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Mobilizing Development-friendly Investments and Entrepreneurship by Overseas Migrants

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Introduction

There is a growing interest among policy-makers and researchers in overseas migrants as savers and potential investors to contribute to the economic development of their countries of origin. The conclusions are varied from being cautious bordering to very optimistic. The recent study conducted by the World Bank (2011) as to the amount of savings of migrants that it is possible to promote diaspora bonds is truly awesome. But there is a gap between theory and reality.

This paper talks about migrant investments and entrepreneurship, and the efforts and issues related to these resources from overseas migrants. It is hoped that such experiences on migrant investment and entrepreneurship will encourage policy makers to respond to such opportunities and address constraints that can hamper the flourishing of migrant investments and entrepreneurship.

The migrant mindset about investments and entrepreneurship

What do we mean by “investments” in the first place? Would these include investments to children’s education, property acquisition, capital for a start-up business or capital to scale-up existing enterprises back home which already had been running before they migrated abroad? Who are the potential migrant investors?

How do different categories of migrants regard 'investments'? The Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD-MRI) is a top microfinance institution from the Philippines which has opened an outreach program for migrant workers in Hong Kong by conducting financial literacy. During financial literacy workshops attended by domestic workers in Hong Kong, CARD-MRI learned from participants that their wages are just enough to provide for the ”needs” of their families —paying debts and saving money for children's college education, or acquiring a property and other source of livelihood.

They also found out that although many families of participants tend to be better off than the average non-migrant family, they are not attracted to long-term financial investments such as diaspora bonds and other sophisticated financial instruments such as securities and mutual funds. They are more interested on straightforward savings such as time deposits and livelihood activities —investments that they can control and manage directly.

Migrants as potential individual investors both in their home and host countries are not really extraordinary or distinctly unique. There are many ethnic enclaves in host countries where entrepreneurial migrants conduct businesses and this has been going on for a long time. You can see many Filipino migrant entrepreneurs in Lucky Plaza in Singapore and Worldwide House in Hong Kong, or the Chinatowns in Toronto and San Francisco. In every large city you can find these ethnic enclaves full of shops and restaurants run and managed by migrant entrepreneurs. In these market niches, migrants are dealing with products and services that respond to the needs and wants of migrant communities such as selling of nostalgic products, money transfers, travel agencies, personal items shipping services, mobile phones and cards, employment placement agencies and many others. Sundays are a beehive, for example, of entrepreneurial activities for Filipinos in Hong Kong—whether formal or informal enterprises (the latter like selling ready-to-wear clothes), or rendering services such as cleaning other apartments part time (although this is not legal).

Why do these migrants want to be entrepreneurs whether in their home or in the host countries? They want to be independent, to be their own boss, to have extra income sources, gain work experience in the host country through entrepreneurship, or become flexible or make a career out of entrepreneurship (Peter Nijkamp, Mediha Sahin and Tuzin Baycan-Levent, 2009).

In their home countries, migrants' presence is visible through better homes and small-and medium-sized enterprises (e.g. running grocery stores, transportation services, or lending). It is typical for anyone who earns money to aspire earning more in order to make both ends meet and better yet, to improve their standard of living. Domestic helpers in Hong Kong, for example, receive US$450 as monthly salary —and many of them say they just keep a small amount for their personal use and the large sum is remitted home for their families' food and education. They also invest on their farms but many of these migrant workers in Hong Kong come from typhoon-prone areas in the Philippines. Most of time, their crops are destroyed that they do not see any improvements of their farms. Conducting financial literacy is not easy for this group as they believe there is no money left to save.

Investment desire and the capacity to invest are two different things. Migrants who are potential entrepreneurs, savers and investors, seldom have access to good opportunities, mainly because they are overseas. They rely for business knowledge on networks, mostly relatives and close friends which more often than not are flawed. Thousands of cases of migrants investing on business run and managed by families failed because the families lack skills in running businesses. There is no viable system in both public and private sector that could give reliable information on enterprises and investment opportunities.

What stands out more among migrants and why they are attracted towards "investing" is their motivation to achieve something tangible for a better, more secure future for themselves and their loves ones, and as a way of compensating for their absence from loved ones and for taking risks. It is also about coping with social expectations —that they must "succeed" because they have gone to work abroad.

