



International Expert Meeting 'Added Value of Diaspora Cooperation'

Documentation of Results

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Abteilung Wirtschaft und Beschäftigung
Sektorvorhaben Migration und Entwicklung
Postfach 5180
D-65726 Eschborn
Telephone: +49 6196 79-0

Contact:

migration@gtz.de

Responsible:

Regina Bauerochse Barbosa

Editors:

Irina Kausch, Sara Lier

Layout:

andreas korn visuelle kommunikation, Bad Homburg

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Introduction

‘Afghanistan can only be rebuilt with the help of the Afghan Diaspora.’ This was one of the key statements in the debate on the country’s reconstruction. It represents a paradigm change – and is an international acknowledgement of the work of numerous individuals and Diaspora organisations. It is their engagement, their ideas and their knowledge about the needs of people, society and the economy that German development cooperation is looking to support and facilitate. In this context, GTZ – as an implementing organisation of the German Federal Ministry for Economic Cooperation and Development – invited public and private institutions working in Diaspora cooperation to the International Expert Meeting at GTZ Head Office in Eschborn on 19 December 2008. The Meeting focused on the added value of cooperating with diaspora communities for development. It provided a platform for experts to exchange experience, comparing different approaches and bring the international debate forward.

The Diaspora has already been active as a development cooperation partner in various contexts across the globe. Here, good practices need to be identified, so that groups and organisations can learn from one another and find inspiration in each other’s work. It is important to distinguish between private sector engagement and the non-profit activities of migrants, as they require a different approach. Core issues at the Expert Meeting included capacity building, how Diaspora non-profit engagement and development cooperation can work together, and the extent to which private sector investments can be supported by development cooperation.

All contributions, discussions and outcomes can also be found on the CD enclosed.



Welcome address by Cornelia Richter

GTZ, Director General Planning and Development Department



I would like to welcome everyone to today's expert meeting on the 'Added Value of Diaspora Cooperation'.

In the development policy debate, for a long time, migration was seen primarily from the point of view of *brain drain*, i.e. the loss of human resources. Practical experience in German and international development cooperation mainly focused on promoting the return of migrants. Since 2003, however, the topic of **migration and development** has taken on an entirely new slant, especially with respect to the positive aspects of migration for development in the countries of origin. The key concepts here are, firstly, remittances and, secondly, the multifaceted engagement of diaspora organisations in their countries of origin.

On behalf of BMZ, an advisory project in the field of migration and development was launched in 2006. This project is implemented by **GTZ** and is devising strategies and instruments to strengthen **the positive impacts of migration on development policy**, while contributing to reducing its risks. Thus, not only will the migrants themselves benefit, but so will both the countries of origin and the host countries. GTZ's activities focus on the following three areas: migration policy advice, remittances and diaspora cooperation.

The third area, 'diaspora cooperation', is the focus of today's expert meeting.

In May 2007, a **pilot programme** has been launched to promote non-profit migrant organisations' projects in their countries of origin. Over the past one-and-a-half years, we have co-financed, supported and provided advisory service in **16 projects in 10 developing countries**, including Afghanistan, Cameroon, Senegal and Serbia. Examples of these joint efforts will be given later in the presentation by my GTZ colleague.

While the pilot programme promotes investment in social infrastructure, such as in the education and health sectors – including the implementation of vocational training programmes and income-generating measures – another important area is to support for **private sector engagement of migrants**. Depending on the economic conditions of a country, migrants and returnees also make major contributions to the development of their countries of origin through their engagement in the private sector, in particular via business start-ups, joint ventures with companies and trade relations. GTZ promotes systematic involvement of their activities in its projects and programmes on economic development and employment. How and where this is done will also be presented to you later.

These two different approaches – non-profit and private investments of migrants – set the framework for today's expert meeting, which we have divided into two workshops accordingly. In both cases, we expect synergies to be generated, so that our efforts will have a better developmental impact. Development organisations can benefit from the country-specific knowledge, contacts and expertise of migrants, and they in turn can benefit from the professional approaches and technical expertise of development organisations.

Part 1

Non-profit Commitment of Diasporas

Irina Kausch

GTZ Project Migration and Development

Introduction to the first workshop

The first workshop of our expert meeting deals with the non-profit activities of migrant organisations.

In this context I would like to mention the importance of the informal **European network** created in 2007 by the different European governmental development institutions to share their experience in the field of Migration and Development. Today's expert meeting has been organised to discuss one subject more in-depth with our partners, as well as with experts from other international organisations, research institutions and with GTZ colleagues from Head Office and GTZ offices abroad. The focus lies on the issue of added value of diaspora cooperation. We are targeting this topic in the cooperation with our projects in different countries and with our new partners, the migrant organisations.

