

**Submission to the House of Commons International
Development Committee (IDC) inquiry into Migration &
Development**

30 January 2004

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"The migrant worker is many things to many people. For conservative politicians and Trade Union organisers in industrial countries, he is the illegal migrant – who deserves a one way ticket back to whatever country he came from. For immigration advocates and business groups, he is a vital pillar of today's globalized economic order, whether a legal resident of his new country or not. For the political leaders of developing countries, he is a modern day “hero” who sends home a hefty portion of his paycheque to help support his family members and keep his old community afloat"

Newsweek International, 19th January 2004

Executive Summary

The British Bangladeshi International Development Group ("BBIDG") welcomes this opportunity to make a submission to the House of Commons International Development Committee inquiry into Migration and Development.

BBIDG is a not for profit association of people interested in promoting education and research on issues relating to international development and Bangladesh and the British-Bangladeshi community in the UK.ⁱ

We note that communities of minority origin are often inadvertently excluded from policy making debates and believe this is regrettable because it deprives decision makers of the unique perspective that can be provided by such groups. BBIDG believes that the British Bangladeshi community can provide a helpful insight into the link between development and migration by highlighting policies relating to migrant remittances.ⁱⁱ We believe that lessons drawn from the Bangladesh experience can be applied to other diaspora communities and more broadly to help inform and improve the UK's policies on Migration and Development.

In particular, we consider that much higher priority should be devoted to enhancing and encouraging the development benefits of migrant remittances sent by diaspora communities. Remittance has traditionally been all too easily overlooked. The total value of remittances sent by expatriates to the developing world was conservatively estimated to exceed \$80 billion last year. As members of the largest overseas Bangladeshi community in the developed world, we have a particularly poignant interest in this topic because helping family and village with remittances has been the highest priority for much of the first generation that migrated to the United Kingdom during the 1960s and 70s.

The value of these remittances and their continuing contribution to development goals has often failed to receive the recognition it deserves both in the UK and Bangladesh. The BBIDG would like to see this oversight rectified. In the long run, many of us in the Bangladeshi community in the UK want to ensure that the valuable hard currency remittances sent home by expatriate Bangladeshis are not lost with succeeding generations but are sustainably replaced by increased communication, trade and investment.

The BBIDG's main recommendations call for more pro-active use of DFID's new powers granted in 2002 in order to facilitate:

- Further research into remittances and economic development and integration of remittance by DFID into its Poverty Reduction Strategies for individual countries
- Supporting the feasibility of new government development bonds for infrastructure investment within developing countries by encouraging and/or providing guarantees
- Encouraging pro-poor and long term investments by diaspora communities
- Incentives to reduce the risks of establishing dedicated venture capital and other long term investment funds for developing countries like Bangladesh
- Supporting tax incentives for senders of migrant remittances in their country of residence
- Investigating collaboration with groups such as Grameen & BRAC (leading Bangladeshi NGOs) to make better use of the migrant remittance transfer process to contribute towards development objectives

The BB-IDG hopes that the Inquiry will recognise the development benefits of migration and ensure that migration concerns are not treated as an isolated international development concern but are integral to all aspects of the governments policy with the outside world.

