



The Impact of Remittances from Zimbabweans Working in South Africa on Rural Livelihoods in the Southern districts of Zimbabwe

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THE IMPACT OF REMITTANCES FROM ZIMBABWEANS WORKING IN SOUTH AFRICA ON RURAL LIVELIHOODS IN THE SOUTHERN DISTRICTS OF ZIMBABWE

F Maphosa

Abstract

While the volume of remittances to developing countries has been growing significantly over the years remittances have not received much attention in the migrants' countries of origin. As a result the development potential of remittances has not been fully utilized. However, some countries have realized the development potential of remittances and have developed strategies to encourage the flow and investment of remittances. Several studies on international migration from Zimbabwe to South Africa have been carried out but in these studies the role of remittances, especially from undocumented migrants has received limited attention both as a research and policy issue. The *Homelink* facility established by the Reserve Bank of Zimbabwe in May 2004 excludes undocumented migrants who are unlikely to use formal channels to send their remittances back home. Remittances can contribute significantly to poverty reduction and development if appropriate policies and regulations which encourage the flow and investment of remittances are in place. Without the development of such regulations and policies which require the collaboration of government, migrant groups, the local community, non-governmental organizations and other international organizations, migrant remittances will continue to be used mainly for consumption with a very small proportion of them being invested in sustainable investment.

Introduction

The volume of remittances to developing countries has been growing significantly over the years. The total value of remittances flowing through official channels worldwide more than doubled between 1998 and 1999 (Gammeltoft, 2002; Ratha, 2002; McKinsey 2003). Developing countries receive an estimated US\$80 billion annually in remittances (Ratha, 2002). Remittances have become the second largest source of external funding, after direct foreign investment (DFI) and ahead of official development assistance (ODA) (Orozco, 2000; Lopez, Escala-Rabadan and Hinojosa-Ojeda, 2001; Gammeltoft (2002; Sander and Maimbo, 2003). The total amount of resources remitted is much higher than these figures because a large number of transactions are carried out through informal channels. They have become the second largest source of external funding after direct foreign investment (DFI) and ahead of official development aid (ODA). Remittances are therefore an important source of finance and foreign exchange for many African households and nations. In fact, as observed by Gammeltoft (2002) a number of developing countries rely much more on remittances than on official aid.

As van Doorn states, remittances have the potential to create positive outcomes for the migrant source areas. Unlike other forms of aid remittances usually do not carry any obligations, constraints or preconditions and reach the intended beneficiaries, who are often low-income families, because of the absence of government interference (Stein, 2003).

Although the focus on remittances is not a new phenomenon in migration studies (Black, 2003), remittances have not received much attention from the governments in countries of origin, by international financial institutions and the private sector (McKinely, 2003). As noted by Taylor and Fletcher (http://www.reap.ucdavis.edu/vol_two.html) the complex dynamics involving migration, remittances and development are among the least researched and understood topics in the social sciences. As a result the development potential of remittances has generally not been fully utilized (Ballard, <http://www.art.man.ac.uk/CASA/pdffpapers/selectctte.pdf>). Countries that have realized the development potential of remittances have developed strategies to encourage the flow and effective use of remittances (Orozco, 2000; Orozco, 2000; Lopez, et. al, 2001; McKinley, 2003; Stein, 2003).

While several studies on international migration from Zimbabwe to South Africa have been carried out (Paton, 1995; Sachikonye, 1998; ILO/SAMAT, 1998; Zinyama, 1990, 2000; Crush & Tevera (internet), <http://www.queensu.ca/samp/sampresources/samppublications/policyseries/policy25.htm>); Kanyenze, 2004) the role of remittances, especially from undocumented migrants remains unexplored both as a research and policy issue. The *Homelink* facility established by the Reserve Bank of Zimbabwe in May 2004 is intended to encourage Zimbabweans working abroad to send their remittances through official channels.

Zimbabwean migrants working in South Africa, including undocumented migrants transfer significant value from their country of host to their communities of origin in remittances. Remittances are the most important source of income for many households in the Southern districts of Zimbabwe. It is therefore important to recognize both the current and potential contribution of remittances to the development of the migrants' households and communities of origin and to create a regulatory and policy framework as well as institutional arrangements to enhance the potential contribution of remittances to poverty reduction and sustainable development. To this end careful study, investigation and debate are required to inform the most appropriate and effective policies that will enable (McKinely, 2003, Stein, 2003). This paper makes a contribution to the study, investigation and debate that should inform policies and lead to the creation of an environment that would encourage the flow and effective utilization of remittances sent by Zimbabwean migrants in South Africa.

