Institutional and Policy Framework Necessary for Harnessing Diaspora Remittances in Kenya

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Abstract

Many countries, Kenya included, are aware of the developmental potential the diaspora can offer to their countries of origin, especially through their remittances. This study sought to explore the extent to which Kenya has created the necessary institutional and policy framework to tap into diaspora remittances. The study made use of literature review and comparative case studies to realize its objectives. The study has revealed that Kenya lacks appropriate institutional and policy framework to harness and channel diaspora remittances to realize certain predetermined objectives. Diaspora related outcomes are largely left to chance and are not willed or premeditated upon. The characteristics of the diaspora are largely unknown and diaspora engaging institutions are far much weaker compared to those of India and Ethiopia. The policies of engaging the diaspora, such as those adopted by Ethiopia are to a great extent 'one-way-street' and lean more towards the category of extracting obligation. In addition, policies and institutions for engaging the diaspora operate independent of each other, with no synergies between them. The study proposes the formation of a 'one-stop-shop' to handle all matters related to the diaspora, such as informational issues, trade, investment and to protect the rights of the diaspora, especially the low skilled emigrants. As a first step, the created institution(s) must seek to know and understand its diaspora to enable creation of appropriate policy responses to tap into its development potential. Due to the complexity of remittance environment and diaspora related issues, to the greatest extent possible, policy options should be informed by research. The government should look at the possibility of organizing a diaspora day and recognize the achievements of Kenyans in the diaspora and 'market' policies and strategies they would wish them to participate.

Abbreviations and Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
DCI	Development Corporation for Israel
FDI	Foreign Direct Investment
ILO	International Labour Organization
IOM	International Organization for Migration
KenInvest	Kenya Investment Authority
LAPSSET	Lamu Port-South Sudan-Ethiopia Transport
MDGs	Millennium Development Goals
MoFA	Ministry of Foreign Affairs
MoIA	Ministry of Overseas Indian Affairs
MoLSA	Ministry of Labour and Social Affairs
NADICOK	National Diaspora Council of Kenya
NSE	Nairobi Stock Exchange
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
SSA	Sub-Saharan Africa
WDI	World Development Indicators

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1. Introduction

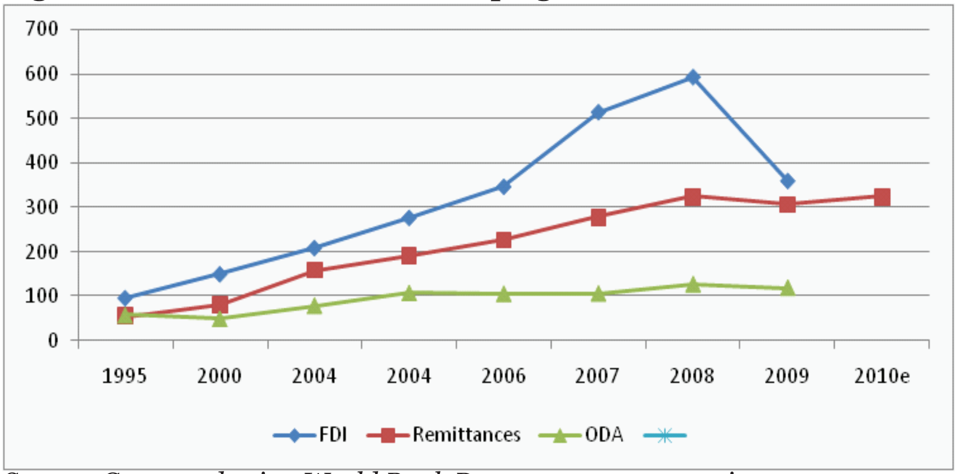
1.1 Background Information

Remittances by individuals working or living abroad have become an important feature in many developing countries. Migrant remittances provide an important link between migrants and their country of origin. Remittances received from migrants abroad are the largest source of external finance for the developing countries as a group (Ratha, 2007). Remittances are a consequence of international migration. Individuals emigrate from their countries of origin to other countries due to pull factors (search of opportunities such as higher education, jobs, among others) and push factors (for example political feuds and wars in the country of origin). Emigrants form the diaspora community, and in this rapidly globalizing world, the community is both a consequence and driver of globalization.

Figure 1.1 shows resource flow to developing countries. In the year 2009-2010, remittance flows to developing countries exceeded all other resources such as foreign direct investment (FDI), official development assistance (ODA), private debt and other portfolio equity, and have been resilient to the global financial crisis.

Preliminary estimates by the World Bank suggest that developing countries' annual diaspora savings could reach US$ 404 billion in 2013 (Appendix 1). Diaspora savings as a share of Gross Domestic Product (GDP) are estimated to

Figure 1.1: Resource flows to developing countries (US$ billions)



Source: Computed using World Bank Data, 2011[1]; note e=estimates

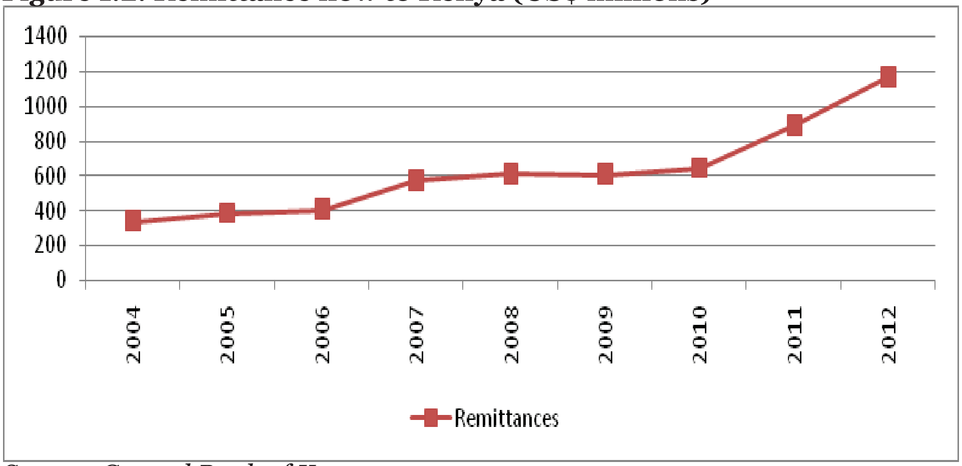
[1] See Migration and Remittances Fact Book 2011, accessed on 12 June 2012, from http://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf.

be 2.3 per cent for middle-income countries and as high as 9 per cent in low-income countries (Ratha and Mohapatra, 2011). Remittances are estimated to be 6 per cent, 2 per cent and 4 per cent of GDP for Kenya, Tanzania and Uganda, respectively (Apendix 2). Remittance flows to Sub-Saharan Africa (SSA) remained nearly constant during the global financial crisis and registered a modest 4 per cent gain in 2010 to reach US$ 22 billion. The forecast is that they will reach US$ 26 billion in 2012.

Remittances to Kenya have remained resilient to the global financial crisis and the amount remitted by Kenyans has been on an upward trend (Figure 1.2). Majority of the remittances come from North America (56%) and Europe (26%). According to the Central Bank of Kenya (CBK), this growth could be attributed to the following reasons: improved data collection techniques and proper classification of remittances by some commercial banks since December 2010; and government's savings, development and infrastructure bond issue and subsequent awareness campaign. Moreover, recent increase in competition among money transfer service providers could also have resulted in reduced transaction charges, thereby encouraging the use of formal remittance channels.[2]

The diaspora has both tangible and intangible capital, which can contribute to their countries of origin development (Plaza and Ratha, 2010). Chikeze (2010) identifies five forms (5C's) of diaspora capital, which can be harnessed for the benefit of their home countries: intellectual capital, financial capital, political capital, cultural capital and social capital. The most obvious channel through

Figure 1.2: Remittance flow to Kenya (US$ millions)



Source: Central Bank of Kenya

[2] See http://www.centralbank.go.ke/forex/Diaspora_Remit.aspx, accessed on 2 February, 2012.

which diasporas can exert influence in their home countries is monetary support (Fransen and Siegel, 2011).

