



# Remittances in crisis: Is Moroccan development at risk?

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**Spain**

*Received: 09/11/11*

*Initial acceptance: 10/11/11*

*Final acceptance: 24/12/11*

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## Abstract

This article reflects, in the context of the international economic crisis, on the impact of decreases in remittances on the development of Morocco. For this is explored 2008-2009 as our period of study: analyzing causes, consequences and the actions initiated by the country in this new situation. Based on an analysis of documents and official statistics, our study not only raises the issue of the possible depletion of the internal economic dynamics in Morocco, but warning about the fragility of families receiving remittances who have to face up social risk of losing the source of income that support them above the poverty line. The actions promoted by Morocco, reported in the article, are insufficient and should be reconsidered from global view, taking into account the latest economic dynamics, the practices of the diaspora and development needs.

**Keywords:** Morocco, remittances, crisis, migration, development, institutions.

## Resumen

Este artículo reflexiona, en un contexto de crisis económica internacional, sobre los efectos de las disminuciones de remesas sobre el desarrollo de Marruecos. Para ello se explora en el intervalo temporal 2008-2009: las causas, las consecuencias y las medidas iniciadas por el país en esta nueva situación. A partir de un análisis documental y de datos estadísticos oficiales, nuestro estudio no sólo plantea el posible agotamiento de la dinámica económica interior de Marruecos, sino que alerta sobre la fragilidad de las familias receptoras de remesas que están ante el riesgo social de perder su fuente básica de ingresos y quedarse por debajo del umbral de la pobreza. Por lo que las medidas promovidas por Marruecos, relatadas en el artículo, son insuficientes y deben ser replan-teadas desde una visión más global, teniendo en cuenta las últimas dinámicas económicas, las prácticas de la diáspora y las necesidades del desarrollo.

**Palabras clave:** Marruecos, remesas, crisis, migración, desarrollo, instituciones.

## 1. Introduction

The current recession has beaten unevenly to different economies in the world. What began as a regular and exclusive downturn in the financial sector has spread to all sectors and is affecting major macroeconomic aggregates in most countries (production, unemployment, inflation, job insecurity, trade, investment). Similarly, the overall poverty figures have increased considerably reaching the highest levels in recent years<sup>1</sup>.

However, not all countries have been disrupted in the same sectors and with the same level of intensity. Paradoxically at what we would expect in the years before the onset of recession, the so-called developed or industrialized countries have been affected more violently, in most cases (World Bank, 2009). In contrast, when the recession began, the emerging and developing countries were less affected because they had a lower degree of integration into the global financial system, it wasn't until the recession affected the real economy when these countries were impacted by their effects of transmission: a sharp contraction of world trade and demand for products, reduced private capital flows, falling investment (Ratha et al., 2010). The degree to which a country has been impacted by the recession is closely related to how integrated it is in the global economy, the strength of its productive structure, regulation of its financial system and its level of indebtedness.

Morocco, in context of analysis of this article, was not influenced, at first, by the financial crisis, but it has been for the impact of this on the country's sectors most closely linked to the international situation. The main transmission channels, through which Morocco had been affected by the recession, have generated several economic and social impacts that may be able put at risk the development<sup>2</sup>. In this context, the decrease in receiving remittances from Moroccans Living Abroad (MLA) stands out as a transmission channel.

The main purposes of this study are analyzing in the period 2008-2009, the causes of the decline in money transfers to Morocco, the impact on the country's short and medium term development and the policies implemented by Morocco to address this vulnerability. In this regard it is essential to question the effectiveness and feasibility

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<sup>1</sup> According to Organization United Nations Agriculture and Food (FAO, 2010), in 2009, the global number of poor rose to 1,020 million people, while in 2010 has been reduced to 925 million, the number of undernourished people is still very high (Reports on World Hunger 2009 and 2010).

<sup>2</sup> This paper argues for developing the process of major structural changes that accompany economic growth and well beyond it. The development involves and requires an improvement in living conditions the poor and expanding their opportunities, capabilities and freedoms (Sen, 1999).

ity of state initiatives aimed at maintaining the provision of MLA to local development, to propose alternatives to help meet the new international situation.

To achieve these objectives we carried out a documentary analysis of official statistics, both Moroccan and Spanish institutions and international. We approach this work from a multidisciplinary perspective, in which the methodology used is determined according to the characteristics of the hypotheses and questions raised during the progress of work. This was the result of a process of reconstruction of the different data available.