But not all migrants, or for that matter, the general public, can be entrepreneurs. However, they can all be savers and investors, which are a totally different breed than the former. Those who have been entrepreneurial before migrating are more likely to engage in business upon their return or even setup their businesses while they are abroad. Migrants who are more inclined to engage in entrepreneurship and investments are those who are already settled and have disposable amount that they can part away for an indefinite period of time. They are usually highly paid professionals and who have no longer financial obligations to support their families back home, and they are usually working in high income countries such as Canada, United States and Western Europe. A large number of migrant workers receive minimum salaries from US$ 150 – US$ 450 dollars. Since migrant workers usually finance their own migration, they usually spend the first two years or more of their salaries in paying back the debts they incurred while meeting the basic needs of their families. Some migrants incur additional debts as they start financing other family projects such as renovating homes, buying appliances, or starting a small business which only a small percentage succeed so in the process, they end up using their regular salaries as collaterals leaving them almost nothing for future savings and investments.

Migrants have varied needs and wants depending on the financial condition of their families. Aside from paying debts and providing food and education, many of them want to save funds to buy appliances, holidays to visit their families, and build their home. Education can take several years before a child finally finishes college. A large number of migrant workers could not even save for their retirement age. Some manage to save but this money serves as a buffer in case of emergencies such as health concerns of family members, tuition and fees of children, among others. Long-term investment will not be the preferred option of these overseas migrants under such circumstances. Hence, although it is there fervent hope to engage in business in preparation for their reintegration, long-term investments like diaspora bonds and securities are least of migrants' concerns. They want to invest on something which has shorter returns of investments. This makes Diaspora bonds difficult to market as they are typically long-dated securities and can only be redeemed upon maturity and long-term in nature. However, some migrants who are in a better financial position, or who may be financially literate, would be interested in diaspora bonds. So there is a need to identify target groups and see to it that they are offered products and services that respond to their needs and financial capabilities.

Savers and investors usually look for the following factors: return on investment, reliability of investment areas (including guarantees), and the ease by which the investments are made. Entrepreneurs, aside from patience and perseverance, can also usually sense or spot an opportunity when they see it, and have a higher risk of tolerance than the ordinary saver or investor, who is more conscious of sure return of investments.

What are the obstacles/barriers for migrants to engage in entrepreneurship? First, the cultural and behavioral factors where migrants feel that their first and foremost obligation is to provide a better life for their families back home. This practice has a positive and negative impact on their capacity. This expectation plays a positive impetus in their drive to save and invest. However, the absence of a realistic assessment of entrepreneurial capabilities and the level of financial knowledge of the migrants and their dependents back home could produce unrealistic demands and expectations —and, therefore, negative outcomes such as indebtedness, stress and health concerns.

A second obstacle is the lack of incentives, technical support system (in the form of education, infrastructure and programs) that could be easily established by the government of sending and receiving countries and from the private sector benefiting from businesses generated by migration. Whether it's an enterprise, savings or investments, it is critical that there is a conducive or suitable business environment where enterprises, savings and investments flourish. The development potential of overseas migration in the origin country, for example, can happen if the local economic environment to hopefully make investments conducive is absent (J. Edward Taylor et. al, 1996). But now given this public knowledge about the development potential of overseas migrants, are migrants' origin communities ready to provide that conducive economic environment so that migrant and non-migrant investors can come in (Jeremaiah Opiniano, 2011)?

In the case of the enterprise, the challenges have to do with the ease of doing business, good governance, and the predictability of regulatory policies, peace and order also in some areas. Hence, the challenges apply not only to reintegrating migrants, but likewise to both foreign and domestic investors—the latter including non-overseas migrants.

A third obstacle is not enough capital/savings by these migrant entrepreneurs due to competing family needs, as well as their lack of access to financing (e.g. credit) given limited or absent regulation of financing packages targeted at migrants.

The fourth obstacle is the reactive approach of the government towards migration and development in general, attributable perhaps to a systemic lack of a comprehensive and integrated strategic approach to its labor export program. Having said this reactionary approach, governments of migrant-sending countries do not know how to strategize and systematize the harnessing of migrants' savings and investible funds.