African countries can harness and reorient remittances towards, for example, infrastructure development, to support and sustain economic growth. Infrastructural deficit has been cited as the key constraint that hinders Africa from realizing its full potential in terms of economic growth, competitiveness in global markets and attainment of the Millennium Development Goals (MDGs) including poverty alleviation (AU, 2009; AfDB, 2010). AfDB estimates that Africa will require investing about US$ 93 billion yearly (from 2010-2020) to sustain an economic growth of 7 per cent.

The actual number of Kenyans working and living abroad is not known, but it is estimated to be about 3 million (Government of Kenya, 2011).[3] An estimated 400,000 Kenyans live or work in the United States. The other leading countries of destination by Kenyans include the United Kingdom (UK), Canada and Australia. There is also a significant number of Kenyans in African countries such as South Africa, South Sudan, Botswana, Uganda, Namibia and Tanzania. The Draft Diaspora Policy (2012) categorizes Kenyans in the Diaspora into two groups:[4]

(a) Persons of Kenyan Origin (PKO): Status designates foreign citizens of Kenyan origin or descent; and

b) Non-Resident Kenyans (NRK's): Kenyan citizens holding a Kenyan passport and/or having dual citizenship and residing outside the country for an indefinite period, whether for employment, business, vocation, education or any other purpose.

1.2 Problem Statement

As earlier mentioned, remittances to Kenya and developing countries in general have increased substantially over the past few years. Some of the countries receiving large amounts of remittances, such as Philippines, Ecuador and Yemen have done poorly in terms of enhancing their effects on economic performance, while others such as China, India and Thailand have performed rather well (ILO, 2004). Increased remittance flows can create an illusion in the country of destination that they will necessarily impact positively on the domestic economy.

[3] Also see: Embassy of the Republic of Kenya, Washington, DC. Concept note for Kenya Diaspora Conference in the USA, 8-9 October 2011. The theme was identifying opportunities for the diaspora under Vision 2030, accessed on 13 February 2012, from http://kenyaembassy.com/pdfs/Concept%20paper.pdf.

[4] These two categories are as per the definition in the draft Diaspora Policy 2012.

Remittances can contribute to investment and output growth, but the process is not automatic (Ghosh, 2006). It will be idealistic to assume that continued flow of remittances from the diaspora will necessarily have positive results at the household or national level. It is not obvious that remittance flows will always trigger development. However, countries with well functioning domestic institutions and policies can unlock the potential for remittances to contribute to faster economic growth (Catrinescu *et al*., 2009; Singh *et al*., 2010). For any country to maximize on remittance flows, the requisite institutional and policy framework must be put in place to direct remittances to certain predetermined objective(s). It is not clear whether this is the case for Kenya.

1.3 Research Question

The main question that this study seeks to answer is: Does Kenya have the requisite institutional and policy framework necessary for harnessing diaspora remittance?

1.4 Objectives of the Study

The overall objective of the study is to explore the extent to which Kenya has the necessary institutional and policy framework to harness diaspora remittances, and specifically to:

(a) To undertake a comparative case study on Kenya's institutional and policy framework for harnessing diaspora remittances with those of comparator countries; and

(b) To propose institutional and policy framework necessary for Kenya to tap diaspora remittances.

1.5 Rationale of the Study

Many countries are becoming increasingly aware of the role their diasporas can play for the home country in terms of poverty reduction development and economic growth (Fransen and Siegel, 2011). Kenya is also aware of the developmental potential of the diaspora remittances, and through the Ministry of Foreign Affairs (MoFA), is developing a Diaspora Policy. The main objective of the proposed diaspora policy is to mainstream the Kenyan diaspora in the development agenda for it to make a significant contribution to the development of the country (Government of Kenya, 2012). It is anticipated that the results of this study will stimulate further debate on what institutional and policy framework Kenya must create to maximize on the developmental potential of its diaspora.

This study argues that the ultimate end of remittance mobilization should be to foster development in general, both at the household and national level. To this end, institution(s) and policies so designed should work towards realizing this objective.

2. Literature Review and Conceptual Framework

2.1 Introduction

Various definitions of the term remittances exist. The International Organization for Migration (IOM) defines remittances as monetary transfers that a migrant makes to the country of origin, or financial flows associated with migration.[5] In general terms, remittances can be defined as unrequited private transfers in cash or in kind from a migrant to the country of origin.

There is no general theory of remittances that exists (Stark, 1991). Houle and Schellenberg (2008) notes that "information on the entire remittance process, from the 'first mile' when decisions are in the hands of remittance senders to the 'last mile' when the funds are in the hands of the recipients, is needed to build a complete picture of this complex phenomenon". Literature on remittances is wide and is still growing, and most of it is beyond the scope of this study. This study reviews studies that analyze the determinants of remittances and those that disentangle developmental impact of remittances in the recipient country. Remittance flows depend on a number of factors, including demographic characteristics of remitters, remittance environment in the source and home country, and their motivation to remit savings back to their home country. On the other hand, remittances can have macroeconomic and microeconomic impacts in the recipient country, which can be either positive or negative or both.

2.2 Determinants of Remittances

2.2.1 Demographic characteristics of remitters

Demographic information such as age, gender, ethnicity, income, savings, number of people in a household and occupation, among others, could be important determinants of remittance flows and are key in understanding who sends the money. There are studies that have sought to examine the relationship between demographic characteristics and remittance behaviours. Studies on whether women or men remit more have yielded mixed results. Bollard *et al.* (2010) finds that male migrants remit more than female migrants, particularly among those with a spouse remaining in the home country. Orozco and Castillo (2008) find a near gender split among women (44%) and male (56%) among the Latino remitters. The study further showed that majority of the remitters are relatively

[5] See http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published_docs/brochures_and_info_sheets/IOM_Remittance_eng_pdf.pdf, accessed on 2 October 2011.

young (in their thirties) with low education levels and income. Similar results were found by a study by Asian Development Bank (2008).

2.2.2 Obligations to family

The question of whether or not an immigrant's children, parents or other family members are located in the country of origin is a key determinant of remittances. Studies have shown that remittances are more likely to be sent when close family members still reside in the home country (Vanwey, 2004). In addition, the economic conditions of the recipients are important in determining the amount remitted. Acosta *et al.* (2007) find that most of the households receiving remittances in 11 Latin American countries are concentrated at the bottom of the income distribution. One can also anticipate that the remitters are likely to remit more money in the event that the economic conditions of the recipients decline, or when recipients are facing financial hardships. There is also growing importance of network effects, and this deals with the question on whether migrants move alone, with family members, or if they are attached to those left behind (Munshi, 2003).

2.2.3 Remittance environment in the source country

Remittance behaviours may vary in terms of the remitters' country of origin owing to differences in the institutional characteristics of the remittance corridors and the ease and transparency with which funds may be sent (Houle and Scellenberg, 2008). This would include factors such as economic environment (interest rates, exchange rates and inflation); regulatory framework (labour and immigration laws and anti-money laundering laws); and bank structure, among others. The global economic slowdown was likely to have negatively affected the demand for migrant labour in both industrialized and Persian Gulf countries, the main sources of remittance income (Chami *et al.*, 2009). A World Bank (2006) study estimated that over 80 per cent of remittances sent to the Dominican Republic, Guatemala and El Salvador were through formal channels such as banks and money transfer companies such as Western Union, while over half of the remittances sent to Bangladesh and Uganda were through informal channels such as unregulated firms, family and friends.

2.2.4 Remittance environment in the destination country

This includes remittance players such as banks, money transfer agencies; banking and remittance framework such as anti-money laundering laws; taxes; clearing systems; international connectivity; payment methods; domestic distribution; inter-commercial bank connectivity and macroeconomic policies; among others. Monetary policy impacts remittance flows through intervening variables such as exchange rate, interest rates and inflation, among others. In Nigeria, preliminary evidence showed that domestic economic prosperity increased remittances, while exchange rate depreciation depressed remittances (Mbutor, 2010). Macroeconomic environment, especially in the home country, may substantially influence the choice of the channel for transferring the money (OECD, 2006).

