Mobilizing the Middle East and North Africa Diaspora for Economic Integration and Entrepreneurship

Mariem Mezghenni Malouche
Sonia Plaza
Fanny Salsac

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Mariem Mezghenni Malouche, Senior Economist, World Bank Group

Mariem Mezghenni Malouche is a Senior Economist at the World Bank Group in Washington, DC. Her professional areas of interest include trade and competitiveness, economic integration, trade policy, non-tariff measures, export diversification, trade finance, and diaspora. She joined the World Bank in 2004 as an economist in the MENA region then in the World Bank International Trade Department. Before joining the Bank, Malouche earned a PhD in international economics from Université Paris-Dauphine, France, and a master degree in business from University of Tunis III with the highest honors. She is a co-author of Towards New Sources of Competitiveness in Bangladesh, Bangladesh Diagnostic Trade Integration Study (2016, three volumes); Streamlining Non-Tariff Measures: a Toolkit for Policy Makers (World Bank 2012); co-editor of Non-Tariff Measures - A Fresh Look at Trade Policy’s New Frontier; and co-editor of Trade Finance during the Great Trade Collapse (World Bank 2011). She also participated in and contributed to a number of country level policy dialogue, development policy loans and reports in MENA, South Asia and Africa Regions, notably in Morocco, Libya, Tunisia, Bangladesh, Kazakhstan, Mauritius, and Lao DPR.

Sonia Plaza, Senior Economist, World Bank Group

Sonia Plaza is a Senior Economist at the World Bank Group. She led a flagship on integration policies for migrants, diaspora, migration and remittances issues. She is currently the co-chair of the “thematic working group on diaspora” of the KNOMAD initiative (Global Knowledge Partnership on Migration and Development). Sonia has also worked on Science and Technology and private sector development projects in Latin America. She has worked in the Africa Region in the Chief Economist Office as well as in the Regional Integration team. She was a core member of the Africa’s Silk Road: China and India’s New Economic Frontier and wrote Chapter 5 on market information through ethnic networks and migration, skills transfer, regional trade agreements and bilateral agreements dealing with labor mobility. She is a co-editor of the book Diaspora for Development in Africa and lead author of the book Leveraging Migration for Africa: Remittances, Skills,
and Investments. She advises many governments and universities on transfer of skills and tapping into their diaspora. She acts as a focal point at the working level for the Bank’s activities and international partnerships on migration and development (Global Forum on Migration and Development, Global Migration Group, Global Remittances Working Group). Her expertise includes trade, private sector development, diaspora, technology, migration and remittances policies with a strong emphasis on policy design and implementation.

Sonia attended the University of Lima and earned a degree in Economics, after which she joined Chase Manhattan Bank, and was then invited to join the Peruvian Ministry of Trade as a manager responsible for counter trade and debt swap agreements. She negotiated Peruvian external debt and trade agreements. She taught International Economics at the Foreign Service School and at the University of Lima in Peru. She was also adjunct faculty (Microeconomics, Macroeconomics) at the American University, Washington D.C. She also has a dual degree from Yale University and the University of Pennsylvania in International Economics and Development. She is a research fellow of the IZA-Institute for the Study of Labor.

**Fanny Salsac, Consultant**

Fanny Salsac joined the World Bank Group in 2014 as a consultant in the Trade & Competitiveness Global Practice. She has a master degree in Economics from the École Normale Supérieure, France. She now works at Banque de France.
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CONECT</td>
<td>Confederation of Citizen Enterprises of Tunisia</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GCC</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>WBG</td>
<td>World Bank Group</td>
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Rationale

Why should governments and development partners mobilize the Middle East and North Africa (MENA) diaspora?

The MENA diaspora can be an important catalyst and partner for governments and development institutions to foster cooperation, development, globalization, regional integration, and entrepreneurship in the MENA region. Diaspora members, in particular professionals and skilled individuals, are a critical human capital asset for their home countries and the MENA region as a whole. According to official United Nations data, approximately 20 million MENA citizens live abroad, representing 5 percent of the population of the region, a much larger proportion than the world average (see annex for definition of diaspora). If only 1 percent of the MENA diaspora were mobilized, that would mean tapping into the expertise and network of 200,000 professionals, which is significant. The actions of a few could make a difference. The MENA region is one of the least-integrated regions in the world and has lackluster private sector investment and entrepreneurship and high unemployment (including among young graduates). MENA also has very low intraregional trade and attracts less foreign direct investment (FDI) than other regions.

Few MENA countries have considered tapping into their professional and skilled diasporas, and few mechanisms are in place to facilitate the broad role the diaspora can play. This paper aims to bring attention to this potential and advocates for the need to strengthen the connection with the diaspora of countries in the MENA region. This paper does not discuss the benefits of diaspora returnees or incentives offered to diaspora members to return to their home countries to invest, create jobs, or work in the government. It is rather about how to tap into members who live abroad and can help their countries of origin in ways other than sending remittances.
The MENA diaspora can transfer money and skills; enhance trade, investment, and business opportunities; improve the social contract; and help alleviate the refugee crisis. Traditionally, governments have considered emigration as a positive resource for home countries’ economies for three main reasons: (1) they reduce pressure on the domestic labor market in times of high unemployment; (2) they reduce poverty through money transfer, in some countries, financing infrastructure, hospitals, and the like; and (3) they facilitate transfer of knowledge and know-how from abroad. There is also empirical evidence of and historical examples that show the importance of diasporas in fostering entrepreneurship and helping develop export industries in home countries (Ghatak et al. 2009; Felbermayr and Toubal 2008; Morgenroth and O’Brien 2008; Dolman 2008; Tadesse and White 2011). Diaspora members are more likely than foreign investors to invest in home countries with weak business enforcement and poor governance because they tend to have more information on the business environment and local practices. In countries where the rule of law is uncertain—which includes most emerging markets—it may be harder to do business with foreigners. Personal ties make this easier. Diaspora members can also help create bridges to ease access to foreign markets and create business connections abroad.

Knowledge moves when people do. Beyond the visible financial flows that have been discussed in the media, the economic relevance of diasporas builds on the flow of knowledge. Diasporas are an important source of knowledge transfer. Ricardo Hausmann elaborates on this idea of know-how residing in people’s brains and advises developing countries to focus on attracting them, instead of erecting barriers to skilled immigration (Hausmann 2015). The speed of industrialization in East Asia has relied to a large extent on economically active Chinese communities abroad, likewise for India, whose high-tech industry has boomed thanks to sustained ties with Indian migrants and even people returning from diaspora.

Moreover, diaspora members can be a powerful engine of change and promotion of a new social contract because they often advocate for openness, competition, and better-quality democracy. Those living in democracies and in countries where the rule of law prevails tend to have higher standards and aspirations for their compatriots and family members at home. Under dictatorships, diasporas, like many other groups in civil society, are kept at arm’s length to avoid interference. Many members of the diaspora also turn their backs on their home countries, with many leaving to escape the lack of freedom at home and not particularly eager to remain engaged with their home countries, but the wave of freedom that has reached the
MENA countries since 2011 has encouraged many diaspora members to play an active role in this change process. The current transition in the region provides an opportunity for governments and development partners to engage with people in diaspora on the economic development agenda of their countries of origin. The MENA diaspora surveyed in the context of this activity expresses a relatively high level of mistrust toward institutions at home and calls for a new social contract between governments and their citizens living abroad.

Finally, the MENA diaspora is a gold mine because it can be an important catalyst for alleviating the refugee crisis that has recently intensified in the region. In his speech at the Global Diaspora Week Launch Event, U.S. Secretary of State Kerry mentioned instances in which the diaspora has been critical to responding to urgent humanitarian crises. For example, Syrian-American doctors from the Syrian American Medical Society have lent their time and talent to supporting clinics in the Za’atari camp in Jordan and are providing counseling and social services for women and children wherever possible in Syria. After the outbreak of Ebola, the Sierra Leone, Liberia, and Guinea diaspora community responded quickly by sending urgently needed medical supplies, food, and money and often by communicating with people directly to institute best practices and avoid spreading the disease (U.S. Department of State, October 9, 2015).

This paper advocates for the need to rally the MENA professional and skilled diaspora. It discusses the findings of a unique outreach exercise to the MENA diaspora and provides policy recommendations. First, the paper highlights the linkages between the diaspora and trade, investment, and knowledge transfer based on the literature and concrete examples. Second, it describes the outreach and the profile of the diaspora members surveyed. Third, it presents the main findings of the survey of the MENA diaspora in four areas: (i) overall engagement, (ii) appetite for investment, (iii) trade, and (iv) the role of institutions. The paper concludes with policy recommendations.
The MENA region can tap into a large pool of MENA citizens living abroad. The largest stock of emigrants in absolute terms, with well over a million, originates from Palestine, Egypt, Morocco, and Iraq in 2015 (figure 1A). In some countries, they represent a significant share of their population (e.g., Lebanon, Palestine). A broader definition of diaspora including second- and third-generation individuals would expand this number, especially in countries such as Lebanon, which reports a diaspora of 5 million.

In examining the effect of diaspora, the spotlight has been placed on emigrant remittances, which reached US$436 billion in 2014. The MENA diaspora sent home some US$53 billion of remittances in 2014, and countries such as Lebanon and Jordan had remittances of more than 10 percent of gross domestic product (GDP) (figure 1B), well in excess of what those countries spend on education, health care, and defense combined. The diaspora has been an important source of foreign exchange in developing countries and of sustenance for tens of millions of poor families.

**FIGURE 1A: A large number of MENA diaspora members in the world**

Source: United Nations Population Division database
Overall, it has been expected that remittances to the MENA region would grow over the next 3 years, albeit at a slower pace (World Bank 2015), although it is estimated that remittances declined by 0.9 percent in 2015. This downward revision is mainly because of a decline in the growth of remittances to Egypt, which receives the largest remittance inflows in the region; remittances to Saudi Arabia continued to grow by 7 percent until the third quarter of 2015. The estimated rise in remittances to Lebanon might partly be due to remittances routed to Syrian refugees in Lebanon, as well as positive economic developments in destination countries such as the United States. Inward remittances accounted for at least 5 percent of GDP in oil-importing MENA countries and Yemen in 2013. It is expected that remittances to the MENA region will grow only modestly in 2016 and 2017 and significantly more slowly than remittances to all other regions. Economic developments in the euro area and depreciation of the euro against the U.S. dollar will continue to slow remittance growth to Maghreb countries in the short term. Falling oil prices and nationalization policies in Saudi Arabia pose downside risks in the medium to long term to inward remittances to Mashreq countries (Yemen, Egypt, Jordan), who receive large remittance inflows from Gulf Cooperation Council (GCC) countries (Migration and Development Brief 26).

