European Economic and Social Committee

REX/236
Migration and development: opportunities and challenges

Brussels, 12 December 2007

OPINION

of the
European Economic and Social Committee
on
Migration and development: opportunities and challenges
(own-initiative opinion)

____

99 rue Belliard - B-1040 Brussels - Tel. +32 (0)2 546 90 11 - Fax +32 (0)2 513 48 93 - Internet http://www.eesc.europa.eu

EN

At its plenary session held on 16 February 2007, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

Migration and development: opportunities and challenges.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 October 2007. The rapporteur was **Mr Sukhdev Sharma**.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 12 December), the European Economic and Social Committee adopted the following opinion by 125 votes in favour with 5 abstentions.

*

* *

1. Executive Summary

1.1 This own-initiative opinion outlines policy suggestions on issues relevant to the highly interconnected fields of Migration and Development.

1.2 In focussing on practical examples, suggestions and potential mutually beneficial cooperation arrangements, migration can be viewed as a "tool for development". By introducing specific measures, the Committee wishes to move the debate from the policy level to the programming level.

1.3 A beneficial application of Migration and Development policies is best achieved by means of better facilitating the role of remittances (3.4-3.8) in order to increase recipients' income-levels and possibly by means of regulating migratory flows to benefit least developed countries or certain low-income sections within developing countries (4.2). Concepts of Co-Development have the potential to channel private remittances to infrastructure projects that benefit the general public (5.1-5.2). Other forms of Co-Development engage with Diaspora organisations to mobilise human resources and or monetary resources for foreign direct investments, knowledge and technology transfers, and social and cultural remittances (5.3-5.8). Migration and Development policies can mitigate the negative affects of brain drain by creating brain trust and by facilitating circular and virtual migration patterns (6.2-6.6.4). Lastly, the Committee argues that Migration and Development policies can only be successful, once they are mainstreamed into other relevant policy fields and policy coherence is ensured (7.1-7.3).

1.4 This Opinion complements the Committee's Opinion on "EU immigration and cooperation policy with countries of origin to foster development" by Rapporteur: Mr Pariza Castaños[1]. Additionally, it is supportive of the Commission's Communication on "Circular migration and mobility partnerships between the European Union and third countries"[2].

2. Migration and globalisation

2.1 The process of globalisation has led to the liberalised movement of capital, goods, and services. The movement of people, however, still remains globalisation's most restricted branch. In order to give less-developed economies a bigger share of the economic growth driven by globalisation, more attention should be given to the free movement of people. This opinion follows the school of thought that migration is a chance for developing countries to participate more equally in today's globalised economy. Migration has the potential to decrease inequality; however, migration must not be seen as a substitute for traditional development aid.

2.2 Two considerations set the stage for creating a concept that values migration as a link between globalisation and development. Firstly, demographic trends indicate that already existing labour shortages in EU countries are expected to increase in the near future, especially within the labour-intensive service sectors. Secondly, the World Bank projects that the potential of well-managed migration could in the near future yield significant monetary assistance in the form of remittances to people of poor countries[3]. Remittance flows within the OECD countries, but also from OECD to developing countries and even between developing countries are steadily increasing[4]. Thus, international migration can be an important component in achieving the Millennium Development Goals. Remittances as well as the concepts of co-development and circular migration have significant developmental potential. More importantly, their developmental potential is fuelled by the labour market needs of Western Europe.

---

1 SOC/268 Immigration and cooperation for development dated 4 June 2007.

2 16.5.2007 COM(2007) 248 final.

3 World Bank 2006. Global Economic Prospect.

4 According to the World Bank from 2001 to 2005 remittance flows have doubled to a record of US Dollar 249 billion in 2005, of which developing countries received 180 billion – four to five times the amount of official development assistance (World Bank (2006): International Migration Agenda and the World Bank – Managing Risks and Enhancing Benefits). Oxfam estimates the yearly inflow of remittances to developing countries to be USD 80 billion (International Development Committee Inquiry on Migration and Development, Oxfam, 2003). The Global Commission on International Migration estimates the total remittances received by developing countries at USD 93 billion annually (Migration and Development, Policy Analysis and Research Programme, 2003). In sum, remittances make up 2.2% of the gross domestic product of all developing countries (International Monetary Fund 2005).