Some important facts with regard to migration are:

- **Migrants have always contributed** to the development of their countries of origin, generally, however, outside existing frameworks and especially outside development cooperation.
- Since the first World Bank report on remittances in 2003, research institutions and later, donor organisations, have analysed and recognised the strengths and motivations of migrants. There are successful examples of dynamic and innovative development approaches of migrant organisations.
- Migrant organisations have ties and personal **connections** to their countries of origin, which gives them the huge advantage of being able to work in both cultures.

On the other hand, however, donors are discussing whether this engagement or diaspora as a whole is perhaps overstated. It is clear from the practical evidence that migrant activities are both very complex and very challenging.



Aida M. Ghebreselasie

Norwegian Ministry of Foreign Affairs

The Norwegian Pilot Programme on Cooperation Projects with the Pakistani Diaspora

I would like to present the main objectives of the project International Migration and Development, for which I work within the Norwegian Ministry of Foreign Affairs. Our first main goal is to increase the benefits of migration for developing countries and to **empower migrants** to take an active part in regional, national and international dialogues and policy-making processes concerning developing countries. The second main goal is to strengthen the partnership of diaspora organisations with the Norwegian Government in terms of development cooperation. I would like to focus on this second objective in my presentation.

Let me tell you about the main **challenges** with diaspora organisations in Norway. One major problem is that most diaspora organisations are in a weak position because they lack resources, competence and experience. Often they do not speak the language very well and are overwhelmed by the bureaucracy of the application processes for funding. For this reason, the **measures** taken to encourage diaspora organisations target these challenges.

The first measure that started in 2007/2008 aimed to **support civil society engagement** in the form of seminars to teach skills such as accounting or reporting. These skills are required by diaspora organisations in order to apply for funding or to implement projects. The offering of these seminars will be continued in 2009.

The second measure is a **pilot project** that started in 2008 in cooperation with Pakistani diaspora organisations. The Pakistani diaspora is the largest and oldest one in Norway and was chosen for the pilot project for these reasons. The project is sponsored by the Ministry of Foreign Affairs, the Ministry of Labour and Social Inclusion, NORAD (Norwegian Agency for Development Cooperation) and some other organisations. The aim is to build expertise within the Pakistani diaspora community to **implement developmental projects** in their country of origin. The above-mentioned institutions help with organisational and financial support, outside the normal scheme of development cooperation. One of the conditions requires the diaspora organisation to have a recipient organisation in Pakistan to cooperate with. This organisation must be a legal entity, such as a registered organisation, a hospital or a school. In this project, the Norwegian institutions also offer seminars on how to apply, how to fulfil the formalities and how to satisfy the criteria. In the first application round, by the end of October there were 15 applications, of which three will get the funding to implement their projects. Most of the other projects lacked a recipient organisation in Pakistan. The second round will take place in February/March 2009. The aim is to involve more migrants and more diaspora organisations in development cooperation. To do this, it is necessary to help them organise themselves and build stronger networks. One of the major problems of Pakistani diaspora communities is that while



there are a lot of organisations, they are all quite small. Synergies would be better used if there were more linkages between the organisations.

| Franziska Bühner

| GTZ Project Migration and Development

Enhancing Non-profit Commitment of Diasporas in the German Development Cooperation

As a staff member of the GTZ sector project Migration and Development, I would like to present our **pilot programme** on enhancing the non-profit commitment of diaspora organisations. This pilot programme was launched by GTZ and the German Federal Ministry for Economic Cooperation and Development (BMZ) in 2007.

The starting point was the perception of the widespread commitment of migrant organisations in their countries of origin. This awareness of the potentials and possibilities of cooperation with migrants and the fact that diaspora organisations and development organisations often work on common objectives in the partner countries provided the opportunity for a **dialogue in partnership**. Thanks to the pilot programme, GTZ has been able to gain initial experience with this kind of cooperation, which also serves as the foundation for the provision of advice to BMZ.

The concrete objective of the pilot programme is to **generate synergies** of both migrant organisations' non-profit and development cooperation's activities and thus to increase the development impact of these common activities.

The 16 projects in 10 countries approved to date span the fields of education and health, energy supply and water and knowledge transfer. One focus, which is implemented in cooperation with the Jacobs Foundation, is on the promotion of children and youth in Africa.

We have some important **requirements for project applications**: project proposals must have interfaces with the priority areas of German development cooperation (i.e. common objectives), there must be collaboration with a registered association, and the association itself must contribute 50 % of the total project volume. Partners in the countries of origin should be actively involved in planning and implementing the projects and the migrant organisations should have sufficient capacity and know-how to implement their projects.

Besides the **strengths** that migrant organisations possess (such as their expert-knowledge, the awareness of specific needs of their partner communities or the communication advantages in the cooperation with local partners) there are also some **weaknesses**: migrant organisations usually have limited organisational capacity and they lack experience in formal requirements such as the settlement of accounts.

