The Congolese diaspora and the politics of remittances

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Abstract
Economic turmoil and war constitute the main engines fuelling migration in the Democratic Republic of Congo since 1980. The development of migration is accompanied by remittance transfers that impact on the country. The most common use of remittances are to satisfy basic needs and fund specific family events that can include buying land, house construction and opening businesses along with consumption (education, health…). The direct transfer of material goods, such as cars and medical & IT materials, also plays a major role. While most remittances are not used to cover investments; funding education and family wellbeing can support growth and development.

Keywords: Diaspora; migrants; remittances; foreign direct investment; DRC.

JEL Classification: F22, F24

Introduction
Economic turmoil driven by bad governance, war and conflicts are central factors driving migration in the Democratic Republic of Congo (DRC) since 1980. Congolese are on the move abroad in search of better living conditions and to escape insecurity at home. The DRC has experienced violence, political instability and economic decline over the past several decades that has delayed its economic takeoff. This post-conflict country joined the Heavily Indebted Poor Countries (HIPC) in 2010 (IMF 2010). Complicating the Congo’s status, the country has not benefited from its enormous natural resources and instead, the Congolese economy has declined even as an informal market has developed and abuses have risen.

Since the 1980s, Congo has gone through a prolonged economic crisis owing to the growing inefficiency of the distribution system, government mismanagement, the prevalence of widespread corruption, and the unfavourable terms of its external debt. The
Congolese economy deteriorated considerably in the period of political instability that followed the establishment of democratic rule and the transition to a multi-party state in 1990. Disruptions to the transportation system and trade negatively effected Congo’s export performance.

Congo’s economic difficulties were exacerbated by hyperinflation in the 1990s and an exchange rate policy and monetary financing plan that ballooned the Treasury’s cash deficit (see Maswana 2005; Rosser 2006). The suspension of financial assistance by the IMF and other partners precipitated a widespread decline in the country’s public sector (Putzel, Lindemann & Schouten 2008). In the early 1990s, Congo’s GNP (Gross National Product) per head was among the lowest in the world, equivalent to $220 per head in 1990 and declined to $154 in 1994. It is obvious that these economic factors and the lack of opportunity in the country, are critical engines pushing Congolese to emigrate (Sumata, 2010).

Globalization has accelerated the movement of people; and the growth of migration has been accompanied by remittance transfers that have a perceptible impact both at the level of the host country but also, to some extent, at the level of the source country (Castle 2009).

For Congolese remittances provide a shelter against uncertain income prospects when financial markets ‘malfunction’ or do not exist (and see discussion in Ben Ali 2016; Williams 2016). Labour migration tends to improve economic welfare of the destination countries and immigration may alleviate unemployment and provide inputs such as remittances and skills (Jones 1991). Migration can also act as a mechanism for income redistribution and as a source for resources for families with migrants. International migration has had an overall positive impact on poverty alleviation in DRC. Remittances facilitate, to some extent, local entrepreneurial activity.

After introducing some of the factors leading to migration and the patterns of emigration from DRC, we explore the dynamics of remittances and the available figures on the volume and the uses of remittances. This is followed by a discussion of the potential impacts of remittances and the use of these resources as a new source of development finance. In our conclusions, we explore to what extent remittances can stimulate economic activities and alleviate poverty.

**International migration and development: Patterns of emigration from DRC**

The pattern of emigration from the DRC shows the increasing diversity of destination countries. Around 7 million people from DRC are living...
abroad. During the 1970s and 1980s, the traditional destinations were Belgium and France. In recent years, other countries in Europe and North America (UK, Germany, USA, Canada) and Africa (South Africa, Nigeria) have played a major role. Even though, most Congolese migrants remain in Africa, some host countries like South Africa and Nigeria have served as springboards to other western countries.

