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# Migration and Sustainable Economic Development

Discussion Paper

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## Foreword

In recent years, the theme of migration, and in particular, the interaction between migration and development cooperation (DC) has quickly moved into a prominent position on the international agenda. Development cooperation makes a major contribution towards reducing reasons for people fleeing and migrating from their countries of origin. Even more, however, it stimulates stronger exploitation of the positive potential of migration, which generates a wide range of opportunities for development of the migrants' countries of origin.

This applies to nearly all areas of development cooperation, and is particularly true for the area of sustainable economic development. Systematic integration of migration-related questions in sustainable economic development approaches can exploit the opportunities yielded through the improvement of financial transfers (estimated remittances to developing countries in 2012 reached USD 406 bn) or through the use of the potential of migrants as investors, innovators and reform forces. At the same time, development cooperation must take the risks and opportunities into account that arise when skilled workers emigrate.

While since the 1980s, international development cooperation has focused on promoting the reintegration of migrants in their countries of origin, in recent years, cooperation between development cooperation and the transnational engagement of diaspora organisations has joined the agenda. Anchoring migration-related approaches in development cooperation projects is a new area in which only limited experience has been gathered to date. This is true for both German DC and other donors.

Against this backdrop, the Federal Ministry for Economic Cooperation and Development<sup>1</sup> commissioned this study, Migration and Sustainable Economic Development. The objective of the study is to determine the relevance of the migration theme for sustainable economic development and identify approaches for how development cooperation can use the positive effects of migration. It especially explores the way development cooperation can use the contributions of migrants for the economic development of the partner countries. This forms the basis for drawing up recommendations for how migration-related approaches can be systematically integrated into sustainable economic development projects in future.

The study was financed and received strategic support from the sector projects Innovative Approaches to Private Sector Promotion and Sustainable Economic Development, as well as from GIZ's Economic Development and Employment Division. The sector project Migration and Development and the division's sections also provided technical and human resources support. The study was carried out by Heike Daume in collaboration with Susanne Bauer and Kirsten Schüttler.

*CIM – Centre for International Migration and Development*

<sup>1</sup> The first edition was commissioned in 2008 by the BMZ divisions 300 (Economic policy; financial sector) and 113 (Federal government/states; export credit guarantees; migration; reintegration; CIM). The present edition is an updated version of the 2008 discussion paper.



## Executive Summary

The objective of the study Migration and Sustainable Economic Development was to determine the relevance of the migration theme for sustainable economic development and identify approaches for how development cooperation (DC) can use the positive effects of migration. It especially explored ways in which development cooperation can use the contributions of migrants for the economic development of the partner countries. This served as the basis for drawing up recommendations as to how these approaches can be anchored in development cooperation. The study was carried out on behalf of BMZ Division 300 (Economic Policy; Financial Sector) in cooperation with Division 113, which is responsible for migration.

### Relevance of migration for sustainable economic development

For several years, the theme Migration and Development has been increasingly attracting attention both in the research world and among development cooperation actors, such as multilateral organisations and bilateral donors. High-level conferences, such as the UN High-Level Dialogue on International Migration and Development in September 2006 and 2013, attest to the high relevance of the theme at international level.

In contrast to debates on immigration, which address the consequences of migration for the destination countries, a focus is now placed on the impacts on the migrants' countries of origin, especially developing countries. In addition, the interaction between the destination countries and the countries of origin, for instance, among their labour markets, are also being studied more closely.

The **links between migration and economic development** are multifaceted. On the one hand, economic growth has a long-term impact on migration by reducing so-called push factors. In the short term, however, it can lead to a rise in migration as a result of higher incomes, which make migration possible in the first place.

On the other hand, migration offers potentials and risks for sustainable economic development in the developing, transformation and emerging countries. This is most clearly demonstrated by the vast sums of money that migrants transfer to their countries of origin. Today, for many developing countries, aside from direct investments, private remittances constitute the most important capital inflow and amount to more than twice the official development aid. They are a direct contribution to poverty reduction, are invested in health and education, are saved or are incorporated in private sector investments. At the same time, a high inflow of foreign currency can strengthen the country's own currency, which can in turn have a negative impact on exports («Dutch disease» phenomenon). In addition, it may lower the incentive to become active in the country's own production sector. Out-migration of skilled workers and highly skilled professionals can also contribute to innovation and economic growth, if these migrants transfer the knowledge and skills they have acquired abroad to their countries of origin. In many cases, however, benefits to the countries of origin do not compensate for the loss of human capital.

In line with this, the impacts of migration on the economic development of the countries of origin are significant. The demand for migration-related advice on the part of the partner countries is rising. Thus the

theme of migration is **highly relevant** for DC in the area of sustainable economic development.

A plethora of scientific studies have been conducted on migration and numerous conferences have stressed the relevance of the theme. Now, development cooperation must face the challenge of developing concepts and implementing them on the ground. To date, **bi-lateral European donors** have tended to concentrate on addressing migrants in their own countries. Earlier experience going back to the 1970s was primarily gathered with reintegration programmes. In recent years, a variety of initiatives for facilitating the transfer of remittances have been launched in response to the soaring increase in transferred amounts. In addition, destination countries have more recently been establishing cooperation structures with diaspora organisations in order to promote their contribution to development. Engagement in non-profit areas has constituted the primary focus of these efforts to date.

A rising number of **origin countries** have also been reaching out to their respective diasporas. Action in this direction includes the promotion of remittances,

as well as the creation of incentives for investment and know-how transfer by members of the diaspora. Thus today both partner countries and donors see transnational engagement as a potential for economic development rather than simply encouraging the permanent return of migrants.

**German development cooperation** has already begun to gather experience with the theme of migration. Its primary focus is on the potential of migrants in Germany for the development of their countries of origin. On a case-by-case basis, the theme is already being dealt with in some German development cooperation projects that provide migration-related advisory services in the partner countries (see the example in the box on the right). Anchoring migration-related approaches in development cooperation projects, however, is a relatively new area in which German development cooperation as well as other donors have only limited experience. Thus German development cooperation is currently facing the **challenge** of developing concepts for **systematically integrating migration-related approaches in sustainable economic development projects** in future.



## Example: Migration and local and regional economic development in Honduras

As a follow-up to early initiatives on the theme of remittances, in early 2007 GIZ<sup>1</sup> launched the pilot project Transnational Bridge in Honduras in the region of Intibucá as part of the PROMYPE income and employment promotion programme in cooperation with the International Organization for Migration (IOM). At the time the programme was already working with the component of local economic development in this region, which is characterised by a high rate of emigration. In addition to the high relevance for sustainable development of the local economy, which was confirmed by a study, the keen interest on the part of the partners prompted activities to be launched in order to foster the integration of migrants into local development.

The focuses of the GIZ project included formalising the financial transfers by setting up accounts for migrants and their families, as well as advising the Honduran Government on launching a pilot programme that could be used to promote non-profit investments by migrant associations in the infrastructure in Intibucá («collective remittances»).

To better connect the local and national levels, political advice was offered to the Honduran Government for setting up a National Policy for Emigrants (PNAE). The Ministry of Foreign Affairs is responsible for coordinating this policy. PNAE encompasses three fields of action: (1) improving opportunities for migrants in their country of origin, after their return or deportation, in the transit and in the destination country (2) signing bilateral agreements to promote legal labour migration (3) harnessing the development potential of remittances in Honduras. In future, the implementation of the third field of action is to be reinforced via an expert from the Centre for International Migration and Development (CIM).

Together with the World Bank, the program conducted a study on the US-Honduras remittances corridor. In the final proposal (May 2008 - December 2010), the topic migration was included through an indicator in the field of local economic development. The indicator required three concrete measures for the involvement of migrants and/or remittances in the promotion of the local economy. Topics such as the promotion of local products (so called «productos nostálgicos») which are demanded by Hondurians and other Latinamericans in the US, as well as start-ups by migrants and remittances are in the focus of interest.

<sup>2</sup> The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH was founded on 1 January 2011. It brings together the long-standing expertise of DED, GTZ and InWEnt. For further information, go to <http://www.giz.de>.

## Possible approaches and instruments

For development cooperation it is much more promising to **start with the potentials** of migration for sustainable economic development than with the risks. The overview of possible approaches for development cooperation compiled in the context of the study thus primarily focuses on the potentials. However, it does not lose sight of the risks. The activities from the perspective of **technical cooperation (TC) in the partner countries** form the core of the study.

The focus of the study is on international, cross-border migration. International migrants can serve to build bridges between the host countries and the countries of origin. They form **networks** through which money, knowledge, ideas and values are transferred. These networks integrate developing countries into a global world. Development cooperation approaches must be based on this transnational perspective and its significance for the economic development of the partner countries.

It is important to bear in mind that the potential of migrants for sustainable economic development and in turn, the **prospects for the approaches to be successful, are dependent on the respective framework conditions**. These include, among others:

- the existing type of migration (labour/education migration, flight, reunification of families, temporary or permanent migration)
- the migration phase (for example, emigration phase, network-building phase between the host country and country of origin)
- the relationship of the diaspora to the government in the country of origin and vice versa, as well as

- the conditions in the host country (for example, residence status, integration in the labour market) and in the country of origin (for example, labour market situation, business and investment climate).

## 1. Migration policy

Development cooperation can offer political advice on migration policy in partner countries. Skillful management and multilateral cooperation can turn international mobility of workers into a long-term **»triple-win situation«** for everyone concerned:

- Migrating labourers profit from better income opportunities. They gain knowledge, experience and build personal networks, which in turn increases their social and human capital and enhances employability.
- Destination countries profit from an (at least temporary) growth of human capital.
- Countries of origin profit with regard to their socioeconomic development – especially when in addition to remittances and private sector activities, the (temporary) return fosters the cross-border transfer of knowledge, capacity and experience and through networks, stronger links can be established to a global world, in which the countries can be better integrated.

Development cooperation can contribute to successful migration management and in so doing, promote the potentials of migration for sustainable economic development. In addition to **temporary labour migration programmes**, development cooperation is particularly called upon to help develop **policies concerning the diaspora and returnees**, for instance, offering advice for establishing communication structures.

In addition, in the area of sustainable economic development, development cooperation contributes to improving **economic conditions** in the partner countries, which is an essential precondition for harnessing the potential of migration for sustainable economic development. This includes the financial system, the conditions on the labour market and the business and investment climate. In addition, it is important for migration to be taken into account in poverty reduction strategy papers and employment strategies.

Activities at the macro level, in addition to the meso and micro level, are also relevant in the various fields of action, which will be discussed below.

## 2. Remittances

### Reducing transfer costs/Promoting formal transfer channels

Studies on transfer corridors provide insight into existing transfer channels and their prices, security and speed, as well as preferences on the part of the migrants. In line with this, the Frankfurt School of Finance & Management, on behalf of the sector projects Migration and Development and Financial Systems Development studied channels used for transferring remittances from Germany to five countries of origin. GIZ in Honduras, in cooperation with the World Bank, **analyzed** the USA-Honduras **transfer corridor**. Such studies can serve as a foundation for transfer-related **consumer information** on the internet. Raising transparency should lead to increased competition and in turn, to a reduction in costs incurred and charged by the various providers, thus making transfers via formal channels more attractive. This will serve to strengthen the financial sector, allowing more money to arrive safely at the migrants' families. There are now examples of such websites in a number of host countries (for example, in Germany <http://www.geldtransfair.de>), in the UK, the Netherlands, France and Norway, as well

as in various countries of origin (for example, Mexico). Development cooperation can offer relevant advice regarding these websites to partner countries. It must be borne in mind that the costs are relatively high especially for south-south transfers and therefore similar measures for increasing transparency and competition are called for.

### Expanding the range of financial services for migrants and their families

In addition to lowering transfer costs, developing the financial sector in the partner countries is important in order to ensure that remittances are transferred via formal channels and arrive at the financial system. Improved access to financial services provides migrants' families in rural areas with more opportunities to (productively) use money they have received and in turn increases its positive impact on economic growth.

In addition, development cooperation should develop and offer savings and insurance products and combined products, as well as credit products for migrants and their families in cooperation with microfinance institutions and banks (see the example in the box). Development cooperation can also offer financial intermediaries advice on how they can specifically target migrants as customers.

### Taking remittances into account when providing economic policy advice

The macroeconomic impact of remittances should be taken into account when providing economic policy advice, especially with regard to monetary and exchange rate policy.

### 3. Private sector engagement

#### **Promoting (direct) investments by diaspora members, recipients of remittances and returnees**

**Investment-friendly economic conditions** in the country of origin are a major precondition for private sector investments made by (re-)migrants.

Development cooperation, with its tried and tested instruments, can make a particular contribution in the regions from which many migrants originate. In addition, development cooperation can support migrants in their lobbying for better economic conditions in their countries of origin, which they undertake against the backdrop of their experience in their countries of settlement. Development cooperation could promote dialogue between entrepreneurs from the diaspora and government representatives.

In addition to overall improvement of the business and investment climate, development cooperation can support the adaptation of government and commercial **information, advisory and business services** to the specific needs of migrants (for instance, stays in their home country that may be only very brief). This does not necessarily call for separate structures to be established. Instead, the existing structures should be provided with relevant advice. Investment opportunities may be communicated via economic attachés at embassies and consulates in the host countries. In addition, closer cooperation with chambers of industry and commerce in the host country and the country of origin is to be sought. Information sharing can be promoted among experienced business people in the diaspora who already operate in the country of origin and new business owners. This is already being put in practice by independent networks of diaspora entrepreneurs.