Let me mention the **lessons learned** by this pilot programme so far: (1) the awareness



gained in German development cooperation through dialogue with migrant organisations is of major importance; (2) the joint assessment of project proposals with development cooperation programmes on-site can be seen as a prerequisite for successful cooperation, and (3) the commitment of local partners is also crucial for successful project implementation. (4) It is important to help create possibilities for networking among diaspora organisations and to offer capacity-building programmes for them. (5) Although the different types of diaspora projects pose challenges for development organisations, they can use the advantages of the diversification of cooperation partners (migrant organisations as well as development organisations). (6) Political sensitivity as a prerequisite for cooperation with migrant organisations is advised.

Lena Traub

GOPA Consultancy, Germany

Diaspora Cooperation – the Salvadorian Case

I have investigated the Salvadorian case of transnational migration and diaspora cooperation in El Salvador and in the United States. Today I would like to present some of my experience and results. Let me begin by giving you some **facts about the Salvadorian diaspora**. About one-third of the Salvadorian population (3 million) lives abroad, mainly (> 90 %) in the United States and in this country, especially in the regions of Los Angeles, San Francisco and Washington, D.C. Strong social networks influence the choice of destination region. Today, the reasons for migration are poverty, unemployment and increasing violence. Every second household in El Salvador receives remittances, which has a huge impact on the development and the poverty decline in certain regions. On the other hand, remittances represent a critical source of national income (US\$ 3.3 billion = 18 % of GDP in 2006), as it leads to more inequalities among Salvadorians.

More than 250 **hometown associations** (HTAs) exist in the United States, which means a high level of fragmentation. The existing umbrella organisation does not really work. HTA activities range from joint transfers of money to avoid transaction costs to fundraising to support for their families or villages, especially in cases of natural hazards, to infrastructure investments in their communities of origin. Some prepare their returns or plan a political career in their villages of origin. In the case of **hometown cooperation** in the form of development projects, there are some crucial factors for cooperation: first of all, personal relationships and the trust to partners in their hometowns, as well as political affiliations. It is not possible to make a clear statement as to how much influence the migrants have on the decision on how to spend the donated funding; however, diverging interests on how to invest the money are sure to arise.

Since the 1990s, the Salvadorian Government has engaged in the diaspora communities abroad. It established the Directorate General of Attention for the Community Abroad as part of the Vice Ministry for Exterior Relations for Salvadorans Abroad, which encourages the investment of diaspora organisations in collective projects. It



also developed government-sponsored programmes to capture remittances and focus their expenditure through co-financing. The Social Investment Fund (FISDL) supports projects on social infrastructure for which municipalities can apply.

Looking ahead, I can point out some **conclusions**: While the government's decision to strengthen the development potential of migration is correct, it should not forget the fundamental role of the state to finance social and infrastructure investments. Attention must be paid to the **structural causes of migration**, such as poverty and unemployment, and in particular, the emerging violence in El Salvador, which hinders economic investments. Short-term interests of the government should be made subordinate to long-term concepts of social reforms. Diasporas must be seen in terms of the country's **citizens abroad** and not only as economic resources and the increasing political influence of migrants should be taken into account. Political polarisation within El Salvador and communities abroad makes developmental cooperation more difficult.

| Zeki Shehu

Stichting Mondiale Samenleving/Global Society Foundation, Netherlands

Capacity-building and Empowerment of Diasporas: the SMS Experience

I migrated from Kosovo to the Netherlands in 1993 and became a Dutch citizen. I now work for the Dutch organisation Stichting Mondiale Samenleving (SMS), the Global Society Foundation. In my presentation I would like to report on this diaspora-based organisation and our mission, experience and tasks. SMS was founded as a **voluntary organisation** in 2002 by three refugee organisations (from Afghanistan, Albania and Ethiopia). Today it is financed on project basis by various development cooperation agencies, the European Commission and the European Refugee Fund.

The mission of SMS is to **promote active citizenship in the global society**, especially the integration and social economical participation in Dutch and European society. We also support diaspora engagement in reconstruction, poverty reduction and sustainable (social and economic) development of their countries and regions of origin. This combination is unique in the Netherlands. Our main objective for fulfilling this mission is **capacity building** and **empowerment** for diaspora communities and their Southern partners with special attention to refugee organisations. SMS runs a **help desk** to support and coach diaspora organisations. Here they can get direct assistance with project development, fundraising or other areas. In the form of meetings and conferences, SMS promotes cooperation and exchange of 'best practices' among diaspora organisations and development cooperation agencies. SMS also implements research projects. In addition to diaspora organisations, we cooperate with development agencies, academic institutions, entrepreneurs, (local) governments and their institutions and European and international (non-)governmental organisations.