Important as they are, remittances are far too narrow a prism through which to view the effect of diaspora on development and alleviation of poverty in the countries of origin. Recent attention has shifted from analyzing the effect of skilled migration on labor markets in the country of origin to a broader agenda that also considers the channels by which diasporas promote trade, investment, innovation, and technological acquisition. Several developed and developing countries are increasing their
ties with their diaspora to take advantage of these transfers. Unlike a country that has a small, disconnected diaspora, a country that interacts closely with a large diaspora not only can rely on members’ help when times at home are hard (remittances, for example, tend to be a stable source of foreign exchange), but also may benefit from a multiplier effect in the form of increased trade and investment links when reforms succeed or times are good.

The recent and growing literature on diaspora provides considerable evidence that it plays an important role in international integration and fostering entrepreneurship (Ghatak et al. 2009; Felbermayr and Toubal 2008; Morgenroth and O’Brien 2008; Dolman 2008; Tadesse and White 2011). Diaspora members are more likely than foreign investors to invest in home countries with weak business enforcement and poor governance because they tend to have more information on the business environment and local practices. One study showed that a large diaspora is significantly associated with higher intensity of bilateral trade between the countries of origin and destination (figure 1C) and that the effect is much more pronounced in the case of trade in heterogeneous or differentiated products than in homogenous products such as primary commodities (Rauch and Trindade 2002). This suggests that links to the diaspora can help overcome the information asymmetries and nontariff barriers that are known to play a large role in inhibiting trade. Along similar lines, diaspora members are found to be significantly associated with more-intense international investment flows, especially bilateral FDI flows, than with portfolio flows (Leblang 2010). Moreover, numerous studies have identified a large diaspora as the single most important determinant of bilateral migration flows (Cuaresma et al. 2013), demonstrating the importance of networks in migration and their cumulative effect.

Numerous anecdotes that illustrate the importance of diaspora in helping develop export industries support the results of systematic empirical studies. The most important diaspora links in terms of their effect on international trade can be seen in the case of China, with its large expatriate communities throughout East Asia, the United States, and increasingly Africa and large parts of the developing world (Rauch and Trindade 2002). The Economist reports on a number of similar ventures (The Economist 2011, 2013, 2015). Nigerian expats buy many goods made at home. For example, they enjoy films produced in Nollywood and familiar packaged foods, including Maggi condiment cubes. The ones made in Nigeria contain fermented soya, which is reminiscent of Hausa cooking in the country’s north and are sold in British supermarkets (The Economist 2015).

**FIGURE 1C:** Migration and trade go hand in hand

![Migration and trade go hand in hand](image)

Source: Ratha and al (2011) and Hirschman and al (2009)
Diaspora members also serve as a bridge for foreigners who wish to do business in selected countries. A study by William Kerr and Fritz Foley (2012) showed that U.S. firms that employ many Chinese Americans find it much easier to set up operations in China without the need for a joint venture with a local firm. Hong Kong and Singapore, with their large concentrations of overseas Chinese, are the largest sources of FDI in China. Although most of these connections have arisen spontaneously, the Chinese government and state-owned enterprises have been playing an increasingly active role in recent years in building links to countries with large natural resources of interest to China. Whether the Chinese diaspora plays a significant role in forging these new links is unclear, but it is likely that the establishment of new concentrations of Chinese around the developing world will give rise to more trade and two-way FDI.

There are documented examples of the role that diasporas play in the development of particular industries in their country of origin, with or without the help of the government. The most often cited example is the development of the Indian information technology (IT) industry, now employing some 3.5 million and representing a large share of India’s exports, which has relied greatly on the two-way flow of talent, money, ideas, and contacts between Bangalore and the Indian diaspora in Silicon Valley and other technology corridors in the United States. A notable feature of the Indian IT industry’s development and of its diaspora links is the absence of any significant government involvement except for the public funding of prominent educational institutions such as the Indian Institute of Technology. In Taiwan, Morris Chang, a returning expatriate executive from the United States, is widely credited for the creation of the country’s semiconductor industry with systematic government support. Other examples in which the government played an active role include the development of the Korean wig industry, which owes much to the links of expatriate Koreans in the United States that government interventions encouraged.

Noland and Pack (2007) have analyzed whether Arab communities in North America and Europe can play a role similar to that of Asian diasporas in revitalizing the Middle East. They conclude that it will be difficult for Arab countries to compete with India, the Philippines, or China in terms of highly skilled labor with English language skills. The North American Arab community is small, mostly made up of Egyptians and Lebanese. Those in Western Europe have an edge given their proximity to countries of origin, but they tend to be less skilled. The MENA diaspora can still contribute by providing market opportunities, establishing collaboration between US, European companies and Middle East and Arab companies, providing mentoring opportunities, helping with strategic management and supplying information about standards, technology and quality that will help firms to compete in the global market (Plaza 2011). There are some examples in the MENA region that should be emulated. A recent large investment by Bombardier of Canada to produce aircraft parts in Morocco, which the government facilitated and encouraged, is said to owe much to the contacts that an expatriate Moroccan holding a job high in the hierarchy of Boeing established (Wall Street Journal 2012). Personal ties can make global business easier (box 1a).
The diaspora is an important source of knowledge transfer. Ricardo Hausmann elaborates on this idea of know-how residing in brains and advises developing countries to focus on attracting them instead of erecting barriers to skilled immigration. Knowledge moves when people do (Hausmann 2015). The rapid industrialization of East Asia has relied to a large extent on economically active Chinese communities abroad. Likewise for India, whose high-tech industry has boomed thanks to sustained ties with Indian migrants and even returning diaspora members. Diaspora members may also provide firms in their country of origin with access to technology and skills through professional associations, temporary assignments of skilled expatriates in countries of origin, distance teaching, and the return of emigrants with enhanced skills. Moreover, emigration raises the domestic skill level because the hope of getting a well-paying job with good working conditions abroad encourages citizens to enroll in professional schools.

The diaspora’s brainpower can also be measured through an indicator that compares the number of scientific and technical patents that emigrants and residents register.

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**Box 1A: Personal Ties Can Make Global Business Easier**

Chike Obidigbo runs a factory in Enugu, Nigeria, making soap and other household goods. He needs machines to churn palm oil and chemicals into soap, stamp it into bars, and package it in plastic. He buys Chinese equipment, he says, because although it is not as good as European equipment, it is much cheaper, but it is difficult for a Nigerian firm to do business in China. Mr. Obidigbo does not speak Chinese, and he cannot fly halfway around the world every time he wants to buy a new soap machine. Worse, if something goes wrong, neither the Chinese nor the Nigerian government is likely to be much help.

Nevertheless, Mr. Obidigbo’s firm, Hardis and Dromedas, manages quite well with the help of middlemen in the African diaspora. When he wants to inspect a machine he has seen on the Internet, he asks an agent from his tribe, the Igbo, who lives in China to go and look at it. He has met several such people at trade fairs. “When you hear people speaking Igbo outside Nigeria, you must go and greet them,” he laughs.

He trusts them partly because they are his ethnic kin but mostly because an Igbo middleman in Guangdong needs to maintain a good reputation. If a middleman cheats one Igbo, all the others who buy machinery in Guangdong will soon know about it. News travels fast on the diaspora grapevine.

Thanks in part to Mr. Obidigbo’s diaspora connections, Hardis and Dromedas is thriving. It employs 300 workers and sells approximately 300 million naira (US$2 million) worth of products each year, and it is just one of many African firms that use migrants as their eyes and ears in distant lands. The number of Africans living in China has exploded from hardly any two decades ago to tens of thousands today. One area of Guangzhou is now home to so many African traders that the locals call it Qiao-ke-li Cheng (Chocolate City).

Source: The Economist, 2011
According to this measure, Britain, Canada, China, Germany, and India have the most-talented diaspora, although migrants from African countries such as Ghana and Nigeria are the most accomplished in relation to their home populations. Between 2007 and 2012, expatriates registered more than nine-tenths of patents that people born in those countries filed. In MENA, emigrants are responsible for most patents that MENA citizens file. For example, in Morocco, the diaspora was at the origin of approximately three-quarters of the 844 patents recorded between 2001 and 2010, compared with 80 percent in Tunisia (out of a total of 743 patents) and 77 percent in Romania (out of a total 3,360 of patents) (figure 1D). Turkish nationals residing at home were responsible for two-thirds of the patents registered during the same period, attesting to greater human capacity at home. Oil-rich MENA countries attract many immigrants, low skilled and highly educated, which results in immigrants registering a large proportion of patents in these countries.

**FIGURE 1D:** Proportion of patents registered by emigrants, immigrants, and nationals

Source: Authors using World Intellectual Property Organization data
Diaspora ties help businesses and scientists collaborate. Analyzing U.S. firms’ data on patent applications, Foley and Kerr (2012) found that increases in the share of firms’ innovation that inventors of a particular ethnicity developed were associated with increases in that firm’s affiliate activity in countries related to that ethnicity. In addition, ethnic innovators allow U.S. firms to form new affiliates abroad without the support of local joint venture partners. Moreover, a study by the Royal Society (2011) found that cross-border scientific collaboration is becoming more common, that it disproportionately involves scientists with diaspora ties, and that it appears to lead to better science (using the frequency with which research is cited as a rough measure). A Chinese paper co-written with a scientist in the United States is cited three times as often as one produced solely in China.
This analysis draws mainly on information and data gathered from 827 valid responses (out of approximately 1,000 responses overall) to an online survey and focus group discussions with selected diaspora groups (see annex for methodology). This is the largest survey that has been undertaken of the MENA diaspora. It was available online for 11 months, from May 2014 to March 2015. The objective of the survey was to reach out to a diverse set of MENA diaspora members (geography, age, gender, profession, income). More-structured face-to-face focus group discussions with more than 150 diaspora members and insights from individual one-on-one interviews with 40 business and opinion leaders from MENA countries living mostly in the United States and France supported the analysis.

The online survey was widely distributed through popular online tools such as Facebook, twitter, LinkedIn; professional (e.g., World Bank accounts, Center of Mediterranean of Integration) and personal accounts (team members, colleagues, friends and family); and targeted mailing lists of diaspora newsletters and associations and various institutions such as embassies and development partners working on diaspora issues. For instance, the team contacted the Lebanese and Tunisian embassies in the United States; the International Organization for Migration in Rabat, Cairo, and Tunis; some universities (e.g., Lebanon University of New York); and associations such as the Algerian International Diaspora Association. Based on this experience, two channels were the most effective: personal contacts, because people are more likely to respond to questionnaires when they relate somehow to the author or sender, and selected consulates reached through their central governments.