2.2.5 Characteristics of migration

According to Houle and Schellenberg (2008), "the circumstances and characteristics of migration may influence remittance behaviours in a number of ways, including the motivations for migration, intentions to return to the country of origin, the duration of time since immigration, and the number of emigrants leaving the source household." Individuals can leave their country of origin because of such reasons as war, political persecution or in search of economic opportunities. These individuals may have responsibilities to support those left behind. It is likely that these factors might be correlated with remittance behaviour. Menjivar *et al.* (1998) hypothesized that people who migrate in search of economic opportunities may be financially responsible for dependent children or parents in the country of origin. However, no positive correlation was found among Salvadoran and Filipino immigrants. In addition, the study finds that plans for a permanent stay in the host country are negatively correlated with the decision to remit, but are not significantly correlated with the amount remitted. Xiang (2001) found that unmarried migrants who intend to return home may remit for marriage prospects upon their return. Brown and Piorine (2005) found that the likelihood of remitting and the amounts remitted to children and parents are both significantly associated with intentions to return home.

2.2.6 Motivation for sending money

Lucas and Stark (1985) identify three motivations for sending money to families back home: (i) pure altruism, (ii) pure self-interest, and (iii) tempered altruism or enlightened self-interest.[6] Altruism refers to the migrants' concern about relatives back home. Under altruistic model, the migrant derives satisfaction from the welfare of his/her relatives. The altruistic model advances the following hypothesis: the amount remitted increases with an increase in migrant's income and decreases

[6] Also see OECD, 2006.

when the domestic income of the family increases or when attachment to the family weakens. The same should happen when the migrant settles permanently in the host country and family members follow. However, Lucas and Stark (1985) found altruism to be insufficient in explaining the motivations to remit in Botswana.

Individuals may remit money to family members in the home country out of pure self-interest. First, an individual may decide to remit by being driven by aspirations such as the need to inherit. Second, the ownership of assets in the home area may motivate the migrant to remit money to those left behind, in order to make sure that they are taking care of those assets. Third, the intention to return home may also promote remittances for investment in real estate, financial assets and public assets to enhance prestige and political influence in the local community, and/or social capital.

On the other hand, tempered altruism and enlightened self-interest is based on implicit family agreement: co-insurance and loan. In this model, remittance determination is based in a family framework of decision-making, with remittances being endogenous to the migration process. In a household, there may be a Pareto-superior strategy to allocate certain members as migrants, and remittances should be the mechanism for redistributing the gains. Two major sources for potential gain are taken into account: risk-spreading and investment in the education of young family members. The implicit contract between migrant and family is safeguarded against being breached by the family specific assets; that is, credit and loyalty, but also by self-seeking motives of the migrant; that is, aspiration to inherit, investments in assets in the home area and maintenance by family, and the intention to return home with dignity.

In the implicit co-insurance model, it is assumed that in a first phase, the migrant plays the role of an insuree and the family left at home the role of the insurer. The family finances the initial costs of the migration project, which in most cases are substantial. It is expected that the potential migrant is unable to cover all the expenses alone. The high extent of uncertainty related with the implementation of a migration intention may be minimized by the financial support from home. In turn, the migrant can also act as an insurer for the family members back home in a second phase of the migration process. This is expected to be possible when the migrant has already secured employment, high enough earnings and positive expectations about further income. By receiving remittances, the family will then have the opportunity to improve its consumption, undertake investment projects including much more risk, thus reach a higher level of utility. Evidence from Botswana showed that families with more cattle received significantly more remittances in periods of drought (Lucas and Stark, 1985).

2.2.7 Other factors

- Financial capacity to remit: One can expect that for households to be able to remit money back home, they must have the financial capacity to do so. Menjivar *et al*. (1998) and Brown and Piorine (2005) as cited in Houle and Schellenberg (2008) find a positive correlation between household income and remittances, as well as full-time employment and remittances.
- The migrant's saving target: One can assume that a migrant's intention of working or living abroad is to accumulate savings before going back home; that is, the immigrants are a target saver.
- Organizational involvement: There are other ties that immigrants retain with their country of origin in addition to familial ties (Houle and Schellenberg, 2008). Orozco (2002) notes "sending-country governments can also stimulate remittances by helping emigrant groups to develop formal migrant associations and encourage their membership to invest in their home countries".

2.3 Remittances and Economic Development in the Country of Origin

There is a raging debate and conflicting views on the effects of remittances on the development of economies of origin, both at the household (microeconomic impact) and national level (macroeconomic impact). The emergence of remittances as a new strategy for poverty alleviation in developing countries has spurred multilateral institutions, international organizations, and national governments, amongst others, to seriously study, identify and implement measures on how these inflows could be maximized and then harnessed for the development of migrants' countries of origin (Pant, 2008).

At the household level, remittances often have positive development effects through improved children's education, better health, housing and family welfare, and thus promote human development (Ghosh, 2006). As a result, long-run output growth could accelerate as a result of the additional investments in physical and human capital (Spatafora, 2005). Remittances enable households to deal with economic shocks and have positive effects on consumption (Kiiru, 2010). Households are therefore able to smoothen their consumption. At times, remittances can encourage conspicuous consumption by households and negatively affect economic growth. There are also concerns that remittances can reduce incentives to work, especially by the young in recipient families. Remittances have a greater effect on transient poverty, but long term effects on structural poverty are less clear, mainly because their long term economic development are not well understood (Kapur, 2004).

With regard to macroeconomic impact, remittances can create dependency on the migrants' country of origin and make it vulnerable to exogenous shocks. Remittances have the same impact on the monetary system of a country as do exports. Indeed, remittances may be viewed as payments for exports of labour and psychic benefits (Mustafa *et al.*, 2007). Thus, remittance flow can provide useful support to current account balance and consequently strengthen the balance-of-payments position of Kenya, which has in the recent past come under severe pressure due to an ever increasing import bill.

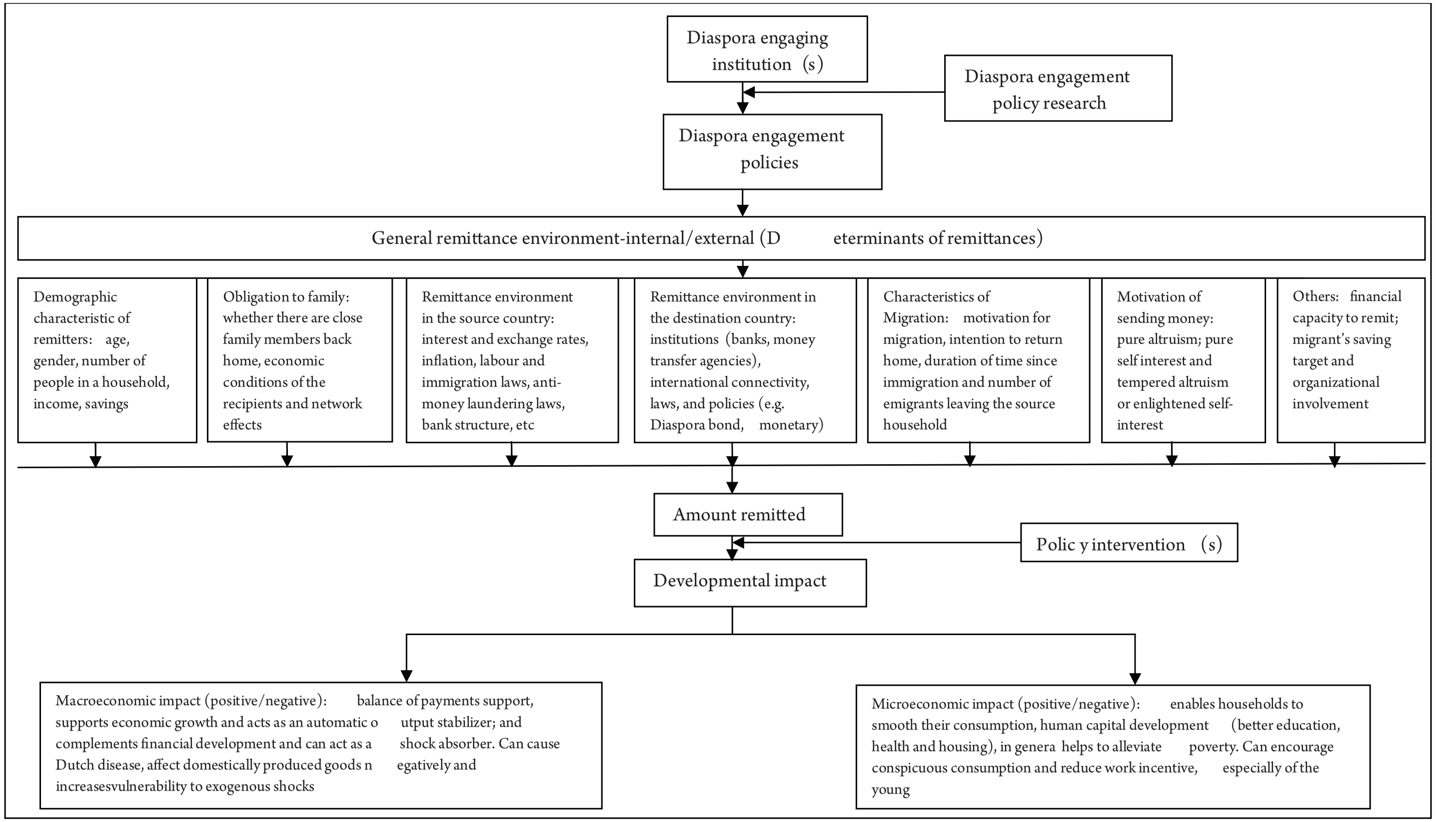
Gubert (2005) notes: "remittances can reportedly push up the demand for imports to the detriment of locally produced goods, for instance, and do not have a multiplying effect on the economy. They are said to be a source of inflation and hence real exchange-rate appreciation in countries lacking supply-side flexibility: Dutch disease and they are accused of encouraging rent-seeking."