Under certain conditions, **business start-up programmes** or competitions may also be a good idea. However, offers should be checked to ensure they do not stipulate

that migrants permanently return to their countries of origin in order to participate. For example, through the Sector Project Migration and Development, BMZ is participating in a competition for African diaspora entrepreneurs (D-MADE). The competition is supported through a World Bank-initiated trust fund, which receives additional support from other European bilateral donors.

In addition to independent investments, diaspora members and returnees can contribute to **innovations** in the country of origin via joint ventures. One entry point for support is the establishment of »matchmaking« mechanisms. In addition, mentor programmes between experienced company owners from the diaspora and (young) entrepreneurs in the origin country may serve as a useful instrument for promoting innovation through the diaspora.

#### **Supporting trade between the origin and host country**

International migration constitutes a major potential for expanding trade relations between countries of origin and host countries, because migrants frequently demand products from their country of origin or operate as traders or trade intermediaries themselves.

Development cooperation can promote the **export of local products** from the migrants' regions of origin and the marketing of these products in the host countries. Carrying out a survey prior to marketing could provide information as to the extent of demand for certain products on the part of diaspora communities. Partners such as chambers of industry or commerce could be gained for marketing products in the host countries.

German development cooperation can provide advice on **maintaining quality regulations** and adapting products to meet international standards, so that the products can be approved and better marketed in the host countries. In this area, migrants can also be used

as advisors for quality development in the country of origin.

**Migrants** should also be involved as **intermediaries in trade relations** between business partners in the two countries, because they know the language and country and have the necessary contacts.

#### 4. Vocational training and know-how transfer

##### **Strengthening local and regional political cooperation to promote circular migration**

Joint establishment of **national and regional frameworks for qualifications** allows better formal recognition of acquired skills and qualifications. It simplifies and promotes circular migration processes. It also allows migrants to gain knowledge and experience and build personal networks, which benefits not only the migrants themselves, but also has a positive effect on economic growth in the host and origin countries. Supporting vocational training and labour market policy cooperation through development cooperation can also strengthen the exchange of labour-market-related information and job opportunities, as well as regional matching. Other important instruments for promoting circular migration are the development of mechanisms for transferring social welfare claims, the creation of more flexible visa regulations and the possibility of dual citizenship.

##### **Adapting labour market information systems and advising and placing mobile labourers**

Development cooperation can offer partner countries advice on **adapting their labour market information systems** to include the aspects of immigration and emigration and the labour market needs in the destination countries. Development cooperation can then use this basis to support advisory, (advanced) training, certification and job referral services for emigrants and

returnees. For example, in the context of its Returning Experts Programme, CIM is already promoting vocational integration of experts who have undergone job training in Germany and are interested in returning to their countries of origin. In addition, development cooperation can offer the partner countries advice on specifically implementing temporary labour migration programmes.

##### **Improving labour market conditions in the countries of origin**

The main motivation for migration is often rooted in the poor labour market situation in the countries of origin. Improving this situation can provide an incentive for skilled experts and highly skilled workers to remain in or return to their country of origin. Skilled human resources help strengthen the capacity of the economy to be competitive, boost companies' productivity and innovative energy and in turn, can promote sustainable economic development. In this way, development cooperation can make a longterm contribution to reducing loss of human capital (**brain drain**) in critical sectors and improving the possibility of brain gain via temporary or permanent return.

##### **Promoting networks and short-term assignments of experts and scientists in the diaspora**

When migrants transfer the knowledge they have acquired abroad to their countries of origin, they contribute to innovation and economic growth. Development cooperation can support networks between experts in the host countries and countries of origin in order to promote **know-how transfer**. For instance, it can become involved in areas relevant for sustainable economic development by financing joint workshops and conferences and by promoting university cooperation between universities in the host and origin country.

Experts from the diaspora of the respective partner country can also be assigned to work in their countries

of origin as regular paid or voluntary advisors. In this area, development cooperation could help with placement and provide support. In so doing, it can draw on experience gained in international programmes, such as the IOM's Migration for Development in Africa programme and the UNDP's Transfer of Knowledge Through Expatriate Nationals programme, which build on the willingness of diaspora members to engage in non-profit activities.

## 5. Non-profit engagement

Non-profit engagement on the part of diaspora members also offers interfaces to sustainable economic development via collective remittances. For instance, migrant associations establish vocational schools in their countries of origin and contribute to creating employment and income for disadvantaged sections of the population. Collective investments in the infrastructure contribute to improving economic conditions in the migrants' regions of origin. Non-profit activities carried out by migrants residing in Germany in their countries of origin are supported in the framework of the CIM Program to Promote the Development Activities of Migrant Organizations. German development cooperation can provide advisory inputs with regard to transferring successful concepts to other partner countries, for instance, as part of local and regional economic promotion.

migration with development cooperation, because it raises the question as to the effectiveness of development cooperation. This is one reason why it is important for development cooperation to address this theme.

The study emphasises the significance of the theme in the specific context of sustainable economic development. Migration is part of globalisation. It contains risks and potentials and must be shaped. In the area of sustainable economic development, development cooperation should promote the potentials of migration in particular and build on the transnational networks that are evolving.

This area offers German development cooperation the **opportunity to establish its profile**. While the donor community has recognised the relevance of the theme, when it comes to concrete implementation within the framework of development cooperation projects, its experience is still very new. With this background in mind, the following steps for addressing the theme in more depth and anchoring it in sustainable economic development projects are recommended.

BMZ should work towards systematically addressing the relevance of the migration theme in many countries and its particular significance for the priority area of sustainable economic development. However, this does not mean that migration should be mainstreamed as an overall cross-cutting theme. Instead, specific recommendations should be made directly via BMZ Division 113 to those country divisions in whose countries migration plays a significant role. Potential consideration of the migration theme in the government consultations with relevant partner countries should be studied.

In order to do this, further expansion of expertise is required, and the theme must be anchored in the services of the implementing organisations. For this expansion

## Recommendations for action for the operationalisation of migration-related approaches

For development cooperation, migration is an ambitious theme, because it has strong associations within domestic policy and is characterised by themes such as skilled labour shortage, wage dumping and irregular migration. However, the general public also associates

to occur, first the continuing gaps in knowledge about the interaction between migration and sustainable economic development must be closed, experience that has already been gathered must be evaluated and documented and **concepts and instruments** based on the above-mentioned starting points **(further) developed**. This can be undertaken through the sector projects. The Sector Project Migration and Development can coordinate the various activities and provide joint knowledge management. In addition, the way migration aspects can be integrated into sector and regional strategies should be assessed, especially in the area of sustainable economic development.

In addition to addressing the theme on a supraregional basis, **individual country case surveys** are to be examined in greater detail as part of studies. This should be offered to BMZ country divisions, GIZ offices or projects for the countries in which a sustainable economic development is a priority area of German DC and migration is relevant for sustainable economic development and/or there is demand on the part of partner governments. GIZ can also transport the migration theme to the projects via the sector networks. Beyond this, migration impact analyses should be systematically integrated as part of audits and project progress reviews (for instance, compiling a guideline, providing overview data).

Based on the overall and country-specific work on the theme, advisory services can be developed that are adapted to the (migration) conditions specific to the country and region and to various target groups. In so doing, the goal of the initial phase is not primarily to establish independent migration projects but rather to integrate certain aspects of the theme into new or existing sustainable economic development projects. In this way, **pilot experience** can be generated and evaluated.

During the development of implementing organisations' services, the way the various instruments interact must also be clarified. For instance, close coordination between CIM's Returning Experts Programme and the development cooperation projects on the ground allows synergy effects to be generated.

In addition to anchoring the theme in the development cooperation projects, BMZ should continue to advocate stronger coherence of migration and development policy towards other German ministries in Germany and at EU level, taking the interests of the countries of origin into account.

## Recommendations for the next steps for support through the sector projects

- Support BMZ Division 113 in addressing the relevance of the migration theme in sustainable economic development in an appropriate manner with the BMZ country divisions (in priority countries). To achieve this, draw up a position paper on migration and development that places the focus on concrete assistance for country divisions.
- Provide basic data on the relevance of migration for sustainable economic development of selected countries in order to support mainstreaming.
- Collate and evaluate the results of the assessment in selected projects and results of the discussion in the sustainable economic development sector networks. Write short papers that discuss certain lines/starting points in a more in-depth manner.
- Support the establishment of services on the link between migration and sustainable economic development in the identified areas, especially in the area of remittances.
- Support the coordination processes between the implementing organisations on theme-related cooperation on migration in the sustainable economic development priority area at country level.
- Suggest and support other examples of implementation in selected countries (according to the above-mentioned criteria). Concrete measures call for establishing contact and offering advisory services to the BMZ country divisions, and possibly the implementation of focused country studies on the operationalisation of starting points, advising the projects and, if required, the partners on the ground.



# 1. Introduction

Since the dawn of the 21st century, the theme Migration and Development has been attracting increasing attention both in the research world and among development cooperation actors, such as multilateral organisations and bilateral donors. High-level conferences, such as the UN High-Level Dialogue on International Migration and Development in September 2006 and 2013, as well as the establishment of the Global Forum on Migration and Development in 2007, demonstrate the high relevance of the theme at international level. In contrast to debates on immigration, which address the consequences of migration for the destination countries, a focus is now placed on the impacts on the migrants' countries of origin, especially developing countries. The interaction between the destination countries and the countries of origin, for instance, among their labour markets, are also being studied more closely.

As numerous studies illustrate, the impacts of migration on the development of the countries of origin are significant. This is most clearly demonstrated by the vast sums of money that migrants transfer to their countries of origin. Today, for many developing countries, aside from direct investments, private remittances constitute the most important capital inflow and amount to more than twice the official development aid. However, migrants and diaspora organisations also contribute to the development of their countries of origin in other ways. For instance, they run businesses, promote the exchange of knowledge through circular migration<sup>3</sup>, serve as bridges by establishing trade relations and initiate non-profit projects in their communities of origin.

<sup>3</sup> Circular migration refers to regular and repeated movement (in- and out-migration) between the origin and host country.

Development cooperation is challenged to develop approaches that capitalise on the potential of migration and further promote it. Despite a plethora of scholarly studies and emphasis on the relevance of the theme at a number of conferences, development cooperation is still in the early stages of its work in developing and implementing concepts. Previous experience related to the link between migration and development both in Germany and internationally was gathered primarily in the context of reintegration programmes.

However, in recent years, several donors have already introduced measures for facilitating and reducing the costs of remittances. In addition, initiatives have been launched to promote cooperation with migrants and diaspora organisations that have taken on a prominent position as development actors. In Germany, in the framework of a sector project (Sector Project Migration and Development), efforts are under way to establish cooperation structures with diaspora organisations in order to promote their transnational involvement. In so doing, the cooperation with the diaspora groups based in Germany currently focuses on their engagement in the non-profit sector.

Since 2011, the former pilot program is a full fledged program of CIM (Centre of International Migration and Development, a joint operation of GIZ and Federal Labour Agency) under the name of »Program to Promote the Development Activities of Migrant Organizations«.

Beyond this, the theme of migration has also been addressed in the context of the development cooperation priority area of sustainable economic development, which is why this study has been commissioned. In principle, all four core competence areas of sustainable economic development, i.e. Economic Policy, Private Sector Promotion, Financial Systems Development,

Labour Market and Technical and Vocational Education and Training, offer interfaces for various migration potentials, such as remittances, migrants as investors and innovators or brain circulation. Initial practical experience has already been gathered in these areas. However, migration-related aspects have not yet been systematically integrated into the sustainable economic development portfolio. For this reason, the goal of this study is to identify possibilities as to how existing sustainable economic development instruments and those which need to be developed can be used to systematically reinforce positive effects of migration on the economic development of the countries of origin. The elaboration of suggestions is based on two pillars.

The first pillar is comprised by an evaluation of current literature with regard to relevant links between migration and economic development. An explanation is offered for the way migration impacts the economic development level, the responses of the labour market triggered by migration, as well as the impacts of the migration of highly skilled professionals and experts. In addition, the significance of transnational networks and return is discussed. The further discussion presents potentials for the countries of origin brought about by

migration that offer interfaces for development cooperation in the area of sustainable economic development. They include remittances, private sector investments, trade and know-how transfer.

The second pillar is an analysis of practical approaches and experience to date where migration and development intersect. They include measures on the part of countries of origin, international organisations, other bilateral donors, as well as of German development cooperation.

The two pillars are then synthesised in order to identify intervention opportunities for German development cooperation.

The focus of this study is on international, cross-border migration. It focuses on the use and promotion of the potentials of migration through development cooperation with the partner countries. However, the risks of migration, caused by the emigration of skilled workers and by remittances, for example, must also be borne in mind.

## 2. The interaction between migration and economic development

### 2.1 The impact of economic development on migration

If poverty is assumed to be a major cause of labour migration, development cooperation interventions can reduce the reasons for migration in the long term. However, although the trigger for migration is certainly the desire for migrants to improve their basic living conditions, people who migrate are not the poorest members of the population. Migration brings about costs and risks. In addition, knowledge and social networks are an important precondition for migration (cf. de Haas 2005).

» ... international migrants do not come from poor, isolated places that are disconnected from world markets, but from regions and nations that are undergoing rapid change and development as a result of their incorporation into global trade, information, and production networks.« (Massey 1998, in Olesen 2002: 140).

In line with this, the main reason for labour migration is thus not absolute poverty, but rather a certain socioeconomic development level, combined with a relative disadvantage stemming from the global disparity of development opportunities. This is closely related to the theory of the »migration hump« (Martin 1994), which claims that the rapidly progressing socioeconomic development in developing countries initially leads to an increase in international migration. This process does not conclude until the differences in income between the origin and host country have become so negligible that the benefits of migration can no longer outweigh the disadvantages, such as separation of

migrants from their social environment and familiar culture and confrontation with discrimination and xenophobia in the host country. The relationship between development and migration does not therefore run a linear course or one that is inversely proportional. It is determined by the level of economic development at which resources for migration can be raised and the level of economic development at which it becomes less attractive to migrate (cf. Olesen 2002, de Haas 2005).

