



**Beyond Remittances:
The Role of Diaspora in Poverty Reduction
in their Countries of Origin**

**A Scoping Study
by the Migration Policy Institute for the
Department of International Development
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Executive Summary

This paper analyzes the impact of established Diaspora on the reduction of poverty, and identifies ways in which policy interventions, especially from donors of official development assistance, might strengthen that impact. The new policy interest in Diasporas reflects a broader concern with globalization, and specifically the very recent appreciation of the volume of remittances to developing countries by emigrant workers and their descendents. Remittances, however, are far from being the only vehicle for Diaspora influence on the incidence of poverty in their home countries. For many countries, the Diaspora are a major source of foreign direct investment (FDI), market development (including outsourcing of production), technology transfer, philanthropy, tourism, political contributions, and more intangible flows of knowledge, new attitudes, and cultural influence. The quality of information, much less hard data, about Diaspora influences in these dimensions is in general very poor, posing a serious challenge to policy development.

This paper examines the role of Diaspora in poverty reduction through four main areas of focus, as requested by DFID:

- Policy and practice towards Diaspora on the part of countries of origin
- Diaspora engagement in countries of origin (in the economic, social and political spheres), including the networks and infrastructure in which it is manifested
- Donor engagement with Diaspora
- Recommendations for future activity by DFID to maximize the contribution of Diaspora to development and poverty reduction

Countries of origin that actively court their Diasporas do so in a variety of different ways and with different priorities. Case studies of China, India, the Philippines, Mexico, Eritrea and Taiwan are used to illustrate six contrasting patterns. Some of these patterns are more conducive to direct poverty reduction than others. The most immediate effects are likely to come from strategies, like that of the Philippines, which seek to maximize the income stream from remittances directly to households. The income stream lasts only as long as migration lasts, and is thus vulnerable to changes in receiving-country immigration policies as well as the continued attachment of long-term immigrants to the home country.

Attempts to pre-empt individual remittances into government channels, as in the case of Eritrea, may erode some of the poverty-reducing potential of Diaspora transfers; whether they bear fruit in the longer-run depends very much on the success of national development policies. Mexico's attempts to use federal programs to promote collective remittances and to make the sum of individual household remittances greater than the sum of their parts are now being widely imitated in Central American and Caribbean countries with large overseas populations. The local focus of many of these programs gives them a direct connection to the poor, but the outcome is also dependent on improvement in macro-economic conditions. Poor infrastructure (physical and financial), underdeveloped markets, corruption, and a poor investment climate confine the potential of remittance-focused strategies to the immediate receivers. Remittances do, however, shelter recipients from the effects of these development inhibitors nonetheless—at least in the short term.

China, India and Taiwan focus less on remittances in favor of pursuing three very different business-oriented models in seeking Diaspora contributions to development. Taiwan has pursued a “brain trust” model, focused on attracting human capital from the Diaspora. China has long worked to attract direct

investment and open trade opportunities through overseas Chinese communities. India's recently launched Diaspora policy is multi-pronged, pursuing direct investment, portfolio investment, technology transfer, market opening and out-sourcing opportunities.

The dense web of ties between Diaspora and country of origin is, in the overwhelming majority of cases, the creation of individuals and groups acting on their own initiative, rather than a product of government intervention. Beyond the individual and family level, Diaspora organizations include associations of migrants originating from the same locality, ethnic affinity groups, alumni associations, religious organizations, professional associations, charitable organizations, development NGOs, investment groups, affiliates of political parties, humanitarian relief organizations, schools and clubs for the preservation of culture, virtual networks, and federations of associations.

The poorest countries are not positioned to take advantage of many kinds of business investment, but millions of poor people in countries that are more technologically sophisticated might benefit from the multiplier effects of Diaspora investment. However, the most wretched countries are those that have been suffering the effects of protracted armed conflict and bad or non-existent governance. What the poverty-stricken in Sierra Leone, Somalia, Liberia, Haiti, and Sudan (to name just a few) need, above all, is peace, and then progress toward the construction of an economic climate that will encourage emigrants to make social and economic investments in their countries of origin. Diaspora groups may have a role to play in peace and reconstruction processes, and governments that host them should carefully consider encouraging the involvement of those who can be seen as honest brokers.

Donor governments and multilateral agencies have only recently begun to think systematically about the actual and potential contributions of Diasporas to development and/or the reduction of poverty in their countries of origin. The dominant focus of donors has been on remittance flows: how to increase them and direct them toward more "developmental" uses. Their interest has coalesced around lowering transaction costs, improving data collection, extending the availability of financial services to poor people and rural areas, encouraging collective remittances to support community development and employment generation, and sponsoring research on the patterns and uses of remittances. Donors have not been as heavily involved in other forms of interaction between Diasporas and their countries of origin. They have tended to leave business investment (FDI and portfolio investment) to the marketplace; national programs providing investment guarantees are not particularly targeted at Diaspora groups. But donors are active, if still on a small scale, in human capital programs, community development, activities to expand the knowledge base and understanding of the role of diasporas, and a diffuse array of actions that may preserve or transfer social and political capital.

DFID and a number of other major donors have awakened to the development potential of Diasporas. Helping to realize and magnify that potential in a way that reduces poverty calls for smart and careful programming, backed by a thorough, country-specific understanding of Diasporas and the dynamics of their interaction with their countries of origin. Diaspora communities often reproduce the divisions of class, ethnicity, religion, political affiliation, language and region that are found in their countries of origin. Such differences within and among Diaspora groups will influence the nature and scale of their capacity (and willingness) to act as agents of poverty reduction.

The paper concludes with a number of recommendations. The first is that DFID and other donors invest heavily in a stronger knowledge base for policy making through research, analysis and rigorous evaluation of Diaspora involvement in development and its impact on poverty. Even at this early stage

of donor engagement, policy-making is running ahead of knowledge of the magnitude, direction and uses of remittances. Recognizing that successful Diaspora projects for home-country development must be led, or “owned” by the Diaspora groups themselves is an important starting point for donors, who are advised to build upon successful endeavors rather than create them from above. Public-private partnerships may leverage donor contributions into a much more effective resource.

Donors should consider providing seed money, technological assistance and logistical support to build and strengthen Diaspora networks that have a strong developmental potential, such as those devoted to cooperation in business or information technology. Support for networking should not be confined to the economic sphere, but should also extend to peace-building and reconciliation networks in the Diaspora. Donors should also encourage and assist Diaspora philanthropy that has a direct impact on poverty or its effects. Support could take the form of technical and legal assistance to nascent charities, or in some cases where a solid track record has been established, co-funding of activities may be appropriate. More generally, tax credits or offsets against country of settlement taxes can be a powerful incentive for charitable contributions. Donor governments should, however, intervene to stop fundraising in the Diaspora for support of destructive communal conflicts, possibly using the mechanisms of the G7 Action Plan within the Financial Action Task Force on Money Laundering. In post-conflict settings, donors must be clearly seen by all sides as neutral in order to avoid reinforcing inter-communal tensions, which means that the choice of partners from among Diaspora groups must be made very carefully.

Donor governments that are serious about transnationalism as an engine of development will strive for policy coherence across departments of government. This means an immigration policy that creates opportunities for legal residence and fosters integration, and visa policies that make it easier for members of Diasporas to come and go between home and host countries.

Diaspora-based development efforts are a powerful development resource, but they are not a substitute for donor resources, or for economic policies conducive to pro-poor development. Many national and international donors and NGOs are structured in a formal manner, and may overlook, be reluctant, or find it very difficult to work with the often less formal, traditional self-help organizations that make up a significant percentage of Diaspora groups. The benefits and unique strengths of both Diaspora groups (keen cultural awareness of communities of origin, ease of working in both cultures, trust of communities of origin, better awareness of specific needs and/or potential pitfalls, long term personal commitment to projects and communities) and international development agencies (larger funding capacity, professional/technical expertise and experience, efficiency through economies of scale, credibility) can all be magnified through effective collaboration.

1. Introduction

The vast literature on Diaspora in the humanities and the social sciences stands in stark contrast to the paucity of policy analysis.¹ The policy literature differs substantially in tone from the humanities literature, in which Diaspora has a tragic connotation associated with the persecution of the Jews and the African slave trade. The recent *policy* literature, however, is predominantly upbeat. It emphasizes the opportunity that comes with emigration and the positive contributions that dispersed migrants and their descendents can make and have made to their countries of origin and of settlement.

The focus of this paper is on the role of Diaspora communities in reducing poverty in their home countries. This is a narrower focus than the more common question of the links between migration and development, or indeed the role of Diaspora in development. Migration does not always result in the long-term dispersal of a people; some migrants leave their home countries only temporarily, or assimilate into countries of settlement so completely that they lose their distinctive identity and ties to their homelands. And while poverty reduction is *assumed* to be one of the benefits of development, the relationship is far from linear. In other words, migration does not always result in the formation of a Diaspora community; and development does not always lead to poverty reduction, at least in the short-to-medium term. This paper analyzes the impact of established Diaspora on lifting people in their traditional homelands out of poverty, and identifies ways in which policy interventions, especially from donors of official development assistance, might strengthen that impact. In a few cases, the actions of Diaspora are perverse, and contribute to perpetuating poverty. In such cases, the aim of donor governments is to prevent or at least mitigate such actions.

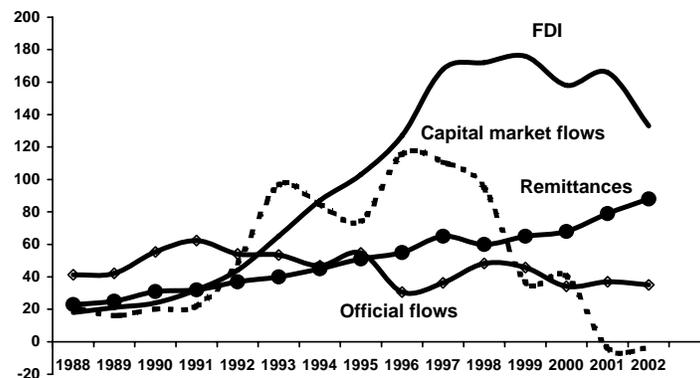
For the purposes of this paper, the understanding of Diaspora is very similar to the definition offered by G. Scheffer: “Modern Diasporas are ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin—their homelands.”² The term Diaspora comes from the Greek words “to sow” and “over”, as in the scattering of seed, and for them it meant the “seeding” of Greek colonies in distant lands. It was later associated with forced expulsion and dispersal and acquired the sense of loss and the implication of a strong desire to return. Ronald Skeldon elaborates on this theme: “Implicit in the concept of communities-in-exile is the assumption that peoples are not assimilated into the societies of destination: they retain their distinct identities ready for the day when they can return home.”³ “Diaspora” is often used as a collective noun (“the scattered”), referring to a dispersed people, but it is also used in the plural, as there are many different peoples who are dispersed among different countries, and as an adjective. It is now, often, also used to refer to migrant communities even if they do not share the attributes of forced dispersal, residence in many countries over several generations, and a longing to return. It does, however, imply a settled community, rather than a group of temporary migrants with the intention and ability to return to their country of origin.

The new policy interest in Diasporas may be seen as a facet of a broader concern with globalization, and specifically with the very recent appreciation of the sheer volume (and the even greater potential volume) of financial flows directed toward developing countries in the form of remittances by emigrant workers and their descendents.⁴ The UK Department for International Development (DFID) commissioned a separate scoping study on international remittances⁵. This paper will not cover the same ground, but does draw on the observations of that work.

Remittances have a direct impact on poverty reduction, since they tend to flow directly to poor (although not necessarily the poorest) households and are used primarily for basic needs such as food, shelter, education and health care. The common observation that remittances are not used for “productive” investment misses the point that poor households rationally give priority to these basic needs, which represent an investment in human capital as well as needed consumption. Spending on basic needs also has a multiplier effect in the community.

Remittances, however, are far from being the only vehicle for Diaspora influence on the incidence of poverty in their home countries. For many countries, the Diaspora are a major source of foreign direct investment (FDI), market development (including outsourcing of production), technology transfer, philanthropy, tourism, political contributions, and more intangible flows of knowledge, new attitudes, and cultural influence. The quality of information, much less hard data, about Diaspora influences in these dimensions is in general very poor, posing a serious challenge to policy development.

Table 1: Resource flows to developing countries
(in billions of US\$)⁶



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Generalizations about Diaspora are perilous, given the tremendous variation in historical experience, relations with authorities in the home country, levels of prosperity and education, religious background and ethnicity both within and among Diaspora communities. The experience of living outside the homeland may exacerbate the differences within a group, or forge new common identities among disparate members. No matter how heterogeneous or homogeneous, Diaspora communities do form a living link between their countries of origin and their countries of

settlement. This paper will explore the impact of that link on poverty in countries of origin, and suggest ways in which policy interventions might strengthen the positive outcomes.

I. Overview of Country of Origin Policies and Practice toward Diaspora

Countries that have experienced large out-migrations run the gamut of attitudes toward their Diaspora, from warmly embracing to coolly instrumental, from active engagement to indifference, from mobilization to hostility. Their policies and practices reflect these diverse views, but the clear trend is for homeland states to court their nationals and the descendants of nationals who are living abroad. The Diaspora are variously seen as sources of financial flows, economic opportunities, technology transfer, political support, progressive attitudes, and a good image of the home country.

Countries of origin that actively court their Diasporas do so in a variety of different ways and with different priorities. China, India, the Philippines, Mexico, Eritrea and Taiwan illustrate six contrasting patterns.

