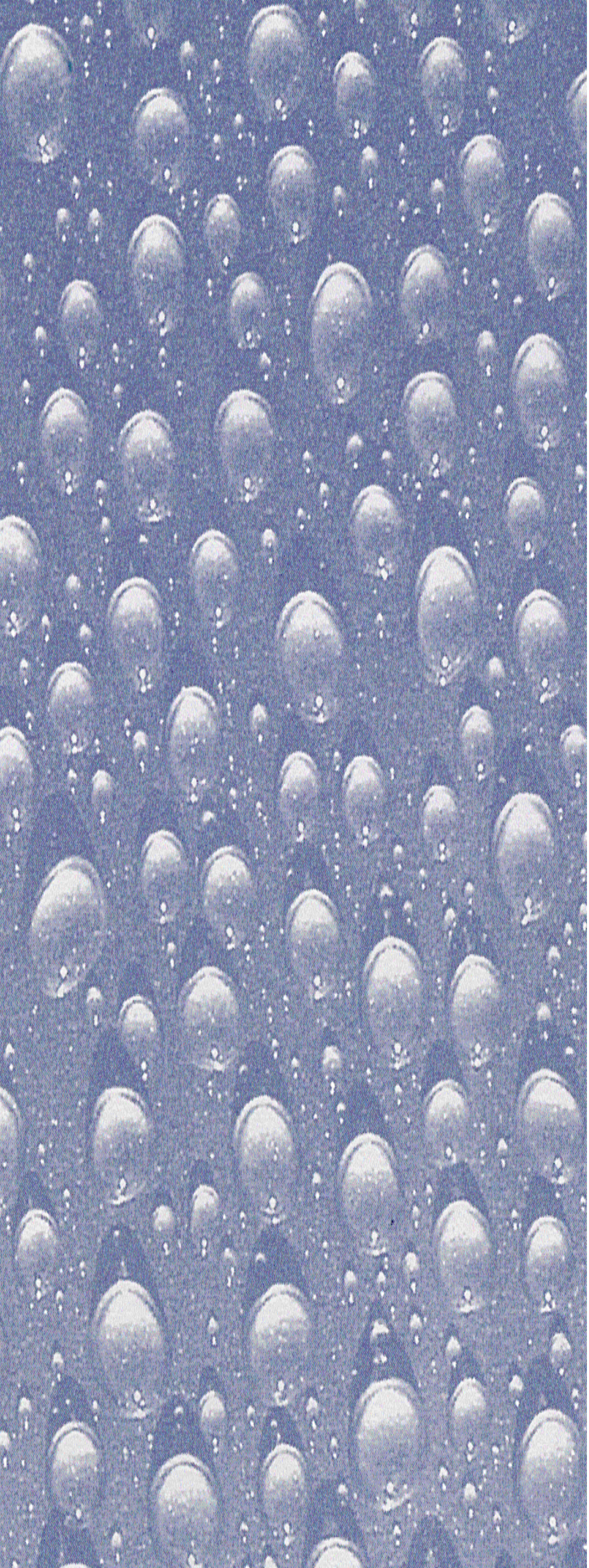

EMPLOYMENT SECTOR

— SOCIAL FINANCE PROGRAM —

The Contribution of Migrant Organisations to Income-Generating Activities in Their Countries of Origin

Kirsten Schüttler

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Foreword

Of all aspects of international migration, remittances are the least controversial. Labour-receiving countries welcome and encourage them, since they signal a continuing attachment of the migrant worker to the country of origin, and possibly a disposition to eventually return home. Moreover, remittances tend be perceived as a substitute for aid. In this logic any increase in volume reduces the pressure to increase ODA. Labour-sending countries for their part welcome remittances as an important source of foreign exchange. If remittances are used for community development, feeder roads, rural dispensaries, fire engines and primary schools, then public resources can be redirected to other uses.

It is in effect mostly home town and similar associations that pool remittances for community development. In contrast to other aspects of remittances that have received much attention recently in the literature, like the costs of transfers, market organisation and formalisation, the topic of collective remittances has not been much investigated so far. It is true, funds sent on a collective basis account for only a small fraction of total remittances, but they have an important impact on the families back home because they come with the know-how of local conditions.

The report by Kirstin Schüttler seeks to redress this knowledge gap. It reviews the experiences with pooled funds and their role in initiating income-generating activities. Distinguishing collective donations, collective investments and collective savings the author illustrates each form of collective remittance with a case study of diaspora communities: Mexico, Morocco, the Philippines and Turkey. The report identifies several entry points for governments and social partners that are prepared to support collective remittances, thus placing the issue firmly in the context of the ILO Multilateral Framework for a rights-based approach to labour migration (2005).

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1. Introduction

The surge in international remittances has caught public interest in recent years and contributed to heating up again debates among academics and politicians about their developmental impact. According to the World Bank (2006: 87) officially recorded remittances rose to an estimated USD 167 billion in 2005, up 73 percent from 2001. Due to the flows through informal channels the true amount might be more than 50 percent higher.[1]

These funds represent a major source of external financing for some countries, reaching up to nearly 30% of GDP in countries like Moldova (IMF 2005). Remittance mainly consists of the money and goods individual migrants transfer to their families, relatives or friends in the country of origin. This way they contribute to the alleviation of poverty. Besides consumption, receivers spend them for health related expenses, education, housing, investments and savings.

In addition to these so called “family remittances” (e.g. Goldring 1999; 2003: 9-12) sent by individual migrants, money and goods are also transferred to countries of origin on a collective basis. Informally organised groups and registered associations of migrants pool funds on their own initiative or through an incentive set by government for a great variety of activities. They make collective donations for humanitarian causes or as an investment in public infrastructure, the most well known example probably being the Zacatecan clubs in the United States whose transfers help to build roads, schools and other public infrastructure projects in their communities of origin in Mexico. In addition, migrant self-organisations pool funds to contribute to the creation of income-generating activities in their countries of origin. While some organisations have focused on job-creating ventures from the beginning, others like the Zacatecan Federation of Southern California or the French-Moroccan migrant association “Migrations et Développement” have invested in public infrastructure first and then

[1] According to estimations by the International Fund for Agricultural Development (2007) and the Inter-American Development Bank formal and informal remittances to developing countries amounted to USD 300 billion in 2006, three times as much as official development assistance (ODA) in the same year.

started to endorse “productive projects”.[2] Both organisations see income-generating activities as an important step towards their goal of achieving sustainable development in their countries of origin (e.g. Migrations et Développement 2003: 17).