### 2.2 Impacts of migration on economic development

The impacts of migration on the countries of origin are complex and are determined by numerous factors. These include the reasons for migration (work, flight, education, family reunification), the various forms (legal or irregular, temporary, circular or permanent migration) and the qualification of the migrants (skilled professionals or unskilled workers).

The various phases of migration also play a role. These are illustrated by an OECD model (Katseli et al. 2006, OECD 2007). According to the model, in the emigration phase the changed labour market situation can disrupt production flows due to a shortage of (skilled) workers. In the next phase, an adaptation process takes place in which the economy adjusts to migration and new groups join the labour market.

During the consolidation phase, the economy begins to profit from migration, for instance, due to remittances, which boost consumption and in turn, can lead to increased production. The next phase is characterised by the building of networks between the origin and

host country, with migrants serving as intermediaries for trade relations and investments. In the final phase, reintegration, circulation and in some cases, immigration from neighbouring countries take place. As migrants return, remittances drop. On the other hand, skills acquired abroad can contribute to productivity. To some extent, growth depends on how well immigrants, native workers and returnees complement each other on the labour market.

It should be borne in mind that the OECD model is a heuristic model. Actual migration scenarios do not always see the completion of each phase, and the cycle does not always conclude with the return of the migrants. For sustainable economic development this migration cycle model can provide insights, however, because each phase calls for different intervention priorities. The emigration phase is dominated by the impacts on the labour market and the reduction of the risks of brain drain caused by the migration of experts. In the consolidation phase, positive effects can be further reinforced by remittances or other instruments.

### 2.2.1 Responses of the labour market to migration

In the case of low unemployment, employers respond by offering higher wages, in order to quickly fill posts that have been vacated. There may be temporary decreases in production. In this case, emigration leads to a loss for employers, while employees can profit from higher salaries. In the long term, however, production can be adjusted to the more limited labour pool.

On the other hand, an oversupply of labourers, as is the case in many developing countries, results in little or no costs to employers. Vacant posts can be filled easily without any significant compromise in output. For the employees, wages do not increase but waiting

periods for jobs may be shortened and opportunities for promotion enhanced.

When large parts of the workforce leave the country, this can make room for members of social groups to join the labour market who were previously not represented there, such as women, children or older people. In the long term, members of the workforce who have emigrated can be replaced through internal migration or immigration from other countries. Thus, migration does not automatically lead to a reduction in the size of the workforce (cf. Lucas 2004, Katseli et al. 2006). When immigration rates for a region are high, output may decrease due to the drop in demand, which can lead to lower wages.

The following cases in the Asian context illustrate potential impacts:

- In Pakistan, the high rate of migration of workers from the middle class, most of them young men, to the Gulf states has led to an increase in wages for skilled and unskilled labourers in the construction industry.
- In Sri Lanka, an increase in emigration has not reduced unemployment, because 70 percent of the contractual workers who have been recruited are women; however, only 15 percent of the women had previously sought employment on the Sri Lankan labour market. Despite continuing emigration, in the 1990s real wages earned on tea plantations and in the construction sector dropped. It is likely that emigration further increased as a result.
- The Philippines has one of the world's highest emigration rates. Ten percent of the population works abroad. Over half of this group are women. The continuing emigration has led to an increase in job opportunities in the Philippines and wages have increased (cf. Lucas 2004).

Within the countries of origin, there are generally certain regions from which large numbers of people migrate. This can be attributed in part to social networks that pave the way for migration. Migration-related changes in the regional labour market can then trigger internal migration.

In most cases the emigration of low-skilled workers does not appear to hurt the economy in the country of origin and even contributes to improving the living conditions of the local population. On the one hand, better job opportunities arise and in some cases, higher salaries, too. On the other, remittances can contribute to poverty alleviation or if productive investments are made, jobs can be created. In the case of highly skilled professionals and skilled workers, the situation is more complex.

### 2.2.2 Emigration of highly skilled professionals and skilled workers

Highly skilled professionals and skilled workers play a key role for innovations and technical developments, which boost productivity and economic growth. A higher concentration of scientists and technicians who interact and exert a mutual influence offers a particular potential for progress in research and development. This in turn attracts foreign direct investments.

Skilled and unskilled workers also complement each other in the production process. Thus, the migration of skilled workers can have a negative impact on the productivity of unskilled workers. The loss of human capital, referred to as »brain drain«, can also stifle potential economic growth.

In addition to the disadvantages for productivity and economic growth, the migration of a well educated elite can also bring about problems for political stability,

because posts at important institutions cannot be filled. In addition, the provision of social services, especially health care and education, cannot be ensured.

The extent to which the brain drain can harm the economic development of the country of origin depends on several factors. First, the emigration rate relative to the number of highly skilled professionals from a certain country plays a role. Secondly, the extent to which highly skilled professionals can be employed in their own country's labour market is decisive. In the case of »brain overflow«, there are no disadvantages for the country of origin when these members of the workforce migrate. Thirdly, it depends which occupational groups emigrate. The migration of scientists and engineers is considered to be problematic, because they stand for the development of new ideas that contribute to boosting production. However, the research and development activities of many developing countries are minimal. In addition, if the growing significance of outsourcing and the technical advances spreading throughout the world are taken into account, it can be assumed that some developing countries profit from having their skilled workers abroad. Nevertheless, in order to adapt new technologies, scientists and engineers need to be present in the country. The migration of skilled medical workers is a further concern. However, differentiated analyses show that the inadequacy of health care systems, such as those in sub-Saharan Africa, cannot be attributed to migration alone (cf. Seeley/Gardner 2006).

According to the »beneficial brain drain hypothesis« represented by several economists (e.g. Beine 2003), developing countries can also benefit from the emigration of highly educated professionals if the number of workers who leave is »optimal«. There is an obvious relationship between migration and choice of education and training. For instance, the opportunity to work abroad for higher wages is an incentive to pursue further education. However, since many destination

countries have introduced quotas for the number of foreign workers entering the workforce, freedom of mobility is not unrestricted. This gives rise to an uncertainty factor as to whether and when the migration project can take place. »Paradoxically, such uncertainty, which is certainly a bad thing *ex ante* from the individual's perspective, creates the possibility for a brain drain migration to generate a net human capital gain for the home country.« (Docquier/Rapoport 2007: 15). Scaled up investments in education can lead to a brain gain effect, which can compensate for the loss caused by emigration or to an increase in the level of education in the country of origin (cf. Docquier/Rapoport 2007).

However, this model does not take into account the fact that education is not a homogenous good. The different occupations and professions cannot be mixed and matched, and training programmes that have been developed to meet the needs and demands of the destination country may not have the same benefits for the country of origin (cf. Hogrefe 2002). In some countries, such as the Philippines, education is often targeted to the labour market abroad, i.e. the choice of subject areas and training programmes caters to international demand. The term »brain export« is used to refer to this phenomenon.

However, several studies have also shown adverse effects of migration on the development of the tertiary education sector. In the case of Mexican labour migrants, the option of migrating to the United States, where workers can earn relatively high wages even without training, tends to dampen the incentive to pursue further education (cf. Katseli 2006).

The emigration of highly educated professionals can have a positive feedback effect as a result of the exchange and transfer of knowledge (brain circulation, brain exchange). During a stay abroad, highly educated professionals can obtain additional knowledge that they

can disseminate upon their return or as part of transnational exchange with colleagues.

### 2.2.3 Diaspora and transnational networks

International migration gives rise to transnational social networks that connect migrants to family members, friends and colleagues in their countries of origin and other destination countries and facilitate exchange of information and resources. Additionally, social networks support migration flows from certain regions of origin to certain destination regions and are important for newly arrived migrants, for instance, as they look for jobs and housing. Migration is also a process that on the one hand, is dependent on social networks, and on the other, expands them (cf. Vertovec 2002).

Transnational networks can play an important role for the development of the countries of origin. Numerous studies have described the multifaceted political, social and cultural contributions made by the diaspora communities.<sup>4</sup> Due to their role as bridge-builders between the origin and host country, diaspora communities can provide particular support for the economic development of the country of origin by boosting trade flows, direct investments and technology transfer and other areas.

The extent and effect of the economic activities of diaspora members are dependent on a great number of factors, however. For instance, trade barriers between the host and origin country and unfavourable economic framework conditions for direct investments in the country of origin can serve as impediments. The relationship of the diaspora to the country of origin also plays an important role. If the diaspora politically opposes the country of origin, its engagement can be blocked by the government there.

<sup>4</sup> E.g. Baraulina et al. 2006, Faye 2007, Schüttler 2007, Van Hear et al. 2004, Wolf 2007.

According to more recent studies (e.g. Baraulina et al. 2006), when migrants are well integrated in the host country, this has a positive effect on engagement in their country of origin. A guaranteed residence status allows equal access to the labour market and provides opportunities for further training and enhances earning potential, which can be used to save capital for investments. In addition, it allows relative freedom of movement and permits workers to commute between the two countries. This contradicts earlier assumptions that growing integration in the host country must result in weaker ties to the country of origin.

#### 2.2.4 Return

According to Lucas (2004), economic theories describe two major reasons for voluntary return: the realisation of savings goals and the failure to meet expectations. It is assumed that migrants who intend to save a certain amount of money plan to return from the very outset and thus are more motivated to save money than their co-workers or migrants who plan to permanently settle in their country of origin. Another motivation for return may be the prospect of higher earnings in the country of origin after acquiring skills abroad. On the other hand, migrants may not plan to return, but their original plans do not pan out. Furthermore, return migration is not always voluntary, but is forced because a migrant's work permit is not extended or in the case of irregular migrants, due to deportation.

The duration of migration has an impact on the potential economic benefit for the country of origin. For instance, it is assumed that shorter stays in the destination country lead to higher remittances, because migrants remain in close contact with their family members in the country of origin, which may wane over time.<sup>5</sup> However, during a short stay the opportunities

to earn and save money and to acquire experience and new skills are limited. Earnings may not be high enough to compensate for the high costs of migration (cf. Lucas 2004).

While for contractual workers the date of return generally coincides with the date the employment contract expires, for irregular migrants, the length of stay appears to be dependent on the costs and risks of migration and the opportunities for a repeat entry into the destination country. This can be illustrated by an example from South-East Asia. In Malaysia, the border to the north is relatively open, while tighter border controls are in place in the south. For citizens of Thailand, it is easier to continually re-enter Malaysia and they rarely settle there permanently. For Indonesian citizens, however, there is a greater risk of getting caught when crossing the border, which means that they often stay in Malaysia for longer periods and also attempt to bring their families into the country (cf. Lucas 2004). Tighter entry conditions, tougher border controls and in many cases, the enormous sums that have to be paid to traffickers all lead to longer stays in the destination country and prevent return or circular migration.

The extent to which returnees contribute to the economic development of their country of origin depends on the particular context, including the capacity of the labour market to absorb them. The transfer of know-how acquired abroad may contain potential for the country of origin. In addition, savings acquired by returnees open up the possibility for investments that can contribute to the development of the private sector and to the creation of employment opportunities.

<sup>5</sup> The study by Baraulina et al. shows, however, that in the diaspora groups they studied the financial support for family members was also maintained over a long period of time.



## 3. Starting points for sustainable economic development

### 3.1 Remittances

Today, especially for developing countries, remittances are an important source of capital inflow and have significantly increased in recent years.<sup>6</sup> They amount to more than twice the Official Development Assistance (ODA) provided by the industrial nations and constitute approximately two-thirds of the foreign direct investments paid into developing countries. For many poor countries, they are actually the major source of external financing.<sup>7</sup> According to the World Bank estimates (Ratha et al. 2012), of the approx. US 543 billion remittances transferred throughout the world in 2012, some USD 406 bn were transferred to developing countries. Compared to the previous year (US 381 billion) they rose by 6,5 percent and have more than tripled since 2002 (USD 116 billion).

Since these figures are only relevant for the remittances that were officially documented, it is assumed that the actual total amount, including transfers made via informal channels, is significantly higher. The World Bank (2005) estimates that officially recorded remittances only account for 50 percent to 75 percent of true remittances transferred to developing countries.<sup>8</sup>

With regards to official remittances, in terms of absolute numbers, India (USD 70 billion), China (USD 66 billion), Philippines and Mexico (both each USD 24 billion) received the highest amounts in 2012.

In terms of gross domestic product (GDP), however, remittances are much more significant for smaller economies. For instance, they amounted for 47 percent of GDP in Tajikistan, 31 percent in Liberia and 29 percent in Kyrgyz Republic (Ratha et al. 2012).<sup>9</sup>

In contrast to other foreign capital flows, remittances are not only more stable or continuously increasing, they are also countercyclical. For example, after the financial crisis in Asia and the terrorist attacks on 11 September 2001, portfolio investments plunged, while remittances rose. For Botswana, it has been reported that migrants transfer higher remittances during droughts (Hertlein/Vadean 2006).<sup>10</sup>

The primary reason for migrants sending money and other goods is to support their family members in their countries of origin. With regard to motives, while the literature differentiates between altruism, self-interest and implicit agreement with the relatives in the country of origin, in reality it is often difficult to distinguish them from each other. The altruistic reasons focus on the well-being of the family members. Self-interest can include anticipated inheritance, payment for care of family members or supervision of

6 Due to the varying forms and irregular quality of the data collection, the reliability of current international data on remittances is limited. For more detailed information on the problematic nature of data collection, please see OECD 2006: 140f and Hertlein/Vadean 2006.