As people have moved from DRC into the West, namely Europe and North America, as well as to South Africa, their links with their homeland in many ways have been maintained (Eversole 2005; Mainsah 2014; Styan 2007; Traeger 2005). In 1990, the number of Congolese migrants in France included approximately 23,000 individuals (Source: Institut National des Statistiques et des Etudes Economiques, Paris, 1992). According to the Belgian Department of Federal Immigration, about 22,000 Congolese migrants, were living in the country in 2014. Taking on board Belgian inhabitants of Congolese origin and undocumented migrants, the total size of the Congolese diaspora included at least 90,000 individuals. In 2013, around 60,634; individuals from DRC or Congolese descent have been living respectively in France, 80,800 in Belgium and 24,575 in the UK, according to the table below.

**Table 1: Estimates of Congolese Migrant Stocks in 2013**

<table>
<thead>
<tr>
<th>Country</th>
<th>Migrants</th>
</tr>
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<tbody>
<tr>
<td>Belgium</td>
<td>80,800</td>
</tr>
<tr>
<td>Canada</td>
<td>17,981</td>
</tr>
<tr>
<td>France</td>
<td>60,634</td>
</tr>
<tr>
<td>Italy</td>
<td>5,451</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5,089</td>
</tr>
<tr>
<td>South Africa</td>
<td>23,404</td>
</tr>
<tr>
<td>Switzerland</td>
<td>6,765</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24,575</td>
</tr>
<tr>
<td>United States</td>
<td>7,138</td>
</tr>
</tbody>
</table>

Source: The migration and remittances Factbook 2016

Figures from the Human Development Report 2009, show that, the stock of migrants from the DRC in OECD countries included 100,700 persons. Among these migrants, 25% have less than an upper secondary education level, 32.5% have an upper secondary or post-secondary education, and 35.5% have a tertiary education. It is clear that emigration from the DRC mainly concerns persons with a relatively low level of education.

International migration and development offers a fertile ground for many studies, due to the acceleration of migratory flows from Africa towards Europe and the important volumes of financial resources transferred by migrants. Under these circumstances, special attention should be paid to the role migrants can play as development actors regardless of their education.
During the G-8 Summit in Sea Island, the members approved an Action Plan encouraging countries to undertake specific policies to reduce the cost of remittances. It is worth pointing out that these measures were conceived within the framework presented by the report of the UN Commission on the Private Sector and Development, which highlights the significant role of the private sector in the unleashing of resources currently locked-in developing countries for the promotion of sustainable growth and poverty reduction (Mazzucato et al. 2015). The measures established under the G-8 Action Plan include initiatives to encourage competition in the financial sector and better coordination among international organizations as well as cooperation between remittance service providers and local financial institutions to encourage the productive use of remittances.

The dynamics of remittances

**Volume of Remittances:**
International migration has increased and official development assistance (ODA) to developing countries has fallen. Remittances accounted for between US$70 and US$75 billion per annum during the early 1990s. This amount is a significant proportion of world financial flows, US$75 billion is 50% more than ODA (World Bank, 2000). Remittances to developing countries represented approximately US$550 billion between 1988 and 1999, which is around US$46 billion per annum during this period. More recently, around US$232 billion have been sent home by approximately 200 million migrants. This amount constitutes three times official development aid (US$78.6 billion; and see Sirkeci, Cohen & Ratha 2012).

According to the World Bank and other development partners, remittances by African migrants to their homeland increased to $ 40 billion in 2015 (The World Bank, 2015). This amount seems to be superior to the total bilateral and multilateral official development assistance budget (Sirkeci et al 2012).

It is difficult to estimate the volume of remittances sent to the DRC by Congolese migrants. In fact, most of these money transfers are made through informal channels. However, the National bank of the DRC (BCC) has revealed that the country received US$ 97 million in formal remittances in 2004. If we take on board informal money transfers, this amount would undoubtedly be much higher.

In 2008, remittances sent by Congolese migrants to family members and relatives reached US$130 million (Maison des Congolais de l’Etranger et des Migrants). According to the newspaper “Le Potentiel”, the Congolese diaspora transferred to their families 9.3
billion USD (45% of the country’s GDP) in 2011 against 2.3 billion USD in 2009 (Potentiel, 12th November 12). However, it seems like we are misled by these figures and they need to be challenged. It is difficult to estimate the overall impact of remittances on the economy of DRC, due to a shortage of reliable data on the uses of remittances and the predominance of the informal economy seems to be significant.

