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More Than Sending Money Home

The world-wide diaspora has a potential for jump-starting economies

By Peter Schneider

Call it the 'human face' of globalization. The role of millions of migrant workers who form global diasporas, remitting streams of hard currency to their home countries in the developing world, along with technologies and values, is a phenomenon whose potential is only now being tapped by researchers seeking avenues of improving the lives of the world's poor. The acceleration of travel, trade, telecommunications, and money transfers has created a new immigration reality, where workers can live and work for years in the United States and Canada while still remaining deeply connected to the lands of their birth.

While remittances are no substitute for foreign aid, and are not a preferred development model for a nation, they can be transformed, according to the most optimistic development scenarios. By progressively moving away from cash transfers to an account-to-account model, by 'banking the unbanked,' the diasporas who live and work in the North can better control their destiny, and seed the beginnings of sustainable enterprise in their home countries. However, issues of dependency, the absence of investment regimes that are accessible to the poor, and the gradually declining flows of money as migrant populations assimilate are all complicating factors which require further understanding and action.

Tucked away as a concurrent session held under the auspices of the "Unleashing Entrepreneurship" conference held in Ottawa last week at IDRC headquarters was a panel which revealed some of the important research that is just beginning to emerge in the area of studying diasporas and remittance flows in the Americas. Organized by Carlo Dade, a senior researcher at FOCAL, the Ottawa-based Canadian Foundation for the Americas, the 90-minute event featured presentations by three visiting experts: Fernando Jimenez-Ontiveros of the Inter-American Development Bank (IADB), Sandra Nichols from the California Institute for Rural Studies, and Patrice Backer, of a private firm, PromoCapital Haiti.

Each guest had a different case study to present, but common themes emerged quickly. The phenomenon of transnationalism -- communities whose members are dispersed geographically, but remain united by culture, and whose members share knowledge and resources, has long been neglected by economists and government policymakers. New inquiries are seeking to understand not only how money and ideas flow southward, but

how better to harness these enormous resource streams and use them more efficiently.

Sandra Nichols described how, from an original group of four men, there are now more than 1,000 migrant workers from the same village in Mexico working in the Napa Valley of California. Only 800 of the village's population still resides permanently in Mexico, receiving funds throughout the year from the workers up north. Although basic remittances cover essentials, such as food, clothing, and tuition, they also drive the local construction industry. Workers build elaborate 'dream homes' which sit abandoned for months or years, awaiting the return of their owners. Technology transfers, in the form of irrigation equipment and cultivation techniques, have allowed this semi-arid region to become a leading producer of peaches, based on skills and equipment sent home from Arizona and California. A labourer picking peaches in Mexico earns four times the minimum wage, Ms. Nichols noted. Numerous small businesses and industries are sustained by the flow of remittance money home, including the orchestras that specialize in playing at the elaborate birthday parties given to 15-year old girls.

The most pressing question in the case of Mexico is how to retain the remittance flows and lengthen the economic cycle, so that funds sent home remain in the community and fuel development, rather than being dispersed in a 'short cycle' and spent on imported goods.

Mr. Patrice Backer introduced himself at the IDRC panel by saying, "I'm not an academic, I'm a practitioner." A member of the Haitian diaspora who was born in Congo and who now lives in the United States, Mr. Backer had first-hand knowledge of how decades of brain drain has left Haiti dependent upon remittances. He said that money sent home to Haiti represented 28 per cent of the country's GDP in 2004, and amounted to more than \$1 billion US. As with all remittance flows, the exact financial numbers are a mystery, because much of the money sent home is hard cash; most of the recipients lack even basic savings accounts in which to deposit funds.

Mr. Backer described how remittance flows to Haiti paid for everything from rent to weddings and funerals, and said that the regional airline he once worked for had a staffed counter whose sole function was to process envelopes filled with cash en route to relatives back home. Through his investment group, PromoCapital Haiti, Mr. Backer is hoping for changes to financial rules governing investment, with the aim of leveraging the financial resources of the diaspora to secure financing for new home construction in Haiti.

Fernando Jimenez-Ontiveros , who works for the Multilateral Investment Fund of the IADB, emphasized that more research needs to be done into remittances as a development tool. "We're learning by doing," he said. "We estimate that one-tenth of humankind is directly involved; 175 million people are supporting 500 million via remittances. It is puzzling how little research has been done."

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