

TOWARDS A COMMON FRAMEWORK FOR MONITORING MIGRANT ECONOMIC CONTRIBUTIONS TO DEVELOPMENT

PREVIEW OF A FORTHCOMING REPORT¹

INTRODUCTION

The global economic crisis caused by the COVID-19 pandemic has brought significant attention to migrant remittances and the potential impact of a projected decline in their volumes. It is important, however, to recognize that migrants contribute much more, both in financial and indirect ways, to their country of origin (CoO). Responses and policies that are being considered should cover all aspects of migrants' contributions, not only remittances.

One of the challenges for policymakers is to monitor the scope, forms and scales of diaspora contributions, to ensure that diaspora contributions to their CoOs receive proper recognition while creating further incentives and enabling conditions to reach economies of scale. With this in mind, the International Organization for Migration (IOM) solicited support from the DMA Global—a leading organization specialized in diaspora and remittances matters—to assess the existing data gap in this area, and develop recommendations on creating a comprehensive yet tangible approach towards measuring and monitoring economic contributions of diaspora communities.

The resulting Guidance—to be released later this year—asserts that starting with an assessment of required changes to existing data collection frameworks and their receptive resources will inform evidence-based policymaking.

ISSUE

Remittances are not the only means by which diasporas contribute economically to their country of origin

In 2018, diasporas globally sent home an estimated USD554 billion in the form of remittances. At a global level, data is collected and published on both annual remittance flows and pricing for remittance transfers. Based on this data, many governments have subsequently focused on improving competition, reducing the cost of sending money, and leveraging these flows for other purposes, such as future remittance-flow securitization and broader financial inclusion.

However, diasporas contribute to the economy of their country of origin in a range of ways, above and beyond the remittances they send home. Their contributions can be both direct (financial) and indirect.

¹ Developed in collaboration with the DMA Global <http://www.global-dma.com/>

Indirect contributions include skills and knowledge transfer, return of talent, trade promotion, driving entrepreneurship and innovation and the contributions of returnee migrants.

Direct contributions from diasporas to their CoO include financial contributions, such as:

- Investment (e.g. portfolio, direct and real estate)
- Trade (e.g. goods and services)
- Tourism
- Philanthropy
- Employee compensation

Despite a number of governments developing policies and programmes to encourage some of these financial contributions, no identifiable country is currently measuring their diasporas' contribution in a regular, systematic, and integrated way.

No country could be identified that currently publishes data, on an annual basis, on the broader economic contributions of their diaspora.² As such there is no data for governments to understand the value of these broader contributions, or a referral for policy and monitoring engagement initiatives, as well as product and service development. A limited number of governments have surveyed their diaspora to provide insights into the use of remittances and other economic contributions. Despite these attempts, surveys are expensive due to the unreachability of diasporas in different countries, inconsistent periodic accounts, and sample sizes that are oftentimes too small.

On an annual basis, governments collect and publish data on inward flows categorized by foreign investments, remittances, employee compensations, trade and tourism which could be adjusted to fill this gap. The aim of the research is to identify and utilize existing data collection frameworks currently implemented by national authorities, and compiled by global organizations, to produce data on diaspora financial contributions on a periodic basis to better understand and measure the economic contributions of diaspora to their CoO.

Achieving this directly contributes to UN Member States' efforts towards realization of the 2030 Agenda for Sustainable Development adopted by all UN Member States in 2015, such as target 17.18, which calls upon states to make available data disaggregated by migratory status. Complementary to the above, this exercise aligns with objectives 1 (data) and 19 (migrant contributions) of the Global Compact for Safe, Orderly and Regular Migration adopted by UN Member States in 2018 as a framework to define well managed migration, consistent with target 10.7 of the 2030 Agenda.

MAIN FINDING

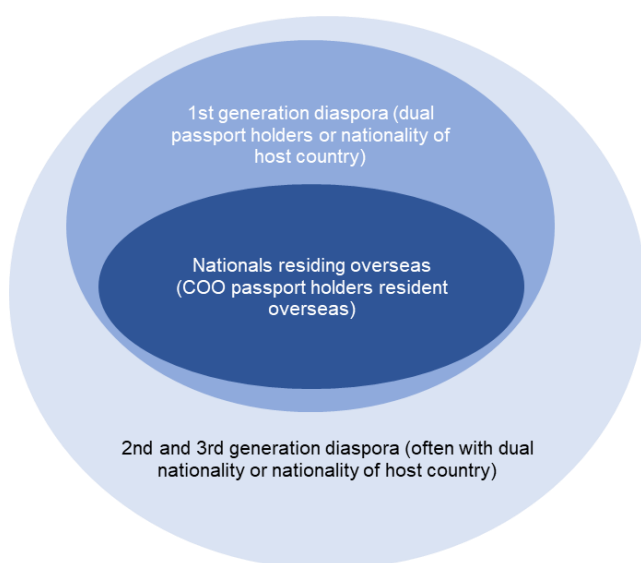
There exist potential solutions for measuring the economic contribution of diasporas, but they will take concerted efforts among different stakeholders and levels of government to implement

Facilitating governments in their data collection methods will enable them to make informed policy decisions and monitor changes over time. From this research, recommendations and guidance have been produced on how existing data collection can be modified to include information on diaspora contributions at a country level and beyond.

² Some countries publish in specific areas. For example, Morocco publishes data on the tourism receipts made by nationals residing overseas within their Balance of Payments Report.

Data collection on diaspora economic contributions to their home country, beyond surveying them directly, requires a measured and coordinated approach. Making changes to national data collection methods and the content collected takes a concerted effort, across multiple stakeholders. Governments need to balance the trade-off between accuracy and quality of the data, and the capacity and resources required to collect it.

