Beyond Remittances in Mediterranean: the Financing of Local Development

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In recent years an increasing number of economic studies tried to explain the microeconomic and macroeconomic implications of remittances by migrants in their original countries. The aim of a first group of scholars was to enlighten the reasons why migrants send their savings to their original family, while the object of study of a second group of researchers was the impact of remittances on the development process of the native country.

Starting from the 80's, the "microeconomic approach of remittance economics", conceiving remittances as an interpersonal transfer between migrants and relatives in the home country, focuses on the role played by information and by social interactions in explaining the financial transfer by migrants**.** In particular altruism (Stark, 1995; Funkhouser, 1995), strategic motives (Stark, 1995; Rosenzweig, 1988; Agarval and Horowitz, 2002) social security and intergenerational exchange (Cox, Eser and Jimenez, 1998) result as crucial variables in explaining remittance behaviour. At the same time, the "macroeconomics of remittance", interested in the amount of incomes earned abroad repatriated to the home country, reviews the effects of migrant financial flows on relative prices, exchange rates, trade, welfare and output of original country. In the general framework of a short-run macroeconomic equilibrium model, the scholars question if these international transfers affect the terms of trade, the imports and the income of the receiving country, in the light of the Keynesian approach and of the Mundel-Fleming model (Adelman and Taylor, 1992; Quibria, 1997).

However the relationship between remittances and development process has been dealt with only recently, in the long-run perspective of the endogenous growth models. In this context the basic assumption that the impact of remittances on the development path depends on their distributive effects in the migrants original community, allows to discuss the correlation between remittances and inequality. As migration implies costs (decreasing with the size of migrant network in the destination country), there is a threshold income, at which the decision to migrate is taken, excluding low-income-unskilled migrants: so, more is the income inequality, less is the amount of remittances. But, in the long run, the migration flow increases the size of network and reduces the threshold income, implementing migration of low-income workers, producing an higher amount of remittances and a lower inequality (McKenzie and Rapoport, 2004).

One of the problems analysed in this context is the use of remittances to finance local development. A lot of recent empirical literature try to demonstrate that, as argued by Stark (Stark, 1991), remittances can stimulate new investments in village production processes or allow the adoption of new technologies, as they represent an additional income that breaks financial constraints. Another interesting trend, in this respect, is the use of remittances, in connection with skills acquired, in self-employment by return migrants of most LDCs (Ilahi, 1999; Massey and Parrado, 1998).

In the Mediterranean area both experiences (the use of remittances to finance old activities and to implement a self-employment) are a central topic of some researches. McCornick and Wahba (2001 and 2003) find that, in the case of Egypt, there is a positive correlation between the amount of remittances saved and an entrepreneurial activity upon return. In a study by Mesnard (Mesnard, 2004) is made evidence of the fact that remittances, reducing the liquidity constraints of Tunisian migrants, foster the probability of self-employment. The same result is presented in a paper on Turkish migrants by Dustmann and Kirchkamp (Dustmann C. and O. Kirchkamp 2003), who find an interest in self-employment upon return. In these studies the idea that migration is a phase of a life-cycle strategy to ensure capital and skills to improve or implement an economic activity coming

home, is affected by numerous variables, like the migration period, the income before leaving the literacy degree. In addition the lack of specific statistical databases sometimes cause undetermined results.

The aim of our paper is to highlight the relationship between remittances and local development in the Mediterranean, first reviewing the results of the empirical studies recently appeared in the literature and then adding two country studies: Jordan and Morocco. The second part of the paper will be based on data taken from three main sources:

- *Euro-Mediterranean Consortium for Applied Research on International Migration (CARIM)* whose database contains statistics on migration from, to, or transiting through the Mediterranean Countries of the Middle East and North Africa. (Data on return migration are taken from DOS. Statistical Yearbook 2003-04)
- *INED (Institut National d'ètudes Dèmographiques)* whose database contains demographic indicators and data on population, projection and census in the Mediterranean Countries.
- *International Monetary Fund, Balance of Payments Statistics Yearbook, 2001 (Washington, D.C.)* whose database contains data on remittances and financial flows in Mediterranean Countries.

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