

# Engaging the diaspora and migrant workers for home country development: Diaspora finance and remittances

Presentation SESSION 4: Mobilizing diaspora and increasing the development impact of remittances

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# Structure of the presentation

- Key messages
- Terminology; diasporas, temporary migrant workers (TMW).
- Diaspora contributions and diaspora finance
- Remittances by diaspora and TMW
- Remittance policies
- Lessons from diaspora engagement and remittance mobilization
- Way forward

# Key Messages

- Diversity of the diaspora should be recognized in any design of policies.
- We should look behind remittances and diaspora funding to the situation of remitters and diasporas and their rights and protection in both origin and destination countries.
- Diaspora are not a golden goose, but mutual partners and stakeholders for home countries.
- Migrant remittances are private funds, and not a source of development finance for origin governments.
- Sustainability of remittances and diaspora contributions should not be taken for granted. e.g. Saudi Arabia
- Development, Decent Work and financing development in origin countries are much bigger issues which cannot be tackled only by remittances or diaspora finance.
- There are few success stories of remittance-led or diaspora-led development.

# Why interest in diaspora and remittances

- Interest in migration and development linkages: key areas and calls for mainstreaming migration into development agenda discourses
  - Remittances, Return migration, Diaspora engagement
- Role of remittances and diasporas in development finance
  - The Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Para 40
  - GMG Conference on Harnessing migration, remittances and diaspora contributions for financing sustainable development, New York, USA, 26-27 May 2015
  - \$100 billion to be mobilised by action on remittances & diasporas
- The Sustainable Development Goal 10:
  - By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.

# \$100 billion annual gain to developing countries by:

- Means

- Mobilizing diaspora savings
- Reducing remittance costs
- Reducing migrant recruitment costs
- Mobilizing philanthropic contributions from the diaspora

Source: World Bank Migration and Development Brief  
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# Diaspora definitions



- Diasporas or Transnational communities or expatriate communities: refers to stock of settled or long-term migrants
- Working definition - migrant communities, living abroad in different countries, but maintain ties (economic, political, social, cultural and emotional) with their homeland and with other diasporic communities of the same origin.
- Diaspora categories: low skilled and high skilled; intellectual and scientific; by motives (business, trade, victim, etc); second and third generations or more; Near Diaspora and Far Diaspora:

# Evolving terms on diaspora engagement – one way or two way relation

- Common terms

- Harnessing
- Mobilising
- Tapping or exploiting
- Leveraging
- Courting, eliciting or embracing
- Governing or controlling
- Engaging



- “Engaging” is the better term – indicates two way relationship with mutual respect.

# Estimating the diasporas: Issues

- Poor information in both Home & Host countries.
  - Online registration and databases: voluntary and incomplete.
  - Problems in estimation
    - Documented and undocumented populations
    - Differing definitions
    - Individuals and collective entities: associations/networks
    - Gender; invisible women
    - Generations of diaspora – where to draw the line.
    - Reverse diasporas: Canada and Hong Kong SAR; New Zealand
  - Destination country information: Census information on the foreign born population – may not include the second and successive generations.
  - Targeted surveys needed for profile mapping and contributions. Quite expensive and beyond the resources of home countries
  - Temporary versus settled populations. Gulf migrant workers.
- OECD Connecting with migrants: A global profile of diasporas 2015 – pioneering initiative



Country (1)	Population in mid-2015 (1000s) (2)	Diaspora 2015 (1000s) (3)	Emigrants in OECD countries 15 yrs + 2010/11 (1000s) (4)	Diaspora as % of population (3/2) (5)	Stock of emigrants (1000s), 2 013. (6)	2nd generation diaspora in Australia, Europe, and USA, 2013 (1000s). (7)
Afghanistan	32,527	4,843	394	14.90%	5,632	60
Bangladesh	160,996	7,205	533	4.50%	7,572	117
Cambodia	15,578	1,187	277	7.60%	1,119	120
China	1,376,049	9,546 (50 mn)	3,632	0.70%	9,651	662
India	1,311,051	15,576 (25 mn)	3,615	1.20%	13,885	1,024
Indonesia	257,564	3,877	355	1.50%	4,117	325
Lao PDR	6,802	1,345	263	19.80%	1,294	204
Myanmar	53,897	2,881	125	5.30%	3,140	42
Nepal	28,514	1,629	153	5.70%	1,986	6
Pakistan	188,925	5,935	1,184	3.10%	6,170	411
Philippines	100,699	5,316	3,014	5.30%	6,002	946
Sri Lanka	20,715	1,637	579	7.90%	1,780	41
Thailand	67,959	854	523	1.30%	1,007	106
Vietnam	93,448	2,559	1,939	2.70%	2,592	624