7 OECD 2007

8 <https://openknowledge.worldbank.org/bitstream/handle/10986/8293/wps3704.pdf?sequence=1>

9 <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationDevelopmentBrief19.pdf>

10 A study by Grigorian/Melkonyan 2008 took a closer look at the microeconomic impact of motives for remittances – altruism and self-interest.



possessions (for example, houses, land, livestock) that have been left behind. Agreements with family members may include informal loan agreements that stipulate repayment of costs for travel and settling abroad that are often advanced (cf. OECD 2006, Hertlein/Vadean 2006).

In addition, remittances can be determined by decisions regarding the investment of money if savings plans in the country of origin have better returns than those in the host country. In contrast to concern for the livelihood of family members, in this case certain macroeconomic factors play a role, such as interest level, exchange rate, inflation and return on various financial and real estate investments. Still more important are the roles played by political stability in the country of origin and confidence in the safety of the savings (cf. OECD 2006).

In addition to the motives described above, the amount of remittances is determined by various factors such as length of stay, income level and savings options. Migrants generally send more money if they have left their core family behind and intend to return, which is frequently the case for low-skilled labour migrants. Thus, the highest remittances are those transferred by migrants in the Gulf states, where work permits are limited and family reunification is not permitted (cf. OECD 2007).

With regard to the impacts of remittances on the economic development of the countries of origin, the literature distinguishes various levels. On the micro level, the impacts on income distribution, poverty reduction and individual well-being are discussed. On the macro level, the impacts involve the consequences for the economy, i.e. the significance for employment, productivity and growth, on the one hand, and the impacts on the trade balance and balance of payments (cf. OECD 2006 and OECD 2007), on the other.

Empirical studies show various results regarding the question as to how remittances influence social disparity. In some studies the hypothesis is confirmed that remittances have a balancing effect on income distribution. Other studies contradict this outcome and show that remittances exacerbate inequalities. This is primarily explained by the fact that better situated families profit to a greater extent because they are better able to bear the costs associated with migration. Some scholars use a dynamic model in which the initial increase in disparity is reversed in the later course of the migration cycle. Migration then increasingly affects a wider range of income, which means that poorer households also receive remittances, giving rise to a balancing effect. However, the empirical results for this model also diverge (cf. OECD 2006).

Despite the fact that the impact on income distribution is varied and context-dependent, there is widespread agreement that while remittances do not necessarily alleviate relative poverty, they reduce absolute poverty. A study in Guatemala showed that while the number of people living below the poverty line had dropped only slightly due to remittances, the money transfers could alleviate overall poverty there (cf. OECD 2007).

For some households receiving remittances, the transfers substantially augment income. In line with this, a survey in Albania showed that remittances constituted an average of 16 percent of household income in urban regions and eleven percent in rural areas. The additional income directly contributes to the well-being of the household members, allowing for increased consumption and improved health care, among other benefits. With regard to the distribution of remittances within the household, it also plays a role whether it is primarily adults who benefit from the additional money or rather children, for whom higher expenditures for schooling can be made.

Depending on how the money is used, in addition to improved personal economic situations, positive external effects may also arise. It is undisputed that the use of remittances for business investments has great potential because direct benefits may be yielded for employment and growth. Empirical studies do in fact show that as a result of remittances, investments have increased, for example, in six out of seven Mediterranean countries that were examined. A survey of households in Bulgaria also showed that households that receive remittances are involved in entrepreneurial activities twice as often as households without this type of additional income (cf. OECD 2007).

However, indirect growth effects for the economy can also stem from remittances that are spent on consumption and real estate. For example, other resources are freed up for investments. In addition, multiplier effects arise. The increased demand for certain products and services yields higher revenues for the suppliers and the various sectors. This gives them greater purchasing power, allowing them to spend more money on other goods, which sets off a chain reaction. A study in Ghana showed the remittances originally transferred from the Netherlands set off a spending chain that extended across various regions within Ghana. However, whether multiplier effects tend to be locally contained or extend to other regions depends on the extent to which the country's trade in goods and services is internationally oriented (cf. OECD 2007). Beyond this, it plays a role whether the increased demand for certain tradable goods is covered by the domestic production capacities.

In general, remittances – similar to other revenues – are spent according to the hierarchy of needs. This most frequently involves covering basic needs, health care and purchasing real estate. Due to the existing socioeconomic and political conditions in many places, investments in business activities there play only a more minor role. A comparison of three country cases in a study (Baraulina et al. 2006) illustrates this point.

In Afghanistan, a country with low per capita income, remittances are mainly used to cover the basic needs of the poor population, especially in rural areas. While Serbia is one of the world's middle-income countries, its population has only limited confidence in the political and macroeconomic situation there. For this reason, remittances tend to be invested in real estate there, which is considered to be less risky than investing in businesses. Egypt, whose political and macroeconomic situation was relatively stable over a longer period, offers better conditions for the use of remittances in the private sector. For instance, in addition to real estate investment, some of the remittances transferred from Germany to Egypt are in fact invested in private sector activities and private education and training institutions.

A poorly developed infrastructure can also be an obstacle to investment. For example, irregular migrants in Malaysia send large amounts of remittances to the east Indonesian island of Flores. However, due to the lack of infrastructure and in particular, absence of transportation in this remote area, opportunities for private sector investment are practically non-existent (cf. OECD 2007).

In the literature, potential negative impacts of remittances on economic growth are also reported. For example, inflationary effects can be triggered if the increased demand for non-tradable goods exceeds the capacity of the economy. One outcome may be soaring real estate prices. Moreover, recipients who have become used to having money available can become dependent on remittances. According to the theory of the moral hazards problem, a consequence of remittances is that the recipients redirect their efforts towards acquiring money from their family members abroad and do less work at home. A drop in production caused by remittances could then lead to a continuous decline in economic growth (OECD 2006: 156).

On the macroeconomic level, remittances can contribute to balancing payment balance deficits and foreign currency shortages, which would reduce barriers to economic development. An advantage of remittances is that in contrast to other money flows, such as direct investments and loans, they are not earmarked and do not involve interest payments. This means that the money can be used to meet the most pressing needs.

On the other hand, remittances can also have a negative impact when the high inflow of foreign currency strengthens the country's own currency. An excessive exchange rate can hamper the domestic industry's competitiveness on foreign markets due to the higher prices of its exports. In the literature, this is referred to as the »Dutch disease effect« of remittances. However, several studies indicate that this effect is only marginal. There are a number of reasons for this. For example, additional imports of cheap investment goods can promote the productivity and in turn, the competitiveness of the domestic industry (cf. OECD 2006). In addition, migrants transfer less money when the exchange rate in the country of origin is overvalued. When this is the case, they tend to send goods instead (cf. OECD 2007).

### 3.2 Private sector investments

Migration can promote private sector investments in the country of origin in different ways. As described above, thanks to the remittances they have received, under certain conditions, family members living in the country of origin may be able to start up a business.

There is also the possibility that labour migrants will use their savings to found a business themselves when they return to their country of origin. A study on Egyptian migration determined that the probability of skilled migrants setting up a business after their return to their country of origin rose in proportion to the

length of their stay abroad. This does not apply to unskilled labour migrants, however. According to the study, this is because a longer stay abroad offers skilled labour migrants not only the opportunity to save more money, but also allows them to gain useful know-how for starting up a business, such as organisational and management skills. In this regard, unskilled labour migrants can glean less from their work experience abroad. For this reason, the lack of entrepreneurial skills is also mentioned as a problem for successful business start-ups on the part of returnees, despite the fact that little is known about the failure statistics (cf. OECD 2007).

It appears that returnees primarily start up businesses in urban regions, in the service and retail sector, rather than in the production sector (cf. Katseli 2006, OECD 2007). For example, a survey carried out by GIZ in Honduras showed that in a city in the western region of Intibucá, returnees founded small companies in areas such as tourism, the restaurant and catering sector, as well as import and export of clothing or automotive parts. While these tended to be small businesses, they broke the monopoly of the local business elite.

The impact of business start-ups by returnees on the employment situation in the country should not be overestimated. They are frequently small family businesses that do not offer many job opportunities for outsiders. However, there are also examples of growth and employment effects. For example, business startups by highly skilled professionals returning to Taiwan and South Korea were a significant factor for the establishment of the high-tech industry in these countries. For instance, many of the companies in Hsinchu Science Park in Taiwan were founded by returnees from the United States, especially from Silicon Valley, and many of the company employees are returnees (cf. Newland/Patrick 2004).

Additionally, investments in the country of origin may be made from the diaspora. Here, migrants may serve as intermediaries for direct investments or may be investors themselves if they have enough capital. Their language skills, cultural knowledge and contacts give them a competitive edge over foreign investors. The know-how acquired in the host country can also be useful for founding a company in the country of origin. The extent and impact of direct investments in the country of origin is dependent on factors such as economic potential and the size of the diaspora. The populous Chinese diaspora made a major contribution to China's economic progress in the 1990s through its investments. According to estimates, in 2002 they constituted about half of all foreign direct investments which totalled USD 48 billion (Hugo 2003: 25).

Business networks established by some diaspora communities make major contributions. They provide opportunities to share business experience and projects and to identify potential business partnerships. For example, Indian entrepreneurs from the IT sector have established several influential networks that have most of their centres in North America, the UK and India. They bring experienced entrepreneurs and new business founders together in a mentor-mentee relationship and provide guarantees for promising business start-ups through the risk capital of the core members. Networks of this type also help boost confidence in larger global corporations who may be interested in investing in the country of origin (cf. Newland/Patrick 2004).

Migrants make direct investments in a variety of sectors. The example of Morocco shows that Moroccans living abroad most frequently invest in the construction and sales of real estate. However, other sectors, such as the service sector, are becoming more significant, with tourism in particular one of the promising business areas (cf. Schüttler 2007).

Private sector investments – whether they are made by the recipients of remittances, returnees or entrepreneurs in the diaspora – are largely dependent on the legal, economic and political conditions in the country of origin. Investment opportunities must generally be available and risks associated with establishing a company must not be too high. Concrete obstacles for investment include insufficient infrastructure, poor energy supply, as well as a lack of trained workers. In addition, there is often no access to loans and other financial services, especially adequate alternatives for savings and investment.

### 3.3 Promoting trade

International migration leads to increased trade flows between the host and origin country, which can be attributed to two reasons:<sup>11</sup>

Thanks to their experience and connections in the origin and host country, migrants have access to information regarding trade possibilities, market potentials and distribution channels in both countries. This information and their language skills and contacts give migrants a competitive edge when they work as traders themselves. Their skills and knowledge can additionally be used to help set up trade relations.

Diaspora communities also contribute to higher imports of products from the country of origin, because migrants often ask for certain groceries and other familiar goods. This is particularly relevant when larger diaspora communities settle in certain destination regions. For El Salvador, it is estimated that these »nostalgic products« comprise over ten percent of the exports

<sup>11</sup> An analysis of Canadian trade data (Head and Reis 1998 in Katseli et al. 2006) showed that trade with the countries of origin increased in proportion to the increase in the migrant population from the respective countries, which had a stronger impact on imports than on exports.

to the United States (Orozco 2005: 21). In many host countries »ethnic entrepreneurship« has become more significant in this context. In the long term a larger market for the products can develop in the host country that also caters to customers outside the diaspora. For instance, Asian foods are now purchased by the majority population in host countries with increasing frequency (cf. Katseli et al. 2006).

Particularly large diaspora communities, such as the Chinese diaspora, help significantly increase the bilateral trade volume between the country of origin and various host countries. In this context, a major role is played by diaspora networks, which represent a type of ethnic chamber of commerce within the host country or on the transnational level (Newland/Patrick 2004).

In addition to economic trade barriers, there may be other obstacles to trading or exporting products from the countries of origin. These include the lack of product standards and quality control in the country of origin, which complicate the import and marketing of the goods to industrialised countries (Baraulina et al. 2006).

### 3.4 Vocational training and know-how transfer

When discussing the migration of labourers and their vocational training, two important points must be kept in mind: the population decline and shortage of skilled workers in the industrialised countries, on the one hand, and brain drain in the countries of origin, on the other.

In future, the industrialised countries will suffer from a decline in the working-age population. Today there is already an acute shortage of skilled workers in some

sectors. Migration can mitigate the negative impacts in the medium term, but does not constitute a long-term solution for the shortage of qualified workers. In many developing countries, the migration of skilled workers to industrialised countries results in brain drain and there is a consequent decrease in the national human capital and a shortage of sector-specific skilled workers and managers. This is expressed by a decline in the capacity of the labour markets to be innovative, in their productivity and quality.

In most cases, migration is motivated by disparity and differences between the labour markets, working conditions and standard of living, especially between the developing and the industrialised countries. The promotion of circular migration and improvement of the working conditions in the countries of origin can help prevent the »loss« of highly skilled professionals and managers to the industrialised countries and make returning to the origin country more attractive. However, the possibility of circular migration is significantly determined by the immigration policy of countries of origin, bilateral labour migration agreements between origin and host countries and multilateral agreements, for instance, on trade in services (GATS Mode 4).

With regard to the improvement of labour market conditions, (vocational) training plays a crucial role, because it provides future human resources for the labour market. Scaled up investments in basic and vocational training raise the population's level of education and increase the country's competitive capacity on the international playing field. To achieve equal access to basic and vocational training, socioeconomically marginalised population groups in particular must be promoted.

In addition, the quality of general and vocational training and its adaptation to international standards and the needs of the national labour market

are essential. Equal access to skilled vocational training that is oriented towards the needs of the labour market is one of the core elements for the achievement of sustainable economic development. This also enhances the potential for international job mobility and in the case of emigration, increases the chance of successful integration into society and the labour market of the host country.

