

# **How Can Multilateral Financial Institutions Support Diaspora Development Partnerships: A New Perspective**

by  
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## **Background**

Multilateral institutions like the International Monetary Fund (IMF), the World Bank (WB), the United Nations (UN) and the World Trade Organization (WTO) are seen as playing arguably critical roles in the development process within developing countries like those in the Caribbean. As Caribbean Diaspora organizations become better organized, and in line with the emerging trend of greater Diaspora involvement, it is my view that they can work closely with the multilateral institutions on targeted initiatives that could redound to the benefit of their countries.

Before taking a closer look at those initiatives and partnership opportunities, it is important to set the stage by making a clear distinction between the Diaspora movements of twenty even fifteen years ago and those that exists today.

My own research on Diaspora migration patterns for Dominica has shown three distinct periods of migration: (a) the period of the 50's and 60's where the majority of the migrants possessed a primary school education and migrated mainly to England; (b) the period of the 70's and mid-80's where whole families migrated to the US and Canada with either a primary or secondary education; and (c) the mid-80's to the present where the majority of those emigrating went to Canada and the US and either hold degrees or went to universities and did not return to their country of origin. The same is broadly consistent for several other Caribbean countries.

The most recent wave of migration has brought with it tremendous opportunities, which if properly managed can do a great deal to reverse the damaging effects of the 'brain drain' and contribute significantly towards the development of the Caribbean region.

## ***Remittances and its impact***

It is a well established fact that migrating populations with families in the home countries have traditionally sent support in the form of remittances in cash and kind, the so-called 'barrel economy'. Indeed quite a lot of research has gone into trying to estimate the levels of

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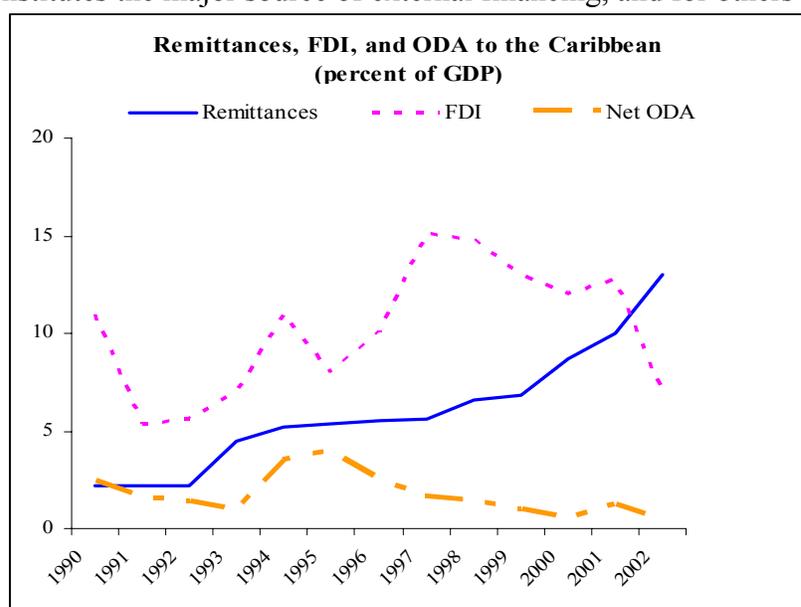
<sup>1</sup> The presentation was made to the United Nations Caribbean Diaspora Experts' Meeting on Friday December 2, 2005 at the UN Secretariat in New York. The event was sponsored by the DuBois Bunche Center for Public Policy.

such assistance as well as its impact on recipient economies, given its relative importance in those economies.

A recent World Bank study estimated that in 2004 over \$150 billion dollars were sent back to developing countries by the Diaspora with the Caribbean accounting for around \$40 billion. The flow of formal remittances from the Diaspora to developing countries continues to exhibit a rapid and accelerating rate of growth. In many instances, these flows far exceed the level of “traditional” foreign direct investment.

The Caribbean is the largest recipient of remittances as a share of its GDP, and in some countries these remittances constitutes the major source of external financing, and for others

it is second only to private investment flows. Between 1990 and 2002 (see chart), remittances increased from 3 percent to 13 percent of the Region’s GDP, while FDI declined from 11 percent to 7 percent, and official development assistance decreased from 4 percent to 1 percent of GDP. In 2002, 8 Caribbean countries (Haiti, Dominica, the Dominican Republic, Grenada, Guyana, Jamaica, St. Kitts and Nevis, and St. Vincent and the



Grenadines) ranked among the world’s top 30 recipients

*Sources: IMF, BOP Statistics; World Bank Development Indicators.*

of remittances relative to GDP. The trend is expected to continue to grow as waves of upwardly mobile, highly educated migrants, the majority schooled in the developed countries, join the less skilled in continuing to establish residence in the developed countries.

It is a well known fact that remittances can help improve a country’s development prospects, mitigate against adverse external shocks, maintain macroeconomic stability, and reduce poverty. In that regard, a crucial and important development effect of the Diaspora on the Caribbean region has been its direct impact on income and poverty levels in those countries. In addition, there has been increased investment in physical and human capital as remittances have served to increase spending on education, health and nutrition.<sup>2</sup> Recent studies also

<sup>2</sup> Studies conducted in Latin America for instance shows that remittances increase schooling and reduces the drop-out rate.

show that contrary to the common perception that remittances are largely for consumption purposes, a sizable amount goes to financing private investment.