Possible development-friendly investments and entrepreneurial activities for overseas migrants and migrant families

- Businesses in line with ensuring food security (e.g. agriculture, aquaculture, cattle, poultry production, organic farming since more and more people are becoming health conscious);
- Community-based enterprises in line with climate change adaptation (e.g. renewable energy sources, biogas energy production, electric tricycles/jeepneys, etc.)
- Businesses in line with providing affordable and sustainable housing (e.g. apartment rentals)
- Bed-and-breakfast/Inns, dormitories, resorts, reception venues, restaurants
- A good migrant-led/owned recruitment agency that does not charge placement fees;
- A migrant-tailored travel agency;
- A remittance business that considers the remittance-related concerns of overseas migrants;
- Distribution business in local communities (i.e. to cut down the middle man who gets most of the profits and therefore deliver goods to consumers at cheaper prices and help local suppliers at the same time to market their products);
- Transportation business; and
- Mobile hospitals

Limited financial knowledge for remittance senders and receivers is a fifth constraint, and ample financial education important for people to make informed business and investment decisions. A comprehensive financial literacy program is needed that includes examining and changing values and behaviors and backed up by solid institutional follow-ups to support their investment plans for themselves and their families back home. Most migrants do not have adequate knowledge and expertise in certain business areas e.g. making feasibility studies. It is helpful if they receive training/information on entrepreneurship and how to start a business. A space is also needed to incubate migrant business and bring them to another level with business development support, networks, value chain network etc. Financial knowledge goes with it how migrants and migrant entrepreneurs respond to currency fluctuations. The weakening of the US dollar and of other currencies, on the one hand and the strengthening of local currencies on the other are creating a significant dent on the net earnings of migrants in these countries.

Finally, one major constraint which prevents migrants to invest or engage in entrepreneurial activities is how to manage these investments and enterprises while they are still working abroad. Many migrant-funded investments and entrepreneurial activities failed or went bankrupt because migrants could not closely monitor their business which is being managed by friend or a family member. Becoming a franchise holder can be one option for migrants than starting its own business because franchiser provides management and technical support including quality control and financial management. Some even believe that the migrant abroad wanting to engage in business must come home for good and manage the business himself or herself. Others, though, think, that the reason why working abroad cannot be set aside is because earnings from overseas work are higher than the earnings from entrepreneurship in the home country.

Existing initiatives

There are efforts by development-oriented financial institutions and civil society organizations to harness overseas migrants' remittances for investment and entrepreneurship —all in consideration of the conditions of overseas migrants (including when they are outside of the Philippines).

Microfinance. The International Network of Alternative Financial Institutions (INAFI) International and Oxfam Novib are implementing a project, financed by the European Commission, to achieve financial access for migrants and families, and enhance money transfer competition by providing knowledge, technical assistance, and building partnerships to and with immigrant associations in Europe, microfinance institutions in Africa and money transfer operators. INAFI has also secured funding from the International Fund for Agricultural Development (IFAD), under its Financing Facility for Remittances FFR), to start with the implementation of a "user-owned, low-cost remittance service" that covers the Spain-Senegal migration and remittance corridor. This low-cost service will: i) provide an alternative to the current cash-to-cash dominated remittance services; ii) increase financial literacy among remittance senders and recipients; and iii) link remittances to microfinance services allowing access to bank accounts, savings, credit services and innovative remittance-based products and services. Initially, the service will target the Spain-Senegal corridor involving two microfinance institutions (MFI) from Senegal (FDEA and U-IMCEC) that are INAFI members. Once the expected results are achieved, the service could easily be rolled out to other countries.

The Philippine-based MFI Alalay sa Kaunlaran, Inc. (ASKI), since July 22, 2010, launched its international operations through the ASKI Global Ltd. This is another milestone not only for ASKI but for the microfinance industry, in general. While Philippine MFIs are transforming into banks, training/educational institutions, mutual benefit associations (micro insurance companies), foundations, social development organizations and the like, ASKI is creating a new transformation model. ASKI's setting up of an office in Singapore to provide microfinance services to Filipino domestic workers is a response towards financial inclusion since overseas Filipino workers (OFWs) who are in less-skilled occupations abroad are excluded from many non-financial activities (e.g. training on value formation, business development, social leadership). Migrants' absence in their home country also excludes them from the existing services of MFIs. However, their remittances from abroad become a source of payment for migrant families' loans, especially for businesses which cannot be sustained over a long-term period. This conceptual framework led ASKI to take one big, bold step to serve the underserved.[1]

