



Remittances, Entrepreneurship and Development

International Policy Debate on Remittances, Entrepreneurship and Development¹
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Introduction: Migration, remittances, entrepreneurship and development

The concept of migrant entrepreneurship has gained increasing attention in recent years, both amongst academics and policy makers. Migrant entrepreneurs are increasingly considered a development potential for migrant-sending countries. While living abroad migrants often increase their educational level and/or gain new skills, earn more money, have better access to credits and extend their social networks. Migrant entrepreneurs are therefore considered to be in a good position to run successful businesses based

on their knowledge of both their home and host countries. Consequently, the promotion of entrepreneurship among qualified migrants and their transnational households in migrant-sending countries and the facilitation of money transfers – also known as remittances – to finance businesses has become a part of economic policy in many developing countries.

¹ The International Policy Debate was a joint initiative of the Maastricht Graduate School of Governance, the Dutch Ministry of Foreign Affairs and the Maastricht School of Management.

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Current evidence on the linkages between migration, remittances, entrepreneurship and development in migrant-sending areas is, however, scant. Therefore bringing together academics, practitioners and policy makers was the goal of the International Policy Debate on Remittances, Entrepreneurship and Development, which was organized by the Maastricht Graduate School of Governance on 29 May 2013 in Maastricht, the Netherlands. The aim was to discuss the past and future of research and policies that address remittances, entrepreneurship and development in an ever-globalized world. In this light, the panel discussions of the International Policy Debate on Remittances, Entrepreneurship and Development focused on three key themes: 1) evidence on linkages between migration, remittances, entrepreneurship and development; 2) state-of-the-art policies and programmes on remittances, entrepreneurship and development; and 3) policy options to strengthen the development effects of remittances and entrepreneurship.

Participants in this debate included academics from different disciplines, government representatives of the Dutch Ministry of Foreign Affairs and several practitioners working in the areas of migration and development, entrepreneurship and development, or remittances and development. The different backgrounds of the participants created opportunities for lively discussions. This IS Academy policy brief reports on the outcomes of the International Policy Debate on Remittances, Entrepreneurship and Development by summarizing the views of the different participants of the debate and presents conclusions and recommendations based on the three key themes of the debate.

Background

The International Policy Debate on Remittances, Entrepreneurship and Development was organized under the heading of the IS Academy project *Migration and Development: A World in Motion*. In this four-year research project, financed by the Dutch Ministry of Foreign Affairs, the linkages between migration and development are explored through the avenues of remittances, return and the diaspora.

The topic of the International Policy Debate fits with the policy priorities of the Dutch policy paper 'International Migration and Development', published in 2008 by the Dutch Ministry of Foreign Affairs. The 5th policy priority, entitled 'strengthening the link between remittances and development' is particularly relevant for this debate. As Winke van der Els, representative of the Ministry of Foreign Affairs of the Netherlands, explained: "Although remittances are purely private transfers, favourable conditions can be created by governments to facilitate and enhance remittance flows to encourage development." These goals can, for example, be reached by creating transparency in the remittance market. Additionally, enhancing remittance flows will positively affect migration-related entrepreneurship. Remittances are intrinsically linked to migration and entrepreneurship as they facilitate migration-related entrepreneurial activities.



Keynote speech

In his keynote talk entitled 'Migration, Entrepreneurship and Development: A Balancing Act', Prof. Wim Naudé of the Maastricht School of Management highlighted that "development is the result of a balancing act amongst governance, specialization and innovation, in which migration plays a role". He argued that "migration is a necessary process for labour markets to function and to allow for better governance, enhanced benefits from urbanization and innovation". Prof. Naudé addressed the concept of migrants as innovators, stating that many 'golden ages' were also times of liberal governance in areas of migration. Migration does not always result in productive, high-quality entrepreneurship, but in general is positively associated with innovation and migration to well-governed urban areas/clusters. In the end, entrepreneurial quality is what matters and the impacts of entrepreneurship on development depend on the interplay between location (context) and time.