First we will address the general framework and trends in remittance flows worldwide, placing Morocco in this context. At the same time describe the main sources of flows to Morocco and its evolution in the context of global crisis. In the following sections we interpret the strategies developed by the MLA in this new situation and the implications for them, analyzing the consequences (economic and social) of the reduction in the flow of remittances to Morocco and reflecting on the measures that the Moroccan government has underway to solve these problems. Ultimately, we present the main conclusions which we reached after our investigation, which, in our opinion, is the way that Morocco should go to reduce the impacts of the crisis and increase the positive effect of remittances on development.

## **2. Morocco confronts risks of recession**

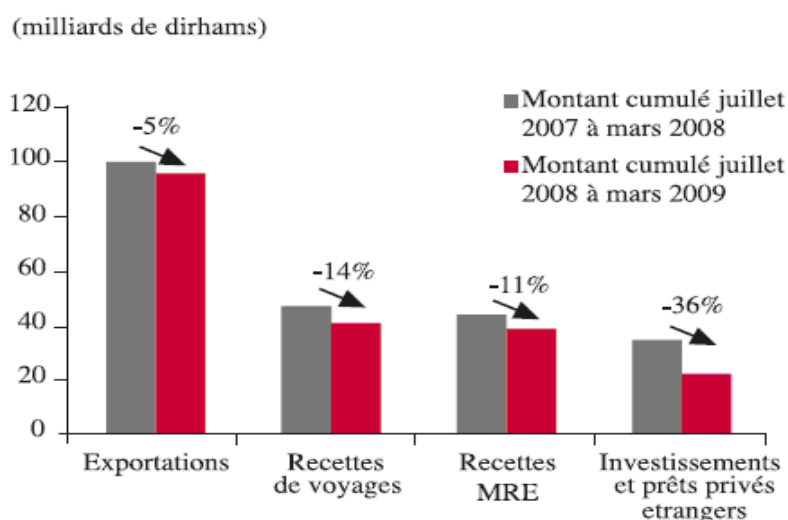
Economic dynamics in Morocco in recent decades have been very positive. GDP growth has followed an average of 5% in 2004-2007; the market has benefited from growth in household consumption and investment operated by public and private sector reached 30% of GDP, bank credit increased to 140% from 2005 to 2008, inflation was less than 3%, the rate of external debt fell from 26.4% in 2003 to 19.8% in 2007 and the budget deficit was reduced to 0.4% in 2008 (in 2002 it was -4.1%)<sup>3</sup>. At the same time, the strengthening of its financial sector has been very significant. In this dynamic, the results of the latest studies of the Financial System Stability Assessment said the Moroccan banking system was stable, well capitalized and resilient to shocks, allowing early identification of financial risks and avoiding the difficulties experienced by other economies (Tatom, 2005, IMF 2008). These facts show that Morocco wasn't affected

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<sup>3</sup> For a more rigorous analysis of the figures and the growth dynamics of Morocco during the last decade to see the actual report for Strategic Studies published in 2009.

by the effects of financial worldwide recession, but no disturbance associated with the worldwide recession that began in the second half of 2008.

Despite the positive figures, the Moroccan economy is still fragile with some factors that may affect their development process and have been confirmed due to synchronize his own cycle with that of his top partners (France and Spain). This fact has meant that Morocco is affected mainly by 4 channels of transmission of the economic crisis. From July 2008 to March 2009, these four channels were involved with DH 28 billion less than the same period the previous year (see Figure 1).



Source: Report of the Institut Royal d'Études Stratégiques (IRES) as data The Moroccan Office Change.

**Figure 1. Impacts of transmission channels of the crisis in Morocco.**

The first channel relates to export in goods and is manifest by the decrease in consumption that led to a drop in demand for Moroccan goods. The second is on the decrease in income from tourism due to the reduction of household expenditure in countries demanding tourism, and intense regional and international competition. The third is on the decline in money transfers from the MLA. The fourth could be summarized in the contraction of the IDE's, under the effect of uncertainties, the difficulties of global finance and the possible postponement of investment projects. Although the figures indicate that the more significant channel is the contraction of the IDE's, the main purpose of this study is to analyze the contraction in the flow of remittances. In our interpretation this channel (as we argue in later sections) had more impact on the development of Morocco.