However, Dutch disease is not a serious concern for Kenya, since remittances may not be large enough to cause rapid appreciation of the exchange rate. Studies have found a robust negative correlation between remittances and GDP growth (Chami *et al.*, 2005). However, Guiliano and Ruiz-Arranze (2005) find that remittances can promote growth in less financially developed countries. In another study, Chami *et al.* (2009) find evidence that remittances have a negative effect on output growth volatility of recipient countries, supporting the notion that remittance flows have a stabilizing influence on output; that is, they are an automatic output stabilizer. Nyamongo *et al.* (2012) find remittances to be an important source of growth for selected African countries. However, volatility of remittances appeared to have a negative effect on growth, but complemented financial development. Singh *et al.* (2010) established that remittances behave counter-cyclically, consistent with a role as a shock absorber.

2.4 The Remittance Framework

On the basis of the survey of literature of this complex phenomenon of remittances, a remittance framework has been developed (Figure 2.1). In this framework, determinants of remittances have been defined as general remittance environment, which can be internal (recipient country) or external (source country). The key message of this framework is that diaspora engaging institution(s) should design premeditated policies informed by research. The policies so designed will serve two purposes: first, by impacting on the remittance environment through various channels, which will determine the amount remitted, and second, act as a link between the amount remitted and developmental impact (macroeconomic/ microeconomic). Thus, the final impact of remittances must be by design and not default or being left to chance. For instance, if the government wishes that remittances support the balance-of-payments position, there must be a policy effort towards that end, and implemented by a specific institution. Thus, the policies will make attempts to realize certain positive outcomes and mitigate any negative effect that could result from that engagement. In this framework, institutions are deemed to be the ones implementing or directing the policies to achieve some predetermined goals.

Figure 2.1: Remittance framework: Institutions, policy, general remittance environment and developmental impact



Source: Author's after reviewing literature. Note: The amount remitted in this study refers to investable amount.

3. Methodology

3.1 Introduction

To achieve the objectives of the study, two methodological approaches have been relied upon: (i) secondary information; and (ii) comparative case studies.

3.2 Secondary Information

This involved extensive desktop literature review targeting determinants of remittances and the link between remittances and economic development in the country of origin. The ultimate aim is to come up with an institutional and policy framework that can be used to harness diaspora remittances. This has already been realized in Figure 2.1.

3.2 Comparative Case Studies

Comparative case study entailed gathering of data and information that already exists from publications such as journal articles, publications by government institutions, Internet and other sources. Comparative case study approach was used to draw lessons from those countries that have succeeded in developing diaspora engagement institutions and policies for maximal mutual benefit. Some countries have been able to design the most progressive institutions and policies to engage the diaspora, among these being India and Ethiopia.

These countries were selected because of the following reasons: India has one of the most comprehensive state diaspora engagement policies in the world (Vezzoli and Lacroix, 2010). Ethiopia has been implementing diaspora engagement policies and establishing government institutions to engage the diaspora over the past decade, and they are the most progressive in SSA (Maastricht Graduate School of Governance, 2010). Ethiopia has modeled its policies after those of India, both of which share many elements (Kuschminder and Hercog, 2011). Other countries such as Kenya have the potential to successfully replicate the same. Therefore, lessons for Kenya with regard to diaspora engagement institutions and policies will be drawn from Ethiopia and India.

4. Analysis and Discussion

4.1 Introduction

This section compares the institutions and policies that Kenya, India and Ethiopia have established to engage the diaspora. This study follows categorization of diaspora engaging institutions as proposed by Kuschminder and Hercog (2011). First, there are those established for general diaspora engagement, such as providing information to the diaspora, but do not seek to gain any financial investments from them. Second, there are those established to facilitate trade and investment into the country of origin, such as investment banks, trading institutions and associations devoted to promoting investment and trade from the diaspora. And third, there are those devoted to protecting the rights of the diaspora, especially the low skilled migrant workers.

4.1 Comparison of Kenya, India and Ethiopia Diaspora Engagement Institutions

4.1.1 General diaspora engagement institutions

Summaries of diaspora engagement institutions from India, Ethiopia and Kenya are presented in Table 4.1, 4.2 and 4.3, respectively. The institutional set-up of the three countries differs markedly. India has the Ministry of Overseas Indian Affairs (MoIA), which is the one-stop address for the overseas Indians. The MoIA is headed by a Cabinet Minister and has four functional service divisions: Diaspora Services, Financial Services, Emigration Services and Management Services. The MoIA handles and coordinates all matters relating to overseas Indians comprising Persons of Indian Origin (PIO), Non-Resident Indians (NRIs) and Overseas Citizens of India (OCI) (Government of India, 2011). Kenya and Ethiopia, on the other hand, do not have diaspora engaging institutions at the Ministerial level. Both Kenya and Ethiopia have a directorate under their respective Ministries of Foreign Affairs to engage the diaspora; that is, the Directorate of Diaspora Affairs for Kenya and the Diaspora Affairs Directorate-General for Ethiopia.

The Diaspora Affairs Directorate-General for Ethiopia was established with the aim of meeting the needs of the growing number of Ethiopians and Ethiopian Diaspora residing abroad, and interested in contributing to Ethiopia's development and well-being. It performs the following specific functions:[7]

[7] See http://www.mfa.gov.et/abtMnstrMore.php?pg=38, accessed on 25 September 2012.

(a) Conducts research on policies, initiatives and legislation geared towards augmenting the engagement of the diaspora with Ethiopia;

(b) Disseminates information regarding developments in Ethiopia to Ethiopians, the diaspora and friends of Ethiopia residing abroad and within Ethiopia. This is especially to reach out to the youth to stimulate their interest in Ethiopia and improve their understanding of their country of origin;

(c) Maintains and updates a database of Ethiopians living abroad, persons of Ethiopian origin and friends of Ethiopia;

(d) Liaises with Ethiopia missions abroad in order to encourage the participation of the Ethiopians in diaspora in investment, tourism, trade and technology transfer; and

(e) Organizes the annual diaspora day celebrations, which highlight the achievements of the diaspora and encourage their participation in their country of origin.

The mandate of the Directorate of Diaspora Affairs in Kenya includes:[8]

(a) Coordinating efforts to improve the relationship with the diaspora;

(b) Mobilizing the diaspora for the country's development;

(c) Harnessing the diaspora expertise and resources for national development;

(d) Developing and maintaining an up-to-date database of Kenyans in diaspora;

(e) Facilitating access to accurate and reliable information on national development that will enhance diaspora participation in nation building;

(f) Coordinating with relevant stakeholders in delivering services to the diaspora;

(g) Identifying investment opportunities and attracting the diaspora to invest in Kenya; and

(h) Protecting the interests of Kenyan diaspora in the countries of origin.

