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# Creating value through migration

Guidelines for technical cooperation for promoting value chains  
in the context of migration

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## List of Abbreviations

<b>ATM</b>	<b>Automatic Teller Machine</b>
<b>BIMP-EAGA</b>	<b>Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area</b>
<b>BMZ</b>	<b>Federal German Ministry for Economic Cooperation and Development</b>
<b>CEFE</b>	<b>Competency based Economies through Formation of Enterprise</b>
<b>CI</b>	<b>Côte d'Ivoire</b>
<b>CIM</b>	<b>Centre for International Migration and Development</b>
<b>DC</b>	<b>Development cooperation</b>
<b>GDP</b>	<b>Gross domestic product</b>
<b>GIZ</b>	<b>Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH</b>
<b>PPP</b>	<b>Public-Private Partnership</b>
<b>SME</b>	<b>Small and medium-sized enterprise</b>
<b>TC</b>	<b>Technical cooperation</b>
<b>VC</b>	<b>Value chain</b>

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## I. Introduction

Do you work as part of a technical cooperation project for economic development in a region (or a country) that is strongly affected by migration?

Do you already work with the value-chain promotion approach or would you like to begin working with it?

If so, these guidelines will help you to:

- analyse the migration-related potential and risks for economic development in your region or country,

- tap into the migration-related potential to boost value creation in the context of your support, and minimise negative impacts on the value chain and
- involve new actors in the promotion of value chains.

Do you work with other economic promotion approaches?

Here too, the guidelines will provide you with relevant suggestions, instruments and strategies for how you can tap into the potential of migration for economic promotion and to minimise its risks.



For a long time people have left their homes to lead new lives in other countries. Today, over 215 million men and women live outside their country of birth. Modern information and transport systems are increasingly facilitating migration flows, some of which are desired while others not; some are legal, yet many are also irregular. In many developing countries and emerging economies, international migration is a significant component of the socio-economic conditions. The lack of development prospects creates or exacerbates the pressure on people to leave their countries. When the better performers leave, economic conditions can become even worse. On the other hand, important impetuses may also arise for the development of the local economy. Migration connects the countries of origin with the host countries through the social contacts of the families. They form supraregional networks through which money, goods, knowledge, ideas and values are transferred, and the countries of origin are integrated into a globalised world. An impressive example of this are the remittances transferred from all around the world by migrants to their families in developing countries. In 2012, the World Bank estimated that these amounted to USD 460 billion, which does not count money being transferred through informal channels.

The key question for development cooperation is how the potential benefits of migration can be used for sustainable economic development and, at the same time, how its negative effects can be minimised. Migration-related value chain (VC) promotion is an approach that can be used to meet these objectives. It is most frequently used for economic development in countries and/or regions that are strongly affected by migration. Migration-related value chain promotion adapts to the particular migration context, making the criteria for the selection of the value chain, the analysis and promotion instruments fit to the special migration-related circumstances. It uses the potential proactively and takes the negative effects of migration into account.

In the course of earlier value chain promotion measures, migration-related influences kept recurring, and in some cases technical cooperation employees integrated these in their work. Up to now, however, there has been no guidance on how migration can be systematically included as a factor. These guidelines aim to close that gap. They present the major impacts of migration on economic development, describe how they should be viewed in the context of value chain promotion and explain the most important steps for their systematic inclusion. The aim is to contribute to enhanced, sustainable value creation.

The guidelines are specifically adapted to the instrument of value chain promotion in order to demonstrate, in as practical and implementation-oriented a manner as possible, how migration-related aspects can be accommodated. However, the method and the approaches also offer relevant ideas for other forms of economic development promotion.

Migration can make a significant positive contribution to economic development if its potential is used for value chain promotion in regions and countries that are strongly affected by migration. This manual focuses on the benefits accruing to the country of origin. However, the host country and the migrants themselves can also profit from migration (»triple win« situation).