China

The Chinese Diaspora originated in the sea-faring communities of the southern coastal provinces and the trading outposts they established in the littoral cities of Southeast Asia. Massive labor migrations followed in the 19th century as Chinese workers populated agricultural and extractive industries as well as infrastructure projects in the European colonial sphere. Political and economic tensions in the 20th century drove a dispersion of part of the Chinese Diaspora (a scattering of the scattered) from Malaysia, Indonesia, Vietnam and Honk Kong, even as the traditional countries of immigration in the West rescinded racist immigration legislation that had previously excluded Chinese. Today, overseas Chinese communities exist in virtually every country in the world, at an estimated strength of some 35 million people. They are still augmented by new arrivals from the southern coast, but new migrants are just as likely to come from major cities such as Beijing and Shanghai. The pace of immigration to the traditional countries of immigration (the United States, Canada, Australia, New Zealand) from China has escalated markedly in recent decades; in the United States, for example, the Chinese-born population increased from 286,000 in 1980 to 1,519,000 in 2000.⁷ The 2001 census in the United Kingdom, the population enumerated as Chinese was 247,000.⁸

The government of the Peoples Republic of China has actively (with the Cultural Revolution being the one significant hiatus) sought to maintain a sense of Chinese identity among overseas communities of emigrants and their descendents. This has important symbolic components, like the creation of an overseas Chinese museum and a World Overseas Chinese Cemetery in China.⁹ Since the implementation of China's economic opening began in 1979, however, the economic dimension has been dominant and dynamic. In the late 1980s, China ratcheted up the effort to combine sentiment and incentives to attract investment from the Diaspora, emphasizing patriotic feelings while offering generous investment packages to overseas Chinese. According to You-tien Hsing, 'the campaign of attracting overseas Chinese capital escalated after the Tiananmen massacre in 1989, when many non-Chinese foreign firms fled China.'¹⁰

The central government was not the only, or even the major player, in attracting Diaspora investors. Writing of investment from Taiwan into mainland China, Hsing makes the point that the partners to the overseas Chinese investors in many cases were entrepreneurial local officials, making the most of

their autonomy in the post-Mao era of economic and fiscal reform. “They have simplified the process and regulation of investment and made concessions in taxes and fees for Taiwanese investors. Such flexibility...was crucial to the success of Taiwanese investment.”¹¹ Local officials emphasize the ties of emigrant families to their ancestral villages, and receive investors who come back with a hero’s welcome.¹² The fact that much of the Chinese Diaspora originated in coastal southern China is certainly part of the explanation for that region’s emergence as China’s fastest growing area.

Foreign direct investment (FDI) has been a major factor in the emergence of China as a manufacturing and trading powerhouse in the 1990s. It is estimated that about half of the £26 billion (\$48 billion) in FDI that flowed into China in 2002 originated with the Chinese Diaspora.¹³ Ethnic Chinese also have an important impact on the volume of bilateral trade between the PRC and their countries of settlement.

Table 2: Total Foreign Direct Investment Inflows in China (1990-2001)¹⁴

1990-94 (average)	1995	1996	1997	1998	1999	2000	2001
16.1	35.8	40.2	44.2	43.8	38.8	38.4	44.2

(in billions of US dollars)

The PRC government has encouraged Diaspora engagement in both FDI and trade, as well as philanthropic contributions and other activities, through preferential policies and the encouragement of a sense of belonging to the Chinese homeland. Many analysts emphasize, however, that the chief motive for business ties is profit, and that ‘Chineseness’ is too often seen uncritically as an undifferentiated attribute of what is in fact a large and highly diverse Diaspora.¹⁵ Exogenous factors such as the extremely rapid growth of Hong Kong, Taiwan and Singapore in the 1970s and 1980s, increased protectionism in the West, economic reform in China, and personal or local networks are more important than sentiment—or any effort by the Chinese government to court its Diaspora. The post-1978 economic reforms, including flexible labor laws, efficient administrative procedures, tax incentives for investment, and massive investment in physical and social infrastructure were attractive to non-Chinese as well as Chinese investors. In this enabling environment, the overseas Chinese were able to turn their linguistic, cultural and other capabilities into a comparative advantage.

Curiously, the volume of remittances into China is small in relation to the size of the Diaspora and the volume of other financial flows—some £4 billion between 1991-98, which is only one-seventh the volume of remittances from India’s 20-million strong Diaspora in the same period—suggesting that person-to-person ties from Diaspora to mainland Chinese are not the leading factor in development or poverty reduction. Rather, Diaspora relations with the mainland follow a business model with investment as the main vehicle, often but by no means always into communities of origin. The direct and short-run impact on poverty reduction from the business-oriented model may be less than from a remittance-led pattern that puts income directly into the hands of the poor, but the prospects of continued job creation are likely to benefit the poor in the long run even though that may not be the primary purpose of the business investment. To some degree, the long-term

effect on poverty of an investment-led model depends on the degree to which government policies cushion the impact on those who lose from the process of economic transition, in which Diaspora investment plays a significant part.

India

Well within the past decade, the government of India has moved from a position of somewhat disapproving indifference toward the worldwide Indian Diaspora to one of actively seeking their involvement in India's development. It has followed a multi-prong strategy, pursuing portfolio investment, direct investment, technology transfer and trade links through the Diaspora.

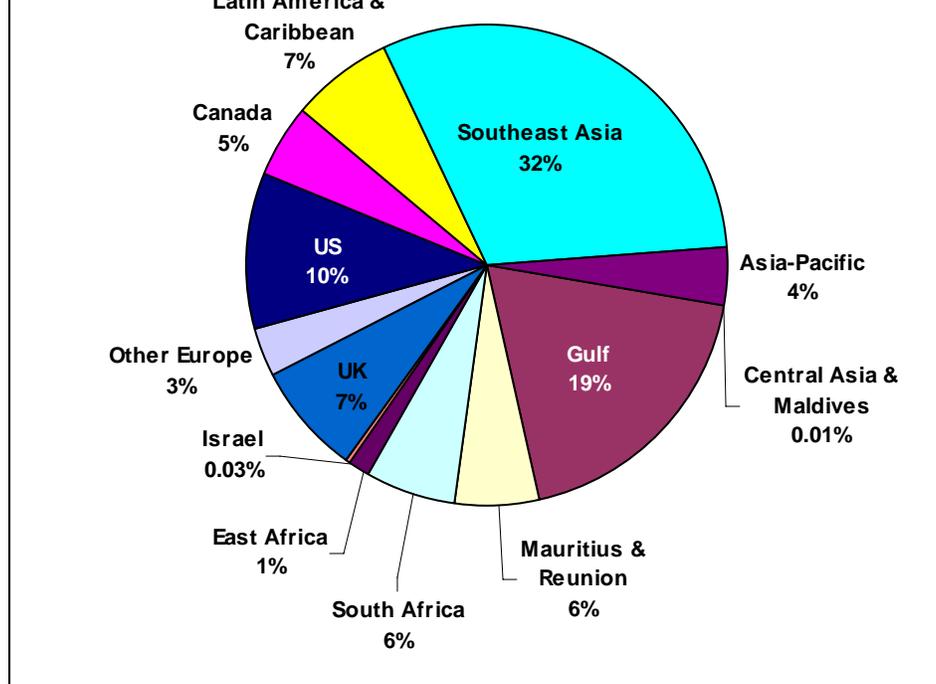
Shortly after India's first nuclear tests in 1998, the Indian government launched a huge sale of 5-year bonds guaranteed by the State Bank of India and available only to non-resident Indians (NRIs). Named "Resurgent India Bonds", the proceeds were in part intended to help offset the impact of the economic sanctions imposed after the nuclear tests. Though "patriotic fervour" or the "Hindu rate of growth" was a key theme underlying the sale, the government understood it could not count on patriotism alone, and therefore added significant benefits to make the bonds attractive: an interest 2 per cent higher in dollar terms than the US bond market, the option of redemption in US dollars or German marks, and exemption from Indian income and wealth taxes.¹⁶

The Indian government launched a massive marketing campaign for the bonds in the US and Europe. The sale was a success: NRI's worldwide purchased bonds worth £2.3 billion in just over two weeks, more than 50 per cent of which came from the Middle East and South East Asia and 20 per cent from Europe and North America.¹⁷ The experience was repeated in 2000 with another bond issue, the India Millennium Deposits, which raised over £3 billion.

In September 2000, the Indian government tasked a High Level Committee on the Indian Diaspora to analyze the location, situation and potential development role of the estimated 20 million non-resident Indians (NRIs) and Persons of Indian Origin (PIOs). The report of the High Level Committee on the Indian Diaspora (also called the L.M. Singhvi Committee) was released to great fanfare by the Indian government in January 2002. The report recommended a "new policy framework for creating a more conducive environment in India to leverage these invaluable human resources."¹⁸

Much of the analysis reflected in the Report looks at the question of why FDI and other business flows from the Indian Diaspora have been low relative to, in particular, the Chinese. The 20 million Indians abroad generate an annual income equal to 35% of India's GDP, yet have generated less than 10 per cent of India's rather modest £2.2 billion of FDI -- in contrast to the overseas Chinese, who, as noted above, have contributed half of China's £26 billion.¹⁹

Table 3: Percentage Distribution of NRIs and PIOs by Region



[Source: Government of India, Report of the High Level Committee on the Indian Diaspora, 2002]

A striking theme of the analysis and reporting on the Diaspora issue from India is that the Indian government has ignored or even failed the Diaspora, and that it is to blame for the relatively low involvement of overseas Indians in India.²⁰ This view is apparent in the government’s and Indian journalists’ discussion of the mountains of bureaucratic red tape and corruption that NRIs and PIOs must deal with should they want to invest directly in India. For example, the summary of the report says: “[The Diaspora’s] receptiveness to Indian concerns will depend greatly on the quality of their interaction with the country of their origin and the sensitivity to their concerns displayed in India. It is essential for India to create the necessary structures to facilitate this interaction.”²¹

The report emphasized the need for the Indian government to create an “investor-friendly” environment to attract Diaspora funds. “Several overseas investors have burnt their fingers in investing in projects in India as they wound their way through the plethora of laws and regulations that govern industrial enterprises... Many Indians living abroad want to fund small projects in their home villages... but the procedural delays and corruption in India have made it difficult to implement their programmes. In other cases, the community felt that the procedures for transferring funds for philanthropic activities was too cumbersome, without much assurance that funds would be used appropriately. Others complain of little protection in case of fraud or cheating in financial or land matters.”²²

The L.M. Singhvi Committee posited that efforts by the Indian government to strengthen the Diaspora's "pride and faith in its heritage" would "revitalize [the Diaspora's] interest in development."²³ Thus the Committee recommended that 9 January – the day Ghandi returned to India from South Africa – be celebrated each year as a day to recognize the contributions of eminent PIOs and NRIs. The first celebration was held in 2003 in conjunction with the first major Indian Diaspora conference, which attracted more than 2000 NRIs and PIOs from 63 countries. The Conference was co-sponsored by the Indian government and the Federation of Indian Chambers of Commerce and was opened by then-Prime Minister Vajpayee.²⁴

A series of reforms and new legislation were also announced in response to many of the issues raised in the L.M. Singhvi report, including measures to ease investment in India from overseas, the creation of a government body with the sole focus of acting as a liaison between India and its Diaspora, and the introduction of legislation to grant dual citizenship to PIOs in certain countries. India's Ministry of External Affairs now has a "Non-Resident Indian and Persons of Indian Origin" Division. The Investment Information Centre (IIC) is a free "single-window" agency for advice on nearly all issues associated with investing in India.²⁵ It works with Indians, foreign investors and NRIs and is considered the "nodal agency" for promoting investment in India by NRIs. It provides "all necessary services" for NRIs in setting up their investments, including explaining government policies and procedures, available incentives, necessary data for project selection, and assists in obtaining government approval. It also provides an information service available to all potential investors on the state of various industries in India and profile of industrial projects soliciting investment.

The focus of debate in India about the Diaspora's contribution to the country's development has been focused heavily on attracting direct investment (the first priority), portfolio investment, and humanitarian or other philanthropic assistance. Relatively little is said about remittances, despite the fact that India is the world's largest receiver of remittances in absolute terms, with almost £27.4 billion received in 1991-98. Perhaps this reflects the view that remittances *per se* are not "developmental" or self-sustaining. The kinds of small-scale investment they fund may be too small to register on the huge canvas of national planning in India. In addition, remittances are seen as the province of blue-collar migrants, whereas India's Diaspora strategy has centered on the successful professionals, technicians, and entrepreneurs.

As in the case of China, it is difficult to say with any certainty how much of increased FDI and other financial flows into India is the result of the government's new approach—which is still very new—and how much springs from other factors. The employment of Indian information-technology professionals in the US computer industry and the resulting build-up of links between US and Indian high-tech firms had little to do with Indian government Diaspora policy, and more with its support of outstanding institutions of higher education and general macro-economic reforms. But the government has recognized the potential of the Diaspora to contribute more to India's development efforts, and has moved to clear away some of the obstacles to greater engagement.

The result of the Indian Diaspora's economic engagement in India thus far has been a significant expansion in the earnings and employment opportunities of the middle class. Making a dent in India's enormous poverty awaits the connection of the lowest income groups to the modern economy. This remains a daunting challenge, but without the growth generated by India's Diaspora-led entry into the global economy (particularly the information economy) it would seem little more than a mirage.

Investment or remittances? Chinese and Indian patterns.

Economist Devesh Kapur explores the reasons that China and India historically differed so strongly in the nature of their respective Diasporas' economic engagement. Chinese direct investment was twenty times the volume of India's whereas Indian remittances were seven times the Chinese in the 1990s. Kapur explains: "The Indian diaspora was largely professional while the Chinese diaspora was more entrepreneurial. Hence although the former was well off in the aggregate (for instance it is one of the wealthiest ethnic groups in the U.S.), it did not have substantial numbers of high net worth individuals who would serve as potential investors. Second, India was hostile to foreign investment until the early 1990s while China opened up a decade earlier. Third, China, unlike India, did not have a strong capitalist class when it opened up – and hence faced little domestic opposition to incentives granted to diasporic (sic) investors. Finally, local governments have played a much more proactive role in China relative to India, although this is changing in the latter."²⁶ The involvement of Diaspora Indians in the software boom of the late 1990s has altered this equation to some extent. At least in this sector, Indian-born and Indian-origin entrepreneurs, in the United States particularly, acquired the capital and business connections to play an important role in foreign direct investment and technology transfer.

Eritrea

Khalid Koser's study of the Eritrean Diaspora gives a detailed picture of the exceptionally close integration of an overseas population in the political and economic life of its country of origin.²⁷ Perhaps one-quarter of the Eritrean population lives outside the country, a total of about one million. Of these, approximately 250,000 live outside of Africa—mostly in Europe and North America. Most left (or their parents left) during the struggle for independence from Ethiopia (1961-1991). Few have returned to Eritrea since independence.

Table 4: Total Number of Eritrean Refugees, 1992-2003²⁸

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
503.2	427.2	422.4	286.7	331.7	318.5	346	346.8	376.7	333.1	315.6	124

(in thousands of persons)

During the struggle for independence, Eritrean refugee communities were major sources of funding for the war effort and for the extensive network of relief and welfare services organized by Eritrean forces in the areas under their control. The Eritrean People's Liberation Front and the affiliated Eritrean Relief Organization raised money from expatriates, organized lobbying efforts directed at host governments and societies, and solicited donations from host-country NGOs for relief work.

