

CHAPTER 2.

THE REMITTANCES OF MOROCCAN EMIGRANTS AND THEIR USAGE

by

Bachir Hamdouch,
Institut national de Statistiques et d'Économie appliquée (INSEA), Rabat

Introduction

The Moroccan population living abroad is estimated at some 3 million people, that is, 10% of the population of Morocco.¹ About four-fifths of Moroccans residing abroad (MRA) live in Europe. It is a comparatively old migration, dating back to the beginning of the 20th century. Thus migration has considerably increased since the 1960s. It has been organised within the framework of bilateral labour agreements, concluded with western European countries (Belgium, France, Germany, Netherlands). However, the 1970s marked an important turning-point, with the closing of the European borders, followed by almost a complete halt of migration for work. The Moroccan immigrants in Europe have nevertheless strongly increased in numbers during the last three decades, due to family reunification and also due to irregular emigration that was directed principally towards two new countries of immigration, Italy and Spain, that became, after France, the principal receiving countries of MRA. They are also the second and third countries in terms of remittances of the MRA towards Morocco. These remittances constitute the principal receipts of the balance of payments in Morocco, before foreign tourism and investments. How did they evolve? What channels do they use and under which conditions are they carried out? This is the subject of the first part of this chapter. The second part will focus on their use, in particular in the field of investment and their subsequent effects on development.

The transfers

Morocco is classified among the countries where the remittances of migrants count, both in terms of volume and relative to the GDP (Straubhaar, 2005). Remittances are important, at the national level or at the level of the individual migrant and of the migrant's household. They have strongly increased over the last decades and constitute the principal external income of Morocco. It is for this reason that it is important to know

1.. According to the population census of September 2004.

the treatment which is reserved for them (incentives and obstacles), the channels taken in their transfers, and their perspectives.

Importance at the national level

The remittances of Moroccans residing abroad progressed rapidly during the last decades as shown in Table 2.1 and Figure 2.1.² They reached a record level in 2001 at nearly 37 billion dirhams, *i.e.* 9.6% of GDP, fell to 8% in 2002 and rose again to 8.3% in 2003.³ Remittances constitute the principal receipts in the balance of payments, before foreign tourism and foreign private investments, respectively, in 2003, 34.7 billion dirhams, against 30.8 and 23.5 billion.⁴ They can however experience short-term fluctuations of strong amplitude (Table 2.2 and Figure 2.2). The classification of the immigration countries by volume of remittances evolved during the last decade. If France remains logically the first remittance transmitting country – having always been the first immigration country of the Moroccans residing abroad – Italy and Spain occupy now the second and third places. It should also be noted that there is a rapid increase in remittances coming from the United Kingdom, the United States and Canada). On the other hand the old immigration countries of Moroccans (Belgium, Luxembourg, Netherlands, Germany) have moved down in the classification, although the volume of remittances from these countries is still increasing, but at a slower pace (Table 2.3).

Importance at the migrant level

At the level of the migrant also, the effort of remittances is important. Indeed, research data show that 60% of Moroccans residing abroad transfer to Morocco at least a quarter of their annual income and more than 30% transfer more than a third of their income (Hamdouch *et al.*, 2000). In any case, 94% of the MRA carried out transfers of their incomes to Morocco during the five years which preceded the research (*ibid.*). The migrants who transfer more are those who have emigrated more recently, particularly to Italy and Spain; those who did not take their family with them and thus have even stronger bonds with Morocco; and those who are less educated, do not intend to become naturalised, and who plan to go back to Morocco and to invest there. The MRA in France always transfer more, contrary to those of two other old immigration countries for Moroccans, Holland and the Netherlands, whose transfers are reducing (*ibid.*). What does all this mean for the future?

Transfer channels

More than 62% of migrants transfer their funds through the Moroccan banks, compared with only 4.4% for foreign banks. The post office comes in second position with 16%. Private intermediaries are used very little (3.4%). The importance of the Moroccan banks⁵ is explained by the development of their services not only in Morocco,

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2. This concerns the only monetary transfers taken into account in the balance of payments. The transfers by way of private compensation and in-kind transfers, even though they are not negligible, are not taken into consideration, in the absence of a viable estimate.
 3. The calculations are based on the data of the *Office des Changes*, Rabat, and of the *Comptabilité Nationale*.
 4. Office des Changes, Rabat.
 5. This concerns banks whose Head Office is in Morocco, some of which are partly or totally managed from abroad. The most active in the area of transfers are entirely or in the majority Moroccan.

but also in the principal immigration countries.⁶ There is probably also a factor of cultural proximity and linguistic convenience (Table 2.4).