In order to keep the negative effects of brain drain to an absolute minimum, some countries have made an effort to focus their vocational training on the affected sectors and concentrated on training workers for these areas. However there is a possibility (danger or opportunity?) that they may develop into a »workforce exporter« (for example, nurses from the Philippines). In order for vocational training and employment policy promotion programmes to respond to the challenges of

the labour market appropriately, analyses of the supply and demand of the national and regional/international labour market are needed.

However, (highly) skilled professionals can transfer their knowledge to their country of origin without returning there permanently. Visits to their country of origin, repeated longer stays, for instances as shortterm adjunct instructors on a limited contract basis, as well as modern communication technology all offer opportunities for exchanging ideas with colleagues in the country and for sharing experience and insights. In this context, professional networks play an important role, because they foster contact and exchange.

## 4. International approaches to migration and development

### 4.1 Approaches by origin countries

Due to their political backgrounds, among other factors, the attitude of origin states to their emigrants varies widely and ranges from active inclusion to indifference, all the way to animosity. However, more recently a growing number of origin states have begun to actively approach their diasporas, because they are considered to be a source of financial subsidies, direct investments, transfer of technology, support via lobbying, etc.

The recognition of this potential has prompted some countries of origin to set up special government offices – generally a department in the foreign ministry – for diaspora affairs. They also seek closer contact to the migrants and diaspora organisations by establishing communications structures, especially via the consulates in the host countries. In some cases, the opportunity for dual citizenship and political participation has been created (cf. Newland/Patrick 2004).

To better harness the potential of migration for the domestic economic development, origin states have used various measures. These are categorised and illustrated in the section below.

#### 4.1.1 Maximising remittances

One way of maximising remittances has been demonstrated by the **Philippine Government**, which promotes legal temporary labour migration. Government policy is dedicated to protecting labour migrants by ensuring

that the rights of Philippine migrants in the host countries are observed and bilateral agreements complied with. In addition, the Overseas Workers Administration (OWA) offers registered labour migrants access to savings accounts in US dollars or Philippine pesos and enables cash transfer for minimal fees (Newland/Patrick 2004).

In **Nepal**, the Ministry for Labour and Transport Management promotes employment abroad. Prior to migration, workers receive mandatory vocational training that is carried out by private vocational schools/NGOs. The vocational training provides them with better earning opportunities abroad, which in turn allows them to send higher amounts back to Nepal (Koch et al. 2007).

**Morocco** recognised the potential of remittances early on, promoting the transfer via official channels. For instance, Moroccan banks set up branches in Germany that have specialised in remittances with financial transfer licences. They even offer transfers free of charge under certain conditions (Schüttler 2007).

Some countries (Bangladesh, Pakistan, the Philippines, Thailand) also attempted to require migrants to make remittances. However, this led to migrants no longer registering and to an increase in money being transferred via informal channels (Lucas 2004).



### 4.1.2 Promoting investments by the diaspora

Since the late 1980s, China has sought to recruit investments by the diaspora. To this end, the policy has combined the revival of patriotic feelings with generous offers for investment packages. In addition to the central government, local functionaries, especially those who exploited the gain of autonomy as a result of the economic and tax reforms in the post-Mao era, have established partnerships with Chinese citizens living and working abroad. The fact that a large part of the Chinese diaspora comes from the southern coastal region of China most likely partially explains why this particular region is one of China's most rapidly growing economic regions (Newland/Patrick 2004).

In **India**, based on the Singhvi Report<sup>12</sup>, the government introduced various measures in 2002 to facilitate direct and portfolio investments from the Indian diaspora. This included a legal regulation on dual citizenship for PIOs (Persons of Indian Origin) in certain host countries and the establishment of a Non-Resident Indians and Persons of Indian Origin Division in the Indian Ministry of External Affairs, which serves as a link between the Indian Government and the diaspora.

In addition, the Investment Information Centre (IIC) was established, which serves as a point of contact for potential investors in general and also provides special advisory services for Indians living abroad. It provides information on themes such as government policy, approval procedures, available discounts and investment opportunities in various industrial sectors. The impacts of this relatively new Indian diaspora policy cannot yet be identified. The boom in the Indian IT industry and the investments by the diaspora in the IT sector, however, can more likely be attributed to other factors, such as the promotion of academic education and macroeconomic reforms (Newland/Patrick 2004).

The government in Morocco is also making efforts to convince migrants to increase their investments. The 16 »Centres Régionaux d'Investissement« (CRIs) introduced in 2002 intend to support Moroccans living abroad in setting up companies by offering advice, information and help with administrative steps. The Hassan II Foundation has also published an investment guide for Moroccans living abroad (Schüttler 2007). According to the study, advisory services must be further improved in order to appeal to more Moroccans living abroad.

In **Mexico**, certain federal states have initiated programmes with migrant communities in order to create incentives for investments in local infrastructure and business start-ups. One example is the programme *Adopta una Comunidad* (also referred to as the *Padrino* programme) in Guanajuato, which was expanded to 90 regions of Mexico starting in 2002. The partnership approach is to create trust, because in the past, Mexicans living abroad did not want to invest in government projects due to their negative experience with corruption. However, many of the investment projects in remote regions failed (Iskander 2006). Another initiative is the matching fund programme *Tres por Uno*, which subsidises collective remittances from »home town associations« formed by migrants in the United States for local infrastructure projects in Mexico. The programme is implemented in a cooperation involving local, federal and national levels and enjoys a high level of acceptance by migrants in the United States (Newland/Patrick 2004).

<sup>12</sup> Report of the High Level Committee on the Indian Diaspora.



### 4.1.3 Promoting know-how transfer from skilled workers and highly skilled professionals

**Taiwan's** diaspora policy especially strives for close contact to (highly) skilled emigrants whose skills are particularly useful for the development of the technology industry. It promotes networking between skilled workers in the diaspora and their counterparts in Taiwan. For example, the government regularly issues invitations to Taiwanese scientists and technicians to conferences and for teaching assignments.

In addition to promoting temporary stays, incentives for permanent return are created as well. To this end, information on career opportunities and the need for certain skilled workers in Taiwan is disseminated abroad. A database in which migrants are listed with their qualifications helps refer returnees to suitable jobs. The promotion of the Hsinchu Science Park serves to attract scientists and engineers from the diaspora and encourage them to settle in this area. In order to motivate highly qualified professionals to return with their families, the government had Western style houses built there and improved the quality of the schools in the area (Newland/Patrick 2004).

## 4.2 International and intergovernmental organisations

A number of international and intergovernmental organisations have addressed the link between migration and sustainable economic development. Some of their practice-related programmes are outlined below.

### 4.2.1 UN organisations

The International Migration Programme of the International Labour Organization (ILO) deals with policies

and institutions focusing on the theme of labour migration, especially in developing countries. The department supports the establishment of employer, employee and governmental committees (tripartite organs) at international level and promotes the integration of migration-related themes in their partner countries' policy-making processes.

The UNDP programme Transfer of Knowledge Through Expatriate Nationals (TOKTEN) was founded in the 1970s and places highly skilled migrants in volunteer positions with public and private institutions in scores of developing countries (cf. de Haas 2006a).

The World Bank has initiated a trust fund that promotes a competition for entrepreneurs in the African diaspora (D-MADE). This trust fund is supported by BMZ through the Sector Project Migration and by other bilateral European donors.

### 4.2.2 International Organization for Migration (IOM)

According to the IOM, international migration, if properly managed, can contribute to economic growth and prosperity in origin and destination countries and can benefit the migrants themselves. The IOM programmes in this area comprise capacity development for governments and other stakeholders in order for migrants to be better integrated into development processes in their countries of origin. In addition, they promote economic and community development in regions with higher emigration rates, strengthen the development impact of remittances and facilitate the return and reintegration of highly skilled professionals.<sup>13</sup>

<sup>13</sup> <http://www.iom.int/jahia/Jahia/pid/542> (10 December 2007).

The IOM programme Migration for Development in Africa (MIDA) has been operating since 2001 and was developed in cooperation with the Organization of African Unity (since 2002 African Union (AU)). It supports the transfer of skills and resources from the African diaspora to the countries of origin. By focusing on temporary and virtual return, it ensures that the legal status of participating migrants in the host country is not jeopardised. The programme is oriented towards actual need or the specific requests on the part of the countries of origin. The individual projects carried out in the context of MIDA are implemented in a cooperative partnership consisting of the IOM, the host country and the country of origin. For example, a MIDA pilot project for the Democratic Republic of the Congo is currently under way in the German federal state of North Rhine-Westphalia.<sup>14</sup>

MIDA's development is based on the experience that past programmes, such as Return and Reintegration of Qualified African Nationals (RQAN), were able to motivate only relatively few migrants to join, because the programmes stipulated that the migrants had to return to their origin country permanently in order to participate.

#### 4.2.3 European Union (EU)

The primary objective of the European Union in this area involves regulating and limiting international migration. The High Level Working Group on Asylum and Migration (HLWG) established by the European Commission in 1998, was charged with the task of developing action plans for preventing the emigration or readmission of rejected asylum-seekers for the countries of origin of many refugees and migrants.

In 1999, the European Council laid the cornerstone in Tampere for the harmonisation of asylum and immig-

ration policies of the EU member states. This resulted in stepped-up border controls to combat irregular migration, smuggling activities, terrorism and organised crime (cf. de Haas 2006a).

In preparation for the UN High-Level Dialogue on Migration and Development, in 2006 the European Commission issued a communication in which the first specific guidelines for positively impacting the interaction between migration and development were presented.<sup>15</sup> These guidelines concerned the facilitation of remittances, support of diaspora communities as development actors, promotion of circular migration and mobility of highly skilled professionals, as well as containment of the negative impacts of the brain drain. For example, one specific recommendation is to use development cooperation as a source of employment opportunities for skilled workers from developing countries (European Commission 2005).

Implementation especially provides for the possibility of financial support for projects in which migrants can initiate sustainable economic activities in their countries of origin. Financing is provided as part of the Thematic Programme for Cooperation with Non-EU Member Countries in the Areas of Migration and Asylum. This programme's overall objective is to finance projects that support measures in third countries that are used to better manage migration flows.<sup>16</sup>

<sup>14</sup> <http://www.afrika-nrw.net/index2.php?id=1015> (29 February 2008).

<sup>15</sup> The theme had already been addressed in a communication by the European Commission issued in 2002. However, in this communication, only remittances and voluntary return were mentioned as aspects that were positive for development.

<sup>16</sup> »The programme is designed to cover the main areas corresponding to the key dimensions of the migratory phenomenon, in particular: the links between migration and development; economic migration; preventing and fighting illegal immigration; voluntary return and reintegration of migrants; international protection« [http://europa.eu/legislation\\_summaries/development/general\\_development\\_framework/114510\\_de.htm](http://europa.eu/legislation_summaries/development/general_development_framework/114510_de.htm) (06.12.2012).

### 4.3 Approaches by bilateral donors (host countries)

Previous and current measures on the part of bilateral donors for exploiting the potential of migration for development policy have developed based on similar principles, as illustrated by the examples below.

#### 4.3.1 Promoting return

In the **Netherlands**, the **REMPLOD** project (Reintegration of Emigrant Manpower and Promotion of Local Opportunities for Development) was launched in the 1970s. The project aimed to study the potential of labour migration for the development of the countries of origin Morocco, Tunisia and Turkey. It was founded on the assumption that labour migration is always temporary and that returning migrants use their know-how and savings to support existing businesses or start new businesses.

However, the results of the study did not correspond to the expectations, since investment opportunities for returning migrants were limited due to unfavourable conditions in their regions of origin. Development tended to be the precondition for return and investment rather than the result of it. The study clearly showed that structural changes were needed for development processes to be set in motion, and that these changes could not be effected by the returning migrants alone. In the case of Morocco, corruption in the political system and the poor political relationship between the north of the country and the central government made the situation particularly problematic. Lack of trust in the government bodies thus prevented labour migrants from launching initiatives and making investments in northern Morocco.

In Turkey, initiatives such as workers' joint stock companies for enterprise creation were confronted with

poor management, a lack of interest and commitment on the part of the government, financial difficulties, fraudulence and other problems. Against the backdrop of these problems and the overall problematic economic and political situation in the countries of origin, the measures introduced to promote individual return<sup>17</sup> largely failed and were discontinued in the mid-1980s.

During this period, experience in **France** was similar, where policy-makers viewed return only in terms of its potential for development. Policies sought to motivate migrants to return by offering them incentives such as bonuses for return or training programmes. However, because the prospects for business start-ups in the countries of origin were poor, the programmes were used by very few migrants (cf. de Haas 2006a).

#### 4.3.2 Promoting remittances

In addition to multilateral financial organisations such as the World Bank and the IMF, the UK **Department for International Development (DFID)** and the **United States Agency for International Development (USAID)** have played major roles in drawing up and implementing measures to facilitate remittances and promote their development policy impacts. Numerous conferences and studies on migration were initiated, as were various international task forces (for example, Inter-Agency Remittances Task Force, Remittances Principle Task Force).

<sup>17</sup> While the Return Projects Programme was intended to support returning migrants in starting up small businesses in their countries of origin, its demands on the participants were high, requiring them to submit a business plan and demonstrate a professional background and enough seed capital. In addition, bilateral agreements on the implementation of the projects were signed with the origin countries of Morocco, Tunisia, Yugoslavia and Turkey which provided for the returning migrants to play a major role in project implementation.