Defining remittances

There is no consensus on the definition of "remittances". This lack of consensus on the definition of remittances makes it difficult to estimate the total value of remittances transferred to a particular country or region (Taylor and Fletcher, http://www.reap.ucdavis.edu/vol_two.html). Many definitions confine remittances to cash or financial transfers. For example Hsu (http://www.princeton.edu/jsu/writing/remittances_3.doc) defines remittances, the "money" sent by migrant workers to their relatives and communities back home. While the term "remittances" is

usually used in reference to cash transfers only, remittances can also be in-kind (van Doorn, <http://www.ilo.org/public/english/dialogue/atrav/publ/129/8.pdf>.)

Adams Jnr. (1991) adopts this inclusive definition and defines remittances as “money and goods” that are transmitted to the households back home by people working away from their origin communities. Taylor and Fletcher (http://www.reap.ucdavis.edu/vol_two.html)’s definition is even broader as it includes monetary or cash transfers and other transfers such as consumer goods, capital goods and skills and technological knowledge. In this paper the term “remittances” is used in its general meaning which includes both cash and non-cash remittances. This definition enables us to appreciate the migrants’ contribution to the welfare of their non-migrant relatives and their communities of origin.

Remittances can be formal or informal depending on the type of channel through which they are transferred. Formal remittances refers to remittances sent through official means such as bank transfers and money transfer organisations while informal remittances are those that are sent through unofficial channels such as private money couriers, through friends and relatives or delivered home by the migrants themselves (McKinley 2003; Orozco, 2000; Myers, 1988). The channel for sending remittances depends on a number of factors such as the existence of banking and other financial institutions, the speed, efficiency and security of the system as well as the educational status of the sender and the recipient. Undocumented migrants are less likely to send their remittances through official channels than documented migrants.

Remittances can be sent individually or collectively. As opposed to individually sent remittances, collective remittances are sent by groups of migrants usually as members of arrangements or associations commonly referred to hometown associations (HTAs). HTAs are groups of migrants from particular communities who come together to pool resources in order to help the development of their home communities. There is a substantial volume of literature focusing on the development role of hometown associations, particularly in Latin and Central America (Lopez, et. al, 2001; Orozco, 2000; Taylor and Fletcher, http://www.reap.ucdavis.edu/vol_two.html; Ortiz, (http://www.naid.spsr.ucla.edu/confs&class/class/OP/Comp00/chz_report.pdf).

Explaining Remitting Behaviour

Chimhowu et.al (2003) classify the theoretical explanations for remitting behaviour into three schools of thought, namely, the *risk sharing*, *altruism* and *risk sharing/altruism* schools of thought. According to the risk sharing school, remittances are instalments for individual risk management. As premium payments for future risk, remittances allow the remitter and the remaining household members to secure their livelihoods in the event of external shocks such as loss of employment on the part of the remitter or drought in the case of the recipient. Remittances are part of a mutually beneficial and enforceable contract between the remitter and the recipients. The main problem with this approach is

that it views remitting behaviour as motivated purely by rational economic considerations, thus overlooking altruism as a possible factor in remitting behaviour.

The altruism or livelihoods school views remitting as motivated by an obligation to the household. Remittances are sent out of affection and responsibility towards the family. The migrant is simply part of a spatially extended household that is reducing the risk of impoverishment by diversifying across a number of activities. In this school of thought migration is considered to be a family decision and remitting resources is part of fulfilling family obligations. According to this view, poorer households would receive more remittances than the richer ones. The third school of thought combines altruism and self-interest to explain remitting behaviour. Remitting behaviour is motivated by both self-interest and altruism.

Various factors determine who remits and how much is remitted. These include, the economic situation in the host country, socio-demographic characteristics of migrants, length of stay in the host country, efficiency of the transfer facilities, exchange rates, and risk factors.

The migration-development nexus

According to Taylor and Fletcher (http://www.reap.ucdavis.edu/vol_two.html) the discourse on the development impact of remittances is influenced by two broad perspectives, namely the pessimistic and optimistic perspectives. The pessimistic or “migrant syndrome” perspective views remittances as payment for the labour exported from source regions through migration. Migration negatively affects productivity in the migrant sending areas by removing labour from the sending communities. Remittances only partially compensate for this loss of labour. If labour sending communities or households are the poorest then the loss of production due to labour migration increases their poverty. The benefits of migration may not be to the poor if the cost of migration is costly and risky. This means that migrants would then come from the middle or upper segments of the migrant sending communities not from the poorest households. This means that the gap between the poor and the richer households is increased.

