

## Issue Paper

### Migrant Communities and Development

#### *Setting the scene*

- Interpreted broadly, the term “migrant communities” incorporates populations settled abroad - also referred as diasporas - and temporary migrants. The word “community” acknowledges a collective dimension, but should not be understood to mean that migrants share one homogenous identity.
- The positive contributions that migrant communities can make to development strategies, poverty reduction and economic growth are gaining considerable interest in the migration and development debate. Although it is only recently that their contributions are receiving the attention they warrant, migrants and diasporas have actively contributed to the economic, social and political development of their home countries for years.
- Migrants and diasporas are often highly interested in supporting the development of their home countries, provided that opportunities for their involvement are credible and that their status in the host country (e.g. work, residence and/or naturalization rights) will not be jeopardized.

#### *What are the principal contributions of migrants and diasporas to development?*

Development includes diverse elements, such as sustainable economic growth, social advancement and human empowerment. The means by which migrant communities can contribute to home country development are also diverse, encompassing business creation, trade links, investments, remittances, skills transfer, exchange of experiences and changes in cultural roles. Due to their knowledge of and privileged ties with their home countries, migrants can be in a unique position to contribute to one or more aspects of development.

- **Community and local development.** Migrants from the same home region or locality often concentrate in the same geographical areas in the host country, and can contribute to the development of local communities in both home and host countries. Migrant and diaspora organizations tend to support local or regional (rather than national) development projects in home countries. The success of community-based initiatives such as the Mexican, Irish, Italian or Polish Hometowns Associations lies in the localized ties that diasporas maintain with their specific regions of origin and the local nature of their development projects. As a result of the concentration of Ghanaian diasporas in Modena, Italy and their economic contribution to the region, the municipality of Modena undertook to work with Ghanaian associations for the development of their country of origin. Sixty-six per cent of the 49 countries responding to IOM’s 2005 survey on policies to engage diasporas as agents for development reported that their main interlocutors among the diasporas are hometown associations (IOM 2005a).
- **Skills circulation.** Policy attention is focused today on the mobility of populations, with the objective of allowing both origin and destination countries to benefit from migration through, among other things, knowledge and skills transfer. However, there

are many obstacles to maximizing knowledge and skills transfer: for example, some migrants work below their skill level because their qualifications are not recognized at equivalent level or because they are unable to work legally in the host country, resulting in brain waste and deskilling. In this regard, a survey of Zimbabwean diasporas in South Africa and the UK (Bloch 2005) points to occupational downgrading.

- **Financial and entrepreneurial flows associated with migrant communities.** Foreign direct investments (FDI), trade exchanges, business creation and donations are some of the financial contributions of diasporas to development. These flows can be significant: for example, it is estimated that 50 to 70 per cent of FDI in China originated from Chinese diasporas. The exportation of Hispanic products to the United States, known as “nostalgia trade”, often represents an important source of income for small and medium enterprises in home countries (IADB 2004). Diasporas lobbying and advocacy initiatives have provided support for specific trade agreements between host and home countries, such as between Southern European countries and Northern African ones. Illustrating the significance of diaspora entrepreneurship is the finding that nineteen of the top-twenty Indian Software businesses are founded or managed by professionals from Indian diasporas (ADB 2004).
- **Migrants’ remittance transfers.** In the Caribbean, 40 per cent of remittances are received by rural households (IAD and World Bank 2004), which are the poorest populations, while in Guatemala remittances contributed to re-establishing the productive base of regions affected by the 36-year internal armed conflict (IOM 2004). Awareness about the poverty reduction potential of remittances is increasing, as evidenced by numerous initiatives to channel remittances to development uses, such as the Salvadorian programme “Unidos por la Solidaridad” or the Pilipino programmes LINKAPIL (which orients diasporas funds towards education, health care projects and micro-business projects) and PHILNEED (which identifies sectors in need of financial support from Filipinos abroad).

### ***What are the policy options?***

Migrants and diasporas can make a difference in the right policy context. The emergence of migrant and diaspora associations is not a new trend, although their recognition as development partners is more recent. The extent to which migrants will be willing to (collectively or individually) contribute to development is related to factors such as institutional frameworks, socio-economic settings, political environments and “soft” issues of perceptions, images, trust and social identification. Furthermore, the interests of home and host countries can not be divorced, given that the potential of diasporas to play a role in home country development is related to their status in the host country and whether the host country is high, middle or low income.

- *How can home countries better integrate migrant and diasporas initiatives in their national development strategies?* For instance, Benin, Burkina Faso, Mauritania, Cape Verde, Madagascar and Mali mention the possibility of drawing on available diaspora

resources in their country development strategies, while Ethiopia and Ghana explicitly refer to diasporas in their Poverty Reduction Strategies.

- *How can host countries partner with migrants and diasporas, recognize their transnational contributions and actively involve them in collaborations between the host and home countries?* For instance, the UK consulted Sierra Leonean and Indian diasporas to develop its country assistance plans for Sierra Leone and India, and France supports migrant entrepreneurial projects in Mali, Senegal, Benin, Congo and Sierra Leone.

- *What incentives encourage migrant contributions to home country development?* For instance, dual citizenship, voting rights for expatriates, the possibility to transfer pension rights and social benefits acquired abroad and the simplification of bureaucratic procedures can encourage and facilitate diasporas' economic contributions.

- *What institutional mechanisms can be used to engage diasporas and encourage their contributions to development?* The numbers of national ministries for expatriates or citizens abroad have increased dramatically in recent years and governments have committed themselves at a very high level to cooperating with diasporas (e.g Mexico, Colombia, Morocco), while endeavouring to respect diasporas' own priorities and concerns.

- *How can the impacts of migrant and diasporas contributions to development be better measured?* While the impacts of remittances are becoming common research subjects, the trade, business and entrepreneurship contributions of migrants are frequently undocumented.

**Further reading:**

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- IOM, 2005a, "Mainstreaming migration into development policy agendas", *International Migration Dialogue Series* (IDM 8) (including "Results of the Survey on Engaging Diasporas for Development")
- IOM, 2005b, *Memorias del Seminario Migración Internacional, el Impacto y las Tendencias de las Remesas en Colombia* (Estudio sobre Migración Internacional y Remesas en Colombia) prepared by IOM Colombia
- Inter-American Dialogue and The World Bank, 2004, *Diasporas in Caribbean Development: Rapporteur's Report*, Washington
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- Lowell Lindsay, Gerova Stefka, 2004, *Diasporas and Economic Development: State of Knowledge*," Report to the World Bank, Washington, D.C. Institute for the Study of International Migration
- Newland Kathleen, 2004, *Beyond Remittances: The role of diasporas in poverty reduction in their countries of origin*, Migration Policy Institute, MPI
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