The legacy of the war-time mobilization was a unique model of political and economic integration. Eritrean citizenship was extended to members of the Diaspora wherever they lived and regardless of their legal status in the host country. Almost all of them voted for independence in the 1993 Referendum, and many participated in the drafting of the new state's Constitution and its ratification

in 1997. The constitution guarantees the rights of overseas citizens to vote—although multiparty elections have not yet been held.

The flip side of representation is taxation, and since independence, adult Eritreans overseas have been asked to pay a voluntary contribution equivalent to 2 per cent of annual income. Koser's research discovered near-universal compliance and minimal resentment: "Most Eritreans view the tax not as a burden but rather as a 'duty' toward the homeland."²⁹ He reports, however, that efforts on the part of the Eritrean state to increase contributions substantially to fund the 1998-2000 border war with Ethiopia stirred considerable resentment among the Diaspora—in part because they felt overburdened financially and in part because they questioned the necessity of this war. Other ways of attracting funds have been used: bond issues, land sales outside Asmara (significant because all land was nationalized immediately after independence), and the auction of housing on especially constructed estates which have mostly been purchased by expatriates.

In addition to financial contributions directly to the state, the Eritrean government has sought in other ways to intensify ties with the Diaspora. It reopened political offices in major settlement countries, conducted censuses of Eritreans living abroad (including a skills and qualifications roster), reconstituted relief and welfare organizations, and initiated an information campaign which included regular visits to Diaspora communities by government officials.

Despite these strenuous and systematic efforts, Koser reports a growing disillusionment in the Diaspora with the demands and the direction of the Eritrean state, and questions how long the intense, supportive engagement can be sustained. There is no question that Diaspora contributions were a major factor in Eritrea's development efforts in the early-to-mid 1990s. The relationship after 1998 is more complex. Diaspora contributions funded the war with Ethiopia, which unquestionably was a major setback to economic progress. The period of reconstruction after the war again draws on the Diaspora. Their support, although no longer unqualified, remains central.

The Philippines

The development strategy of the government of the Philippines is not Diaspora-oriented. Its policy focus is on temporary labor migration, but 2.5 million of its citizens have nonetheless emigrated permanently. Government policies toward overseas residents concentrate on placing and protecting temporary workers, and on maximizing their remittances. Many of the mechanisms it has put in place, however, are also accessible to permanent residents of Filipino communities abroad. First, the government eliminated practices that drove off remittances, such as overvalued exchange rates and mandatory remittance quotas. Then it created incentives, including tax breaks and privileged investment options for overseas residents, while facilitating the transfer of funds. For example, the Overseas Workers Welfare Administration issues an identification card to all official workers which is also a Visa card that can be linked to dollar or peso-denominated savings accounts in a consortium of banks. The card enables remittances to be sent at ₱1.65 or less per transaction.³⁰ Many Filipino diplomatic missions include a Migrant Workers and Overseas Filipinos Resource Center, which provide counseling, welfare assistance, information, gender-specific programs, and registration. The Migrant Workers and Overseas Filipino Act of 1995 requires the government to ensure that states hosting Filipino migrants protect their rights and conform to the provisions of international conventions and bilateral agreements.³¹

Two related government programs mobilize Diaspora and migrant resources for development: LINKAPIL channels financial and in-kind donations to projects supporting education, health care,

small-scale infrastructure and livelihoods through a system call PHILNEED which provides information on projects that need support to potential Filipino contributors abroad. Contributions to development projects through LINKAPIL as of 2003 amounted to more than £550 million.³²

The government also provides services that are intended to promote continued ties with the homeland, including overseas tours of Philippine entertainers, schools in areas with high concentrations of Filipino migrants, and psychological counseling services that emphasize maintenance of “Filipino values”. Recently, the government decided to allow overseas workers to vote in national elections, although voting is theoretically conditional upon the migrant’s return within two years. Consulates are active in trying to defend Filipinos abroad against human and labor rights abuses.

The policies of the Philippine government appear to treat the financial contributions of Diaspora and temporary workers alike primarily as income flows rather than potential investment stock. As income flows, they relieve poverty directly. But the Philippine government does not seem to have a strategy to maximize the developmental potential of established communities of Filipinos overseas, which might have a more lasting impact on poverty reduction.

Mexico

Mexico is the second-largest recipient of remittances in the world. Its Diaspora is unusual in that, compared to others discussed in this paper, it is so heavily concentrated in one country, the United States. (Of course, many US citizens of Mexican origin live in parts of the country that were once part of Mexico; in that sense, they are not a community of migrant origin). Like India, the government of Mexico for decades had an attitude toward Mexicans who had left the homeland that was ambivalent at best. Formal programs for Mexicans abroad began only in 1990. Two federal programs, the Paisano Program and the Program for Mexican Communities Living Abroad (PCMLA) focused on improving the treatment of returning migrants at the hands of Mexican border and customs officials and on improving services to Mexicans in the United States. The PCMLA, which also helps channel remittances to local development projects in Mexico, is implemented by the Foreign Ministry through Mexican consulates and cultural centers in the United States.

Table 5: Stock of Foreign Born from Mexico in the United States, 1995-2003³³

1995	1996	1997	1998	1999	2000	2001	2002	2003
6668	6679	7017	7119	7197	8398	8855	9659	9967

(in thousands of persons)

Since 2000, the government has escalated its outreach to the Diaspora, with President Vicente Fox referring to Mexican migrants as “heroes”. In 2001, his administration established the Presidential Office for Mexicans Abroad, which was designed to strengthen ties between Mexican emigrants and their communities of origin. The Fox Administration also introduced legislative changes to allow Mexicans living abroad to hold US dollar accounts in Mexico and to maintain dual nationality (although without voting rights). The government’s new activism has a two-fold emphasis: to expand the opportunities for Mexicans abroad, and to facilitate remittances.

The federal government is not the only, or even the most significant, governmental actor when it comes to cementing ties between Mexicans abroad and their home communities. Individual Mexican states have initiated many projects with migrant communities, including “Adopta una Comunidad” in Guanajuato (begun when Vicente Fox was Guanajuato’s governor). This program was expanded in early 2002 by President Fox to encompass the 90 Mexican regions (a total of 1140 communities) with the highest migration rates. Now also called the “Padrino programme,” it is geared towards successful Mexican-American businesspeople, who are encouraged to invest in one or more of the over 1000 projects identified by the Presidential Office for Mexicans Abroad in consultation with the local communities. Rather than merely write a check, “Padrinos” are encouraged to become personally involved in the projects, not only because personal involvement will often lead to further participation, but because many Mexican-Americans have previously been reluctant to support government-initiated development projects due to fears of corruption or of the money not reaching its intended recipients. Padrinos have responded positively to the direct links that are formed through the program between donors and recipients. Expatriates “see the programme as an alternative to the traditional, and often unsuccessful, approach of pouring money into central governments and banks in poor countries with the hope that some jobs might result”³⁴.

The goal of the Padrino programme is to raise £ 110 million and to eventually expand beyond the 90 initial regions to all areas of Mexico. In 2002, the programme raised £ 17 million (with reports of £27 million in pledges)³⁵ for over 200 projects. Of this, 40 per cent was directed toward employment-generating activities and the rest to increasing living standards through construction of schools, roads, health centers, potable water facilities and others. Some of the first Padrinos were the music group Los Tigres del Norte (school construction) and Mexican-American leadership staff in Tysons food (donations to foster chicken farms) and UPS (scholarships).³⁶ Other examples of “Padrinos” include an LA-based entrepreneur offering marketing skills to a struggling coffee cooperative in Chiapas, or the founder of a fast food chain donating just over £31,000 to bring electricity to a small rural town in Oaxaca state.³⁷

Another state-level program that has expanded nationally is the “Tres por Uno” pioneered in Zacatecas, in which the municipal, state and federal governments each matched collective remittances from migrant associations in the United States dollar for dollar. The program was in a sense set back by its own success. So many migrants associations applied for matching funds that the state budget for the program was depleted and the match had to be suspended.

Mexico’s Diaspora relations have been developed from the bottom up. Individual migrants continue to support their families with the world’s second largest stream of remittances. Self-organization among migrants from the same places settling together in the United States have built collective remittances into an interesting model of grass-roots development, although the volume of collective remittances is still dwarfed by the flows among individuals and families. Mexican states have sought to leverage these flows for a greater impact on development, but their primary impact remains on poverty reduction at the level of the individual. The federal government is a relative latecomer in outreach to emigrant communities. In the last decade, however, it has developed a conception of the Mexican Diaspora as an active part of the nation. It is perhaps too early to say whether the migrants themselves will buy into this larger notion of non-territorial membership in the Mexican nation, or proceed on the path to fuller integration into the US economy and society.

Taiwan

Taiwan's policy toward its Diaspora has focused on the benefits that can be derived from maintaining close ties with a highly skilled group of emigrants – in particular, the benefits of technology transfer. Taiwan suffered from a serious “brain drain” in the second half of the 20th Century. Over 90,000 Taiwanese left for study abroad, and in some years returns were less than 10% of departures.³⁸ But these emigrants did not carry large amounts of publicly subsidized education with them—Taiwan invested mostly in primary, secondary, and vocational education and heavily subsidized higher education only recently, as the domestic economy began to demand those skills. This forced Taiwanese students who wished to continue in university to migrate, but their education abroad was financed privately—and often subsidized by the governments of their host countries.³⁹

Taiwan has focused less on attracting investment from its Diaspora than on making use of their skills acquired abroad, both through networking and through return migration. The government established a database that tracked skilled migrants and matched them with job opportunities in Taiwan. The National Youth Commission coordinates efforts to attract emigrants to return home, running job placement programs, and information clearinghouse on employment, and an annual report on employment needs in Taiwan, which is widely distributed abroad.⁴⁰ The government systematically invited scientists, professionals and highly skilled technicians back to Taiwan, to teach and to network with Taiwanese counterparts, officials, and investors. Government-sponsored national development conferences bring many overseas Taiwanese to participate at government expense and contribute to the formation of multi-national networks oriented toward building Taiwan's business and technological advantages. In places like the Hsinchu Industrial Park, the government constructed Western-style housing and developed industrial clusters in order to build a critical mass of well-educated returnees. Neighboring schools were upgraded to attract emigrant investors and professionals to return with their families.⁴¹ Recruiting programs also target older scholars and professionals, offering them competitive salaries, excellent working conditions and financial subsidies available for such purposes as travel and business start-ups.

In short, the Taiwanese government has courted the Diaspora not only as a source of investment funds. A major emphasis has been on visitors from the Diaspora – who may become return migrants – as a source of human capital and technology transfer, which could then support the development of home-grown knowledge-based industries. The background for all of this, critically, is a healthy economy able to make real use of the skills offered by highly educated migrants.

Reflections

As the preceding case studies have shown, there are a great many ways for governments to court Diasporas and encourage them to contribute to the development of their country of origin. Some of these patterns are more conducive to direct poverty reduction than others. The patterns also differ greatly in the time-frame in which they are likely to show some impact on poverty. The most immediate effects are likely to come from strategies like that of the Philippines, which seek to maximize the income stream from remittances directly to households. The income stream lasts only as long as migration lasts, and is thus vulnerable to changes in receiving-country immigration policies as well as the continued attachment of long-term immigrants to the home country. Nonetheless, if flows are large and lasting enough – and other conditions are conducive to development – household remittances can generate local multiplier effects that lay the basis for more sustainable poverty reduction.

Attempts to pre-empt individual remittances into government channels, as in the case of Eritrea, may erode some of the poverty-reducing potential of Diaspora transfers; whether they bear fruit in the longer-run depends very much on the success of national development policies. Mexico's attempts to use federal programs to promote collective remittances and to make the sum of individual household remittances greater than the sum of their parts are now being widely imitated in Central American and Caribbean countries with large overseas populations. The local focus of many of these programs gives them a direct connection to the poor, but the outcome is also dependent on improvement in macro-economic conditions. Poor infrastructure (physical and financial), underdeveloped markets, corruption, and a poor investment climate confine the potential of remittance-focused strategies to the immediate receivers. Remittances do, however, shelter recipients from the effects of these development inhibitors nonetheless—at least in the short term. The longer-term impacts are bound up with both external influences and economic and social reforms.

China, India and Taiwan focus less on remittances in favor of pursuing three very different business-oriented models in seeking Diaspora contributions to development. Taiwan has pursued a “brain trust” model, focused on attracting human capital from the Diaspora. China has had perhaps the longest-term strategy for attracting direct investment and opening trade opportunities through overseas Chinese communities. India's recently launched Diaspora policy is multi-pronged, pursuing direct investment, portfolio investment, technology transfer, market opening and out-sourcing opportunities.

All Diaspora strategies depend to some extent on maintaining, creating or rebuilding bonds with migrant communities and encouraging patriotic sentiments. Some do this by cultivating a very broad sense of non-territorial membership in the nation, and promoting the idea of the homeland as the repository of a shared greatness. Policies such as making dual nationality available to the second and subsequent generations may reinforce this sense, as may programs to support the maintenance of language and culture in Diaspora communities. Others strategies are much more instrumental, and aggressively seek to built networks of personal influence with the Diaspora or simply offer them privileged access to good business opportunities. Still others play on collective trauma or guilt at having left to inspire contributions to a national project. And some emphasize emotional ties at the personal or community level.

Many governments face the challenge of overcoming a lack of trust in government-sponsored investment schemes or formal channels of money transfer. There are enough examples of failed schemes in which migrants lost hard-earned savings to warrant a cautious approach on their part. Some countries must overcome a history of outright hostility between a national government and Diaspora groups. This is especially true when the Diaspora has its origin in a refugee flow, as for example from Cuba or Vietnam; or when a regime change is opposed by many in the Diaspora, as for example after the Islamic Revolution in Iran. In these cases, private flows to families left behind may continue, and a government may still emphasize the common history and culture, and call upon the Diaspora for humanitarian assistance. Cuban exiles in the United States, for example, still send substantial remittances to their families remaining in Cuba, and the Iranian Diaspora was generous with relief aid after the earthquake in Bam despite widespread alienation from the government.

There are a multitude of methods by which a government can engage Diaspora communities, ranging from the symbolic to the very concrete. It is becoming increasingly clear that a mobilized

Diaspora can be a major source of political and economic advantage. Governments that are oblivious, indifferent or hostile to emigrants and their progeny overlook a development resource. A Diaspora strategy is not a substitute for a development policy. The two together, however, can produce considerable synergy.

