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Reaping the Bless of Arab Migrants: Mobilizing Diaspora for Private Sector Development

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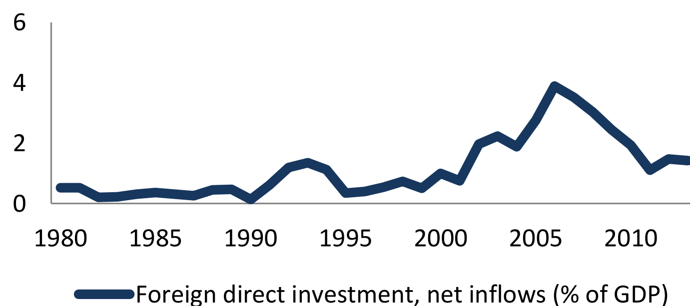
The 'Arab Spring' raised many economic challenges that can hardly be handled by the dominating public sector alone, amongst are the escalating unemployment rates, enormous budget deficits, and heavy dependence on food and manufactured imports. The Middle East and North Africa (MENA) needs to move away from relying on nationalized ineffective public sector towards dynamic and competitive private sector as a main engine of growth. This policy brief introduces four lines of actions to utilize MENA large -and increasing- stock of international migrants who acquire financial and intellectual resources that can play important role in promoting the domestic private sector, entrepreneurship, and new start-ups.

Introduction

MENA has always low private investment both domestic and foreign, however, the political and economic unrests post the 'Arab Spring' raised the necessity of a dynamic and growing private sector than ever before. The dominant economic role of the public sector in MENA cannot endure, especially with the escalating unemployment rates, budget deficits, heavy dependence on food and manufactured imports, vulnerability to oil and foreign currency swings beside the challenging social and political environments ahead of the recent uprisings.



Foreign Direct Investment (FDI) cannot be the main anchor for private sector growth, giving its vulnerability to the existing adverse environments and its evident decreasing trend since 2007. Accordingly, MENA should allow wider participation of domestic private investments, new startups, and entrepreneurship to operate.[2].

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[2] Our analysis comprises Labor Abundant MENA countries (All MENA except GCC)

Approaches and results

International migration relaxes liquidity constraints of new enterprises and start-ups via providing stable financial resources in form of remittances and/or savings of return migrants. Moreover, migrants bring in valuable human capital acquisition in form of work experience, skills, knowledge, and contacts to undertake their own business or assist in the successful implementation of existing projects and development initiatives in their home countries..

The same political vulnerability mentioned earlier could provide an important stable driver of private investments and innovative entrepreneurs that favor new activities and eager to penetrate new markets. Waves of people leaving the region -driven by socioeconomic and political motivations- are escalating. Moreover, the recent implementation of nationalization employment policies ('Nitiqat' program) in Saudi Arabia -the largest employer of Arab expatriates- which seeks to increase the number of Saudi nationals employed in the private sector have raised the probability of repatriation for large number of existing diaspora that resulted in increasing their incentive to save their earnings and secure other sources of income in their home countries. The existing migration trend raises the importance of diaspora financial and human resources as a stable -compared to other sources of finance like FDI- catalyst for domestic private sector and entrepreneurship.

MENA Diaspora income is estimated at 275 Billion$ and savings at 55 Billion$ in 2013

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"If I could create one job in the private sector by helping to grow a business, that would be one more than Congress has created in the last six months"

Evan Bayh, American lawyer and U.S. Senator and 46th Governor of Indiana

Policy implications

The economic involvement of diaspora in their home countries is not automated rather policy dependent. This process requires effective designation and implementation of policies and programs to enhance the contribution of international migrants to private sector development, this policy brief proposes the following complementary four lines of action

1. **Improving the regulatory framework of doing business and reducing bureaucratic hazards** through reducing minimum capital requirements of starting new businesses and expanding the scope and quality of information and communications technology (ICT)

applications and E- services to reduce the time and effort required for new businesses to register and operate.

2. **Promoting investment usage of migrant's financial and human resources via** introducing new financial services, which targets repatriates outside the country, like saving incentives, interest rate premium on migrant's deposits, and the issuance of remittances back bonds to circulate their savings in domestic financial sector. Parallelly, new laws should be introduced to offer tax exemptions and reduced custom duties on business related imports of capital goods for migrants who decide to invest in their home countries. As well, initiating knowledge transfer programs to mobilize human capital acquisition of experts residing abroad and returnees, by giving courses and training programs in their areas of specialty to their domestic counterparts.

3. **Intensifying the migrant's sense of belonging and increase their motivation to invest in their home countries via** organizing regular initiatives and events for migrants abroad to sustain cultural, social, and political bridges. For instance, ensuring their participation in elections and representation in the parliament, offering them attractive touristic offers to encourage them to spend holidays in their home countries, highlighting their achievements in their areas of specialties in domestic media. Moreover, regularly advertise – via migrant's post or Email- any current or future national and development programs while providing flexible means of contact to answer any inquiries and facilitate their involvement.

4. **Encourage formally transmitted remittances,** giving the existing high transfer fees, informal remittances constitute a large portion of migrant's monetary transfers. In this regard, building alliances between domestic and international banks, which results in facilitating the money transfer through formal channels by reducing costs and duration of the transfer is critical. This would help in providing reliable figures for remittances entering the country. As well, ensuring the circulation of these foreign earnings in the financial sector and increase the asset base of banks, allowing them to increase their lending activities to new start-ups and entrepreneurs.

Further readings

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