2.3 This opinion underlines the need for a well-developed, comprehensive and integrated approach to Migration and Development policies, which has the potential to create a "win-win" situation.

2.4 Such an approach recognises the imbalance of the positive and negative impact of migration on developing countries and addresses the cost and benefit factors accordingly. While in some countries migration eases the pressure from over-population and unemployment, and the deliberate export of skilled labour establishes overseas sources for future remittances, foreign direct investments and knowledge transfers; for other countries the permanent outflow of human resources severely hampers development. Therefore, well managed migration enhances the positive effects of migration while at the same time mitigates its negative impact.

2.5 The Committee supports the assessments of leading international development organisations such as the World Bank, the UK Department for International Development, Oxfam and others which all highlight the developmental potential of international migration to achieve relief from poverty and sustain economic development in source countries. Remittance transfers lead to significant income increases for recipient households, and are a powerful driver for short-term poverty relief and, if managed carefully, can even lead to long-term sustainable development. The latter is supported by concepts of "co-development" such as Diaspora philanthropy, social remittances, knowledge transfers, and transnational business networks.

2.6 The strength of well managed Migration and Development policies should be their ability to protect vulnerable countries, (almost all of sub-Saharan Africa), from migration inflicted development constraints. Developing countries that benefit least from remittances and philanthropy often bear the highest costs of migration: the loss of highly skilled and talented people. Models of circular and virtual migration can address, to a certain extent, the shortfalls of unchecked emigration. Migration and Development policies can address the needs and particularities of sectors particularly vulnerable to migration, such as the educational or health care sector. Unless strong migration regimes prevent the loss of skilled health care personnel in severely HIV/AIDS-affected areas, other development efforts will not be sustainable. Bilateral and regional migration partnerships between destination countries and countries of origin can play an important role protecting these sectors which are crucial for their development.

2.7 The Committee has taken note of the many ways and means migration profoundly impacts on source and destination countries. Some are only recognised years after migratory movements have begun. An issue of increased concern is for the children of migrants who remain in source countries and their health and educational prospects in single-parent households. On a societal dimension, migration-affected areas show signs of a distorted gender-ratio which most certainly will leave an imprint on the socioeconomic framework conditions for long-term development. These concerns must be considered when planning and implementing international migration policies.

2.8 The Committee highlights the existing socioeconomic interdependence between the host and source country. Economically successful migrants in host countries tend to remit more. Similarly, socially well-integrated migrants have a potentially bigger impact on co-developing their country of origin through philanthropy, social remittances and circular or virtual migration, in comparison to less well integrated migrants. Consequently, host countries must consider concepts that prevent brain waste: these range from better social integration in general, to achieving an equalisation of wages and to improving working conditions; including access to unions, or addressing the often problematic legal status of migrants. This approach maximises the migrants' input for the host society and additionally increases their development potential.

2.9 Similarly interconnected are concepts designed to confine irregular migration. Irregular migration harms destination countries due to its links to illicit employment. It equally poses a threat to the (irregular) migrants because they often are in a weak position of a dangerously exploitive relationship facing harsh working conditions with few health and safety standards. Furthermore, irregular migration harbours negative developmental consequences: there is limited opportunity for integration in host countries and the high costs of such migration diminish the prospects for remittances to source countries. *Nevertheless, regularising the status of undocumented migrants remains a human imperative, as well as an economic and social necessity.* Increasing the opportunities for regular migration enhances its development potential, while at the same time reduces the demand for criminal organisations involved with smuggling and human trafficking. Legal migration therefore minimises exploitation.

2.10 The Committee recognises that South-South migration is the most common form of international migration. Neighbouring countries or the immediate region are the most chosen destinations for international migrants[5]. Moreover, when considering the fact that migration involves risk-taking and requires financial resources, skills and networks, it becomes obvious that, especially for poor people, movement within national borders is by far the most prevalent form of migration[6]. Therefore, a comprehensive approach to Migration and Development policy must also consider the potential impact of regional and internal migration on poverty reduction and economic development.

2.11 The Committee urges Member States to apply the standards codified in the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990).