Migrant organisations’ scope, form and size are varied (Moya 2005; e.g. for Mexican migrants in the United States cf. Fox 2005: 4). There are hometown associations (HTA) with members from the same community in the country of origin, religious associations, sports clubs, professional associations, investment groups and political groups. A lot of collective transnational engagement takes place on the basis of personal networks (families, friends) without formally founding and registering an association.[3]

However, only a minority of all migrant organisations aims at promoting development in countries of origin (de Haas 2006: 7). Funds sent on a collective basis thus only account for a small fraction of total remittances.[4] Nevertheless, they can have an important impact in the recipient community, especially when it is small and remote. They also represent “a high quality resource” (World Bank 2002: 15) because of their non-economic, social and political, dimensions as well as the transfer of know-how that accompanies them.

This paper aims at assessing existing experiences with funds pooled by migrants contributing to the creation of income-generating activities in their countries of origin. What are their possibilities, challenges and constraints? How can governments and social partners promote them? This seems important as, in general, the evaluation of existing initiatives to maximise the developmental impact of remittances is often lacking, incomplete or not available (Agunias 2006: 63). Hardly any systematic research has been undertaken on migrant collective activities and related public interventions, distinguishing and comparing different types of involvement.

[2] “We’ve had experiences where we build a school in a community and it remains empty’, says Felipe Cabral, the federation’s current president. ‘That made us start to think differently’” (Gordon 2006: 11).

[3] In this paper the terms ‘organisation’ or ‘organised group’ are therefore used to encompass all forms of migrant organisational structures.

[4] In Central America, for example, no more than one per cent of total remittances are currently sent through hometown associations (Gosh 2006: 76).

To analyze their potentials, challenges and constraints this paper distinguishes three main types in which such income-generating activities can be enhanced on a collective basis: collective donations, collective investments and collective savings. The term "collective remittances" is normally only used for collective transfers of donations for infrastructure projects. They seem different from individual "family remittances" as they are sent to benefit the community of origin as a whole and not only one family. Using a broad definition of remittances as all financial flows associated with migration, the concept of collective remittances in this paper will include donations, savings and investments. Without wanting to blur the differences between these activities, they can all be collective as well as individual and might be meant to benefit the community of origin. The "migrante colectivo" (collective migrant) (Moctezuma 2002: 149) could therefore serve as an umbrella term, encompassing the "migrante donador" (migrant donor), "ahorrador" (saver) and "empresario" (entrepreneur).

In distinguishing three main types of activity the characteristics of each can be analysed as well as the potentials and challenges that might be associated with each type and possible best practices. The paper does not assume that no other possibilities exist or could be designed for migrants to contribute collectively to income-generating activities in their countries of origin. Furthermore, each project has its own characteristics and can represent a mixture of the aforementioned types of activity. Nevertheless, it seems important to differentiate between them as they follow a logic of their own and entail specific potentials as well as problems. Using "ideal types" (Weber) allows for a systematic analysis and comparison between them.

The paper elaborates the three types of activity on the basis of case studies from major emigration countries with important diaspora[5] communities and collective migrant activities. Without aiming to be representative, activities of migrant organisations from Mexico, Morocco, the Philippines and Turkey are used to show certain challenges as well as best practices. The performance of the activities will be measured using Orozco's and Welle's (2005: 7-9) criteria for effectiveness of HTA's

[5] The term "diaspora" refers to "ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin" (Sheffer 1986: 3).

projects: ownership by the community and correspondence with its priority needs, sustainability and replicability of the activity.

Besides drawing conclusions and pointing out possibilities of action for organised groups of migrants, the paper intends to identify possible entry points for governments and social partners wishing to support the collective activities. Thereby, it contributes to the debate about enhancing the productive use of remittances in order to increase their developmental impact, formulated as a goal in the ILO Multilateral Framework for a rights-based approach to labour migration (2005). Productive is defined here as income-generating. Remittances are therefore mainly analysed in their contribution to economic development.[6]

The paper is organized as follows: The first three parts analyse the three different types in which migrants can enhance income-generating activities on a collective basis. For each type of activity the motivations of migrants for participating are examined, the implementation is illustrated by a case study, and related potentials, challenges and constraints are assessed. The fourth part of the paper presents recommendations for governments and social partners that want to promote migrants' collective involvement. Finally, some conclusions are drawn.

2. Migrant collective donations for income-generating development projects

Migrants' motivations

One way in which organised groups of migrants can contribute to income-generating activities in their countries of origin is by setting up development projects. They can provide financing for start-up materials, productive infrastructure and training

[6] This does not imply a general judgement about other forms of using remittances on an individual or collective basis. Firstly, it is a decision to be taken by each migrant and its family in their own interest how to spend their personal funds. Secondly, if remittances contribute to development depends on how "development" is defined. Their "non-productive" use can help families escape poverty, substantially improve the welfare of the individual, represent an investment in human capital and even have positive multiplier effects on growth and employment in the region or community of origin (De Haas 2005; Newland/Patrick 2004: 2).

or know-how and networks for commercialisation in order to help community members set up microenterprises or cooperatives. The organisation's members themselves do not expect to make a profit. These projects are hence comparable to the charitable donations by migrant organisations for public infrastructure. The differences are that an income-generating development project, nevertheless, has to follow an economic logic; also only a part of the community profits from the project.

The migrant organisations' activities in this field are quite similar to those of development non-governmental organisations (NGOs). Pooling funds increases the scope of the development projects that can be realized drawing on migrant know-how. Besides mere philanthropy, motivations of the migrants might be to respond to the expectations of those left behind, take part in the community life and to enhance their own standing in the community of origin as well as within the diaspora community (for further explanations cf. Lacroix 2005: 74).

If relatives of organisations' members are helped by the project this might also have similarities with a collective investment. If the investors do not expect to make a profit, such productive projects, which mainly employ relatives, seem nevertheless closer to donations than to entrepreneurial projects. The characteristics and challenges of collective donations for income-generating development projects can be illustrated by the activities of the French-Moroccan association "Migrations et Développement".

Creation and professionalisation of agricultural and artisan cooperatives in Morocco

Founded by Moroccan migrants in the South of France, "Migrations et Développement" aims at harnessing the potential of migrants for the development of their regions of origin (www.migdev.org). To date, some 250 organisations are affiliated to the association. Four staff members work in Marseille and eleven in Morocco, assuring the association a strong representation in Morocco (EC/ARS Progetti 2007: 88). Except for two, all staff members are Moroccan, whereas the volunteers are mostly recently retired professionals of French origin.