Available data on direct diaspora contributions to their CoO are collected by each country on an annual basis for their national accounts, the balance of payments reporting requirements, and for reporting on the international investment position. From a technical perspective, it is possible to amend international guidelines on methods for collecting data on 'non-resident' activities in the CoO. Doing so would allow policymakers to determine whether the sending party is (a) either a member of the diaspora or (b) a national residing overseas. Nationals that are residing overseas are a subset of the diaspora, and therefore, this would capture a proportion of the diaspora's economic contribution.



There are amendments to existing data collection methodologies that can be made to produce a baseline on the direct financial contributions of the diaspora over time. Each country will need to review their existing data collection methods to make amendments and implement these changes. Changes will include new questions added to surveys, additional data required when registering new businesses, adding codes to international transaction reporting systems (ITRS) and bank reporting, as well as additional activities including mapping diaspora firms, and most importantly, aggregating all the information

together to produce a meaningful snapshot of diaspora economic activity.

Collecting data on the economic contributions of the diaspora will need to be done primarily by the government of the CoO. Understandably, CoO governments benefit the most from knowing the economic contribution of their diaspora, and thus have an incentive to change data collection methods in order to assess that information.

On a practical level there are several challenges that are associated with making these changes, namely:

- Without self-identification by an individual, it is challenging to correctly identify diaspora members. Using nationality and residence, which are often available, will only reveal a subset of the whole population.
- Only a proportion of contributions are made by individuals, and other contributions are made through companies that are owned by a diaspora in their country of residence.
- It is much more challenging to determine, using existing statistical methodologies and without significantly increasing the burden in reporting, whether a firm is diaspora-owned or not (especially given the complexity of corporate structures), compared to individual ownership.

Coordination and political will are integral for the outcome of measuring the economic contributions of the diaspora to the home country. At a country level, there are several different ministries, departments and research methods that are used in compiling data for national accounts and balance of payments. Data is collected from multiple sources and cross-referenced to improve the accuracy of results. As the economic contributions of diaspora to their CoO span multiple different channels (e.g. imports, investment, tourism, etc.), sectors (e.g. real estate, industry, agriculture, etc.) and a range of different data collection methods (e.g. surveys, ITRS, and registers), it will be necessary to coordinate across ministries, departments and the private sector, and data collection frameworks to pull this information together. A top-down, coordinated approach with political support is required to ensure that due consideration, planning and the required resources are dedicated to the process.

Each country will require an individual plan. Based on the current data collection context in the country, a tailored implementation plan can be developed to identify data collection goals based on national priorities, and a phased approach that builds on initial success to reach the final goal. This phased approach would take into consideration the resources and changes required across multiple departments and ministries. Due care will have to be exercised in compiling the data to avoid double counting with existing remittance data.

A SOLUTION : A GUIDANCE HAS BEEN DEVELOPED TO HELP GOVERNMENTS ADDRESS THIS CHALLENGE

New Guidance developed on how a country can use its existing national data collection frameworks to measure the broader contributions of its diaspora economically to the CoO

A Guidance, to be released later this year, has been developed to address this data gap and proposes strategic and coordinated approach to governments interested in **measuring the economic contributions of diaspora to their CoO**. Data generated from this exercise can then be utilized for precise policy and programmatic interventions relating to diaspora economic contributions. The Guidance identifies existing data collection frameworks currently implemented by national authorities and compiled by global organizations that could be adjusted to allow countries to collate and produce data on their diaspora's economic contributions on a periodic basis. The Guidance suggests a phased approach, based on the number of different frameworks that will be reviewed to discern the changes needed to build up a complete dataset. Phasing will be determined according to national priorities, low-hanging fruit, an existing data collection review roadmap, and available resources.

The forthcoming Guidance provides users with a structured approach to understanding **existing data collection frameworks**. For example, in compiling national accounts and how they can be modified to isolate the foreign capital inflows through investment, trade or tourism, that are being made by the diaspora. The Guidance provides suggestions on what changes could be made in different scenarios with their respective costs and benefits and is reinforced by case-study examples. Additional activities will need to be undertaken, including mapping diaspora firms and, most importantly, drawing all the information together.

For example, Egypt is case study as that has recently undertaken a review of their foreign direct investment data collection methods. In Egypt, all new businesses and any business expansion must be registered with the General Authority for Investment and Free Zones (GAFI). It is now mandated through GAFI that all businesses with foreign shareholders must complete a survey periodically providing information for statistical purposes and will be fined for not submitting. In the new GAFI survey, the country of residency and the nationality of shareholders is captured, which will allow GAFI to gather insights into the contributions made by nationals residing overseas.

In this way, a phased approach to the required changes can be adopted to minimize capacity and resource requirements. Phasing the data collection will likely be an important aspect of collecting data on diaspora economic contributions, given the variety of ways the diaspora contributes economically, and the multitude of data collection methods used.

CONCLUSION

Identifying low hanging-fruit and integrating proposed changes to existing plans to update or modify data collection (e.g. Balance of Payments or national accounts), and also identifying priorities within the country, such as tourism or investment, would be a valuable exercise.

Without data, various policies, initiatives, products and programmes aimed at the diaspora, may be ill-informed. There will be no data to measure and monitor the impact, or success, of initiatives over time. Conversely, making the necessary changes and putting in place measures now that will allow relevant national statistics to be disaggregated according to the contributions made by the diaspora will underpin the development of future policies and programmes. Once implemented and operational, this process will integrate data on diaspora economic activity into national reporting frameworks, providing stakeholders with periodic updates and valuable insights for monitoring changes and measuring patterns over time to inform policy and programmes.

Ultimately, working with the Guidance can lead to better data, leading to more informed and relevant policies for increasing and attracting diaspora economic contributions to their countries of origin.

Watch the related video [HERE](#).

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