linkage with other financial services. Specifically, the project aims to provide international remittance services in rural post offices in each target country. The project also ensures the functioning of rural post offices with a view to create high-quality services by linking UPU remittance services with postal account-based services (postal checking and savings accounts) and non-postal financial institutions (banks, credit unions, etc.).

Endnotes

- 1 At the beginning of 2006, people “of concern to the [Office of the] United Nations High Commissioner for Refugees” (UNHCR) included 8.4 million refugees (40 per cent), 773,500 asylum seekers (4 per cent), 1.6 million returned refugees and IDPs (7 per cent), 6.6 million IDPs (32 per cent), 2.4 million stateless people (11 per cent) and 960,400 “others of concern”. Data drawn from the UNHCR website, www.unhcr.org/cgi-bin/texis/vtx/basics/opendoc.htm?tbl=BASICS&id=3b028097c.
- 2 The principal destinations: Argentina 5.7 million (1857-1926); Brazil 5.6 million (1820-1970); Canada 6.6 million (1831-1924) and the United States 36 million (1820-1924) (Sutcliffe 1998).
- 3 Approximate national death tolls over 1 million: former Union of Soviet Socialist Republics (USSR) 26.5 million, China 20 million, Poland 6 million, Germany 5.5 million, Indonesia 4 million, Japan 2 million, India 1.5 million and Yugoslavia 1.5 million. Comparisons of various estimates are presented in *Twentieth century atlas: Death tolls for the Second World War*, <http://users.erols.com/mwhite28/ww2stats.htm> and in http://en.wikipedia.org/wiki/World_War_II_casualties.
- 4 The total volume of migrants is likely to be higher than these figures, since they are based on official data. From 1965 to 1985, the stock of international migrants increased by 30 million, and by 87 million from 1985 to 2005. In 1970 the world’s total migrant population was estimated at 82 million, in 1990 it reached 154 million, in 2000 it was 174.9 million (excluding the newly independent states formed after the fall of the USSR) and in 2005 it was 192 million. Data drawn from the IOM website, www.iom.int.
- 5 See 2006 analysis by the United Nations Department of Social and Economic Affairs (United Nations 2006a).
- 6 The transformation of internal into international migrants when the USSR disintegrated in 1991 may explain the high number of emigrants from former Soviet republics (Russia, Ukraine, Kazakhstan, Uzbekistan).
- 7 This group of countries has the highest proportion in the world of immigrants in the total resident population, often with more than 60 per cent in the early 1990s (Simon 2002).
- 8 Data drawn from the UNFPA website, www.unfpa.org/swp/2006/moving_young_sp/introduction.html. The information related to the age of migrants varies considerably according to the source. For examples of average age oscillating between 20 and 50 years, see Sutcliffe (1998).
- 9 For example, in Haiti the percentage of women in the agricultural labour force increased from 30 per cent in 1980 to 37 per cent in 1990 (IFAD 2007a, 16).
- 10 Similar observations have been made in rural areas in sub-Saharan Africa, where this situation rarely conferred more power on women in the domestic sphere and in village decision-making, because women remained under the control of the lineage system during the migration of their husbands (Quiminal 1994; Topouzis and du Guerny 1995).
- 11 Since many women work in domestic service, they are particularly vulnerable to abuse, work long hours and may earn below-minimum wages. ILO (1999, 10) and the United Nations (2005a, 63) highlight the vulnerability of Asian female migrants in the Middle East.
- 12 A study of migration from the Dominican Republic to Spain reveals that women constitute 62.3 per cent of migrants. It demonstrates that while migrant women have acquired increased economic decision-making power within their households, such change has not translated into a more equal distribution of household responsibilities. The care of children, household chores and the administration of remittances have been taken over by female relatives (INSTRAW 2006, 79-80).
- 13 Collective remittances are donations for community projects from migrant associations located outside their countries of origin.
- 14 This amount reflects only officially recorded transfers – the actual amount, including unrecorded flows through formal and informal channels is believed to be significantly higher. For example, in 2006 an IFAD study estimated total remittances to developing countries at US\$300 billion (IFAD 2007b), while the officially recorded data for the same year, as reported by the World Bank, was US\$221 billion.