II. Diaspora Engagement in Countries of Origin

The dense web of ties between Diaspora and country of origin is, in the overwhelming majority of cases, the creation of individuals and groups acting on their own initiative, rather than a product of government intervention. Diaspora engagement takes so many different forms and occupies so many different spheres that it is difficult to generalize about it. It ranges from the purely personal level of family ties to the level of international financial markets. Beyond the individual and family level, Diaspora organizations include associations of migrants originating from the same locality, ethnic affinity groups, alumni associations, religious organizations, professional associations, charitable organizations, development NGOs, investment groups, affiliates of political parties, humanitarian relief organizations, schools and clubs for the preservation of culture, virtual networks, and federations of associations. Locating the level and the kinds of Diaspora engagement that are most conducive to poverty reduction requires an awareness of the time dimension of impacts, as the most immediate may not be the most effective over the long run.

The most direct and immediate impact on poverty comes out of Diaspora engagement at family and community level. To give just one example, in Tajikistan, a country whose economy was thrown into chaos by the break-up of the former Soviet Union, 50 per cent of the households are dependent on remittance income, according to the International Organization for Migration.⁴² Cash remittances, of course, are the most obvious, although remittances in kind are also important. Nimal Fernando, rural finance specialist for the Asian Development Bank, notes that in-kind transfers are often under-valued or excluded entirely from official remittance estimates.⁴³

Home Town Associations.

Perhaps the most-studied form of Diaspora engagement is the Mexican “Home Town Association.” Residents of the same town or village in Mexico commonly migrate to the same locality in the United States. The Home Town Associations they have formed serve the dual purpose of providing social support to the migrants and economic support to their places of origin—as did similar associations with Irish, Poles, Italians, and other immigrant groups that came before. Today, immigrants from Central American and Caribbean countries are forming similar associations in the United States; Ghanaian and Nigerian immigrants to the UK have also done so.

According to one of the many studies by Manuel Orozco, the Mexican Home Town Associations vary considerably in the kinds of support they send home, including charitable contributions, infrastructure improvements, funding for human development projects (health, education and recreational projects), and capital investment in income-generating activities.⁴⁴ By late 1998, more than 400 such clubs were operating in the United States, with the largest and most active networks from the Mexican states of Zacatecas and Guanajuato. These clubs have formed associations that pool their efforts and experience, and have leveraged cooperation from the state and federal level, as described earlier.

A study of Bangladeshi Diaspora communities in the UK and US (conducted by the Government of Bangladesh's Ministry of Expatriates' Welfare and Overseas Employment and the International Organization for Migration) found similar associations formed around villages or cities of origin in Bangladesh. The associations collectively raise funds for the building or support of schools or mosques, infrastructure repair, providing scholarships for students and to organize relief and reconstruction activities in the aftermath of natural disasters.⁴⁵ Two such organizations in the UK are the Bianibazar Association of London and the Baniachang Association of the East End. The growth of many smaller community organizations eventually led to the creation of federating bodies, such as the Greater Sylhet Development and Welfare Council (GSDWC), founded in Birmingham in 1993. The goal of the federating bodies is to create a common platform for particular Bangladeshi communities in the UK, providing leadership on issues such as emigrant voting rights in Bangladesh and racial discriminations issues in the UK. The GSDWC, for example, has regional offices throughout the UK and Ireland as well as four branch offices in Greater Sylhet. However, the report also notes that, as such associations are organized around particular religious or ethnic communities, they often become divided and weaken the very community they are attempting to support.⁴⁶

Home Town Associations and variations on that kind of structure are for many migrants the first step into active citizenship of transnational society. They help to preserve ties and identity for the migrant and to build social and physical infrastructure for the home towns. But they are not without problems. The goals that emigrants set for their communities of origin may not reflect the priorities of the residents who stayed behind, giving rise to tensions in the selection and implementation of projects. Gender roles are often very conventional within the Home Town Association, although such roles may have changed dramatically as a result of migration. Most important, perhaps, the perspective of the Home Town Association is local, whereas the obstacles to poverty reduction may be regional, national, or even global.

Business networks.

Business networks are common among Diaspora. Some are well established, acting as long-standing ethnic Chambers of Commerce within a single country of settlement, while others are new and truly transnational. Many are using information technology to create and maintain ties among participants. The Lebanese Business Network, for example, is a non-profit "business development vehicle" with an online marketplace and business matching database. Its goal is to create links between Lebanese entrepreneurs, expatriates and international businesses, by identifying business opportunities and potential areas of partnership.⁴⁷

Indian information technology (IT) entrepreneurs and professionals have established a number of business networks. One of the most powerful is TIE (The IndUS Entrepreneur), which has grown from its core in North America and India to 25 chapters, including Singapore, Switzerland and the UK. It matches experienced entrepreneurs and start-up managers in a mentoring relationship, and backs up promising enterprises (in the United States and India) with venture capital from a core membership of investors. Devesh Kapur points out that the benefits of the network go beyond profitable investment and start-up finance:

It has boosted India's confidence as well as the confidence of overseas investors about India's potential despite India's numerous problems. Companies like Yahoo, Hewlett Packard and General Electric have opened R&D centers in India largely because of the confidence engendered by the presence of many Indians working in their US operations. This points to the cognitive effects arising from the projection

of a coherent, appealing, and progressive identity on the part of the diaspora which signals an image of prosperity and progress to potential investors and consumers.⁴⁸

The Silicon Valley Indian Professional Association (SIPA), of Santa Clara, CA (sipa.org), has over 1800 members.⁴⁹ Its mission is to “provide a forum for individuals interested in meeting with visiting Indian businessmen and women, professionals, and bureaucrats, and to facilitate information dissemination and networking within the professional community” through a speaker series and seminars on issues such as outsourcing, property rights, and service providers in India. Several business associations of the Indian Diaspora function in the UK, including the Indian Development Group (UK) Ltd, the Indian forum for Business, and the India Group based at the London Business School.⁵⁰

The Armenia High Tech Council of America (ArmenTech, armentech.org), SiliconArmenia (siliconarmenia.com) and a variety of other similar, smaller initiatives are US-based non-profit organizations aimed at utilizing the experience of their membership – mostly Armenian-American IT professionals – to develop and promote high-tech business and IT education in Armenia. ArmenTech expects to expand its operations to involve the Armenian Diaspora in Europe as well. SiliconArmenia is a web site launched in January 2003, intended to “boost Armenia’s burgeoning high-tech sector through increased exposure to international companies and investors. The site features news, business and investment opportunities, a networking centre, e-learning, on-line training and virtual skills development. SiliconArmenia receives support from a combination of public and private sources, including the World Bank.”⁵¹

An interesting new initiative is the African Diaspora Summit, which was organized in December 2003 by the Dutch-African Diaspora organization AfroNeth. Representatives of the Dutch Ministry of Foreign Affairs, the Netherlands African Business Council and the European Centre for Conflict Prevention took part in the conference. In an interview,⁵² the organizer of the African Diaspora Summit noted that the creation of AfroNeth and other similar Diaspora organizations was strongly influenced by the creation of the New Partnership for African Development (NEPAD) and its focus on African self-reliance. The participants were acutely aware of the need for skills and resources in Africa to accomplish self-reliant development and the ability of Africans in the Diaspora to provide such skills and resources, and the “unsatisfactory” nature of western development policies in African countries. Combining interests in business and conflict resolution, the Summit initiators looked to Diaspora as a new source of development creativity: “Africans rooted in both African and Western culture could provide the ingredients for a new approach to development cooperation and economic development”.⁵³

Another similar endeavour was the GhanaExpo, which took place in London in October 2003. Sponsored by ExpoAfrica Net, which has headquarters both in London and Accra, GhanaExpo was an exhibition fair promoted as an opportunity for Africans in the Diaspora to connect with businesses, goods and services in Africa. More than twenty sectors were represented, included agriculture and raw materials, handicrafts and other retail good, automotive, electronics and travel and tourism. The Expo was heavily promoted and even attended by the Ghanaian President and the Ashanti King. This was the first event of its kind, though the goal is to extend the idea to other African countries. The Expo also included a strong cultural component, including traditional drum and dance performances, etc., and took place during Black History Month in the UK. The Expo is being repeated in 2004, this time in Atlanta, Georgia (USA).

Interims for Development (interimsFD.com) is a UK-based organization similar to TOKTEN (described in Part IV below), but focused uniquely on Africa. It was founded by UK nationals of African origin committed to assisting the development of their countries of origin. Though the focus is on recruiting volunteers of African, Caribbean or other minority backgrounds, the program is not limited only to Diaspora. The goal of IfD is to “direct the necessary skills and expertise towards Africa that will help support African companies in both the private and public sectors in their efforts to transform their economies for the well-being of their citizens” (from the website). Individual volunteers (well-qualified, experienced professionals called Interim Managers) are placed in approved African companies by IfD. The Interim Managers may choose to participate independently or be sponsored by their (UK) companies – the program is marketed to socially-conscious UK companies and/or companies looking to expand their markets/business into developing countries. UK companies unable to send their own employees as Interim Managers but still interested in participating may also choose to “adopt” an African company and pay for the participation “on the company’s behalf” of an independent Interim Manager. IfD screens all participating companies and Interim Managers and places them in the most appropriate positions.

IfD also strongly promotes the cultural element of their programs, which include pre-departure cultural briefings and housing in family homes for the duration of the participation. Its recruitment literature also focuses heavily on attracting diaspora participants, by asking questions such as: “Are you a British national of African, Caribbean, Asian or other ethnic minority group? Have you ever wished for an opportunity to see what life is really like ‘back home’? Do you have professional skills that you can share with professional colleagues in developing countries? Are you interested in giving back to those less fortunate than yourself?”

Significant investment in the country of origin by Diaspora investors can be a push factor for market reforms and/or strengthening institutions in country of origin. Again, India is an example, as the government has begun to institute reforms as a result of surveys of Non-Resident Indians and Persons of Indian Origin which noted their reluctance to invest in India or even to give philanthropically because of the bureaucratic nightmares involved and the likelihood of corruption. Such reforms may in turn make the country of origin more attractive to (non-Diaspora) international investors.

It is difficult to predict the extent to which particular kinds of industrial development spurred by Diaspora-led initiatives such as those described above will reduce poverty. Higher foreign exchange earnings and more opportunities for IT engineers and investors do not automatically improve the lot of the poor. Robert Lucas reckons that there may be half a million IT professionals employed in India – but he points out that India’s labor force is over 330 million.⁵⁴ If the economic policy framework is right, the development of an entrepreneurial middle class and an industrial base should contribute to growth, and growth should lead, over time, to higher demand for the labor of the poor and a stronger social safety net. A more direct and rapid effect on poverty, however, may result from strengthening channels for investment directly into poor communities. It is noteworthy that remittances are responsible for close to 20% of the total capital invested in microenterprise in Mexico.⁵⁵ Microfinance institutions are increasingly looking to Diaspora as a source of funding for small enterprises.

Building Social Capital.

While it is obviously easier to specify the impact on poverty of economic interventions by Diaspora, their social and political activities may have an even more profound, if indirect, effect on the

prospects of the poor. Peggy Levitt defines “social remittances” as “the ideas, behaviours, identities and social capital that flow from receiving country to sending country communities.”⁵⁶ Though more difficult to assess than economic contributions, such changes can affect attitudes toward human rights, women’s rights, the value of education for girls, the benefits of women’s employment, or the use of violence to resolve political disputes. Building, or re-building, social capital is particularly important in the aftermath of conflict.

A report on the role of exile communities in reconstruction efforts discusses the activities of many Bosnian intellectuals and artists in the UK and the Netherlands, noting that “it is not only people who travel between countries, but also ideas, values, and cultural artifacts.” Some of the interviewees were journalists who continued working for Bosnian newspapers, radio and TV on a freelance basis from their adopted country, with the aim of “promot[ing] ideas of tolerance, a multi-ethnic Bosnia, democracy and freedom of speech.” Others stated that they wanted to produce writing, art or other media that could be distributed in and “change ideas” in both Bosnia and the adopted country.⁵⁷

The particular circumstances of flight can also affect willingness to contribute. The authors of the aforementioned report found that Bosnian refugees who had suffered atrocities preceding their flight and who were now part of the ethnic majority of their region of origin were significantly *more* likely to contribute than those who had not suffered as acutely prior to flight. However, if the individual refugee who had suffered atrocities prior to flight would now be part of the ethnic minority in his or her region or origin, the incentives to contribute to reconstruction were close to zero. Particularly in the UK, there is a strong divide between those refugees who arrived on their own and those who came through UNHCR, with the former being much less likely to participate in any sort of cultural or community organizations, sometimes due to lack of awareness of their existence.⁵⁸

The African Foundation for Development (AFFORD, afford-uk.org) is a London-based registered charity formed to connect Africans and their organizations abroad working for the development of Africa and African people directly with organizations on the continent working toward the same goals. Its mission is to expand and enhance the contribution that Africans in the Diaspora make to Africa’s development. It has or is engaged with a range of projects and organizations including:

- *africa21*, which is a consortium of 9 UK-based African-led development organizations. Every July, *africa21* sponsors “African Development and Diaspora Day” (*ad3*), which is a gathering of persons and organizations in the UK concerned with development in Africa. *ad3* features workshops, seminars, exhibitions and a “development market,” providing an opportunity for Africans in the UK to work together to promote development in Africa as well as to meet with various international development agencies, donors, NGOs and others. Each *ad3* focuses on a particular theme; in 2004 the theme was “Transforming the local everywhere,” focusing on “how Africans in the UK are promoting change both in the UK and in their regions of origin...[addressing] the issues that link London and Lagos, Cairo and Cambridge, Mogadishu and Manchester.” Workshops at this year’s *ad3* included, mobilizing diaspora resources, raising donor awareness of the work of UK-based Africans, youth and gender issues, and migration and development. It also featured an awareness-raising campaign on the difficulties caused both in the UK and in Africa by the closure of traditional money transfer agencies such as Somalia’s al Barakat.

- The 2004 *ad3* also featured the official launch of *African Diaspora Voices for Africa's Development* (ADVAD), a coalition of UK-based African organizations formed to give Africans in the diaspora the opportunity to “speak with one voice.” In a meeting with the British parliament organized by the Royal African Society, ADVAD members and the broader African diaspora in the UK were recognized for their role as voters, taxpayers, business people providing jobs, and as development actors with a specific concern for the home continent.
- In February 2004, AFFORD teamed up with social justice organization called *Fabamu*, based in Oxford, Durban and Cape Town, to offer an Oxford University-accredited distance learning course for UK-based Africans. The course is on fundraising and resource mobilization, focusing on how Africans in the Diaspora can increase their own fundraising capacities.

