



## **Engaging diasporas as development partners, for home and destination countries**

### **Workshop discussion paper**

The role of diasporas in development, poverty reduction, reconstruction and growth is gaining considerable policy interest. The interest in diasporas is summarised in a three variable equation: ensuring benefits for migrants, host countries and home countries. This paper is the executive summary of the IOM paper “Engaging diasporas as development partners, for home and destination countries: A Policy Roadmap”. The complete version of this paper (in English) will be published by IOM in 2005.

This executive summary introduces the subject (1), then briefly reviews the following policy issues: how can diasporas contribute to development; (2) how can the diverse resources of diasporas be mobilized (3); and what policy tools are available to decision makers to target diasporas (4). Finally, it draws some preliminary conclusions and suggests avenues for action (5).

### **1. Background**

#### ***Diasporas: The Challenge of definition***

There is no agreed definition of the term “diasporas” and it has different meanings to different stakeholders. The notion is best conveyed by the idea of **trans-national** populations, living in a place but still related to their homelands, being both “here” and “there”. To modernize a term that has a strong historical connotation as well as to reflect changes in migration trends (labour migration, circular migration), we use the term “diasporas” without capitalizing the first letter “diasporas” to avoid confusion with the historic Jewish Diaspora, and in plural “diasporas” to better express the plurality, the diversity and the individual interests within diasporas in addition to the community facet.

#### ***The challenge of data collection***

Reliable data and information are essential to enable governments to engage diasporas in practical programmes for development. The availability of data often reflects the level of policy interest, and growth in volumes can sometimes reflect improved reporting, rather than an increase in real terms.

There are a number of specific challenges related to data collection on diasporas: first, simply gathering accurate quantitative and qualitative data implies defining diasporas; second, the difficulty of collecting data on diasporas organisations; third, defining and measuring trans-national diasporas flows; and fourth, identifying the institutions responsible for gathering data on diasporas. A major barrier to data collection on diasporas is the reluctance of diasporas populations



themselves to respond to surveys and governmental inquiries, demonstrating the importance of having neutral bodies undertaking such kinds of exercises.

## **2. How can diasporas be agents for development?**

There is no automatic link between migration and development. Development can be defined as sustainable economic growth, social advancement, human empowerment and equity. Diasporas are not positive *per se* for the development of their home countries. The role of policy is to define how diasporas can contribute to development and how diasporas-related approaches and solutions differ from conventional development programmes. Five major features distinguish diasporas for development approaches:

### ***Better articulate migration and development concerns***

Policy interest in diasporas is closely related to three current migration trends - rising numbers of labour, youth and female migrants – with distinct impacts on development. Migrant workers, expatriate students and women as independent migrants will build particular relations with the host and home countries and their departure has a particular long term impact on their home country development. Engaging these diasporas in support of the development of their countries of origin affects those impacts.

### ***Establish the development role of non-governmental trans-national stakeholders***

In many cases, diasporas first organise themselves and, based on the success of their initiatives, generate policy interest. The emergence of diasporas associations is not a new trend but to recognise diasporas as development partners means to acknowledge new key collaborators for development within civil society. Diasporas can act as first movers because they are familiar with the home context and start innovative programs based on their international experience. Scientific diasporas' networks seem to be particularly dynamic in academic and entrepreneurial environments. Other diasporas organisations represent bridges between home and host countries, having dual memberships of diasporas and nationals. However, many diasporas initiatives depend on volunteer work and often reach operational limits. The support of international organisations can help ensure the viability of some existing networks.

There is still little systematic evidence assessing the development impact of diasporas organisations, but this does not mean that diasporas make a limited contribution to development. For example, the ADB (2004) assesses the role of the Philippine Brain Gain Network as influential and found that nineteen of the top-twenty Indian Software businesses are founded or managed by professionals from Indian diasporas.

### ***Reduce the costs of emigration for home countries***

Major motivations behind the policy interest in involving diasporas for development in home countries include: limiting the costs of emigration, compensating for “brain loss”, improving the



skills of migrants and finally setting in motion a trickle down effect in diverse areas. Experience and evidence show that these beneficial effects might not occur without specific support. Countries experiencing high levels of emigration are not necessarily successful in attracting the attention and support of their diasporas. Moreover, migrants sometimes are unable to work legally in host countries, their qualifications may not be recognized and occupational downgrading may occur. Integrating diasporas into endogenous growth projects that represent a real added value for the national economy is a major issue.

