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## IMPLICATION OF THE 2008–2009 GLOBAL FINANCIAL CRISIS ON REMITTANCES BY THE CAMEROON DIASPORA

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*Remittances have emerged as an important source of external development finance. They have grown in absolute volume as well as relative to other sources of external finance. The World Bank has even purported that they are the most stable source of external finance and have provided crucial social insurance in many countries afflicted by economic and political crises. Many families in Cameroon relied on remittances sent home by the love ones in the diaspora. However, these remittances to Cameroon as it was the case in other African countries witnessed a drop in 2008–2010 as a result of the global financial crisis that affected North America and Europe. Unfortunately, these are among the nations that have been most adversely and directly hit by the global financial crisis of 2007–2009. This paper aims at assessing the real and potential implications of the 2008–2009 economic meltdown on the Cameroon diaspora remittances at the micro level in Cameroon. It investigates the impact of the GFC on remittances and the implications for the increasing dependence on this source of development funds. It is proposed that the downturn highlighted the risks of basing development on financial returns from the Diaspora and that a reliance on remittances indicates the government's continuing inability to provide opportunities for the citizens at home. Nonetheless, the performance of remittances, compared to other economic indicators, does suggest that this is a resilient source of income which can be scaled up for long term household and national development. The study therefore, argues for more diversification in the way such funds and importantly, diaspora talents and resources are utilized.*

**Keywords:** *remittances, diaspora, development, migration, crisis, poverty alleviation.*

### Introduction

Diaspora studies have received much attention in recent times with research and debate focusing on migrants and the role that this group plays in local development. More attention has come from the increasing contribution of diaspora to their home countries, with remittances constituting the bedrock of this increased contribution. For this reason, the place of remittances has become one of the focal points in diaspora studies with governments in the host and home countries, international agencies, among others, emphasizing the value of this growing source of income in assisting some of the poorest countries in the world to cope economically (Kapur 2004: 7).

Remittances are, however, vulnerable to the fortunes of migrants who are in turn susceptible to fluctuations in the economies in which they are based. These locations tend to be the more developed or industrialized nations in the world. Unfortunately, these are among the nations that have been most adversely and directly affected by the Global Financial Crisis (GFC) of 2007–2009. With this in mind, this paper aims at examining the effect of the GFC on remittances by the Cameroonian diaspora. It also aims

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at capturing and investigating some of the issues which have been exposed by this crisis, particularly as it relates to remittances sent home by the Cameroonian Diaspora.

Cameroon makes a good case given its long history with migration and growing dependence on foreign direct investment and remittances. As of 2010, 279,200 Cameroonians were living abroad, comprising 1.4 per cent of the country's population. Top destination countries for these migrants are France, Gabon, the USA, Germany, Italy, Spain, United Kingdom, China, Dubai and Qatar. The emphasis on Cameroon does not, therefore, negate the value of the findings for other developing countries and regions that depend on remittance. Indeed, remittance is a growing industry worth an estimated \$443 billion with developing countries in regions such as Africa and Asia being some of the areas that benefit most from this industry. Thus, the Cameroonian case is arguably a microcosm of the global experience given that Cameroon falls within the top 25 recipients of remittances in Sub-Sahara Africa (Kapur 2004: 79).

Against this backdrop, the study is organized as follows: Section one presents an overview of the Cameroon diaspora and remittances. Section two defines the position of Cameroon in international migration process. Section three examines the concept of 'Bushfalling' in Cameroon. The fourth section analyses the remittances, their trends and typologies. Section five throws light on the relation between diaspora remittances and development. Section six discusses the impact of the Global financial crisis on diaspora remittance while section seven attempts to define the impact of the Global financial crisis on the Cameroon diaspora remittance. The last section ascertains the implication of the crisis on remittances.

### **1. The Overview of Migration and Remittances in Cameroon**

Africa has a long history of domestic and intraregional migrant remittances. Since colonial times, when heads of rural households migrated to urban centers to earn wages to pay colonial taxes, workers have been remitting funds to their families. Migration and remittances have continued, primarily for economic reasons. In Cameroon, people migrated from the hinterlands to the coast in order to gain employment in colonial plantations. This type of migration was very common among the indigenes of the Bamenda Grasslands who traveled to the coast to serve as laborers in plantations. During the postcolonial era, especially from the mid-1980s, rural urban migration was substituted with international migration.

International migration, commonly known in Anglophone Cameroon as *bushfalling*, is a common practice and a widely talked about phenomenon – from the neighborhood in the villages to towns and cities. Migration in general and international migration in particular is both a practice and a process that has been going on over centuries. People move for different reasons; in search of fertile soils as was the case in early ages in Africa or for economic reasons, or due to a disaster, or due to conflict (wars). Motives for migration are sometimes multilayered and this makes our understanding of migration even more challenging. As Massey *et al.* (1993) have pointed out in the above statement, humans are also migratory specie with a very long and changing migration history. To them, the modern history of international migration can be divided into the mercantile period, the industrial period, the period of limited migration, and the postindustrial period (*Ibid.*: 2). Each of these periods is marked by different migratory waves and hence, is a clear example of the fact that humans, just as goods and services

have been and are constantly on the move, culminating into a situation that seems that the entire world is on the move (Massey *et al.* 2008: 25).