### **The Modern Diaspora Movement**

In the recent past, there has been a deliberate attempt by Diaspora organizations to go beyond simply sending remittances to their home countries and tap into the wealth of human resource that exists within the Diaspora. There is good reason for this as increasingly, migrants are highly educated and possesses skills that can be used to further the development process in their country.

The following table is rather instructive in that regard since it shows that in 2000, the period for which we have the most recent data, Caribbean countries accounted for 13 of the top 20 countries in the world for emigration rates of skilled persons (7 of the top 10). A majority of the Caribbean countries have lost more than half of their labor force with a tertiary education, and more than 30 percent with secondary education.

#### **Top-20 Skilled Emigration Countries, 2000**

Countries	Emigration Rate %
Guyana	89.0
Grenada	85.1
Jamaica	85.1
St. Vincent and the Grenadines	84.5
Haiti	83.6
Trinidad and Tobago	79.3
St. Kitts and Nevis	78.5
Samoa	76.4
Tonga	75.2
St. Lucia	71.1
Cape Verde	67.5
Antigua and Barbuda	66.8
Belize	65.5
Dominica	64.2
Barbados	63.5
Gambia, The	63.3
Fiji	62.2
Bahamas, The	61.3
Malta	57.6
Mauritius	56.2

Source: World Bank

Given this vast human resource, it is imperative that Diaspora organizations working with local authorities make every attempt to bring it to bear on development efforts at home. In

the case of Dominica for instance, we have moved to setting-up databases of skilled persons within the Diaspora under the umbrella of the Dominica Academy of Arts and Sciences. Beyond that we have actively recruited members of the Diaspora to focus on the noble task of nation building. Out of this we have also been able to draft a Diaspora Policy Paper, which the government has promised to use as the basis for formulating policy on key issues concerning the Diaspora. Clearly, the interest of the Diaspora movement and the government merges with that of the multilateral institutions. What is required therefore is to find the means by which these three entities can work together to realize the ultimate goal of development.

### **Partnership with Multilateral Institutions**

Multilateral institutions are constantly seeking to influence issues of governance, capacity building within institutions, conflict prevention and mitigation; all areas that the Diaspora continues to focus on. By developing partnerships with such organizations, the work can be made a lot easier and the benefits more readily realized. I wish to offer three areas in which multilateral institutions can help support Diaspora development by working in partnership with Diaspora groups:

- The designing of policies to ensure that the potential welfare gains from the Diaspora are not wasted. Successful design of such policies requires a careful analysis of migration patterns and detailed information, which can only come through much research and analysis, and help inform policy decision-making.
- Influencing migration policies in the developed countries, which continue to be largely protectionist.
- Help Diaspora organizations in reversing the negative effects of the brain drain (loss of productivity; impact on the provision of key public services, such as health and services; loss of taxes; contribution to the debate on important social issues and their impact on policy and institutions).
- Assist governments and Diaspora organizations in building a more systematic approach to harnessing Diaspora potential. This involves using the Diaspora to build networks for trade, investment promotion, and tourism.

I see the Diaspora as providing the human resource. These are persons who are aware of the country, are familiar with the cultural and social nuances of such countries and who can play pivotal roles in development. On the other hand, the multilateral institutions possess the financial resources that can be used to help these organizations meet their goals. And the government plays the all important role of bringing these together.

It is important to note that for this partnership with the multilateral institutions to be successful, Diaspora organizations must work closely with the country governments. For the

most part, multilateral institutions deal directly with governments and by their very structure is prevented from working with groups outside of government. All such initiatives as outlined above necessarily need to be coordinated with government and mechanisms set up to ensure maximum benefits for all concerned.

As an anecdote, consider this. Following an earthquake in Dominica in November, 2004, the Diaspora movement was able to draw from its database several structural engineers who were willing to provide their services over a few days to check the structural integrity of buildings. They were prepared to offer their services for free, but the organization would need to come up with the necessary resources to pay their way to Dominica and put them up at a hotel for 2 -3 days.

At the time, we did not possess these resources, nor were the government in a position to meet it. However, if there was an understanding between the Diaspora movement on the one hand, the government and of the multilateral lending institutions on the other, which could earmark funds for just such a contingency, then the country would have benefited immensely from those services.

Already, some multilateral institutions particularly the World Bank are moving to expand knowledge on the effects of migration, identify migration policies, and regulations and institutional reforms that will lead to superior development outcomes. In that regard, the World Bank launched the International Migration and Development Research Program.

The research program is divided into a number of focus areas including: (i) the impact of migration and remittances on development indicators, including poverty and inequality, investment etc.; (ii) the brain drain; (iii) temporary migration including under the General Agreement on Trade in Services (GATS); and (iv) the links between migration, trade, and Foreign Direct Investment.

Diaspora organizations for their part need to be better organized and actively recruit from among their ranks. I would also suggest collaborative efforts between the different Caribbean Diaspora organizations. Caribbean governments need to take the lead as was the case in Jamaica in providing some focus, and the enabling environment within which the organizations can function. And finally, multilateral financial institutions need to devote considerable more resources to help strengthen and encourage a movement that has the potential for reversing the economic fortunes of the Caribbean region.