Very few home countries officially refer to non-governmental diasporas initiatives in their development strategies, but awareness of the potential of diasporas is growing. Country strategies for Benin, Burkina Faso, Mauritania, Cape Verde, Madagascar and Mali have been developed in cooperation with IOM, in order to match the development concerns of these countries with available resources in the diasporas. Ethiopia and Ghana also explicitly refer to diasporas in their Poverty Reduction Strategies.

### ***Maximise the benefits of immigration for host countries***

On the host country side, diasporas are coming to be seen as privileged partners. Some host countries consult with foreign diasporas organisations in their territories on the design and implementation of their home countries development plans. This is the case for instance for the UK, which consulted the Sierra Leonean and Indian diasporas to develop their country assistance plans for these countries. France set up a federation of NGOs and works on a bilateral basis with Mali, Senegal, Benin, Congo and Sierra Leone.

### ***Contribute to the co-development strategy***

Given their trans-national nature, diasporas are potential development partners for both home and host countries. Shared economic interests between home and host countries results in and is further stimulated by trade, investment and entrepreneurship. Diasporas advocacy initiatives have favoured formation of specific trade agreements such as between Southern European and Northern African countries.

Common policy interest is driven by the interest in making development policies more effective for donors and receivers and by changes in migration trends. Countries of emigration have become countries of immigration (Portugal, Ireland, South Korea), and the majority of immigration countries are both sending and receiving countries. The mobilization of diasporas is part of the co-development approach favoured by a number of governments and initiated by the French government in 2000 through the signature of a Convention with Senegal. Furthermore, the interests of home and host countries can not be divorced given that the development potential of diasporas is dependent on their status in the host country and related to whether the receiving country is high, middle or low income. In poorer countries, the development potential of diasporas support will be more limited.



Co-development initiatives need to be placed within the context of broader migratory policies. Indeed, according to the UN (2004), the proportion of countries that have introduced restrictive immigration policies increased from 7% in 1976 to 34% in 2003.

### **3. How to mobilize diasporas' resources?**

What is the diasporas' potential and how do existing programmes and policies endeavour to channel and maximize it? Five types of diasporas capital are considered: human, social, affective, financial and local.

#### ***Human capital***

The human capital of diasporas in a very broad definition encompasses the levels of education, training, skills, knowledge and know-how of diasporas populations. Interest in human capital is related to movements of both skilled and unskilled migrants, though there is a clear policy focus on migration of the highly qualified. For some countries, the losses in human capital are striking: on average, migrants who leave from Latin America and Asia have had schooling twice as long than the average of the national population and for Africa the average is triple (UN 2004).

The UN (2004) assesses that the loss of qualified nationals leads to an innovation and creativity deficit, in addition to the loss in education investments. Lowell (2003) notes that "brain drain" implies not only significant departures of the highly skilled but also adverse economic consequences. Lucas (2004) offers evidence that a negative association exists for low-income countries between the rate at which their students stay abroad after graduating overseas, and the income level of the home country. Consequently, numerous programmes endeavour today to mobilise the human capital of diasporas for development, through "Skills data bases" and "Skills Banks", such as the "Benin Health Professional Nationals Residing in France", the "Database of Nigeria's Professional Human resources", AfricaRecruit or the "Philippines Brain Gains Network".

IOM's experience in implementing programmes targeting human capital shows that diasporas members are highly interested in supporting development of their home countries provided that opportunities offered are credible and that specific cooperation mechanisms between countries of origin and destination allow them to keep their jobs in the host country. Most importantly, it appears that the equation: "loss in human capital equals compensation in remittances" can be a fallacy. It is not obvious that the well-educated people — part of the "brain drain" -- are the ones transferring funds, thus diasporas policies gain from combining measures targeting different types of capital.

#### ***Social capital***

Social networks sharing values and trust are what is referred to as "social capital". Social capital has acquired policy interest as an explanatory element of economic, social and migration policies. There are two main types of social capital that impact on diasporas: on the one-hand, families, parents, and friends, and on the other hand, local communities and institutions in the host country.



They express the notion of bonding (within the group) versus bridging (outside the group) and can work at cross purposes. The concept of social capital is key to pro-diasporas policies as it raises questions about the role of social ties in the integration process of the immigrant in the host society and in the maintenance of links with the home country.