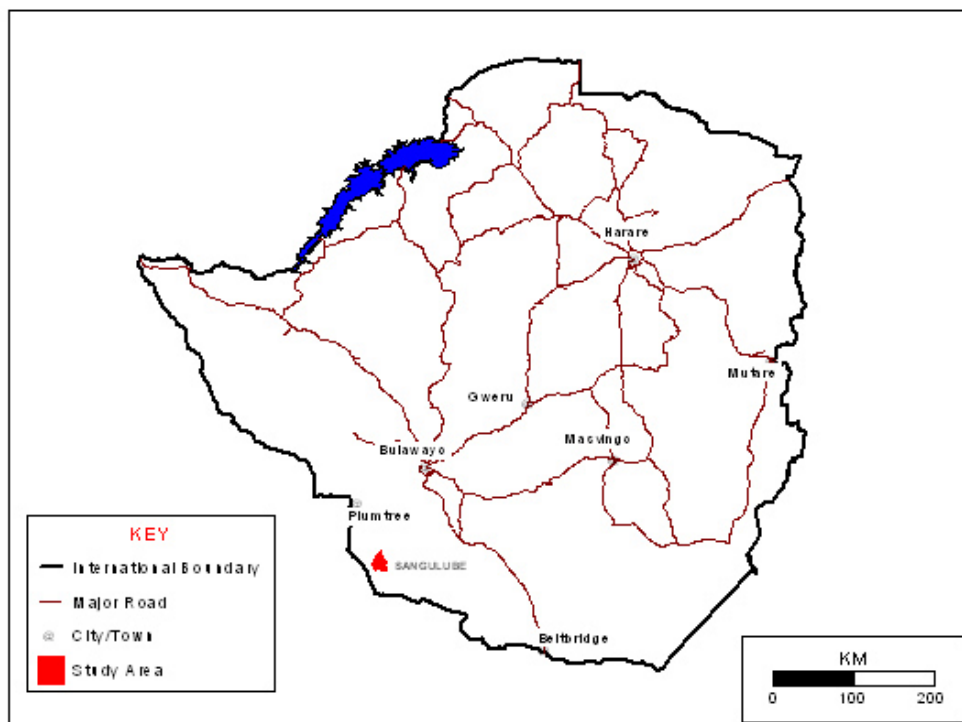
The optimistic perspective which is influenced by the New Economics of Labour Migration (NELM) views migration as part of an overall family strategy to raise income, obtain funds for investment and insure against risks. Remittances or even the potential for remittances can loosen production and investment constraints, setting in motion a development dynamic in poor, rural environments. Migration raises household income by shifting population from the low income rural sector to the relatively high income urban and foreign economy. The loss of population to migration raises the average incomes of those left behind and remittances may raise incomes further.

A review of literature on remittances (Meyers, 1998; Black, 2003) shows that most of the remittances are used for consumption. Such “unproductive” uses include satisfying basic consumption needs, buying medicines, building houses, and spending on conspicuous consumption (Black, 2003).

Generally, a small proportion of remittances is used for savings and “productive investment” like income and employment generating activities. Ballard points out that this lack of “productive” investment of remittances should not be taken as an indication of lack of entrepreneurial skills of migrants and their kinsfolk but rather a consequence of structural obstacles operating at the local, national and international levels.

Study Area

The field-work for this paper was carried out in Ward 7 of Mangwe District in Matabeleland South Province of Zimbabwe (see map). The Ward is located about 100 kilometres South of Plumtree town, the administrative town for Mangwe District, and about 200 kilometres from Bulawayo, Zimbabwe’s second largest city. It is in agro-ecological region V which is characterised by low rainfall patterns, poor soils and persistent droughts. Due the harsh economic conditions, harvests are generally very low and income from crops is insignificant. Crops are grown mainly for domestic consumption. Cattle which traditionally of the have been drastically reduced because of recurrent droughts. Wage employment is low with most of the people in wage employment employed as migrant workers outside the District within or outside the country.



Data sources

A variety of research tools were used with the main tool being a questionnaire administered to a sample of 150 households. Group discussions and individual unstructured interviews were also conducted with community leaders. Focus group discussions were conducted with school leavers, school-going youths and current and return migrants.