- 15 French ‘border workers’ (workers who are close to borders, crossing them for work or sending money back to neighbouring relatives) are paid in Germany, but repatriate their wages to France, forming part of the remittances flow (World Bank 2005).
- 16 The Hawala and Hundi systems are traditional trust-based ways of transferring money between members of a single community. More precisely, according to Mohammed El-Qorchi of the International Monetary Fund (IMF): “The Hawala system refers to an informal channel for transferring funds from one location to another through service providers – known as *hawaladars* – regardless of the nature of the transaction and the countries involved. While Hawala transactions are mostly initiated by emigrant workers living in a developed country, the Hawala system can also be used to send funds from a developing country, even though the purpose of the funds transfer is usually different.” For more information on the functioning of this informal transfer, please refer to El-Qorchi’s article on the IMF website, www.imf.org/external/pubs/ft/fandd/2002/12/elqorchi.htm.
- 17 It has been argued that informal private transfers may be used to support armed conflicts or terrorist activities. However, a crackdown on informal private transfers in countries that depend on them could provoke an economic crisis, encourage the black market, and favour radical solutions, including crime or warfare (Pérouse de Montclos 2005, 65-66). Moreover, a study on remittances and financing of terrorism argued that a clean-up of the informal remittance market would not have much influence on terrorism, since fund-raising through informal remittance channels is not particularly important for most terrorist groups (Passas 2005, 15-16).
- 18 However, this number varied from a high of 12 per cent to Cuba to a low of 5.4 per cent to Ecuador. The cost generally dropped when the amount sent was greater than US\$200. In the case of Mexico, the average cost of sending US\$400 was 4 per cent. Remittance fees are high in countries where there is less remittance market competition (such as the Dominican Republic, Guyana and Jamaica), or in countries with greater market restrictions (such as Cuba and Haiti) (Orozco 2002b, 15).
- 19 GTel mobile phone subscribers register via text message. Funds can then be deposited and cashed at G-Cash affiliates and GTel offices throughout the network. Fund transfers (from sender to recipient and from G-Cash account to payout in cash) are communicated via text message. A 1 per cent processing fee is charged both to deposit and to receive funds (2 per cent total for a remittance transfer) (USAID and DFID 2005, 1-3).
- 20 In South Africa, for instance, a joint venture of Y’ello Bank with Vodacom and MTN (mobile communications firms) announced in 2005 that it was seeking to target unbanked mobile phone users. The network already had close to 20 million subscribers. By comparison, South Africa’s largest retail bank, Absa Bank Ltd., had only 6 million customers (USAID and DFID 2005). In Kenya, Safaricom, in partnership with Vodafone and the local microfinance institution Faulu, launched M-Pesa in February 2007. After nine weeks of operation, more than 61,000 account holders were registered (USAID and DFID 2007).

- 21 IRnet charges a flat rate of US\$10 to wire up to US\$1,000 to over 41 countries in Africa, Asia, Europe and Latin America (cf. Johnson and Sedaca 2004, 12).
- 22 The country composition of regions is based on the World Bank's analytical regions and may differ from common geographic usage (World Bank 2008, 20).
- 23 Data drawn from the website of the Roles of Agriculture Project, Agricultural and Development Economics Division, Food and Agriculture Organization of the United Nations (FAO), www.fao.org/es/esa/roa/index_en.asp.
- 24 Push factors are factors that impel migrants to leave their areas of origin and include lack of job opportunities, scarce land, and population and political pressures.
- 25 Women working in the sewing shops of Mae Sot earned approximately 1,500 baht per month (Martin 2004; Hugué and Punpuing 2005, 43-48).
- 26 It is always risky to make broad, nationwide generalizations; within countries there may be areas that do not coincide with the general observation. For example, in Egypt there are regions where lack of access to land and agricultural employment push rural men to migrate, while education does not have any significant impact on their migration decisions (Adams 1993).
- 27 For example, in rural Nepal, when remittance flows increased, new wage labour for landless and marginal farm households and land-renting opportunities arose (Adhikari 2001, 22).
- 28 Miluka et al. (2007) present several such examples from rural Albania.