This study is also different from other diaspora studies in its scope. Most diaspora studies are focused on the feedback of the diaspora on a particular area, such as a specific investment instrument, whereas this analysis was designed to explore the nature of economic engagement in which the MENA diaspora is interested. The study adopted a broader viewpoint and asked people in diaspora about their interest in contributing to the globalization of their home countries through three main channels: investment, trade, and skill transfers. It also collected information on their perceptions of the key constraints in the business environment, on free trade agreements, and on the role of governments and development institutions vis-à-vis the diaspora.

The findings of this broad consultation shed light on MENA diaspora engagement at a critical time—in post-Arab Spring MENA, when a new sociopolitical situation was emerging in many MENA countries. With
Some countries transitioning from dictatorships to democracies, space has opened for more involvement of different stakeholders, including the diaspora. Therefore, this focus captures the perception of the home countries’ economies and the role that the diasporas can play.

**Some caveats inherent to the study should be considered before interpretation of the results is presented.** The technicality of the questions may have been a barrier for certain respondents who did not have the background to understand fully the economic development or investment instruments and may have led to some not completing the survey. Likewise, the length of the survey may have limited the sample. Finally, people who responded to the survey were likely to have been engaged and interested in the economic development of their country of origin, which might have introduced a bias toward more engagement and more trade and investment behaviors. At the same time, these people are the very target of the development of the diaspora. They can help to understand how to tap into their resources, time, and skill. In the case of the question on engagement, which makes clear the importance of being engaged financially and in terms of time and knowledge with the country of origin, it is hard to say whether respondents overstated their desire to invest, the importance of giving back to their country, and so on, so as to adhere to social norms (social desirability bias).

**FIGURE 2A:** MENA survey respondents were mostly from Maghreb
MENA Diaspora Survey
Respondents Profile

Seventy percent of the respondents were from the Maghreb, with a large proportion of Tunisians living abroad (figure 2A). The rest were mostly from Lebanon and Egypt. Only a few were from GCC countries and Yemen. Tunisians were particularly eager to participate in the focus group discussions. This overall active participation could also be attributed to the democratic transition in Tunisia and the greater freedom of speech, a major gain from the Arab Spring. Under President Ben Ali, some diaspora members preferred to remain discreet to avoid being associated with or captured by the regime. This was specifically mentioned in the focus group discussion, when most participants expressed their eagerness to contribute actively to the social, economic, and political transition in Tunisia.

The respondents resided mostly in France or the United States, with one-third of respondents each. Fifteen percent lived in the MENA region outside of their countries of origin and three percent in the Maghreb (figure 2B). They were mostly Tunisian (41 percent), and Moroccan (17 percent). The sample in general consisted of young professionals (63 percent aged 25-44 years), with the ‘next-generation diaspora’ (25-34 years) accounting for one-third of the respondents (figure 2C). Two-thirds of respondents were male (figure 2D); women are overrepresented in most surveys, tending to be more willing to answer questionnaires than men.

Most respondents were well educated, with 72 percent having at least a master’s degree or equivalent (figure 2E). They worked predominantly in the private sector (32 percent) and in international development institutions (29 percent) (figure 2F). Results were similar to those of the study by DIAMED (DIAMED 2014), in which more than 66 percent of the sample was highly qualified (possessed at minimum a master’s degree).

FIGURE 2B: MENA survey respondents resided mostly in France and the United States
**FIGURE 2C AND 2D: MENA diaspora profile, age and gender**

2C: Mostly young professionals

![Bar chart showing age distribution of MENA diaspora](image)

- Under 25: 8%
- 25 to 34: 35%
- 35 to 44: 28%
- 45 to 54: 15%
- 55 to 64: 11%
- 65 & older: 4%

N=822

2D: Mostly male

![Pie chart showing gender distribution of MENA diaspora](image)

- Male: 68%
- Female: 32%

N=812

**FIGURE 2E AND 2F: MENA diaspora respondent profile: education and jobs**

2E: Mostly educated

![Bar chart showing education levels](image)

- Bachelor’s Degree/Community College: 20%
- Master’s Degree: 55%
- Ph.D: 17%
- High school diploma: 5%
- Less than high school diploma: 1%
- Other certificate: 1%

N=819

2F: Working in the private sector and development institutions

![Bar chart showing job categories](image)

- Employee in private sector: 32%
- Employee in public sector: 9%
- Employee in Int’l development: 29%
- Self-employed: 8%
- Owner of a company: 8%
- Retired: 6%
- Student: 5%
- Unemployed: 2%

N=800
The overwhelming message was that the MENA diaspora wanted to help and to remain engaged with their country of origin, especially their hometown; 85 percent of those surveyed responded positively to the statement “giving back to my country of origin is important to me” (figure 3A). Those who joined the focus group meetings expressed the same feeling, with much enthusiasm and determination. The question was not whether but how to engage. Of survey respondents, men tended to be more involved, integrated, and willing to give, and women felt more connected to their home country. During the focus group meetings, participants emphasized the importance of strong connections with their home country.

**FIGURE 3A: MENA diaspora feels strongly connected to home country**

Do you agree with the following statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am willing to invest capital and trade in my country of origin</td>
<td>68%</td>
</tr>
<tr>
<td>I am willing to invest time in mentoring individuals back in my country of origin</td>
<td>87%</td>
</tr>
<tr>
<td>Giving back to my country of origin is important to me</td>
<td>85%</td>
</tr>
<tr>
<td>I consider my country of origin more of a “home” than where I live now</td>
<td>44%</td>
</tr>
<tr>
<td>I would like to be more connected to my country of origin</td>
<td>77%</td>
</tr>
<tr>
<td>I feel connected to my country of origin</td>
<td>86%</td>
</tr>
</tbody>
</table>

How do you engage with your community?

<table>
<thead>
<tr>
<th>Engagement Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I share my knowledge and skills with individual institutions in my country of origin</td>
<td>43%</td>
</tr>
<tr>
<td>I send money to family and/or friends</td>
<td>42%</td>
</tr>
<tr>
<td>I mentor individuals</td>
<td>34%</td>
</tr>
<tr>
<td>I donate money to charities and non-profit organizations</td>
<td>34%</td>
</tr>
<tr>
<td>I volunteer my time</td>
<td>26%</td>
</tr>
<tr>
<td>I invest in property</td>
<td>24%</td>
</tr>
<tr>
<td>I am not engaged with the community in my country of origin</td>
<td>16%</td>
</tr>
<tr>
<td>I sometimes teach at an education institution in my country of origin</td>
<td>9%</td>
</tr>
<tr>
<td>I work on business(es) that I own back home</td>
<td>6%</td>
</tr>
<tr>
<td>I invest in companies/businesses</td>
<td>6%</td>
</tr>
<tr>
<td>I trade</td>
<td>5%</td>
</tr>
<tr>
<td>I invest in the stock market in my country of origin</td>
<td>3%</td>
</tr>
</tbody>
</table>

N=738

N=734
discussions, connection with the hometown was clear. The urge to give and help was clearly associated with the urge to help family and friends in the hometown rather than helping the country of origin, which is more abstract and reflects a patriotic sentiment. The diaspora calls for a decentralization of policies. Local governments should target diaspora members originating from their respective cities.

The MENA diaspora is mostly ready to invest in time to share knowledge and build soft skills at home and to send remittances. They feel there is an important gap in ethics and entrepreneurial culture between the diaspora and local professionals and entrepreneurs. They also have trouble adjusting to the business practices and cultural norms in the home country, although this sentiment translated into a stronger desire to engage by sharing their knowledge and expertise with compatriots at home to develop soft skills, self-confidence, and team building. When asked to rank the three ways they engage, MENA diaspora members mentioned mentoring individuals (34 percent), donating money to charities (34 percent), and volunteering time (26 percent). Investment options were much lower in ranking, be they for property or business.

Aspirations are not completely reflective of actual behaviors. Only one-third of respondents declared themselves to be involved in a skill transfer activity (figure 3B). Of these, 61 percent were involved in mentoring, 57 percent in joint research, and 30 percent in training. In addition to the desire to adhere to social norms or to look good (social desirability bias), some obstacles can explain this half-hearted engagement. Lack of time stands as the main obstacle, invoked in 45 percent of cases, whereas only 27 percent of respondents mentioned the other choices presented for the question (lack of information, regulatory requirements).

The desire to engage is strong despite worries about the weak legal framework, political and macroeconomic instability, and lack of trust in governments and institutions in MENA countries (figure 3C). Diaspora members have often chosen to live abroad to escape bad governance, lack of economic opportunities, and

**FIGURE 3B:** Skill transfer activities

<table>
<thead>
<tr>
<th>MENTORING</th>
<th>TRAINING</th>
<th>TEACHING</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>15%</td>
<td>9.3%</td>
</tr>
<tr>
<td>JOINT RESEARCH/COLLABORATION PROJECTS</td>
<td>TECHNICAL ASSISTANCE</td>
<td>INTERNSHIPS</td>
</tr>
<tr>
<td>28%</td>
<td>13%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

TWINNING ARRANGEMENTS
autocratic regimes and to seek entrepreneurial freedom and transparency. They tend to be critical of the governments in their home countries, although they also feel they have a role to play to mitigate the failure of the state. They have the responsibility to inspire and to continue to bring new ideas and opportunities to compatriots at home. The lack of trust in institutions will affect the nature of their engagement.

The single most important factor that caused diaspora members to engage was the sentiment of belonging to the home country. When asked about the one reform that would increase their involvement with their country of origin, participants in the focus groups almost unanimously mentioned the wish for their respective governments to make them feel like partners and actors who could contribute to the development of the local economy in ways other than remittances. The most striking example comes from members of the Lebanese diaspora, who said that giving the right to Lebanese mothers married to non-Lebanese to pass Lebanese citizenship to their children would make a difference. Others mentioned the right to vote as an important way to engage with the diaspora.
Arab Spring Effect

Only one-quarter of respondents agreed that the Arab Spring events have triggered a rise in interest to play a larger role in the development of their home countries. The premise was that autocratic regimes have left limited space for civil society, including limiting the diaspora’s role in society. In addition, many diaspora members sought to grow professionally outside and maintained limited links with their home country to avoid being exposed to corrupt practices and bureaucracy or being captured by the regime. The majority of respondents declared that the Arab Spring had no effect on their interest, and 15 percent expressed a decrease in their interest.

