



Diaspora Consultation – A Future for Diaspora Engagement

Executive Summary

This paper outlines the key findings of a consultation on Diaspora opportunities for business and investment. The conclusions of this consultation were used to underpin the recommendations of the Ramphal Commission on Migration and Development, which are to be presented at the Commonwealth Heads of Government Meeting in Perth in October 2011. The Commonwealth has a responsibility to recognise the paramount importance of the Diaspora in more effective management of international migration. The report concludes that the responsibility to produce attractive environments and build the profile of the Diaspora must be assumed by governments if initiatives are to be successful and policy effective. Furthermore, the Diaspora should be viewed not only as a source of financial support but recognised for their political, intellectual, cultural and social capital.

Introduction

This is a synthesis of the key ideas to emerge from a major consultation: ‘Commonwealth Connections and Commerce: Diaspora Opportunities for Trade, Investment and Remittances’ held by The Ramphal Centre and The African and Caribbean Chamber of Commerce and Enterprise, London. Held on 11 July at the Royal Over-Seas League, it focused on how to assist low and middle income countries which are losing large proportions of educated and skilled persons and explored ways of enhancing Diaspora contribution to the economic development of their countries of origin, through investment and remittances. Participants included the Hon. P J Patterson, lately Prime Minister of Jamaica and other members of the Ramphal Commission on Migration and Development which he chairs, and representatives of financial institutions, Diaspora organisations and business.

The discourse surrounding the Diaspora and remittances is focused primarily on the financial sphere. However, speakers agreed that this is unhelpful and often counter-productive. It is critical that the five key forms of capital that contribute to Diaspora engagement in the economic development of their home countries are examined as separate and equal entities. Financial, political, intellectual, cultural and social capital should inform future policy and engagement¹.

The nature of Diaspora attachment is complex, encompassing issues of identity and cultural heritage. One of the key challenges in the translation of this discourse into practice is the formalisation of a vast, undocumented and informal sphere. This is especially true for remittances, which remain predominately motivated by personal attachment. Policy makers should not think of Diaspora contributions as static and

instead recognise the importance of human capital and skills exchange as forms of investment.

The conference highlighted three key policy areas for governments and businesses that are necessary for encouraging Diaspora contributions to countries of origin; *mitigating risk and increasing trust in business environments; developing networks; and facilitating investment and development through the Diaspora.* The conclusions of this consultation were used to underpin the recommendations of the Ramphal Commission on Migration and Development, which are to be presented at the Commonwealth Heads of Government Meeting in Perth in October 2011. In urging Commonwealth governments to effectively manage migration, the Commission is calling for recognition of the paramount importance of the Diaspora in more effective management of international migration.

The Commission's recommendation is that the Commonwealth must *'share best practice relating to Diasporas, interacting regularly with their organisations, and understanding their priorities, remittance and investment choices; and create incentives for Diaspora communities to invest their financial resources and expertise in the urgent need to provide food security and rural development in countries of origin'*ⁱⁱ.

1. Mitigating Risk and Increasing Trust in Business Environments

1.1 Diaspora Bank of Human and Social Capital

Development agencies have focused on the role of remittances in poverty reduction; however, there is growing recognition of the role of Diasporic Foreign Direct Investment (FDI) and portfolio investment in the economic development of countries of originⁱⁱⁱ. The consultation acknowledged both the necessity of remittances and the importance of other forms of Diaspora interaction, recognising the role of Small and Medium Sized Enterprises (SMEs) in the transmission of human and social capital. For social and intellectual capital to be transferred and for FDI to increase, a level of local investment is required.

The transfer of social and intellectual capital is fundamental to halting the 'brain drain' syndrome caused by large outflows of skilled and trained people from developing countries^{iv}. Policies which encourage circular migration and specifically brain circulation are more effective in utilising social and human capital. The first report of the Ramphal Commission recognises that migrants can be identified as "a mobile and global pool of professionals"^v, whose movements alter supply and demand pressures in employment dynamics.