BBIDG, London, 30 January 2004

1. BBIDG's viewpoint

- 1.1 The British Bangladeshi International Development Group ("BBIDG") is a not for profit association of people interested in promoting education and research on issues relating to international development and Bangladesh and the British-Bangladeshi community in the UK. BBIDG welcomes the House of Commons International Development Committee inquiry into Migration and Development.
- 1.2 BBIDG has previously made representations to DFID on aspects of this issue on two other relevant occasions. The first was in our submission to the Government White Paper, *Globalisation and Helping the Poor* in April 2001. As descendants of migrants ourselves we are concerned that the sensationalised context in which much discussion of migration issues takes place encourages xenophobia and obscures appreciation of positive features of migration.
- 1.3 In our view, policies on globalisation are overly dominated by talk about the free movement of goods, capital and ideas, even though for globalisation to work properly for the benefit of all, these need to be integrated with consideration of the free movement of people. For inevitable political reasons, a can of beans has more rights of free movement across the globe than someone in the developing world, even though in principle both people living in absolute poverty and the makers of the can of beans would prosper more if freedom of labour was dealt with equally.
- 1.4 The second occasion was in our report "*What can DFID do better for Bangladesh?*"ⁱⁱⁱ submitted in response to DFID's Bangladesh Country Strategy Review in January 2003. Under the chapter Encouraging Investment and Trade, we link migrant remittances to economic development. Remittance is crucial for Bangladesh's economy, constituting around one third of foreign exchange earnings. It is driven by overseas Bangladeshi's and appears steady whether it comes from the Middle East, the UK or elsewhere.

2. The value of remittance

- 2.1 Remittance has traditionally been all too easily overlooked. The total value of remittances sent by expatriates to the developing world was conservatively estimated to exceed \$80 billion last year. On some estimates the value of remittances is approximately double the amount of aid provided by rich nations. As we noted in our Country strategy review response, the importance of remittances to Bangladesh's economy ranks at least on a par with earnings from the garment industry and foreign aid loans/contributions. Despite this we observed that the topic is often overlooked and remains an "unsexy" area of research within the development field.
- 2.2 Without wishing to undervalue the important contributions made by DFID and development NGOs to countries like Bangladesh, we are obliged to observe that the constraints of institutional interests and funding requirements can sometimes prevent policy makers from paying attention to the bigger picture. That is to say for many key developing countries remittance *already* arguably plays a bigger role than foreign direct investment and foreign aid to contributing to development. Enhancing and encouraging the flow of remittances towards development goals can only potentially achieve far more, including reducing the dependence of countries such as Bangladesh on foreign aid.
- 2.3 There are fairly straightforward socio-economic reasons why policymakers have generally failed to adequately interact with many migrant communities. Factors include class barriers, social exclusion and the political marginalisation that often characterises migrant communities. An irony is that the very first generation migrants who send the largest volume of remittances are often highly engaged with politics 'back home,' but (and partly because of this engagement,) are in the main divorced from processes influencing

development policies in the UK. It is therefore an uncomfortable political fact that despite decades of rhetoric on development issues by Northern bureaucrats, bankers and politicians, much of the development/aid/NGO sector appears oblivious to the massive contributions being made day in day out by millions of migrant workers from the South.

2.4 Conferences and summits on development largely fail to acknowledge the millions of migrant cleaners, restaurant workers and taxi drivers who on some estimates are collectively sending back more than twice the combined total of Western aid including private bank lending and IMF/ World Bank 'assistance.' We note that DFID recently supported a conference on migration and development in Bangladesh last summer and hope this represents a larger new phenomenon within the development world.^{iv} We urge that recommendations from this conference are urgently followed up and that more resources are devoted to enhancing the use of remittances towards meeting development goals.

3. The Bangladesh experience

3.1 Most emigration from Bangladesh has been in the form of short-term contract labour to the Middle East. At least 3 million Bangladeshis have migrated overseas for employment in this way in the last 25 years, with Saudi Arabia and the Gulf States taking the bulk of this number. Within Asia, Malaysia and Singapore have increasingly emerged as major countries of destination. By far, the largest overseas Bangladeshi communities that have settled in the West are in the UK (and increasingly the US,) with well over a quarter of a million people of Bangladeshi origin living in Britain. On average, 225,000 Bangladeshis migrate annually for short-term employment, with the dominant trend being more towards semi- and unskilled labour migration. Recent research^v suggests that a typical such migrant remits around half of their income.

3.2 Official figures from the Bangladesh Bank record that remittances received from overseas Bangladeshis grew from less than \$25m in 1976 to at least \$2.6bn in 2002. Traditionally less than half of all remittances are channelled through official sources. Until recent clampdowns on unofficial money transfers, official figures recorded 40% of remittances going through *Hundi*^{vi} with the remainder transferred via friends and relatives. Given the difficulty in estimating how much money is carried by workers themselves, the evidence suggests that the level of overseas remittances could easily be several times that recorded by official transactions.