**Figure 1:** The patterns of remittances, official development assistance and private capital flows

Table 2: International transfers in DRC by formal money transfer agencies in 2016

<table>
<thead>
<tr>
<th>Year 2016</th>
<th>Types of remittances</th>
<th>Amount of remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International transfers received in USD</td>
<td>335,518,871</td>
</tr>
<tr>
<td></td>
<td>International transfers received in Euro</td>
<td>360,172</td>
</tr>
<tr>
<td></td>
<td>International transfers sent in USD</td>
<td>201,602,801</td>
</tr>
</tbody>
</table>

Source: National Central Bank of DRC, 2016 report

According to the National Central Bank of DRC, remittances from abroad reached more than US$335 million in 2016. In the meantime, the amount of international transfers sent was approximately US$ 201 during this period (Table 2)
Utilization of Remittances:
The most commonly identified use of these remittances is to satisfy basic needs and consumption. Another point is the funding of specific family events (e.g. marriage, baptism and funeral) and education and health care. Buying of land, house construction and business development can be mentioned as well. Most of the funds remitted are not used to cover investments in community development or the economy as a whole. However, funding education and well-being of family members and relatives may help to sustain growth and development (and see Campbell 2010 on the effects of remittances).

It is important to consider the wider positive contributions of migration in the framework of the acquisition of entrepreneurial and managerial aptitudes. Rather than the straightforward accumulation of resources in the host countries, and transfer to the home countries, migrants go beyond the transfer of funds, to the transfer of equipment and knowledge, extending the notion of ‘remittances’ into the sphere of entrepreneurship and investment (Adaawen and Owusu 2013). This dimension is being taken into account by international organisations engaged in development programmes, evident from a look at the multiplicity of projects which have been established over recent years.

Remittances, among their many other uses, can contribute to the development of entrepreneurial activities, sustaining growth and economic development in countries of origin. For DRC, a country which faces a shortage of financial resources and low levels of personal saving, due to low incomes and the prevalence of informal economies, remittance income is critical. The flow of remittances from immigrants to their families and relatives amount to a significant percentage of exports in DRC since the 1990s. (Sumata, 2002).

Analyzing the dynamics of remittances in DRC
Most Congolese migrants send home between 20 and 40 percent of their income and the overall remittances flows represent an enormous potential to poverty reduction and economic development (see Bracking and Sachikonye 2010). In DRC, transfers can represent 80 to 100 per cent of cash available to households (Sumata, 2001). Remittances tend to be mainly channelled through informal system due to the inadequacies of the banking sector. These flows of financial resources are generally sent to close family members, most parents and siblings. It is difficult to establish an appropriate figure regarding remittances, but these transfers are playing a crucial role in alleviating poverty, as they seem to be a direct response to the basic needs of the migrants' relatives. In fact migrants are contributing in this context to the families and relatives expenses by supplying food,
medicine, housing (renting or buying a house for instance) and education support.

There are many channels to remit goods and money and most remittances are not channelled through official transfers. One way to remit without major costs seems to be the use of services from relatives travelling to the homeland. Migrants arrange unofficial transfers of goods and money in this context, but this is a high risk strategy with no guarantee that items arrive safely. Individuals living abroad could remit through private agencies both formal and informal to ensure the smooth transfer of goods and money.

Official banks are not generally involved in these financial transfers. However, some individuals may remit through banks even if this is costly and slow and there is a high risk of losing money because of the use of the official exchange rates in some cases. Remittances are also channelled through money transfer operators such as Western Union, Money Gram and Thomas Cook, even if their costs seem to be prohibitive for migrants especially for those sending money from Europe to DRC (and see Lartey et al 2012).

The means of transfers available within the official channels are limited and the absence of postal orders by mail personnel also motivates the use of unofficial transfers in many developing countries. In order to overcome these barriers, national governments need to implement a competitive climate, and encourage cost-effective payment technologies attractive to senders and recipients.