In an era when globalization has become the *buzz word* and causes constraints on geographical and socio-cultural mobility to recede intercontinental and transcontinental movement of people is on the increase and have become more debatable within academia and in government policies (Lie 1996: 585). Similarly, Akokpari (2000: 72–73) affirms that there is a close connection between globalization on the one hand, and migration (both intra and inter-state migration) on the other hand; that is, globalization is masterminding the increasing trends of global migration and the seemingly unmanageable migration *problematique* in Africa.

International migration can be said to be a two-way process of mutual benefits between the developed and the developing countries. On the one hand, many people in Africa just as in other developing countries migrate to seek better opportunities for themselves and their families; and on the other hand, developed countries need cheap (unskilled, semi-skilled) migrant labour. The International Organization of Migration (IOM) estimates that the number of international migrants has increased over the last decade from 150 million in 2000 to 214 million in 2010 (IOM 2010).

Related to increases in international migration are also huge amounts of remittances to migrants' home countries. As defined by some authors, agencies and institutions, the remittances are the proportion of migrants' earnings sent back from the country of employment to the country of origin (Molua 2009: 1668). Although many authors have defined remittances in monetary terms, they also encompass gifts and other goods and services which migrants send back to their countries of origin. In a sense, they also include what Levitt called social remittances, which are the immigrants' ideas and behavior patterns brought from host to sending communities (Levitt 1998: 927).

On the one hand, some authors have argued that remittances sent back to migrants' countries of origin (mostly developing countries) have solved some basic household problems; that is, remittances help not only families but they also aid the development of migrants sending countries (Kapur 2004: 7). Similarly, Massey, maintains that the strategy of risk diversification elucidates that households are free to send members out of the community on a temporal basis (members can migrate nationally or internationally); and these members have to remit part of their earnings to the family (Massey 1990: 10).

On the other hand, some authors like de Haas have argued that the impacts of international remittances originating from individuals as well as from diaspora associations do not only sustain household and family needs, remittances have a far reaching effect in aiding the countries' development because they form a crucial source of foreign exchange for many developing countries, and also help to sustain such countries' balance of payment (de Haas 2005: 1277). According to Kapur (2004), the remittances have become a new development mantra; he adds that immigrants, rather than governments have become the largest provider of foreign aid. This is because remittances, according to de Haas, are freer from political barriers and controls than other products or capital flows (*Ibid.*).

Statistics for 2008 show that total remittances flow to Sub-Saharan Africa in particular stood at 21.4 billion USD and the total sum to developing countries was 324.8 billion USD (World Bank 2011). These figures do not, however, include informal remittances transferred to family members and friends. At 126 billion in 2004, remittances

constituted the second largest foreign direct exchange to developing countries; hence a lot of attention is given to remittances due to their development agenda.

## 2. International Migration in Contemporary Cameroon

In the era of globalization, international migration and migrants' remittances have been used, and are still used by many people from the developing countries as a way-out of their adverse conditions, that is, as a means to support themselves and their families. In the context of Cameroon, international migration is widely discussed and practiced, in fact, there seems to be what some authors would describe as a 'culture of migration' starting from the pre-colonial, colonial and postcolonial movements (Hahn and Klute 2007: 13). Similarly, Schrieder and Knerr affirm that Cameroon has a very mobile population, both internationally and nationally – nationally from one region or one division to another; migration, they maintain, is used as a means of obtaining income and food security in Cameroon (Schrieder and Knerr 2000: 226).

The Cameroonians have been migrating abroad for many reasons such as visits, family re-union, study, and other reasons, the upsurge of finding a better life, or the search for greener pastures in *Whiteman kontri* (gained eminence in the 1990s).<sup>1</sup> This is due to some socio-economic and political predicaments which left many Cameroonians and their families worse off than ever before. Some of such exigencies include: the fall in the prices of oil and agricultural products in the late 1980s and 1990s, the subsequent introduction of the Structural Adjustment Programs (SAP), corruption, as well as other political contingencies.

Cameroon's economic and political liberalization of the late 1980s and 1990s came in line with SAP where many workers were retrenched. Some authors maintain that the country's crisis reached its peak in the early 90s with the redundancy of many workers and about a 70-percent cut of salaries of civil servants (*Ibid.*: 227). There was also a devaluation of the CFA franc in 1994 which led to a decrease in local purchasing power (Pelican *et al.* 2008: 117). With a fall in prices of agricultural products and a decrease in the purchasing power of many Cameroonians, many resorted to devising different coping mechanisms, one of which was international migration and sending home remittances.

Such strategies employed by the Cameroonian migrants seem to hold true with Adams and Page argument that there is a cordial relationship between poverty and migration (Adams and Page 2005: 1645–1669). Hence many Cameroonians in response to this state of poverty use international migration with the resultant effect of remittances. Schrieder and Knerr also affirm that apart from general financial risk diversification, migration also reduces food insecurity in many households in sub-Saharan Africa (Schrieder and Knerr 2000: 224). In this regard, remittances from migration help to replace a risky cash source which is the case with contemporary international migration from Cameroon.