Findings

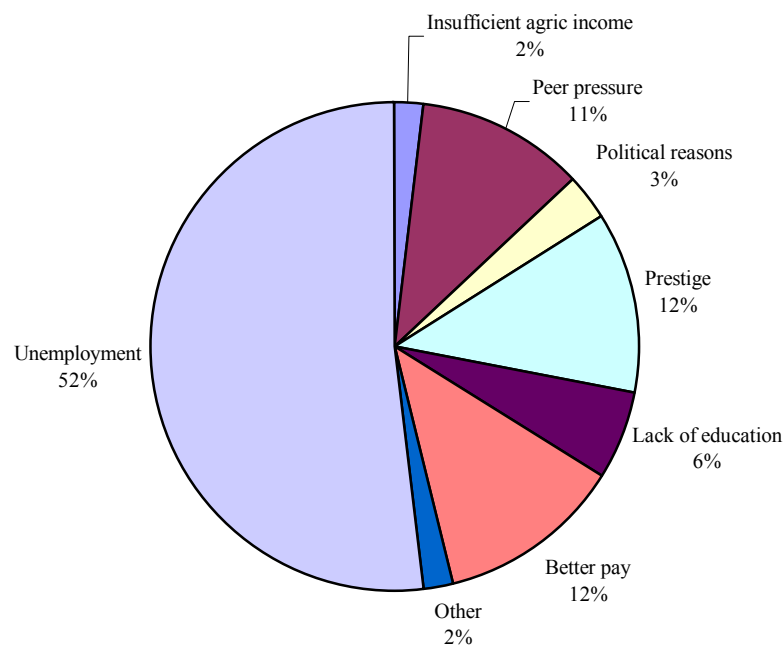
Households with migrants

Out of the 150 households in the sample, 103 (68.7 %) of them had at least one member who had migrated to South Africa. Hobane (1999) found that in 1996, 62% of the working population in the same community were working either in South Africa or Botswana. This was despite the intensified crack-down on undocumented migrants in the two countries at the time of her study. The rate of migration has been going up over the last few years a trend that is attributable the worsening economic situation in Zimbabwe characterized by, among other things, rising unemployment and the continued decline of the Zimbabwean dollar against currencies such as the South African Rand and the Botswana Pula.

Reasons for Migration

As shown in the graph below, the main reasons given by respondents for migrating to South Africa were economic. More than half of the respondents (52%) cited unemployment as the reasons why people migrate to South Africa. With limited employment opportunities and lack of income from agriculture as a result of the persistent droughts characterizing the region migration to South Africa to seek employment seems to be the only available option for most of the people in this part of the country. Agricultural production, especially crop production is not an economically viable option because of the droughts. Cattle, which used to be the mainstay of the economy have been decimated by the droughts and are no longer a sustainable option for raising household income.

Reasons for emmigration



Although most of the respondents gave economic factors as reasons for migrating other factors such as peer pressure (12%), better pay (12%) and prestige (11%), play a crucial role in the decision to migrate. To many Zimbabweans in this part of the country, migrating to South Africa is a “rite of passage”, a signal of men’s maturity. Among the youths, particularly male youths those who have not been to South Africa are often despised and perceived as *ibhare*, meaning the unsophisticated.

Households Receiving Remittances

Of the 103 households with at least one member working in South Africa, 23 (22.3%) of them reported not receiving remittances. The proportion of households not receiving remittances is significant. The main reason given for non-remitting was unemployment of the migrant. Although some migrants, for various reasons do not send remittances back home the various derogatory terms used in reference to those who do not send remittances indicate that sending remittances by migrants is generally expected. A migrant who does not send remittances back home is referred to as *umadliwa*¹ or *umgewu*²

¹ This term derives from the noun *ukudliwa*, meaning to be eaten up or devoured. He connotation is of a person who has been devoured by the pleasures of South Africa especially one who spends all his money on women and beer forgetting relatives left behind.

Types of remittances

Cash remittances

Cash was received either as South African Rand or Zimbabwean Dollars. Sending money in foreign currency depends on two considerations. One of the considerations is the literacy level (especially numerical literacy) of the recipient. The recipient should be able to understand the transactions that take place on the black market where the probability of being swindled is high if one does not appreciate the mathematics involved. The other consideration for sending money in foreign currency is the urgency with which the money is needed. When there is a pressing need such as outstanding school fees or medical expenses it becomes convenient for the remitter to change the money into Zimbabwean Dollars before it reaches the recipient. If there is no urgent need money can be sent in foreign currency so that the recipient can look for the most favourable rate on the parallel market. Trust is very important in these transactions because as an illegal activity, dealing in foreign currency is risky.