Approximately half of survey respondents considered going back to their country of origin to take advantage of a business opportunity after Arab Spring events (figure 3D). In general, opening a business or direct investing (218 and 148 cases in the four offered choices) were the main motivations, as opposed to finding a job, which is natural given the high unemployment prevalent in most MENA countries (figure 3E).

The Arab Spring events have had a greater effect on the Tunisian diaspora than on others, although most respondents declared that the events decreased their interest in their home country. These results contradict the sentiment that the Tunisian diaspora expressed during the focus group meetings, as well as their eagerness to participate in these meetings (figure 3F). For example, the results do not reflect the number of new diaspora-related initiatives that have emerged since 2011. Members of the Tunisian diaspora also declared that they

**FIGURE 3D AND 3E:** Effect on Arab Spring events on willingness to go back in country of origin
increased remittances significantly after the Arab Spring events. Large national and multinational firms based in Tunisia are greatly interested in attracting Tunisians with skills who are abroad back home and have established prodiaspora initiatives. A number of diaspora members have also returned to Tunisia and are leading large companies such as Ooredoo, IBM Corp., Cisco, Orange, and ST Microelectronics.

Role of Diaspora Associations

**Only 28 percent of respondents said that they belonged to a diaspora association.**

The desire for engagement of the MENA diaspora is not reflected at the association level because lack of trust is also prevalent. This stands in sharp contrast to the study of the Caribbean diaspora, 61 percent of whom declare themselves active with community organizations. Still, a large share of respondents (79 percent) keep themselves informed about what happens in their countries of origin, mainly through the internet (60 percent). Trust in these networks is low; interviewees often criticize them as being politically corrupt.

**Nevertheless, a large number of diaspora associations intend to foster expatriate community ties, as well as collectively helping the country of origin.** Some of these diaspora associations work closely with the government, but many do not, and their contacts are directly with local communities or schools and hospitals. For example, a U.S.-based organization of some 380 Lebanese in the high-tech area works to transfer Silicon Valley know-how to Lebanon, promote start-ups there, and facilitate the circular migration of Lebanese high-tech experts with the United States. An association of U.S.-based Tunisians, Tunisian American Young Professionals, established after 2011, has worked to support the country during its transition, aiming to promote tourism in Tunisia and export of its handicrafts. It is supported by a U.S. embassy program and is working...
with the Tunisian government. Although these organizations demonstrate the depth of goodwill and concern in the diaspora and may at some point provide the platform for a break-through investment, more-systematic cooperation with governments and drawing more support from aid agencies and international institutions such as the International Organization for Migration or the World Bank could significantly enhance their effect.

The Maghreb-3 (Algeria, Morocco, Tunisia) have a network of approximately 100 associations with more than 200,000 members,\(^1\) including country- and regional-level associations\(^2\). More than half of the identified diaspora professional networks are business networks or consist of students, former students, and graduates of elite schools. Unlike the Moroccan and Tunisian networks, Algerian diaspora professional networks seem to be less organized because the Algerian diaspora is more fragmented. Moreover, Algerians in France are more integrated and less likely to identify themselves as Algerian diaspora than as dual Algerian-French citizens. As a consequence, the associations they form are not necessarily nationality based. There are also 33 virtual social networks (e.g., LinkedIn, Facebook) that create interpersonal bonds and are, according to respondents, effective in developing professional contacts with the country of origin. These networks have some 167,000 members. Ten Maghrebian networks focusing on a cross-border North African approach have been identified. Most of them are located in Europe, and the majority comprise business or finance executives (e.g., the London Maghreb Network Society). There is a noticeable sense of rivalry in Maghreb, so those regional associations are less numerous than country-specific associations.

**Some associations are involved in knowledge transfer and fostering entrepreneurship in home countries.** Tunisian expatriates have launched several initiatives related to entrepreneurship in Tunisia, such as the “Impact” initiative. In Algeria, a network of high-profile researchers and executives in the healthcare sector (including Elias Zerhouni, former director of the U.S. National Institutes of Health) has launched the Algerian American Foundation in the United States to provide training and technical assistance to emerging medical and research centers in Algeria. In Morocco, networks such as the National Center for Scientific and Technical Research, the International Forum of Moroccan Competencies Abroad, the Morocco Incubation and Spin-Off Network, and L’Association Marocaine pour la Recherche Développement are active in mobilizing academic expatriate researchers and engineers. Knowledge transfer after coming back from abroad is also important. Diaspora professionals returning from Europe or the United States have launched several recent initiatives in Morocco, such as the Moroccan Foundation for Advanced Science, Innovation and Research and the International University.

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\(^1\) Ninety-four diaspora professional networks were identified as follows: 28 Algerian, 26 Moroccan, 30 Tunisian, and 10 for the Maghreb region as a whole.

\(^2\) At the country level, large, active, sustainable networks have been identified in France, such as L’Association des Marocains aux Grandes Ecoles and the Association Maroc Entrepreneurs (Morocco), Algerian Talents & Leaders Association and Algerian International Diaspora Association (Algeria), and Association des Tunisiens des Grandes Ecoles (Tunisia), and in North America, such as American Moroccan Competencies Network, Association of Moroccan Professionals in America, FMRC (Moroccans in Canada), Fondation Club Avenir (Algerians in Canada), and Tunisian American Young Professionals. German networks such as the Moroccan German Business Club and the German-Moroccan Competency Network are also very active. The new International Federation of the Algerian Diaspora, whose founding members live in France, Canada, the United Kingdom, and Switzerland, was established in January 2015.
In Tunisia, home-based business unions are also reaching out to the Tunisian diaspora. The main Tunisia-based business union, the Tunisian Union of Industry, Trade and Handicrafts, has set up a business advice service with members of the diaspora. The newly established Confederation of Citizen Enterprises of Tunisia (CONECT) has organized several prodiaspora seminars in Tunisia and abroad since 2011 and helps potential investors find appropriate intermediaries, drawing from a pool of diaspora members from organizations such as France CONECT.

Professional Lebanese associations are young and focus more on Lebanese emigrants than giving back to Lebanon. The main focus of prominent associations such as LebNet and Lebanese International Finance Executives is solidifying the network abroad, financing their activities, and then turning to the home country for concrete projects. One such project is Instabeat, a firm that Hind Hobeika created with the help of LebNet. Even if diaspora members confirm that giving back to their country of origin is rewarding and is a source of pleasure and pride, this happens later in their career, when they have achieved success.
Background

Diasporas can increase investment flows between sending and receiving countries. Diasporas may use the knowledge they have of their countries to invest directly. They possess important information that can help them identify investment opportunities and facilitate compliance with regulatory requirements. Language skills and similar cultural backgrounds can greatly contribute to the profitability of investment. Transnational companies make investments based on their ethnic ties (Aykut and Ratha 2003). For example, some ethnic Korean companies invest in Kazakhstan, and some ethnic Chinese companies invest in the East Asia and Pacific Region. Members of a diaspora may be more willing than other investors to take on risks in their country of origin because they can better evaluate investment opportunities and have contacts to facilitate this process (Lucas 2001). According to Nielsen and Riddle (2007), emotion, sense of duty, social networks, strength of diaspora organizations, and visits to the home country are important determinants of diaspora investment.

Diaspora members encourage investment by foreigners in their country of origin. A major barrier for a multinational or foreign firm setting up a production facility in another country is uncertainty and lack of information regarding the market. Foreign investors can improve their profitability by tapping into the expertise of the diaspora. In these cases, some key players are diaspora members who have become senior managers and executives in multinational firms (box 4A). These expatriates can build awareness in corporations of their native countries by sharing information on laws, regulations, institutions, and knowledge regarding how to conduct business in their home countries. They can facilitate FDI flows into their countries. Immigration of skilled workers is associated with an increase in FDI inflows into the destination country.

Many international migrants save a significant part of their income in destination countries and can invest in bonds. New estimates suggest that the annual savings of diasporas (approximated using data on international migrants) from developing countries was US$497 billion in 2013 (table 3A). MENA savings are estimated at US$55 billion. A large part of these savings is held in bank deposits. A diaspora bond—a low-denomination security with a face value of US$1,000, for example, with a 3 percent to 4 percent interest rate and 5-year maturity—issued by a country of origin could be attractive to migrant workers who currently earn near-zero interest on deposits held in host-country banks. Diaspora bonds could be
used to mobilize a fraction—for example, one-tenth—of annual diaspora savings, that is, more than US$50 billion, for financing development projects (The Economist 2015).

**Countries with a large diaspora stock in richer destination countries have a greater potential for successful issuance of diaspora bonds, whereas a country with weak governance may have lower potential for success.** Chances of success are greater when the issuing country has a strong economic program and a portfolio of attractive projects for the diaspora bond to finance. The diaspora’s trust in the government is critical for successful launching of a diaspora bond. The governments of India and Israel have raised more than US$40 billion, often during liquidity crises, by tapping into the wealth of

**TABLE 3A: Estimated diaspora income and savings for developing regions, 2013**

<table>
<thead>
<tr>
<th>Region</th>
<th>Diaspora stock (millions)</th>
<th>Diaspora income (US$ billions)</th>
<th>Diaspora savings (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>31</td>
<td>579</td>
<td>116</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>32</td>
<td>402</td>
<td>80</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>34</td>
<td>645</td>
<td>129</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>24</td>
<td>275</td>
<td>55</td>
</tr>
<tr>
<td>South Asia</td>
<td>38</td>
<td>402</td>
<td>80</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>23</td>
<td>181</td>
<td>36</td>
</tr>
<tr>
<td>All developing countries</td>
<td>182</td>
<td>2,484</td>
<td>497</td>
</tr>
</tbody>
</table>

Source: World Bank Staff calculations using the latest bilateral migration matrix data on skill level from the Database on Immigration in Organization for Economic Cooperation and Development countries and World Development Indicators database

**Box 4A: Diaspora Senior Executives in Multinational Firms Can Draw Business to Their Home Country: The Case of the Aeronautics Industry in Morocco**

There are several examples of diaspora members who have played a successful role in promoting sectors and businesses in their home countries. Executives in multinational firms can influence the choice of locations abroad in increasingly defragmented supply chains. In Morocco, the emergence of the aeronautics sector is associated with the positive role that a diaspora member who was a vice-president at Boeing, in Seattle, played. Seddik Belyamani, originally from Morocco, was Boeing’s top airplane salesman and was instrumental in converting initial pushback from Boeing executives into interest and a first-mover investment in Morocco. In 2001, Boeing, the Moroccan airline, and French electrical wiring company Labinal SA opened a small operation preparing cables for Boeing 737 jetliners called Matis, which prepared wire bundles and shipped them to Boeing plants in the United States for installation. Today, the industry employs almost 10,000 Moroccans, who earn some 15 percent above the country’s average monthly wage of roughly US$320.

their diaspora communities to support balance-of-payments needs and (in the case of Israel) to finance infrastructure, housing, health, and education projects. Several other countries—including the Philippines, Sri Lanka, Kenya, Ghana, Nepal, and Ethiopia—have issued diaspora bonds with varying degrees of success (World Bank 2015).