Moreover, apart from the fall in agricultural prices, and the introduction of SAP with its calamitous consequences, Cameroon's democratization has been marked by what Nyamnjoh refers to as corrupt and illegal practices or a cosmetic democracy (Nyamnjoh 2002: 5–8). In a 'culture of corruption' the Cameroonians are discontented with the country's conspicuous socio-economic and political atmosphere. As the February 2008 civil unrest confirms, many Cameroonians have thus turned to *bush-falling* as the only way out due to the absence of a decent future back at home. Most have focus on trans-

continental migration to Europe and America where opportunities for a better life are thought to be plentiful (Smith 2007).

In a country ridiculed by the scarcity of an ethic of the public service the few Cameroonians who manage to get hold of the national cake tend to amass wealth leaving a majority of the masses in squalor and misery accompanied with mass unemployment (de Sardan 1999: 31). As a result, many have resorted to outmigration as an escape to what they consider a better life. For instance, statistics show that 17 per cent of the Cameroonians with higher education migrated in 2000 (Docquier, Lowell, and Marfouk 2008). Between 1995 and 2005, 46 per cent of the Cameroonian physicians and 19 per cent of nurses migrated from Cameroon (IOM 2010).

### 3. The Concept of *Bush-Falling*

The practice of international migration in Cameroon is referred to as *bush falling*. To fall bush in Pidgin English (the lingua franca of Anglophone Cameroon) means to migrate to the West either for studies, or to work and earn money. A *bush faller* is someone who has been to the West and succeeded or someone who has made it, that is, an achiever (be in a position to help him/herself as well as his/her family). Similarly, Pelican *et al.* maintain that a *bush faller* is someone who left Cameroon and now live a better life in the West; *falling bush*, they add, implies going to the bush to hunt, gather, or harvest meaning that one never returns from the bush empty handed (Pelican *et al.* 2008: 119). In the same vein, Jua elucidates that, *bush-falling* is commonly used when referring to trans-continental migration in Cameroon, that is, migration to the West; its source and literal meaning is not so clear. Simply put, it is assumed to be informative of lived realities in Africa where one goes to the bush so as to return with food or game to feed the family (Jua 2003: 22–23). Accordingly, migration from Cameroon to other African countries especially within the Sub-Saharan region does not qualify as *bush-falling*. In this regard, *bush-falling* serves as a pathway for aspiring the Cameroonians (especially the youths) to realize their dreams. In a sense, it provides a window of opportunity for many aspirants to reach the final port of call (*Ibid.*: 23).

*Bush fallers* are said to belong to a generation of affluence, they are of a different level; these differences are visible in modes of dressing, riding in big cars, to name but a few; an opportunity which is limited only to the rich in Cameroon. They are often referred to as *les nouveaux riches* (the new rich) in the French speaking regions of Cameroon.

Pelican *et al.* (2008: 119) add that although a *bush-faller* is a contemporary term, the term *been-to* is a similar term which had existed before. This term refers to elite members of the (colonial, – my addition, *K.A.O.*) and post-colonial era who travelled abroad to study and return to take up white-collar jobs with the government and international corporations in Cameroon. Similarly, Martin maintains that during the time of transition from colonial to postcolonial period, the ‘*been tos*’ were popular in most West African countries. She adds that:

The term was widely apply to describe persons who had travelled abroad to be educated, mainly to Europe or America. After returning, they worked in prestigious and well-paying jobs as administrators, lawyers, engineers, or medical doctors and were looked upon with respect by those who had never been able to see the white man's kontri at first hand. ‘*Been-tos*’ were easy to recognize

by their appearance (suit and tie), their use of language and pronunciation (English with British or American accent), their cultural speech and by their distinguished behavior [...]. Many been-tos have achieved leading positions in politics, business and administration in the course of decolonization, and in this context the term symbolized western knowledge, progress, material wealth and social prestige (Martin 2007: 208–209).

Just as the ‘*been-tos*’ were identified from their dressing and language, so too are today's bush fallers in Cameroon. The difference here is that, bush fallers come mainly for visits, most often during the month of December. Perhaps, if the country's socio-economic and political atmosphere is conducive as it was the case before the social ills sets in, (some) bush fallers would return home to stay and work as they will be assured of a decent future just as the once upon a time *been-tos*. Although they do not occupy top positions in the government, *bush fallers* possess great social prestige and are looking upon with great admiration by those who have never been to *bush* (the West, *white man kontri*). The West by many in Cameroon is associated with affluence, in the same way, Martin confirms that the West is metaphorically paraphrased as ‘paradise’ or ‘heaven’, hence in Cameroon anyone who dares to say anything bad about *white man kontri* or *bush-falling* is considered to be irrational (Martin 2007: 211).

There is a strong belief in *bush* as a place where life is at its best. It is considered as a land of adventure and an issue of luck, if A does not succeed, B may succeed. Even when some *bush fallers* try to explain that life in the West/*Whiteman kontri* is also difficult, many back home dismiss the idea in response that, if truly life in *bush* is difficult, then most or all migrants will return home, or no one will want to go; or irrespective of how difficult it may be, it is always better than life back in Cameroon.

At this juncture, one could say that mobility, that is, international migration and migrants' remittances is regarded as an acceptable path towards achieving family well-being in Cameroon. It is perceived to be both a means to an end and an end in itself for many who wish to better their lives and that of their families.

