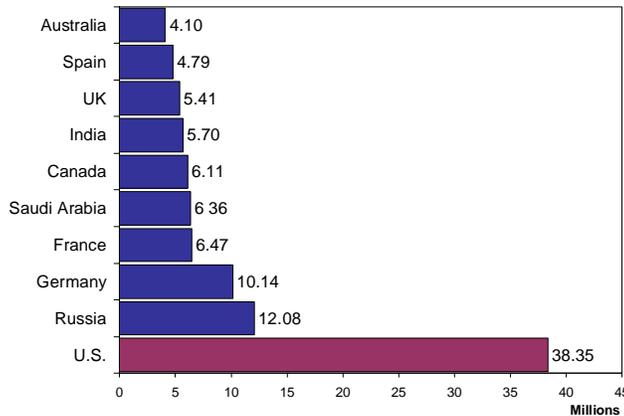


Diaspora Networks Alliance

Framework for Leveraging Migrant Resources for Effective Development & Diplomacy



US: #1 in Top 10 Countries with the largest number of international migrants in 2005

Source: United Nations, Trends in Total Migrant Stock.

Over the last forty years, the number of worldwide international migrants has more than doubled, from 76 million to over 200 million. As migration increased, reflows in the form of remittances, investments, information, tourism and trade have continued to grow at unprecedented rates. Of all of the capital that flows abroad from the United States, an estimated twenty-five percent or more are recorded remittances, which makes them second only to private capital flows like FDI. Remittances are the fastest growing segment and the most resilient of capital outflows, which has garnered the attention of the U.S. Government and particularly the U.S. Agency for International Development (USAID). Moreover, the United States hosts the largest number of international migrants of any other country in the world and is also home to millions of hyphenated Americans who trace their immediate lineages to every corner of the world.

The strategic approach taken by the U.S. Government towards Diaspora community engagement is thus becoming an increasingly important focus for both foreign policy and development needs. Such an engagement and outreach will enable the U.S. Government to leverage resources, increase development impact and further foreign policy objectives.

Although Diaspora community engagement with home countries is sizeable, the developmental potential for this group remains largely untapped. To unleash this potential, USAID has launched a flagship public-private initiative called the **Diaspora Networks Alliance (DNA)**, a framework that enables partnerships between USAID, private sector, other donor organizations and Diasporas built on knowledge generation, engagement, and operational work with the purpose of promoting economic and social growth in the countries of origin. USAID intends to take a leadership role in the development community by innovating and fostering partnership models to deepen and scale Diasporas' engagement in home country development. Such engagements are inherently sustainable as Diaspora's connection to their homeland is unbreakable (hence the acronym, DNA) and also promote inclusiveness in development policy planning and cooperation.

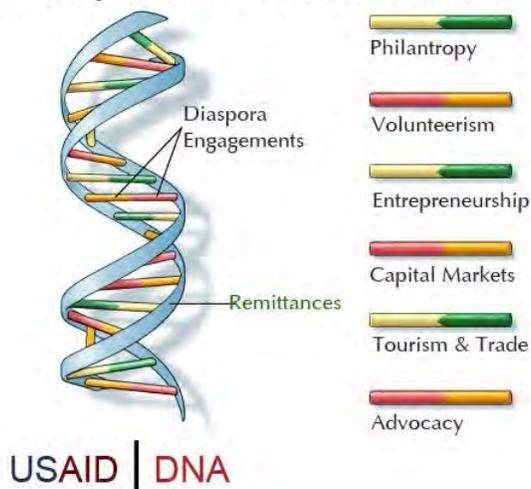
REMITTANCES

Under the DNA framework, USAID and its resource partners would engage in programmatic activities designed to enhance the development impact of remittances. These activities will focus on four areas.

- Encourage traditional money transfer organizations and banks to develop and market their services to remittance clients and/or promote linkages with microfinance institutions to deepen outreach.
- Develop regional and domestic payment systems to meet the needs of migrants and their families and facilitate international transfers.
- Support pilot programs that link remittances to financial products (housing loans, health insurance, consumer loans, student loans, education funds, pension plans, enterprise loans, indigenous rotating saving schemes, etc.).
- Explore technological innovations (such as mobile-banking) that could reduce transaction costs, increase security, and provide remittance clients with a range of convenient services.



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DIASPORA ENGAGEMENT

Beyond remittances, USAID and its DNA partners would seek to focus on creative mechanisms through which migrants can contribute to growth in their homelands. USAID has identified the following six strategic Diaspora engagement mechanisms:

Diaspora Philanthropy: Also referred to as “collective remittances”, this concept is based upon strong personal, cultural, and community ties and offers unique promise for migrants to become directly engaged in development of their home communities. These partnerships have emerged to leverage the collective donations that migrant associations send to their home countries to finance community development projects. A successful example is Mexico’s “4-por-1” program, which brings together home town associations, local and national governments, and Western Union to support development projects in communities with high levels of emigration.

DNA: Diaspora’s link to the homeland.

Diaspora Volunteerism: There have been steady increases in volunteering organizations that offer opportunities to Diaspora community members to return to their home countries to perform short or long-term public service, bringing specialized and local knowledge to the tasks of economic and social development. USAID has already assisted such efforts in South Sudan and Iraq, helping to bring both technical and local knowledge to its development efforts. Other notable examples in Diaspora volunteerism are the *Armenian Volunteer Corps* and *IndiCorps*.

Diaspora Entrepreneurship: One area that academics, development practitioners, and policymakers have neglected to explore is the role Diaspora entrepreneurs can play in gearing investments toward their countries of origins (particularly in-conflict, fragile, and post-conflict countries). Standing at the intersection between the Diaspora, remittances and FDI, Diaspora Direct Investment (“DDI”) offers immense possibilities given the willingness, motivations and resiliency of Diaspora entrepreneurs to invest in risky markets.

Diaspora Capital Markets: Diasporas can provide much needed capital to home economies through various capital market instruments. These include hard currency bank accounts, certificates of deposit, equity and debt funds, bonds, and securitization of remittances. A notable example of Diaspora capital market instrument is Diaspora bonds, which is typically issued by a country to raise debt capital to finance development projects. India and Israel have been very successful in issuing a series of these bonds that were aimed to mobilize resources to support public-sector projects. Also, local banks in Mexico, Brazil, Kazakhstan, and Ghana have been able to raise long term capital from the international markets by collateralizing their future flows of remittances (remittance-backed securities).

Diaspora Tourism & Nostalgic Trade: Developing countries receive over 300 million tourists visit each year. Diasporas make up a large portion of this group. In addition to stimulating the local economy they’re visiting, Diaspora tourists support their home communities by buying nostalgic goods which typically are produced by micro and small-scale enterprises. Greater efforts can be made to promote Diaspora tourism and to develop the capacity of the producers of nostalgic goods through value chain work.

Diaspora Advocacy & Diplomacy: Increasingly Diaspora communities are participating in the policy dialogues of their home countries and are engaging in cultural, political and commercial diplomacies between their adopted and home countries. DNA can help to leverage this important influence in support of program areas, such as conflict mitigation, democracy and governance, and institutional development.

For more information on DNA, contact:

Thomas Debass

202.712.5967

tdebass@usaid.gov