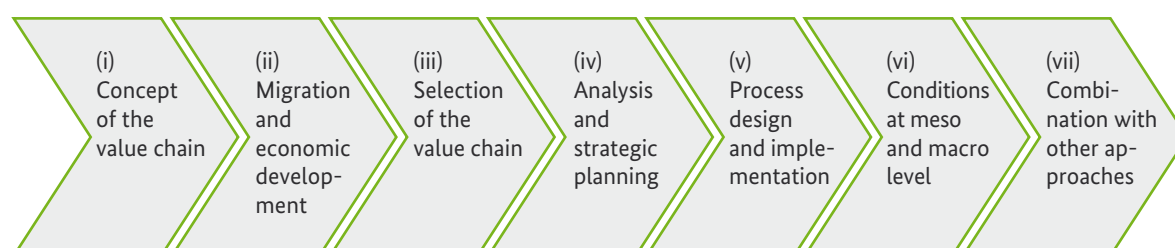
## ■ Target group of the guidelines

These guidelines are directed at economic development experts working in technical cooperation projects, who already promote value chains or would like to begin doing so, and who work in regions or countries where emigration or immigration play a major role.

It is not necessary to have a great deal of previous knowledge on the theme of migration in order to use the manual. However, it is assumed that the reader is already acquainted with concepts, mechanisms and instruments of economic promotion with value chains. The individual steps of value chain promotion will be mentioned and briefly discussed. However, rather than giving in-depth explanations, references are made to sources of more detailed further reading.

## ■ Structure of the guidelines

The guidelines are structured as followed:



The first chapter introduces the concept of the value chain in economic promotion. The second chapter shows how the economic impacts of migration should be analysed and taken into account in the context of value chain promotion in a region affected by migration. In addition, new actors are introduced who can be included when practising migration-related value chain promotion.

The next three chapters directly address the practice of value chain promotion. Using the individual steps of value chain promotion (choosing the value chain, analysis, strategic planning, process design and

implementation), suggestions are made on how to accommodate the phenomena associated with migration.

Although these guidelines focus on direct value chain promotion, sustainable benefits can only be achieved if the cross-sectoral (economic) policy is also designed to be conducive. To this end, Chapter Six also presents further measures that are suitable for integrating the advantages of migration meaningfully into a dynamic economic development process.

The final chapter demonstrates the technical cooperation approaches which can best be combined with migration-related value chain promotion.

Each chapter contains the following elements:<sup>1</sup>

- Learning objectives
  - Key questions to introduce the topics at hand
  - Thematic background information
  - Explanations of the most important processes with criteria for success and information on risks
  - Presentation of examples drawing on our own experience or taken from the documents used.
- A conscious decision was taken not to use hypothetical examples, since in many cases, they are not realistic.

The following symbols are used in the guidelines for better orientation and to facilitate understanding:



**Checklist, overview:**



**Important information:**



**Methodological instrument:**

## ■ Sources

The following main sources were used for the content and recommendations in the guidelines:

- the international debate on consequences and impacts of migration,
- practical experience of the promotion of value chains in economic development and employment promotion projects and
- initial experience from economic development projects and countries and regions that are strongly affected by emigration.

<sup>1</sup> The methodological structure of the chapters is based on the guidelines for value chain promotion developed in the FORTALECE economic promotion programme in El Salvador implemented by GIZ on behalf of BMZ (Langner/Demenus 2007).

## II. The concept of the value chain in economic development

### Key questions

- What is a value chain?
- What is a value chain promotion programme?
- Who are the actors in a value chain promotion programme?
- What are the advantages to an entrepreneur in becoming involved in a value chain promotion programme?