Since 2005, SMS has mapped and structured **diaspora organisations in the Netherlands**. The diaspora is quite strong. Many diaspora members are entrepreneurs and SMS is stimulating the forming of more diaspora organisations. At present, there are well over 1,000 diaspora organisations in the Netherlands, 95 % of which are voluntary associations or foundations. Many of them are fragile, some are very active, a few are semi-professional and two are professional. 70 % of the organisations run integration and development cooperation initiatives.

SMS has offered its capacity-building and empowerment programme for the voluntary associations since 2002. Recently, it has started to develop seminars and programmes for the professional organisations.

The **elements of the capacity-building and empowerment programme** include organisational strengthening, efficiency, effectiveness, institutional development, knowledge advancement and improvement and information management. For example, some training courses focus on fundraising, networking, budgeting, reporting, monitoring or evaluating. Others deal with topics such as intercultural communication, web design, strategy and policy development or development cooperation. There is also a train-the-trainer programme, in which the diaspora members are trained as multipliers for their own community. The training of facilitators qualifies diaspora members to facilitate workshops, meetings and conferences.



Workshop 1 – Discussion Results

In the first discussion round with the panelists and the audience, the following questions were explored in more detail: Are migrants automatically willing to cooperate or do they prefer to pursue their own interests in their projects? What are convincing arguments for the cooperation with diaspora organisations? Does their engagement really have an impact on development?

Concerning the question about a **migrant’s willingness or interest in cooperating with official development institutions** Zeki Shehu mentioned that in the Netherlands, 60 to 70 % of the projects of the diaspora organisations are financed by remittances, i.e. by their own money. For this reason, they sometimes prefer not to cooperate with official institutions because they can also manage their projects by themselves – without all the bureaucracy.

However, as other panelists confirmed, this kind of cooperation provides the opportunity for migrant organisations to have access to higher amounts of money for implementing bigger projects and getting the appropriate support for planning, implementing and monitoring their projects. While no one wants to force migrants to collaborate, it is necessary to **inform** them about the **opportunities** and **advantages** of cooperation so that they can decide whether or not to take this chance. Aida Ghebreselasie formulates it as follows: ‘We



in Norway saw that there are already many migrant organisations realising development projects in their countries of origin, but they were acting in non-official frameworks. All we wanted to do was start a dialogue, try to put a general focus on these organisations and figure out the benefits on both sides. We want to offer them the possibilities that many regular NGOs already have because they are more familiar with the bureaucratic procedures involved with implementing projects.’

Zeki Shehu used an interesting comparison: In the Netherlands, the development agencies are called the ‘White Elephant’ and that the migrants are afraid they will become the ‘Black Elephant’ – the diaspora. He added that one does not really accept the other. Development organisations have to remind themselves that the diaspora in the Netherlands is composed of Dutch citizens. What SMS hopes is to use capacity

building to empower diaspora organisations so that at a certain stage they can try to incorporate themselves into mainstream development sector in the Netherlands.

Franziska Bühner said that it is important to recognise the fact that migrants already play an active role in the development of their countries of origin. They are real actors that should be integrated into the different approaches. Some of them are already active in development cooperation. Our task could involve **enhancing their activity**.



Irina Kausch said that the most important requirement for mobilising migrant organisations to participate in this kind of cooperation is **equal partnership**. This is not easy to achieve – for either side. Thus, one of the challenges of donor organisations continues to be the creation of equal partnerships.

Integration is another important issue. As stated by Aida Ghebreselassie and Zeki Shehu, migrants should have the same rights and opportunities to apply for funds offered by development cooperation as mainstream NGOs do. Moreover, there can be a positive interaction between the integration of migrants in their host country and their non-profit transnational engagement.

The question about the **developmental impact of diaspora cooperation** was discussed extensively. What is it that migrant organisations can reach, but official development aid cannot?

Marieke van Renssen from the Netherlands Ministry of Foreign Affairs said: *‘We are still thinking about the extra added value of migrant organisations. Is it their cultural or language skills? Their networks? We have found that it is yet not really measurable because there are so many grassroots organisations and it is difficult to figure out the different added value of normal grassroots organisations in comparison to migrant organisations.’*

For Hans-Werner Mundt (GTZ Consultant) the question of the impact is of high relevance. He stated that the main idea should be to **maximise the impact of both partners**, the diaspora and official development cooperation. For example, in Afghanistan, the primary question after the war was how to rebuild the primary school system. Afghan refugees and migrants in Germany were interested in contributing to the rebuilding of primary schools in their hometowns. Development cooperation could raise additional funds for this sector, for example for rebuilding schools, by cooperating with diaspora cooperation. There is a common goal and it is important to combine the potential of diaspora and of development cooperation.

Peter Keller (GTZ Ethiopia) discussed the question of impact from the point of view of a development cooperation project: *‘We in Ethiopia have about two billion dollars in remittances a year and we figured out that remittances are used more for investment purposes than for consumptive purposes. Furthermore, there is enormous expertise,*

knowledge and experience *available because of the Ethiopian diaspora communities. We would like to make use of these skills in Ethiopia, for the school system, but especially for economic development. But my question is this: can the inside knowledge and the intercultural capacity really help on both sides?* Mr Keller expressed some doubts about this because diaspora organisations often have organisational limits.