[8] See http://www.mfa.go.ke/index.php?option=com_content&view=article&id=371&Itemid=116, accessed 27 February, 2012.

4.1.2 Institutions for trade and investment facilitation

Kenya, India and Ethiopia seek to obtain maximum benefits from their diaspora through trade and investment. India has a 'one-stop-shop' dedicated to the diaspora; that is, the Overseas Indian Facilitation Centre (OIFC). OIFC is a not-for-profit trust and in partnership with the Confederation of Indian Industry (CII), offers several services for investors, entrepreneurs looking for investors and consultants seeking opportunities in India. Through its official website, IOFC provides an interactive guide to policies and procedures for NRI. The website also provides an in-depth analysis of the key sectors for investment in India: education, energy and environment, health care, information and communication technology (ICT) and infrastructure.[9] In addition, the IOFC website has features such as "ask-the-expert" and live help chat. IOFC also disseminates information through a monthly newsletter (IndiaConnect) on current investment trends in India, investor's guide, news and events relevant to the diaspora.

Both Kenya and Ethiopia have a "one-stop-shop" for investment but not solely dedicated to diaspora investment; Kenya Investment Authority (KenInvest) and the Ethiopian Investment Agency (EIA), respectively. KenInvest is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act No. 6. of 2004) with the main objective of promoting both domestic and international investments in Kenya by providing quality services.[10] Its official website provides information to potential investors including why invest in Kenya, doing business in Kenya, investment opportunities and living in Kenya, among others.[11] KenInvest engages Kenyans in the diaspora through investment expos organized from time to time in different countries abroad. However, the website has no section targeting the diaspora nor is there diaspora investment specific information, but there are plans to host a section of its website to give information targeting the diaspora.

The EIA is a government agency established in 1992 to promote private investment, primarily FDI, by promoting Ethiopia's resource potential and investment opportunities, initiating policy and implementing measures to create a conducive investment climate and provide efficient services to investors.[12] Like

[9] See http://www.oifc.in/, accessed 27 February, 2012.
[10] See http://www.investmentkenya.com/index.php?option=com_content&task=view&id=12&Itemid=26, accessed 28th February, 2012.
[11] Agriculture, tourism, building and construction, infrastructure, energy, manufacturing, environment and natural resources, money and banking, finance and ICT.
[12] See http://www.ethioinvest.org/about_us.php, accessed 28 February, 2012.

KenInvest, EIA has no section of its website directed to the diaspora and there is no diaspora specific information available.

Another important institution that to some extent engages with Kenyans in the diaspora is Brand Kenya Board (BKB), established in March 2008 through Legal Notice No. 38. BKB engages the diaspora through expos in various parts of the world, though not necessarily targeting Kenyans only. BKB is mandated with identifying and refining the key attributes in Kenya that contribute positively to the image and reputation of the nation.[13]

From the foregoing analysis, both Kenya and Ethiopia, unlike India, lack focus on diaspora investment even though they have a one-stop shop for investors. In addition, the support accorded to Kenyan and Ethiopian diaspora is much less compared to that offered to Indian diaspora through IOFC.

4.1.3 Institutions to protect overseas workers

Matters related to protecting overseas Indian workers are handled by MoIA through Emigration Policy Division established in 2006. In general, it seeks to empower the emigrants from India. Its key responsibilities include:[14]

(a) Formulating policies for improving emigration management;

(b) Proposing legislative changes;

(c) Implementing emigration reforms (including institutional changes and e-governance);

(d) Formulating welfare schemes for emigrants;

(e) Promoting bilateral and multilateral cooperation in international migration.

The government of India recognizes that Indian emigrant (other than white collar worker) is particularly vulnerable to exploitation and is ignorant of relevant laws and procedures. Furthermore, the high cost of migration as well as the policy of localization by host countries further reduces the emigration benefits to the workers. This is why India pursues a proactive policy to empower emigrants through systematic interventions at the national, bilateral as well as multilateral fronts. To illustrate this, the Indian Prime Minister on 8 January 2011 stated that:

[13] See http://brandkenya.co.ke/index.php?option=com_content&view=article&id=72&Itemid=39, accessed 19 April, 2012.
[14] See http://www.mfa.go.ke/index.php?option=com_content&view=article&id=371&Itemid=116, accessed 29 February, 2012.

> "To improve the conditions for migration overseas, we have signed Social Security Agreements with twelve countries and finalized Labour Mobility Partnerships with two others. We are negotiating a generic arrangement with the European Union. As a further measure, we have now extended the facility of the Indian Community Welfare Fund to all Indian Missions".[15]

To further articulate welfare issues related to India emigrants, in July 2008 MoIA established the Indian Council of Overseas Employment (ICOE) to serve as a think tank on all matters related to international migration. ICOE is mandated to devise and execute long term strategies to enable India emigrant workers and professionals to move up the value chain and position India as a preferred source of qualified, skilled and trained human resources across various sectors.[16] ICOE liaises with other research organizations to carry out research on migration related matters. For example, ICOE signed a Memorandum of Understanding (MoU) with the Migration Policy Institute (MPI), Washington, for joint research on migration issues on September 2010 (Government of India, 2011).

MoIA has also established an Overseas Workers Resource Centre (OWRC) whose objective is to disseminate information related to emigration, registering, responding to and monitoring complaints received from emigrant workers or prospective emigrants. To achieve its objective effectively, it has a round-the-clock helpline in 11 Indian languages to provide need-based information to emigrants and their families through a toll free number.[17] The Protector General of Emigrants (PGE) under MoIA is responsible for protecting the interests of Indian workers going abroad and issues registration certificates to the recruiting agents for overseas manpower exporting business.[18] PGE can also cancel or revoke registration certificates in case recruiting agents do not comply with the agreed conditions (Kuschminder and Hercog, 2011).

The role of protecting Kenyans abroad is entrusted through MoFA to Kenya Missions abroad and consular services. However, Kenya Missions abroad and consular services do not have the capacity to handle concerns of the diaspora. Also, the Ministry of Labour in Kenya through the National Employment Bureau

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[15] From the inaugural address of Dr Manmohan Singh at the Pravasi Bharatiya Divas, New Delhi.

[16] See http://moia.gov.in/services.aspx?id1=75&id=m1&idp=75&mainid=73, accessed 29 February, 2012.

[17] See http://moia.gov.in/services.aspx?id1=92&id=m3&idp=92&mainid=73, accessed 29 February, 2012.

[18] See http://moia.gov.in/services.aspx?id1=114&id=m8&idp=114&mainid=73, accessed 29 February, 2012.

Table 4.1: India's diaspora engagement institutions

Institution	Type of institution	Level of government	Vision/Mandate	Main activities	Year
India					
Ministry of Overseas Indian Affairs (MoIA)	Diaspora Engagement/ Protection of Workers Abroad/Facilitation of Trade and Investment	Ministry	To connect Indians abroad with India	Legislative reforms Regulatory reforms Process reforms International cooperation	2004
The India Development Foundation (IDF) of Overseas Indians	Diaspora Engagement	Trust under MoIA	Assist overseas Indians to contribute to India philanthropy and channel philanthropy to poverty alleviation and development	Encourage and facilitate diaspora philanthropy	
The Global Indian Network of Knowledge (Global-INK)		Cooperation between MoIA and Tata consultancy	Catalyze diaspora ability and willingness into well thought out programmes for development, and transform individual initiatives into community action.	Establishment of an Information Communication Technology (ICT) interface Facilitate knowledge exchange and interaction	
The Overseas Indian Centres (OIC)	Protection of Workers Abroad	Embassies: Washington, Abu Dhabi, Kuala Lumpur	Provide field information to Indians overseas	Networking with Indian associations Organize events Provide legal and medical assistance Carry out field studies Carry out consular services	
The Indian Council of Overseas Employment (ICOE)		Established by MoIA; functions as independent 'think tank'	Promotion of overseas employment Better protection and welfare of overseas Indian workers Study of emerging overseas employment opportunities	Creating awareness about the growing international market needs Conducting market research Identifying employment opportunities in the international labour market Devising strategies to respond to the market dynamics Helping emigrants to reap the demographic dividends of globalization	2008
The Global Advisory Council at the Prime Minister's Office	Facilitation of Trade and Investment	Special Council under MoIA	Advise government on how to facilitate a dynamic two-way engagement between stakeholders in India and the overseas Indian community	Promotion of business-to-business partnerships Accessing knowledge of the Indian diaspora Knowledge transfer and capacity building	2009
Overseas Indian Facilitation Centre (IOFC)		Not-for-profit public private initiative between MoIA and Confederation of Indian Industry (CII)	To be a 'one-stop-shop' for Global Indians to facilitate investment into India	Provide services and information for investing in India	