#### 4. The Remittance Flow

Inherent in the discourses of international migration is the continuous upshot of remittances and its role in migrants' family wellbeing, as well as in the development of migrants' sending countries. The Migration Policy Institute (MPI) notes that remittances are among the most tangible links between migration and development (as well family wellbeing). In 2009, official remittances flow totaled over 414 billion USD with more than three quarters (about 316 billion USD) sent to developing countries (Migration Policy Institute 2010); these figures do not include informal remittances sent via friends and other family members. Also, Ratha *et al.* (2007) maintain that remittances are more than double official aid and nearly two-thirds of foreign direct investment flow to developing countries. These authors add that remittances are known to be the largest source of external funding to many countries of the global south (less developed countries); remittances (they argue) have been less inconstant than other sources of foreign exchange earnings to developed countries. Between 2002 and 2007, total remittances flow to developing countries increase from 166–240 billion USD, out of these figures, 11 billion USD was the remittances flow to Sub-Saharan Africa (*Ibid.*: 1).

This growth in remittances could be explained to be as a result of mass movements of people from the developing to the developed countries *pushed* and *pull* by a number of factors. In the case of Sub-Saharan Africa, these mass migration out from this region is due to socio-economic downturns, including political upheavals and wars, and to a larger extent, the unintended consequences of the SAP plus the fact that living conditions for most of the countries in this region are worst now than they used to be just after independence; that is, in the sixties and early seventies (Adepoju 2000: 383–394). Also, conflicts, poverty, and environmental upheavals that have affected these areas in the last decades have been, and are still responsible for out migration in many African and other third world countries. The hardships precipitated by economic downturns have resulted to individuals and families seeking strategies to diversify their income and provide opportunities for family survival through remittances (Taylor 1999: 74).

Although such high levels of migration could have a positive effect on remittances in migrants' sending countries, remittances do not take place in a vacuum, its flow is shaped and reshaped by many factors, or what Sørensen (2004) calls determinants, she identifies the following as some of the determinants of remittances: legal status of migrants, the job availability; living expenses in the country of destination and the number of, and the relation to dependents back home; the number of works abroad, wage rate, economic activities in host and home countries; exchange rates, relative interest rate between host and home countries, political risk factors; facilities for transferring funds; the gender composition of migrants household in home and host countries, marital status; household income level, employment status and occupational level of household members in home and host countries, length of stay abroad and the occupational level of migrants.

Added to this list of determinants is the quality of relationship between the migrant and the family member as well as the quality of relationship between the migrants and non-kins. This is because an intimate, or close relationship seems to generate some kind of financial assistance from the migrants to those left behind; in most instances, for example, in Ghana, parents turn to receive more remittances than other extended members of family (Kabki *et al.* 2004: 90).

### **5. Cameroon Diaspora Remittance Trends**

As it is the case with Africa and the rest of the region and the world, the hallmark of the diaspora's contribution to Cameroon has been in the form of remittances which have over the years shown a steady increase, as illustrated in Table 1.

This increase has been welcomed, given the declining value of agriculture which remains the backbone of the Cameroonian economy. In addition the high level of unemployment and the sustained fall off in Official Development Assistance (ODA) has rendered remittance by the Cameroonian Diaspora indispensable (Adepoju 2000). Increasing pressures on the national budget and dwindling government capacity to provide opportunities and security for its citizens have also emphasized migration as a route to self-actualization. In turn, this has elevated the place of remittance funds in social welfare provision and in enabling more sustainable livelihoods among local households and communities, the majority of which are among the country's poorest.

Remittance has thus emerged as an important contributor to the Cameroonian economy. Such a reality becomes even more obvious when remittance is considered alongside a number of other economic indicators. Table 1 shows that remittances rival, and

have recently overtaken tourism as the largest source of foreign exchange and far exceed the level of Foreign Direct Investments (FDI) to Cameroon. Table 2 highlights this information, further indicating that the value of remittances consistently stand at over 80 per cent (from a low of 82.9 per cent to a high of 97.4 per cent) when placed against the value of exports over the four year period from 2004 to 2007. As reflected in the gap between exports and imports in both tables the level of remittances can easily become a balance of payment issue; a critical concern for a country that in 2010 had the fourth highest level of debt in the world and where over half the annual budget goes towards debt financing.

Table 1

**Value of Remittances against Selected Indicators (US\$ million), 2004–2007**

Indicator	2004	2005	2006	2007
Remittance	1465.8	1621.2	1769.4	1964.3
Tourism	1437.9	1545.1	1870.1	1905.3
Exports	1601.6	1664.3	2133.6	2226.4
FDI	601.6	682.5	882.2	866.5
Imports	4098.6	4866.2	5801.4	6614.8
GDP	10111.4	611.1	663.8	733.2

Table 2

**The Value of Remittances as a Percent of Other Select Economic Indicators (US\$ million), 2004–2007**

Indicator	2004	2005	2006	2007
Remittances	14.8	16.1	17.5	19.6
GDP	14.5	14.6	14.8	15.3
Tourism	101.9	104.9	94.6	103.1
Exports	91.5	97.4	82.9	88.2
FDI	243.7	237.5	200.6	226.7
Imports	35.8	33.3	30.5	29.7

Source: World Bank 2011: 84.