**Because remittances are large and more stable than many other types of capital flows, they can greatly enhance the recipient country’s sovereign credit rating, lowering borrowing costs and lengthening debt maturity.** The rating agencies have recently started accounting for remittances in country credit ratings, but given data difficulties, there is room for further improvement. Remittances are a key source of funds for developing countries, far exceeding official development assistance and even FDI (excluding China). They have proved to be more stable than private debt and portfolio equity flows. A recent analysis reported in the World Bank’s Global Economic Prospects 2015 shows that remittances are also less volatile than official aid flows. Annual remittances are also larger than or equal to foreign exchange reserves in many small countries. Even in large emerging markets such as India, remittances are equivalent to at least one-quarter of total foreign exchange reserves.

**Survey Results**

**The MENA diaspora has limited desire to invest in financial instruments.** Direct investment and real estate are the preferred investment instruments (figure 4A). Their choice reflects a desire to leverage contacts in the country of origin. Portfolio investment in a government or corporate bond or even in diaspora bonds and the stock market are the lowest in their ranking. Migrants make a clear distinction between help they might give to friends and relatives or their

**FIGURE 4A: Investment instruments in order of preference**

<table>
<thead>
<tr>
<th>Investment Instrument</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct investment (existing or new firm)</td>
<td>58%</td>
</tr>
<tr>
<td>Acquisition of shares in your country’s private companies</td>
<td>24%</td>
</tr>
<tr>
<td>Angel investor, venture capital (an angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for stock)</td>
<td>24%</td>
</tr>
<tr>
<td>Stock market</td>
<td>15%</td>
</tr>
<tr>
<td>Diaspora investment funds</td>
<td>15%</td>
</tr>
<tr>
<td>Government bonds</td>
<td>13%</td>
</tr>
<tr>
<td>Certificate of deposit in foreign currency</td>
<td>13%</td>
</tr>
<tr>
<td>Diaspora bonds</td>
<td>12%</td>
</tr>
</tbody>
</table>

| N=560                  | 71% | 58% | 24% | 24% | 15% | 15% | 13% | 13% | 12% |
local communities and investments, on which they are looking for a good rate of return, not greatly different from what they would look for anywhere else. The interviewees were generally skeptical that the local private sector would be willing and able to invest with them. They also would like to avail themselves of the same preferential treatment accorded to foreign investors but had low expectations of what the government could or would be willing to do to help them invest.

One-third of survey respondents said that they had the financial capacity to invest, and another third had already invested in their country of origin. Approximately half of the respondents could invest more than US$10,000, and more than 8 percent could invest in excess of US$250,000 (figure 4B). Twenty-four percent of respondents said that they would be able to invest in the range of US$10,000 to US$50,000. Approximately half of those who declared they were willing to invest more US$100,000 were

FIGURE 4B AND 4C: Half of the respondents could invest more than US$10,000

4B: Size of Projected Investment

<table>
<thead>
<tr>
<th>Size of Investment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than US$250,000</td>
<td>8%</td>
</tr>
<tr>
<td>US$100,001–250,000</td>
<td>11%</td>
</tr>
<tr>
<td>US$50,001–100,000</td>
<td>15%</td>
</tr>
<tr>
<td>US$10,001–50,000</td>
<td>24%</td>
</tr>
<tr>
<td>US$1,001–10,000</td>
<td>18%</td>
</tr>
<tr>
<td>Less than US$1,000</td>
<td>4%</td>
</tr>
<tr>
<td>Not planning to invest</td>
<td>21%</td>
</tr>
</tbody>
</table>

N=626

4C: Origin of Investors

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TUNISIA</td>
<td>51%</td>
</tr>
<tr>
<td>LEBANON</td>
<td>20%</td>
</tr>
<tr>
<td>JORDAN</td>
<td>18%</td>
</tr>
<tr>
<td>MOROCCO</td>
<td>13%</td>
</tr>
<tr>
<td>ALGERIA</td>
<td>7%</td>
</tr>
<tr>
<td>EGYPT</td>
<td>2%</td>
</tr>
<tr>
<td>WEST BANK &amp; GAZA</td>
<td>1%</td>
</tr>
<tr>
<td>IRAN</td>
<td>1%</td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>2%</td>
</tr>
<tr>
<td>LIBYA</td>
<td>1%</td>
</tr>
<tr>
<td>JORDAN</td>
<td>2%</td>
</tr>
<tr>
<td>WEST BANK &amp; GAZA</td>
<td>1%</td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>2%</td>
</tr>
<tr>
<td>EGYPT</td>
<td>2%</td>
</tr>
<tr>
<td>TUNISIA</td>
<td>51%</td>
</tr>
<tr>
<td>LEBANON</td>
<td>20%</td>
</tr>
<tr>
<td>JORDAN</td>
<td>18%</td>
</tr>
<tr>
<td>MOROCCO</td>
<td>13%</td>
</tr>
<tr>
<td>ALGERIA</td>
<td>7%</td>
</tr>
<tr>
<td>EGYPT</td>
<td>2%</td>
</tr>
<tr>
<td>WEST BANK &amp; GAZA</td>
<td>1%</td>
</tr>
<tr>
<td>IRAN</td>
<td>1%</td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>2%</td>
</tr>
<tr>
<td>LIBYA</td>
<td>1%</td>
</tr>
</tbody>
</table>

N=58

FIGURE 4D: Investment interests according to size of company

- Microenterprises (1–9 employees)
- SMEs (Small & Medium Enterprises -10–199 employees)
- Start-ups/Early stage companies
- Established large private companies

N=453
Tunisians, 20 percent were Lebanese, and 13 percent were Moroccans (figure 4C). Older diaspora members had the greatest capacity to invest, whereas those aged 25 to 34 had less financial capability and expressed less capacity to invest, all other things being equal. Of the 16 sectors presented in the survey, 32 percent of respondents preferred to invest in educational services, 24 percent in agriculture and forestry, and 21 percent in construction.

In terms of size of investment, respondents targeted small to medium companies to invest in (figure 4D). Some very high amounts stand out, such as 114 respondents investing more than US$100,000 a year.

MENA diaspora members are not interested in becoming angel investors despite their capacity to invest (figure 4E). Only 87 respondents, or approximately 10 percent of respondents, indicated that they were angel investors, with 61 percent being from Tunisia, 13 percent from Lebanon, and 12 percent from Algeria. This reflects the demographic structure of our sample, with a representation of Algeria that is above the mean, which probably reflects the lack of business opportunities at home and the more-lucrative alternatives offered in the country of residence or on the world market.

Constraints to Investments

The MENA diaspora expressed deep concerns about the quality of the investment climate in their countries of origin, which the current turmoil and political instability presumably aggravated. The weak business environment, political instability, and lack of information on business opportunities were the three main constraints on investments that survey respondents indicated (figure 4F). Lack of information was also mentioned often (33 percent for business opportunities, 29 percent for regulations). Fewer than 10 percent mentioned lack of human capital, the tax regime, or high cost of living. The parallel system (black market, noncompliance with the tax system), corruption, and privileges are also cited as barriers to trust.
When thinking about investment at home, diaspora members consider returns, as for any other investment decision, but also outcomes. Diaspora members often have several investment options to choose from, especially if they are based in advanced economies. Although they are willing to consider investing at home, they consider the opportunity cost of their decision. Some may forgo potential higher returns if the development outcome is important to them. Investing is a rational decision in which emotion is set aside, even if the investment is in the investor’s country of origin. The motivational aspect of developing opportunities in the home country is not enough by itself to turn financial flows into investments; the business opportunities must be profitable.

Similarly, it is unlikely that emigrants invest instead of sending remittances, because...
they fulfill different objectives. Remittances are sent to help family members financially. Approximately one-third of survey respondents who send remittances send less than US$500 annually, a much smaller amount than they invest (figure 4G). Men tend to send more remittances than women, most likely reflecting patriarchal family structures in the MENA region (figure 4H), although migrants draw a clear separation between help they might give to friends and relatives or their local communities and investments, for which they are looking for a good rate of return, not greatly different from what they would look for anywhere else.

**UN Economic Commission for Africa’s Ninth African Development Forum delegates discussed how to convert short-term remittance flows into long-term investments in October 2011.** The premise is that, although remittances are of a private nature, they should be directed toward profitable investments. Proper channels and financial frameworks are vital to fostering investments. Some countries lack adequate frameworks to channel these financial flows. Individuals face complicated banking processes for small investments. For big investments, infrastructure might be challenging (transportation, legal). The Forum makes several recommendations, among which are easing the private banking process, increasing productivity infrastructures, and improving the visibility of business opportunities. Examining remittances in the Mediterranean region, Torres Ruiz & Lorca Corrons observe that investments in Tunisia were only 2.7 percent of the total amount of remittances sent to the country from 1993 to 1999, indicating that there is enormous potential for migrant investors if the proper structures are in place to channel this money.
Background

The MENA diaspora can help foster trade integration between their countries of origin and of residence. Migrants have a preference for their native country’s goods and services, which supports “nostalgic trade” in ethnic products. Ethnic networks play a role in overcoming inadequate information about international trading opportunities, driving down trade costs. Gould (1994) and Rauch and Casella (1998) found that ethnic networks promote bilateral trade by providing market information and by supplying matching and referral services. More importantly, migrants facilitate bilateral trade and investment flows between their countries of residence and their home countries by matching producers of consumer goods in one country with appropriate distributors in the other country and assemblers with the right component suppliers. Sharing the same language or a similar cultural background eases communication and facilitates understanding of transport documents, procedures, and regulations. Empirical studies of Australia, Canada, Spain, the United Kingdom, the United States, and the Organization for Economic Cooperation and Development (OECD) countries generally find that immigration increases bilateral trade flows.