Aggregating the efforts and sharing the lessons of the multiple, mostly small-scale efforts of Diaspora organizations may help them to increase their effectiveness. DFID supports a network of Black and Minority Ethnic voluntary and community organizations called “Connections for Development”, whose purpose is to mobilize civil society for action on international development.

Supporting conflict.

Armed conflict or the general violent disruption of public order is strongly correlated with poverty. It disrupts livelihoods and development processes by causing massive destruction, while ongoing insecurity fosters a negative economic climate which makes businesses less likely to invest. Diasporas often provide support (financial, manpower, arms, transport, etc.) to groups involved in violent conflict in their countries of origin. Members of Diaspora communities may also contribute to ongoing conflict by providing skills for insurgent groups, such as computer programming, demolition, fundraising, or financial management. Diasporas contribute to conflicts in nearly all regions of the world, including Sri Lanka, Kosovo, Eritrea, Somalia, Turkey, and Northern Ireland.

Diasporas, sheltered from the daily consequences of violence, are often more uncompromising than their counterparts who remain in countries of origin. As Canadian government executive Margaret Purdy has written: “distance can make the heart grow fonder. Thousands of kilometres of separation and relative safety in a new homeland can generate romanticised notions and can obscure reality about the nature of homeland conflict. ‘Diasporas do not suffer the consequences of violence, nor are they in day-to-day contact and accommodation with the enemy.’”⁵⁹

The role and activities of India’s Gujarati Diaspora in funding and supporting the rise of Hindu nationalist violence against Christians and Muslims in Gujarat has been called “foreign direct investment in hatred” by *The Hindu* newspaper. An article investigating the ideological and material links between the Gujarati Diaspora in the UK and some of the Hindu nationalist (“Hindutva”) groups (called Sangh Parivar), implicated in the anti-Muslim pogroms in Gujarat in early 2002, found that the “major long-term source of funding” for Sewa International and other Sangh Parivar groups was Britain’s Gujarati community. The article asserts that such groups have 1) co-opted the human and resource channels that have existed for years between Gujarati communities in the UK and their families and communities in India for use in funding pro-Hindu nationalist parties in India; 2) channeled Gujaratis’ experiences with racism and alienation in the UK into “virulent Hindu chauvinism;” and 3) succeeded in raising money from the British government by portraying

themselves as “faith communities,” and therefore as legitimate beneficiaries of the government’s new approach to supporting ethnic minorities.⁶⁰

A study by Indian and French-based organizations found similar links between the US-based India Development and Relief Fund (IDRF) and violent Hindu nationalism.⁶¹ The report was denounced by IDRF supporters in a rebuttal, which claims that Hindutva is merely a “framework for maintaining an identity within societies where Hindus are small minorities.”⁶²

The Liberation Tigers of Tamil Eelam organization (LTTE) in Sri Lanka is widely considered to have the most the most well-organized and “productive” Diaspora of any insurgent movement in terms of financial contribution, financial networks for fundraising and arms smuggling (including through people-smuggling), and political influence, often through the use of propaganda.⁶³ The Tamil Diaspora is estimated to number roughly one-half million people; the LTTE is known to be present in 54 states and most active in western states with particularly large Tamil diasporas, such as the UK and Canada (large Tamil communities also exist in Norway, Switzerland and South Africa).

The LTTE has three distinct wings, all of which are represented globally – publicity and propaganda, arms procurement and fundraising. There are various reasons that Tamils in the Diaspora work for or donate money to the LTTE, generally: 1). Voluntary contributions based on a strong belief in the Tamil cause, reinforced by atrocities committed by Sinhalese forces; 2). illegal Tamil migrants, asylum seekers or others on the fringes of society in adopted countries see the Tigers as a form of insurance should they ever be forced back to Sri Lanka; and 3). fear, especially for those with relatives still in Sri Lanka. This fear may be compounded by blackmail or extortion on the part of LTTE members in the Diaspora (Swiss police, for example, rounded up over a dozen LTTE members after extortion schemes gone awry resulted in the murders of several Tamils in Switzerland).⁶⁴

Financial and other contributions to the LTTE from the Tamil Diaspora are estimated to provide around £ 27 million annually; including £823,000 per month in direct contributions alone from Tamil communities in the UK, Canada and Australia.⁶⁵ Tamils in Switzerland are estimated to donate roughly £1.6 million annually.⁶⁶ Often this money comes from a sort of “tax” – or an obligation to donate – placed on Tamil residents by the local LTTE. Voluntary contributions to the LTTE, however, are known to greatly increase with the organizations’ successes on the battlefield and on days of celebration, such as Heroes’ Day.⁶⁷ It is estimated that between 90-95% of the funding for the LTTE’s war budget (at least before the most recent cease-fire efforts) comes from overseas.⁶⁸

Armed conflict almost always harms a country’s economy in the short run, but some Diaspora will argue that their homeland’s lack of self-determination is the greater obstacle to development in the long term. Wars of liberation in Eritrea and Bangladesh, for example, appear with hindsight to lend credence to that argument. The Eritrean Diaspora’s support for the war of independence was discussed above. The Bangladeshi Diaspora in the UK is credited with helping to win Bangladesh’s war of Liberation in 1971. The formations of the East Pakistan House in the UK (1963) and involvement in the student movement of 1969 and publication of the dissenting newspaper *Janamat* were cited as the beginning of such activities. Once the war began in earnest, Bangladeshis in the UK formed Action Committees aimed at mobilizing public support in the UK in favor of Bangladeshi independence, raised funds for the war, “sensitized the BBC,” lobbied MPs and political

officials throughout Europe and North America and even organized the visit of a British MP to the India-Bangladesh border during the war.⁶⁹

Moderating conflict.

Some Diasporas or Diaspora members have proven to be a moderating influence on conflict in countries of origin, by disapproving of particular actions taken by insurgent groups or by withholding aid/support in response to such actions, for example. “Removed from the front line of conflict,” writes Margaret Purdy of the Government of Canada and University of British Columbia’s Centre of International Relations, Diasporas “may have a wider and more objective perspective, less influenced by raw emotion and anger. In their new homeland, they may have access to a wider variety of information sources, such as those provided by social and employment contacts, media reporting and internet communications.”⁷⁰ For example, many commentators believe that the moderating influence – and decreased financial support – of the Irish Diaspora in the United States played a key role in convincing the IRA to accept the Good Friday Agreement in Northern Ireland in April, 1998.⁷¹

Diaspora involvement in political changes may help to avert violent conflict by promoting and funding non-violent forms of opposition. The campaigning of Filipinos abroad played an important role in the successful effort to unseat the Marcos regime. The new President, Corazon Aquino, went to San Francisco, California shortly after being inaugurated to pay tribute to the contribution that Filipino-Americans made to the democracy movement.⁷² The anti-apartheid movement was organized internationally by a strong network of South Africans abroad, who attracted international support. Such influence can come from grass-roots organizations and also from individual leaders within Diaspora communities, such as religious, ethnic or business leaders, journalists and/or intellectuals, artists and performers able to reach a large segment of the population.

Philanthropy.

Some Diaspora organizations and individuals seek no personal return on investment, but rather pursue charitable enterprises. Such enterprises range from very small-scale, one-off efforts of community groups to more organized and durable efforts; from the donations of single individuals to powerful networks of like-minded donors.

At the smaller end of the spectrum is Action for Children (AfC), which was formed in 1995 by a group of UK-based Sierra Leoneans who wanted to provide assistance to child victims of the war in Sierra Leone. Its members raised £6000 through fundraisers, awareness-raising conferences and other work, but they quickly recognized the difficulty of a small, under-funded Diaspora organization attempting to work in a region of conflict, and sought to partner with a larger, international NGO already present in the country. It found Concern International, to which it initially donated its funds. AfC specified that Concern was to use this donation for its work with child victims. Since that starting point, the AfC/Concern partnership has grown to include advice, training (particularly in reconciliation and rehabilitation), strategic direction and logistical support from Concern to AfC, with AfC providing Concern with a “strong endorsement from Sierra Leoneans abroad for Concern work in country.”⁷³

The Sierra Leone War Trust for Children (SLWT; www.slwt.org), for example, is a UK-based non-profit organization founded by seven members of the Sierra Leonean diaspora in the UK. SLWT’s goal is to improve the welfare of war-affected children. One of its first major projects, called the Thuan Mathinki Community Rehabilitation Project, is funded by grants and donations. The project

will rehabilitate six villages that were completely destroyed during the war by providing primary education, facilitating food security, facilitating economic self-sufficiency through agriculture and addressing trauma through psycho-social welfare programs. The SLWT liaises with the Sierra Leonean government and has worked with UNICEF, but the primary focus remains on working with the communities to determine needs, projects and strategies.⁷⁴

A number of Somali Diaspora organizations work in the UK on substantial projects in Somalia. Oxford House in Bethnal Green, London, was the focal point for Diapora donations for the establishment of a maternity hospital in Hargeisa, Somaliland.⁷⁵ On a smaller scale, UK-based people from Kwamang in the Sekyere West District of Ghana donated building materials for the completion of a medical laboratory for the Kwamang Health Centre.⁷⁶ COMPAS reports that Chinese in the UK raise funds for charitable work in China, on a modest scale. They have contributed to flood relief, poverty alleviation, and the battle against the SARS epidemic.⁷⁷

Many wealthy Indians residing abroad have established private charities on an individual basis and run health or education or public works projects in their home towns or villages. Some, however, are beginning to pool their resources and think on a larger philanthropic scale. The American-India Foundation, for example, is funded by private citizens of Indian origin in the United States. It is “devoted to accelerating social and economic change in India by connecting communities and resources across the United States and India. AIF’s grants are focused on education and livelihood projects with a particular emphasis on primary education and women’s empowerment.”⁷⁸ Its programs include a Service Corps that organizes opportunities for Indians in the Diaspora to spend a period of volunteer service in India. Another program, called “Digital Equalizer” is helping to provide information technology at the village level in India.

Reflections

Diaspora engagement in countries of origin is so varied as to defy generalization. From disaster relief to business development, from exporting machinery to importing ideas, from instigating war to searching out paths to peace, many Diaspora groups and individuals are playing significant roles in their countries of origin. Which of their actions are most likely to reduce poverty?

The poorest countries are not positioned to take advantage of many kinds of business investment, but there are hundreds of millions of poor people in countries that are more technologically sophisticated who might benefit from the multiplier effects of Diaspora investment. However, the most wretched countries are in the main countries that have been suffering the effects of protracted armed conflict and bad or non-existent governance. What the poverty-stricken in Sierra Leone, Liberia, Haiti, and Sudan (to name just a few) need, above all, is peace, and then progress toward the construction of an economic climate that will present a reasonable level of risk-taking by emigrants who are willing to make social and economic investments in their countries of origin. Diaspora may have a role to play in peace and reconstruction processes, and governments that host them should carefully consider encouraging the involvement of those who can be seen as honest brokers.

Individuals and groups originating in countries just emerging from conflict or a long period of poor governance have advantages over other potential investors and entrepreneurs. Their contacts and ties in the home country give them access to information about business opportunities, the ability to identify reliable partners, and resources to enforce contracts even in settings where civil law enforcement is weak.⁷⁹

They may also be in an advantageous position to identify social needs, and understand better how to address them than donors from another culture. This is particularly true in sensitive areas such as the education of girls, reproductive health, or inter-communal relations.

The interests and capacities of Diaspora organizations vary enormously. Some are powerful and capable networks; others have a significant impact in one particular town or village; others operate sporadically on a very limited scale, while still others seem to exist in name only. Many – perhaps most – do not have development or poverty reduction as a priority. For the very poor, direct action to reduce poverty – or at least its most oppressive symptoms – through social and physical infrastructure projects and small-scale income generation projects are probably the most promising avenues for Diaspora activities as for most development actors. The challenge for donors is to identify organizations that have both the capacity and the interest to work with poor communities. Capacity and interest are not often well matched, unfortunately. As we have seen, migrants do not necessarily come from the poorest communities or segments of society.

A twin challenge for donors is to build capacity in Diaspora organizations that originate among the poor, and to work with other groups in ways that will reach beyond the self-interest of more privileged communities.

III. Donors' Engagement with Diaspora

Donor governments and multilateral agencies have only recently begun to think systematically about the actual and potential contributions of Diasporas to development and/or the reduction of poverty in their countries of origin. The dominant focus of donors has been on remittance flows: how to increase them and direct them toward more “developmental” uses.

Donor interest has coalesced around several areas of action involving remittances, including:

- Lowering transaction costs
- Improving data collection
- Extending the availability of financial services, especially to poor people and rural areas
- Encouraging collective remittances to support community development and employment generation
- Sponsoring research on the patterns and uses of remittances

The World Bank, the International Monetary Fund, and the Inter-American Development Bank are the most prominent multilateral contributors to these activities. The World Bank, for example, has suggested four priorities for research and policy on remittances: the financial infrastructure supporting remittances, in particular the use of postal savings bank networks; the development impact of remittances, including their effect on poverty, use in building human capital, and relation to brain drain; collection and organization of data in order to build a matrix of data showing the source and destination of remittance flows; and a website to disseminate information on remittances.⁸⁰

Several national governments have also taken leading roles in these areas, in particular the United Kingdom (DFID), the United States (USAID and the Inter-American Foundation—IAF), France, Sweden, and Denmark. These and other donors have combined efforts in a number of joint activities, such as a major conference on *Migrant Remittances: Development Impact, Opportunities for the Financial Sector and Future Prospects* sponsored by DFID, the International Migration Policy Program, and the World Bank, which was held in London in mid-October 2003. This was the first major global meeting on remittances, and involved over 100 participants from 42 countries, including representatives of banks and other financial institutions, government policy makers, multilateral and bilateral donors, international organizations, non-governmental organizations and academics. That conference produced concrete recommendations including a remittance website, a code of conduct for international remittances, and concerted investment in data collection.⁸¹ An earlier, regional conference on remittances sponsored by the Inter-American foundation, the Inter-American Development Bank, and the UN Economic Commission for Latin America was held in Washington DC in May, 2001. Many of these remittance-related initiatives are covered in the aforementioned scoping study on remittances commissioned by DFID.⁸²

Programming for remittance-based projects has focused on lowering transaction costs, and supporting services and opportunities that will enable remitters and receivers of remittances to achieve and expand their goals for these transfers. The Multilateral Investment Fund of the IADB has been in the forefront of innovative programming to connect remittances with Small and Medium Enterprise development which, when successful, can be an effective poverty-reduction strategy.⁸³

Donors have not been as heavily involved in other forms of interaction between Diasporas and their countries of origin. They have tended to leave business investment (FDI and portfolio investment) to the marketplace; national programs providing investment guarantees are not particularly targeted at Diaspora groups. Nor have donors subsidized or acted to reduce the risks of sovereign bond issues aimed at members of a Diaspora. But donors are active, if still on a small scale, in human capital programs, community development, activities to expand the knowledge base and understanding of the role of diasporas, and a diffuse array of actions that may preserve or transfer

social and political capital. Little coherence is to be found, however, between the development policies and the migration policies of donor governments, which erodes the potential contribution of Diasporas to the reduction of poverty in their home countries. There are many more fruitful areas for donor initiative than are found in the remittance area alone.