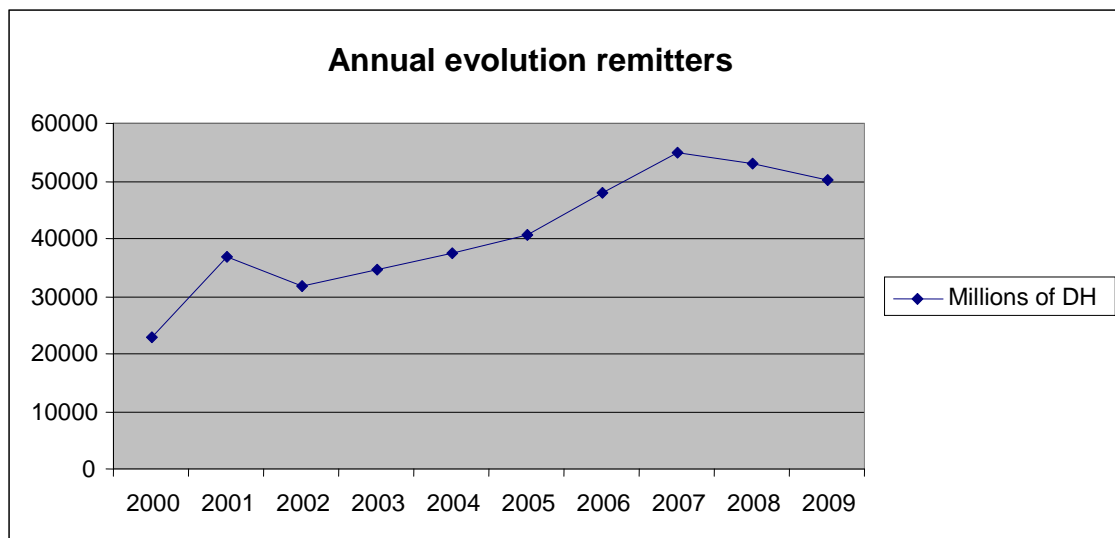
In the next section we present a brief contextualization of the evolution of remittances in recent decades, focusing specifically on the Moroccan case, which will serve as a preamble in order to enter and analyze the situation of the MLA and the factors involved in its forwarding decisions.

### 3. Remittances in a time of global crisis: general data

In recent years, the discussion of the role of remittances in developing countries has taken a leading role in international debates. As proof of this we can cite the recent meetings of the Global Forum on Migration and Development in 2007 and 2008, which took place in Brussels and Manila.

The figures for remittance flows worldwide have been rising since the mid 90's, showing very high ascending tops from 2000. Despite this upward trend, from 2007 there has been a decline in numbers worldwide. In 2009 there was a decrease of 6% in international remittance flows (Ratha et al., 2010). In terms of remittances received by the countries of North Africa, the most optimistic forecasts issued by the World Bank predicts the onset of recovery in late 2010, while pessimists predict not until early 2012 (Ratha et al., 2008).

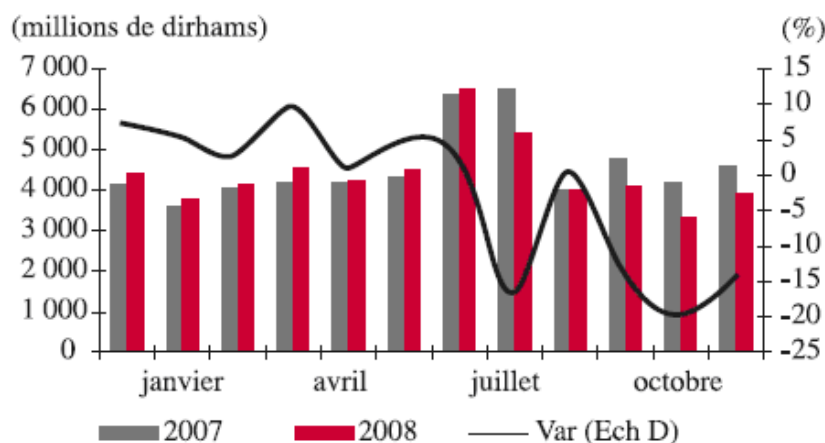
The case of Morocco has followed international trends. Overall developments in the flow of remittances to Morocco have been rising in recent decades, although 2008 saw a significant drop (see Chart 1).



Source: Devised by the author based on statistics from Moroccan Office Change (2010a)

**Chart 1. Trend of the arrival of remittances to Morocco.**

As the data available through June 2009 shown a decrease of 15.5% in first half 2009 compared with the first half of 2008. Morocco hoped to reach 45 billion in remittances in 2009 DH<sup>4</sup>, while a year before the total was around 53 billion DH.