1.2 Access to Information and Trust

Starting a business is risky, with 80-90% of start-up businesses failing in the US and UK in the first two years; it is unrealistic to expect better outcomes in Africa and the Caribbean. Thus, a reduction in risk and an increase in trust are fundamental. Members of the Diaspora emphasised their need for access to trusted information on options beyond financial contributions. It was found that trust is dramatically reduced where there is an absence of formal structures for information sharing.

Reliable local knowledge is therefore essential. Participants wanted business directories, skills exchange services and information on due diligence in home countries. Formatting information in culturally familiar ways is critical, and improving the dissemination of information is essential for building a culture of trust.

The *Homestrings* model formalises the Diaspora investment process by bringing together investors and start-up businesses. With projects “selected for their prospective positive impact on communities”, *Homestrings* provide a platform for investment opportunities. This approach reflects an emerging shift towards social entrepreneurship as a vehicle for development. A model for this concept can be found at: <https://www.homestrings.com>.

There should be a concerted effort to tackle corruption in both the public and private sector. Further, perceptions of corruption are often derived from a lack of correct and up to date information. Many investors would prefer to begin with small investments but are hindered by a paucity of information. The showcasing of smaller business opportunities to potential investors in the Diaspora is therefore crucial.

1.3 African –Caribbean links

The global figure for African and Caribbean Diasporas is 40 million, of which 30 million are members of the African Diaspora^{vi}. The lack of direct air links between Africa and the Caribbean is currently a problem for business investment and trade; airlines on both sides of the Atlantic should seize the opportunity. Trade need not be restricted to produce and could extend to professional training and up-skilling. Africa is ripe for more tourism but has not yet learned from successes in the Caribbean. This is reflected in the discourse which advocates for increased South-South cooperation and trade.

1.4 Summary of key recommendations

Whilst remittances are mostly motivated by philanthropy, start-up businesses are usually driven by hope for economic returns. However, participants claimed that a key concern is how the local economy may benefit. Effective models will not privilege capital but build in the potential for job creation and up-skilling. Labour markets in Africa and the Caribbean are largely informal and flexible, with nearly 80% of economic activity being informal in Sub Saharan Africa^{vii}. Policy therefore needs to avoid rigidity and better reflect the reality of growing labour markets.

Reliable legal sanctions and business regulation form the basic requirements for a stable investment environment. The Commonwealth could help facilitate the expertise and advice from within the Commonwealth family, for example from the Commonwealth Magistrates and Judges Association (CMJA) and Commonwealth Lawyers Association (CLA). The Commonwealth Business Council (CBC) could also help address misconceptions about the informal market in many developing countries. Forums on how to improve to formal regulations in Commonwealth developing nations could help foster better environments for investment.

2. Developing Networks

A key concern was how to encourage third and fourth generation Diaspora persons to cherish an engagement with their grandparents' countries of origin. Binary distinctions do not reflect the heterogeneous and complex reality of Diaspora engagement; however, distinguishing between developing and maintaining engagement is useful in identifying ways to improve Diaspora networks.

2.1 Developing Engagement Through Positive Perceptions.

Informants identified negative perceptions of home countries as a barrier to effective engagement. One woman spoke of being viewed as a source of money when she returned to Jamaica and found that inflated costs for 'outsiders' could prohibit entrepreneurship. Critically, cultural misconceptions and, in some countries language problems, preclude an objective assessment of business opportunities.

A business-woman wanting to invest in the Caribbean had devised a lifestyle holiday company to challenge stereotypes of the Caribbean by exposing visitors to local life. This example illustrates how perceptions of home countries can impact on business opportunities. This approach can provide second and third generation Diasporas with the opportunity to build personal relationships.

Cultural misconceptions are particularly prevalent in third and fourth generation Diasporas because they are less likely to have current personal relationships. New initiatives to disseminate information on education and culture in home countries must be developed for younger generations. Critically these operate by allowing young people to build personal relationships within a community. For example, summer-schools for children in countries of ancestral origin, gap year and sixth form exchanges and international community service. Despite risks in premature exposure and poorly regulated schemes, participants acknowledged the benefits for such schemes and the need for further action in this area.