Another microfinance institution doing a similar approach is CARD-MRI, the Philippines' largest microfinance institution that has served 1,418,889 clients as of end-2010[2]. CARD-MRI set up an

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[1] http://www.bwtp.org/news/?p=297 accessed on August 31, 2011
[2] http://aimp.apec.org/Documents/2011/GFPN/WKSP1/11_gfpn_wksp1_009.pdf

office in Hong Kong and provides microfinance services to domestic workers such as financial literacy seminars, small loans, and savings and investment products

Entrepreneurship by returned overseas migrants. In Mexico, the *El Migrante* mescal distillery is a migrant productive project of 21 migrants from Zacatecas who worked as gardeners, waiters, bakers, in the construction industry, as well as picking cotton and tomatoes in California, Texas and Illinois states in the US. With their savings, the 21 migrants decided to start a mescal distillery in southeastern Zacatecas. They pooled their personal savings and invested in mescal distillery in southeastern Zacatecas (Mescal is a colorless spirit distilled from the juice and pulp of the agave plant). The product is marketed to the United States where there is a large Mexican community. Another group invested in the building of the first luxurious hotel —the Quenta Real— in the state while others put their money into food processing businesses (e.g. dried chili, tortillas, nopal, and marmalades, to name a few). What is interesting is the fact that while the local entrepreneurs are doing business in Zacatecas, some members of the Zacatecan Federation (a hometown association of overseas migrants) are opening markets in the United States for the homegrown products, taking advantage of the insatiable cravings of their compatriots for food back home. This is an example of nostalgic trade.

Investments in social enterprises in the home country. Such examples are found in the Philippines. For example, a dairy cooperative, the DVF Dairy Farm (in Nueva Ecija province, north of Manila), encouraged interested individuals, overseas Filipinos, NGOs, or corporations to invest in dairy business as a passive investment and/or for retirement purposes or as an entrepreneurial undertaking. DVF Dairy with its wide range of market outlets and dealership network is committed to buy all the milk produce of the dairy farmers under the program.

A nonprofit organization, the Economic Resource Center for Overseas Filipinos (ERCOF), linked DVF Dairy Farm to potential migrant entrepreneurs for this pilot dairy investment program. For buying one cow, a farmer from Nueva Ecija will manage the cow and the milk it will produce. Milk produce is then processed by DVF Dairy Farms, leading to producing milk and cheese products that are sold to department stores and coffee shops in urban Philippine centers. Milk proceeds are split into half between the migrant investor and the farmer, while offspring from the cow goes to the farmer first and then to the migrant investor next. While some overseas Filipinos invested in the pilot dairy investment program, the initiative is a response to help bolster the Philippine dairy industry since a big majority of milk comes from multi-national corporations.

What do migrants need before they can engage in entrepreneurial activities both in host and home countries?

- Avail of training/education on entrepreneurship
- Networking
- Receive support from relevant government agencies
- Financial access through microfinance or bank loans
- Secure substantial savings for capital investment
- Learn financial management, marketing and risk management techniques

Another NGO, Atikha Overseas Workers and Communities Initiative, collaborated with the migrant group Filipino Women's Council in Italy to lure Filipinos there to invest in an agricultural social enterprise. This social enterprise, an egg layer farm, is being run by the Philippines' largest agricultural cooperative: Sorosoro Ibaba Development Cooperative (SIDC) in Batangas province (south of Manila). Atikha assists in packaging and linking migrants' savings and investments with successful agri-based cooperatives and other social enterprises. Atikha then linked up with another cooperative, Cavite Farmers Feed Milling and Marketing cooperative (CAFFMACO), the number one cooperative in Cavite province (also south of Manila but north of Batangas), to find other investors. This project of Atikha to link migrants to agriculture-based cooperatives is supported by International Fund for Agricultural Development (IFAD)[3].