One line of action involves facilitating money transfer via formal channels. The measures that were introduced aim to improve transparency of the money transfer market, promote competition among service providers and in turn, reduce transfer costs. To this end, DFID developed the website <http://www.sendmoneyhome.org>, which provides in-depth information about options for transfer (fees and time required for transfer among the different providers) from Great Britain to other countries. A similar website, <http://www.geldtransfair.de>, was set up in 2007 for migrants living in Germany. In the meantime, the Netherlands, Norway and France have set up their own money-transfer websites.

In order to promote the development policy benefits of remittances, measures were introduced that support the development of an adequate financial infrastructure in developing countries and improve access to remittances and financial services for poor people who do not have bank accounts. To this end, DFID has established Remittances Country Partnerships with several partner countries (for example, Ghana, Nigeria, Bangladesh). USAID has primarily concentrated on launching projects that strengthen financial systems in the Latin American recipient countries. For example, microfinancing institutions are provided with technical support for improving their services in the remittances market (cf. de Haas 2006a, Schlink/Holmes 2006).

countries of origin, whose contributions should be recognised and supported.

Its primary objectives include not only the provision of safe and economical money transfer to developing countries, but also the channeling of remittances into productive investments. To reach this objective, a joint programme involving the Ministry of Foreign Affairs, the Ministry of Finance, the French banking association and AFD has been established to address issues such as the promotion of guarantee mechanisms for savings and loans and the provision of support and advisory services for investors. A further objective involves the mobilisation of the diaspora elite, in order to utilise their know-how for the development of the countries of origin. For example, one programme promotes brain circulation through short-term assignments of academics and experts in the diaspora who take on teaching assignments or work on research projects in their countries of origin.

In the framework of co-développement, pilot programmes have been implemented in countries including Morocco, Mali and Senegal and on the Comoros. In Senegal, for instance, local infrastructure projects (schools, health centres, water supply sector) initiated by diaspora organisations have been subsidised and returnees have received financial support and training for setting up small businesses (cf. de Haas 2006a).

The **Dutch** NGO **IntEnt** supports migrants who wish to establish a business in their country of origin.

In this case, the focus is not on return migration, but rather on shuttle migration and the benefits gained from living and gathering experience in two countries at the same time. The responsibility is on the migrants, who must finance the majority of their business start-up costs themselves. However, the programme provides for additional funding from a bank in the country of origin, guaranteed by IntEnt. Interested migrants can apply for IntEnt support in four phases: (1) promotion

#### 4.3.3 Cooperation with migrants and diaspora organisations

The **French** approach of co-développement is quite broad. It describes all development projects in which migrants are involved, regardless of whether they return to their country of origin or support development there while maintaining their main place of residence in France. This is based on the insight that migrants are central actors in the development processes of their

and publicity phase (2) preparatory phase (3) starting (financing) phase and (4) implementation phase. Thus, migrants are provided with information on market data and receive support for drafting a business plan.<sup>18</sup>

#### 4.4 Summary

**Countries of origin** have developed various strategies for using the potential of their diaspora. Measures include the promotion of remittances, incentives for productive investments and the use of human capital of (re-)migrants for economic development. While some initiatives have already been successful, in other cases the impact of the government policy cannot yet be fully determined, because studies have not yet been carried out, especially those examining the more recent programmes. In addition, it must be borne in mind that the diaspora engagement is generally dependent on political and economic conditions. The political relationship between the country of origin and its diaspora plays a crucial role. Moreover, negative experience with past government-sponsored programmes often erodes confidence in future projects.

In recent years, the theme of migration and development has received increasing attention from international organisations and bilateral donors. However, experience in this area had already been gained dating back to the 1970s. Back then, the programmes focused exclusively on promoting the return of migrants and providing incentives for them to invest in the private sector of their regions of origin. As discussed above, these programmes were largely unsuccessful, because they were confronted with various problems and in most cases were ignored by migrants due to the stipulation of permanent return associated with them. The notion that development cooperation can stem migration is widely shared. However, as discussions of the »migration hump« show, this does not address the

fact that development progress can also temporarily boost migration.

The theme of remittances is particularly prominent on the international donor community's agenda. The objective involves making remittances, whose already high amounts are increasing, more useful for development. In the past years, various measures have been launched that aim to make money transfer simpler, cheaper and safer and improve the financial systems in the recipient countries.

A new line taken by the donor initiatives involves measures that foster transnational engagement on the part of migrants and diaspora organisations. Projects in this context emphasise the significance of migrants in their capacity to build bridges between the origin and host country. For this reason, their focus is not on supporting (permanent) return. For example, projects by migrant organisations are promoted that help develop local infrastructure in the origin communities or support migrants in setting up businesses in their countries of origin.

<sup>18</sup> <http://www.intent.eu> (13 December 2012)

## 5. Approaches and programmes in German development cooperation

In Germany, as in other Western European countries, dealing with the theme of migration and development is nothing new. However, in Germany too, for years the policy focus was on promoting the return of migrants from Germany to their countries of origin. For several years, the international discussion has spurred German development cooperation to take a closer look at the transnational engagement of diaspora communities. This new perspective was manifested by BMZ initiatives such as the launch of the Sector Project Migration and Development, which will be discussed in greater detail below. In future, the systematic integration of migration-related approaches in development cooperation projects will play a more prominent role when addressing the theme of migration and development. In the section below, the development and current strategy for promoting return and its various components will be examined in greater detail.

### 5.1 Promoting brain gain through skilled return migration

In order to promote know-how transfer through the professional reintegration of returning experts trained in Germany, in 1973 BMZ launched the Returning Experts Programme. The programme is implemented by the Centre for International Migration and Development (CIM) in Frankfurt. CIM is a joint operation of GIZ and the International Placement Services (ZAV) of the German Federal Employment Agency (BA). It targets citizens of developing, emerging and transition countries living in Germany who have acquired their professional training in an OECD country and wish to

return to their country of origin and work there on a long-term basis.

The objective of the programme is the »development-policy oriented integration in the labour market of the countries of origin and the dissemination and expansion of know-how acquired in Germany« (CIM brochure 2007).

The programme package comprises information and advisory services, job placement, network-building and financial support, including subsidies for travel expenses, top-up salaries and workplace equipment. The salary subsidies depend on the qualification of the returnee, job experience and country of return.<sup>19</sup>

The programme's focus on individual graduates and experts sets it apart from most development cooperation projects. Until a few years ago, the programme was implemented in around 60 countries world-wide.<sup>20</sup>

Following a BMZ evaluation carried out in 2005, a sweeping reform of the programme was launched to enhance its developmental impact. The reform included a »stronger focus on certain countries and areas of support and stronger interlinking between reintegration and bilateral development cooperation« (BMZ 2005: 10). The development of an impact-oriented monitoring system was also proposed.

In the meantime, the programme is implemented predominantly in 23 partner countries. The selection criteria were a relatively high number of foreign students and experts from developing countries who were residing in Germany and

<sup>19</sup> Salary subsidies are only granted to experts who work in areas which are crucial for the development of the respective country.

<sup>20</sup> For example, in 2004, 566 returnees from 61 countries received financial assistance (BMZ evaluation 2005).

already well-established development cooperation structures on the ground.<sup>21</sup> However, returning experts who are taking up a position of particular relevance to development policy in another developing country can receive financial support in particular cases.

The reform of the Returning Expert Programme was implemented in a pilot phase from June 2006 to December 2007. Initial reforms were implemented in the pilot countries Morocco, Cameroon, China and Indonesia. Additionally, the promotion of the programme was professionalised and harmonised. The final report of the pilot phase submitted to BMZ in March 2008 provided initial insights into the development policy impacts of the new strategy. The key results highlight:

- the potential of returning experts, given they are supported and adequately professionally integrated
- the necessity to develop a coherent development-policy oriented framework which considers the specific logic, potential and impact of skilled return migration (triple-win situation for the returnee, host country and country of origin)
- the importance of tailor-made instruments based on the specific situation of the country of return
- the need to open the programme for circular migration and short-term professional engagement
- the requirement to professionalise the work of the advisors for returning experts in the partner countries and improve the ties in Germany with people who have a migration background.

In the meantime, a results-oriented monitoring system

<sup>21</sup> Financial assistance is provided mainly for returning experts in the following partner countries: Afghanistan, Bolivia, Brazil, Cameroon, Chile, China, Colombia, Egypt, Ethiopia, Georgia, Ghana, India, Indonesia, Jordan, Morocco, Mongolia, Pakistan, Peru, Syria, Tunisia, Turkey and Viet Nam, as well as for Palestinian returnees.

has been implemented and collaboration with the CIM Integrated Experts Programme initiated at the overall project level. Integrated experts are European experts placed in institutions in partner countries on a long-term basis with a local contract. These experts publicise the Returning Experts Programme and identify possible jobs for returning experts on the ground. Tandems are considered to be a sustainable model in which integrated and returning experts work together and complement each other's sectoral expertise. In some cases, a returning expert has taken over the work of an integrated expert (after completion of his or her assignment). Sharing sectoral know-how is strengthened through workshops and conferences which integrated experts and returnees are invited to attend together.

In order to ensure the enhancement of the developmental impact of the Returning Experts Programme, GIZ will be in charge of the programme within CIM on behalf of the BMZ starting January 2009.

### »Specific Programmes for Returnees«

Within the framework of the Returning Experts Programme, »specific programmes« were launched in 1993, constituting a specific programme for promoting reintegration in post-conflict countries. The specific programmes follow an integrated promotion approach, which involves a combination of counseling, training, job placement with and without subsidies and business start-up support for a relatively large group of returnees. The programmes are implemented by AGEF. Currently two programmes are under way in Afghanistan and Iraq. The following section takes a closer look at one of these programmes, the Return to Employment in Afghanistan (REA) programme.



The target group of the REA programme consists mainly of Afghan citizens who wish to return to Afghanistan from Germany and get a job there. They can approach AGEF if they need further training or want to start up a business. On the ground in Afghanistan, AGEF also provides services for returning refugees from neighbouring countries and local job-seekers.

In Germany, AGEF offers individual advice and information events for interested returnees, receives applications and provides job placement services. In Afghanistan the Returnee Service Center (RSC) provides advice on jobs and on opportunities for people who have started up businesses to get training or financial support. The AGEF Employment Promotion Center (EPC) in the Afghan capital and in five other provinces carries out various basic and advanced training courses (for example, for business administration, book-keeping, IT or English).

As part of the promotion of return, business start-up programmes were also launched in the 1970s for skilled workers trained in Germany who wanted to set up business in their countries of origin. The objectives of these programmes were the creation of jobs and medium-sized business structures to be achieved by expanding private small business owners, securing the livelihoods of people starting their own businesses and exporting know-how from Germany.<sup>22</sup> In this area, the German Investment and Development Society (DEG) works with local partner organisations to provide loans for business start-ups. CIM implemented a EU-financed business start-up pilot project together with IntEnt, a Dutch NGO. This pilot has turned into a full fledged program currently being implemented in Morocco, Cameroon and Georgia.

<sup>22</sup> <http://www.deginvest.de>

## 5.2 Using the potential of diaspora communities in Germany

The **non-profit engagement of diaspora members** provides interfaces with sustainable economic development via collective remittances. For instance, migrant associations establish vocational schools in their countries of origin and contribute to creating employment and income for disadvantaged sections of the population. Collective investments in the infrastructure contribute to improving economic conditions in the migrants' region of origin.

Non-profit activities carried out by migrants residing in Germany in their countries of origin are supported in the framework of a pilot promotion programme through the Sector Project Migration and Development on behalf of BMZ.<sup>23</sup> In so doing, GIZ builds on the results of two international conferences that clearly showed how important the multifaceted economic and social activities of the diaspora communities are for the development of their countries of origin and for their role as bridge-builders between the different societies. An important recommendation of the conferences therefore called for these positive results to be fostered and specifically used to develop and implement joint projects in the framework of international cooperation.

Against this backdrop, in 2005 GIZ commissioned a comprehensive study which explored and assessed the activities of three different and yet typical diaspora communities in Germany – the Egyptian, the Afghan and the Serbian diasporas. The Institute for Migration Research and Intercultural Studies (IMIS) in Osnabrück and the Hamburg Institute of Economic Studies (HWWI) were engaged to carry out the study. Based on this work, studies on 11 diaspora groups in Germany were carried out within the framework of the Sector Project Migration and Development. The studies

<sup>23</sup> <http://www.giz.de/migrationdevelopment>



explored the development contributions the respective communities have been making to date and what can be done to better link these useful activities to official development cooperation. The studies fill a research gap, because to date there is very little literature on the transnational activities of these communities and their contribution to the development of their countries of origin. They serve as a foundation for cooperation between the sector project and the respective diaspora community.

The projects promoted by the sector project make investments in local social infrastructure, carry out basic and advanced training courses and contribute to creating employment and income. To qualify for support, the projects must fit into the priority areas of German development cooperation in the particular country. In this way, the potential of migrants is used in the framework of German development cooperation. Co-operation structures between development cooperation and migrant organisations are to be developed and maintained. So far, 13 migrant projects in several partner countries have been subsidised with a maximum of EUR 25,000 each.

For example, GIZ provides assistance for a Senegalese association to expand a job training centre for trade crafts (wood and metalworking) so that it can offer more young people state-certified training, opening up job prospects. The project worked as a catalyst, spawning further investments by the government. The enhanced attractiveness of the training centre in turn attracted additional training teaching staff.

Thanks to the active involvement of the Afghan-German Physicians' Association, doctors from various provinces in Afghanistan could undergo training in the area of ultrasound diagnostics in Kabul with financial support from GIZ's pilot programme. This technique is indispensable for work in internal medicine, gynaecology and obstetrics. The sector project will be scaling up

its support for this type of know-how and knowledge transfer in future.