Sources: Cols 2 and 3 – UN Migration Stock 2015 Rev; Col. 4 – OECD, Connecting with emigrants, 2015; Cols. 6& 7- World Bank Factbook 2016. Co.3 - National estimates within brackets

# Diaspora engagement indicators

- Diaspora returns with financial, human, & social capital
- Skills and technology transfers
- Direct investment (FDI); Venture capital; Identify and launch new projects
- Remittances; financial and social
- Trade promotion and tourism; outsourcing
- Knowledge networks; brain circulation
- Philanthropy
- Lobbying & advocacy for political and economic reforms at home
- Cultural interactions

# Indian Prime Minister at first meeting of the Indian diaspora forum, 2003

- "We invite you not only to share our vision of India in the new millennium, but also to help us shape its contours. We do not want only your investment. We also want your ideas. We do not want your riches, we want the richness of your experience. We can gain from the breadth of vision that your global exposure has given you,"
- <http://timesofindia.indiatimes.com/india/We-dont-just-want-your-money-Vajpayee-to-NRIs/articleshow/33858569.cms>

# Diaspora finance to home countries

- Direct investments, venture capital
- Diaspora savings transfer through diaspora bonds, foreign currency accounts, etc.
- Diaspora remittances:
  - difficult to separate from total remittances.
- Philanthropy – financial contributions.

# Foreign Direct Investment inflows

- **China**: diaspora networks key drivers in FDI liberalization.
  - In the 1990s, 2/3rds of FDI from Hong Kong SAR, Taiwan (China), Macau SAR and Singapore;
  - 2011 - 47% of FDI from Hong Kong SAR
- **India**
  - NRIs account for less than 14% of FDI 2011. (Kellee Tsai).
- **FDI may not be so foreign as appears: Round-tripping**
  - “India’s biggest source of FDI is India itself, money departing on a short holiday to a tax haven and then routed back as FDI” (Sampath, 2016). Black money routed through Mauritius, Singapore, etc. Mauritius 34% of FDI 2000-14.
  - China - 20-30% of FDI estimated to be round-tripping in 2003.