The organisation can look back on a long experience with infrastructure projects since 1989 in small communities in the region of Souss-Massa-Draâ in the

Moroccan Anti-Atlas (Bentaleb/Lahoussein 2005: 280-281; Iskander 2005a). These infrastructure projects provided (temporary) employment. Irrigation projects improving the agricultural production contributed as well to the economic well-being in the respective communities. From 1993 on an income-generating project was started targeting the poorest women in several villages and supporting their traditional economic activities (goat-rising, craft). “Migrations et Développement” managed to leverage donor money and obtained funding by the European Union. Nevertheless, the project was not very successful and stopped in 1999. One of the main problems was commercialisation due to the product’s low quality and the small number of women involved (Lacroix 2005: 108).

In 2001 an action plan for the province of Taroudant set the priorities for income-generating projects on rural solidarity-based tourism and local products and crafts. Instead of targeting individuals as before it aims at building cooperatives (Lacroix 2005: 110). The main target groups are women and youth.

Again “Migrations et Développement” managed to get external funding: The projects working with cooperatives are financially supported by the Moroccan government agency “Agence du Développement Social” (ADS). Up to now, the association assisted with the creation of seven cooperatives for agricultural products as well as two artisan cooperatives (De Haas 2006: 78). Its goal is to improve the production and quality of saffron, olive and argan oil. The association aims at making the products exportable, turning them into high-quality products and using their organic production as an advantage. To this end, they provide know-how, material, technical and management training and organise visits to France for the members of the cooperatives to learn from production methods. Thus, the association does not only use the financial means of migrants but also their know-how. Moreover, it tries to use its networks to sell the products in France and organised a saffron festival in Taliouine to help the cooperatives enter international markets. “Migrations et Développement” also provides help with the commercialisation at the regional and national levels.

Through the association’s participatory approach community members take part in decision making and implementation together with the migrants residing in

France. Since the formulation of the action plan for the province of Taroudant the projects are also undertaken in cooperation with local authorities (Lacroix 2005: 113). Furthermore, the association's thorough knowledge of the local context and culture is complemented by continuous research on methods and practices to contribute to local economic development (e.g. a study conducted in 2006 in cooperation with FAO).

Nevertheless, the income-generating projects face a number of challenges, mainly concerning the commercialisation of the products. The association tries to use migrant grocers for selling the products in France. This has proven to be more difficult than expected, even though the association registered some 4,000 Moroccan grocers in Paris and surroundings (EC/ARS Progetti 2007: 88). The retailers in the Paris region might be willing to support a social project in their community, but when their business is concerned they insist on good quality, price and punctual delivery. Otherwise they prefer buying their saffron from Spain or Iran, for example (Nadia Bentaleb, Director of "Migrations et Développement", November 11 2006). The association's and cooperatives' attempts to export the saffron, argan and olive oil to French companies, however, seem promising (Migrations et Développement 2007: 29-30).[7] The efforts to sell the agricultural products and crafts in Morocco in the framework of a rural tourism project in the region have also started to be successful (Migrations et Développement 2007: 26, 30).

Assessment of possibilities, challenges and constraints

Just like for income-generating projects of other developmental actors the project design is also important for migrant organisations. A participatory approach guarantees responsiveness to local needs and ownership. However, if earnings and market potential at home and abroad remain modest, fulfilling Orozco's and Welle's (2005) criterion of sustainability might be a problem.[8] Even if the projects are based on philanthropy they have to provide profit for the target group in the country of origin. Difficulties might also arise when trying to integrate business partners' into

[7] Following the saffron festival in Taliouine, for example, a cooperative from Tassousfi exported ten kilos of saffron to CTM Altermercato.

[8] Orozco/Welle (2005: 19-21) draw the same conclusion from their analysis of a sewing micro-enterprise established under the "Tres por Uno" programme in a rural community within the municipality of Jerez, Zacatecas.

development projects if the products are not competitive. The replicability of the projects hence seems generally possible but their success will vary with factors such as the demand for the product and market access.

Besides their own collectively pooled funds, migrant organisations can mobilise external sources in the host country or from international donors. This augments the scope of their activities. To increase their impact, the projects should also be integrated into a concept of regional development. The activities of “Migrations et Développement”, for example, developed into a regional programme of integrated rural development (FAO/Migrations et Développement 2006: 5). The association also assures the integration of its activities into local politics and the complementarity to governmental programmes through its presence in the field.

The more the geographical scope is enlarged, the more the migrant organisations will face the need to support communities where none of its members originate from. Such activities can not rely on the initial motivation of the migrants to help their own village of origin. The organisations thus need to seek donations from migrants who would rather give money for their origin country in general than especially for their community, as it seems to be the case for some Moroccans in France (Migrations et Développement 2003: 31).

3. Migrant collective investments

Migrants’ motivations

A second way in which migrant organisations can contribute to the creation of income-generating activities is pooling their savings for investments on an entrepreneurial basis. These investments follow primarily an economic logic. The investors expect a return on their investment and run the risks related to the project. Their profit expectations might be influenced by the perception that diaspora members possess information and social capital advantages compared to non-diaspora investors (Gillespie et al. 1999).

Besides seeking a profit, migrant investors might want to create the basis for their own return to the community of origin. Turkish migrant workers in Europe, for instance, created workers' joint stock companies for enterprise creation in Turkey partly as a collective return strategy in order to create future jobs for themselves (Şen/Goldberg 1994: 25-26; giving a lower importance to the goal of return Penninx/van Renselaar 1978: 426). Also emotional reasons can influence the migrants' decision to make the investment in their region of origin and not elsewhere. This differentiates migrants from other investors who choose a project side based only on cost-benefits premises: "When migrants do invest, their emotional attachment to their (often marginal) regions of origin can help compensate for the disadvantages of these regions in the eyes of purely profit-seeking investors" (Carling 2005: 35).

Diaspora philanthropy can also play a role: economic motivations do not exclude a social concern for the development of the community of origin. Migrants from the Mexican state of Guanajuato living in the United States, who invested collectively in factories (maquiladoras) in their communities of origin, see their investment also as an expression of solidarity (Moctezuma Longoria/Rodríguez Ramírez 2000: 67). Just like in the case of collective donations migrants might also seek to strengthen the links with and their identity as part of their communities of origin through their investment and increase their social standing, also within the diaspora community. This might motivate them to maybe accept a lower profit than if they invested elsewhere.

Pooling their money and investing through an organised group gives the migrants greater possibilities for their investment through higher seed money. This might be especially attractive if the migrants have already made negative experiences with individual investments, as it was the case for Turkish migrants (Preuschaft 2006: 58). A state programme matching funds can also set an incentive for collective investments. The possibility to obtain further financing was one reason why, for example, the members of the Mexican "Club Campesinos El Remolino from Southern California" opted for a collective investment. They constructed a dam for irrigation and watering of the cattle in the Municipality of Juchipila in Mexico, one of the first examples of a productive investment made through the " Programa Tres por Uno" (Three-for-One programme) (Moctezuma 2003).