As far as the economic contribution of social capital is concerned, there is increasing evidence (OECD 2003) that the existence of close social ties and trust can simplify trade relations and reduce transaction costs, prompting interest in diasporas as trade facilitators. Distrust is one of the major obstacles to policies involving diasporas for development; it is apparent between governments and migrants, between migrants and the private sector and among migrants themselves. Mistrust in banking institutions has been identified as the principal obstacle hindering immigrants from the Caribbean in the US from using the formal financial system to remit (IADB, WB 2004).

### *Affective capital*

The term “affective capital” reflects two different realities: (1) the personal interest of diasporas to “make a contribution” for home countries based on a sense of responsibility, or even guilt and (2) the products of “sentimental trade”. An example of the “ethnic” and “nostalgic” market is the exportation of Hispanic products to the United States (IADB, WB 2004) that can represent an important source of income for small and medium enterprises in home countries. Policy can enable that the demand for nostalgic products abroad meets with the offer of products in the home country.

### *Financial capital*

The financial flows from diasporas are diverse and include remittances transfers, foreign direct investments (FDI) and trade exchanges. Policy interest in diasporas’ financial capital has spawned initiatives that have a broad development impact: developing new banking systems and facilities, allowing the transfers of benefits at the international level and even changing financial behaviours by reaching the formerly unbanked.

Knowledge of the share of diasporas contributions within FDI and trade is unequal, but when known, the figures can be striking. For example, it is estimated that 50 to 70% of FDI in China originated in the Chinese diasporas. Evidence shows also that highly skilled emigrants have a large impact on trade relations (Lucas 2004). Diasporas financial capital in terms of remittances transfers is much better documented, despite measurement difficulties. The World Bank estimates the current volume of remittances sent home by international migrants through official channels to be \$93 billion per year, to which over \$300 billion of unrecorded transfers should be added (whereas global aid amounts to \$68.5 per year). Official remittances represent significant percentages of GDP in particular for low-income countries (1.9%).

The discrepancies in investment and trade behaviours among countries can be explained by differences in FDI policies attraction, macro economic conditions in home countries and divergences in the levels of incomes of diasporas in host countries. The correlation between



different types of diasporas' financial flows is of major policy interest. Poor countries that rely heavily on remittances attract very limited FDI. The reluctance of diasporas to invest back home often reflects distrust in the economic or political context as well as major administrative burdens. Nonetheless, it also appears that remittances and investments are also positively related. The World Bank has found that remittances are higher when the investment climate is better. The development impact of diasporas investments and remittances needs in depth analysis and comparison.

### ***Local capital***

It is paradoxical to note that migration, which is a global and trans-national phenomenon, has also a very local dimension. It is not a coincidence that the most developed regions -such as coastal Southern China- are often the regions of origin of a great number of the Chinese diasporas members (MPI 2004). Indeed, often migrants leave from the same region or locality and settle abroad in the same areas, in particular in urban neighbourhoods. This explains why local communities in host countries often develop linkages with geographically concentrated communities in home countries.

Community based initiatives such as the Mexican, Irish, Italian or Polish Home Towns Associations also demonstrate the local dimension of diasporas' trans-national linkages. The success of these programs lies in the localized ties that diasporas maintain with their specific regions of origin and their local development nature (job creation, enterprise start up, local infrastructures and facilities).

## **4. Existing policy tools targeting diasporas**

Governments pursue a number of approaches to favour diasporas' contribution to development. Some of these tools and measures include:

### ***Regulatory and legislative tools***

The granting of dual citizenship: this appears to be one of the most significant symbolic measures in formalising the double belonging of diasporas and providing practical support in facilitating investments in home countries. For Australia or India, the pressure of diasporas groups led the governments to adopt dual citizenship laws.

A number of regulatory measures can enforce the rights of expatriates in their home countries and encourage them to become engaged for development. Some of these rights have a strong symbolic and political dimension; others have a clear practical impact: the right to vote, the right to buy land and property, the right to transfer pension rights and social benefits acquired abroad. Special card schemes simplify the access of expatriates to their home countries: Ethiopia, Mexico and India offer special ID cards that entitle diasporas to specific rights, visa free regimes and facilities.



### ***Institutional tools***

Governmental declarations and programmes, such as Colombia's governmental policy "*Colombia Nos Une*", aim to offer a strategic framework for diasporas involvement. The numbers of national ministries for expatriates or citizens abroad have increased dramatically in recent years on all continents. The internet is the most common tool used to reach out to diasporas. Governmental representations abroad, consulates and embassies can play a key role in gathering data on national diasporas, offering services to expatriates, acting as relays and especially showing that the home country is interested in its expatriates.