Incentive measures versus costs and transfer times

Morocco has employed a large range of measures to encourage remittances on the part of Moroccans residing abroad, among which are:

- A fee of about 5%.⁷
- Remuneration of the current accounts of Moroccans residing abroad – this is not available in Morocco for the other clients of the banks.
- The possibility of opening accounts in the banks in Morocco in convertible dirhams, as well current accounts in dirhams, which is equivalent to a guarantee of a retransfer of the funds, and accounts in foreign currencies, which covers against the risks of depreciation of the dirham. The last measures are still in force.

However, the costs charged by the Moroccan banks to transfer the remittances of the MRA are generally regarded as too high and the time it takes for the transfer – which can exceed three weeks – is regarded as being too long.⁸ The fact that the remittances continue to increase means that incentive measures, plus the links with Morocco, are stronger than the costs and the lengths of the transfers. But does this mean that it will continue thus?

Prospects

Remittances have particularly increased during the past five years, encouraged by certain events, such as the coronation of a new king in Morocco, who shows solicitude and a renewed interest for the Moroccan community living abroad; the advent of the Euro, which in particular dismantled the savings made in the old European currencies, and the devaluation of the dirham in 2001. Two other factors favoured the transfers: a strong increase in the number of Moroccans residing abroad in the new immigration countries, particularly Spain and Italy; and the quality and the remarkable resistance of the bonds of the MRA with their country of origin. However, in the absence of a significant increase in migration flows and notable changes in migration policies, in particular in Europe, in favour of immigration originating south of the Mediterranean Basin, the long-term tendency, observed in many countries of emigration, goes against the maintenance or the increase of the remittances. This is explained by the basic immigration tendencies: permanent if not final installation of the immigrants in the majority of the immigration countries; family reunification; a rise in the level of education of the immigrants; naturalisation, integration, ageing, and the succession of generations living abroad.

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6. *La Banque Populaire*, being the first to take an interest in remittances of Moroccans residing abroad, had the privilege of opening cash-counters in the Moroccan consuls abroad.
 7. It was created when the French franc was valued at less than 1 dirham, and allowed the restoration of the parity between the two currencies.
 8. This appeared clearly during the Seminar “*Marocains de l’Extérieur et Développement*”, organised on 8 and 9 July 2004 in Rabat by the *Fondation Hassan II* for Moroccans living abroad.

Use of remittances: investment

Remittances fund the investments of the Moroccans residing abroad in the following ways:

At the macroeconomic level

At the macroeconomic level, investments such as remittances, are important. However, in contrast to the remittances, investments cannot be measured quantitatively at the global level. There are three reasons for this. First, the balance of payments records all the remittances of the Moroccans residing abroad as current transfers. Second, the trade banks installed in Morocco do not give information on the use of the remittances and the deposits of the MRA. All that is known it is that they represent more a quarter of the deposits of the trade banks at the national level, and that in certain areas of large migration, like the from Eastern Rif, they can reach 50 to 70%.⁹ The third reason is that there are no data available from a representative national survey. This lacune is filled partially at the microeconomic level by the research of the *Institut National de Statistiques et d'Économie appliquée* (INSEA) (Hamdouch *et al.*, 2000).

At the migrant level

The results of the above-mentioned investigations show that the number of investments by the Moroccans residing abroad exceeds the number of these migrants. Thus the average number of investments per migrant is 1.28, that is to say, 1.02 in Morocco and 0.26 in the immigration country. This is in spite of the fact that there are migrants who do not invest, either in Morocco (nearly 30%) or abroad (77%). These are more than compensated by those who make more than one investment in Morocco (more than 28% of the migrant investors), or in the immigration country (nearly 8%) (*ibid.*). These investments are three times concentrated: 1) in time: nine-tenths were carried out in the 1980s and especially the 1990s, 2) in space, 70-90% are carried out in the areas of origin and/or residence before emigration abroad, 3) on the sectoral level: real estate monopolises the lion's share with nearly 84% of the number of investments in Morocco and 63% in the immigration country (*ibid.*). However, this situation is changing (Table 2.5).

Perspectives

Two important changes have taken place in the projects of investments of Moroccans residing abroad. The first is that the proportion of migrants who consider investing is definitely lower than the proportion of those who have already made an investment, of 19% to Morocco and 40% in the immigration country. If this phenomenon is confirmed, it would cast doubt upon the sustainability of the investments. The second concerns the sectors of investment. Real estate, while remaining the principal sector of investment, has diminished more in Morocco than in the immigration country: it consists of no more than 36% of projects in Morocco against 84% previously, and respectively 54% and 63% in the immigration country (*ibid.*). This reflects the change in migrants' behaviour and the long-term, if not permanent, settlement in the immigration country, and also the fact that

9. Seventy per cent at Al Hoceima plus more than 50 % at Midar or Aknoul. These figures were given during the seminar "*Marocains de l'Extérieur et Développement*", organised on 8 and 9 July 2004 at Rabat by the *Fondation Hassan II* for Moroccans living abroad.

the Moroccans residing abroad had already invested heavily in this sector in Morocco. The strong fall of real estate in projects of investment in Morocco is due to a growing interest in the productive sectors, in particular trade, then hotels-restaurants, agriculture, industry and the services. Almost the same hierarchy is found in the projects of investment in the immigration country, except for the agriculture, which is absent (Hamdouch *et al.*, 2000 and Table 2.6).