Non-cash remittances

Non-cash remittances include foodstuffs such as maize-meal, sugar, salt and cooking oil, consumer goods such as bicycles, radios, sofas, agricultural inputs and building material. Most of the remittances sent were in-kind. There are two reasons for this preference. Most non-cash remittances respond to the specific and immediate needs of their recipients. When the country was facing shortages of basic commodities particularly between 2002 and 2003 non-cash remittances in form of food provided relief to the recipients. The non-existence of banking facilities is another reason why most migrants prefer to send non-cash to cash remittances. Cash remittances are therefore sent for specific purposes such as payment of school fees, medical expenses, debts and funeral as well as the purchase of building material and livestock. The proportion of the cash remittances that goes to savings is very low.

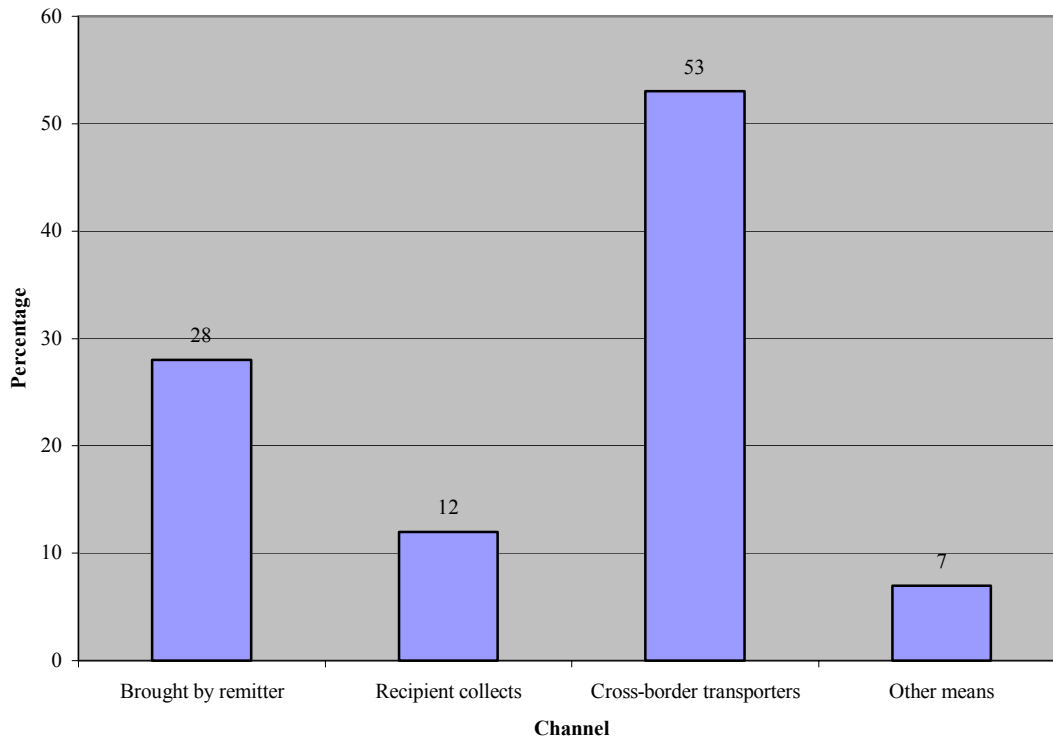
Channels of remittances

Most of the remittances were sent through informal channels. These included cross border transport operators, personal delivery by the remitter or collection by the beneficiary (see table below). The

² Although they carry the same connotations with *ukudliwa*, *ukugewuka* from which the nouns *umigewu* is derived, it was not possible to establish the origins of the word. It could be slang or a derivative of one of the languages spoken in South Africa.

most preferred method of channelling both cash and goods was through cross-border transport operators.

Channels for cash remittances



Cross-border transport operators

Cross-border transport operators, popularly known as *omalayisha* carry people, goods and money. One of the reasons for using this channel to send remittances is that there are no banking facilities in the area. Banks are found in Plumtree which is 100 km away. A postal agency that used to offer banking facilities had closed a year ago citing prohibitively high rentals for the premises from which it was operating. Using banks or the postal service to send remittances would be both costly and inconvenient, as recipients would have to travel to Plumtree in order to collect the remittances. The cost includes transport, accommodation and food if one has to spend a night in Plumtree which is often the case because of transport problems. At the time of the research, there were no buses directly to Plumtree passing through Ward Seven. Residents who wanted to go to Plumtree had to use a route that went via Bulawayo, making the trip much longer and more expensive than normal. The other reason for preferring informal channels of sending remittances is the undocumented status of most of the migrants originating from this area. Undocumented migrants often avoid the formal and official ways of doing business.