Diaspora contribution in the form of remittances is, therefore, an essential component of the Cameroonian economy with the implication that any threat to this rising income source will be deemed a major problem for many households in the country. Such a threat was to come in the form of the global financial crisis and aggravated by a number of other challenges during the period from 2007 to 2009, including the housing crisis.

In an attempt to compare remittances to other sources of funds received by Cameroon in 2008, we discovered that received net ODA stood at US\$ 0.5 billion, total international reserves was to the tune of US\$ 3.1 billion while exports of goods and services scored high at US\$ 6.9 billion. In the same light, potential migrant savings for 2009 stood at US\$ 0.8 billion comprising 3.8 per cent of the country's GDP (Ratha and Mohapatra 2011).

Table 3

**Types Remittance Flows**

<b>Remittances</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Inward flows</b>	<b>76</b>	<b>103</b>	<b>77</b>	<b>130</b>	<b>167</b>	<b>162</b>	<b>148</b>	<b>148</b>
Workers' Remit-	61	98	67	118	152	129	129	–
Compensation of employees	15	5	10	12	15	15	18	–
Migrants' Transfer	0	–	0	–	–	0	–	–
<b>Outward Flows</b>	<b>57</b>	<b>42</b>	<b>56</b>	<b>92</b>	<b>90</b>	<b>56</b>	<b>94</b>	<b>–</b>
Workers' Remit-	29	23	20	48	42	20	58	–
Compensation of employees	28	20	36	44	48	36	37	–
Migrants' Transfer	0	–	0	–	–	–	–	–

Source: World Bank 2011: 85.

The worldwide flows of remittances were estimated to reach 318 billion USD in 2007, of which 240 billion USD were sent by migrants from developing countries, showing an increase from 221 billion USD in 2006. These figures do not include the informal flow of remittances via friends and relatives. Compared to other migrant sending regions like Latin America, Asia, and the Caribbean, Sorenson maintains that data on remittances sent to Africa suffer from a lack of reliability coupled with high prevalence of informal flows. In the case of Cameroon, the total amount of official remittances flow was 167, 162, 148, and 148 million USD for 2007, 2008, 2009 and 2010 respectively (World Bank 2011: 85). These amounts, as demonstrated by Table 4, witnessed a constant drop from 2008 to 2010. This drop was influenced by the Global Financial Crisis that broke out in 2008. As a result of this crisis, many Cameroonians living abroad saw their savings evaporate due to the winding up of so many banks in North America and Europe. In the same vein, many Cameroonians also lost their jobs. Against this backdrop, they were unable to remit or send money home to their relatives and love ones.

Table 4

**Remittance Flow to Cameroon, 1996–2006 (in Million FCFA)**

<b>YEAR</b>	<b>AMOUNT</b>
<b>1996</b>	4,510.70
<b>1997</b>	5,108.40
<b>1998</b>	6,441.30
<b>1999</b>	5,079.80
<b>2000</b>	8,434.90
<b>2001</b>	4,976.10
<b>2002</b>	9,861.80
<b>2003</b>	35,195.00
<b>2004</b>	51,976.00
<b>2005</b>	35,408.00
<b>2006</b>	61,517.00

Source: Ministère des Finances /Direction des Affaires Economiques/Division de la Balance des Paiements, 2007.

The above table shows the amount of remittances in liquid cash by the Cameroonian migrants abroad in millions of Francs CFA from 1996 to 2006. From this table, it can be deduced that there a constant increase in the amounts remitted. This increase was as a result of the fact that more than 50 per cent of the Cameroonians who migrated to North America and Europe travelled during this period. Secondly, the economies of the industrialized world were booming. As such the migrants took advantage of the situation and to send home much money that unfortunately was used for household consumption.

Table 5

**Remittance Flow to Cameroon, 2007–2010 (in million US\$)**

YEAR	AMOUNT
2007	167
2008	162
2009	148
2010	148

Source: World Bank 2011: 85.

The figures in both tables include all money that was received in Cameroon by institutions like Western Union, Moneygram, Money Exchange and other money sending institutions, but do not include informal flows of remittances.

These trends of increasing remittances sent to Cameroon could be due to economic downturns which have led to the increase demand for remittances. Similarly, Kapur (2004: 8) contends that the frequency and intensity of financial crises in many developing countries over the years have resulted in an increased need for social safety nets, hence intensifying the demand for remittances. However, if managed properly, remittances together with the Cameroon's government budget can lead to sustainable economic development in Cameroon.

Although remittances contribute substantially to countries' income, as in the case of Cameroon, the migration of many Cameroonians most of which are educated and active people results in brain drain that has weakened economic growth. Brain drain has, however, been compensated with brain gain because some of the migrants have returned to invest and share their experience with the local population. This analysis correlates with Kapur (2004: 9), who argues that brain drain can be compensated with remittances plus new knowledge, trade relations, innovation, attitudes, and information.

To conclude, the desirable goals of remittances and economic development can only be achieved if states design and implement effective policies. Remittances should not be considered a panacea or an alternative to sound economic policies; creating a conducive environment for migration and remittances to contribute to broad-base income growth in migrant-sending countries like Cameroon is the key to promoting development. However, one should note that apart from remittances and investments, the development impact of migration also has a socio-political dimension. Through social and political investment, migrants have contributed in making their societies better-off than before and in the long run, remittances have led to an increase in general prosperity of the migrants' communities of origin (Awang Ollong 2013: 82).