Besides becoming a vehicle for pooling resources, migrant organisations can also share information about investment opportunities in the country of origin, provide contacts and promote individual investments among its members or the diaspora as a whole. The Mexican state of Jalisco, for example, advertised its investment promotion programme "Por mi Jalisco" through the Jalisco HTAs in the United States (Orozco 2004: 38). "Migration et Développement" searched migrant investors for rural lodges in the framework of a rural tourism project in Southern Morocco (www.migdev.org; www.tourisme-atlas.com).

The experiences of Mexican migrants in the United States using collective remittances for enterprise development in the state of Guanajuato can serve as a good example for the potential risks and difficulties of collective investments. Analysing them in the context of the state programme "Mi comunidad" that set the incentive for these investments also shows the problems related to public-private collaboration in this field.[9] It was redesigned and expanded in the form of two different programmes to further regions in Mexico under President Fox (Iskander 2006: 388-389).[10]

Collective investments in maquiladoras in Mexico

The state of Guanajuato launched the programme "Mi comunidad" in 1996 under Vicente Fox as governor. It aimed at linking migration to economic development through the creation of small textile maquiladoras in migrant's communities of origin. It

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9 "Con mucho, e independientemente de sus resultados, este programa constituye la expresión más desarrollada de lo que es posible impulsar en México a través de la inversión productiva de los migrantes" (Irrespective of its results, the programme is by far the most developed expression of what can be achieved through migrants' productive investments in Mexico) (Moctezuma 2006: 101-102).

10 The other well-known and important state programme in Mexico "Tres por Uno" focused on basic infrastructure since its beginning. Productive infrastructure projects and income-generating projects represent only a small percentage. In Zacatecas, where the cost-sharing programme started, only 3% of all projects under the "Tres por Uno" were productive projects in 2003. Only recently efforts have been made to increase their number (Orozco/Ferro 2007: 5; Iskander 2006: 405-406; Orozco/Welle 2005: 20; Wheeler 2006: 24-25).

targeted the creation of new jobs and required that the maquiladoras had to create an average of 50 jobs.

The government agency “Dirección de Atención a Comunidades Guanajuatenses en el Extranjero” (general office for the attention of Guanajuato’s migrants abroad) was in charge of directing the programme. It cooperated with migrant organisations in the United States, the “Casas Guanajuato” (Guanajuato Houses).[11] Their leaders and most influential members, mainly from Illinois and California, were actively involved in the promotion and operation of the programme and its projects (World Bank 2002: 5, 19).

New migrant organisations were also created through the programme. Migrants undertook the concerted effort to pool the required minimum of USD 60,000 to participate and created investment societies. After having visited other maquiladoras in Guanajuato and having decided about their investment they signed a contract before a notary forming a “sociedad mercantil de nacionalidad mexicana” (Mexican partnership) with each migrant owning a part of the shares.

Besides a public relations campaign, the government of Guanajuato developed the business plan and set a series of incentives to attract migrant investment in the framework of the programme. In the beginning, the government was supposed to match funds but eventually only offered a loan corresponding to the size of the investment made. In some cases the government provided subsidies for the machinery and paid the wages for the first two or three months during the start-up period. Furthermore, the “Dirección de Atención a Comunidades Guanajuatenses en el Extranjero” provided technical training courses for new workers and support with managerial, judiciary and technical advice (Lowell/de la Garza 2000: 13; World Bank 2002: 19).

The idea behind the programme received a positive evaluation by the migrants from Guanajuato. Nevertheless, it failed to reach the whole Guanajuatan community in the United States. 21 maquiladoras had been planned to be established, nine formed the

[11] The Casas Guanajuato were promoted by the government of Guanajuato and generally dissolved within a short period of time (Iskander 2006: 377-381).

“Empresa Integradora Textil” and gave employment to 339 persons. (Moctezuma Longoria/Rodríguez Ramírez 2000: 64, 67-68, 73).

The investments made within the programme lacked sustainability. An important number of the maquiladoras failed and had to be closed down again after a short period of operation. According to Iskander (2006: 382, 388) only three out of 13 remained.[12] The remaining ones were producing low-quality garments for relatively low returns for international and local markets.

Part of the problems stemmed from the original design of the investment projects: The particular characteristics of the communities of origin had been neglected. The business and investment climate was not favourable. The geographical isolation of the communities and the lack of adequate infrastructure hampered the link to the production centres. Moreover, the labour markets in the regions of origin were marked by the traditionally high propensity to migrate; the jobs in maquilas were only second choice compared to a job in larger Mexican cities or the United States. The maquiladoras thus faced labour shortages: once trained the workers left for bigger cities in Guanajuato or the United States. Furthermore, workers stopped working when they received sufficient remittances (Iskander 2005b: 254-255).

It also turned out to be difficult to recruit able managers whom the migrants trusted. Named as part of the creation of the “sociedad mercantil”, the administrator was supposed to inform the partners about the development of the enterprise. However, due to the distance and the lack of business knowledge of most migrants, they often took decisions by themselves. This was a source of conflicts especially when the managers were not skilled enough (Moctezuma Longoria/Rodríguez Ramírez 2000: 70).

The government failed to provide solutions for the problems encountered in the framework of the programme. Feasibility studies showing the potential difficulties would have been necessary in the first place in order to be able to formulate an adequate response. Furthermore, the programme offered technical training for the workers but

[12] The figures in the literature vary. According to another publication by Iskander (2005b: 253) four out of 13 remained According to the World Bank (2002: 5) and Moctezuma Longoria/Rodríguez Ramírez (2000: 64) 21 maquiladoras have been established and 12 or 15 got into operation.

failed to focus on how to organise production. It also did not take care enough of the maquiladoras' integration into garment commodity chains. This resulted in uneven or mediocre quality of a large part of the goods produced by the maquiladoras (Iskander 2005b: 253-254).

As the state government failed to address the problems, some migrant investors participated actively in their solution. They modified the machinery selection which was not adequate, for which the migrants involved also blamed corruption. They also collaborated in the selection of technical staff and in marketing. In at least two cases managers were recruited from members of migrant organisations. The migrants hence provided not only money but also their organisational and managerial skills for the projects. Nevertheless, they were not able to solve all the problems the maquiladoras faced. Furthermore, a majority of the migrants was not able to participate in the solution as they lacked the necessary entrepreneurial knowledge. The planned capacity building for migrant investors within the framework of the programme had been reduced to visits of investors at maquiladoras in the region (Moctezuma 2006: 102; World Bank 2002: 23-24).