Historically, an important share of world trade took place through tight-knit networks of ethnic communities, now called diasporas. This is the thesis of Phillip Curtain in Cross-Cultural Trade in World History (1984). Well-known examples are the Phoenicians, Greeks, trans-Saharan traders, Hanseatic League, Jews, Armenians, overseas Chinese, and the Dutch and British East India Companies (Hausmann 2015). Avner Greif documented the economic relevance of these communities in early times. He argues that the ethnic networks that they created built mutual trust and reciprocal guaranties against default of payment from unscrupulous clients. Thus, reputation and trust went far beyond geography, contributing to the creation of a global trade network. From a historical perspective, diaspora has thus always been at the core of trade, channeling exchanges and establishing a powerful source of benefits.

A number of empirical models have found that trade and migration are complementary. Foad (2008) found that the link between migration and trade is stronger for emigration to Europe than to North America, with the strongest effects for imports and differentiated goods. He examines

3 See Rauch (2001) for a review on Business Networks.

4 Phoenician trading cities such as Tyre and Sidon embodied this relevance of the key role of diaspora. Philip D. Curtain’s thesis suggests that they were diaspora settlements that had strong sentimental ties to the home countries or the “mother cities.” The same was true for the Greek merchants, who transformed trading settlements into independent city-states.
how differing destinations of the same migrant group affect the link between migration and trade using data for MENA migrants to the United States and Europe. Ghatak et al. (2009) analyzed trade between the United Kingdom and Central and Eastern Europe and found that migration is positively related to exports to the United Kingdom but that there is not as significant an effect on imports. Felbermayr and Toubal (2008) used a cross-sectional sample of OECD countries for 2000 and showed that the additional demand for goods from migrants’ source countries drove the total protrade effects. They also found that the trade cost channel effects are stronger for differentiated goods and when highly skilled migrants are involved. Morgenroth and O’Brien (2008) used a nonlinear model between trade and migration. Their results support the complementarity between migration and trade flows. Dolman (2008) studied the linkages between migration, trade, and FDI in 28 OECD countries and found a similar positive correlation. Tadesse and White (2011) examined the link between migration and trade from the perspective of the home and host countries. The authors found pro-export emigrant effects in 100 of the 131 home countries in their study and pro-import effects in 96 home countries.

The role of the diaspora could be critical in fostering MENA trade. The region’s share of total world exports of nonoil goods has remained flat at approximately 2 percent to 3 percent for longer than 30 years. Despite doubling its services exports, MENA’s share in total services trade stagnated at approximately 2.8 percent from 1990 through 2006. Moreover, intraregional trade in MENA has not grown. For many Arab countries, regional trade accounts for less than 10 percent of total trade. At less than 5 percent, the Maghreb countries had the lowest share of intraregional nonoil merchandise trade, and this share has increased only marginally since 2000. The MENA region has missed opportunities to integrate into the world economy, increase growth, and create new productive jobs. Although these outcomes reveal serious problems with competitiveness in the countries of origin, the diaspora can help improve building capacity and facilitate market access in destination markets.

At the policy level, some government agencies and private firms in African countries are tapping into their diaspora to provide market information about the countries in which emigrants now live. Activities include the establishment of diaspora trade councils and participation in trade missions and business networks. Several embassies support business and trade forums to attract diaspora investors and to match suppliers with exporters.

Survey Results

The MENA diaspora supports trade integration. A large majority of MENA diaspora members support free trade agreements with the European Union and the United States and regional integration. Most of the survey respondents agree with the statements that these agreements will have a positive effect on local firms and employment in home countries.
**FIGURE 5A: Diaspora is supportive of trade agreements**

Do you think that a Free Trade Agreement with the US/EU/MENA will increase *business opportunities* in your country of origin?

- Trade Agreement with USA: 73%
- Free Movement of Good, Person, and Capital in MENA: 90%
- Trade Agreement with European Union: 85%

**FIGURE 5B: Diaspora is supportive of trade agreements**

Do you think that a Free Trade Agreement with the US/EU/MENA will have a positive impact on local firms and employment in your country of origin?

- Trade Agreement with USA: 61%
- MENA has a potential to play a larger role in global value chains: 92%
- Trade Agreement with European Union: 74%
and will increase business opportunities at home (figure 5A and 5B). MENA diaspora members also have high expectations for their countries of origin to integrate into global value chains (92 percent) and support the need for greater flows of goods, services, capital, and people in the MENA region (90 percent). MENA region integration is a priority for the diaspora members surveyed.

Few diaspora members trade with their country of origin (8 percent), although half of the respondents declare having a strong desire to trade with the home country in the future. Cumbersome border procedures, lack of information, and high import tariffs in their countries of origin are mentioned as the top three reasons that MENA diaspora members do not engage more in trade activities with their home countries (figure 5C). Lack of interest from entrepreneurs and regional integration are less of a problem.

**FIGURE 5C: Obstacles to trade more in MENA countries**

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumbersome customs procedures</td>
<td>50%</td>
</tr>
<tr>
<td>Lack of market information</td>
<td>44%</td>
</tr>
<tr>
<td>High import tariffs in country of origin</td>
<td>32%</td>
</tr>
<tr>
<td>Quality/standards</td>
<td>30%</td>
</tr>
<tr>
<td>Distance/shipping costs</td>
<td>24%</td>
</tr>
<tr>
<td>Market size of country of origin</td>
<td>21%</td>
</tr>
<tr>
<td>Lack of interest from the country in which you reside</td>
<td>18%</td>
</tr>
<tr>
<td>Lack of interest from local entrepreneurs in the home country</td>
<td>14%</td>
</tr>
<tr>
<td>Lack of regional trade</td>
<td>12%</td>
</tr>
<tr>
<td>Language barriers</td>
<td>3%</td>
</tr>
</tbody>
</table>

Note: Survey question was about whether they trade. (In answers to previous questions, 63 declared that they trade with country of origin. In answers to another question, 458 declared that they would be interested.)
Governments and international institutions can play an important role in mobilizing the diaspora. Governments may recognize the importance of the diaspora at different levels and in different ways. Their actions vary from simple recognition in public speeches to implementing programs and sometimes founding institutions to maintain and strengthen the identity link with the home country, attract investment from the diaspora, or reduce the cost of transferring remittances. Several studies have investigated how embassies can encourage diasporas to play an economic role in their countries (Ionescu 2006), although as with other public policies and institutions, this agenda often suffers from lack of vision, lack of coordination among departments, lack of accurate information about the diaspora, inadequate staff, and need for capacity building. At the same time, many governments have yet to consider emigrants as development partners beyond providers of remittances. Moreover, a number of international development institutions have active programs to engage with diasporas and assist governments with their policies.

Their respective governments are asking the MENA diasporas to recognize their role. Most survey respondents and interviewees had a low level of trust in government institutions in their country of origin and low expectations of what government could or would be willing to do to engage them, in particular, in investment at home. They lament that the administration treats them as “foreign investors” when they express interest in investing at home. They do not feel welcomed as foreign investors in their respective embassies or by the institutions dedicated to FDI at home. Only approximately half of the survey respondents replied to the request to choose the top three roles they expect governments to play, which probably reflects this low level of trust and expectations.

The MENA diaspora welcomes dedicated public institutions despite the lack of trust in governments. This paradox was also reflected in discussions with diaspora members. They indicated that they would be skeptical about government-led initiatives out of fear of inefficiency, capture, and corruption, with some saying that they would not have participated in the focus groups if the invitations came from their governments. Nevertheless, they see a role for government. What they ask for is a strong sign of recognition of their role. This call for dedicated institutions may actually be interpreted as a call for government recognition of the importance of the diaspora in their development plans. As we will see in the next section, few MENA countries have a dedicated ministry for their diaspora, although there is a
In the early 1980s, barely a dozen countries had a ministry, a government department, or some other official institution dedicated to their diasporas, and a few countries, including the United States, ignore those who have left—except perhaps to send them tax demands, but these are a shrinking minority.

Last year, Ireland appointed its first minister for the Irish diaspora; this spring it unveiled a diaspora strategy: Ireland Reaching Out. The government also supports hundreds of groups that serve needy Irish emigrants or court successful ones. One of them, ConnectIreland, uses the diaspora to encourage inward investment, paying for tips that lead to foreign companies creating jobs in the country.

Many countries have come to believe that their diasporas can advance their geopolitical interests. The Turkish government counts on its diaspora in Europe, especially Germany, to push for closer relations with the European Union, and the Mexican government knows that Mexican Americans will campaign against attempts to crack down on illegal immigrants. In exchange for their help, and to bind them to the politics of their homeland, a growing number of countries offer diaspora members long-term visas (as India has done), dual citizenship, or some voting rights. In 2010, France’s parliament created 11 new constituencies for the French abroad.

A few months after his victory in India’s elections last year, Narendra Modi addressed a cheering crowd of some 20,000 Indian Americans in Madison Square Garden in New York. Thanks to them, the new prime minister said, India was no longer seen as a land of snake charmers but as a technology powerhouse. This was flattery, but with serious intent. India sees its diaspora, which the government thinks is some 25 million strong, as a means of projecting soft power and burnishing the country’s image. “No country has had such a large brain drain and been so proud of it,” says Devesh Kapur of the University of Pennsylvania.

Diasporas are increasingly seen as talent pools that can be pumped. When its economy crashed in 2009, Ireland summoned some of its most successful overseas citizens to an economic forum that continues to meet every 2 years. Mexico used to think of its diaspora in the United States mostly as working-class remittance senders. It now encourages its young citizens to study in U.S. universities—and then bring their skills home. Ghana, which has a particularly talented diaspora, has set up a support unit to cultivate them.

No country is hungrier than China. Emulating Taiwan, which built a technology industry with the help of Taiwanese Stanford graduates, it is trying to woo its most-talented foreign-educated
worldwide trend toward more of such institutions or departments (box 6A).

**More specifically, the MENA diaspora would welcome more services to disseminate information about business opportunities.** Among those who responded to the questions on the expected role of governments, the top three preferred government actions were having an institution dedicated to the diaspora issues; matching investors, traders, and entrepreneurs with the diaspora; and more services in terms of trade and investment promotion from consulates (figure 6A). Tax incentives are ranked lower on

![Figure 6A: The MENA diaspora's expectations of governments](image)

The difficult things that expats tend to demand of their governments—representation, good business climate, decent investment returns—are the sorts of things that governments ought to be trying to provide anyway.

India reformed its antiquated venture capital regulations at the prompting of Indian Americans in Silicon Valley. China is now cutting some of the red tape that is required to start a business, partly because of pressure from returnees, says Wang Huiyao of the Centre for China and Globalisation, a think-tank in Beijing, and China is no longer just trying to bring back its diaspora; it also wants Western talent.