Source: Report of the Institut Royal d'Études Stratégiques (IRES) as data The Moroccan Office Change

### Figure 2. Quarterly evolution of remittances to Morocco biennium 2007-2008

The decline in remittances began in the second half of 2008 and continues up to now: watching the evolution monthly of remittances in 2008, reflected in the Figure 2, we can see a decline of 5% for each month of the second semester (except in July and September) giving a pessimistic interpretation of the downward trend in remittances. In fact, official estimates for 2009 indicated an average annual decline around 10% and in some cases 15%. However, the new data we have from September 2009 contradict these estimates, since the money transfers have not followed this logic line of decline. In the period September-December 2009 they increased by 8.2% compared with the same period in 2008, which helped to change the most pessimistic views (Al Amana, 2010). Official data Office Moroccan Exchange indicate a figure of 50 billion DH in 2009 that means only the 5.4% of the recession in 2008. However, if we compare this with the

<sup>4</sup> According to statements by the Moroccan Minister of Economy and Finance, reproduced by the information portal Bladi cited in the references.

pre-crisis period, the decrease would be about 11% in 2007, the strongest in a decade of significant annual increases<sup>5</sup>.

#### **4. Remittances in crisis: causes and consequences**

Usually this is explained as the decline in remittances from MLA in relation to the international situation and specifically the impact of the crisis on employment in the countries where most of Moroccan emigrants reside.

According to the Eurostat unemployment rate in 2009 was 9.1% in France and 18.1 in Spain (European Commission, 2007). In France Metropolitan, the reports of the *Institut National de Statistiques et d'Études Économiques* (INSEE) indicate a negative trend in employment in all major sectors from early 2008 until late 2009, reaching -3.4% in construction and -6.8% in industry, sectors in which the Moroccan labor is a majority. Since there were no official data on job losses by immigrants in the French context of crisis, we focus on the case of Spain where they have produced annual reports on the subject (Pajares, 2009, 2010).

Job losses in the Spanish economy has been staggering as a result of economic growth sector based on labor intensive, in which most workers were immigrants (see Table 1). Are estimated at 101,006 new unemployed Moroccan immigrants in Spain since the beginning of the recession, which has had a special impact on remittances of Moroccan immigrants in Spain.

The Economic Intelligence Cabinet, Oxford Business Group (OBG) supports the above interpretations. In 2008, the Cabinet made an analysis about the risk of shrink by the economic turmoil in Europe and recommended the implementation of measures to facilitate and formalize remittance flows (Bazi, 2008). The remittance figures by country of residence show that declines in 2008 were caused mainly by the reduction of remittances from France, Spain and Italy, where most of the MLA are concentrated, are the hard-hit countries of the worldwide economic recession.

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<sup>5</sup> According to the Balance of Payments in 2010, the figures for remittances in 2010 show an increase compared to 2009 (which reached 54 billion DH) although the 2010 sum is still below the level reached in 2007.



**Table 1: Changes in unemployment in Spain, according to nationalities.**

|                  | 4 th Quarter 2008 |             | 4 th Quarter 2009            |          | % Change |
|------------------|-------------------|-------------|------------------------------|----------|----------|
|                  | Occupied          | Change year | Working immigrants with jobs | Occupied |          |
| <b>Morocco</b>   | 280.567           | -52.555     | 232.116                      | -48.451  | -14,5    |
| <b>Romania</b>   | 455.500           | 26.073      | 391.281                      | -64.219  | -15,0    |
| <b>Colombia</b>  | 232.415           | -3.115      | 212.259                      | -20.156  | -8,6     |
| <b>Ecuador</b>   | 418.657           | -25.148     | 314.665                      | -103.992 | -23,4    |
| <b>Argentina</b> | 104.850           | -24.783     | 90.806                       | -14.044  | -10,8    |
| <b>Chile</b>     | 40.260            | 589         | 40.965                       | 705      | 1,8      |

Source: Devised by the author based on data from the Informe inmigración y mercado de trabajo (Pajares, 2009).