There are two types of cross-border transport operators - full-time and part-time

operators. Part-time operators are those who have jobs in South Africa and engage in the activity on weekends, holidays or when they are on leave.

The transport operators charge an average of R20 for every R100 they deliver. The charge for transporting goods is determined by weight. There are no standardised methods of determining weight such as scales but the weight is determined by lifting the parcel and “feeling” its weight. Although the charge can be negotiated, the transport operator has more power in the negotiation process than the remitter.

Cross border transportation is a lucrative business and some of the operators have become the *nouveau riche*. Some of them have started businesses. Besides the profit they generate in the transport business, they also make money doubling up as foreign currency dealers.

Advantages

The advantages of using cross-border transport operators to send remittances are mainly speed and convenience. In the absence of banks and other formal channels of transmitting both cash and non-cash remittances cross-border transport operators provide a fast and convenient channel for transmitting remittances. Trust plays a crucial role in the use of this channel. The choice of the transporter is influenced by kinship relations, friendship ties and neighbourhood ties among other considerations. It takes about half a day for transport operators to drive from Johannesburg to Ward Seven. The remitter is therefore assured that his or her remittance reaches the recipient the same day it is sent. Although both remitters and the recipients complained about the exorbitant charges of cross-border transport operators, this is a cheaper and more convenient option than receiving remittances through banks and the postal service because travel related costs to access these facilities. In many cases cross-border transport operators deliver the remittances to the recipient’s door-step. This provides convenience particularly with regard to non-cash remittances which are often bulky.

Disadvantages

The major problems with using cross-border transport operators are their fees that they charge. Respondents complained that the R20 (20%) charged for every R100 delivered is exorbitant. Arriving at a charge for non-cash remittances is an arbitrary procedure. Factors such as kinship relations and friendship influence the charge.

Remittances sometimes do not reach their intended beneficiaries at all or are delayed. There is no insurance against loss or damage of property. Cross-border transport operators are also at risk of robbery and murder.

Brought by migrants

Remittances brought personally by migrants are few. The frequency of such remittances depends on the frequency of home visits by the migrant. These may be in addition to those sent through other channels such as cross-border transport operators.

Advantages

Bringing remittances in person ensures that the correct amount of money and goods are delivered to the intended recipients. This mode of transmitting remittances reduces the possibility of remittances not reaching their intended beneficiaries.

Disadvantages

The disadvantage of this method of channeling remittances is that the frequency of the remittances is tied to the frequency of migrant's home visits. If the migrant has a regular visiting pattern then the recipients are assured of receiving the remittances regularly. This helps them to plan and budget for the use of the remittances. If the remitter does not have a regular visiting pattern, this creates uncertainty for the recipients who cannot plan and budget on the basis of the expected benefits.

Collected by beneficiary

Beneficiaries who go to collect remittances are mostly spouses of migrants although parents and children of migrants can also do so. In many cases parents and children go to collect remittances where both spouses are migrants.

Advantages

The advantage of this mode transmitting remittances is that both remitter and recipient know the amount of money and the goods that have been transferred. This reduces the possibility of the remittances not reaching their intended beneficiaries at all or being delayed.

Disadvantages

The cost of travelling and the problems with meeting visa application requirements make this the least preferred method of sending or receiving remittances. The value of the remittance should be high enough to compensate for the costs involved.

Problems in Receiving Remittances

Most of the problems in receiving remittances involved disputes with cross-border transport operators. It is probably because cross-border transport operators are the most popular channel through which remittances are sent. The problems include the late delivery of remittances, remittances reported being lost, wrong parcels or amounts of money being delivered and damage to goods on transit. There are more problems in receiving cash than there are with non-cash remittances. The temptation to convert remittances into own use by third parties, often with the intention to pay back later, is higher in the case of cash remittances than with non-cash remittances.

Use of remittances at household level

Basic needs

Remittances are an important source of income for households in this area. They are used mainly to provide for households' basic needs as defined by Casimira, (2003) to include food, clothing, shelter, education and health care. Sander and Maimbo (2003), however describe investment in education, health care and nutrition as investment in human capital. Almost all the remittance receiving households (98.8%) mentioned food as one of the uses of remittances. This indicates the precarious food security situation in the area where most of the household income is spent on food because harvests are very low and barely last to the next harvest season (Hobane, 1999). School fees and health care were also mentioned by the majority of the households (78.8% and 65% respectively) as some of the uses of cash remittances.