Source: Kuschminder and Hercog (2011); Government of India (2011)

Table 4.2: Ethiopia's diaspora engagement institutions

Institution	Type of institution	Level of government	Vision/Mandate	Main activities	Year
Ethiopia					
Ethiopian Expatriate Affairs	Diaspora Engagement/ Facilitation of Trade and Investment	Ministry of Foreign Affairs	Fostering the relationship with migrant communities abroad and encouraging them to participate in activities in Ethiopia	Serve as a liaison between the different Ministries and Ethiopians abroad Encourage active involvement of Ethiopian expatriates in socio-economic activities of Ethiopia Safeguard the rights and privileges of Ethiopians abroad Mobilize Ethiopian community abroad for sustained and organized image building	2002
Diaspora coordinating office	Diaspora Engagement	Ministry of Interior	To fully mobilize and utilize diaspora resources and facilitate optimal brain gain and capacity building for poverty alleviation	Maintain database on diaspora skills Maintain database on skills needed in Ethiopia Coordinate knowledge transfer programmes for capacity building	2005
Employment Service Promotion Directorate	Protection of Migrant Workers Abroad	Ministry of Labour and Social Affairs	To assist in the protection of migrant workers abroad, to assist Ethiopians in assessing employment locally and abroad, to formulate policies to protect the rights of migrant workers and to facilitate legal migration	Collects and compiles labour market information Issues/renews work permits and work permit clearance to foreign nationals and Ethiopian nationals Undertakes studies on foreign employment opportunities for Ethiopians Issues licenses to private employment agencies and monitors its proper implementation Undertakes follow-up activities on the rights and dignities of Ethiopians employed abroad	
The Ethiopian Investment Agency (EIA)	Facilitation of Trade and Investment	Ministry of Trade and Industry	Handles all foreign investments, offers both pre and post-investment services to investors and is a liaison with other relevant agencies	All encompassing support system that ensures all practical aspects are taken care of for investments, from making sure permits and licenses are obtained to helping get access to electricity and water.	

Source: Kuschminder and Hercog (2011)

Table 4.3: Kenya's diaspora engagement institutions

Institution	Type of institution	Level of Government	Vision/Mandate	Main activities	Year
Kenya					
Diaspora Affairs[19]	General diaspora Engagement	Ministry of Foreign Affairs (MoFA)	Support the diaspora and harness their potential for social-economic development by networking and information sharing	Coordinating efforts to improve the relationship with the diaspora Mobilizing the diaspora Harnessing the diaspora expertise and resources Developing and maintaining an up-to-date database of Kenyans in diaspora Facilitating access to accurate and reliable information on national development that will enhance diaspora participation in nation building Coordinating with relevant stakeholders in delivering services to the diaspora Identifying investment opportunities and attracting the diaspora to invest in Kenya Protecting the interests of Kenyan diaspora in the countries of residence	2008
Consular Services	General diaspora engagement	MoFA	Addressing concerns of the nationals in the host country	General consular services to all Kenyans living abroad	
Kenya Foreign Missions Abroad	General diaspora engagement	MoFA	Protecting Kenyans living and working abroad	Defending Kenyan interest in the host country including those of the national	
Kenya Investment Authority	Facilitate investment	Ministry of Finance	Attract, facilitate, retain and expand both domestic and international investments in Kenya by providing quality services	Policy advocacy; investment promotion and investment facilitation which includes investor tracking and after-care services	2004
Independent Electoral and Boundaries Commission (IEBC)	Diaspora official electoral registration	Not under any Ministry, an independent body	To conduct free and fair elections and to institutionalize a sustainable electoral process	Online registration of Kenyans in the diaspora as voters	2011
Brand Kenya Board	Established through the advice of the National Economic and Social Council (NESC)	Creation of an integrated national brand	To build a strong country brand that fosters national pride and patriotism and earns global recognition and preference	Establish a brand for Kenya which positions the country optimally in terms of investment, creditworthiness, tourism and international relations	March 2008
National Employment Bureau	General protection of workers	Ministry of Labour	Assist Kenyans to acquire employment both locally and abroad	Registering all the employment bureaus and agents	

Source: Author's compilation from various sources

[19] See http://www.mfa.go.ke/index.php?option=com_content&view=article&id=371&Itemid=116, accessed 29th February 2012.

secures international jobs indirectly through private employment agencies. These agencies are registered and can be deregistered when they do not operate by the rules of the Ministry of Labour. The Employment Service Promotion Directorate of the Ethiopian Ministry of Labour and Social Affairs (MoLSA) performs a similar role. In addition, MoLSA provides a short orientation to Ethiopians recruited to work overseas (Kuschminder and Hercog, 2011). The analysis has revealed that, unlike India, Kenya and Ethiopia face capacity constraints in promoting and safeguarding their emigrants abroad.

4.2 Kenya, India and Ethiopia Diaspora Engagement Policies Compared

Gamlen (2006) defines diaspora policies as "state institutions and practices that apply to members of that state's society who reside outside its borders." This study applied Gamlen (2006) typology, which identified 'three higher-level' types of diaspora engagement policies. The first type is capacity building policies aimed at producing a state-centric 'transnational society' and developing a set of corresponding state institutions. Second, policies that extend rights to the diaspora; and third, extracting obligation policies based on the premise that emigrants owe loyalty to this legitimate sovereign. A summary of these policies is presented in Table 4.4 and 4.5.

4.2.1 Capacity building policies

Both India and Ethiopia have developed their capacity building policies along the same line and have days when they celebrate achievements of the diaspora. India has Pravasi Bharatiya Samman Awards (PBSA) conferred on NRIs and PIO, who have excelled in their fields for outstanding work and enhanced India's prestige in the country of residence. PBSA is conferred by the President of India as part of the Pravasi Bharatiya Divas (PBD) conferences organized annually since 2003.

India established a scheme called Scholarship Programme for the Diaspora Children (SPDC) in the academic year 2006-07. Under the scheme, 100 scholarships up to US$ 3,600 per month are offered to PIO and NRI students for various undergraduate courses. India also started Know India Programme (KIP) with the objective of familiarizing Indian diaspora youth aged 18-26 years with developments and achievements made in their country of origin. Selected participants are provided with full hospitality and are reimbursed 90 per cent of their economy class air-fare from their respective country to India and back. In addition, there is a proposal to form PIO University by a private organization under the Innovation Universities Act, where support to the university would come in the form of research and student scholarships.

Ethiopia hosted the first 'Ethiopian Diaspora Day' in Addis Ababa in 2009 with the aim of creating linkages with the diaspora and to inform them of the government's current initiatives for investment opportunities and other policies. The government through the Diaspora Engagement Affairs General disseminates information through publications such as 'basic information for Ethiopia in the diaspora, embassies and consulates.[20]

Unlike Ethiopia and India, Kenya does not have diaspora day. Kenya, through the Directorate of Diaspora Affairs, seeks to provide accurate and reliable information to the diaspora to enhance their participation in national building. Kenya, India and Ethiopia seek to engage their diaspora and create opportunities for networking. Kenya can benefit from initiatives such as those that recognize the achievements of Kenyans in the diaspora as is the case for India through the diaspora day.

4.2.2 Extending rights policies

Both India and Ethiopia do not offer dual citizenship to their diaspora, but have policies that allow their diaspora to enjoy rights similar to those in the home country. As a response to demand for dual nationality, the OCI was launched in August 2005. The scheme provides for the registration as OCI of all PIOs who were citizens of India on or after 26 January 1950, or were eligible to become citizens of India on 26 January 1950 and who were citizens of other countries, except Pakistan and Bangladesh (Government of India, 2011). The scheme was introduced in 2006-2007 financial year and envisaged issue of OCI documents consisting of OCI registration certificate and Universal sticker to PIOs. By between January 2006 and 28 January 2011, 757,740 PIOs had been registered as OCIs. There are also plans to grant voting rights to some 10 million NRIs. However, OCI does not confer political rights.