---

5 Especially South Africa bears the extra burden of being an often seeked immigration country to the whole region.

6 See DFID report: "Moving out of poverty – making migration work better for poor people" (http://www.dfid.gov.uk/pubs/files/migration-policy-paper-draft.pdf).

3. Migration and poverty relief – facilitating remittances

3.1 The Committee recognises the development potential of remittances between migrants and their families remaining in their country of origin. Research suggests that remittances directly increase the income-level of its recipients thereby alleviating poverty.

3.2 However, an unspecified but significant share of remittances – between one and two thirds – flows through informal channels. This has negative consequences for migrant and recipient, as well as for the host and source country. Due to the lack of competition amongst financial service providers in the informal sector, migrants and recipients have no choice but to accept high transaction costs which in turn erodes the income of migrants. For financially weak developing countries, remittances offer a major source of foreign currency and, if channelled through official banking institutions, improve financial development by increasing aggregate levels of deposit and credit intermediated by the local banking sector[7]. Remittances thereby generate a positive macroeconomic development. Host countries generally connect security concerns with the informal banking sector; money-laundering or the financing of terrorist organisations both of which most often take place using informal financial transaction methods.

3.3 There are many reasons why migrants often choose irregular channels over official banking services for remittances. A large number of migrants choose irregular transfer channels because official service providers are too costly, too slow, and too bureaucratic or simply not accessible. Migrants also display a lack of trust in their home country's banking institutions or fear exchange rate fluctuations. Poor recipients, especially those living in remote, rural areas, have no physical access to banking facilities. Many more cannot afford the fees required to maintain a bank account. Remittance fees disproportionately impact on low-income families who are sending regular but small amounts of money. For undocumented migrants banking channels are not accessible because they lack documentation which is a prerequisite for opening bank accounts.

3.4 The Committee encourages Member States, the Commission, Parliament and Council to consider the following initiatives as a tool to foster development.

3.4.1 Foreign currency savings accounts for migrants living and working abroad should be made available by domestic banking institutions in countries of origin.

3.4.2 Banking services should be made available for low-income families by offering affordable banking rates and should also be provided to currently "*unbanked*" communities. The latter could be achieved by linking banking services to more wide-spread service industries such as

---

7 Consequently, banks are able to raise cheaper and longer-term financing from international capital markets by securitising future remittances.

postal or retail networks or existing credit unions. A decrease of remittance fees, however, should not be off-set by unfavourable exchange-rates, dictated to the benefit of the banking institution.

3.4.3 Competition amongst remittance service providers must be strengthened to lower transfer costs. NGOs and public authorities in host countries can encourage competition by disseminating information on the comparative prices of service providers. An exemplary measure is the webpage www.sendmoneyhome.org. Additionally, increasing the financial literacy of migrants is a key activity civil society should facilitate, in cooperation with financial institutions.

3.4.4 Upgrading the banking technology in source countries could significantly reduce transaction costs, increase processing speed and enhance transaction security. Satellite-based information technology in remote areas to support an enhanced management and wire transfer system would further increase efficiency. The introduction of debit cards or mobile telephony add-on services is an innovative solution to extend outreach. All these capacity-building measures require investments that could be spurred by official development assistance or through public-private partnerships.

3.4.5 The stringent identification requirements are a deterrent to undocumented migrants wishing to open a bank account. Banks should develop ideas about improving access to banking services for undocumented migrants. Member States should consider reasonable changes to the regulatory environment set for the banking sector, to enable this process.

3.5 Lowering the costs of remittances is a necessary first step to enhancing their developmental impact. Facilitating the flow is a second step. Destination countries should therefore build remittance partnerships with source countries that receive large volumes of remittances. These partnerships could appropriately facilitate measures to improve access for poor people to banking institutions, strengthen the ability of financial service providers to facilitate remittance flows, and to create incentives for using formal transfer channels.

3.6 The Committee urges banking institutions operating from within the European Union to develop bank service policies with a strong corporate social responsibility focus that realises the banks' central role in addressing the needs of migrants and migrant families.