Further problems emerged due to the way in which the programme was promoted. The real content of the programme and the risks related to the investment were not fully laid open which prevented migrants from taking precautionary measures. In the municipality of Ocampo, for example, the migrants where offered a doubling of their investment in one year if they participated – a highly unrealistic promise that could not be fulfilled. The promised government contribution matching their funds, furthermore, turned into a loan with respective interest rates (Moctezuma 2006: 102).

Assessment of possibilities, challenges and constraints

Migrants and the communities of origin need to be included in the design of an investment programme to capitalize on remittances. In Guanajuato, the state defined the migrants' potential for the development in the region and determined how to tap it (Iskander 2006: 373-374). While the state responded to the priority needs for income-generating activities in the communities of origin it paid little attention to the context. Instead of being sustainable commercially the collective investments turned into social programmes for the residents of the communities of origin. The migrants were torn between the need for efficiency as investors and their social obligations to relatives and friends in the community, subsidizing unprofitable maquiladoras to give them jobs and granting pay advances (Iskander 2005b: 255). The possibility of a win-win situation between an economic and a philanthropic logic was not realized. Even if the motivation of the migrants was philanthropic and the Guanajuato state campaign appealed to migrants' solidarity with their community of origin, it is problematic if an investment turns into a donation. A collective investment project needs to be profitable not only for the sustainability of the project itself but also in the interest of the migrants who invest their savings. In Guanajuato the economic failure of the maquiladoras led to conflicts within the community, causing a decrease in collective donations for infrastructure projects (Moctezuma Longoria/Rodríguez Ramírez 2000: 74; Iskander 2005b: 253).

The experiences in Guanajuato are comparable to those of other cases of collective investments in regions of origin. Turkish migrants, for example, had created 322 workers' companies with 345,000 shareholders by 1983 but an important part of them failed. Only a small number realised a profit and the number of jobs created was lower than planned. The causes of this failure are similar to those in Guanajuato (cf. Şen 2006; Penninx/van Renselaar 1978: 446, 451).

All in all, collective investments face similar problems to individual investments by migrants in their communities of origin. Not all migrants are entrepreneurs. When investing in their countries of origin they face, in addition, the difficulties of geographical separation from the investment project. Often the business and investment climate is not favourable. The success of migrant investments depends on a number of factors in the origin and destination country as well as on the characteristics and capabilities of the migrants (de Haas 2007: 14-16; e.g. for Morocco cf. Hamdouch et al. 2000: 204; for Mexico García Zamora 2005: 17). Migrants' investments in China, for example, seem to be quite successful (Newland/Patrik 2004: 3-5). Investment programmes for migrants in general have hence had mixed results (Puri/Ritzema 1999: 25). Compared to individual investments, collective investments have the potential of investors' strengths complementing each other and higher seed money. On the other hand they face the risk of trust problems between investors and conflicts arising between them.

4. Migrant collective savings in microfinance institutions

Migrants' motivations

There seems to be a tendency among politicians to see migrants mainly as investors and not as savers (Agunias 2006: 59-60). But migrants do not have to be investors themselves to contribute to the creation of employment in their countries of origin. In the light of the problems faced with collective investments, it might in some cases also be even preferable if their remittances are channelled to saving deposits and then made available to local producers (Puri/Ritzema 1999: 25-26). A third way in which organised groups of migrants can contribute to income-generating activities is therefore pooling funds for deposits in microfinance institutions (MFIs) in their country of origin.[13]

Migrant groups expect interests but might also have the philanthropic intention to help their communities of origin with their savings. If they deposit their savings with MFIs they are sure to benefit their communities directly. Through normal bank accounts their savings might be channelled to urban centres or other regions where investments are more profitable. This is the case for example in Morocco, where the deposits of migrants are not mainly used in their regions of origin but benefit via the banking system the economic centre, i.e. the axis Kenitra-Rabat-Casablanca-Settat (Khachani 2005: 198). Because of remittances the north-eastern region of Oriental, for example, comes second after Casablanca regarding deposits but this is in no way reflected in the

[13] Besides saving deposits in MFIs, another possibility of helping one's community of origin through collective savings is diaspora bonds. A diaspora bond is a debt instrument issued by a country or a sub-sovereign entity to raise financing from its diaspora (Ketkar/Ratha 2007). Local Government Units (LGUs) in the Philippines, for example, issue bonds for specific infrastructure projects. The impact on long-term employment might, however, be more indirect compared to saving deposits in MFIs.

number of investments in the region. Furthermore, remittances contribute to the overliquidity of the banking system as they fail to be channelled into investments.

For migrants seeking to benefit their community of origin microfinance institutions also have the advantage that they target micro-entrepreneurs and low-income individuals. In addition to credit, they also provide training and business development programmes.

Savings in microfinance institutions can also be interesting for migrants independently from their desire to contribute to local economic development. MFIs have a strong representation in smaller cities and rural areas. They might offer access to interesting financial products like education savings books that correspond to the needs and expectations of the migrant and his or her family. Sending funds collectively to the MFI reduces the respective transfer costs.

For MFIs gaining access to migrants' savings means a diversification of their resource base and liabilities. It also enables them to offer more competitive rates on their loan products and provide more credits to the inhabitants of a community.

Diaspora organisations can be partners of MFIs to capture savings. They can pool funds themselves or mobilise individual savings for MFIs. Migrant organisations can also help contribute to financial literacy of migrants in general offering trainings in countries of origin or destination. Cooperation with trade unions seems fruitful in this area. The "American Federation of Labour and Congress of Industrial Organizations" (AFL-CIO), for example, launched an initiative to set up a coherent and systematic remittance training programme for Mexican and Central American migrants.

Migrant organisations might also create microfinance projects in the framework of their development activities. If the MFIs work on the basis of migrants' donations this might, however, mean a lack of sustainability. The promotion of time deposits in microfinance rural banks in the Philippines by the "Economic Resource Center for Overseas Filipinos" (ERCOF) will serve here as an example for the pooling of savings serving an economic as well as a philanthropic rationale.

Time deposits in microfinance rural banks in the Philippines

ERCOF was founded in 1999 in Geneva and opened up its Philippine office in 2003. It has build up a network of focal organisations and persons in the Netherlands, Luxembourg, Belgium, Switzerland, Denmark, Singapore, Japan and Saudi Arabia. ERCOF seeks to support local economic development in the Philippines with migrants' investments and savings (www.ercof.org). After realising the difficulties related to their first idea of setting up an own migrant bank, they managed to get funding from Oxfam Novib in 2003 to find other financial mechanisms linking remittances to local economic development (Bagasao 2005a: 2). Their programme "Overseas Filipinos savings and investments in Microfinance Rural Banks" promotes migrant savings in time deposits of microfinance institutions. The time deposits are locked in for at least one year and interest rates range from 8,5% to 10% per annum.