**Table 2: Remittances to Morocco by country of residence (2008-2009).**

| COUNTRY                     | MONTANT 2008<br>IN MILLIONS<br>OF DH | MONTANT 2009<br>IN MILLIONS OF<br>DH | VARIATION IN<br>MILLIONS OF<br>DH |
|-----------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| <b>France</b>               | 23353,3                              | 21057,8                              | - 2295,5                          |
| <b>Spain</b>                | 8504,9                               | 7764,7                               | -740,2                            |
| <b>Italy</b>                | 6808,5                               | 6554,6                               | -253,9                            |
| <b>United States</b>        | 2761,4                               | 3320,4                               | +559,0                            |
| <b>Netherlands</b>          | 2321,8                               | 2390,9                               | +69,1                             |
| <b>Belgium</b>              | 2293,3                               | 2151,2                               | -142,1                            |
| <b>United Kingdom</b>       | 2112,2                               | 2146,0                               | +33,8                             |
| <b>Germany</b>              | 1865,0                               | 1981,8                               | +116,8                            |
| <b>United Arab Emirates</b> | 1568,6                               | 1776,4                               | +207,8                            |
| <b>Saudi Arabia</b>         | 1209,1                               | 1094,4                               | -114,7                            |

Source: Devised by the author based on statistics from Moroccan Office Chan

The main explanation for this change in remittances is the increase in levels of unemployment in the countries where most of Moroccan emigrants reside (Spain, France and Italy). Monetary statistic shipments to Morocco in 2008 by host country indicate that Moroccans living in France, Spain and Italy, countries which have been heavily hit by the crisis, make up 70% of the operations, a fact that supports this thesis.

### **5. Emerging Reflections on the decline of remittances**

In addition to unemployment as the main factor, the alteration of remittances can be explained by other effects of the crisis or for causes confirmed, that have worsened under the circumstances. Given that all projections assume only remittances that pass through formal channels, there are not any figures in terms of money transfers made through informal channels, so it is unclear whether the trend has been downward or upward. The decrease would have the same arguments mentioned above concerning the employment status of immigrants. In the case of increase, this would be a new strategy developed to reduce expenditures in times of crisis (although it is also one of the reasons of ordinary economic situations). The alleged increase in "informal remittances" would exacerbate the disadvantage of the Moroccan state to not be in control of a significant proportion of the transfers, for a study of the Observatory of MLA Foundation Hassan II (Fennassi, 2004) estimated at 20 billion DH to reach the Moroccan families during residence in other countries<sup>6</sup>.

The decrease can also be explained by the change in savings behavior of MLA, keeping the same line of action as the natives in the host countries affected or not by the crisis. In a situation of uncertainty about job stability and income, savings tend to increase. In a study conducted during the month of June about Spain, the trends are divided: 32% of Spanish have lost saving capacity in the last six months, while 20% are making an effort to save more (Report Ibercide, 2009). The main reason is to protect themselves against the recession considering savings as an economic cushion for emergencies, possible loss of employment or reduction of income.

The actual effect of the crisis on remittances show us how to have a wide view about the factors that determine the decisions of sendings. Many studies have been

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<sup>6</sup> Speaking of formal remittances we mean those that are sent through regular channels and enter the legal circuits while the informal are sent using other means and are out of accounting and general monetary circuit.

based on the features visible of the destination country as education, income, length of stay, age and family size, showing that they're able to have adverse that can affect the transfers. In this article we are interested in studying the characteristics associated with the other view as ties with the country of origin according to their institutional and economic conditions<sup>7</sup>. If the trust of migrants in the country's institutions can make they keep sending remittances through formal channels, the economic situation and welfare of families will be considered in a decisive way in the maintenance of these flows: The amount of remittances received will increase with the worsening economic situation in the country of origin (Albert, 2007). This feature is known as the counter-cyclical nature of remittances and refers to transfers, investments and other capital flows that fluctuate depending on the economic cycles or the situation in general (disasters, political conflicts ...). Several studies have found that remittances are counter-cyclical regarding the GDP of the countries that receive them (Fajnzylber & Lopez, 2008) or about recessions and structural problems that affect their economies (Solimano, 2004).

Based on these theoretical bases is it assumed that the economic situation in Morocco affected by the crisis should encourage more transfers of the MLA, but statistics say otherwise. This raises two interpretations: the families of migrants have not been affected enough to make increase the remittances, because the current situation in Morocco is not as alarming as is explained later, or is that families have devised other coping strategies as migrant relatives cannot stop the effect of saving trends or keep sending the same amount.

It is essential to mention that one of the most important factors in the issue of transfers is the economic situation in the countries of origin (Tedesco, 2008) it means, everything that can affect working and social conditions of immigrants. Therefore we think that remittances are countercyclical with respect to the receiving country, and when the situation of the migrated is not worse than his family at the origin country, although the receiving country goes through risk either as a natural, political or economic level, it will not increase the remittances received unless the situation of immigrants be better than that of their families.