In addition to the Sector Project Migration and Development, in 2007 Inwent (Capacity Building International, Germany) launched a project in its Service Agency Communities in One World (SKEW) that builds on the significance of diaspora communities for the development of the countries of origin. This project joins up the themes of migration, integration and municipal development cooperation.

The goal of the project is to promote **stronger involvement of migrants in municipal development cooperation** through advisory services on the part of German municipalities. Starting points are the existing or newly created municipal partnerships (for example, city twinning), whose exchange and cooperation can be reinforced through the involvement of migrants. To do this, municipalities are recommended to focus their engagement on the partner countries from which many of the migrants living in their community come.

In addition, through cooperation with the Regional Centre North Rhine-Westphalia of Inwent and the Ministry for Intergenerational Affairs, Family, Women and Integration of the Federal State of North Rhine-Westphalia (MGFFI) with the Sector Project Migration and Development, three projects for developing social infrastructure in African countries are promoted.

The GeldtransFAIR consumer information on the internet addresses the potential of remittances sent by migrants from Germany to their countries of origin. It was developed by the Sector Projects Migration and Development and Financial Systems Development in cooperation with the Frankfurt School of Finance & Management. In order to develop the website, a study was carried out that examined channels used for transferring remittances from Germany to five countries

of origin.<sup>24</sup> Similar to comparable internet platforms operated by other bilateral donors, migrants can use the geldtransfair website<sup>25</sup> to obtain information about services and fees of various financial service providers. Raising transparency should lead to increased competition and in turn, to a reduction in costs incurred and charged by the various providers in Germany, thus making transfers via formal channels more attractive. This will serve to strengthen the financial system, allowing more money to arrive safely at the migrants' families. To date, the website covers 34 remittances corridors.

The experience gained through the website as an instrument for lowering transfer costs from Germany can be used when offering advisory services in partner countries. The costs of south-south transfers in particular are relatively high, and therefore similar measures for increasing transparency and competition are called for. German development cooperation can also build on its experience gained in the pilot programme for promoting non-profit diaspora activities when it offers advice for transferring the concept of »matching funds« in its partner countries.

<sup>24</sup> <http://www.giz.de/Themen/en/dokumente/en-remittances-from-Germany-2007.pdf>

<sup>25</sup> <http://www.geldtransfair.de>

### 5.3 Anchoring migration-related approaches in development cooperation

Currently, actual implementation of the migration theme in German TC projects, such as the projects in Morocco and Honduras (see box on the right), is sporadic.

Within GIZ, the theme of migration and development in sustainable economic development has only been touched on, for example in the course of putting together this study and in carrying out the theme day of the Labour Market and Technical and Vocational Education and Training section. The theme has also been dealt with in the various sector networks. GIZ's objective is to systematically integrate migration-related approaches in future sustainable economic development projects.

### Pilot project »Transnational Bridge« in Intibucá, Honduras<sup>25</sup>

The pilot project in Intibucá was preceded by various initiatives. In the framework of the programme on income and employment promotion, which contains a financial system component, GIZ Honduras has a longer history of addressing the theme of remittances. For example, in 2004, in cooperation with the umbrella organisation of savings and loans cooperatives a study was carried out to examine how microfinancing institutions can be better integrated in the market for financial transfer.

A second initiative, together with the Ford Foundation, served to create a regional forum within Central America on the theme of remittances, and established a website to this end. However, due to the lack of experience gained by other organisations, the anticipated exchange of information fell flat. After this effort, two more regional forums were established, one on remittances and microfinance in San Salvador in 2004 and one on remittances and development in Tegucigalpa in 2006.

Together with the umbrella association of savings and loan cooperations, the product UNIREMESAS was developed. It aimed to standardise products within the cooperatives throughout Honduras. They include credit products for establishing small businesses and for building houses. Another component focused on marketing in the United States, allowing migrants to open a savings account there. UNIREMESAS ended in 2007. Its success is most likely limited, because the initiative was hampered by a change in management at the cooperatives.

After the forum in Tegucigalpa in 2006, there was a shift in the focus of related work in the GIZ project. This was based on the realisation that in order for remittance programmes to develop, migrants have to be more strongly involved and their situation taken into account. In addition, for the development of new strategies, a cooperation agreement with the IOM was signed in Honduras in order to tap into its migration competence.

The work now focuses on two fields of action:

- offering advice for improving policies on the part of the Honduran Government with regard to migrants
- implementing a pilot project for the promotion of the development policy potential of remittances and migration.

The migration policy, which the new government is implementing this year, comprises the following themes:

- improving services for migrants. This includes, on the one hand, consular support for Hondurans living in the United States and reintegration assistance for migrants who have been deported from the United States or the transit countries, on the other.
- signing bilateral agreements with host countries such as Canada, the United States and Spain to promote legal labour migration
- using remittances for development.

A second vice minister, who is assigned to the Ministry of Foreign Affairs, is responsible for the implementation of the policy. (The models for this structure were Mexico and El Salvador, who also each have a separate department in the foreign ministry.) An integrated expert is to be assigned to support the work via the CIM programme.

<sup>25</sup> The information is based on a telephone interview with S. Hirsch, PROMYPE/GIZ Honduras conducted on 17 December 2007.

The pilot project Transnational Bridge in Intibucá was launched in February 2007. The region of Intibucá is situated in the western part of Honduras and was selected for two reasons. On the one hand, the region is characterised by a high rate of emigration and is one of Honduras' poorest regions. On the other hand, GIZ already has a local office in this city and is active in the area of local economic development.

In the framework of the project, three surveys were carried out that yielded the following results:

- The southern part of the region, which is on the El Salvadoran border, has the highest rate of emigration. This has historic reasons, because the first emigrants to the United States left with the waves of refugees, victims of the civil war from El Salvador. Most of the migrants from Intibucá live in Virginia and Maryland in the Washington, D.C. metropolitan area. Over time, transnational networks have become established between the origin and destination region.
- In the city centre of the city of Esparanza, over 60 small businesses (tourism, restaurants, import and export of clothing and automotive parts, etc.) have been identified that were established by returnees and which have broken the monopoly of the local business elite.
- In a rural area near the border, over 70 projects for establishing a social infrastructure were identified that are financed by collective remittances. (This survey also served to enhance the image of the migrants in the society, because migration tends to have negative connotations and the deported returnees are often associated with crime. However, presenting the documentation on social projects can also illustrate the positive aspects of migration.)

Based on the results of the study, the following lines of activity were developed:

- Improving access to financial institutions for migrants in the United States: to meet this objective, GIZ supports the evaluation of services of savings and loan cooperatives and offers advice for improving their range of services in order to recruit migrants as customers. The project works with an NGO that has taken on the role of a front desk office and provides information on the services offered by the savings and loan cooperatives and options for microfinance.
- Promotion of collective remittances via the instrument of matching funds: GIZ provided advice in this area for the Honduran Government. Close cooperation is sought between the migration department of the Ministry of Foreign Affairs that strengthens contact to migrants in the United States via the consulates, and the Ministry of Internal Affairs, which has access to local structures, in order to identify suitable infrastructure projects. The matching funds programme is being tested in Intibucá, where the programme is publicised and participants are recruited on the ground. Experience gained in this programme is then to be used to implement the programme in other regions.
- Measures for promoting exports and marketing nostalgic products: locally produced products, such as various bakery items, dairy products, fruit wines, etc. are to be marketed to Hondurans and Latin Americans in general via Latino supermarket chains in the United States. Intibucá will serve as the pilot region for this project, too.
- Promotion of business start-ups through returnees and recipients of remittances.

## 6. Recommendations for action for German development cooperation

### 6.1 Migration policy

German development cooperation can offer political advice on migration policy in partner countries. Skillful management and multilateral cooperation can turn international mobility of workers into a long-term »**triple-win situation**« for everyone concerned:

- Migrating labourers profit from better income opportunities. They gain knowledge and experience and build personal networks, which in turn increases their social and human capital and enhances employability.
- Destination countries profit from an (at least temporary) growth in human capital.
- Countries of origin profit with regard to their socioeconomic development – especially when in addition to remittances and private sector activities, the (temporary) return fosters the cross-border transfer of knowledge, capacity and experience and through networks, stronger links can be established to a global world, in which the countries can be better integrated.

Development cooperation can contribute to successful migration management and in so doing, promote the potentials of migration for sustainable economic development. In addition to setting up **temporary labour migration programmes**, development cooperation is particularly called upon to help develop **policies concerning the diaspora and returnees**.

- The establishment and work of special governmental departments for migration affairs can be promoted. In this area, experience gained in other origin countries who already have set up such departments (usually within the foreign ministry) can be tapped.
- Development cooperation can help improve government policy towards migrants by providing advisory services. In line with this, for example, consular services could be expanded to offer advice and support for migrants in the host countries. In addition, measures should be developed in order to offer reintegration assistance for migrants who have been deported from destination or transit countries.
- Support could be provided for the conclusion of bilateral agreements with host countries to promote legal labour migration.

In addition, in the area of sustainable economic development, development cooperation contributes to improving **economic conditions** in the partner countries, which is an essential precondition for harnessing the potential of migration for sustainable economic development. This includes the financial system, the conditions on the labour market and the business and investment climate. In addition, it is important for migration to be taken into account in poverty reduction strategy papers and employment strategies.

Activities at the macro level, in addition to the meso and micro level, are also relevant in the various fields of action, which will be discussed below.

## 6.2 Remittances

There are various starting points for measures to promote remittances and their contribution to development policy.

- One starting point is the **reduction of transfer costs** and support for the **use of official transfer channels**. To this end, the services for migrants sending remittances could be improved. For example, representatives of Moroccan banks in Germany offer free transfers if the money is sent to an account at the same bank. Moroccans living abroad are also able to open foreign currency accounts at Moroccan banks. Studies on transfer corridors provide insight into existing transfer channels and their prices, security and speed, as well as preferences on the part of the migrants. They can serve as a foundation for transfer-related consumer information on the internet. Raising transparency should lead to increased competition and in turn, to a reduction in costs incurred and charged by the various providers, thus making transfers via formal channels more attractive. This will serve to strengthen the finance system, allowing more money to arrive safely at the migrants' families. In this area, partner countries could be advised as costs are especially high for south-south transfers.
- Another point of departure is **improving access to financial services for recipients of remittances**. German development cooperation can use its advisory activities to further contribute to the development of the financial sector, especially in rural areas, to expand the range of services for the recipients of remittances, in particular savings and insurance products.
- Development cooperation can support banks and microfinance institutions in developing their **range**

**of services for migrants**. GIZ Honduras is already working with an NGO in the metropolitan Washington, D.C. area, where a large number of migrants from the region of Intibucá live. The NGO performs the role of a front office and provides information on opportunities for microfinancing and services offered by savings and loan cooperatives in Honduras.

- Promoting **vocational training prior to migration** can indirectly contribute to increasing the amount of remittances. The Nepalese Government has made prior vocational training mandatory for migrants who wish to work overseas. This strategy is based on the notion that the previously acquired job skills provide labour migrants with better opportunities for earning money abroad, which means that they can also transfer more money. German development cooperation can promote training prior to migration. This will be discussed in greater detail below.
- Promoting **productive use of remittances** is possible if carried out indirectly. It must be borne in mind that remittances consist of private money, whose use is determined by the senders and recipients. In addition, in isolated cases, the amounts transferred are negligible and especially in poor countries, primarily serve to cover living expenses.
- However, development cooperation can contribute to creating better conditions for the productive use of remittances. This includes the measures discussed above. For instance, the reduction of transfer costs helps boost the amount of incoming money. Good access to financial services can make it easier for recipients of remittances to save seed money for investments.
- Information campaigns on investment opportunities and incentives can also serve as a motivation to use saved remittances productively. These initiatives should be dovetailed with already existing promotion

programmes for business start-ups and SMEs and their financial and non-financial services.

- The macroeconomic impact of remittances should be taken into consideration when **economic policy advice** is given, especially in respect of monetary and exchange policies.

### 6.3 Private sector investments

The promotion of private sector investments takes place at different levels and aims at various target groups: recipients of remittances (see above), migrants and diaspora members and returnees.

- A major prerequisite for private sector investments by returnees is **investment-friendly conditions** in the country of origin. Various means of intervention by German development cooperation are possible, including the provision of advice for improving the business and investment climate, for economic policy reform, for expansion of the infrastructure, for development of the financial markets and for promoting economic and political stability. In addition, development cooperation can support migrants in their lobbying for better economic conditions in their countries of origin, which they undertake against the backdrop of their experience in their countries of origin. Development cooperation could promote dialogue between entrepreneurs from the diaspora and government representatives.
- The conditions are generally crucial factors in migrants' decisions to return and for investments from the diaspora. The Indian diaspora is a vivid example of this. Its investments, especially in the IT sector, were preceded by economic policy reforms introduced by the Indian Government.

#### a) Promoting investments by returnees

Both German development cooperation and other donors have gathered diverse experience with business start-up programmes in the context of promoting return (e.g. REMPLD project in the Netherlands, CIM business start-up programmes.) In many cases, the programmes were not able to meet the expectations in terms of their contribution to private sector development in the origin countries, despite high costs.

- As programmes are further developed, insights gained on obstacles encountered in the past should be integrated. For example, **requiring migrants to return permanently** in order to qualify for participation should be questioned. If the programmes were to offer migrants the option of re-entering the host country if the business start-up in the origin country fails, the programmes would most likely be better received.
- It would be worthwhile to offer **solid advisory services** on financial and other types of support for **migrants** who return to their country of origin and would like to work there as entrepreneurs. This is already practised by CIM for several partner countries. In addition, points of contact for returnees in other partner countries should be set up.
- In general, the **need for special business start-up programmes for returnees should be examined**. In this way, businesses started by returnees can also be supported through services offered by existing structures and SME-promotion programmes in the partner countries. While the DEG business start-up programme in Afghanistan is not a component of the reintegration programmes, it can also be used by returnees.