2.2 Maintaining Engagement

Many countries do not have methods for counting net migration accurately. The drivers behind an individual's decision to migrate are multifaceted and the solutions that are required for maintaining engagement with their country of origin will be equally complex. Governments should be encouraged to utilise tools and institutions that already exist. The global networks of High Commissions are ideal vehicles for coordinating Diaspora groups and are focal points for individuals.

Trust remains a key factor in efforts to build networks and enabling environments. A key finding was that high remittance transaction costs have built a culture of mistrust within the Diaspora. Yet, remittances are still considered more stable than FDI flows^{viii} and larger than international aid. Participants estimated that 90% of funding is used for basic family needs and that a 'chronic lack of trust' prohibits remittance funds being used for investment purposes. This finding correlates with the results from a questionnaire on the use of remittances by Diaspora individuals, conducted prior to the conference.

Opportunities for remittance markets are huge; in 2005 Ghana earned more from remittances than from coco or gold^{ix}. Within this terrain, aside from the technological challenges, it is imperative that the sustainability of remittance flows is considered. Third and fourth generation Diasporas remit less because of a lack of personal ties, highlighting the sustainability of remittance flows as an area for further research and action.

Remittances could be more effective, both for individuals in the Diaspora and for development in countries of origin; illustrated by World Bank estimates. Currently only about 5 -10% of remittances are allocated to low risk investments, informal employment and small business start-ups.

2.3 Summary of key recommendations

This importance of maintaining informal networks to deliver enhanced Diaspora engagement cannot be underestimated. These informal networks inject billions of dollars into African and Caribbean economies. However, the challenge comes in maintaining these links in an ever changing world, with third and fourth generation migrants becoming increasingly estranged from their heritage. In a global economy where migration is becoming more circular, emphasis needs to be on knowledge and skills *exchange* rather than knowledge and skills transfer.

3. Facilitating Investment and Development Through The Diaspora

3.1 One-stop shop

The conference concluded that governments must establish structures to promote Diaspora involvement and entrepreneurship. Governments and the Diaspora would benefit from the establishment of central points for Diaspora affairs. Particular policy areas that impact the Diaspora are immigration, voting rights, business and foreign direct investment, land rights and employment.

The key is to have government departments physically located in one office and to join up portals to reduce bureaucracy. It is necessary to distinguish between coordinated facilitation and a 'one-stop' for decision making. Ministerial responsibility for Diaspora affairs raises the profile of Diaspora issues and makes policy easier to streamline and more accessible to the Diaspora.

3.2 The Indian Example

'To view the Diaspora only through the looking glass of remittances and financial flows is to take a myopic view'^x

India established the Ministry of Overseas Indian Affairs through an understanding that "an overseas community can and does serve as an important 'bridge' to access knowledge, expertise, resources and markets for the development of the country of origin"^{xi}. The success of this Ministry lies in the combination of national policy and recognition that engagement between India and its Diaspora is mutually beneficial.

Importantly, the government views India's engagement with its Diaspora as a reciprocal process across an "economic, social and cultural space"^{xii}.

A key component of this engagement is the recognition that Persons of Indian Origin (PIOs) and Non Resident Indians (NRI) are valuable stakeholders in India's future. PIOs are defined as being of up to third generation heritage, whilst NRIs are people born in India, living outside India. The Overseas Citizenship of India Scheme is available to all PIOs, which grants the status as an Overseas Citizen of India (OCI). Since its inception in 2006, 7,57,740 PIOs have been granted enhanced rights as OCIs, including multiple entry lifelong visas^{xiii}. A further institutional change has been the adoption of the NRI voting right, legislated in the People's (amendments) Act 2010.

The Know India Programme is the primary example of a scheme devised to educate Diaspora youth in developments in a country of origin. Established by the Ministry of Overseas Indian Affairs this programme provides a forum for the Indian Diaspora of 18-26 years to "bond closely with contemporary India"^{xiv}. This multipronged approach to engaging with India's Diaspora sees the young Diaspora as vital to India's development.