It is worth mentioning that institutions targeting diasporas are still very recent, which makes it difficult to assess their real impact and to conclude how diasporas perceive these institutions. It appears that diasporas are often reluctant to get involved with their governments and prefer to be in contact with a neutral body.

### ***Technical tools***

Taking advantage of the E-era is key in opening policies towards diasporas, through websites and by offering facilities that simplify diasporas relations with the home country (e-visas, e-consulates). Low airfares and communication costs as well as effective infrastructures offer strong incentives to diasporas to remain connected.

### ***Financial and business facilitation instruments***

A great number of innovative practices support diasporas financial transfers: arranged exchange rates, low transfer costs, agreements on repatriable deposits, high interest rates for foreign currency accounts, tax exemptions and breaks or bonds for expatriates only.

Many financial instruments targeting diasporas have an avowed development objective: "matching funds and loans" linked to productive activities back home (*Linkapil and Philneed* in the Philippines), remittances inflows channelled to entrepreneurship projects (*Banco Sudameris de Investimento* Brazil, *Banco Solidario* Ecuador), commercial banks offering "Special services for migrants" (*Banque de l'Habitat Sénégal, Banco Solidario* from Equator, *Groupe Banques Populaires* Morocco) and social investment funds direct migrant financing to community development. Many questions can be raised about the sustainability of such programs as well as the administrative burdens they create. Yet, they are extremely innovative and often based on solid partnerships among different authorities at city, region and national levels.

### ***Alleviating the Bureaucratic burden***

One of the major identified obstacles to diasporas engagement in home countries is administrative burden. Some initiatives are intended to alleviate this burden and simplify access to services for diasporas. The One-stop shops in Tunisia and the Indian Investment Information Centre (IIC), a single window agency to support investments in India, are examples of such initiatives. Reducing



administrative and bureaucratic obstacles is identified as a key reform, making diasporas contributions simpler and more efficient.

### ***Information and communication***

Given the high symbolic value of diasporas policy options, governments have set up diverse initiatives to improve the image and knowledge of diasporas: “The diasporas day” (Ethiopia, India) conferences and annual events for diasporas (Syria, Senegal, Ghana, Ethiopia, Sierra Leone etc.), diasporas museums (Portugal, France), visits for diasporas in homelands (Philippines and Syria) or visiting them in the host country (Eritrea). Other symbolic measures can have great visibility and attest to the political will of a country to integrate diasporas: Georgia and Latvia for instance, have elected officials from their diasporas and appealed to their diasporas at a high level of representation.

### ***Education***

More attention is needed to how to target policies at young emigrants and youth diasporas. For the moment, there is little evidence of the impact of degrees equivalence and harmonisation efforts, scholarships, exchange programs and specific programs to retain or attract back students. The Chinese government changed policy in the mid 90s supporting students to go abroad but also offering incentives to come back. This strategy allows Chinese students to join the “brain circulation” with the results that between 1995 and 1998, the returnees’ numbers increased by 13% each year<sup>1</sup>.

### ***Partnerships***

Program experiences and academic evidence agree on the recognition of partnerships as a key tool for designing and implementing diasporas’ policies. Partnerships can involve home and host countries, private, public and non-governmental stakeholders.

### ***Sector based approaches***

Khadria (2004) explains that countries need to identify specific sectors where there is “*a social return on expatriate investments that is higher and more sustainable than market returns*”. The author identifies two particular sectors where the involvement of the scientific diaspora can make a difference: education and health. He recommends that countries focus on specific sectors instead of pursuing a multitude of development and welfare targets. The sector-based approach allows policy action to aim specifically at identified needs in the home country and to target precise groups within diasporas.

### ***Post conflict, emergency and reconstruction***

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<sup>1</sup> Les diasporas Scientifiques, Rémi Barré, Chapter 11, Yugui Guo



The whole “diasporas option” is more acute for countries that have suffered from a major catastrophe, conflict, war or disrupting dictatorship. The recent tsunami tragedy in Asia has shown the capacity of immediate and massive response of diasporas.