Conclusion

Morocco is one of the developing countries where the remittances of migrants abroad represent the main source of foreign currency (between 8 and 10% of the GDP). They have increased very much during the last decades, but with marked annual fluctuations. The use of remittances, in addition to raising of the standard of living of the households of the migrants on a level with non-migrant households, and sometimes well beyond that, finance investments, mainly in the real estate. Things however are changing in favour of investments in the productive sectors, in Morocco and in the immigration country.

This raises the crucial question, for a country like Morocco, of the sustainability of the remittances and the investments. The long-term trends depend on factors observed in other countries of old emigration (changes in migration patterns, duration, loosening of the links with the sending country, etc.). It is necessary to alleviate at least in the short run the obstacles to remittances in Morocco (high cost of transfer, long delays) and to channel them towards productive investments. The creation of Bank Al Amal – the bank of the migrants – goes in this direction. There is need to evaluate this experiment to improve its effectiveness and to develop it.¹⁰

10. This was discussed during the Seminar of July 2004 organised by the Fondation Hassan II for Moroccans living abroad, *op. cit.*

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Table 2.1. Remittances of Moroccans residing abroad, 1975-2003

Millions of dirhams

Year	Amounts
1975	2 160
1976	2 418
1977	2 652
1978	3 176
1979	3 697
1980	4 148
1981	5 242
1982	5 115
1983	6 515
1984	7 681
1985	9 732
1986	12 731
1987	13 268
1988	10 700
1989	11 344
1990	16 537
1991	17 328
1992	18 531
1993	18 216
1994	16 814
1995	16 820
1996	18 874
1997	18 033
1998	19 311
1999	19 002
2000	22 962
2001	36 858
2002	31 708
2003*	34 734

Source: Office des Changes, Rabat.

Table 2.2. Remittances of Moroccans residing abroad, 1975-2003

Percentage variations

Year	Variation
1975	38.70
1976	12.00
1977	9.70
1978	19.80
1979	16.40
1980	12.20
1981	26.40
1982	-2.40
1983	27.40
1984	17.90
1985	26.70
1986	30.80
1987	4.20
1988	-19.40
1989	6.00
1990	45.80
1991	4.80
1992	6.90
1993	-1.70
1994	-7.70
1995	0.00
1996	12.20
1997	-4.50
1998	7.10
1999	-1.60
2000	20.80
2001	60.50
2002	-14.00
2003	9.50

Source: Office des Changes, Rabat.

Table 2.3. Morocco: remittances by immigration country, 1999/2003

Milliards of dirhams and percentages

	1999			2003			Variation 1999-2003 %
	Rank	Amount	%	Rank	Amount	%	
France	1	10.21	53.7	1	15.46	44.5	51.5
Italy	2	2.04	10.8	2	4.40	12.7	115.2
Spain	7	0.58	3.1	3	3.21	9.2	452.6
UEBL	3	1.08	5.7	4	2.07	6.0	92.8
Netherlands	4	1.07	5.6	5	2.04	5.9	91.7
United States	6	0.68	3.6	6	2.03	5.8	200.0
United Kingdom	9	0.49	2.6	7	1.67	4.8	242.9
Germany	5	0.90	5.1	8	1.19	3.4	40.5
Switzerland	11	0.34	1.8	9	0.68	2.0	97.1
Saudi Arabia	10	0.43	2.3	10	0.56	1.6	29.2
United Arab Emirates	8	0.2	2.7	11	0.53	1.5	2.5
Canada	13	0.07	0.4	12	0.15	0.4	123.9
Denmark	12	0.10	0.5	13	0.15	0.4	42.7
Other	-	0.45	2.4	-	0.61	1.8	36.9
Total	-	19.00	100	-	31.71	100	82.8

Source: Office des Changes, Rabat, and author's calculation.

Table 2.4. Remittances channels
Percentage of migrants

Moroccan banks	62.4
Foreign banks	4.4
Post	16.1
Private intermediary	3.4
When visiting Morocco	13.7
Total	100

Source: Hamdouch *et al.* (2000).