- 29 Outmigration can have a significant impact on rural areas by the very number of people involved and the fact that most of them, being young and male, are the most productive household members. A loss of labour through migration lowers the labour intensity and reduces agricultural productivity, which may increase poverty in rural areas. For example, in El Salvador there are many rural villages in departments with historically high levels of outmigration in which only the elderly and the very young remain.
- 30 The children of migrants have been called 'emotional orphans' and seem to be more likely to commit crime, take drugs or have children out of wedlock (Wehrfritz and Vitug 2004).
- 31 Juna Miluka (American University, Massachusetts): unpublished papers related to a research project currently being carried out in Albania.
- 32 Manifestations of transnational communities include, among many others: families spread across various sites; frequent movement back and forth; immigrant communities in which members are always up to date on the latest happenings in their towns of origin, despite the distance; celebration of local festivities; and HTAs that support development of communal infrastructure in their villages of origin.
- 33 For an analysis of the role of diasporas in poverty reduction, see Newland and Patrick (2004).
- 34 Frente Indígena de Organizaciones Binacionales website, http://fiob.org/quienes-somos/langswitch_lang/en.
- 35 The new 4x1 Program builds on the success of Mexico's current 3x1 Program, in which each government jurisdiction (local, state and federal) matches remittances made by United States-based Mexican HTAs to communities in Mexico.
- 36 The Community Reinvestment Act is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods. It was enacted by Congress in 1977. With regard to service and investment activities, institutions will receive credit for activities directed towards low- and moderate-income census tracts or individuals. This credit may be earned whether or not the activities occur within the institutions' assessment areas.
- 37 For example, see Littlefield and Rosenberg (2004, 39-40).
- 38 An automatic clearinghouse is a nationwide electronic funds transfer network that enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.
- 39 Asante (2004, 12). More than one third of Africa's highly qualified professionals currently live abroad. The potential contribution of the African diaspora to economic development of the continent was recently discussed in a workshop organized by the World Bank, with the participation of about 300 representatives of African diaspora organizations (see the World Bank website "Mobilizing the African Diaspora for Development": www.worldbank.org/afr/diaspora/).
- 40 Ethnic exports to the United States, including local beer, rum, cheese and other food items, have attracted considerable attention among producers in Central America and the Caribbean.
- 41 Established in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP), the IPCC is a scientific body entrusted with understanding and assessing the risks of climate change caused by human activity, its potential impacts and the options for adaptation and mitigation.
- 42 Three major rivers drain into the Bay of Bengal: the Ganges, the Brahmaputra and the Meghna. During the monsoon season, when they overflow their banks, at various times they cover up to about 30 per cent of the country. However, in years when peak water levels occur, the river water might flood up to 60 per cent of Bangladesh's surface (Dorosh, del Ninno and Shahabuddin 2004, 2-3).
- 43 Bovine spongiform encephalopathy is a fatal, neurodegenerative disease in cattle that causes a spongy degeneration of the brain and spinal cord.
- 44 See the FAO website on avian flu, www.fao.org/avianflu/es/qanda_es.html.
- 45 See the World Health Organization website, www.euro.who.int/tuberculosis/publications/20071204_10.
- 46 Male, seasonal workers are often at the centre of attention – for example, seasonal miners in South Africa, where migration patterns are the result of decades of legislation aimed at providing labour to the gold mines and other industries (Lurie et al. 1997). In the last two decades, patterns of migration in southern Africa have remained 'circular' or 'oscillating' in nature, with migrant workers (usually men between 20 and 65) leaving their rural homes to work in urban areas and returning home periodically (Lurie et al. 2003a).
- 47 See FAO website on HIV/AIDS and food security, www.fao.org/hivaids/impacts/gender_en.htm.
- 48 In particular MDG 1: Eradicate extreme poverty and hunger; MDG 2: Achieve universal primary education; and MDG 3: Promote gender equality and empower women.
- 49 The Facility was piloted in 2005 with initial funding from the Inter-American Development Bank/Multilateral Investment Fund and IFAD to finance projects in the Latin America and Caribbean region. For this reason, the majority of projects currently under implementation are located in that region. The extended multi-donor Facility has launched calls for proposals to support project in other geographical areas.

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