In Ethiopia, the Ethiopian Origin Identity Card (Yellow Card) aims at to identify foreign nationals of Ethiopian origin who have acquired foreign nationality. This is to enable them enjoy various rights and privileges by lifting legal restrictions imposed on them when they lose their Ethiopian nationality. The Yellow Card also seeks to enable persons of Ethiopian origin to fulfil their contribution to the development and prosperity of their country of origin by creating a legal framework. The rights that Yellow Card holders enjoy include: no entry visa or

[20] Provides information such as investment procedure and incentives in Ethiopia, custom duty, tariff and taxes, tax regulations, opening a diaspora account and millennium bond, among others.

residence permit is required to live in Ethiopia; right to be employed without a work permit; no exclusion regarding coverage of pension scheme and children of the Yellow Card holder under the age of 18 shall have the right to enjoy facilities granted. However, Yellow Card holders have no right to vote or be elected to any office at any level of government and have no right to be employed on a regular basis in the national defense, security, foreign affairs and other similar political establishments.

The Constitution of Kenya allows for dual citizenship and Kenyans in the diaspora in future will be able to vote once they get registered and when the necessary mechanisms to enable them vote have been developed.

4.2.3 Extracting obligation policies

Kenya, Ethiopia and India have sought to raise funds from their diaspora through diaspora bonds. Ethiopia and India have similar policies in this category with regard to bank accounts/deposit schemes.

The Government of India has several deposit schemes for NRIs and is one of the first diaspora engagement policies to be implemented. There are three categories of deposit schemes available to NRIs under the Reserve Bank of India (RBI). They include:[21]

(a) Foreign Currency (Non-Resident) Account (Banks) Scheme (FCNR (B) Accounts): It is eligible for NRIs (individuals/entities of Bangladesh/Pakistan nationality/ownership require prior approval of RBI). The account can be denominated in any currency that is freely convertible. The account can be repatriated and nomination is permitted. It is a term deposit account for not less than 1 year and not more than 5 years.

b) Non-Resident (External) Rupee Account Scheme (NRE Account): It is eligible for NRIs (individuals/entities of Bangladesh/Pakistan nationality/ownership require prior approval of RBI). It is an Indian Rupee denominated account which can be repatriated and nomination is allowed. The account type can be savings, current, recurring or fixed deposits. The period for fixed deposit is at the discretion of the bank.

c) Non-Resident Ordinary Rupee Account Scheme (NRO Account): It is eligible to any person residing outside India (other than a resident in Nepal or Bhutan)/individuals/entities of Bangladesh/Pakistan nationality/ownership as well as erstwhile overseas corporate bodies require prior

[21] See http://www.rbi.org.in/SCRIPTs/FAQView.aspx?Id=69, accessed 11 April, 2012.

approval of the RBI. The account is Indian Rupee denominated and nomination is permitted. The account is can not be repatriated except under certain exceptions. The account type can be savings, current, recurring, fixed deposit and the period for fixed deposit is as applicable to resident accounts.

Other policies in this category by India include remittance facilities and tax incentives for NRIs.

Ethiopia has three foreign currency bank accounts to encourage investment from the diaspora and to support the international foreign exchange reserve and ease balance of payments problem. These accounts are fixed (time deposit), current account and non-repatriable birr accounts. Ethiopia also has investment and import incentives and provisions for international remittance services.

Both Ethiopia and India have issued diaspora bonds for different reasons from their emigrants (detailed discussions are in Section 4.3). It is also emerging that there are no deposit schemes with the CBK targeting the diaspora, but there are proposals to do so.

Table 4.4: Diaspora engagement policies of the government of India

Policy	Category	Objective	Description	Take-Up Rate
Pravasi Bharatiya Divas conventions	Capacity building	To mark the contribution of overseas indian community in the development of India	Indian officials gather with diaspora representatives to honour high-profile Indians for their exceptional achievements	
Indian Community Welfare Fund	Extending rights	Aimed at providing 'on site' welfare services to Indians in need	Boarding and lodging for depressed overseas Indian workers in household/domestic sectors and unskilled labourers Extending emergency medical care to the overseas Indians in need Providing air passage to stranded overseas Indians in need Providing initial legal assistance to the overseas Indians in deserving cases Expenditure on incidentals and for airlifting the mortal remains to India or local cremation/burial of the deceased overseas Indian in such cases where a sponsor in unable or unwilling to do so as per the contract and the family is unable to meet the cost	Currently administered in 42 countries
Know India Programme		Three-week orientation programme for diaspora youth conducted with a view to promoting awareness on different facets of life in India and progress made by the country in various fields	PIOs in the age group of 18-26 years are selected based on recommendations received from Heads of Indian Missions/Posts abroad Selected participants are provided with full hospitality in India during the duration of the programme 90% of the total cost of air ticket (at lowest economy excursion fare) is refundable to the participants on successful completion of the programme by them	400 participants to date
Tracing the Roots		Ministry assists PIOs to trace their roots in India	Details of the roots in India (where traceable), that is name of close surviving relatives, details of the place of origin of their forefathers (paternal and maternal side)	4 roots have been traced to date
Scholarship Programme for Diaspora Children		To make higher education in India accessible to the children of overseas Indians and promote India as a centre for higher studies	100 PIO/NRI students are awarded scholarship of up to US$ 3,600 per annum for undergraduate courses in Engineering, Technology, Humanities, Liberal Arts, Commerce, Management, Journalism, Hotel Management, Agriculture, Animal Husbandry and some other courses	
The Overseas Citizenship of India (OIC)		To provide rights to Indians who are no longer residents	The OCI status entitles its holders a lifelong, multiple entry visa for multiple purposes to India and exempts them from registration with Foreigners Regional Registration Office for any length of stay in India Entitled to general 'parity with non-resident Indians in respect of all facilities available to them in economic, financial and educational fields except in matters relating to the acquisition of agricultural or plantation properties Does not permit voting rights or to hold public office	By February 2010, 552355 people had registered for OICs
PIO University		The Ministry is in the process of setting up a PIO/NRI University for the benefit of children of Overseas Indians	The University is to be accorded the status of "Deemed University" de-novo under Section 3 of the UGC Act The University would be set up by Manipal Academy of Higher Education Trust (MAHET), Manipal at Bangalore, Karnataka The board held two meetings and has approved, in principle, the DPR submitted by the MAHET	
Overseas Worker Resource Centre		Information dissemination on matters related to emigration Registering, responding to and monitoring complaints received from emigrant workers or prospective emigrants Grievance redress and follow up with stakeholders	Operating a 24x7 helpline to provide need based information to emigrants and their families through a toll free number The complaints or grievances received on the helpline are promptly attended to, and feedback provided to the complainant The helpline numbers are disseminated as a part of the multimedia awareness campaign organized by the Ministry	
Protector General of Emigration		To provide protection to Indian emigrants going abroad	Monitors and provides emigration clearance. Emigration clearance means that all rules have been adhered to Registering authority to issue Registration Certificate to the Recruiting Agents for overseas manpower exporting business Provides guidelines for direct recruitment from foreign companies Provides guidelines for the security of workers in Afghanistan Provides grievance redress against recruiting agents	
Tax Incentives for NRIs	Extracting obligations	Specific tax breaks are given to NRIs	Income tax exemption on NRE accounts Foreign income is not taxed	
Remittance Facilities		To ease the process of sending money for NRIs and PIOs abroad	Remittance of capital assets in India held by a person whether resident in or outside India would require approval or the Reserve Bank except to the extent provided in FEMA or rules or regulations made there under. NRI/PIO can remit US$ one million per year	
Deposit Schemes for Overseas Indians		Provide investment and capital market development	Various forms of accounts available to NRIs Foreign accounts and local currency accounts available as current accounts (which can be joint accounts) or fixed term deposit accounts Foreign accounts available in Pound Sterling, US Dollar, Jap Yen, Euro, Canadian and Australian Dollar	US$ 14.3 million in foreign currency denominated accounts and US$ 33.6 million in rupee-denominated accounts as of March 2010
Diaspora Bonds		To fund current account imbalances at a time when other international investors had lost confidence in Indian sovereign debt	Issued in 1991, 1998 and 2000 Fixed rate bonds Five year maturity Issued by State Bank of India	Raised over US$ 11 billion.