## 6. Developmental Impact of Remittances

Because remittances to Africa in general and Cameroon in particular are highly underreported, their developmental effects are underestimated. Nonetheless, even the officially recorded flows suggest their developmental power and potential. Remittances constitute a major source of foreign exchange and influence the national balance of payments, often quite significantly. They also represent a substantial share of the gross domestic product (GDP) of the economy, often surpassing other significant financial sources – a surprisingly powerful macroeconomic outcome to attribute to simple fund transfers intended primarily to support families. For receivers, remittances are a vital source of income, with a crucial income-smoothing effect. Although remittances are mostly spent on consumption and household needs – including education and health – a small portion is invested in property, businesses, savings, or community capital. Altogether, remittances contribute to building human and social capital as well as capital assets. In this section emphasis will be laid on the impact of remittances at the microeconomic and communal levels.

### *Microeconomic Impact of Remittances*

Aggregate figures mask the significance of remittances for individual recipients and tell us little about how they are used and what benefits they bring. Case studies and survey findings, however, highlight the importance of remittances to recipient households. Typically, remittances are income transfers from relatively richer to relatively poorer individuals and constitute a family welfare system that smoothes consumption, alleviates liquidity constraints, and provides a form of mutual insurance. Most remittances reach family members – especially spouses or parents. Individual international transactions are typically about US\$ 200 and are often received on a monthly basis (Awang Ollong 2013: 85).

Remittances are used primarily for consumption and investment in human capital (education, health, and better nutrition). Investment in land, livestock, and housing is also relatively common but secondary to satisfying daily needs and meeting expenses related to human capital. Still less remittance money is used for investments in either savings or in business, or to repay debt, such as a loan for the expenses of going abroad. Those who venture to set up businesses are more often involved in the sales of used items sent home from Europe and North America.

The high proportion of funds used for general consumption is congruent with the idea of migration and remittances as part of migrants' strategies for reducing poverty and improving the quality of life of the migrants and their families. Consumption supported by remittances contributes to improved standards of living and educational opportunities. In the South West Region of Cameroon, for example, households with migrants were found to have less cultivated land than households without migrants, but slightly higher education levels (Adepoju 2000: 39).

### *Communal Impact*

While remittances are typically transfers between individuals or families, some migrants constitute themselves into home town associations where they identify problems faced by their home communities and send collective remittances to the home communities for the realization of development projects. Often these remittances are collected

through fundraising events and are applied to a range of investments, including building or renovating schools, providing pipe borne water and constructing community halls.

Among Cameroonian immigrants, the spectrum of community groups is wide. It includes home town associations (based on ethnic linings), ex-student associations, church groups and professional associations. Among the best documented examples are Bali Cultural and Development Association in the United States of America that finance communal projects back home. One of the projects realized by this association is the construction of a morgue for the Bali District Hospital (Awang Ollong 2013).

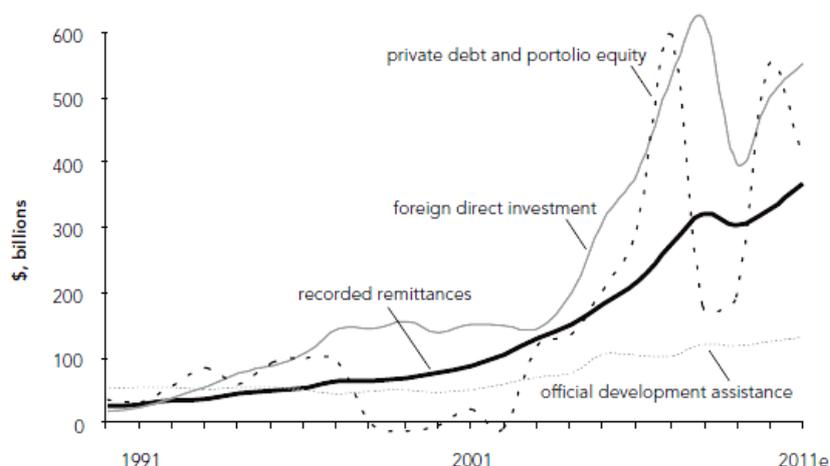
These developmental effects, macroeconomic and microeconomic, stem from migrants' private transfers of funds. An individual migrant's choices of whether and how much to remit, through what channel, and for what use are typically shaped by factors such as the economic and political stability or volatility in the home community, and by its policies on foreign exchange and taxation. Remittance flows and investments are also shaped and impeded by weak financial infrastructures. The developmental effects of remittances depend on their continued flow and on the availability of investment opportunities, both of which depend, in turn, on financial services and infrastructure that are convenient and reliable for migrants and the recipients of their remittances. It should be said that from 2008 to 2010, the amount of money remitted by the Cameroonian diaspora dropped drastically as a result of the Global Financial Crisis. The following section will examine the impact of the global financial crisis on remittance from the Cameroonian Diaspora.

### **7. The Impact of the Global Financial Crisis on the Cameroon Diaspora Remittances**

The cause of the crisis has been heavily debated and discussed. To that effect, the arguments pertaining to the causes of the crisis are not the prerogative of this paper. Rather, the main purpose here is to examine the impact of the crisis and its implication on remittances by the Cameroon diaspora.