Remittances are a positive side effect of migration as they not only include cash but also remitting ideas, knowledge, skills, entrepreneurial spirit and competences. Nonetheless, the effects of remittances on the startup of business are under researched and need further exploration.

Panel discussion outcomes

Session 1: Evidence on linkages between entrepreneurship, remittances and development

The first panel discussion of the international policy debate focused on current evidence regarding the linkages between migration, remittances, entrepreneurship and development. The panel was chaired by Katerina Kyieri (EIPA) and the participants were Leon Isaacs (Developing Markets Associates), Anna Knoll (ECDPM), Dr. Melissa Siegel (Maastricht Graduate School of Governance/UNU-MERIT), Prof. Ronald Skeldon (University of Sussex, Maastricht Graduate School of Governance/UNU-MERIT) and Nicolaas de Zwager (IASCI). The discussion was guided by such questions as: What is the state-of-the-art in terms of research on these topics? What are the current gaps in the literature? And what aspects of the relationships between entrepreneurship, remittances and development should future research focus on?

"... There needs to be a very careful approach when it comes to the ways to attract business back [to a country of origin], because tax breaks and other privileges can be abused. It's all under researched." – Anna Knoll



One of the main conclusions of the panel discussion was that specific definitions need to be provided and contexts need to be framed (e.g. migrants, diaspora, remittances, migrants as entrepreneurs and instrumental in developing the world) before linking migration, remittances, entrepreneurship and development. A special emphasis was placed on understanding how entrepreneurship influences and links with the areas of migration, remittances and development. Both migrant-sending and migrant-hosting countries are currently investing in policies and initiatives that stimulate migrant entrepreneurship, but the empirical base underlying these investments was found to be under researched. It was decided that elements within the linkages between entrepreneurship, remittances and development that need further attention include: a) the effects of social remittances on development; b) migrant entrepreneurship in general; c) flows and impacts of collective remittances; and d) the success of migrant entrepreneurship and the factors that underlie this success.

² Remittances in this context include financial, in-kind and social remittances as well as knowledge transfers, all of which may be accumulated during the migration process and transferred to and utilized in the home country either while still abroad or upon return.

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Another important point raised during the discussion was the issue of context. It was pointed out that geography matters in so far that not all countries and regions have the same developmental potential. The conditions within the home country do, however, impact the willingness to invest and/or return and the subsequent success of new business ventures and development. In return, the development in a certain area also has impacts on return migrants and migrant entrepreneurs. It is therefore clear that not all initiatives in the area of remittances, entrepreneurship and development will work equally in different parts of the world. This conclusion makes it even more important that research, preferably using a long-term perspective, is conducted across various contexts in order to research the interplay between remittances, entrepreneurship and development.

Session 2: State-of-the-art on policies and programmes on remittances, entrepreneurship and development

Session 2 focused on new initiatives in the areas of entrepreneurship, remittances and development. The panellists Laudra Archangel (IntEnt), Radj Bhondoe (SEVA), Stephanie Deubler (GIZ/CIM) and Ariadne Plaitakis (Mondato) talked about their respective implemented services and programmes. The panel was chaired by Klaas Molenaar (Timpoc Consultants) and aimed to draw lessons from new initiatives in the areas of entrepreneurship, remittances and development. It sought to understand how to better shape policies and programmes in a way that would be mutually beneficial to all three areas.

Brought into question was the effectiveness of current remittances in developing countries, although some panellists pushed back against this idea. They suggested that development projects which left little room in their budgets to directly address migration were a much greater hindrance to development overall. Streamlining migration policies with development policies was therefore considered an important step forward in strengthening the relationship between migration, remittances, entrepreneurship and development.

Furthermore support and training programmes for transnational and return migrant entrepreneurs were described and discussed. Such programmes provide migrants with access to networks, mentoring, business coaching and facilitate access to funding. However, evidence on the success of these programmes in facilitating successful business start-ups in home countries and therefore contributing to development is limited, as monitoring and evaluation systems are currently still being set up.