Table 2.5. Migrants investments in Morocco and in foreign countries by sectors
Percentage

Sectors	Morocco	Foreign Countries
Real estate	83.7	63.0
Manufacturing	1.3	3.7
Trade	4.9	17.4
Tourism	1.4	6.1
Other services	1.1	1.2
Agriculture	7.5	7.3
Other sectors	0.1	1.3
Total	100	100

Source: Hamdouch *et al.* (2000).

Table 2.6. Migrants' investments projects in Morocco and in foreign countries
Percentage

Sectors	Morocco	Foreign countries
Real estate	35.6	54.2
Manufacturing	7.5	4.5
Trade	27.4	25.1
Tourism	12.1	9.5
Other services	5.3	6.1
Agriculture	10.6	0.0
Other sectors	1.5	0.6
Total	100	100

Source: Hamdouch *et al.* (2000).

Figure 2.1. Morocco: remittances, 1975-2003

Millions of dirhams

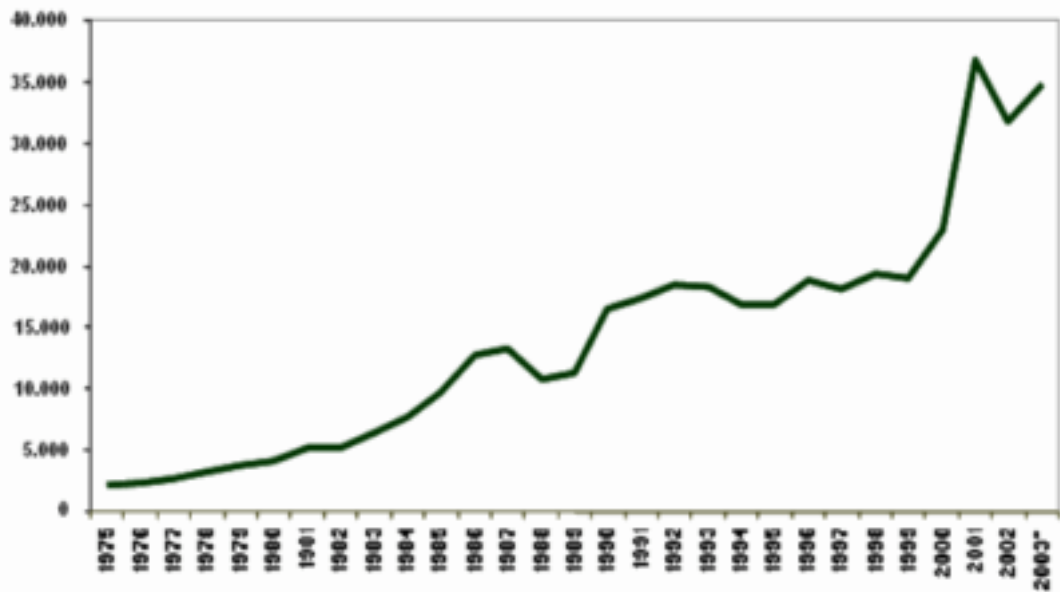


Figure 2.2. Morocco : remittances variation, 1975-2003

Percentage

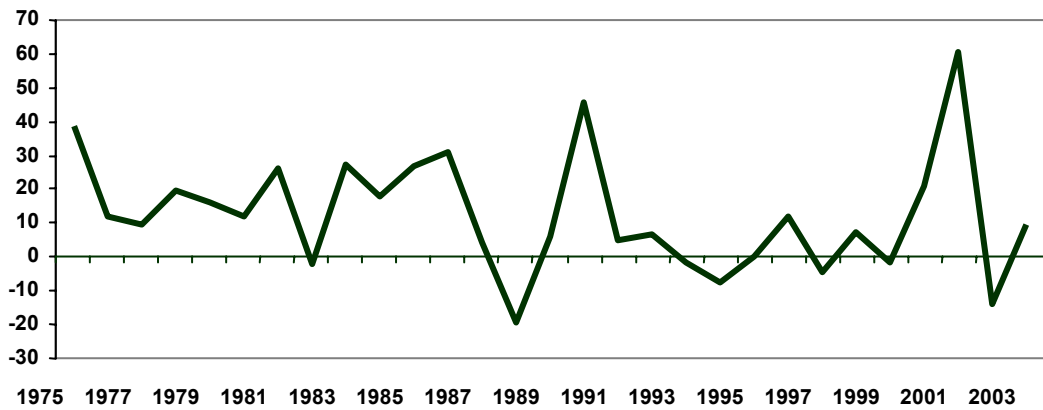


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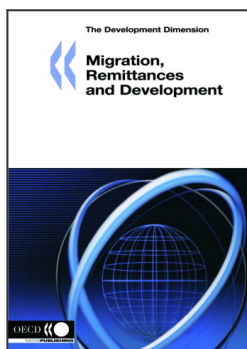
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