Table 1: Uses of remittances

Remittance use	Number of remittance receiving h/hs	Percentage
Food	79	98.8
Fees	63	78.8
Medical expenses	52	65
Livestock	47	58.8
Building and Consumer goods	25	53.8
Agricultural inputs	43	31.2
Business	8	10
Other	31	38.8

Assets

A significant number of remittance receiving households (58.8%) mentioned investment in livestock as one of the uses of remittances. Cattle are reared mainly as a source of income, although they provide milk and occasionally are slaughtered for beef.

Investing in cattle is no longer a sustainable option because of the recurrent droughts, coupled with growing human and livestock populations. As more migrants invest in cattle great pressure is placed on grazing land and pastures which are affected by the droughts. The Commission appointed by the President at the end of the Fast Track Land Reform programme concluded that the programme had not led to a significant decongestion of rural areas.

Remittances are also invested in buying other livestock such as donkeys, goats, sheep, and chicken. Donkeys and goats are more drought tolerant than cattle and therefore can survive in harsh climatic conditions. Donkeys provide draught power while goats and other smaller livestock such as sheep and chicken are kept for meat but are occasionally sold to raise income particularly for emergencies such as medical and funerals expenses. Unlike the decision to sell cattle which is often that of the head of the household (usually a male migrant), the decision to sell smaller livestock may be taken by other members of the household (usually wives or children of migrants) in response to arising needs. This also applies to the decision to slaughter smaller livestock for meat.

Building houses and purchasing consumer goods was mentioned by 53.3% of the households. Some migrants have built beautiful homes, installed solar power and drilled boreholes. Consumer goods include radios, TVs, VCR and furniture. Most of these are in South Africa by the migrants.

Some of the remittance money is invested in buying scotch-carts which are a major means of transport in many rural areas. Scotch-carts (usually donkey pulled) are a very versatile form of transport. They are used for transport for daily needs such as fetching water and collecting firewood and also as ambulances and hearses. Bicycles, another important means of transport are often imported from South Africa. They are used to run errands and are also a useful means of transport for school children, particularly secondary school children who would otherwise walk long distances to and from school.

Recipients also use part of their remittances for payment of debts, contributions to burial societies, funeral expenses and wages for workers. Migrants with aged parents and those with children back home usually hire domestic workers to take care of their parents and children. Households where all or most of the adult male members are migrants, labour is often hired as herd boys and to assist in agricultural activities.

Investment in productive ventures

Agriculture

Investment in agricultural production other than livestock rearing was mentioned by 31.2% of the remittance receiving households. Cattle and donkeys are an investment in crop production as they provide draught power. Remittances are also used to purchase seed, fertilizer and agricultural implements such as ploughs and hoes. Investing in crop production is also not a sustainable option because crops often fail because of the persistent droughts.

Businesses

Only (10%) of the remittance-receiving households mentioned investing their remittances in formal businesses. Most of the businesses are the traditional rural businesses such as general dealer shops, grinding mills and bottle stores.

Although a number of migrants have acquired a variety of skills such as brick laying, carpentry and welding there are no formal businesses established specialising in these trades. Their activities are informal, micro-scale and seasonal, making an insignificant contribution to employment creation.

Use of remittances at community level

There is very little investment of remittances at the community level. Migrants have in the past made individual contributions towards the refurbishment a mortuary at the local hospital, school

development projects and sporting activities. These contributions have been *ad hoc* largely uncoordinated.

Discussion

Remittances from migrants working in South Africa constitute a large proportion of household incomes and have a significant impact on the livelihoods of communities in the Southern parts of rural Zimbabwe. Although a large proportion of the remittances are used for basic needs, remittances contribute to the improvement of the standard of living of remittance receiving households (Stein, 2003).

However, the development potential of these remittances is yet to be fully used. This is largely because there has been no attempt to develop an environment that would encourage the flow of remittances as well as their use in investment. There is no proactive policy to influence the flow and impact of remittances from undocumented migrants working in South Africa. This is mainly because most of the migrants in this part of the country are undocumented migrants.

In May 2004 the Reserve Bank of Zimbabwe introduced the *Homelink (Kumusha/Ekhaya)* facility through which Zimbabweans in the diaspora can send their remittances back home. As of end of July, 2004 a total of US\$23.6 had been transmitted through the Homelink facility since its launch. The Monetary Policy announced in December 2003 also provides for opportunities for non-resident Zimbabweans to invest back home with their investments being recognized as foreign investment thus allowing them to fully repatriate their profits and dividends to their countries of temporary residence. Zimbabweans living abroad are also allowed to operate individual foreign accounts (FCAs) a move which is aimed at encouraging non-resident Zimbabweans to internalize their investments through depositing their profits and dividends in foreign currency accounts with local authorized dealers.