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<sup>7</sup> By covering institutional, we mean the theoretical tradition New Economy Institutional, which generally puts the institutions as constraints created by humans to regulate behavior (North, 1990). In this respect the institutions take on the character of rules, among which include both formal (policies and laws Morocco in the field of remittances) and informal (MLA motivations on monetary items such as culture Shipping, family ties or new strategies before the crisis).

## 6. Complications for the development of Morocco

Some authors emphasize the capacity of remittances to make a deep reduction of poverty levels in developing countries (Richard, Adam & Page, 2005; Glytsos, 2002), while others feel constrained in their ability to finance an effective process of economic development in communities of origin of migration (Fajnzyber & Lopez, 2008; Teunknow, 2008; Chami et al., 2005). In this article we assume the general belief that remittances have a significant impact, both for households and for the major macroeconomic aggregates in the sending countries and destination. Focusing on the impact of the alteration of transfers on Morocco, we identified several aspects.

In the economic sphere, the flow of remittances to Morocco gives a positive profit for the income balance which helps to finance deficit elsewhere (Balance Payment (BP) in Morocco. Thus remittances are an important source of foreign exchange for the country's economy, allow imports that could not be financed from internal resources and helps to external financing of its economy, it is one of the most important sources of foreign fundraising (Ratha, 2003). The decline in receipt of remittances implies a greater debt of the Moroccan economy, borrowing to finance the deficit on other items BP and can not be devoted to other social expenditures. Figures of Morocco's BP 2009 show a deficit in the current account balance 36,808 MDH, in what has a significant influence the drop in the flow of remittances (-5.4% compared to 2008)<sup>8</sup> with approximately 5% of the deficit. At the same time the reduction in exports of goods has been important<sup>9</sup>.

In fact, one of the channels of the possible continuation of the economic crisis in Morocco is the risk of depletion of foreign reserves: exchange reserves have dropped to 11.5 billion DH in 2008, and it only gives coverage for only 6,6 months of importations (Royal Institut d'Études stratégiques, 2009.) This situation, considering also the pessimistic forecast about remittances, could be aggravated by the disinvestment of foreign operators in business that are been highly hit by the recession, or on which objects are important inducements to return in the framework of European recovery plan (offshoring, industrial subcontracting). The situation would be much more impaired if the markets for raw materials and energy anticipate the departure of the crisis oriented upward.

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<sup>8</sup> In the balance transfers to other private flows of remittances are also accounted for pensions, but these have a minimum value in the balance, not getting even 10% of it.

<sup>9</sup> Interpretation based on the balance of payments 2008 and 2009. Moroccan exchange office.

The alterations in the remittances reduce the rate of household savings, since remittances are not consumed entirely by the families but some are usually saved (World Bank 2010). If migrants can not send the same amounts because of their labor situation in the host country, families from origin should reduce or eliminate the savings and adopt other modes of consumption below the standard of living they had before the crisis. In fact the reverse is expected in consumer spending allocated to durable goods, such as the housing sector, the automotive sector or furniture sector. If in terms geographical mobility, migration strengthens urbanization, while immigrants and their families tend to leave rural areas of origin and settle in cities by investing remittances and savings in the purchase or construction of housing, reducing income will slow down this process. For that reason, a specific measure of anti-crisis plan is to promote the acquisition of property by the MLA, in order to avoid complications related to the mentioned economic decline process, figures of business and production of businesses will be reduced as well as taxes collected as a direct result of consumption of these goods, with corresponding implications for Morocco's GDP (see the later section specifically for these measures).

It is also important to explain that the reduction of consumption basic goods will affect to the development of the capabilities of individuals such as health or education, just as it will reduce the possibility of spending on goods and services related to leisure.

With regard to investment, whether the use of remittances is intended for the creation of small enterprises (Leichtman, 2002) or productive investment limited to the family (Lacomba, 2005), these strategies tend to lower or stall them in the period of declining remittances, threatening business that have been created thanks to the arrival of remittances and still depend to some extent on them. The decision to investment need a family context in harmony and concord that, in times of crisis is difficult to maintain; some newspaper articles that show the situation of immigrants in unemployment, confirms that the explanations of the recession are not understood by their families, and laziness or lack of know-how are considered the only reasons for not to take the opportunity to live abroad.

As for the IDE realized by MLA, if in the words of Minister of Economy and Finance of Morocco, speaking on investment in the Casablanca Stock Exchange, the MLA constitute 71.8% of total foreign investors (Sebti, 2009) statistics are not yet revealing the decrease or increase the same in the various investment sectors, the figures

provided by local authorities organized by country rather than by nationality. All private and direct investment in 2008 has registered a negative trend compared to 2007 reaching (-28.7%). FDI from France and Spain, despite following on top of the rankings, respective evolutions recorded (-29.4%) and (-59.6%)<sup>10</sup>. The concern about the motivations of investment Moroccan groups scattered abroad, is more legitimate than ever before.