In January and March 2004 two groups of five and eleven Overseas Filipinos in Luxembourg and the Netherlands opened time deposits at an overall amount of 6,900 Euro (equalling PHP 550,000 at that time) in the rural banks "Xavier Punla" and "Xavier Tibod". Engaged in microlending in Bukidnon and Misamis Oriental (Western Mindao), these microfinance banks were founded and are monitored by the private "Milamdec Foundation" based in Xavier University in Cagayan de Oro City, who has been active in providing financial services to farmers for 20 years.

The activity was promoted and led by ERCOF's focal person in Luxembourg and representatives from the foundation "Stichting Kapitbahayan" and the "Economic Resource Centre for Migrants and Overseas Employees" (ERCMOVE) in the Netherlands. All remittances charges were prepaid in Luxembourg and the Netherlands. In both cases the funds were sent collectively in order to save costs. They were transferred from one of the participant's bank account to a bank account of the respective rural bank at a commercial bank in the Philippines because of restrictions on the use of foreign currency accounts.[14]

[14] This changed in March 2006 when the Philippine Central Bank authorized rural banks fulfilling certain requirements to offer foreign currency deposit accounts (Wolf 2006: 1-2).

The deposits are regulated by the Central Bank and covered by the Philippine Deposit Insurance Corporation up to PHP 250,000 per single deposit. As this minimises the risks for savers it was one of the primary reasons why ERCOF chose to partner with rural banks. Even if the funds are transferred collectively, each individual saver receives a time deposit certificate from the Milamdec Foundation. As the funds are locked in for five years they are exempted from interest income tax. However, they may be withdrawn at any time with the interest rates then being lowered (Bagasao 2005b: 15, 28).

The interest rate is 8.5% annually. As MFIs are charged about 12% annually for credits from commercial banks, time deposits are cheaper sources for them to obtain funds. MFIs can then relend the money to micro-entrepreneurs. Opiniano (2005: 9) estimates that the migrants' deposits help to create at least 100 enterprises per year.[15] Term deposits are also a stable source of funding for the MFIs: because the funds are available for a set period of time they facilitate liquidity and gap management (Ledgerwood 1999: 166). However, a certain volume of time deposits is necessary to obtain a significant impact.

Following these first experiences, ERCOF presented its saving mechanism to Philippine migrants in five European cities. Their feedback showed the necessity to enlarge the number of banks with whom ERCOF cooperated because the migrants wanted their deposits to benefit a microfinance institution in their community. Therefore, ERCOF signed an agreement with the "Rural Bankers Association of the Philippines Inc." (RBAP) in 2006. It now acts as a main outreach agent for the 700 rural banks from which about 120 are involved in microfinance activities (Estopace 2006). This widened the possibility for migrants to invest in their own hometown as two-thirds of the migrant workers from the Philippines are originally from rural areas (Bagasao et al. 2004: 48). ERCOF and RBAP identified a first group of ten rural banks which will participate in the programme. Together with this core group they have recently started working on products and services that are tailor-made for migrants and their associations as well as on marketing strategies.

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[15] The precise effect on employment, however, still needs to be assessed. For an overview on the existing knowledge about the impact of microfinance on employment cf. Balkenhol 2006.

A Filipino cooperative in Brussels and an organisation in Luxembourg were expected to open new time deposits in 2007. However, the possibility to save at an MFI is still not widely known among Filipino migrants. ERCMOVE has therefore tried to raise awareness among senders in the Netherlands to save or invest in MFIs organising financial literacy classes and special information sessions about the time deposit scheme (www.ercmove.nl). ERCOF joined a campaign in the Philippines by the Central Bank promoting financial literacy regarding the use of remittances by receivers that started in 2006.[16] Further promotion seems nevertheless necessary.

Another reason why until today no new savings have been sent collectively for microfinance activities in the Philippines are reservations against rural banks among Filipino migrant workers due to past abuses and closures (Bagasao 2005b: 20). These problems are now being addressed through regulations of the Central Bank and regular trainings by the "Rural Bankers Association of the Philippines". ERCOF and its rural partner banks are aware of the problem and intend to meet the challenge through self-governance, benchmarking, transparency and prudent community banking practices. It remains to be seen if this will convince Filipino migrants.

Assessment of possibilities, challenges and constraints

Besides widening the net of partner MFIs, their professionalism is a key to make saving deposits in MFIs attractive to migrants. The safety of deposits is primordial. The institution must therefore have a good record of sound financial management and internal controls if the savings are directly deposited at the MFI.[17]

Through a MFI the funds are used by those who need them and are able to use them in a profitable way. Channelling collective remittances as savings to MFIs therefore corresponds to the priority needs of a community. Although it is still too early for a definite evaluation, the activity seems to fulfil Orozco's and Welle's (2005) criteria for effectiveness. ERCOF's activity can also be replicated if the aforementioned

16 ERCOF and the Philippine Central Bank are presently assessing the results of the financial literacy campaign with a view of enhancing and expanding the programme which has covered 20 cities all over the Philippines in the last two years.

17 For best practices and requirements for MFIs when dealing with saving products (enabling environment, institutional capacity of MFI and savings products offered) see Ledgerwood 1999: 155-168.

conditions are met. There are even different ways in which MFIs can gain access to savings of migrants. If they are restricted by a lack of legal authorisation to accept savings or savings in foreign currency, as it was the case for Philippine rural banks, the deposits can be saved in an account of the MFI in a bank. Alternatively, the MFI can try to obtain a full banking licence.

If the MFI is allowed to accept savings it might be able to offer remittances transfers itself. But before deciding to enter the market it has to consider factors like its market position, institutional capacity and regulations as the remittances market is highly competitive (for further considerations c.f. Isern/Donges/Smith 2006). If its own network seems not sufficient it can become member in a regional or international remittance network or seek an agency or partnership with banks or money transfer operators. It is again very important that migrants can trust the MFI for its remittances transfer offer to be successful.