Ever-changing technologies were also addressed in the linkages between remittances, entrepreneurship and development. Technological improvements make money and knowledge transfers across borders faster, easier and cheaper. Specifically, 'crowdfunding' was cited as a possible game-changer in that it creates a platform for a diaspora to easily and publicly invest in a development project in its country of origin. It was concluded that crowdfunding remains in its early stages and, like other remittances, depends on the conditions in diaspora host countries. It was also agreed that more research was needed to assess the effectiveness of crowdfunding.

"We have to look at the position of developed countries taking migrants to get a new perspective on how those migrants' countries will prosper." – Ronald Skeldon



Session 3: Migration, remittances and development

Dilip Ratha of the World Bank teleconferenced in after lunch to speak on how remittances can be better channelled to positively influence development. Ratha began with several stylized facts characterizing migration today, stating that more than 90 per cent of the world's migrants move for economic reasons and that South-South migration is larger than South-North migration. He presented a timeline of remittances in developing countries, concluding that "remittances help reduce poverty," and that "investment in human and physical capital is boosted by migration and remittances".

Ratha emphasized the potential of harnessing the economic power of remittances in new, more direct methods in hopes of "leveraging remittance channels for raising funds for fighting malaria and other global public goods". KNOMAD (Global Knowledge Partnership on Migration and Development), a new programme currently being implemented, will work on such projects in order to "generate a menu of policy choices, based on analytical evidence and quality control through peer-review". KNOMAD will focus on the linkages between migration and development while providing technical assistance and capacity building to both sending and receiving countries alike.

Session 4: Policy options to strengthen the development effects of remittances and entrepreneurship

The third panel discussion of the international policy debate focused on policy options to enhance the effects of migration-related entrepreneurship on development. The panel was chaired by Dr. Melissa Siegel (Maastricht Graduate School of Governance/UNU-MERIT) and the participants were Maria Vincenza Desiderio (Migration Policy Institute Europe), Leon Isaacs (Developing Markets Associates), Jaap Smit (Ministry of Foreign Affairs of the Netherlands), Albert Suh (African Diaspora Policy Centre) and Nicolaas de Zwager (IASCI).

The questions addressed in this panel were: How can we strengthen the development effects of remittances and entrepreneurship? What are examples of successful policies? And what are the effects of these policies?

It was agreed that more needs to be done to identify types of migrant entrepreneurs that could contribute to development in their countries of origin, as well as creating conditions more conducive to successful entrepreneurial investment. Using remittances to grant credit and creating more private credit organizations were among the solutions proposed. Another was avoiding market distortion caused by privileging migrants over local populations, while still creating more migrant-centered policies – especially policies that are frictionless to allow circular migration to flow properly.

"We shouldn't make a distinction between migrant entrepreneurs and local entrepreneurs. They're all entrepreneurs and it's up to us to see if we can give them a little push in the right direction." – Jaap Smit



The chair of the panel, Melissa Siegel, summarized the agendas of both the panel and the day overall by identifying several key points of improvement in the areas of migration, remittances, entrepreneurship and development. These included: a) establishing key options for origin and destination countries; b) reducing bureaucracy and corruption; c) supporting networking and access to capital for entrepreneurs; d) seeking measureable outcomes through thinking locally and creating local solutions; and e) mainstreaming entrepreneurship by targeting it more generally.

Conclusions and recommendations

I. Need for further research in the areas of migration, remittances, entrepreneurship and development and follow-ups as projects are implemented

Participants repeatedly pointed out that the issues raised throughout the debate are under-researched. There is a need to change this in order to have a basis for evidence-based policy-making in the field. Evidence is needed on the linkages and interactions between migration, remittances, entrepreneurship and development. Using the right control groups is key to isolating the influence of the migration experience on entrepreneurship.