Besides the economic issue, a study by the High Commissariat of the Plan (HCP) in 2008 on the "socio-economic insertion" immigrants indicates that the numbers of young people interested in returning to the country for doing business are significantly lower compared with their parents<sup>11</sup>.

In summary, as remittances connect directly to the supplier (immigrant) with the receiver of resources (family), the use of these resources are not always related to investor goals, because in most cases are intended to serve the needs of habitual consumption of household equipment, acquisition or expansion of household assets or the creation of a small business, among other strategies and needs. However in view of the data, remittances also represent an important source of funding and investment for Morocco, a fact that has been addressed, as discussed below, the measures that the Moroccan government take in this field.

## **7. Reflections on the Moroccan crisis plan: governance issues**

In response to this series of events, the Moroccan government has taken several measures specifically aimed at the diaspora specific grouped in an anti-crisis plan led by Delegate Minister in charge of Resident Moroccan Community Abroad (Maghreb Arabe Presse, 2009). As there is no study made to design this plan, its conclusions can be used to clarify and analyze the causes in terms of development and welfare under one-third<sup>12</sup>.

The measures that we try to clarify are summarized in four essential points:

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<sup>10</sup> According to the Balance of Payments Report 2008, available at [http://www.oc.gov.ma/Publications/BP/BP\\_2008\\_preliminaire.pdf](http://www.oc.gov.ma/Publications/BP/BP_2008_preliminaire.pdf)

<sup>11</sup> According to information reported by the portal Bladi.net cited in the references.

<sup>12</sup> The plan has not been officially released; we got the information through press releases Lavie Eco cited in the references.

- The ability to access a bank loan to purchase property under the same program offered to the natives called "guarantee of accommodation." The credit can cover up to 100% of the purchase or construction of the house.
- The cost of sending money to Morocco is considered exorbitant in comparison to the charges applied in other countries: for example the price of a transfer between France and Morocco varies from 7% through the postal bank and 19% via specialized dealers. In this context, the Moroccan government has decided to apply, until 31 December, free transactions passing through their networks or Moroccan banks abroad.
- To promote the investments Moroccans of the World (MDM) has created the fund "MDM Invest". The mechanism is aimed at those who want to create a new project or improve an existing one, it's about getting a subsidy of 10% of the total project cost, provided that certain requirements: the cost is between 1 and 5 MDH, that personal contribution to the currency is at least 25% of the total project cost and bank finance does not exceed 65%.
- The State Plan-GPBM (Professional Association of Moroccan Banks). MLA offers, to Moroccans affected directly by the crisis, the possibility of rescheduling the debts.

Receiving remittances usually contributes to a capitalist mentality beneficiaries without entrepreneurship, offering a quick start and short-lived in poverty does not correspond to the criteria of a viable development. Hence the need to base policies directed to the MLA in lines of economic investments, microcredit and enterprise development, with a more global and widespread. The initiative "Invest MDM" responds to these concerns, but it is not feasible if one takes into consideration the failure of similar programs aimed at the locals, for minimal cooperation of the banks funding source to some innovative projects or applications with insufficient credit protection: the issue is the possibility that the migrant and family support available to ensure loan repayment. To this end the measures outlined in the anti-crisis plan must be accompanied by initiatives involving the Moroccan banking sector and other external funding networks in a real commitment to collaboration, whether through the granting of preferential credits for investments by migrants and returnees, as well as enhancing the inclusion of remittance flows in the financial sector.

Efforts at governance should be directed to change a capital market that operates on discriminatory criteria, feeding processes of exclusion that affect the poorest sectors

(García-Quero, 2010). Those without 'assets as collateral to be able to access credit, claimed by the formal financial system, are excluded from capital markets regardless of the potential profitability of the investment project. Hence the need for equitable systems to channel remittances into the financial investment.

This measure<sup>13</sup> depends on the broad framework for investment promotion and implementation of policies and plans aimed at achieving greater efficiency of the administration to address the projects submitted and professionalise the way of contact and communication within a system and capture and maintain interest of investors (Aboussi, 2011). It's just one of the current challenges in Morocco, combat market deficits responsible for the reduction of competitiveness, innovation and production growth, as well as gaps in the field of administration, lack of information causes violation of property rights and reduces the incentive to innovate, lack of coordination between public and private sector, that are essential to simplify procedure, does not provide the return on new investments. Development assessments in Morocco confirm this as a strategy for effective action, highlighting the need to implement a new policy aimed at public sector reform, based on leadership management, decentralization and interaction with the public administration and citizens<sup>14</sup>.