Human Capital Programs

One area of donor engagement with the role of Diasporas in development is in the deployment of members to fill the gaps in skills available to countries of origin. This relatively new set of activities is related to developments in the debate about the impact of migration on the country of origin's human capital resources. It contrasts with the older discourse about the brain drain, and rather casts Diaspora populations as a "brain trust" for the home country. Concern about the brain drain gave rise to programs designed to encourage emigrants to return to their home countries, such as IOM's "Return of Qualified Afghans" and "Return of Qualified African Nationals" programs. Unsurprisingly, such programs have met with limited and costly success for target countries that were not able otherwise to attract returns. The African program, for example, reintegrated slightly more than 100 African nationals per year between 1983 and 1999.⁸⁴ A new generation of programs reflects the determination to enlist skilled emigrants and their descendants in public or private sector development projects on a temporary or "virtual" basis. An example, again from IOM (in cooperation with the OAU) is the Migration for Development in Africa (MIDA) program, approved in 2001 by 24 African governments and now seeking donors to fund specific projects that foster Diaspora involvement in development projects.

Few projects have yet been implemented under MIDA. A pilot project funded by the Government of Italy, in line with its EU Migration and Development commitments, started with a multi-media information campaign encouraging African migrants to contribute to the development of their countries of origin. A wide range of institutions and NGOs organized workshops in several Italian cities. Over 140 African associations disseminated information about the scheme, which, after its first five months, generated some 90 proposals from immigrants from 12 sub-Saharan African countries living in Italy. The majority of the proposals came from Ghanaian and Senegalese nationals and included funding requests for small and medium sized projects in sectors including agriculture, food processing, education and information technology. Other proposals included projects submitted by Italian local authorities interested in co-funding projects with sub-Saharan African communities living in their areas.⁸⁵

A more established program is UNDP's "Transfer of Knowledge Through Expatriate Nationals" (TOKTEN) program. It provides opportunities for qualified professionals in the Diaspora to contribute their services to their home countries through short-term consultancies. In the first twenty years' of its existence (1977-97), TOKTEN placed about 5000 volunteers on assignments in 49 developing countries. TOKTEN participants may work with public or private institutions, including universities or NGOs, in fields ranging from agriculture and manufacturing to health, law, management and technology. In Mali, a TOKTEN program (in which UNESCO also participated) at the University of Mali brought in expatriate Malian visiting professors from Europe, North America and Africa to fill urgent teaching and research needs in a wide range of fields.⁸⁶ In the areas under control of the Palestinian Authority, TOKTEN has supplied nearly 200 experts to give technical assistance to PA ministries establishing physical and institutional infrastructure.⁸⁷

A TOKTEN program in Bosnia-Herzegovina, implemented jointly with IOM, has received applications from Bosnian nationals living in Australia, the USA, Germany, the United Kingdom, Sweden, Canada, Austria, South Africa, Ireland, Turkey, Croatia, Denmark, Greece, the Netherlands and Switzerland. It attempts to match them with requests from Bosnian NGOs that need the services of a TOKTEN consultant. The selected candidates can return to BiH for a period of up to 2 months to work in the public and private sectors. Once the participants finished their consultancies, they can continue to provide their expertise on-line.⁸⁸

Applicants' information is entered in the TOKTEN database. A steering committee consisting of host government and UN officials assesses it to decide if the applicant's knowledge, working experience and skills are appropriate. The companies or institutions interested in hiring a TOKTEN consultant fill in a request form and the steering committee attempts to find a match. TOKTEN consultants receive no payment for their services -- only a per diem allowance, insurance policy, and reimbursement for travel expenses. The average TOKTEN consultant costs about one-quarter of what would be spent on a traditional international expert consultant. This feature of the program makes it popular and efficient in financial terms, but limits participation to members of the Diaspora who can forgo their professional earnings for periods of volunteer consultancy.

Community Development

Some donor agencies, such as the U.S. Inter-American Foundation, support the efforts of Diaspora groups to do community development work in their countries of origin. Although the IAF cannot fund US-based groups, it does promote cooperation between immigrant organizations and associations and country-of-origin communities and funds resulting projects in the country of origin. It takes a broad view of remittances, seeing them as “everything of values exchanged between immigrants and communities of origin – donations, volunteering, advocacy for home communities and serving as markets for products from home.”⁸⁹

The IAF co-funds grass-roots (and some larger-scale) economic development projects designed and implemented by organizations in the recipient countries. Recently, it has begun to support projects developed in cooperation with Diaspora groups. It funds local NGOs to give technical assistance and training to projects funded by overseas immigrant associations and to assist in monitoring such projects. It also serves as an intermediary to broker support from local governments and the private sector, and helps develop markets among Diaspora communities for products produced in the home country. An example of a project supported by IAF is a collaborative effort between a Honduran NGO, the Centro para Desarrollo Comunal, which works with several Diaspora groups to provide training, technical assistance and loans to eco-tourism micro-enterprises in Honduran communities damaged by Hurricane Mitch. A Haitian association of community development organizations, the Fondasyon Entstityon-yo pou Developman ki Soti nan Baz-la (FIDEB) received an IAF grant to involve the Haitian Diaspora in partnerships for new projects in their home communities. FIDEB links Haitian Diaspora associations in the United States with counterpart organizations in Haiti; it also uses the grant to support community development studies that can be used by Diaspora groups and Haitian organizations together for planning and investment guides.⁹⁰

The Multilateral Investment Fund of the Inter-American Development Bank supports the work of Home Town Associations in Mexico and elsewhere in Latin America to increase their development effects and to lower transaction costs of remittances. It has funded projects geared towards using *Remittances as a Development Tool* since 2000. In Europe and Africa, similar small-scale projects have

been undertaken within the framework of French co-development agreements with Mali, Senegal and Morocco.⁹¹

Research

Many donors are engaged in sponsoring and analyzing research on the role of Diasporas in development and poverty reduction, and in fostering exchanges of information. The volume of policy literature, extremely limited before the late 1990s, is growing fast with support from multilateral and national donor agencies. The governments of Denmark, the United Kingdom (through DFID and the Economic and Social Research Council), Sweden and the United States, as well as IOM, ILO, the World Bank and the IADB, have been particularly active in commissioning studies, organizing conferences with important background papers, and supporting research centers that study migration and development relationships.⁹² As a result, understanding of migration-development linkages in general, and the role of Diaspora in particular, has expanded significantly—as has the appreciation of how much data collection, research, and policy analysis remains to be done.

Private foundations have also been significant donors to institutions that do research and policy analysis on migration and development. The Rockefeller Foundation, for example, supported the work of the Task Force on Remittances coordinated by the Inter-American Dialogue,⁹³ and has sponsored both research on and programs to build capacity in Mexican Home Town Associations. The Ford Foundation funded a project of the Dialogue and the Tomas Rivera Institute that produced a valuable series of papers on the developmental role of remittances between 1998 and 2000.⁹⁴ A number of other foundations have been engaged in work with migrant associations and their communities of origin.

Building Capacity in Diaspora Communities

The long-standing engagement of Diaspora communities in their countries and communities of origin produces enormous financial flows and significant “flows” of human capital, technology, and political support. The transfer of resources often seems, however, to add up to less than the sum of its parts. Donor governments and institutions, including private foundations, have taken some modest steps to enhance the capacity of Diaspora communities to contribute to development and the reduction of poverty in countries of origin, but much more could be done.

The French government has established a fund of 2.6 million euros for the 2002-04 period, intended to finance the mobilization of Malians abroad to contribute to the educational system, economy, and small business sector in Mali. The project includes a registry of the skills of Malians in France, which will be co-managed by a French-Malian committee. The fund will also provide supplementary financing for projects initiated by the Malian Diaspora for implementation in Mali.⁹⁵

The Inter-American Foundation, as described above, supports Diaspora engagement in countries of origin, in the process offering training and technical assistance to the projects in which they are involved. In general, however, direct technical assistance to Diaspora groups is difficult for many donor agencies, which can only provide direct assistance to organizations in less developed countries.

USAID has provided funding to the Transnational Development Fund administered by the Pan American Development Foundation (PADF). The Fund leverages collective remittances from Diaspora groups such as Home Town Associations through matching grants awarded on a

competitive basis. Targeting the least advantaged people in Latin America and the Caribbean, PADF provides more than funding to its grantees. Training that includes needs assessment, project design and implementation, financial management, monitoring, evaluation and fundraising is designed to equip emigrant groups to become “small development agencies.”⁹⁶

Several donors have supported the creation of Diaspora business networks. For example, USAID provided consultants to help with the original design work for the Lebanese International Business Network in 2000 (now called the Lebanese Business Network), which seeks to promote business links between Lebanese enterprises in Lebanon and in the Diaspora. The World Bank, similarly, funded the launch of the South African Diaspora Network (SADN) in 2001 through its World Bank Development Marketplace competition. The SADN, in its recently completed pilot phase, sought to bring together South African-based and expatriate South African business people for the purpose of forming alliances and partnerships.⁹⁷

Reflections

Policies designed to make the transfer of remittances more cost-effective enhance the capacity of individuals and migrant groups to contribute to poverty reduction in their home countries, as do policies that promote the earning ability of immigrants and their descendents. In the broadest sense, programs that promote regularization of legal status, integration of members of Diaspora communities in the labor market, credentialing, training, language acquisition, and so forth all build the capacity of Diaspora communities to contribute to development efforts.

For donor governments, this places a premium on policy coherence among departments of government, and a clear identification of priorities. The report of a year-long inquiry by the UK House of Commons International Development Committee emphasized this point: “Migration relates to many other issues including security concerns, HIV/AIDS, environmental degradation, international trade, agricultural subsidies, gender inequality, and arms exports. Policies which seek to manage migration will have impacts in other areas, and vice versa. Governments – individually and collectively – must do more to ensure that policies on related issues are coherent and support development goals.”⁹⁸

As the Committee report suggests, policy coherence is an issue for multilateral donors as well as national development agencies. Migration is not mentioned among the Millennium Development Goals, and multilateral efforts on a regional basis have often been more focused on migration control than on the development potential of transnational communities that develop as a result of migration. The policies on migration and development in the European Union have been particularly unbalanced in this respect, with a counterproductive emphasis on using development assistance as an incentive for aid-receiving countries to cooperate in migration control efforts. Well-managed migration is an economic resource for receiving countries as well as, potentially, for countries of origin. A framework of thinking about migration that starts from this point should make it easier to develop mutually beneficial and coherent policies in which Diaspora can play a constructive role.

IV. Recommendations

DFID and a number of other major donors have awakened to the development potential of Diasporas. Helping to realize and magnify that potential in a way that reduces poverty calls for smart

and careful programming, backed by a thorough, country-specific understanding of Diasporas and the dynamics of their interaction with their countries of origin. Diaspora communities often reproduce the divisions of class, ethnicity, religion, political affiliation, language and region that are found in their countries of origin. Such differences within and among Diaspora groups will influence the nature and scale of their capacity (and willingness) to act as agents of poverty reduction. One-dimensional thinking about Diasporas solely as a source of funds may lead to programming that produces unintended consequences. In addition to financial flows, Diasporas have impacts on political development, policy reforms, social attitudes, foreign relations, conflict resolution (or perpetuation), technology transfer, cultural preservation, leadership development and philanthropy – among other things.

1. *Research.* The first priority of DFID and other donors at this stage should be research on, analysis and rigorous evaluation of Diaspora involvement in development and its impact on poverty. Even at this early stage of donor engagement, policy-making is running ahead of knowledge of the magnitude, direction and uses of remittances. The distinctiveness of Diaspora investment (both direct and portfolio) is not well understood. Ignorance about the non-financial influences of Diasporas is even more profound. The prescription is not to do nothing, but to proceed with caution, and to invest heavily in a stronger knowledge base for policy making.

DFID, the World Bank, and the IADB have made better and more consistent data collection a priority, and are helping to build the body of policy literature on Diaspora. Reinforcement of these commitments is highly desirable. Among the topics that need systematic investigation are:

- Gender differences in remittance behavior – sending and use as well as investment and saving;
- Do Diaspora investors respond to different incentives than other investors? Is there a higher tolerance for risk or an implicit discount on expected returns?
- The efficacy of various kinds of financial incentives for Diaspora investment or remittances: are they an efficient use of resources? Do they encourage fraud and tax evasion from individuals seeking to disguise other financial flows as remittances?
- Are remittances used differently from other kinds of income?
- The impact of Diaspora financial flows on income inequality. Scholars are divided on whether it reduces or exacerbates inequality. Comparative empirical work is needed to reveal whether, for example, there are different effects on inequality that result from differences in the composition of the emigrant population;
- The very poorest do not often migrate internationally on a voluntary basis. What are the enabling conditions for migration of the poor, and are they more or less likely to support their families or home communities after leaving?
- Do Diaspora communities of refugee origin engage differently with countries of origin than communities of voluntary emigrants? Do the differences lessen over time?
- How is financial support for conflict organized in the Diaspora, and through what channels does it move?
- Does successful integration of emigrant communities increase or decrease the ability and/or will to engage with the country of origin?
- What provisions (regulations, tax policies, etc.) in countries of origin and settlement encourage philanthropic activity among the Diaspora?

This list is very far from exhaustive, but serves to illustrate how much remains to be understood about the linkages between Diaspora and development.