3.7 The Committee strongly encourages partnerships that pilot initiatives to foster the developmental use of remittances by lowering costs and increasing access. Two exemplary models are outlined below:

3.7.1 The mobile operator trade body GSM Association and the payment processing firm MasterCard have set up a system that will allow migrants to put cash onto their mobile phone, and order it to be sent to a mobile phone number abroad, where the recipient receives a text message saying that money has arrived.

3.7.2 The UK-based Lloyds TSB bank in collaboration with the Indian ICICI bank allows non-resident Indians to make remittances free of cost to India as long as a minimum balance in their ICICI account is being maintained.

3.8 Especially in times of conflict and crisis or after natural disasters, remittances have proven to be an effective and fast mechanism to address the needs of refugees and victims in countries of origin. Humanitarian aid organisations and first responders should consider providing access to remittances as part of their post-conflict/post-disaster aid packages.

4. Migration and closing the inequality gap – regulating regular migratory flows for the benefit of underdeveloped regions

4.1 Despite their potential to induce real-time poverty-relief for its recipients, the developmental impact of remittances as private transactions is limited, since the benefit of receiving remittances from abroad is generally not for the poor. In contrast, people who are able to bear the initial costs of migration are those from lower middle-income households. Additionally, remittances primarily flow to large emigration countries with deliberate human capital export policies. Less than one third goes to the very least developed countries. The continuous inflow of remittances is highly dependent on a continuous outflow of migrants and therefore vulnerable to changes of immigration policies or the economic growth in host countries.

4.2 To leverage its poverty-relief impact and close the inequality gap at the same time, destination countries must not only better manage and facilitate remittance flows as indicated above, but also better manage the preceding migration flows. Restrictions to legally accepting migrants in destination countries will consequently negatively impact the flow of remittances to source countries. Destination countries can furthermore effectively determine the direction of remittance flows by giving "preferential immigration status" to specific immigrant groups from certain countries or regions of origin. This ensures that pre-existing migrant networks do not lead to regional bias in a country, nor do they lead to further increases in inequality levels in source countries. Thus, the host country proactively assists the least developed regions in source countries and helps to reduce thereby the inequality gap. Yet another step to ensure that remittances reach the least developed is by targeting members of these low-income households and facilitating their migration process.

5. Migration and (co)-development

5.1 Co-development describes activities by migrants that compliment, not substitute, development. These activities are characterised by needs-based programming, sustainability and the ability to connect Diaspora groups to communities in source countries. One form of co-development that reaches all income levels of the recipient community are remittance-based investments in infrastructure for education and basic health services. The Committee therefore supports the embedding of remittances in co-development.

5.1.1 An exemplary initiative is the matching fund programme. Every remittance that migrants channel towards communal development purposes in their country of origin is matched by an equal amount by each of the institutional partners of the programme[8]. Ideally these partners are development aid organisations that bring management expertise and experienced personnel into the programme in cooperation with local government to achieve sustainability. These matching funds programmes should be made widely public and easily accessible through information platforms that also promote the use of official banking channels for remittances. Once successful "matching funds programs" are identified, additional "matching" partners from the private sector ought to be included. Especially companies that employ a significant portion of migrants as well as financial services providers that facilitate remittance transfers should be encouraged to participate and to exercise their share of corporate social responsibility. These public-private partnerships benefit all participants: the developmental impact increases because of larger collective remittances and companies and banks build trust towards their customers. *However, the Committee is aware that cooperation between countries of origin and host countries must take account of all the players: not only governments and official authorities, but also the social partners and civil society organisations. In this way, the development of anti-corruption practices and charters would prevent the growth of practices siphoning off the amounts transferred.*

5.2 Other forms of co-development focus on steering remittances to entrepreneurial or investment-related activities.

5.2.1 Incentives that source countries can offer in order to increase overall remittance flows for co-development, range from income tax exemptions for migrants when investing in local businesses to exemptions from import duties for business investments.

5.2.2 The Committee encourages banking institutions and development agencies to test pilot programs that link remittances and micro-finance institutions in developing countries.

5.2.3 Banking institutions in source and host countries should be encouraged to develop remittance partnerships to facilitate the cross-selling of complementary financial services, e.g. offering small business credits or housing credits, along with remittance services.