## b) Promoting investments by the diaspora

In addition to promoting investments by returnees, advisory structures for potential investors in the diaspora should be further expanded. Development cooperation can support the adaptation of government and commercial information, advisory and business services to the **specific needs of migrants** (for instance, stays in their home country that may be only very brief). This does not necessarily call for separate structures to be established. Instead, the existing structures should be provided with relevant advice. Investment opportunities may be communicated via economic attachés at embassies and consulates in the host countries. In addition, closer cooperation with chambers of industry and commerce in the host country and the country of origin is to be sought. Information sharing among experienced business people in the diaspora who already operate in the country of origin and new business owners can be promoted. This is already being put into practice by independent networks of diaspora entrepreneurs.

- The approach used by the Dutch **NGO IntEnt** constitutes an interesting option. The NGO supports migrants who would like to establish a business in their country of origin by offering advice in the different phases, ranging from planning and preparation to implementation of the investment. The programme does not require participating migrants to permanently return to their country of origin. Instead, it capitalises on the benefits provided by the fact that migrants are anchored in two countries at the same time. The migrants supply the majority of the funds for their business, although they may receive additional funding from a bank in their country of origin, guaranteed by IntEnt. The success of IntEnt's project in relation to its costs needs to be explored in more detail. However, it is considered to be a best-practice example and has already been used in France by AFD. It is important to develop

guarantee mechanisms for migrants taking out loans at banks in the partner countries.

- Experience gained in the EU- (Aeneas Programme) and BMZ-funded project in Morocco needs to be evaluated. The project was implemented by GIZ in the Oriental Region from 2008-2001. One of the objectives of the project was the mobilisation of the potential of the Moroccan diaspora, especially in Germany, to create an environment conducive to economic development in this structurally weak region. To this end, the programme aimed to improve the business and investment climate and expand information and contact structures in order to overcome previous obstacles to private sector investment.
- **Existing approaches used by partner countries** should also be evaluated. Recently, an increasing number of origin countries have introduced measures to recruit investors from the diaspora by using certain incentives. This often occurs in the framework of broad-based diaspora policy, which is managed by separately established departments in ministries.
- **Centres established to provide advice and support for diaspora investors** are especially interesting in this respect. One example is the Investment Information Centre (IIC) in India, which is a point of contact for potential investors. It offers Indian citizens living abroad advice and support for starting businesses in India and provides information on government policy, approval procedures, potential discounts, etc. The 16 »Centres Régionaux d'Investissement« in Morocco, which aim to provide advisory services for Moroccans living abroad who wish to make private sector investments, serve a similar purpose.
- The extent to which these and similar institutions meet their objectives, that is, actually appeal to and mobilise investors from the diaspora, must be

examined on a case-by-case basis. However, German development cooperation could help establish efficient **advisory and other services for investors** in the countries of origin or, in places in which structures already exist, improve them through capacity development.

- Possibilities for **logistical support** could be sought, for instance, facilitating the import of machines for production companies.
- In addition to independent investments, diaspora members and returnees can contribute to **innovations** in the country of origin via joint ventures. One entry point for support is the establishment of **»matchmaking« mechanisms for entrepreneurs**. **Mentor programmes** that pair up experienced company owners from the diaspora and (young) entrepreneurs in the origin country may serve as a useful instrument for promoting innovation through the diaspora.

## 6.4 Trade

International migration constitutes a major potential for expanding trade relations between countries of origin and host countries, because migrants frequently demand products from their countries or regions of origin or operate as traders or trade intermediaries themselves. This gives rise to the following intervention opportunities for German development cooperation.

### a) Promoting the export of products from the countries of origin

- Development cooperation can promote the **export of local products** from the migrants' regions of origin and the **marketing of these products in the host countries**. GIZ in Honduras promoted the export of

products from the region of origin to the United States, targeting Hondurans and other Latin Americans. Local products (referred to as »nostalgic products«), such as various bakery items, dairy products, fruit wines, etc., are to be marketed via Latino supermarkets. This strategy could be used for other countries as well. Partners such as chambers of industry and commerce could be gained for marketing products in the countries of origin.

- Promoting the export of »nostalgic goods« can help expand production of these items in the origin country. It should be ensured, however, that production quality is maintained. German development cooperation can provide advice on maintaining **quality regulations** and adapting products to meet **international standards**, so that the products can be approved and better marketed in the host countries.

### b) Promoting trade activities by migrants

- Both host and origin countries can support trade activities by migrants by relaxing visa regulations, which would facilitate **circular migration or travel between the countries**.
- In cooperation with chambers of industry and commerce and consulates, **exchange with migrants who are already actively working in trade** could be promoted in order to tap into their knowledge and experience. In this way, migrants can also be involved as intermediaries in trade relations between business partners in the two countries, because they know the language and country and have the necessary contacts.
- Information on trade barriers with which migrants are confronted during their activities could be enlightening, offering approaches for business-related advice in the origin countries. Chambers of industry and commerce, for their part, could further expand

their advisory and information services on trade opportunities and promote networking among traders in the diaspora and the country of origin.

## 6.5 Vocational training and know-how transfer

The following measures are recommended for vocational training and know-how transfer:

### a) Strengthening local and regional political cooperation to promote circular migration

- **Joint establishment of national and regional frameworks for qualifications** allows better formal recognition of acquired skills and qualifications, simplifying and promoting circular migration processes. It also allows migrants to gain knowledge and experience and build personal networks, which benefits not only the migrants themselves, but also has a positive effect on economic growth in the host and origin countries.
- Supporting vocational training and labour market policy cooperation through development cooperation can also **strengthen** the exchange of labour-market-related information and job opportunities, as well as **regional matching**.
- Other important instruments for promoting circular migration are the development of mechanisms for transferring social welfare claims, the creation of more flexible visa regulations and the possibility of dual citizenship.

### b) Adapting labour market information systems and advising and placing mobile labourers

- Development cooperation can offer partner countries advice on **adapting their labour market**

**information systems** to include the aspects of immigration and emigration and the labour market needs in the host countries. Development cooperation can then use this basis to support advisory, (advanced) training, certification and job referral services for emigrants and returnees. For example, in the context of its Returning Experts Programme, CIM is already promoting vocational integration of experts who have undergone job training in Germany and are interested in returning to their countries of origin.

- In addition, development cooperation can offer the partner countries advice on the targeted implementation of temporary labour migration programmes.

### c) Improving labour market conditions in the countries of origin

- The main motivation for migration is often rooted in the poor labour market situation in the countries of origin. Improving this situation can provide an incentive for skilled experts and highly skilled professionals to remain in or return to their country of origin. In this way, development cooperation can make a long-term contribution to **reducing** loss of human capital (**brain drain**) in critical sectors and improving the possibility of brain gain via temporary or permanent return.

### d) Promoting networks and short-term assignments of experts and scientists in the diaspora

- When migrants transfer the knowledge they have acquired abroad to their countries of origin, they contribute to innovation and economic growth. Development cooperation can support **networks between experts in the host countries and countries of origin** in order to promote know-how transfer. For instance, by financing joint workshops and conferences, it can become involved in areas

relevant for sustainable economic development as well as by promoting university cooperation between universities in the host and origin country.

- **Experts from the diaspora** of the respective partner country can also be assigned to work in their countries of origin as regular paid or voluntary advisors. In this area, development cooperation could help with placement and provide support. In so doing, it can draw on experience gained in international programmes, such as IOM's Migration for Development in Africa programme and the UNDP's Transfer of Knowledge Through Expatriate Nationals programme, which build on the willingness of diaspora members to engage in non-profit activities.

## 6.6 Non-profit engagement

The non-profit engagement of diaspora members provides interfaces with sustainable economic development via collective remittances.

- **Matching funds** can be used as an instrument to promote collective remittances. Experience with matching funds has already been gathered in projects such as the successful Tres por Uno programme in Mexico. In Honduras, the government started a programme for matching funds in a pilot region and received advice from GIZ. German development cooperation can provide advice for transferring successful concepts to other partner countries, for instance, as part of local and regional economic promotion.
- Non-profit activities carried out by migrants residing in Germany in their countries of origin are supported in the framework of the CIM Program to Promote Development Activities of Migrant Organizations on behalf of BMZ. **Linking the activities of the migrant organisations with the development co-operation projects** on the ground can strengthen the results in terms of sustainable economic development.

## 7. Conclusions

For development cooperation, migration is an ambitious theme, because it is strongly associated with domestic policy and is characterised by themes such as skilled labour shortage, wage dumping and irregular migration. However, the general public also associates migration with development cooperation, because it raises the question as to the effectiveness of development cooperation. This is one reason why it is important for development cooperation to address this theme.

The study emphasises the significance of the theme in the specific context of sustainable economic development. Migration is part of globalisation. It contains risks and potentials and must be shaped. In the area of sustainable economic development, development cooperation should promote the potentials of migration in particular and build on the transnational networks that are evolving.

This area offers German development cooperation **the opportunity to establish** its profile. While the donor community has recognised the relevance of the theme, when it comes to concrete implementation within the framework of development cooperation projects, its experience is still very new. With this background in mind, the following steps for addressing the theme in more depth and anchoring it in sustainable economic development projects are recommended.

BMZ should work towards systematically addressing the relevance of the migration theme in many countries and its particular significance for the priority area sustainable economic development. However, this does not mean that migration should be mainstreamed as an overall cross-cutting theme. Instead, specific recommendations should be made directly via

BMZ Division 113 to those country divisions in whose countries migration plays a significant role. Potential consideration of the migration theme in the government consultations with relevant partner countries should be explored.

In order to do this, further expansion of expertise is required, and the theme must be anchored in the services of GIZ. For this expansion to occur, the continuing gaps in knowledge about the interaction between migration and sustainable economic development must first be closed, experience that has already been gathered must be evaluated and documented and **concepts and instruments** based on the above-mentioned starting points **(further) developed**. This can be undertaken through the sector projects. The Sector Project Migration and Development coordinates the various activities and provides joint knowledge management. The way migration aspects can be integrated into sector and regional strategies should be assessed, especially in the area of sustainable economic development.

In addition to addressing the theme on a supranational basis, individual **country case surveys** are to be examined in greater detail as part of studies. This should be offered to BMZ country divisions, GIZ offices or projects for the countries in which sustainable economic development is a priority area of German DC and migration is relevant for sustainable economic development and/or there is demand on the part of partner governments. GIZ can also transport the migration theme to the projects via the sector networks. Beyond this, migration impact analyses should be systematically integrated as part of audits and project progress reviews (for instance, compiling a guideline, providing overview data).

Based on the overall and country-specific work on the theme, advisory services can be developed that are adapted to the (migration) conditions specific to the country and region and various target groups. In so doing, the goal of the initial phase is not primarily to establish independent migration projects but rather to integrate certain aspects of the theme into new or existing sustainable economic development projects. In this way, **pilot experience** can be created and evaluated.

During the development of GIZ' services, the way the various instruments interact must also be clarified. For instance, close coordination between CIM's Program »Migration for Development« and the development cooperation projects on the ground allows synergy effects to be generated.

Besides anchoring the theme in the development cooperation projects, BMZ should continue to advocate stronger **coherence** of migration and development policy towards other German ministries in Germany and at EU level, taking the interests of the countries of origin into account.

### Recommendations for the next steps for support through the sector projects

- Collate and evaluate the results of the assessment in selected projects and results of the discussion in the sustainable economic development sector networks. Write short papers that discuss certain lines/ starting points in a more in-depth manner.
- Support the establishment of services on the link between migration and sustainable economic development in the identified areas, especially in the area of remittances.
- Support the coordination processes within German Development Cooperation on theme-related cooperation on migration in the sustainable economic development priority area at country level.
- Suggest and support other examples of implementation in selected countries (according to the above-mentioned criteria). Concrete measures call for establishing contact and offering advisory services to the BMZ country divisions, and possibly the implementation of focused country studies on the operationalisation of starting points, advising the projects and the partners on the ground.
- Support for BMZ Division 113 in addressing the relevance of the migration theme in sustainable economic development in an appropriate manner with the BMZ country divisions (in priority countries). To achieve this, draw up a position paper on migration and development that places the focus on concrete assistance for country divisions.
- Provide basic data on the relevance of migration for sustainable economic development of selected countries in order to support mainstreaming.

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## Links

Association of Experts in the Fields of Migration and Development Cooperation (AGEF)

<http://www.agef.net>

Centre for International Migration and Development (CIM)

<http://www.cimonline.de>

Deutsche Investitions- und Entwicklungsgesellschaft (DEG) – German Investment and Development Company

<http://www.deginvest.de>

Gateway to the European Union

[http://europa.eu/index\\_de.htm](http://europa.eu/index_de.htm)

IntEnt, a bridging programme for SMEs

<http://www.intent.eu>

InWent Service Agency Communities in One World (SKEW)

<http://www.service-eine-welt.de/themen/themen-interkulturellekompetenzbildung.html>

Returning Experts Programme

<http://www.zav-reintegration.de>

GIZ Migration and Development

<http://www.giz.de/migrationdevelopment>

German website that provides information on options for money transfer

<http://www.geldtransfair.de>

Dutch website that provides information on options for money transfer

<http://www.geldnaarhuis.org>

British websites that provide information on options for money transfer

<http://www.sendmoneyhome.org>; <http://www.moneymove.org>



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