3.3 Other forms of remittance that may not be adequately recorded in official figures would be the large flows into property investment made by expatriates including many British Bangladeshis. This has a mixture of uses including providing support for family members as well as second/retirement homes for migrants themselves. Regular family visits also contribute many tens of millions to the Bangladesh economy.^{vii} Whilst much remittance is confined to family related investments and consumption, its impact in freeing up resources for other development/investment can be noticed in many parts of the country.

3.4 Remittances are conservatively estimated to contribute at least 4% of Bangladesh's GDP and have directly helped Bangladesh's balance of payments by contributing around a third of its foreign exchange needs. In purely monetary terms, remittance income is larger as a net gain than the near \$5bn foreign exchange earnings earned by the ready-made garment (RMG) sector, because the latter figure is significantly reduced when adjusted for the cost of raw materials and tax breaks. (There are however major job creation and other spin offs from the RMG sector.)

3.5 As noted in our submission to DFID, although barriers to investment such as bureaucracy and corruption can deter overseas Bangladeshis from investing in Bangladesh, there is

evidence that these act as far less of a barrier for diaspora communities than for other overseas investors. There is undoubtedly still much untapped enthusiasm within diaspora communities to increase investment in Bangladesh.

3.6 This potential should be tapped by both working to enhance the development benefits of existing remittances and by providing incentives for increased direct investment by overseas Bangladeshis. The latter is especially important for Bangladesh. Despite huge flows of international capital, from the perspective of most developing countries, (many of which like Bangladesh have attractive GDP growth rates), international investors are over conservative. Even large pension funds that consider themselves 'long term global investors' put the vast bulk of their funds into the stock markets of less than 10 different countries. Most 'emerging markets' funds direct their attention to a handful of medium income countries such as Brazil and Russia and with the exception of India and China, largely ignore most poor developing countries. Only a limited amount of existing global capital reaches most developing countries indirectly via multinationals' foreign direct investments. Realistically therefore the best option for many poorer countries to attract new capital is to encourage funds from diaspora communities.

4. Global importance of Labour Mobility and Migrant remittances

4.1 Migration is not a new phenomenon and indeed moving with your feet has been one of the major responses of human kind to poverty for millennia. Past experience of other migrant diaspora groups from for example Ireland and Italy highlights the multiple mutual benefits that can accrue to both 'new' and 'old' countries alike from such movements. Given that air travel and improved telecommunications have dramatically increased the scope for migrants to make more frequent meaningful two way interaction between their 'old' and 'new' countries, it would be remiss for policymakers to ignore this reality.

4.2 The biggest recipients of remittances are India and Mexico with \$10 billion each, followed by the Philippines with \$6.4 billion. Egypt, Morocco and Turkey each receive about \$3 billion a year, while Lebanon, Bangladesh, Jordan, El Salvador and Colombia all get about \$ 2 billion.^{viii}

4.3 Remittances can be a major factor in development and poverty alleviation. As one can imagine, the impact on smaller countries especially is huge. For example, 37% of Tonga's and 26% of Lesotho's GDP is remitted by migrant workers. To take 3 disparate examples, between 10-20 per cent of the annual income of Jamaica, Albania and Nicaragua is estimated to come from their expatriates. Overall they form a greater share of GDP for low income than for middle income countries (1.9% vs. 0.8%)^{ix}, but as we have noted above, it can be much more significant for many key countries.

4.4 Except in specific cases, such as between the US and Mexico, the political or social marginalisation of many migrant communities, whether in their 'new' country or nation of origin - and often both- is such that banks and service providers fail to cater for their needs, reducing the scope for leveraging development benefits from remittances.