Remittances are very vulnerable to the economic stability of migrants which is in turn vulnerable to economic shocks (Alexander 2010: 118–120). With the crisis having a particularly direct impact on countries such as the USA, France, UK, Germany and other industrialized countries which host the majority of the Cameroonian diaspora, the decline in employment opportunities in these countries meant migrants were among some of the most affected by the crisis.

As job losses in the major receiving countries brought increased attention to migration controls, added pressure was placed on the existing migrant population who tend to be the last hired and first fired in times of crisis (World Bank 2011). Furthermore, the variety of opportunities for sustaining incomes also diminished. This is particularly the case of the countries which host the majority of the Cameroonian diaspora – France, the USA, Germany and Great Britain, where immigration policies have placed increased pressures on migrants. These difficulties were equally compounded by the oil and food crises.



**Fig. 1. Resilience of Diaspora Remittances**

Source: World Bank 2011.

In 2008 and 2009, for the first time in Cameroon diaspora remittances declined in terms of their contribution to household income and this was the case across the rest of the Sub-Saharan African region, having contributed 1.7 per cent less in 2008 compared to the 2007 period (World Bank 2011: 2). Indeed, though there was an increase in 2008 over 2007, there was a noticeable fall-off in growth when considered over the past seven or eight years. However, the fall-off was slow, and only became obvious in the middle of 2008 (Alexander 2010: 16). This decline continued into the 2009 period with inflows declining by US \$140 million over the same period for 2008 (Kapur 2004: 12). This amounted to an average decline of 15 per cent over the previous year (Adenutsi 2010: 31–45). The table below, which compares growth between 2008 and 2009, depicts this decline. However, by the end of 2009 remittances had returned to positive growth though still not to the levels witnessed in previous periods.

Table 6

**Changes in Remittance Flows to Cameroon, 2008–2009 (US\$ Millions)**

Month	2008	2009	% Change
January	79.6	64.6	-10
February	62.3	47.3	-18.5
March	74.3	45.9	-16.3
April	77.4	50.7	-20.1
May	80.5	55.6	-19.3
June	71.2	53.8	-10.2
July	77.0	50.9	-13.1
August	65.9	52.1	-8.3
September	84.3	56.4	-17.3
October	66.0	55.9	-6.1
November	35.7	42.7	5.2
December	77.0	80.9	2.2

Source: National Institute of Statistics, 2010.

Comparatively, the remittances did not experience as drastic a decline as other financial inflows. Interestingly too, even with the decline, it still accounted for approximately 2 per cent of Cameroon's GDP for 2009 marking an increase over the 2008 figure of 1.4 per cent. This is partly due to the poor performance of other areas of the Cameroonian economy (Cali and Dell'Erba 2009).

The impact of the GFC on the Cameroonian economy was equally direct, particularly given that remittances come third, after ODA, FDI and represent a significant source of foreign exchange. The reduction thus, placed an additional burden on the country's ability to trade and to secure important resources. As demonstrated earlier in Tables 3 and 4, the overall remittance income constituted a vital segment of total foreign exchange receipts (*e.g.*, when placed alongside that from export earnings). Thus, the country experienced a shortfall of US \$12.7 million in foreign exchange earnings during January-May 2009 (Ratha *et al.* 2009). While other fall-outs such as the retreat of a number of foreign companies in the country had some bearing here, the decline can also be attributed to the fall-off in remittance receipts from France, Germany, the USA, Belgium and Great Britain which together account for 76 per cent to 85 per cent of total receipts. Interestingly, there was an actual increase in remittances from Asia, especially China, Arab Emirates, and Qatar. In the case of China, this can be explained by the fact that China was not seriously affected by the crisis to the extent observed in other host countries. Thus, supporting the claim that remittances were vulnerable to the economic fortunes of many Sub-Saharan countries of which Cameroon is part.

Even as remittances returned to positive growth at the end of 2009 it was slow, given that there was uncertainty in the job markets in developed countries (*Ibid.*). The fall-out also helped to underscore the already obvious structural weakness of the Cameroonian economy which is unable to overcome its growth challenges and provide opportunities for its citizens. The government has responded to the crisis by recruiting some 25,000 youths into the civil service and also established a growth and employment act that will permit Cameroon become an emerging economy by 2035. To realize this goal, the government has solicited assistance from China and other development partners such as the World Bank and IMF, which has in turn requested that the country adopt a number of austerity measures in order to address some of the longstanding issues relating to public sector spending, tax reform and debt restructuring. This has recently forced the government to reduce its fuel subvention.

## **8. Implications of the Global Financial Crisis for Diaspora Remittances and Development**

The Crisis has revealed a number of important points related to the Cameroonian diaspora and remittance, and the growing dependence on this source of funds among communities in developing countries, including Cameroon. This section considers some of these issues which summarily, relate to the resilience of remittances, the risks in aligning the national future too closely to the fortunes of the diaspora, the need to continue the search for ways of advancing productivity and economic efficiency, and for diversification, both in the economy, as well as, in the use of remittance funds.