Another approach was formulated by Hermann Schönmeier of AGEF. When talking about impact, he argued, it is also necessary to ask what impact development agencies have with regard to development. Why are development agencies so sure that they have to tell the diasporas how things should be done? Mr Schönmeier said that in reality, **remittances** play the most important role and have the most significant impact, often more impact than Official Development Aid. Even if remittances go to consumption this is creating employment. Schönmeier suggests that donors should be much more modest in terms of pretending to know how things should happen.

In summarising, Irina Kausch specified the added value migrants possess: their **'bridging function'**. Migrants can add this cross-cultural aspect to cooperation projects. In this area, their interests are especially valuable. This also includes their political interests, their personal commitments and their trust, for example, in local partners. Remittances have an important value and a significant impact. However, migrants' **special knowledge and networks** can be used in development projects.

Donor organisations usually like the idea of multilevel approaches, but in reality they focus more on mesolevel or macrolevel approaches. Why not work together more often with migrant organisations on the microlevel? By combining these different approaches, i.e. working in a complementary manner, we can really follow a **multilevel approach** and we would be able to provide our advice in a better way.



Part 2 – Private Sector Engagement of Migrants

Regina Bauerochse Barbosa

GTZ Project Migration and Development

Introduction to the second workshop

This workshop deals with private investments of migrants in their countries of origin, such as portfolio investments, trade relations, start-ups and other businesses. We will focus on these topics and we would like to answer the question ‘Is each migrant an entrepreneur?’ or ‘Should each migrant be an entrepreneur?’

Is there controversy between private sector engagement and development goals?



Migrants' Private Sector Engagement – Approaches and Lessons Learned

I would like to share some experience GTZ has gained in the area of migrants' private sector engagement.

We have carried out a study on migration and sustainable economic development and have elaborated the **different fields in which migrants become active** and contribute to private sector development, income generation and employment in their countries of origin. These include foreign direct investments, start-ups, portfolio investments, trade in general, as well as trade of nostalgic products. Know-how transfer and return migration also contribute to private sector development as well as migrants who come to their countries of origin as tourists asking for services and consumer goods.

We have pointed out some **determining factors** that tell us how important this potential is for the countries of origin. This is first of all the *migration type*: irregular or legal migration, refugees, labour migrants, highly skilled migration or less qualified migration. Secondly, we have to consider the *migration stage*: has the migration wave just started or is there already a large and well established diaspora outside the country of origin? What is also important is the **relationship of the diaspora to the government** in the country of origin and vice versa. This can be problematic, for example, in the case of refugees. There are other conditions in the countries of origin that have an impact on private sector engagement of migrants, for example the business and investment climate in general or the financial system. We must not forget the conditions in the destination countries, such as the migrants' integration into the labour market. All these determining factors have implications for the potential of migrants' private sector engagement and they vary from country to country.

With regard to investments and start-ups of migrants GTZ's objective is **to promote investments and innovation** from the diaspora, return migrants as well as recipients of remittances. One **example** is a project that GTZ is implementing in the Oriental Region of **Morocco**. The objective of this project is to **create a favourable business environment** as a basis for harnessing the potentials of migration for the economic development of the region. On the one hand, we try to promote the region as a destination for investors in general and for the diaspora investments and know-how transfer in particular. And on the other hand, we try to mobilise remittances saved for investments by local entrepreneurs.

Besides the classic GTZ instruments of local economic development for establishing certain economic conditions, we also have some approaches that specifically target migrants: we promote the establishment of **information and advisory structures** to communicate investment possibilities and we are working to adapt and to provide consultancy for business development service providers and explore ways to adapt to



migrants' needs. We do not give financial incentives but we do help to obtain credits from the banks in the regions.

I would like to share **our first lessons learned** with you. One of the questions is, what are migrants' motivations and why might they be different from other investors? They are not different because they also expect return on their investment, but rather in the sense that they perceive that they may have information and social capital advantages compared to non-diaspora or foreign investors based on their knowledge of the business culture and the region and their access to certain resources. They may invest in areas or regions other investors might shy away from. Another motivation may be to create a basis for their own return. There are certain emotional attachments and philanthropy, and also social standing in community of origin and diaspora may play roles.

The second question is whether every migrant is an entrepreneur. In fact, not every migrant is an entrepreneur. So who should we target within the diaspora? We are **concentrating on existing entrepreneurs in Europe** and on **academic professionals** with more extensive job experience. We have also realised that migrants who have already obtained the nationality of country of destination are more likely to start projects, because they always have the security that they can return to Germany. However, we have to be careful not to favour migrants over local entrepreneurs, as migrants already constitute a privileged group within the local context.

| Jan Jongbloed

| IntEnt, Netherlands

Great Ideas Have no Borders – The IntEnt Programme

The IntEnt Programme is a programme in which we try to **strengthen local economies** by **stimulating and enhancing entrepreneurship**.