5. Possible entry points for governments and social partners

Governments and social partners can foster all three types of migrants' collective activities, helping to raise their number and scope as well as their impact. Compulsive measures do not seem appropriate. Remittances are private money and migrants and their families have the right to spend them how they choose to. Furthermore, with rare exceptions like the case of South Korea, mandatory remittance requirements might just drive remittances into informal channels (Puri/Ritzema 1999: 19-20). Instead, governments can set incentives. Governments in countries of origin can lead different policies to keep their diaspora attached to the country of origin: they can acknowledge the importance of the diaspora through the establishment of an institution in charge of them, increase the outreach visiting them in countries of destination and establishing programmes for the maintenance of language and culture, make double citizenship available and grant the right to vote in national elections.[18]

Some governments need first and foremost to build trust or even overcome hostility with (parts of) their diaspora. Each diaspora and the dynamics of its interaction with the country of origin and its government are different. Migrant organisations can have political goals contradicting those of the governing party. On the other hand, the government in the country of origin might try to exert political influence on the organisations in the countries of destination or origin in order to limit or guide their actions. This usually provokes fragmentation within migrant communities with some supporting and others opposing the government's policy (Portes 1999: 468).

Receiving countries can also contribute to fostering migrants' collective transnational engagement. As migrant organisations are heterogeneous and have diverse goals structuring a dialogue with them is a challenge. It can lead to the establishment of national platforms (e.g. in the UK and France) or pass through decentralised cooperation (e.g. in Italy and Spain). "It seems that top-down designed and subsidised migrant platforms tend to have limited legitimacy amongst their supposed constituencies, but they are important in disseminating information and practices" (EC/ARS Progetti 2007: 15). Local authorities seem to be suitable actors in structuring the dialogue with migrant organisations but they need to take care of coordination with national policies and amongst themselves (ibid. 17).

There seems to be some evidence, that promoting migrants' collective transnational activities can be achieved through promoting the integration of migrant workers in their societies via regularisation of their legal status and a better integration into the labour market:[19] "In contrast to classical conceptions of migrant integration, the integration of migrants in receiving countries can not only coincide with but also even tends to amplify their involvement in the development of countries of origin. After all, successful and 'integrated' migrants generally also possess the attitudes, know-how,

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18 For the case of Morocco as an example of such a diaspora policy and its critical evaluation cf. Belguendouz 2006; Iskander 2006.

19 The debate about the relationship between transnational activities and integration into the host society is mainly led between representatives of assimilationism and transnationalism (cf. Bommes 2005; Morawska 2003).

rights and financial capacity for setting up enterprises, participating in public debates and establishing development projects in their regions and countries of origin" (de Haas 2006: 2; cf. also Baraulina et al. 2006).

Trade unions can also contribute to capacity building of migrant associations to further professionalise their work and help them strengthen their networks. Moreover, governments of receiving countries, in cooperation with countries of origin, could implement policies facilitating the movement between the country of origin and residence. They should at the same time avoid a hidden agenda of stimulating return migration instead of transnational engagement. Migrants will not be willing to cooperate anymore in this case, as the experience of France shows (de Haas 2006: 93).

Besides fostering transnational activities in general, governments and social partners in countries of origin and destination can offer special measures promoting each of the three types of collective engagement. In all cases it is not a question of activating the diaspora communities but of using their potential and ongoing activities. For instance, in Zacatecas the collective activities were in place before the programme "Tres por Uno" was established to multiply their impact (Moctezuma Longoria/Rodríguez Ramírez 2000: 65; cf. also Portes 1999: 466-467). Governments should avoid patronising migrant organisations. When promoting all types of migrant organisations' projects governments also need to take care to not neglect poorer areas with less migration and therefore less remittances and help through migrant organisations (Carling 2005: 49).

Migrant collective donations for income-generating development projects

Through co-funding governments and social partners can set an incentive for collective donations as well as increase their scope and impact. The farmer's unions of Catalonia, Valencia and Mallorca, for example, together with the foundation "Agricultores Solidarios" ("Farmers for Solidarity") and its "Development Programme", promote and support seasonal workers from Colombia, Morocco and Romania who wish to organise collective initiatives aiming at a social or productive impact in their communities of origin (ILO/IOM/OSCE 2006: 124). Employers can provide financial support to development projects in their employees' communities of origin, for example participating with one percentage of the migrant workers' wages in their company. There are banks or money transfer operators, like for example Raza Express, which match remittance transfers with a donation to a fund for community projects led by migrant organisations (Vertovec 2004: 48). NGOs like Oxfam Novib in the Netherlands co-fund income-generating development projects of migrant organisations in different countries like Somalia, Ghana or Burundi (www.oxfamnovib.nl).

Governments in origin or destination countries like the Philippines, Mexico, France or Germany run matching-funds-programmes. They focus above all on investments in infrastructure. If they are to fund income-generating projects too they need to take their different nature into account. If a programme is designed like the "Tres por Uno" in Mexico it seems important that the community as a whole benefits from a project and not only a small group. Unless specified from the beginning, this has created problems in the past showing the limits of the programme "Tres por Uno" to encompass productive projects (Goldring 1999: 80; Moctezuma 2006: 98). This is especially true if the income-generating project is closer to a collective investment than to a donation.

According to de Haas (2006: iii) such co-funding should be organised as an open tendering system linking up with existing initiatives rather than stipulating the kinds of projects to be funded. It should also be integrated into the regional or local economic development strategy in countries of origin. "Donor support for Diaspora activities is likely to succeed only when a common objective is shared by the donor, the Diaspora partner, and the recipient communities in the country of origin." (Newland/Patrick 2004: 30). Therefore, a true partnership needs to be established.

Migrant organisations often lack the resources and know-how to fulfil all the formal conditions to obtain funding for their projects. Governments as well as trade unions could offer trainings in project design and management as well as an exchange with successful organisations to help diaspora organisations professionalise and to further improve their projects' performance. One important aspect should be how to commercialize the products produced in the development projects. Furthermore, governments in countries of origin can offer customs exoneration for in-kind donations and help to avoid administrative problems for the organisations.

Migrant collective investments

A number of policies can help to promote migrants' collective investments, increase the efficient use of resources available and minimise the risk that migrants might lose their savings.

First of all, governments in origin or destination countries as well as employer organisations can help inform diaspora organisations about investment possibilities, e.g. through business forums. To help minimize the risks related to an investment they can promote adequate institutions that can facilitate market research and assist in the formulation of business plans, taking into account the respective local context. They should also offer business development trainings, avoiding to try turning all migrants into entrepreneurs as "the ability to identify and develop a project, as well as managerial skills needed to run a business, cannot be imparted only through a programme of class instruction" (Puri/Ritzema 1999: 25). Besides fostering non-financial business development services, governments in countries of origin, in cooperation with banks and donors, can also help improve the access to financial services for migrant entrepreneurs. Migrants should be included in the design of such programmes.