An obvious and major point that has emerged is that in the face of the many crises and economic difficulties, the diaspora has continued to remit. Sustained remittance in spite of the GFC emphasizes the resilience of the diaspora and remittances. Continued

remittancing also marks the level of importance of such funds to household subsistence in Cameroon given that these funds constitute a significant mainstay of household incomes in Cameroon. That is, remittances often go towards household subsistence, education, health, housing, community development and investment to lower extent. Already the reduction in remittances between 2008 and 2009 suggests some reduction in the ability of these families to procure goods and services to the extent accustomed (Cali and Dell'Erba 2009).

A closer look at the demographics of recipients and senders gives further insight into the diaspora's efforts to maintain remittances despite the GFC. In Cameroon the educated and middle-class family members who migrate tend to remit less frequently than those who are less educated and originate from poorer communities. Thus, the recipients and senders tend to be poorer families; a similar situation is observed in other African countries like Mali, Senegal, Nigeria and others. Therefore, when remittances are reduced the social and welfare costs to Cameroon and other receiving countries can be high with the possibility of such a decline fuelling attraction to crime and criminal activities. Where the main beneficiaries of remittances are already the poorer groups the risk is that the observed reductions place larger burdens on these families, forcing them further into poverty. The level of dependence at the household level explains the sustained effort to maintain funding even as times get harder in the host country. Thus, dependence among households means that the diaspora will continue to remit funds even if at reduced levels, arguably making remittances more sustainable relative to other funding sources.

Secondly, migrants tend to adopt creative strategies to cope in order to maintain and increase their contribution to families at home. Thus, in spite of an initial decline, remittances picked up toward the end of 2009, again an interesting point given that job losses remained an issue in the USA and UK. Thus, according to the AfDB report, the diaspora in North America and Europe resorted to cope with the crisis by first cutting personal expenses (*e.g.*, travelling and communications) and taking on additional jobs with reductions in remittances being considered a last resort. This helps to explain the fact that although the diaspora has faced a number of crises since 2007, it is only by the latter half of 2008 that the remittances demonstrated the first serious downturn.

A third and related point is that the impact is not only 'economic' but it transcends this realm and spreads to other areas of life. While the crisis was of a clear economic nature, there has also been a social impact, particularly, given the interdependence between these two spheres. Indeed, as pointed out by Alexander, the GFC has affected this important income source for the world's poorest, making the crisis not only an economic but a social issue, as well. As such, the decline in remittances added to the pressures on the state to provide opportunities and welfare services for its citizens. Besides, when the recipients were unable to consume local goods and services procured through remittance funds this also meant that local businesses (especially small businesses) suffered (Alexander 2010 118).

Fourthly, the crisis suggests that there was some risk for families to base their development and growth on remittances and in essence, aligning the future of such families so closely to the fortunes of their relatives living abroad.

The fifth major lesson is related to the last point made above. That is, that the GFC has underlined the importance of having more diverse sources of funding and economic

diversification beyond dependence on remittance by many households in Cameroon and tourism, areas that are both susceptible to external economic shocks. Importantly, remittances cannot eliminate the need for Cameroon and other countries to find the means for a sustainable growth of their economies. These would include efforts at increasing productivity, efficiency and fiscal discipline. The departure of citizens thus marks the continued failure of the governments to provide opportunities where skills and talents can be applied at home.

At another level, the crisis also demonstrated the necessity to diversify the ways in which remittance funds are used. This may mean scaling up impact beyond household subsistence to help fund more entrepreneurial ventures or diversifying the ways in which they are used at the household level. Ultimately, this involves the creation of sustainable ventures with remittance funds providing the seed capital for viable business initiatives. As yet, the financial services market for remittance funds remains untapped in Cameroon and many other countries with many recipients lacking access to bank accounts; a condition which is similar for the rest of Sub-Saharan Africa (Ratha *et al.* 2009).

These points, therefore, resound beyond the borders of Cameroon and other countries given the share of remittances in developing economies across the globe. As noted by Alexander, around 80 per cent of remittances come from high income countries, making the concern over the impact of remittances, not just a Cameroonian issue but a global one. The increasing attention to this source of income as a form of development assistance, in the face of declining ODA and economic competitiveness also exists as a concern for international development institutions and developed country donors (Alexander 2010: 118).

### **Conclusion**

Summarily, this paper has sought to investigate the impact of the GFC on remittances and to investigate the implications for the increasing dependence on this source of development funds. It has shown that in spite of the declines experienced since 2008 the picture is not the one of total gloom. That is, while there have been worrying declines, the fact that remittance remains a sustained source of income for many Cameroonian households suggests the resilience of this source of income, certainly when compared to other contributors, such as tourism, ODA and FDIs. The study argued that this has been due to the devotion and sacrifice of a diaspora fully aware of the level of dependence on these funds. Remittances, therefore, constitute one of the ways in which developing countries in general and Cameroon in particular have attempted to find innovative ways of building resilience in the face of the vulnerabilities of a competitive and volatile global environment.

Nonetheless, there remain a number of concerns as it relates to the relationship and dependence on remittances in the developing world. To this end, the paper prescribes more attention to the boundary-crossing function of the diaspora and going beyond remittances to utilizing diaspora resources in international relations and in the economy and governance of the home country.

### **NOTE**

<sup>1</sup> Pidgin word for the West, Central Europe and America.

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