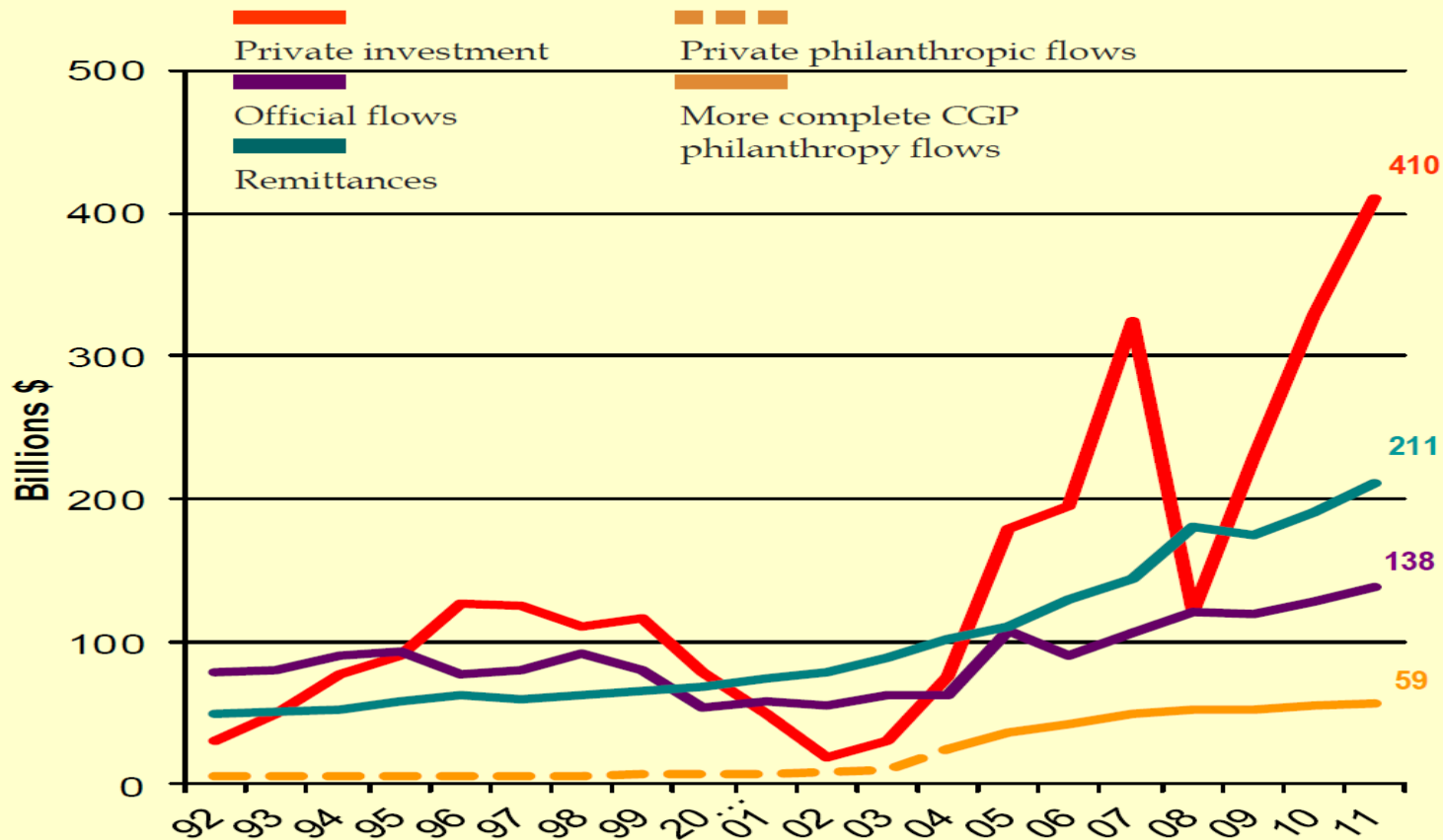
# Diaspora philanthropy



- Private voluntary donations by the diaspora individuals or communities
- Funds can range in scale.
- May be directed to particular locations:  
Communities of origin: Home town associations
- Large inflows in the aftermath of natural disasters:  
Asian Tsunami
- Crisis and increased remittances; ADB studies
- Sustainability; Ad hoc nature; commitment of second and third generations?

Figure 5

## Official, Private Investment, Philanthropic, and Remittance Flows from Donor Countries to Developing Countries, 1991-2011 (Billions of \$)



Source: OECD; Hudson Institute's remittances calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittances Team's *Bilateral Remittance Matrix*, 2011; Hudson Institute, 2005-2013.

# Diaspora engagement lessons

- A large diaspora helps. Smaller economies cannot emulate the success of China and India in this respect.
  - But Kuznetsov argues that a small number of overachievers has potential.
- Rapid growth at home and political stability - major catalytic factors.
- Deliberate govt programmes to attract the diaspora may play a secondary role in the absence of a conducive and facilitative environment
- Centre and provinces/States can play complementary roles. China; India
- Brain drain risks; policies to maximise brain circulation



# Policy thrusts in origin and destination countries

## Countries of origin

- Good governance and transparency
- Create special ministries and units: India (no longer), Mali, Senegal, Bangladesh
- Give special recognition to diasporas
- Improving diaspora outreach; regular diaspora forums
- Special incentives & innovative products
- Mobilise advisors from diaspora
- Dual citizenship/ Voting rights
- Conducive business & policy and trade environment
- Measures to quantify the diaspora
- Promote diaspora role in home development

## Countries of destination

- Mapping diasporas:
- Mobilising diaspora in technical cooperation programmes
- Supporting formation and development of diaspora networks
- Ensure policy coherence between immigration and development policies: Secure visa status and circulation-friendly visa regimes
- Promote integration of diaspora/immigrants and protect their rights; qualification recognition
- Acceptance of dual citizenship
- Protection of immigrant rights

# What are remittances?

- IMF definition of personal remittances
  - “Personal remittances” include
    - Personal transfers (which include workers` remittances)
    - Compensation of employees,  
(IMF Balance of Payments Manual , 6<sup>th</sup> edition, BPM6, 2008)
  - Can be in cash or kind.
  - They are private funds accruing to households

# Remittances: Positive impacts on countries of origin

- Far higher than ODA and for some greater than FDI
- Positive impact on poverty alleviation
- Promote human capital: use for education and health.
- Serve as a safety net for vulnerable households: Bangladesh 2013 PRSP: remittances - “the single most important informal safety net program in Bangladesh” .
- More stable than private capital flows, and often counter-cyclical to home economy
- Boost foreign exchange reserves
- Provide financial capital to micro and small enterprises, promote entrepreneurship, and generate employment opportunities.
- Promote development financing through securitization of remittances and enhancing credit ratings