2. *Remittances.* The most extensive set of recommendations to donors with respect to Diaspora have to do with increasing the gains from remittances. These focus on four areas, which are covered by the aforementioned DFID scoping study on remittances and other studies cited above; they will not be repeated here in detail. In brief, the areas of focus are:

- Lowering transaction costs and increasing the security of transfers
- Extending financial services to poor people, especially in rural areas, who are “unbanked”
- Encouraging collective remittances from migrant organizations, by offering them technical assistance, help with institutional development, matching funds, marketing assistance, and other business and financial services
- Encouraging more “productive”, or developmental, uses of remittances

The first two points on this list are well-chosen priorities, as they carry very little down-side risk and, if successful, can increase the resources flowing to families and communities connected to the Diaspora while increasing their options for saving and investment as well as meeting basic needs. The third point is more complex, as Diaspora groups may have difficulty agreeing on the uses of collective remittances, but the prescribed interventions are designed to assist them in acquiring the organizational tools to make appropriate decisions and realize their chosen goals.

The last point raises some concerns about the diversion of money that directly reduces poverty into uses that are much more uncertain of outcome; it also raises questions of ownership that are fundamental to remittance-based policies. The Inter-American Dialogue’s Task force on Remittances summed up the cautions that donors should keep in mind when contemplating interventions to “capture” remittances for development purposes: “the central prerequisite of any constructive policy or program regarding remittances is the unambiguous acknowledgement of the private nature of these flows.”⁹⁹ The Task Force insisted that governments (donor and receiving) should not, in dealing with remittances, attempt to limit amounts, restrict destinations, prescribe the uses, heavily regulate the transfer, set prices or exchange rates, require certain modes of transmission, or tax.

3. *Ownership.* The initiative for successful involvement of Diaspora in development must come from within the Diaspora. Most seasoned observers of Diaspora activities insist that programs to link them to development must be demand-led. Projects or programs that are devised by donors without reference to the Diaspora are likely to be limited in their effectiveness. Donor support for Diaspora activities is likely to succeed only when a common objective is shared by the donor, the Diaspora partner, and the recipient communities in the country of origin. (A coincidence of views between Diasporas and their communities of origin cannot be taken for granted.)

Manuel Orozco, an expert on Mexican Hometown Associations, writes, “Migrant associations are not development-oriented by nature. It is important, therefore, to identify those players that have a direct concern with economic changes in their communities. Donors, governments and non-profit organizations must not attempt to change the behavior of these associations by pushing them into development activities. The associations are an expression of meaningful contacts with the country of origin...”¹⁰⁰ In Mexico as elsewhere, Diaspora organizations exist for many purposes: to provide social contacts for emigrants, to preserve cultural traditions, to accumulate prestige for members, to

engage in philanthropy, to fulfill religious obligations, and so forth. Some of the activities toward these ends may indeed relieve poverty even if that is not their primary purpose – the giving of alms, for example, or the construction of a prestige project, like a church or community center, which employs many local people.

4. *Building on Success.* The safest approach for donors such as DFID is to support the extension of already-successful initiatives to a larger scale or to other locations, rather than to start Diaspora-based projects *de novo*. For example, the World Council of Credit unions has members or affiliates in 79 countries, representing more than 40,000 regional and national credit unions. Its International Remittance Network, offering fee-free transfers to credit-union members at favorable exchange rates, could be supported to expand credit union membership among migrant-linked families, or to extend services to non-members. Working only with groups that have an established track record runs the risk, however, of stagnation in what is by nature a dynamic field. Diaspora organizations with little experience can be assisted to develop greater capacities through technical assistance, training in business and financial skills, market research, project management and so on. One of the most valuable tools for developing capacity may be contact with other, successful Diaspora organizations through “lessons learned” and “best practice” exercises.

Donors should avoid general requests for proposals or tenders that place no requirements for previous experience on Diaspora groups. Such actions may draw forth groups formed specifically for the purpose of bidding for available funds, which have poor prospects for becoming self-sufficient once external funds are not longer available.

5. *Public-private Partnerships.* Public-private partnerships may leverage donor contributions into a much more effective resource. The Inter-American Foundation, which is a publicly financed organization, has incorporated private-sector resources, both financial and in kind, into its community development programs in migrant-sending countries. Official development agencies such as DFID may wish to seek flexibility in the requirements that may limit certain kinds of lending or grant-making to domestically-based groups.

6. *Networking.* By their very nature as dispersed peoples, Diaspora are experienced in the use of networking to build connections among their communities abroad as well as with their countries of origin. Donors should consider providing seed money, technological assistance and logistical support to build and strengthen Diaspora networks that have a strong developmental potential, such as those devoted to cooperation in business or information technology. Events such as trade and investment fairs or Diaspora business conferences, and networking tools such as web-sites may be difficult for smaller and poorer Diaspora groups to organize independently. Established Diaspora networks, such as the Digital Diaspora Networks, may be scaled up by inviting their participation in larger donor-funded development projects. Support for networking should not be confined to the economic sphere, but should also extend to peace-building and reconciliation networks in the Diaspora.

7. *Philanthropy.* Donors should encourage and assist Diaspora philanthropy that has a direct impact on poverty or its effects. Support could take the form of technical and legal assistance to nascent charities, or in some cases where a solid track record has been established, co-funding of activities may be appropriate. More generally, tax credits or offsets against country of settlement taxes can be a powerful incentive for charitable contributions. Contributions in response to such

incentives requires careful monitoring to guard against fraud or misuse, as with all tax incentives, but may be an efficient use of government funds.

8. *Diaspora support for conflict.* As noted above, Diaspora groups in many cases are a major source of funds for the support of political groups that foment violence and for the purchase of war materiel. Donor governments should intervene to stop fundraising in the Diaspora for support of destructive communal conflicts, possibly using the mechanisms of the G7 Action Plan within the Financial Action Task Force on Money Laundering (FATF).¹⁰¹ Donors should also reward cooperative efforts among various elements of Diasporas that are divided by class, religion, ethnicity, or political affiliation, and act as an honest broker among fractious groups. Donors can convey a message by being consistent in treating development as a national project and avoiding program design that favors one group over another without a consensus in the receiving country that this is appropriate.

9. *Post-conflict Settings.* Following the lead of Diaspora organizations in post-conflict settings can have strong positive effects, as the programs they initiate may be more clearly seen as being “owned” by the local populations rather than by donors or international organizations. Though the idea of local ownership is important in all settings, it is particularly crucial in immediate post-conflict environments, when tensions are high and, depending on the nature of the conflict, outsiders may be looked upon with suspicion. However, it is very important that any such initiatives are carefully implemented and monitored so as to not increase the potential for resentments and conflict, as can occur if those “returning” from the Diaspora are identified as being unrepresentative.

Donors must be clearly seen by all sides as neutral in order to avoid reinforcing inter-communal tensions, which means that the choice of partners from among Diaspora groups must be made very carefully. The importance of being seen to be even-handed can make it difficult for donors to direct resources toward the neediest or most disadvantaged segments of the community, and highlights the importance of transparency in determining recipients and the means of distribution. Discussing the implementation of development programs in Northern Ireland, Kim Cragin and Peter Chalk note, “One of the greatest challenges has been the inability of those bodies responsible for implementing development policies to help marginalized communities without reinforcing intercommunal distrust.”¹⁰² These authors suggest that donors focus on projects with a strong impact on quality of life, as improvements in quality of life are much more important, especially in the short and medium term, in reducing support for insurgent movements or potential for conflict than are large-scale infrastructure projects with little effect on day-to-day existence.

10. *Development-friendly Migration Policies.* The ability of individuals and communities in Diaspora to combat poverty and contribute to development in their countries of origin is conditioned by their integration in the country of settlement. Contributions to development are limited from communities in which many members have no secure legal status, are not incorporated in the formal labor market, do not get an education of quality—all conditions which make it likely that their resources will be meager and largely absorbed by their own daily survival needs. Donor governments that are serious about transnationalism as an engine of development will strive for policy coherence across departments of government. This means an immigration policy that creates opportunities for legal residence and fosters integration. Fears that integration may lead to a gradual decline of remittances and other connections with countries of origin are eroding in the face of evidence of increasingly durable transnational communities. The vigor of such communities can also be assisted by visa policies that make it easier for members of Diasporas to come and go among

county of origin, country of settlement, and other countries with Diaspora communities of the same origin.

11. *Recognition of the Limits of Diaspora Policies.* Diaspora-based development efforts are a powerful development resource, but they are not a substitute for donor resources, or for economic policies conducive to pro-poor development. Diaspora activities belong to the private or non-governmental sphere, and operate differently from public sector efforts. Ideally, donors should find the areas of complementarity between the two. The relatively small portion of remittances that are used for investment (apart from human capital investment through education and health spending) reflects not only the immediate consumption needs of poor families, but also the discouraging investment climate for the poor. Until problems such as poor infrastructure, corruption, lack of access to credit, distance from markets, lack of training in entrepreneurial skills, disincentives to savings and so forth are tackled, it is unrealistic to expect remittances to solve the problem of low investment in poor communities. In the meantime, remittances lift many recipients out of poverty, if only for as long as the transfers continue.

Reflections. There are many ways of going about defining a role for donors to engage with Diaspora organizations, and to build partnerships that are not simply “bilateral” but also include civil society in the countries of origin and settlement as well as organizations representing key sectoral interest such as labor unions, environmentalists, women’s groups and others. They include but are not limited to:

- Grantmaking, direct project funding
- Help in obtaining access to credit, either directly or by supporting the expansion of banking and MFI systems
- Training in proposal writing, fundraising, project design, evaluation
- Assistance in financial “literacy”
- Technical assistance for enhancing capacity
- Technical assistance for completing projects or specific parts of projects
- Collaborative partnerships

The level and degree of these potential collaborations will differ depending on the relative development of both the donor and Diaspora in question. Obviously, the need and capacity of Indian Diaspora organizations – and of India itself – differ from those of Haiti.

Nearly all literature reviewed for this study noted the potential – and, in many cases, the need – for collaboration between Diaspora groups and donors. However, it was also made clear that the effectiveness of such cooperation would hinge on the truly collaborative nature of the partnerships. Ndofo-Tah notes “international agencies cannot and should not assume that this linking will be or should be solely on their terms. There needs to be a break with the long history of co-opting minority organizations and their interests into wider agendas without due regard for what they can contribute or indeed what their own agendas might be”. Jeremy Smith of USAID, said it is incumbent on donors to “meet them [Diaspora organizations] where they are, not where you want them to be.”¹⁰³

Many national and international donors and NGOs are structured in a formal manner, and may overlook, be reluctant, or find it very difficult to work with the often less formal,

traditional self-help organizations that make up a significant percentage of Diaspora groups. The UK-based African foundation for Development (AFFORD) states in a survey for the UK government:

“...the centrality of informal organisations to the lives of many Africans living in the west (as well as those living on the continent) suggests that NGOs keen to involve Africans more directly in the process and practice of their own development work should see informal African organisations as potential strategic partners in moving their work forwards. Mainstream NGOs may or may not like the way these informal organisations operate, but they are remarkable resilient and the question for NGOs whether they will work with the messy world as it is or encourage the creation of structures that they are happier with but which are artificial and ultimately unsustainable.”¹⁰⁴

Too often the lack of space for smaller, community-based Diaspora organizations within the traditional international development framework leads such groups to opt out of the process entirely. The benefits and unique strengths of both Diaspora groups (keen cultural awareness of communities of origin, ease of working in both cultures, trust of communities of origin, better awareness of specific needs and/or potential pitfalls, long term personal commitment to projects and communities) and international development agencies (larger funding capacity, professional/technical expertise and experience, efficiency through economies of scale, credibility) can all be magnified through effective collaboration. The AFFORD survey points to the fact that poverty reduction programs developed in collaboration with Diaspora groups tend to promote community self-reliance and as such are more likely to be sustainable.

International development agencies are project- and outcome-focused, whereas Diaspora groups tend to be people-focused, with the goal of building and sustaining social capital.

A clear area of collaboration is the facilitation by international agencies of communication between Diaspora groups and communities of origin. Assistance can come in many forms, from provision of communication infrastructure and training, particularly in communities of origin, to policy changes that allow for easier movement of people between adopted countries and countries of origin.

Diaspora groups are not just looking for funding from the more mainstream development actors. Many Diaspora groups are perceived – by both their own communities and the mainstream development community – as having less than adequate management structures and accountability mechanisms. Many such organizations are actively looking for help in improving management techniques, proposal writing, fundraising and other skills. Many Diaspora groups recognize the potential for a “snowball” effect from collaborative partnerships with mainstream development actors. Once a basis of trust is built and early partnerships have proven successful, an increasing number of organizations will feel comfortable seeking collaborative relationships.

ANNEX I: Top fifteen countries with the highest total remittances received, 2001

Table 1. Top fifteen countries with the highest total remittances received, 2001

Country	Total remittances (in millions) ¹	GDP (in millions) ²	Total population ³	Total remittances as percentage of GDP	Total remittances per capita
Mexico	9,920.0	617,819.7	101,879,171	1.6	97.37
France	9,220.0	1,309,807.0	59,658,144	0.7	154.55
India	9,160.0	457,048.8	1,002,708,291	2.0	9.14
Philippines	6,366.0	71,437.7	81,369,751	8.9	78.24
Spain	4,692.0	581,823.0	40,087,104	0.8	117.05
Germany	3,800.0	1,846,069.0	82,280,551	0.2	46.18
Portugal	3,573.0	109,802.5	10,066,253	3.3	354.95
Belgium	3,493.0	229,609.6	10,258,762	1.5	340.49
Egypt	2,911.0	98,475.8	71,901,545	3.0	40.49
Turkey	2,786.0	147,682.7	66,493,970	1.9	41.90
United States	2,380.0	10,065,270.0	285,023,886	--	8.35
Italy	2,266.0	1,088,754.0	57,844,924	0.2	39.17
Bangladesh	2,104.5	46,705.9	132,974,813	4.5	15.83
Greece	2,014.0	117,168.7	10,623,835	1.7	189.57
Jordan	2,011.0	8,829.1	5,153,378	22.8	390.23

-- Figure rounds to 0.0.

¹The remittance data presented in the above table are from IMF (International Monetary Fund), 2003, *Balance of Payments Statistics Yearbook 2002* (Washington, DC, IMF Publications Services). "Total remittances" refers to the sum of the 1) workers' remittances, 2) compensation to employees, and 3) migrant transfers reported by each country. The remittance data presented for all countries are for 2001 except the data for India which are for 2000. For additional information on how remittances are defined and measured, see Chapter Seven in Bilborrow et. al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

²The source for the gross domestic product for each country is the World Bank website at devdata.worldbank.org/data-query. The GDP data presented for all countries are for 2001 except the data for India which are for 2000.