Let me start with some theoretical foundations: Keynes said that economy is a round circle of flows and in order to stimulate economy you have to stimulate one of the sectors. Friedman used the same circle of flows but added the stimulation arrow from the other direction. This scheme also works for the local economy, where you have to stimulate certain sectors to get the economy working and to get entrepreneurs to start a business. We do this in many countries, such as Morocco, Ethiopia, Ghana, Surinam, Afghanistan, Angola and Serbia.

We aim to restore the brain drain losses in the local economy. Migrants gain a number of **extra advantages** in their host countries. Now they need some innovative ideas and have to consolidate them in the local economy. It is important not to exclude migrants but to make them a part of society. They have a great deal of **creativity**, so we have to allow them to experiment.

Thus, IntEnt is a **bridging programme** for small and medium-sized enterprises



(SMEs). Our services are primarily offered to migrants who wish to set up a business in their countries of origin. We offer training for the migrants before they start with a project, then we support migrants by financing their tickets and accommodation for some weeks in their countries of origin or in the country where they want to invest. During the whole process they receive assistance from IntEnt and in this way, **we help to build entrepreneurs**. The investment in starting entrepreneurs helps to make the transition from consumptive remittances to productive and sustainable remittances. 20 % of funding for the programme comes from the migrants themselves and 80 % by the respective government, although this varies from country to country. Other funds come from the Ministry of Economic Affairs, the European Union and other institutions.

Anyone can apply for the programme; about 50 to 300 migrants apply every year. They have to pass an **entry test**, which only 20 % pass. We are working on that. 90 % of the migrants who start the programme pursue their project and realise it. Some leave the programme but continue with their projects. We also carry out an evaluation or assessment together with the migrant entrepreneur.

I also want to mention the programme Myc4 (www.myc4.com), an online marketplace in the field of microfinancing that connects people from all over the world with African entrepreneurs who lack capital to develop their businesses. It is a good example of how entrepreneurs can get access to finance. We also developed our own financing product: the Friends and Family Fund, which works as follows: if the migrant – with the help of friends and family members – guarantees half amount of the investment capital to IntEnt, IntEnt guarantees the total amount, up to 50,000 euros, to the migrant entrepreneur.

| Henriette B. Mampuya

| World Bank Brussels/D-Made

Mobilising the African Diaspora for Development

I am working at the Brussels World Bank office on a theme that is quite new: **engaging diaspora**. As I am also an African migrant, this programme fits me well. The World Bank normally focuses on remittances in its work on migration. This programme is different. It started with informal meetings between diaspora organisations and the World Bank, exploring ways to work together. As this theme was new to the Bank we wanted to demonstrate that there is a need to work in this field.

For almost 10 years, a programme at the World Bank has existed called the Development Marketplace. We decided to use this programme for the diaspora context; D-MADE was born. The acronym stands for **Development Marketplace for African Diaspora in Europe**, with the D also standing for “diaspora” (‘diaspora – made’). We started consulting processes with diasporas in many European countries and undertook fundraising with different European bilateral donors. We obtained funds from



Belgium, France, Germany and the Netherlands, as well as from the IOM, and Brussels Airlines – a total starting amount of 700,000 euros.

The theme for the **first competition round** was **entrepreneurship**. With this theme we wanted to reach projects on micro, small and medium-sized enterprises implemented by the diaspora, businesses that would create jobs; would invest in local infrastructure and which have other welfare aspects. The prizes were a cash grant of 10,000 to 40,000 euros, technical assistance on the project for one year and one year of monitoring. The programme was to help the entrepreneurs rather than the market.

To meet the main **eligibility criteria**, applicants must be individuals or organisations from sub-Saharan Africa living in Europe with a **project partner in Africa**. Furthermore, there are assessment criteria such as innovativeness, entrepreneurship, partnership with the local entity in Africa and sustainability and replicability of the project. The **call for proposals** started in September 2007 and closed in November 2007. We expected about 100 proposals, but received 507, 70 % of which were eligible. The proposals came in from 15 EU countries and were addressed to 34 sub-Saharan countries. There was a wide range of sectors, for example, agriculture, manufacturing, education, health and energy. 21 % cent of all proposals came from women. In December 2008 we began assessing the proposals. We out-sourced assessment to In-tEnt because our team was very small. We announced 70 finalists in February 2008. In April 2008 we offered business plan training to the finalists. Thus, even if they did not win the contest, they would at least have a good business plan to present to other institutions for funding. In May 2008, the finalists had to submit their final business plan. At the end of June, we gathered all the applicants for two days in Brussels to do the final round with an international jury of 24 experts. They selected **16 winners from seven EU countries** with proposals for projects in 11 sub-Saharan countries.