5.2.4 To support and increase these activities development agencies and civil society organisations should inform migrant communities in host countries about investment possibilities, provide business training and facilitate networks that link migrants to capital-needy entrepreneurs in

8 An example is the immigrant community in the United States from the State of Zacatecas, Mexico. Under the "Three for One" programme, each dollar sent by migrants' associations is matched by a dollar from the federal Mexican government and another from the State of Zacatecas. In any case, for such initiatives to be successful, immigrants must be socially well-integrated in the host communities in order to be able to organise themselves.

countries of origin. Migrant entrepreneurs in host countries and entrepreneurs in source countries should be linked in strategic business and development networks.

5.3 Some of the measures mentioned above require the cooperation of Diaspora organisations in host countries. The network of ties between Diaspora and source country is mainly the result of individuals or groups acting on their own initiative. These networks are a major source of foreign direct investments, knowledge and technology transfers, philanthropy and social as well as cultural remittances. They may even play a role in peace and reconstruction processes. However, the least developed countries lack the capacity to track migrants abroad and build Diaspora networks to tap these resources for development (remittances, investments, skills, knowledge).

5.4 The challenge is therefore to build capacity in Diaspora organisations that originate in least developed countries and target development for the lowest income sections.

5.5 The process of capacity-building must take into account the fact that Diaspora communities are in most of the cases informally and loosely organised; they have country-specific structures and operate along idiosyncratic dynamics of interaction with their country of origin.

5.6 Identifying adequate Diaspora groups and enhancing their ability to contribute to the development of source countries can result in the creation of *brain trust*. This is achieved by human capital programs that enlist migrants (or their offspring) for public or private sector development programs. These programs tap into language skills as well as cultural competencies and make recently acquired professional skills, expertise, and contacts available to developing countries.

5.6.1 A necessary step to initiate capacity-building efforts for Diaspora organisations and least developed source countries is the process of identifying and mapping these organisations and networks. The Committee therefore recommends building voluntary registers of skilled migrants from *brain drain* affected countries residing in host countries and of migrant businesses from small and medium size developing countries, currently operating within host countries.

5.6.2 Once identified, Diaspora organisations should be enabled to link with countries of origin and contribute to development. Destination countries and international development organisations should offer platforms and forums, travel stipends, fellowships, and business meetings to facilitate this process.

5.7 The existence of Diaspora communities does not guarantee an automatic positive development impact on the source country. The political and socioeconomic conditions and policies of the developing country play an equally important, if not predetermining role. However, migrant organisations should in general be more involved with development issues.

Therefore development organisations are asked to approach migrant organisations to discuss useful cooperation.

5.8 The Committee supports the creation of a specific Migration and Development Fund to enable the abovementioned development activities.

6. Migration and mitigating the affects of *brain drain* – creating *brain trust* plus facilitating *circular* and *virtual* migration

6.1 The voluntary outflow of human capital often generates economically beneficial consequences for source countries. International migration eases the pressure from over-population and unemployment for many source countries. Some countries successfully export labour deliberately in order to build overseas pools for remittances, foreign direct investments and knowledge transfers. However, the permanent outflow of human resources, especially the highly skilled and talented, hampers development in the least developed countries which possess neither the economical nor the institutional capacity to build replacements.

6.2 The Committee therefore urges all actors to, firstly, take all necessary steps to mitigate the effects of *brain drain* and secondly, develop plans to prevent further depreciation of human capital in vulnerable economies and sectors. The Commission has already highlighted in its recent communication that mitigating the effects of *brain drain* involves concepts of *circular* and *virtual* migration[9]. Ethical codes of conduct, higher incomes and compensation funds are ways to prevent skilled professionals from leaving. Furthermore, well-tailored outsourcing from OECD countries to developing countries can decrease the migratory pressure in these specific countries. However, similar considerations which are being discussed to prevent *brain waste* in developed destinations countries should be applied to workers employed in out-sourced industries in developing countries.

6.3 Facilitating *circular* and *virtual* migration builds upon the abovementioned capacities of Diaspora groups and their ability to connect with their country of origin – the creation of *brain trust*. Skilled migrants who have acquired tertiary education or professional training in destination countries can be an asset to source countries if they are enabled to transfer their skills and services.