*Source: The Economist, June 27, 2015 (print edition)*
the list, as is the need for matching grants or a framework for business angels. This corroborates earlier findings about the lack of information regarding investment opportunities and trade potential. The diaspora declared that their main sources of information to learn about investment opportunities are friends and families, whereas only a few are aware of specific official services dedicated to the diaspora. They would like embassies in particular to play a greater role in bringing together entrepreneurs and professionals at home and to create networking opportunities (figure 6B). These events should be well organized and prepared in advance to maximize the benefits and the implementation of projects and business deals. Information on regulatory requirements and creation of a business directory are also among the top three choices for embassies’ role.

Eighty-four percent of survey respondents agreed with the statement that the World Bank Group (WBG) can play a critical role in supporting the MENA diaspora. The top three actions asked of international development institutions are establishing matching grant programs; technical assistance for pilot programs; and capacity building for associations, diaspora members, and networking (figure 6C). Here also the diaspora does not see a need for help with diaspora bonds, confirming earlier results that the MENA diaspora is not ready to invest in the region, in particular using rather sophisticated instruments. The World Bank’s convening power and sharing of global knowledge were particularly appreciated. Focus group participants unanimously welcomed the WBG initiative to reach out to the diaspora. The MENA diaspora believes that the WBG can bridge the gap between the diasporas and their respective governments.

**FIGURE 6B:** Embassy services desired for trade facilitation

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Links to business contacts</td>
<td>50%</td>
</tr>
<tr>
<td>Information on regulatory requirements</td>
<td>50%</td>
</tr>
<tr>
<td>Business directory</td>
<td>48%</td>
</tr>
<tr>
<td>Import/export services</td>
<td>46%</td>
</tr>
<tr>
<td>Trade shows/business expos</td>
<td>44%</td>
</tr>
<tr>
<td>Marketing services</td>
<td>43%</td>
</tr>
</tbody>
</table>

N=331
6B: Major Initiatives in Morocco

The Ministry in Charge of Moroccans Living Abroad, which was founded in 1990 with the objective of maintaining and strengthening links between the Moroccan diaspora and Morocco. (Ministère Chargé de la Communauté Marocaine Résidant à l’Étranger).

The Ministry of Moroccans Living Abroad and the Ministry of Migration Affairs have identified 11 strategic areas of investment for the diaspora: offshoring, automotive, aeronautics, electronics, textiles, food processing, tourism, information and communication technology, franchising, the environment, energy.

The Council of the Moroccan Community Abroad, an organization that helps the government to reflect on and consult with the diaspora abroad, was established in 2007.

To facilitate information dissemination, the Ministry has set up a Web platform, "Moroccans of the World" (maghribcom.gov.ma), targeting skilled Moroccan professionals.

At the regional level, the Regional Investment Center works to bring attention to project leaders from the diaspora. The Houses of Moroccans Living Abroad, a program to provide information for returning diaspora members, was being tested in 2015 in the Beni Mellal region.

Financial tools such as the dedicated fund "MDM Invest" launched by the Caisse Centrale de Garantie jointly with the banks Attijariwafa and Banque Populaire were created in Morocco. MDM provides specific financing instruments to diaspora investors (grants, loans).

To promote the transfer of expertise in education, research, and innovation support, the Ministry in Charge of Moroccans Living Abroad, in partnership with the Ministry of Higher Education and L'Association Marocaine pour la Recherche Développement, established in 2006 the International Forum of Moroccan Competencies Abroad, which the National Center for Scientific and Technical Research manages.
MENA Governments’ Policies Toward Their Diaspora

Some countries in the MENA region make a systematic effort to engage their diaspora. Morocco, for example, has a ministry dedicated to Moroccans overseas, a royal foundation dedicated to enhancing engagement with the diaspora, and bilateral treaties with France and other countries of destination covering circular migration, including border controls (box 6b). The website Marocains du Monde, or Bladi (http://www.bladi.net/), is intended as a one-stop shop to cultivate the relationship with the diaspora. Dedicated agencies aim to promote knowledge and technology transfer and investments by overseas Moroccans. Tunisia has a Secretary of State in its Ministry of Social Affairs dedicated to diaspora engagement. Both countries allow dual nationality and overseas voting.

In Algeria, the Ministry of Foreign Affairs and Ministry of Post, Information Technology and Communications take the lead in diaspora relations. In 2013, the Ministry of Post, Information Technology and Communication and the State Secretary for National Community Abroad launched an electronic portal dedicated to national skills abroad (algeriecompetences.dz). This portal offers a large inventory of projects that engage diaspora professionals and provides a space for exchange, information sharing, and a range of collaborative tools for all of its users. It has unfortunately not been updated since its creation. In 2014, the Algerian government made 14 commitments to serve the Algerian community abroad. Key components of the program included setting up the National Agency for the Support of Youth Employment to provide financial assistance to young emigrants who have professional ties with Algeria; opening branches of Algerian public banks in countries with strong Algerian communities, such as France; and facilitating access to the public markets in Algeria. (Know-how and financial transfers will be favored.)

These efforts seem meager and shallower than with the more-ambitious, more-effective programs of other areas of the world. The Philippines stands out in particular in adopting a systematic approach to its emigrants and dedicating significant resources to the effort, whereas most MENA countries do relatively little, and their efforts often appear to lack vision and visibility (box 6c). For example, communications with the diaspora are often focused on pleas to the diaspora for help instead of on the diaspora’s needs and the broader opportunities for cooperation.

The pressing policy question is why, given the considerable benefits derived from a large diaspora, more is not being done to engage with them. A number of obstacles appear to stand in the way of more-systematic engagement. In most MENA countries, the diaspora has little voice or representation, reflecting the nature of the political regime, lack of organization, or both. Depending on the nature of the regime, the government may be fearful of the influence of the diaspora and of its relative freedom of expression. Limited resources and lack of coordination among the many parts of the government (e.g., Ministry of Finance, Central Bank, Ministry of Foreign Affairs, Ministry of Social Affairs, Ministry of Internal Affairs, Ministry of Regional Development) are also an important part of the problem. There has to be clear ownership of the migration and diaspora agenda. In the diaspora, there is also a
Perhaps the best way to illustrate what is possible in government response is to examine the case of the Philippines, which has what is probably the most-elaborate and sophisticated approach to diaspora relations of any country. A precondition of good “diaspora management” is to know where they are and who they are – which is itself a significant challenge. Of a population of approximately 98 million, the Philippine government estimates that a little more than 10 million Filipinos reside overseas, of whom some 1.1 million are irregular migrants. Of the documented migrants, some 4.8 million reside abroad permanently, whereas 4.2 million are overseas temporarily for work. These migrants remit US$28 billion a year to the Philippines (third after China and India), equal to approximately 10 percent of their GDP. The current government’s position vis-à-vis the Filipino diaspora is set out as Point 10 of its election manifesto: “a government that creates jobs at home so that working abroad will be a choice rather than a necessity, and when its citizens decide to [migrate] their welfare and protection will still be the government’s priority.” The message that overseas residents and workers from the Philippines are recognized and appreciated as part of the nation, as contributors to its development, and as its ambassadors is an important base on which engagement can be built.

The Philippines manages its relations with the diaspora through a cabinet-level Secretary of State, and the engagement is systematic. It is articulated in 10 areas, which can be roughly separated into two main groups, areas in which the Philippines mainly “receives” from the diaspora and those in which it mainly “gives” to the diaspora. The first group includes diaspora philanthropy (which includes person-to-person remittances and local-level community development); tourism initiatives; diaspora investment and business advisory circles; technology sharing; and “brain gain,” the encouragement of return migration or exchange by the highly skilled. The second group, of greatest interest to the migrants, includes return and reintegration, global legal assistance and advocacy, medical missions and coordination, and cultural exchange. Within these general areas of engagement, many different instruments are deployed, from global diaspora summits to promote cultural ties and development initiatives to local community programs in specific provinces designed to prepare workers for migration (including education and training) and securing their continued links with local communities. The Philippines allows dual citizenship and makes provisions for overseas voting. Perhaps most important, to promote the circular migration of its citizens, ensure their safety and fair treatment abroad, and facilitate the portability of pensions, the Philippines has worker mobility agreements with some 80 countries.

Source: Dadush 2015

great deal of mistrust of the government and its capacity and willingness to help; in particular, any effort to encourage, channel, or tax remittances is viewed with suspicion. Given the political sensitivity of immigration in the countries of destination, the government of the country of origin must tread a fine diplomatic line in assisting its diaspora overseas. Finally, there is a serious lack of information about the diaspora and great difficulties in finding out who is part
of the diaspora, where they are, what they are doing, and how best to reach them. Mapping of the diaspora is a crucial starting point.

Some of the obstacles to more-systematic engagement are structural and difficult to change. For example, a small country such as Lebanon has fewer resources and less influence on the countries of destination of its emigrants than does the Philippines or Egypt, and an authoritarian and repressive regime fearful of its diaspora’s independence is less likely to reach out than a regime that its citizens perceive as having high legitimacy. Nevertheless, most obstacles to more-active diaspora engagement are not structural, but organizational or managerial, and can be overcome. What is needed is much greater awareness of the diaspora’s important role in development and of its needs and the political will to build bridges.

Little attention has been paid in this paper and more generally in the public debate to the role that governments in countries of destination can play in supporting links between the diaspora and the country of origin, yet the role of the country of destination is also crucial, for example, in ensuring that the rights of immigrants are observed and in facilitating circular migration by allowing dual citizenship, permitting portability of pensions, and adopting appropriate labor permit and tax regimes. Insofar as tighter diaspora links with the country of origin can enhance its development, the country of destination benefits from growth and stability and, by encouraging return and circular migration, can avoid some of the political complications and tensions associated with large permanent immigration. In this context, too, there are clear win–win opportunities for the governments in the countries of origin and destination and the diaspora to arrive at cooperative solutions (Dadush 2015).

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5 If your surname is McNamara and you live outside Ireland, expect a letter. Ireland Reaching Out, a non-profit organization financed largely by the Irish government, has pioneered what it calls “reverse genealogy.” Rather than waiting for people to trace their Irish ancestry, it constructs family trees from root to branch, tracking down the descendants of those who left for the United States, Australia, and other countries. Volunteers then invite them to visit the homeland. It is a mighty task: Mike Feerick, the outfit’s founder, wants to build a database of the Irish diaspora containing 30 million to 40 million names (The Economist 2015).
CONCLUSION AND RECOMMENDATIONS

The analysis presented in this report indicates the need to harness MENA citizens living abroad to foster trade, investment, and technology transfer in the MENA region. It is not necessary for the diaspora to come back home to help; many can provide valuable support while residing abroad.