It is worth pointing out that a strategy aimed at reducing the high transaction costs of money sent to developing countries increases the positive impact of international remittances on poverty. As the increase of income available in this context can help many families to break the cycle of poverty and improve their living conditions. As highlighted by a recent study from the World Bank, there is a direct link between international remittances and poverty reduction, as a 10 percent increase in remittances will reduce the level of poverty by 3.5%.

However, the mechanisms available in the market for the transfer of remittances have experienced great changes over the past few years as highlighted by many studies related to developing countries. In fact, Improvements in market competition and technologic standards have resulted in a significant drop in the costs of remittance transfers. For instance, before 2003, the average fee charged on the transfer of money from Europe to DRC averaged 10%, whereas nowadays these fees hover around 5%.
In many Sub-Saharan African countries, the bank system is not as developed as in Asian and Latin American countries, so that it is not always able to attract migrants who are sending money to their homeland. Lowering the costs of remittances seems not to be the sole, or the main priority in Sub-Saharan Africa. National government and international community need to improve cooperation efforts to foster the development of the banking system, on which further actions aimed at using remittances for development purposes should be undertaken.

Remittances as a new source for development finance
It is worth pointing out that policymakers should implement new strategies aimed at answering resource shortages. As international immigration seems to increase in spite of drastic regulations established in developed countries, one can argue that migrant-supported development efforts led by Home Town Associations (HTA) can be encouraged (and see Fitzgerald 2008). In fact, remittances sent back home by migrants should be considered as a development tool along with other tools such as aid and trade. As emphasized by many studies (Ratha, D. 2003; Verona, R., 2004), governments and international development agencies need to attract workers' remittances through official channels in order to allow these resources to act as an important and stable source of external development finance.

Importantly, there are three major factors that can foster remittances to play a key role in financing international development. Firstly, as migrant remittances tend to be primarily private resources, these financial transfers are not a substitute for the developed world’s ODA duties. Secondly, migrant transfers are based on self-help by migrants themselves rather than disbursements by foreign benefactors as it is the case for ODA and FDI. Thirdly, remittances sent back home by migrants tend not to be countered by future outflows through interest, debt and dividend payments as well retention and repatriation of funds for donor country expatriates and suppliers.

Remittances should be considered as foreign savings as they interact with the structure of the local economy in the developing countries alongside with other policy tools such as international aid, aid or foreign direct investment. Unfortunately, the very high costs related to the transfer of remittances stem from the inefficiencies in the market and the regulatory framework in which individuals operate. The costs of financial intermediation are high mainly because of the oligopolistic nature of the market and the issues of asymmetric information. Under these assumptions, banking sector development is
poor in many developing countries especially in Sub-Saharan Africa (and see commentary in Costin et al 2016).

Another point is the fact that remittances provide access to financial systems and affordable financial services by attracting in this context senders and recipients. The “unbanked” and poor populations could benefit from savings, insurance services, loans and access to bank accounts. In fact, commercial banks and microfinance institutions need to attract consumers into the formal financial system in order to increase savings. One can argue that channelling remittances into entrepreneurial activities and encouraging access to financial institutions for the poor in the community should be on the agenda of national governments and international community (Varona 2004).

This strategy is a powerful springboard and it promotes credit and savings opportunities for the populations excluded from the benefit of these services. In fact, consumers’ knowledge of the existing financial products depends on efficient information in the marketplace and a supply-driven economy that reacts to remittances beneficiaries’ interests in terms of savings, credit and insurance. A new approach to migration emphasises family strategies as an important determinant in migration decisions. In fact, family members can see migration as a form of portfolio diversification.

There is some evidence to demonstrate that migrants and their family enter into financial contractual arrangements, in which remittances tend to play a key role. The migration is in this context the manifestation of the viability of the family members as they share both the costs of and rewards of migration’ process. Consequently, it could be argued that remittances are an intertemporal contractual arrangement between the migrant and the family members than as a manifestation of purely altruistic decisions.