The establishment of the Ministry of Overseas Indian Affairs has given a degree of respect and honour to returning Indians. The success of the programme is in part a reflection of India's economic policies and growth strategy, where the Diaspora is seen as integral to a new India. This illustrates how a Diaspora can be central to the development of other nations. The new status of the Indian Diaspora is partially attributable to the rebranding of NRIs and PIOs and provides a useful example. By privileging access to information and political participation for the Diaspora India has created enabling environments for Diaspora knowledge and skills exchange.

However, India's story is not straight forward. India has not been as successful in attracting Diasporic FDI as China. India's competitiveness as a low cost manufacturing base that caters to small production facilities is significantly weaker than most economies in South East Asia^{xv}. The professional skill base of the Indian Diaspora did not match manufacturing requirements. The professional profile of the Diaspora is a significant "factor in explaining the type of economic linkages that it would share with the country of origin"^{xvi}. India has been more successful in attracting lawyers, doctors and accountants than small-scale entrepreneurs.

3.3 'Small is Beautiful'; Business Engagement

This report highlights that utilising pre-existing networks is preferable to generating a totally new capability when engaging with the Diaspora. Chambers of Commerce; as centres for business communities at local and national levels are valuable resources that would provide excellent information sharing forums, if properly connected. This would give reassurance to organisations of the quality of information and in-country networks. Through the use of online skills exchanges, human capital may be invested and leveraged directly from the Diaspora.

Some banks and organisations have seen vast untapped commercial potential in Africa. Yet the "remittance markets in Africa remain relatively underdeveloped in

terms of their financial infrastructure and the regulatory environment^{xvii}, although this situation is beginning to change. Remittances offer many African people the first interaction they have with formal financial institutions. Through the “rapid adoption of innovative money transfer technologies” they are able to “transform the landscape for remittances and broader financial service[s]”.^{xviii} This is reflected in the growth of microfinance schemes.

The growth of the money transfer company *M-Pesa* in Kenya, illustrates the potential for private sector development in this area. Kenya lacked the banking infrastructure required for real growth in the financial services market, which had restricted payment mechanisms and savings to those in urban populations. *M-Pesa*, partnered with Vodafone, looked to the existing infrastructure and popularity of mobile technology in Kenya to provide them with a secure, low cost method of money transfer.^{xix} This use of existing infrastructure, with innovative solutions to reduce costs and increase inclusion and access, is an example of good practice that should be promoted.

3.4 Summary of key recommendations

One of the key strategies that governments can adopt to focus the Diaspora is creating a ministry or appointing a minister with responsibility for Diaspora Affairs. India is one of the major proponents of this concept with an established Ministry of Overseas Indian Affairs, with a developed associated programme encouraging investment and cultural exchanges. This approach represents a particular philosophical approach to the Diaspora. Many Commonwealth countries have expressed the opinion that the Diaspora should have little or no say in the internal affairs of their origin country and have no rights once they have migrated. Changing this outlook will require a long-term effort and a demonstration that alternatives do have major social, cultural and economic benefits. In contrast to this short-sightedness, the creativity, innovation and determination of the Diaspora to help their families should not be underestimated. Despite information deficits, high sending costs and the absence of formal institutions, the Diaspora are helping to mitigate food insecurity, cover health and education costs and start businesses at home. This is a force that the development community and the private sector is begging to respond to, but there is a risk that the efforts of the international community will suffer from the same malaise as usual, an inability to collaborate.

4. Conclusions

The purpose of the consultation was to explore ways of enhancing Diaspora contribution to the economic development of Commonwealth countries of origin, through investment and remittances.

- Discussions unravelled the misconception that Diaspora engagement is purely financial; highlighting the need for policy makers to view social, political, cultural, intellectual and financial capital as critical to Diaspora engagement. India has done precisely this and is making progress through a ‘mutually beneficial’ relationship with its Diaspora.