Unfortunately, many of the winners **have not yet started project implementation**, mainly because half of the winners were not legally registered by the start of the programme. Five started the implementation; however, it is too early to make a statement about the possible impact yet. We found that this kind of competition adopted by us may not be the most technically and economically appropriate way to encourage business creation in Africa. There is also a need for a better definition of the criteria. However, we did obtain an interesting sample of projects in the diaspora and the response to our call for proposals has shown us that there is a big need for support of diaspora cooperation projects. But our resources made available for this programme were insufficient for the demand.

The World Bank is using the experience gained in the first competition to develop a **subsequent version** of D-MADE. This would have to be scaled up financially and the programme redesigned. We would move beyond a competition and the awarding of small prizes to a limited number of winners. Instead, we should emphasise access to finance and technical services, partnerships with the private sector and include support to hometown associations and professional networks.

Jorge Baca Vaughan

IOM Colombia

The Model of a Guarantee Fund for Colombian Migrants Abroad in order to Promote Private Sector Investment

Manuel Orozco of the Inter-American Dialogue defined the five T's linking migrants with the private sector: transfers, tourism, trade (e.g. nostalgic trade), telecommunication and travel. Billions of dollars are moving about. There was one important statement today: the wealth of diasporas, not because of economic resources, but because of their citizens abroad. Our objective was to provide Spain and Colombia with a consolidated, improved and replicable model to effectively regulate temporary labour migration and **support the generation of wealth** in both countries.

In this model we Colombian migrant have top priority. The idea is to make it easier for them to obtain maximum **credit in the country of destination for investment in the country of origin**, mainly in housing, education or productive projects. A Colombian migrant submits a proposal, a financial proposal, for example, for a mortgage. And we transfer this proposal to the **International Guarantee Fund** in Colombia, which is based in the country of origin and will back up credits to the financial system in the country of destination. In case the credit fails, this entity, based in the country of origin, will pay back the financial system.

We presented this financial model to banks in Spain and in Colombia. There was a positive response in both countries. We propose that once one gets a loan in the country of origin **up to 40,000 euros** for investing in a house, the loan can be paid back in the country of destination with very low interest compared to regular interest rates. 30,000 or 40,000 euros is a very small loan for a house in the country of destination, but it is enough to build a decent house in the country of origin. Once the house has been paid off, the migrant will have access to the financial system in the country of origin, because that house itself can be used as collateral. For every dollar one has in the country of origin, one can get up to 10 dollars in the country of destination according to financial calculation we made together with the banks. So if a migrant has one dollar, he or she can have 10 dollars to invest in the country of origin. This is a macroeconomic impact. It creates jobs and allows the migrant the possibility to return to the country of origin with access based on collateral. This **collateral** in the country of origin will allow the migrant to look for a new project, or any other project. This also encourages the return of human capital on a short and middle-term basis. The people lost to the countries of origin come back.

This is our model. Some of the banks really liked the idea. We have two banks working with this project, one in Spain and one in Colombia. Who will finance that capital? The private sector? The building sector? Banks themselves will be interested, because the model will be a business. It is also interesting for potential investors of the funds.



Workshop 2 – Discussion Results

The second workshop dealt especially with the following questions: is each migrant an entrepreneur? How can we support migrants in becoming an entrepreneur? And why should we target migrants as entrepreneurs? What is the difference in promoting private sector engagement of migrants or that of other entrepreneurs? Do migrants have to be treated differently?

Jan Jongbloed of the Dutch organisation IntEnt said that perhaps not everyone should become an entrepreneur. This is a very individual decision. However, it is possible for people who want to be an entrepreneur to **learn to become an entrepreneur**. This was shown by research carried out by the University of Tilburg, which was commissioned to study this issue. Mr Jongbloed added that migrants are actually automatically entrepreneurial by nature, based on the fact that they manage to migrate in the first place.

Another opinion was stated by Kirsten Schüttler. She does not think that everybody is or wants to be an entrepreneur, so development agencies have to find **different ways/instruments** to support migrants in their contribution/engagement to private sector development. For some, the solution may be remittances or the financial system, for example. Migrants who are already entrepreneurs are not really different from other entrepreneurs, but they have some **specific needs** due to the fact that they are living in another country and that they may not be able to return as soon as they set up their business. They may also wish to circulate for some time. For this reason, it is necessary to see how the different providers can respond to these needs.



Hans-Werner Mundt questioned whether migrants, who usually have low incomes, should invest the little bit of money they have in **risky enterprises**? Wouldn't it be better for them to buy government funds, since later on they would still have their money rather losing it in a risky business or investment? Ms Schüttler disagreed, stating that the diaspora is very diverse and not everybody is a poor migrant who has to watch his or her money. In her opinion, we should not tell people what to do with their money, but rather help

those migrants who want to be entrepreneurs and leave it up to them.