The Reserve Bank Governor and his team have since visited the United Kingdom, the United States of America and South Africa to market the *Homelink* facilities to Zimbabweans living and working in those countries which are the major destinations for Zimbabwean migrant labourers. While the crusade was reportedly successful in the United Kingdom and the United States of America, in South Africa the idea was met with mixed feelings. While some sections of the diasporan community in South Africa, mostly the professional class welcomed the idea and even pledged to work with the Governor in his much-publicised economic turnaround strategy, there were animated demonstrations by some migrants who expressed skepticism over the facility. *Homelink* aims at encouraging migrants to send their remittances sent through formal channels and this clearly excludes those migrants who, for various reasons would not want to send their remittances through formal channels. Undocumented migrants are unlikely to use formal channels of sending remittances. Even for those who might to send their remittances through formal channels, there are no banking facilities in many of the rural areas from where these migrants come from. The 29 (18 fully operational by July

2004) licensed local money transfer agencies (MTAs) have yet to spread their operations to the remote rural areas.

The lack of a proactive approach to dealing with migrant remittances especially those sent through informal channels limits their use in productive activities with the potential to lead to sustainable development. For remittances to contribute to development which has long term impacts on the households and communities of migrants there is need, first to recognize the current contribution of migrant remittances, secondly to adopt a collaborative approach between government, migrant groups, non-governmental organizations and the private sector to come up with instruments that would encourage the flow and effective use of remittances.

Such collaborative arrangements have proven successful in other countries. Mexico for example has a *3 plus 1* programme where the Federal government, the state and the municipal complement each dollar of remittances invested by a migrants' hometown association in their community of origin by 1 dollar each (Meyers, 1998; Orozco, 2000; McKinley, 2003);

Similarly, in El Salvador, some municipalities have matching funds, where local public works programmes are financed partly by local municipal funds, partly by central government and partly by migrant remittances (Meyers, 1998)

The International Organisation for Migration (IOM) is implementing programmes in countries like Guatemala, Colombia and Brazil aimed at enabling remittances to be used to their full potential for purposes of poverty reduction and development (McKinley, 2003). For example in Guatemala, the IOM is implementing a programme which involves, a specific banking service, a communication system between villagers and migrants and marketing platform for the purchases and sales from the community to national and international markets. In Colombia the IOM is implementing a programme which involves the creation of a social investment fund for the funding of productive small-scale projects for vulnerable populations.

The role of migrant hometown associations in contributing to the development of their communities of origin has been recognized in some countries (Orozco, 2000; Lopez, et. al, 2001). Migrant hometown associations have acted independently and together with governments to help their communities of origin (Orozco, 2000). Zimbabwean migrants have well established and well organized burial societies based on village of origin. These burial societies can be used to channel collective remittances to their communities of origin.

Areas for further research

Further research is required to further clarify and elaborate on the findings presented in this paper. The areas where further research is required include the identification of obstacles to the transmission of remittances, a comprehensive understanding of the regulatory and policy framework that has a

bearing the transmission and investment of remittances and an estimation of the value transmitted by migrants in remittances.

Obstacles to the transmission of remittances – Research specifically targeting migrants themselves is required so as to appreciate the problems they face in sending remittances especially through formal channels both in the host country and in the country of origin.

The regulatory and policy environment – Both the volume of remittances as well as their use are likely to be influenced the regulatory and policy environment in the country of origin. There is need for thorough understanding of this regulatory and policy environment that is likely to influence the volume as well as the way remittances are used. An assessment of available opportunities for investment which migrants and their relatives left behind might not be aware of needs to be undertaken.

Estimating the value of remittances – There are no official statistics on the value remitted by migrants working in South Africa mainly because most of the remittances are sent through informal channels. This is a challenging task given the general reluctance by recipients to disclose information on how much they receive in remittances because of the fear to be excluded from assistance from non-governmental organizations and government public assistance programmes.

Conclusion

Remittances from migrants in South Africa contribute significantly to the welfare of many households in the Southern districts of Zimbabwe. They contribute to improved standards of living, better access to health care and education and to a less extent are invested in productive activities. However, for the developmental potential of remittances to be fully realized there is need for collaborative effort involving the government, migrant groups, the local community, non-governmental organizations and international organization to seek ways of encouraging the flow and creating an environment for the investing remittances in more sustainable investments. This calls for experimentation, risk taking and innovation on all involved.

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