- Migration is most often a livelihood strategy, where the concept of risk is fundamental. Reducing risk in the creation of small start-up business, investment and for more effective uses of remittances is central to fostering a positive and reciprocal relationship between the Diaspora and country of origin. The Commonwealth as a supra-national body is ideally placed to reduce risk and foster a culture of accountability and transparency in emerging markets through better legislation, increased support for law enforcement and improving safeguards.
- The Commonwealth is a powerful and established brand, with global recognition. Organisations running engagement schemes would benefit if they were recognised by the Commonwealth as approved providers. Individuals and organisations looking to mitigate their risk when participating in non-governmental schemes, such as skills exchanges and financial investments in projects, would have assurance if a scheme was approved by the Commonwealth.
- As a value-based organisation the Commonwealth can build on the recommendations of the Ramphal Commission and work towards reducing xenophobia by advocating the value of Diaspora contributions to home countries. The Commonwealth's role should be to facilitate positive interaction between Diaspora organisations, individuals, the third sector and governments through information-sharing and replication of good practice. The consultation highlighted the plethora of uncoordinated institutions and bodies in the Diaspora sphere. There is a need for increased cooperation.
- The consultation also suggested a number of ways to engage with the Diaspora. Increased use of High Commissions, skills exchanges, show-casing of start-up businesses and Diaspora tourism are a few examples of the many ways of building global networks.
- Policy makers should not assume the Diaspora is driven only by philanthropy. The consultation highlighted that Diaspora engagement is a dynamic process, governed by expectations, attachments and preconceptions, as well as being economically determined. As such, solutions are varied and context specific. However, information deficits and a lack of trust are pervasive problems facing many of the Commonwealth Diasporas. Frameworks and models for addressing these problems have been discussed and are presented here as models of good practice to be learnt from.
- The responsibility to produce attractive environments and build the profile of the Diaspora must be assumed by governments if initiatives are to be successful and policy effective.
- The Commonwealth has a responsibility to recognise the paramount importance of the Diaspora in more *effective management* of international migration.

ENDNOTES

- ⁱ Chukwu-Emeka Chikezi Reinforcing the Contributions of African Diasporas to Development, (World Bank, 2011), p.271
- ⁱⁱ Ramphal Commission on Migration and Development; prepared by Hugo, G, *People on the Move, Managing Migration in today's Commonwealth. The first report of the Ramphal Commission on Migration and Development*, 2011, p.46.
- ⁱⁱⁱ Newland, K. *Beyond Remittances: The Role of Diaspora in Poverty Reduction in their Countries of Origin*, (Migration Policy Institute, Washington, 2004) p. 2
- ^{iv} Gamlen, A; *People on the Move, Managing Migration in today's Commonwealth. The first report of the Ramphal Commission on Migration and Development*, 2010.
- ^v Ibid, p. 31.
- ^{vi} Ratha, D. Mohapatra, S. Ozden, C. Plaza, S. Shaw, W. Shimeles, *Leveraging Migration for Africa: Remittances, Skills and Investments*, Africa Development Bank, (World Bank and African Development Bank, Washington, 2011), p. 1.
- ^{vii} Ratha, D et al, *Leveraging Migration for Africa*, p. 41.
- ^{viii} Ibid, p. 48.
- ^{ix} Vijay Mahjan, *Africa Rising, How 900 million Africans Offer More Than You Think*, 2009, p.127
- ^x Indian Government (2011), *Ministry of Overseas Indian Affairs: Annual Report 2010-2011*, p. 2, http://moia.gov.in/writereaddata/pdf/Annual_Report_2010-2011.pdf
- ^{xi} Ibid, p. 2.
- ^{xii} Ibid, p. 2.
- ^{xiii} Ibid, p.11.
- ^{xiv} Ibid, p. 18.
- ^{xv} Roy, J. and Banerjee, P. *Attracting FDI from the Indian Diaspora: The Way Forward*, (The Confederation of Indian Industry), p. 5.
- ^{xvi} Ibid, p. 5.
- ^{xvii} Ratha, D et al, *Leveraging Migration for Africa*, p. 48.
- ^{xviii} Ibid.
- ^{xix} Alliance for Financial Inclusion, *Enabling Mobile Money Transfer: The Central Bank of Kenya's Treatment of M-Pesa*, p. 4. http://mmublog.org/wp-content/files_mf/enablingmobilemoneytransfer.pdf