The cost of sending money is also a much more complex problem, as for apply limited measures in time. In quantitative terms, the importance of remittance flows has led to a growing processing sector, which has led in recent years to a declining trend in shipping costs and increased interest by governments to regulate the sector, in order to incorporate the potential benefits that this would have on the domestic financial systems, such as the increase in loanable funds in the domestic economy and financial sector development in recipient countries (Albert, 2007). One of the measures discussed previously referred to a considerable reduction in the cost of shippings of remittances to Morocco to be carried out by Moroccan banks and their foreign networks of collaboration. In principle, since it has been shown that the expansion of the Moroccan banking system has increased remittance flows (Leichtman, 2002) This measure provides an incentive for migrants at the moment of shipment through formal channels, but it is totally inadequate, it is extraordinary, responding only to a temporary situation and not

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<sup>13</sup> We use the term "measures" and not "policies" because we believe that in the recent years, the Moroccan government has implemented limited initiatives that do not constitute logical and consistent policies. This situation hinders the possibility of any rigorous analysis in this area; there is no official discourse on the subject (see footnote 11).



being part of a strategy for solid long-term action, that manages to incorporate this practice in future forwarding decisions of the emigrants. Institutional initiatives aimed at immigrants often fail to meet their needs or future needs to avoid possible alienation and loss of links between new generations and their country of origin (Leichtman, 2002).

The Moroccan government actions are focused on the economic consequences of the decrease in the flow of remittances to the country, but the greatest danger in this situation is found in the poorest families. The real risk is that those social strata of society with lower income levels lose this source of income to keep them decent living positions<sup>15</sup>. The fragility of families receiving remittances is being tested, but the anti-crisis measures in the plan have not appreciated this fact and are intended primarily to reduce the impact on the economic level, previously mentioned, caused by the decrease in the inflow of remittances.

## **8. Conclusions**

The channels of transmission of the crisis in Morocco could produce some wear of the internal economic dynamics. Tourism and remittances in this state of decline are ready to extend the economic retreat beyond the sectors hit by the crisis, and may slow domestic growth especially in the case of a poor agricultural season in 2010. To cope with these facts, a more robust action plan, which now does not respond to a specific situation the result of an international context into recession, joining the commitment of the national banking, their collaborative networks and agencies abroad and international NGOs, and of course incorporating the gestation process and implementing the demands of the Moroccan society.

At the same time, as we have argued in this document, the current situation, in addition to endangering the Moroccan economy in the medium and long term, harm social stability and increases the risk of insecurity in the urban environment and poverty rural areas. Therefore, the real risk is not entirely to the economy, at least in the short term, but for the poorest families for which remittances are an immediate exit from poverty. Morocco's policy response has not evaluated these consequences and focuses on

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<sup>14</sup> General report 50 years of Human Development and Prospects 2025, available at [http://www.rdh50.ma/esp/docsynthese\\_esp.pdf](http://www.rdh50.ma/esp/docsynthese_esp.pdf)

<sup>15</sup> According to World Bank estimates that remittances are saved from poverty by 1 million Moroccans: the welfare of families who depend on transfers is more than ever in a situation of doubt (World Bank, 2009).

the economic level. In this sense we need a greater commitment to action by the Moroccan state, enabling migrants and their families to escape from this situation of vulnerability and dependency, making possible new source of investment strategies in origin. Although we can observe that the contribution of political parties to debate on these issues is scarce. The proposed power of these actors and their real ability to foster change, has always been questioned thus leaving empty spaces of action relevant value (Aboussi, 2011).

Policies linked to migration and development perspective must be protected from any impact of instability and uncertainty on employment and social areas, as we see today by the effects of the crisis. In addition to initiatives that promote development cooperation programs, the Moroccan state responsibility towards its citizens abroad must translate its stated commitment in recent years in an effective and efficient, longer consider migrants as simple cash-donors (Aboussi, 2011). Immigration also encourages changes in value systems, skills and attitudes of people with accumulated experience, which may be functional for the development of the country of origin. The inclusion of migrants and their families at home in the design and implementation of public policies is a recognition that can give them confidence in collective action and institutional structures of the country, considering not only as beneficiaries participating in programs related to their welfare and their families, but as real actors engaged in the development of the country.

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