Henriette Mampuya added that the African Union has **defined** diaspora as people who want to contribute to their country. As a simple migrant, you may not want to contribute to your country. But if you consider yourself as part of a diaspora you must have specific incentives to invest and perhaps also invest in more risky projects. However, there are different **motives** for migrants to invest in private sector projects: they want to **contribute back** to their country, as a matter of patriotism, they sense a **social obligation** to perhaps provide employment for their relatives, and of course, there are personal **economic interests** as well: the project needs to be profitable. Ultimately, they need special training and capacity building to realise successful projects.

Zeki Shehu added that he even sees quite a **danger** in these kinds of schemes or programmes, because when migrants come back with a certain capital and they are ready to invest and to start a business of their own it makes the local population very jealous. From migration point of view, this **jealousy** turns into a pull factor, because it gives other people the idea to emigrate and 'get rich' abroad to be able to come back and invest in their hometown. That is the other side of the coin.

Summarising the results of the second workshop and the discussion, Regina Bauerochse stressed that private sector engagement is always a personal decision. Then there are different means of realising, through start-ups, partnerships or investments, for example, in portfolios or in trade. The migrants have to decide whether they want to stay in the destination country and try to manage their business from there, or whether they will go back to their country of origin.

Migrants or members of a diaspora have some **advantages** that differ from persons who are not familiar with the country. But they also face **problems** because they do not live in the country. Therefore some specific approaches are necessary, for example to adapt to this short-term-stay.

In addition, however, there are always some general problems, such as the **investment climate** in the countries of origin, which has to be favourable to facilitate successful start-ups or other businesses. There are some risks, concerning the reaction of



neighbours, friends or family members who have not had the possibility to emigrate. When there is a specific support programme donor organisations should be very careful with regard to this topic of **envy**.

Not every migrant is an entrepreneur. Some of them want to engage in social activities, while others want to be entrepreneurs. For us as development agencies, it is important to look at the two sides and to discuss the different approaches in order to provide sufficient incentives to motivate them to join us in partnership.



Participants in the International Expert Meeting

- Affolter-Gómez, Barbara** | DEZA
- Baca Vaughn, Jorge** | IOM
- Bauerchse, Regina** | GTZ Migration and Development
- Becker, Torsten** | Frankfurt School
- Benbow, Marian** | IOM
- Bührer, Franziska** | GTZ Migration and Development
- Clayton, Dimitria** | Ministry for Intergenerational Affairs, Family, Women and Integration of the Federal State of North Rhine-Westphalia (MGFFI)
- Fernando, Myriam** | GTZ Ethiopia
- Fetz, Gelgia** | Jacobs Foundation
- Germer, Michael** | GTZ Migration and Development
- Ghebreselasie, Aida** | Norwegian Ministry of Foreign Affairs
- Goethe, Katharina** | University of Bremen
- Gruber, Björn** | GTZ – CIM
- Guhr, Katharina** | GTZ Central and Western Africa Region
- Heil, Tilmann** | GTZ Migration and Development
- Jongbloed, Jan** | IntEnt
- Kausch, Irina** | GTZ Migration and Development
- Keller, Peter** | GTZ Ethiopia
- Küsel, Corinna** | GTZ Economic Development and Employment Division
- Lier, Sara** | GTZ Migration and Development (Consultant)
- Lüttig, Annika** | GTZ Montenegro
- Mampuya, Henriette B.** | World Bank/D-Made
- Mengelkamp, Winfried** | Ministry for Intergenerational Affairs, Family, Women and Integration of the Federal State of North Rhine-Westphalia (MGFFI)
- Mundt, Hans-Werner** | GTZ Migration and Development (Senior Consultant)
- Paulino, Miguéle** | Forum der Kulturen
- Pfeiffer, Antje** | GTZ Economic Development and Employment Division
- Rohrbach, Bianca Nadine** | GTZ Economic Development and Employment Division
- Salow, Jochen** | GTZ Sahel and Western Africa
- Schönmeier, Hermann** | AGEF
- Schüttler, Kirsten** | GTZ Migration and Development
- Shehu, Zeki** | Global Society Foundation
- Stoyanov, Berit** | DIW ECON
- Ten Brinke, Dorinda** | Netherlands Ministry of Foreign Affairs
- Traub, Lena** | GOPA
- Van Naerssen, Ton** | Raboud University, Global Society Foundation
- Van Renssen, Marieke** | Netherlands Ministry of Foreign Affairs

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Economic Development and Employment

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Documentation of Results



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On behalf of
 **Federal Ministry
for Economic Cooperation
and Development**



Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn/Deutschland
T +49 61 96 79-0
F +49 61 96 79-11 15
E info@gtz.de
I www.gtz.de