### **Returns**

Evidence from existing diasporas temporary return programmes shows that incentives can play a role in the return decision but other political, economic and social factors matter as well. The UN (2004) identified the non-portability of migrants’ acquired benefits (pensions, social security) as a major limit to returns and urges policy makers to address this issue. From IOM’s experience in implementing “Return of the Qualified Nationals programs”, it appears that the selection criteria for such programs should be flexible and capacity building is key to the implementation. The problems that returnees face back home are often structural, such as limited access to credit. Incentives to curb the migration of skilled professionals and to encourage the return of diasporas are similar. They both aim to offer improved professional and personal opportunities within viable working environments.

## **5. Conclusions**

To maximize the potential of diasporas contribution to development, and minimize potential negative effects, diasporas policy requires management. Some major drawbacks and potential adverse effects of diasporas policies require specific attention and management. Dependency on external financial inputs and a growth based on exogenous essentials can lead to neglect of local production. Disparities between “those who have” families abroad and “those who don’t” tend to aggravate already existing inequalities and instead of addressing the causes of migration further sustain migration circles. Negative attitudes about the privileges provided to returning migrants can be disrupting, while diasporas incentive schemes can lead to some market distortions and job displacement. These documented drawbacks require the attention of policy makers, but they do not suggest discarding pro-diasporas policies as a whole. Lessons can be extracted from programmes implementation to limit these potential negative effects.

Countries that are successfully attracting their diasporas usually have well funded and well staffed organizations to promote their engagement. Clear political engagement at a high level is linked to success, yet it must be combined with political legitimacy and recognition from diasporas. Problematic macro-economic and political contexts reduce prospects for success. Portugal, South Korea and Ireland can be considered as having successfully benefited from their diasporas as they transformed from countries of emigration into countries of immigration. It is however difficult to say whether diasporas were the engines for growth or that the on-going socio-economic-political development offered the right conditions for diasporas to invest, start up businesses, transfer finances and return.

### **Three major roles for policies emerge from existing studies and experiences:**

1. **An enabling role:** Individuals are interested in getting involved in development projects but are impeded by some major obstacles. Policy makers can address the obstacles that indirectly



hinder diasporas' engagement into development (lower transfer costs, alleviate the bureaucratic burden, simplify procedures, allow dual citizenship, identify investment projects, offer secured business transactions).

2. **A symbolic role:** All studies on diasporas deal at some point with issues of images, perceptions, identity and trust. Policies can ensure the recognition of diasporas as full citizens, appreciation of their inputs, address major image problems and build trust.
3. **A partnership role:** Partnership is a key word covering many types of joint actions: support existing diasporas initiatives, develop collaboration between home and host countries, contract alliances at local levels with regions and municipalities, collaborate with private actors (banks, financial intermediaries), academia, public enterprises (hospitals, schools), chambers of commerce and business services.

### **Policy recommendations:**

1. Obtain information and data on the size and distribution of diasporas, as well as identify initiatives, networks and associations, trade flows, FDI and remittances;
2. Design measures targeting diasporas both individually and collectively;
3. Undertake a comprehensive assessment of development needs and priorities, in order to integrate diasporas in concrete endogenous development strategies;
4. Establish partnerships between host and home countries, to avoid diasporas' approaches from coming at odds with the integration policy in the host country;
5. Tackle social, economic and financial types of flows collectively. Interest in remittances benefits from being complemented with a broader interest in diasporas issues in general;
6. Offer a supportive role to existing diasporas networks and organizations and help them address their own agendas. Policies relating to existing diasporas agendas tend to be more successful;
7. Ensure that pro-diasporas policies are coherent with other national policies and contribute to other main economic and social agendas (improve the rule of law, clear property rights, macro economic equilibriums, sound banking systems, etc.);
8. Focus on young people who move for studying and training reasons, partnerships with universities (national and international) scholarships; equivalences in degrees can contribute to attracting and engaging young diasporas' people for development;
9. Support local projects: diasporas are often interested in investing in the region they have left or they know well;
10. Assess programs, evaluate the costs and administrative burdens generated to ensure the effectiveness of policies;
11. Share international experiences, compare regional trends and characteristics and link regional specificities to migration trends.

Policies engaging diasporas for development can only be successful **when they address migration causes**, include diasporas exogenous inputs to endogenous growth mechanisms and are designed in collaboration with the development community that relates migrants with innovative development practices (business incubators, clusters of enterprises, social enterprises, women networks, business services, activities of chambers of commerce, training, etc).



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