Source: Kuschminder and Hercog (2011)

Table 4.5: Diaspora engagement policies of the government of Ethiopia

Policy	Category	Objective	Description	Take-up rate
Information dissemination	Capacity building	To create linkages with the diaspora and to inform the diaspora of the government's current initiatives for diaspora investment opportunities and other policies	Diaspora day held annually in Addis Ababa during the holiday season Produced an information booklet for Ethiopians and Foreign Nationals of Ethiopian Origin Living Abroad and an Ethiopian Investment guide Supported the launch of Ethiopian television to satellite	
Ethiopian Origin Identity Card (Yellow Card)	Extending rights	Provide rights to Ethiopian diaspora members, while not granting dual citizenship	Allows for all rights of citizenship except the right to vote, be elected to public office, and work for the national defense, security, foreign affairs or other similar establishment on a regular basis Costs US$ 500 for the first 5 years and US$ 200 for every 2 years thereafter	21,000 in early 2010
Return incentives		Permitted individuals returning to Ethiopia permanently to import their personal and household effects 100% duty free	In 2006, the provision was lifted as the government suspected that vehicles were being signed over to third parties without paying duty, which violated the law	
Investment and import incentives	Extracting obligations	Make investment in Ethiopia more attractive to the diaspora	Defined as domestic investor to be inclusive of foreign nationals who are Ethiopia by birth, which allows the members of the Diaspora to be treated as domestic investors, who have significantly different rights than foreign investors in Ethiopia Incentives for domestic investors include custom import duty exemptions and income holidays	Approximately 10% of domestic investment in the last decade has been from diaspora members and 90% of this investment is in Addis Ababa.
Foreign currency bank accounts		To encourage investment from the diaspora and to "support the international foreign exchange reserve and ease balance of payments problem of the country"	Fixed (time deposit) account-takes the form of a deposit certificate, issued in the name of the depositor where the maturity period of the deposit can vary based on agreements with the bank. However, the minimum maturity period is three months. The minimum deposit required to open this account is US$ 5,000. Current account-acts in the same fashion as a regular bank account wherein deposits or withdrawals can be made at any time. The minimum deposit to open this type of account is US$ 100 and an individual can only open one current account at one bank. Non-repatriable Birr Account-a savings deposit that can only be used for the purpose of local payments, where the interest is double of the minimum savings deposit rate set by the National Bank of Ethiopia.	
Provisions for international remittance services		To improve the operations of the formal remittance service in Ethiopia To reduce the costs of remittance transfer system in Ethiopia To increase access of international remittance service for nationals and make the service reliable, fast and safe" Establish regulations around rates and remittance service providers Rates of different providers (for sending remittances to the National Bank of Ethiopia) are available on the website of the National Bank of Ethiopia		
Diaspora bond		To provide investment capital for the Ethiopian Electric Power Corporation (EEPCO)	-The minimum amount is US$ 500, and the interest rates are 4%, 4.5% and 5% for five, seven and ten years maturity, respectively	By June 2009, the Millennium Bond had raised US$ 200,000
Transfer of knowledge and skills programme		For skilled members of the diaspora to temporarily return to Ethiopia for a period, preferably, of six months or to provide support to Ministries and public institutions.	-The IOM, in cooperation with the Diaspora Coordinating Office of the Ministry of Interior, administers the programme -Ethiopian Embassy recruits members of the Diaspora -Ministry of Interior assesses needs for skilled workers in Ethiopia	

Source: Kuschminder and Hercog (2011)

5. Conclusions and Policy Recommendations

5.1 Conclusions

To realize the objectives of the study, literature has been reviewed so as to develop an institutional and policy framework that can be used to harness diaspora remittances in Kenya. Kenya's institutional and policy framework has been compared with that of Ethiopia and India. On the basis of the analysis and discussion, the following conclusions can be drawn:

- Kenya lacks appropriate institutional and policy framework to harness and channel diaspora remittances to realize certain predetermined objectives. Diaspora related outcomes are largely left to chance, but are not willed or premeditated upon.
- The characteristics of Kenyans in the diaspora are largely unknown and, as such, it will be difficult or impossible to form appropriate institutions, policy strategies and instruments to harness their developmental potential.
- Kenya is in a much weaker position compared to India and Ethiopia as regards diaspora engaging institutions. However, Kenya like Ethiopia has no advantage of a 'big' state as is the case for India.
- Kenya's diaspora engagement institutions operate independent of each other and without coordination, a fact appreciated by the Draft Diaspora Policy 2012.
- Kenya diaspora engaging policies such as those of Ethiopia are a 'one-way-street' and appear to lean more towards the category of extracting obligations. Those of India are two way, where the government is concerned about the welfare of the diaspora and at the same time seeks to maximize the development potential of their country of origin.

5.2 Policy Recommendations

The government should consider setting a 'one-stop-shop' institution to coordinate all matters of the diaspora, such that within it, there are departments that deal with information, facilitate trade and investment and those dedicated to protecting the rights of the diaspora, especially the low skilled migrants. The size of the diaspora (estimated at 3 million), can be considered as the 48th county of Kenya and merits robust representation in government.

As a first step, the established institution(s) must strive to know and understand Kenya's diaspora for the purposes of coming up with institutions and policy strategies responsive to its needs. The study proposes categorizing the diaspora communities into permanent, temporary and irregular.[22] These communities are heterogeneous and face different circumstances in their country of destination, and will therefore require different policy responses.

Due to the complexity of the remittance environment and diaspora related issues, policy strategies designed to realize certain predetermined objectives should, as much as possible, be guided by research thorough development of research capacity or liaising with research institutions.

The institutions and policies so designed to engage the diaspora must strive to create a symbiotic relationship with the diaspora; that is, the engagement should be rooted in a reciprocity structure. For instance, the willingness of the diaspora to buy the bonds is likely to be enhanced especially when the government has actively demonstrated concern for the welfare of the diaspora. This can increase altruistic tendencies of the diaspora towards Kenya.

The government should consider organizing a diaspora day. During this day, the government can recognize the achievements of Kenyans in the diaspora and 'market' policies and strategies that the government would wish them to participate.

[22] Permanent residents are Kenyan immigrants who hold citizenship or have legal immigrant status in a foreign country, and whose stay does not depend on work contracts. For example, Kenyans who have acquired US citizenship through green lottery; temporary residents are those whose stay overseas is based or determined by a formal or informal contract of employment; and irregular residents are Kenyan residents or workers overseas who do not possess valid passports or documents; or, even if properly documented, lack valid residency or work permits or have overstayed. Irregular Kenyans are likely to be highly vulnerable to abusive tendencies in overseas' labour market.

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Appendix

Appendix 1: Outlook for remittance flows to developing countries, 2011-2012

	2007	2008	2009	2010e	2011f	2012f	2013f
Developing countries	278	325	308	325	349	375	404
East Asia and Pacific	71	85	86	93	99	107	117
Europe and Central Asia	39	46	35	36	39	42	46
Latin America and Caribbean	63	64	57	58	63	68	74
Middle-East and North Africa	32	36	34	36	37	39	41
South Asia	54	72	75	81	89	94	100
Sub-Saharan Africa	19	22	21	22	23	24	26
Low Income Countries	17	22	23	24	27	29	32
Middle-Income Countries	262	303	285	300	321	345	372
World	385	444	417	440	468	499	536

Source: Mohapatra, Ratha and Silwal (2011)

Appendix 2: Diaspora savings of developing countries

	Diaspora stock (mil)	Diaspora savings est., 2009 ($bil)	Diaspora savings as % of GDP	Diaspora savings as a % of domestic savings	Low income countries
4	Ghana	0.8	2	7	85
5	Ethiopia	0.6	1.9	6	157
6	Kenya	0.5	1.8	6	78
8	Zimbabwe	1.3	1.6	34	..
15	Uganda	0.8	0.6	4	32
17	Liberia	0.4	0.6	67	..
18	Mozambique	1.2	0.6	6	265
20	Tanzania	0.3	0.5	2	..

Source: Ratha and Mohapatra (2011)