<b>Data in US million dollars for 2014</b>	<b>Foreign Direct Investment (FDI), net inflows; (World Bank WDI)</b>	<b>Foreign Direct Investment (FDI), net inflows; (UNCTAD)</b>	<b>Overseas Dev. Assistance received (net)</b>	<b>Personal Remittances</b>
Afghanistan	49	54	4,823	268
Bangladesh	2,539	1,551	2,418	14,988
Cambodia	1,730	1,720	799	377
China	268,097	128,500	-960	29,911 (62,332)
India	34,577	34,582	2,984	70,389
Indonesia	25,121	21,866	-388	8,551
Lao PDR	913	721	472	40
Myanmar	2,175	946	1,380	279 (3,103)
Nepal	30	30	880	5,889
Pakistan	1,867	1,865	3,612	17,244
Philippines	5,740	6,813	676	28,691
Sri Lanka	894	894	488	7,036
Thailand	4,975	3,537	351	6,524
Vietnam	9,200	9,200	4,218	12,000

Source: World Bank World Development Indicators database except Co.I. 3: accessed 10 January 2017.;<sup>20</sup>Last col.: Within brackets figures from WB remittance dataset Oct. 2016 for China and Myanmar

<b>Country (1)</b>	<b>Remittances in million US\$, 2015 (2)</b>	<b>Remittances as a share of GDP in 2015 (%) (3)</b>	<b>Per capita remittances US\$ (4) Col.2/Population</b>
Afghanistan	301	1.6%	9
Bangladesh	15,388	7.9%	96
Cambodia	542	3.0%	35
China	63,938	0.6%	46
India	68,910	3.3%	53
Indonesia	9,631	1.1%	37
Lao PDR	93	0.8%	14
Myanmar	3,236	5.0%	60
Nepal	6,730	32.2%	236
Pakistan	19,306	7.2%	102
Philippines	28,483	9.8%	283
Sri Lanka	7,000	8.5%	338
Thailand	5,218	1.3%	77
Vietnam	1,247	0.4%	13

Source: Cols 2 & 3: World Bank Remittance Inflows dataset , October 2016

# Remittance policies

- Financial, Fiscal & Institutional policies (Julca, 2012) with two objectives.
  - Increase the volume of remittances
  - Improve development impact/ effectiveness of remittances
- Migrant return & reintegration programmes
- Financial inclusion of migrants:
  - Philippines National Strategy for Financial Inclusion
- Philippines:
  - Remittances for Development Council established in 2012: an advisory body with broad based participation.
  - Organised Diaspora-to-Development conferences D2D
  - Remittance-related provisions of the 2011-2016 Philippine Development Plan
    - Policy-makers will need to focus on leveraging remittances as a tool for economic development.
- Regulation of bank and non-bank intermediaries crucial to ensure confidence of migrants & guarantee safety of deposits by migrants

# Remittance products – examples

- Philippines

- Micro deposits; Microenterprise loans; Microfinance plus; Micro-agri loan; Housing microfinance; micro insurance. Cash to product transfers.
- Outreach by micro banking and microfinance institutions, remittance services providers, migrant associations, etc.

- Bangladesh

- Financial inclusion strategy; reduce informal transfers; increase remittance outlets; authorised mobile banking units, NGOs, Singer outlets, post offices, etc.
- Specialised bank for migrants and diaspora:
- Range of instruments: Wage earner development bond. Probashi Kallyan Bank

# Remittances – issues & lessons

- There is limited evidence to show link between receipt of high remittances and economic take off. E.g. Mexico, Nigeria, Philippine
- Let us focus on remitters also, not only on dollars and cents:
  - Remittances represent “blood, sweat & tears of migrant workers”. Attention to their working conditions and rights crucial . Not “walking ATMs”
  - Focus on protection of wages also important – not only migration and recruitment cost and remitt. transfer costs.
- All returnee migrants cannot be entrepreneurs. Offer them wider options to invest funds.
- Develop products linked to migrant motivations in sending remittances for better success. (e.g. education, housing)



# Way forward for policy

- Generate & share better information on diaspora communities and remitter profiles with focus on gender differentials
- Promote active cooperation between home and host countries
  - Integration of migrant communities in host countries
  - Promotion of rights for best outcomes; non-discrimination; qualification recognition; wage protection
- Countries of origin to provide an enabling environment for diaspora engagement and also assist needy diaspora groups recognising their diversity.
- Partnerships with stakeholders and govt at all levels
- Support capacity building; stakeholders in finance, diaspora groups, migrant groups, govt. officials
- A conducive economic, political, social and legal environment is crucial for investment of remittances and channelling of diaspora finance.

# President Benigno Aquino's Social Contract with the People (2011) – point 10 relating to migration

“From a government that treats its people as an export commodity and a means to earn foreign exchange, disregarding the social cost to Filipino families...

*to a government that creates jobs at home, so that working abroad will be a choice rather than a necessity, and when its citizens do choose to become Overseas Filipino Workers, their welfare and protection will still be the government's priority.”*