II. Need for a more intensive focus on individual linkages between the areas of migration, remittances, entrepreneurship and development

In order to understand the bigger picture, it is firstly important to understand how each respective phenomenon is linked to the others. Only after being able to distinguish the different relationships and impacts, is it possible to gain a comprehensive overview of the interconnections between migration, remittances, entrepreneurship and development. More research on each of these linkages is therefore necessary before implementing policies that address any of these aspects.

III. Need to analyse and address problems in a more local, migrant-centric manner

The most commonly quoted advantage of migrant entrepreneurs compared to local entrepreneurs is their knowledge of at least two countries and their markets. This transnational element is, however, in danger when migrants are limited in their ability to move freely due to immigration restrictions. In today's dynamic markets, it is important for potential migrant entrepreneurs' planning to invest in their home countries to be able to do proper market research. It is equally important that once the business is established the migrant is free to travel there when necessary for business operations.

IV. Need for a more development-focused approach to harnessing remittance power

Remittances play an important role in the economies of many developing countries. And while they are private transfers, ways should be found to encourage migrants and their families to use them in productive ways that contribute to development. This includes investments in businesses. Part of this is also making home country

governments and societies aware of the enormous potential of these capital transfers. In countries where they have a negative connotation, specific efforts should be aimed at eliminating this stigmatization, in order to allow developmental impacts to the fullest extent possible.

V. Need for more governmental support for migrant entrepreneurs, such as networking, credit building and access to capital

While some participants in the debate already presented support mechanisms for migrant entrepreneurs (IntEnt, GIZ and SEVA), it was stated that there is a need for more initiatives of this kind. Support should be given in the form of access to networks, mentoring, business coaching and facilitation of access to funding. In this process multiple actors should be involved, including governments in developing countries, international donors and organizations, diaspora organizations and civil society. Subsequent evaluations of new initiatives should be an essential part of the process, in order to be able to learn from them and find the best possible support mechanisms for the future.

While the discussions during the debate were very much focused on migrant entrepreneurs, it is important not to focus too much on the distinction with local entrepreneurs. Migrant and local entrepreneurs are open to the same opportunities, but migrants are not always aware of the regulations in place and existing programmes that could aid them. At the same time, some governments have specific incentives (e.g. tax breaks) in place that address migrant entrepreneurs wanting to run a business in their home country. However, such special incentives which privilege migrants over local entrepreneurs should be used with caution to avoid market distortions.

VI. Need to mainstream migrant entrepreneurship into broader development goals

The positive contribution of entrepreneurship to economic development has long been established. And while it is acknowledged that migration may bring certain advantages to potential entrepreneurs, it should be noted that it is not the migrant, but the entrepreneur that is of particular importance in this context. It is therefore important to focus not only on migrant entrepreneurs within the range of migration policies. They should also be integrated in wider development policies and specifically market development initiatives. As there are several programmes targeting this in many developing countries, including migrant entrepreneurs within these might bring much added value.

Migration and officially recorded remittances in 2012

Migration

In 2010 there were around 215 million migrants around the world, which is around 3 per cent of the world population. In that same year, the number of internal migrants was 740 million. Most migrants, around 93 per cent, are categorized as economic migrants. This number is likely to increase in the future. Most migration takes place between countries in the Southern Hemisphere.

Source: UN Population Division/DESA. See www.un.org/en/development/desa/population/

Remittances

Officially recorded international remittances totalled US\$529 billion in 2012, up from US\$132 billion in 2000. Developing countries received the largest share of remittances with US\$401 billion in 2012. This is a 5.3 per cent rise since 2000. Top recipient countries in 2012 were India, China, the Philippines, Mexico, Nigeria and Egypt. The World Bank expects an average annual growth of 8.8 per cent in remittances to developing countries in the next three years.

Source: World Bank, 2013



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Authors



Sonja Fransen is a research fellow at the Maastricht Graduate School of Governance working on remittances, return migration and development in conflict-affected states.



Katrin Marchand is a research fellow at the Maastricht Graduate School of Governance working particularly on return migrant entrepreneurship.



Levi Vonk is an assistant researcher at the Maastricht Graduate School of Governance and a postgraduate student at the University of Sussex.