6.4 Creating *brain trust* is a complementary concept to *brain drain* because the net-loss in source countries ideally feeds into the migration-based *brain trust* in destination countries. But more importantly, *brain trust* potentially mitigates some of the detrimental effects of *brain drain* in source countries. Individual migrants can offer their skills or organisational capacities to their country of origin either on a temporary basis – temporary return – or on a virtual basis by means of web-based applications and online platforms.

---

9 Communication from the Commission on Circular migration and mobility partnerships between the European Union and third countries.

6.4.1 Visa regimes should be tuned accordingly in order to allow for professionals to more easily "commute" between host and source country. International development organisations should consider schemes for development that *virtually* transfer services and knowledge of highly skilled migrants, such as cardiologists in destinations countries using the internet to analyse medical records from the source country, geologists providing access to state-of-the-art laboratories in host countries, or financial analysts assessing business plans for micro finance programmes. Offering multiple-entry visas is a mechanism to facilitate *circular* migration.

6.4.2 Another powerful incentive for return and or *circular* migration is the portability of pensions' benefits and social security benefits of migrants from host to source country.

6.4.3 Developing countries need to be made aware of the existing possibilities of co-development and furthermore be encouraged and enabled to build network links with their Diaspora communities abroad.

6.4.4 These concepts of course require the successful integration of migrants into the host society. Destination countries must reduce existing *brain waste*, (migrants working in jobs below their originally acquired education and training), by better assessing their skills and consequently recognising degrees and certificates from source countries. This increases their contribution to the host society and their developmental impact on source countries.

6.5 Regulating emigration must be a maxim in regards to particular sectors such as education and health care. Protecting these particular vulnerable sectors from *brain drain* requires measures that address the push and pull factors of migration.

6.5.1 The Committee urges that developed countries must not recruit human capital from these vulnerable developing countries. The British government has implemented an exemplary code of conduct on ethical recruitment, which binds public and private medical institutions to not hire new personnel in developing countries facing a human resource crisis in the health care sector.

6.5.2 Similarly, labour immigration policies of destination countries can be adjusted to keep the flow of highly skilled people from at-risk developing countries to a minimum.

6.6 Depending on the resources available to at-risk and particularly vulnerable developing countries, several options are available to counter the impact of *brain drain*.

6.6.1 One option is to build a human capital surplus which opens the possibility to pursue an export-oriented (human) development strategy. These training efforts could be financed by exit taxes for highly skilled professionals who chose to migrate. These taxes might be levied on the emigrant or the destination country.

6.6.2 Repayment agreements (compensation funds) between migrant and source country prior to departure can discourage permanent migration and the source country is being reimbursed for costs of the education and training initially provided[10].

6.6.3 The creation of *brain trust* for severely *brain drain*- affected source countries.

6.6.4 Highly skilled professionals who come to acquire further training or pursue specialisation in non-developing countries can be granted provisions of re-entry by host countries or easily accessible short-stay visas. These mechanisms of *circular* migration can encourage return migration to source countries.

7. Mainstreaming Migration and Development policies and ensuring policy coherence

7.1 The Committee acknowledges, as initially mentioned, that South-South migration as well as regional migration has a significantly larger migratory dimension than international migration between developing and developed countries. More attention should therefore be devoted to regional approaches of Migration and Development as already undertaken by the African Union.

7.2 The Committee wishes to highlight the need to mainstream "migration and development policies" into the migration and integration policies of host countries and into national developing strategies of source countries as well as poverty reduction strategies of international development organisations.

7.3 The Committee notes that policy coherence is highly beneficial to the anticipated outcome of migration and development policies. Trade and security policies should not undermine the pro-development efforts of migration and development policies. Equally importantly, the Committee is urging its Member States to aim at policy coherence, by not arguing for different policies at the national and at the European Union level.

Brussels, 12 December 2007.

The President of the European Economic and Social Committee	The Secretary-General of the European Economic and Social Committee
Dimitris Dimitriadis	Patrick Venturini

____

10 For further details on possible compensation funds between migrant and source countries please refer to the EESC Exploratory Opinion "Health and Migrations" (rapporteur Mr Sharma and co-rapporteur Ms Cser), adopted in July 2007 (CES 1001 – 2007, SOC 274).