4.5 This is a major lost opportunity because unlike other more fickle flows of international capital remittances are demonstrably an important and stable source of external development finance and hence poverty-reduction. For example, in the midst of widespread publicity about Latin American financial investments, the Banco de Brazil successfully issued a \$300m five year bond using the future remittances of yens from Brazilian expatriates in Japan.

4.6 Given the added development benefits that flow from the exchange of skills, contacts and knowledge, (as can be observed for example between Silicon Valley and Bangalore,) and it is clearly long overdue for the great and the good in International Development to give

more credit to overlooked migrant workers who are collectively providing more net aid for the poor in the developing world than everyone else in the rich North put together.

4.7 BBIDG calls on DFID to better integrate remittances within its strategies as outlined below. DFID's central objective in this sphere should be to help remove existing barriers to the productive use of remittances and diaspora capital. Two critical categories of blockages to development commonly identified by migrant communities are

- Lack of secure vehicles and niches into which their savings can profitably be invested
- Lack of opportunities to invest in infrastructural resources such as roads, bridges, electricity and telephone connections, bond issues for which would be popular owing to the tangible benefits provided

5. Recommendations

BBIDG calls on the Committee to urge DFID with its new powers to take a joined up approach with the Treasury to help migrants in the UK get a better deal from their hard-earned remittances by:

- Further research into remittances and economic development and integration of remittance by DFID into its Poverty Reduction Strategies for individual countries
- Supporting the feasibility of new government development bonds for infrastructure investment within developing countries by encouraging and/or providing guarantees
- Encouraging pro-poor and long term investments by diaspora communities
- Incentives to reduce the risks of establishing dedicated venture capital and other long term investment funds for developing countries like Bangladesh
- Supporting tax incentives for senders of migrant remittances in their country of residence
- Investigating collaboration with groups such as Grameen & BRAC (leading Bangladeshi NGOs) to make better use of the migrant remittance transfer process to contribute towards development objectives

BBIDG^x London, 30 January 2004

ⁱ BBIDG is established as a not for profit association of people interested in promoting education and research on issues relating to international development and Bangladesh and the British-Bangladeshi community in the UK. The broad nature of this topic includes a general interest in economic, environmental and human rights issues both in Bangladesh and the UK. BBIDG was formed by a group of British Bangladeshis with existing involvement in these issues, who believe that added insight and value may sometimes be gained by looking at these topics from a British-Bangladeshi perspective. It builds on work formerly undertaken as a sub-committee of the British Bangladesh Professional Association. It has no political or religious affiliation and membership is open to anyone with an interest in this area. see www.bb-idg.co.uk

ⁱⁱ Defined as monies transmitted from one place to another. Although remittances can also be sent in-kind, the term remittances usually refers to cash transfer, mainly to family back home.

ⁱⁱⁱ copy available at www.bb-idg.co.uk

^{iv} Regional Conference on Migration, Development and Pro-Poor Policy Choices in Asia, Refugee and Migratory Movements Research Unit and DFID 22–24 June 2003 Dhaka, Bangladesh. Conference papers are available from the website: www.livelihoods.org

^v Migrant Worker remittances and micro-finance in Bangladesh, ILO, Dhaka (Feb 2001)

^{vi} Hundi is a colloquial term for existing informal transfer systems. Hundi agents act as foreign exchange dealers who charge 1 to 2 per cent more than official exchange rate but are used as they are seen as quick and convenient.

^{vii} Anecdotal evidence from UK travel agents suggests that at least 50000 British Bangladeshis visit Bangladesh each year

^{viii} These figures are for formal remittances only and do not for instance take account of the enormous amount of investment in China by overseas Chinese communities

^{ix} Dilip Ratha, “ Ch 7: Workers’ Remittances: An Important and Stable Source of External Development Finance”, in “Global Development Finance 2003 – Striving for Stability in Development Finance” World Bank (2003) p 158.

^x This paper was prepared on behalf of BBIDG by Rositia Aiesha, Niaz Alam, Monir Ali, Sadeka Choudhuri, Mohammed Khan and Murad Qureshi.