***Directing remittances to rural enterprise development**.* In the United Kingdom, a project that is ongoing is called RemitPlus™ which aimed to help improve livelihoods in Africa by using remittances and migrant capital to promote rural and enterprise development through improvements in the performance of new and existing businesses. The project, launched in 2009, is being piloted in Sierra Leone. After project evaluation in 2011, the scheme will be replicated in other African countries. AFFORD, a diaspora development charity with offices in the United Kingdom and Sierra Leone, is implementing RemitPlus™ in partnership with Afro International Ltd Inc (a money transfer organization), FADUGU (another money transfer organization) and FinanceSalone (Sierra Leone's largest microfinance institution). The project is co-funded by IFAD. AFFORD will then develop an investment package based on "Collective Remittances" (meaning pooled money from overseas mnigrants). Through partnership with Finance Salone and other Financial Institutions, Home Town Associations, Alumni Associations, Community-Based Organisations will have the opportunity to invest in local businesses in different parts of Sierra Leone.[4]

***Entrepreneurship-related interventions to overseas migrants in the host country**.* Given the scale of Filipino domestic workers in Hong Kong (about 140,000-plus, predominantly female), a federation of migrant workers' organizations called the Philippine Alliance Hong Kong (PhilAlliance) created a committee called the Savings, Microfinance, Investments, Livelihood, Entrepreneurship, and Shelter/Housing (SMILES) Committee. Targeted in this program are members of Philippine Alliance, a confederation consisting of 108 registered Filipino hometown associations (HTAs) and confederations based in Hong Kong with approximately 2,000 individual members. Philippine Alliance just organized the first Filipino Franchising Fair in Hong Kong in cooperation with the Association of Filipino Franchisers, Inc. (AFFI). Eleven franchise operators from Manila came to Hong Kong and presented their respective businesses to

[3] ATIKHA, in http://www.atikha.org/projects/ifad/mobilizing-migrant-resources-towards-agri-based-cooperatives-in-the-philippines.html accessed August 31, 2011.

[4] Remit Plus http://www.remitplus.org/index.php?option=com_content&view=article&id=2&Itemid=2 accessed August 31, 2011.

migrant workers in various workshops and answered questions as to how migrant workers can start their own business including how to secure startup capital.

Concluding statements

While there are many barriers for overseas migrants to engage in entrepreneurial and investment activities, they are also a sure way for them to secure their financial future, become economically empowered, and eventually contribute to the development of their countries of origin. By investing, money can grow much faster than savings.

Governments both of sending and receiving countries, private sector, development agencies, and migrants themselves should make use of these opportunities to maximize the development potentials of migration such as:

1. The increasing attention being given to the migration-development nexus by states and civil societies, including linking migrants' savings and investible funds and entrepreneurial aspirations to local development;
2. The well-informed initiatives by the private sector and civil society to tap on migrants' savings and potentials as investors and entrepreneurs;
3. The microfinance institutions, banks, and other financial institutions that are now interested to provide financial services to migrants; and
4. The increasing awareness among migrants to save and invest as a result of financial literacy activities for them.

The main challenges are economic and political crises in receiving countries expose the chronic short-sightedness and lack of sustainability of labor migration programs of governments but more on the part of sending countries. The urgency of addressing options for migrants at risk of being repatriated and how they can be absorbed back in the mainstream of local employment and livelihood programs is on the spotlight of governments' recent initiatives.

Since the issue is about entrepreneurship and investment, the investment and business climate will come into play. The magnet for these overseas migrants to engage in investment and entrepreneurship is the conducive economic environment where these resources to come in — especially since money goes to arenas that can make them efficient and grow multifold. Discussing the migration-development nexus, in general (to include migrant entrepreneurship and investment as a particular area of migration and development), migrants' destination countries have not only attracted skills and labor but also the savings and investible resources of migrants while they are in host countries. Thus saying, the origin countries of migrants have their work cut out to improve their economies so that overseas migrants' economic resources — or even their skills and knowledge acquired abroad— are easily harnessed back home.

In the end, overseas migration is an individual / family decision, the engagement of the migrant and/or the migrant family into entrepreneurship and investment is important at their levels also. If these migrants and their families are given the ample investment and entrepreneurial pieces of information, we can only hope that they make sound judgments so that savings, investments, and entrepreneurial passions complement their being comfortable with overseas work.

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