As a result, migration of an individual in developing countries may help to bypass credit and insurance markets and to diversify income sources. It is difficult to estimate exactly the effects of remittances. However, they tend to play a key role for many households and have significant potentials for economic prospects even though they do not always go into productive channels. More importantly, remittances may have both positive and negative impacts on the economy of the home country of migrants (Table 3).
Table 3: Positive and negative impacts of remittances

<table>
<thead>
<tr>
<th>Positive Impact of Remittances</th>
<th>Negative Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening balance of payments by provision of foreign exchange</td>
<td>Deterioration of balance of trade, by stimulation of import and appreciation of local currency</td>
</tr>
<tr>
<td>Remittances are stable and countercyclical</td>
<td>Deterioration of the “social balance”</td>
</tr>
<tr>
<td>Allowing families to meet basic needs</td>
<td>Remittances tend to decrease as migrant community is more established in destination country</td>
</tr>
<tr>
<td>Opening up of opportunities for investing in children’s education, health care, etc.</td>
<td>Economic dependency of remittances</td>
</tr>
<tr>
<td>Loosening of constraints in family budget to invest in business or savings</td>
<td>Dependency on remittances and neglect of local productive activities by families</td>
</tr>
<tr>
<td>Emergency resources</td>
<td>Hardly used for productive investment</td>
</tr>
<tr>
<td>Social security resource base</td>
<td></td>
</tr>
<tr>
<td>Community &amp; Regional Level</td>
<td></td>
</tr>
<tr>
<td>Boost local economy</td>
<td>Increase inequality between families that receive remittances and those that do not</td>
</tr>
<tr>
<td></td>
<td>Inflation</td>
</tr>
</tbody>
</table>

Source: De Bruyn, T. and J. Wets (2006)

In the case of developing countries, remittances are an important part of family members’ strategies as they can help to increase or maintain the level of household consumption (Cohen and Rodriguez 2011; Kusunose and Rignall 2018; Sumata 2008). One can consider that remittances are a form of portfolio diversification, which help household left behind to cope with risk. The contract concluded in this context can be associated with lower-risk of adverse selection and better information.

In DRC the country’s Development and Poverty Reduction Strategy Document (DSCR) has highlighted the role of migration as a means to mobilize resources and competences in fighting poverty. This strategy tends to set up a plan to establish a link between remittances and investment. In fact, investment plays a fundamental role in the economic growth and development of nations, as is evident in the recent experience of the emerging so-called BRICS countries (Brazil, Russia, India, China and South Africa).
Conclusion

The most commonly mentioned uses of remittances in DRC are: consumption (Education, health...), housing construction and buying of land and business development (Transport). The direct transfer of material goods, such as cars and medical and IT materials, also plays a major role. The main flow of remittances seems to be the following: Migrant to family members or friends (Sumata 2008).

As remittances can also facilitate local entrepreneurial activities, the Congolese government must develop adequate tools to channel the resources and potentialities from the diaspora towards economic programmes related to the major sectors like education, agriculture or housing. And they must maintain appropriate economic policies about the mobilization of national saving and the sustainability of financial resources through productive investment.

National governments and international organisations need to promote greater remittance flows by paying a close attention to the factors that generally influence remittances to pass through unofficial channels. Policymakers should remove taxation and overregulation and improve infrastructure especially payment system. It could be argued that formal services are often unavailable and/or costly in remote areas for instance. In fact, national governments should implement a policy aimed at reducing gradually transfer costs by encouraging fair competition among service providers.

Policymakers need to strengthen the development impact of remittances. In fact, they have to promote an orderly development of credit and popular savings institutions, protecting savings and increasing the supply of financial services to micro, small and medium enterprises. This strategy should encourage the channelling of remittances through micro deposits in these institutions. In fact, these resources will be released as microcredits promoting thus productive activity in the recipient country. This strategy could contribute to the provision of integrated services to senders and receivers of remittances, such as savings accounts, credits and mortgages.

Development in terms of poverty alleviation requires the establishment of a global strategy to ensure long-lasting growth through increasing household level-incomes, and as part of DRC should facilitate the integration of remittances into national and multilateral development programmes.
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