³The source of the total population data for each country are estimates generated by the US Census Bureau (see www.census.gov/ipc/www/idbrank.html). The total population figures presented for all countries are for 2001 except India which is for 2000.

[Source: Migration Information Source (www.migrationinformation.org), "Remittance Data." Migration Policy Institute, June 2003.]

ANNEX II: Top fifteen countries with the highest total remittances received as a percentage of GDP, 2001

Table 2. Top fifteen countries with the highest total remittances received as a percentage of the GDP, 2001

Country	Total remittances (in millions)¹	GDP (in millions)²	Total population³	Total remittances as percentage of GDP	Total remittances per capita
Lesotho	209.0	796.7	1,852,808	26.2	112.80
Vanuatu	53.3	212.8	192,910	25.0	276.14
Jordan	2,011.0	8,829.1	5,153,378	22.8	390.23
Bosnia and Herzegovina	860.1	4,769.1	3,922,205	18.0	219.29
Albania	699.0	4,113.7	3,510,484	17.0	199.12
Nicaragua	335.7	2,067.8	4,918,393	16.2	68.25
Yemen	1,436.9	9,177.2	17,479,206	15.7	82.21
Moldova (Republic of)	223.1	1,479.4	4,431,570	15.1	50.34
El Salvador	1,925.2	13,738.9	6,237,662	14.0	308.64
Jamaica	1,058.7	7,784.1	2,665,636	13.6	397.17
Dominican Republic	1,982.0	21,211.0	8,475,396	9.3	233.85
Philippines	6,366.0	71,437.7	81,369,751	8.9	78.24
Uganda	483.0	5,675.3	24,170,422	8.5	19.98
Honduras	541.0	6,385.8	6,357,941	8.5	85.09
Ecuador	1,420.0	17,982.4	13,183,978	7.9	107.71

¹The remittance data presented in the above table are from IMF (International Monetary Fund), 2003, *Balance of Payments Statistics Yearbook 2002* (Washington, DC, IMF Publications Services). "Total remittances" refers to the sum of the 1) workers' remittances, 2) compensation to employees, and 3) migrant transfers reported by each country. The remittance data presented for all countries are for 2001, except the data for Yemen which are for 2000. For additional information on how remittances are defined and measured, see Chapter Seven in Bilsborrow et. al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

²The source for the gross domestic product for each country is the World Bank website at devdata.worldbank.org/data-query. The GDP data presented for all countries is for 2001 except the data for Nicaragua which is for 1998 and for Yemen which is for 2000.

³The source of the total population data for each country are estimates generated by the US Census Bureau (see www.census.gov/ipc/www/idbrank.html). The total population figures presented for all countries are for 2001, except Yemen which is for 2000.

[Source: Migration Information Source (www.migrationinformation.org), "Remittance Data." Migration Policy Institute, June 2003.]

ANNEX III: Top ten sending countries to select destinations, by country of birth or nationality

Australia, 2002

Origin country	Number
Total	93,914
United Kingdom	12,488
New Zealand	12,368
China (excluding Taiwan)	6,664
India	5,783
South Africa	4,603
Philippines	3,190
Indonesia	3,026
Iraq	2,819
Sudan	2,775
Malaysia	2,686
All other countries	37,512

NOTES:

- 1) The foreign-born population is comprised of "settler arrivals" and includes a) persons arriving in Australia who hold migrant (or "permanent") visas, regardless of their stated intended period of stay, b) New Zealand citizens who indicate an intention to reside permanently in Australia, and c) those who are otherwise eligible to enter and permanently reside (for example, foreign-born children of Australian citizens).
- 2) Data refer to fiscal (or "financial") years (July to June of the given year).

Canada, 2000

Origin country	Number
Total	227,209
China (excluding Taiwan)	36,718
India	26,064
Pakistan	14,173
Philippines	10,077
Republic of Korea	7,630
Sri Lanka	5,832
United States	5,809
Iran (Islamic Republic of)	5,606
Yugoslavia	4,719
United Kingdom	4,648
All other countries	105,933

United Kingdom, 2001

Origin country	Number
Total	106,820
Pakistan	11,535
Somalia	8,290
India	7,280
Nigeria	5,040
South Africa	4,755
United States	4,385
Bangladesh	4,050
Sri Lanka	4,040
Turkey	3,240
Australia	3,205
All other countries	51,000

NOTES:

1) The inflow data included in the above table show "grants of settlement". People granted settlement are those who are subject to immigration control and who are allowed to remain in the

United Kingdom indefinitely. This includes a) people granted settlement on arrival at ports of entry and b) people initially admitted to the United Kingdom subject to a time limit which was subsequently removed on application to the Home Office. The majority of settlement grants in recent years have resulted from the removal of the time limit.

2) The settlement data published by the Government of the United Kingdom is rounded for confidentiality reasons. In the above table, the data prior to 1997 was rounded to the nearest 10; from 1997 onwards, the data was rounded to the nearest 5.

United States, 2002

Origin country	Number
Total	1,063,732
Mexico	219,380
India	71,105
China (excluding Taiwan)	61,282
Philippines	51,308
Viet Nam	33,627
El Salvador	31,168
Cuba	28,272
Bosnia and Herzegovina	25,373
Dominican Republic	22,604
Ukraine	21,217
All other countries	498,396

NOTES:

1) These data represent persons admitted for legal permanent residence during the twelve-month fiscal year ending in October of the year designated. Many of the individuals admitted actually arrived in the United States in earlier years.

[Source: Migration Information Source (www.migrationinformation.org), Global Data Center. Migration Policy Institute, 2004.]

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ENDNOTES

¹ See Elizabeth Grieco and Kimberly Hamilton, “Realizing the Potential of Migrant ‘Earn, Learn, and Return’ Strategies: Does Policy Matter?” Paper prepared for the Center for Global Development’s 2004 Commitment to Development Index by the Migration Policy Institute, February 20, 2004, p.1: “Analysts over the decades have done a yeoman’s job of attempting to track remittances, understanding the sociology of transnational communities, describing the flow of money through formal and informal channels, and understanding the role of banking access, dual citizenship, and corruption in the migration and development process. Much less understood and explored, however, are the *policy* options for rich and poor countries that could leverage these relationships to multiply the returns on migrants’ investments. The role of governments in encouraging the transfer of resources and skills has remained inside the proverbial black box. For rich countries, the policy challenges are politically charged and sometimes indirect.”

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³ Ronald Skeldon, “The Chinese Diaspora or the Migration of Chinese Peoples?” in *The Chinese Diaspora: Space, Place, Mobility and Identity*, Laurence J. C. Ma and Carolyn Cartier, eds. (Oxford: Rowman and Littlefield, 2003), p.52.

⁴ International remittances are monies sent from one individual migrant or migrant household to another individual or household in the migrant’s country of origin. Unfortunately, data on the amount of remittances sent from individual countries is not available. Remittance data collected and published by international agencies such as the IMF and World Bank report only the amount *received* by each country. They do not include the amount of remittances *sent* by each country or that amount divided among the individual remittance-receiving countries.

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⁹ Eva Ostergaard-Nielsen, “International Migration and Sending Countries: Key Issues and Themes,” in Eva Ostergaard-Nielsen, ed., *International Migration and Sending Countries: Perceptions, Policies and Transnational Relations* (Basingstoke: Palgrave Macmillan, 2003), p.17.

¹⁰ You-tien Hsing, “Ethnic Identity and Business Solidarity: Chinese Capitalism Revisited,” in Laurence J.C. Ma and Carolyn Cartier, eds., *The Chinese Diaspora: Space, Place, Mobility and Identity* (Oxford: Rowman and Littlefield, 2003), p.226.

¹¹ *Ibid.*, p. 227.

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- ¹² Ostergaard-Nielson, op. cit., p. 9.
- ¹³ Graeme Hugo, 'Migration and Development: A Perspective from Asia,' No. 14, IOM Migration Research Series, November 2003, p.25.
- ¹⁴ Source: International Monetary Fund, Statistics Department, "Foreign Direct Investment Trends and Statistics: A Summary," October 2003, p.3.
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- ¹⁶ Somini Sengupta, "India Taps Into Its Diaspora," *New York Times*, 19 Aug 1998.
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- ¹⁹ Graeme Hugo, op. cit.
- ²⁰ Shubha Singh writes in "Great Indian Diaspora," *The Pioneer*, 10 Dec 2002: "...there are several governments that keep in touch with the overseas communities, and some like China, Syria, Lebanon, the Philippines and Greece also maintain an institutional contact with their Diaspora...The official Indian contact has remained sporadic, concentrating on cultural and social contacts and other consular matters"
- ²¹ L.M. Singhvi report, op. cit., Executive Summary, , p.xxi.
- ²² Shuba Singh, op. cit..
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- ²⁴ C. Raja Mohan, "Indian Diaspora and 'Soft Power,'" *The Hindu*, 6 Jan 2003.
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- ²⁷ Khalid Koser, "Long Distance Nationalism and the Responsible State: The Case of Eritrea," in Ostergaard-Nielson, ed., op. cit., pp.171-184; See also Khalid Koser "Mobilizing New African Diasporas: An Eritrean Case Study," in Khalid Koser, ed.,op. cit., pp 111-123. Unless otherwise noted, the material in this section is drawn from Koser.
- ²⁸ Source: UNHCR, 2003 Global Refugee Trends (June 2004); 2002 Annual Statistical Report: Eritrea (July 2003); 2001 Statistical Yearbook (October 2002).
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- ³⁰ Kevin O'Neil, "Labour Export as Government Policy: The Case of the Philippines," in *Migration Information Source* (www.migrationpolicy.org), Migration Policy Institute, January 2004.
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- ⁴⁰ Devesh Kapur, op. cit., p.28.
- ⁴¹ O'Neil, op. cit..
- ⁴² IOM Press Briefing Notes, 20 April 2004.
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- ⁴⁶ GoB-IOM report, op. cit., p.65.
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⁶³ See Byman et al., *Trends in Outside Support for Insurgent Movements* (Santa Monica, CA: RAND Corporation, 2001). Chapter 3, “Diaspora Support for Insurgencies,” presents a case study of the LTTE.

⁶⁴ Anthony Davis, “Tiger International: How a secret global network keeps Sri Lanka’s Tamil guerrilla organization up and killing,” *Asianweek*, 26 July 1996.

⁶⁵ Byman et al., p.50.

⁶⁶ Ramachandra Guha, “Tigers in the Alps,” *World Policy Journal*, Winter 2003/4, p.70.

⁶⁷ See Byman et al., op. cit., pp.50-51. Koser and van Hear (“Asylum and Migration: Implications for Countries of Origin,” paper prepared for the UNU-WIDER Conference on Poverty, International Migration and Asylum, Helsinki, Finland, Sept. 2002) note a corresponding increase in remittance flows during times of intensified conflict. They also note that remittances sent to conflict-affected regions are less likely to be invested in “productive” activities, since there are obviously fewer options *for* such investment. Further, remittances sent to family members may be appropriated by force by parties to the conflict.

⁶⁸ Byman et al., op. cit., p.54.

⁶⁹ Gob-IOM report, op. cit., pp.45-46.

⁷⁰ Purdy, op. cit., p.16.

⁷¹ Other commentators note, however, that the various IRA splinter groups that formed or became stronger in the years and months surrounding the GFA, such as the Real IRA and its 32 County Sovereignty Committee, the Irish Freedom Committee and others, have turned to more radical members of the Irish-American diaspora – disgruntled by the peace process – for political and financial support. For example, in “America and the Conflict” for PBS’s *Frontline*, Kevin Cullen writes that “As the republican movement became increasingly sophisticated politically, there was no corresponding political change among most of the IRA’s traditional supporters in the US.” (see pbs.org/wgbh/pages/frontline/shows/ira/reports/America.html)

⁷² Robert E.B. Lucas, draft paper on international migration regimes and economic development, in progress, for the Expert Group on Development Issues Government of Sweden, accessed at <http://www.egdi.gov.se/pdf/ch.pdf>, Ch. 6, p. 16.

⁷³ AFFORD, “Connecting UK-based African organisations with mainstream NGOs,” date unknown. Accessed at www.afford-uk.org/partnerships/connections.html, 06 Jan 2004.

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⁷⁵ Nicholas Van Hear, Frank Pieke and Steven Vertovec, “The UK diaspora contribution to development and poverty reduction”, scoping study for the Department for International Development from the Centre on Migration, Policy and Society (COMPAS), 31 March, 2004, p.6.

⁷⁶ Ibid, p.11.

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⁸⁴ Devesh Kapur, op. cit., p.32.

⁸⁵ IOM Press Briefing Notes, 9 January 2004.

⁸⁶ Johnson and Sedaca, op. cit., pp.60-61.

⁸⁷ See www.undp.org, accessed 14 April 2004.

⁸⁸ IOM Press Briefing Notes, 9 January 2004.

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⁹⁰ Ibid..

⁹¹ Kristof Tamas, "Mapping Study on International Migration," Institute of Futures Studies, Stockholm, 11 December 2003.

⁹² See Kristof Tamas, *Mapping Study on International Migration*, for the Institute of Future Studies in Stockholm, 2004, *passim*.

⁹³ *All in the Family: Latin America's Most Important International Financial Flow*, Report of the Inter-American Dialogue Task Force on Remittances, January 2004.

⁹⁴ See B. Lindsay Lowell and Rodolfo O. de la Garza, "The Developmental Role of Remittances in U.S. Latino Communities and in Latin American Countries," a Final Project Report of the Tomas Rivera Policy Institute and the Inter-American Dialogue project on The Developmental Role of Remittances in US Latino Communities and in Latin American and Caribbean Countries, June 2000.

⁹⁵ Susan Martin, Philip Martin, and Patrick Weil, "Fostering Cooperation between Source and Destination countries," in *The Migration Information Source* (www.migrationinformation.org), Migration Policy Institute, October 2002.

⁹⁶ Johnson and Sedaca, op. cit., p.24.

⁹⁷ Johnson and Sedaca, op. cit., p.38.

⁹⁸ House of Commons International Development Committee, *Migration and Development: How to make migration work for poverty reduction*, Sixth report of Session 2003-04, Volume I, released Thursday, 8 July, 2004, p. 5.

⁹⁹ *All in the Family*, op. cit., p.8.

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¹⁰¹ Sander, op. cit., p.27.

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¹⁰³ Johnson and Sedaca, op. cit., p.30.

¹⁰⁴ AFFORD, "Globalization and Development: AFFORD's Submission," AFFORD submission to the UK government White Paper on Globalization and Development, DATE.