Main Findings

- The MENA diaspora is generally motivated and committed to supporting the economic development of and giving back to their home country. This is true regardless of the country of residence, the number of years spent abroad, the income level, or the diaspora generation. Diaspora members are more attached to their cities of origin, where families and friends reside, than to their countries of origin.

- The MENA governments generally do not formally recognize the contribution of their citizens living abroad beyond remittances. Nonetheless, citizens residing abroad can attract foreign investment, promote trade and entrepreneurship, and facilitate technology and knowledge transfer. The effect can be particularly great when outreach and policies are decentralized and come from the local level.

- The MENA diaspora expresses a high level of mistrust toward institutions at home, calling for a new social contract between governments and citizens living abroad. Diaspora members, especially those living in economies with better governance and stronger institutions, tend to be demanding and conscious of quality gaps and efficient services that governments provide. As such, the diaspora can be a source of change and a channel to introduce new and better practices.

- The preferred form of intervention of the MENA diaspora is currently mostly knowledge transfer, mentoring, and capacity building. Although a number of diaspora members have invested at home, or have tried to, they believe that the priority should be to help young professionals and entrepreneurs become more organized, to define their ideas and projects better, to market their products and services better, and to help them access markets. They think that the economic situation and the lack of maturity of the local markets are not conducive to investment at home and will come at a later stage.

- When investment is considered, direct investment at home is the preferred investment instrument because alternative
financial instruments such as government and diaspora bonds do not seem to be appealing given the general lack of transparency and accountability in the implementation of projects. In addition, the diaspora lacks credible information on business opportunities, particularly at the local level, in the cities and regions they are from.

Development institutions can play a major role in bringing together the diaspora across countries to share experiences, facilitating dialogue between governments and diaspora members, and providing information on international practices. This is particularly important while the level of mistrust is still high and there is a need to put in place mechanisms to build trust.

**Recommendations**

- MENA governments should formally recognize the important contribution that their professionals and experts living abroad, a large human capital asset, could make in terms of trade, business, economic development, regional and global cooperation, and knowledge and skill transfer. Needs and policies should be differentiated according to type of country. Country engagement and programs with the diaspora ought to be differentiated depending on the situation and needs of the MENA economies and of the diaspora. The approach will be different for different groups of MENA countries: (i) relatively stable economies such as Maghreb countries, Egypt, and Jordan; (ii) countries in crisis or reconstruction such as Iraq, Libya, Syria, and Yemen; and (iii) GCC countries that are home to many MENA diaspora members.

- Governments can achieve this objective in a number of ways.
  
  a. Mapping of the diaspora is a crucial endeavor that governments should undertake. This will help elaborate specific outreach programs and those targeted to various diaspora members with different skills and interests. Moreover, it will allow governments to mobilize the diaspora more quickly. Outreach and targets may be differentiated according to whether governments need to mobilize their diasporas to subscribe to government or diaspora bonds, help refugees in the country where the diaspora members reside, or tap into their expertise and professional networks. Governments should also consider decentralizing the outreach and mobilization of the diaspora members, who tend to maintain strong ties with their city and region of origin.
  
  b. The elite diaspora is particularly sensitive to formal recognition from their respective governments. Governments could engage strategically with a small group of diaspora overachievers in an elite program to benefit the country. Examples of such managed networks include Global Scot and Chile Global, which have enlisted some 600 and 100 members, respectively. In the MENA region, Tunisia recently established the “ambassador” program, targeted toward diaspora professionals with managerial
positions in the IT industry, to promote Smart Tunisia abroad\(^6\). The action of a few in support of specific programs could make a difference.

**c.** Governments can proactively facilitate connections between the diaspora and locally based entrepreneurs by improving the flow of information about business opportunities and diaspora availability around the globe. Country-specific online platforms connecting diaspora professionals with concrete projects would be helpful and would require mapping projects in home countries. Development partners supporting local entrepreneurs could help populate these platforms because their projects are screened and vetted in a careful selection process.

**d.** Governments can also encourage diaspora contributions to competitive research and innovation in their home countries. The diaspora can help build the local innovation and research ecosystem. Notable examples include research excellence contests pioneered in Croatia in 2008, Mexico in 2009, and Russia in 2010 that provided matching funds to organizations in the home country that set up a joint project with diaspora members (Kapil et al. 2013).

**e.** Governments, with the help of bilateral and global development partners, can also help establish knowledge exchange networks so that the skills of diaspora members can be tapped into more easily. Some initiatives include mentor-sponsored programs in certain sectors or industries, joint research projects, peer reviewer mechanisms, virtual return (through distance teaching and e-learning), and short-term visits and assignments. To increase the benefits of these activities, countries will have to survey the human resources available in their diasporas, create active networks, and develop specific activities and programs.

**f.** Government and private sector-led entrepreneurship initiatives should systematically call on the professional diaspora and business angels to provide seed financing and mentorship to high-growth entrepreneurs, in particular in early-stage seed deals. A US$50 million Morocco Seed and Early Stage Equity Financing project that aims to mobilize private equity capital and increase venture capital offerings to small and medium enterprises with high growth potential will involve the Moroccan diaspora at all stages of the process.

■ Development partners can also play a significant role at several levels.

**a.** They can play a convening role in particular between the diaspora and policymakers and among diaspora at the country, regional, and global levels. Development partners should organize a recurring conference to bring together the main players, foster exchanges, track progress, and follow up on projects and commitments. These partners could include the World Bank, in particular through the multidonor trust fund Global Knowledge Partnership on Migration and Development; the International Centre

\(^6\) Smart Tunisia is a government investment initiative that aims to facilitate the employment of young graduates and to develop IT and IT-enabled services. The goal is to make Tunisia a highly reputed “digital hub” and in particular to attract foreign investors.
for Migration Policy Development; the International Organization of Migration; the International Trade Center; the United Nations Economic and Social Commission for Western Asia; the European Union; and the U.S. Agency for International Development, which are active in this area.

b. Development partners should also continue to advocate for easier migration flow, in particular for professionals and experts, to encourage the transfer of knowledge and skill between diaspora and home country. Diaspora members could then consider returning to their home countries temporarily and using their expertise for the benefit of the economy of their country of origin, with the assurance that they can easily emigrate again.

c. Reducing the cost of transferring remittances, which can amount to several percentage points of the value of smaller remittances, is another obvious opportunity for government action. By enhancing competition in funds transfers and supporting the adoption of new fund-transfer technologies, such as through cell phones, credit cards, and web-based systems, governments can make it easier and more convenient to send remittances, as well as increase their flow directly.


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Definition of Diaspora Member

Any activity that targets the diaspora in any country or region faces one major challenge: the definition of the diaspora. The definition is not clear cut in the literature because belonging to a diaspora may rely not only on citizenship, but also on a set of shared historical and cultural characteristics. The Irish government thinks that everybody of Irish descent—perhaps 60 million or 70 million people—is part of the Irish diaspora. Israel claims all Jews as diaspora members. The standard typology of diaspora is as follows.

- **Lived diaspora** – individuals born in the home country who now live permanently or temporarily in a host country.

- **Ancestral diaspora** – individuals with ancestral links to the home country (e.g., second- and third-generation diaspora members). Later generations become even more committed to the land of their ancestry than their parents or grandparents.

- **Next-generation diaspora** – younger members of the diaspora, typically under the age of 35, who are fundamental to engage to ensure the sustainability of current diaspora strategies.

The diaspora has two dimensions: first, having migrated, and second, maintaining a connection with the homeland. According to the International Organization for Migration, a broad definition of diaspora is “members of ethnic and national communities, who have left, but maintain links with, their homelands.” Therefore assessing the size of a diaspora and defining criteria of appurtenance can be challenging. Ionesco (2006) recalls that the diaspora encompasses different factors, which can include place of birth, time of emigration, citizenship, and even identity.

For the purpose of this analysis, the team adopted a definition that not only relies on citizenship, but is also based on self-claimed belonging to the diaspora. This approach is similar to one adopted in the paper “Diaspora investing in the Caribbean,” published by Infodev and The World Bank.
Data Collection

The project used a two-way approach to collecting data on the MENA diaspora.

**Online survey of MENA diaspora abroad:**
The goal of the survey was to provide a broad description of the characteristics and attitudes of the MENA diaspora, including trade, investment, and integration in the region. Thus, the questionnaire needed to cover a wide range of topics but be short enough that respondents would be willing to complete the interview.

The survey was designed with a combination of questions tested previously in similar surveys. At the beginning, a small convenience sample of the population to be studied was accessed. We conducted a pilot test of the questionnaire among the Tunisian diaspora. Additional changes were made to the questionnaire based on the results of the pretest. The questionnaires were distributed in English and French. Individuals mostly from Tunisia, Morocco, Algeria, Egypt, Lebanon, and Jordan responded to the survey.

The team also conducted focus groups to deepen their knowledge of the issues of interest to the study and reach out to more diaspora members and networks. The same set of questions was asked across groups, and a professional facilitator moderated the meetings.

The focus groups and survey each had their own strengths and weaknesses, but improving the linkages between these data sources and the available data enabled us to gain a preliminary understanding of the attitudes of the MENA diaspora regarding economic integration and cooperation.

There were several fundamental challenges with the online survey.

- **Representativeness:** Because diaspora are rare populations, it is very difficult to locate them. They also tend to be mobile.
- **Our survey focused on a subset of the total population, and that subset was a small proportion of the total.**
- **Inexistence of a sample framework:** The survey was not nationally representative of the countries where it was administered.
- **Costs to conduct a nationally representative survey were high.**
- **Survey bias:** from nonresponse and lack of identification.
- **The team had to compromise between scientific rigor and practicability. We combined quantitative and qualitative methods to assess the MENA diaspora. Focus groups provided information on a subset of the diaspora.**
‘Diasporas have been a part of the world for millennia. Today two changes are making them matter much more. First, they are far bigger than they were... If migrants were a nation, they would be the world's fifth-largest, a bit more numerous than Brazilians, a little less so than Indonesians.... Second, thanks to cheap flights and communications, people can now stay in touch with the places they came from. The diaspora networks have three lucrative virtues. First, they speed the flow of information across borders... Second, they foster trust... Third, and most important, diasporas create connections that help people with good ideas collaborate with each other, both within and across ethnicities’.

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