A stable macro-economic framework, improvements in the business and investment climate as well as fiscal incentives help to promote migrant entrepreneurship as well as investments in general. "Policies that implicitly target emigrants deserve special attention because they minimise the possible negative social effects of giving an already privileged group special treatment" (Carling 2005: 38). Instead of creating new structures for migrant investors it might therefore also be more advisable to make better use of existing institutions for investors in general. In Morocco, for example, the staff of the "Centres Régionaux d'Investissement", created to promote investments in general, could be trained to respond better to migrants' special needs.

Migrant collective savings in microfinance institutions

Tax incentives as well as a stable financial system contribute to making savings in countries of origin more attractive to migrants. In order to facilitate the collective sending of savings to MFIs, governments, donors and social partners can help the MFI sector in the country of origin to develop. The soundness of MFIs is important in order to guarantee the safety of deposits and make them an option for migrant organisations.

Governments in countries of origin, for example, can participate in the development of MFIs' institutional capacity setting the regulatory framework for trainings and promoting them. Central banks can establish regulations to avoid abuses. Under certain conditions, they could also change the regulations that prevent MFIs in general from entering the remittances market, accepting savings and offering foreign currency accounts.

Furthermore, increasing the financial literacy of migrant workers would promote sending remittances collectively or individually to MFIs. Trade unions in recipient countries could inform and advise migrant workers on remittance options (costs and risks of existing channels) and use (financial literacy in general), seeking cooperation with migrant organisations where possible. Employer organisations can support them in this endeavour. Trade unions are well placed to provide this information service being concerned for the migrant workers' wage and income situation. They also have substantial outreach at the work place, much more than other potential sources of financial literacy. Furthermore, the number of migrant workers as well as the number of migrant union members is increasing (for the U.S. cf. Velma Fan/Batalova 2007). Trade unions are also independent and neutral since they do not have a financial stake in the transfer business. For themselves, helping with remittances is a way to gain the trust of migrant communities. Trade unions in countries of origin can also engage in informing migrants before their departure about the different options to remit money from the country of destination and giving them financial orientation.

Figure 1: Typology of migrant associations' contributions to income-generating activities in their countries of origin

	Collective donations	Collective investments	Collective savings
Senders' motivations	• Philanthropy • Take part in community life • Respond to expectations/ Feeling of moral obligation • Enhance own standing in community of origin and diaspora • Greater scope of projects through collective instead of individual donations	• Profit/perception of diaspora members' advantages compared to non-diaspora investors • Create basis for return • Emotional attachment to regions of origin • Philanthropy • Respond to expectations/Feeling of moral obligation • Enhance own standing in community of origin and diaspora • Secure higher seed money and additional government/donor funds than individual investments	• Interest rates • Interesting saving products/strong representation of MFIs in rural areas • Philanthropy • Respond to expectations/ Feeling of moral obligation • Enhance own standing in community of origin and diaspora • Save transfer costs through collective transfer
Activities/ Possibilities	• Set up development projects (e.g. finance start-up materials; provide know-how; help with commercialization) • Integrate projects in concept of regional development • Secure additional funds from donors and governments	• Set up enterprises • Transfer of know-how • Bring higher seed money than individual investments • Secure additional funds from donors and governments	• Channel savings to microfinance institutions
Challenges/ Constraints	• Business and investment climate • Commercialization of products produced • Negative conditions in country of destination	• Business and investment climate • Commercialization of products produced • Dependence on migrants'	• Safety of deposits • Trust in financial system • Establishment of a wide net of partner MFIs

	(e.g. residence status, integration into labour market)	entrepreneurial knowledge • Negative conditions in country of destination (e.g. residence status, integration into labour market) • Risk of investment not always laid open • Integration of economic and philanthropic logic	• Possible lack of legal basis for MFIs for accepting savings as well as collecting and handling money transfers from abroad • Highly competitive remittances market
Support by governments and social partners	• Diaspora policy • Promotion of integration into host society • Capacity building for migrant organisations • Facilitation of movement between country of origin and destination • Improvement of business and investment climate • Matching-funds programmes • Customs exoneration for in-kind donations	• Diaspora policy • Promotion of integration into host society • Capacity building for migrant organisations • Facilitation of movement between country of origin and destination • Improvement of business and investment climate • Promotion of Business development services and financial services	• Diaspora policy • Promotion of integration into host society • Capacity building for migrant organisations • Facilitation of movement between country of origin and destination • Stable financial system • Tax incentives • Capacity building for MFIs • Reasonable regulations for MFIs • Financial literacy trainings for migrants

6. Concluding remarks

Migrant organisations contribute to income-generating activities in their countries of origin through collective donations, collective investments and collective savings. Each type of activity has its respective potentials, challenges and constraints. All three share a mixture of an economic with a philanthropic logic. Income-generating development projects financed through migrants' collective donations need to be economically profitable for the target group in order to be sustainable. There needs to be a demand for the products produced and the access to the market must be guaranteed. Collective investments need to take the often non-favourable business and investment climate in migrants' regions of origin into account as well and have to be profitable also for the investors. As not all migrants are able to successfully engage in an entrepreneurial activity, collective savings that are channelled to MFIs and then made available to local entrepreneurs might be a more viable alternative in this case. Migrant time deposits in MFIs seem promising if the safety of the deposited savings is secured but it is still too early for a final evaluation of the related potentials and risks.

Governments and social partners can support all three forms of activity but need to respect their respective logic and design activities and programmes accordingly (c.f. also Moctezuma Longoría/Rodríguez Ramírez 2000: 59). Besides, their activities must also take the characteristics of the migrants and their regions of origin into account. How remittances are used and in which way they can and will be employed for productive projects depends on the local context as remittances are shaped by local social processes, i.e. local actions, relationships and values (Iskander 2005b: 251). There can thus be no universal knowledge of how to use remittances for income-generating activities.

Against this background, an exchange of information and experience between migrant organisations, governments and donors seems of utmost importance. More evaluations of existing programmes and projects need to be made and shared. Systematic research needs to been done on the impact of migrant collective activities and the related public interventions, also looking closer at the type and quality of employment created.

The potential of collective remittances should not be overestimated as a panacea for employment generation and development. Migrants' engagement can not be a substitute for state or private direct investment. Moreover, for governments trying to foster these collective activities, interaction with migrant organisations can be difficult and the transactions costs are high: the organisations are dispersed across recipient countries and their activities are based on voluntary work, therefore reaching operational limits (Word Bank 2002: 17). Nevertheless, targeting migrants and their social networks and organisations, instead of the local households receiving remittances, might be a promising complementary approach in the attempt to increase the use of remittances for income-generating activities (World Bank 2002: 13). Their impact on the local level can be important, effectively complementing state and private direct investments.

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