### → What is a value chain?

The term »value chain« refers to networks of companies that coordinate their economic supply relationships with regard to a product (or a service). Every economic activity in the course of the chain adds value to the product or service. This may come about through the use of raw materials, human labour, semi-finished products and tools or through transport and storage processes, etc. In a highly complex economy, processes that lead a product from the drawing board all the way to the end consumer (vertical production relationships) serve particularly well as models.<sup>2</sup>

The main stages in a value chain can be structured as follows:

- Provision of inputs (raw materials, product design etc.)
- Primary production (especially in the agricultural sector)
- Preparation and processing
- Trade and end sales

The actors in a value chain are in a buyer-seller relationship. They may be focused on a geographical location or set up their business very close together (local value chain). As a result of modern economic interdependence, global value chains are becoming increasingly relevant, in which the actors are located in different countries or on different continents. Of particular interest are the efforts made by actors in local value chains to become integrated in global value chains in order to open up export markets.

<sup>2</sup> Whereas in value chains, consideration is primarily given to vertical relationships, cluster promotion refers more specifically to horizontal relationships in a locally limited economic space.

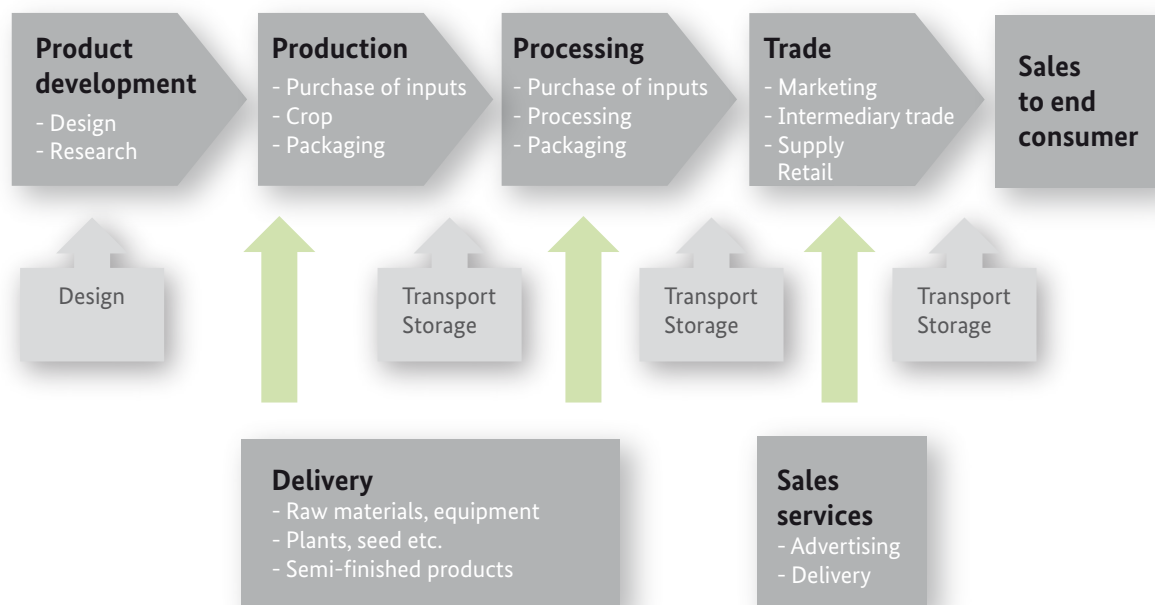
**Figure 1: Simplified depiction of the stages of a value chain for dairy products**



For a progression through each stage of a value chain, additional actors are required who provide inputs in

the form of product components or services. Figure 2 illustrates these relationships.

**Figure 2: Value chain with supplier processes**





### → What is a value chain promotion programme?

Businesses already work with each other as part of value chains, independently of development cooperation (DC). However, DC programmes to promote value chains help raise the additional value gained through the chain. For instance, they develop quality assurance and control systems at the different stages of the value chain, which boosts the competitiveness of the entire chain. In this way, they can access new markets with demanding quality standards (e.g. exports to the EU food market). Innovations in product design and technology and the use of new materials for inputs also improve the production processes; they increase the variety and quality of the products and, in turn, boost competitiveness. This ultimately increases value throughout the entire chain.

### → Who are the actors in a value chain promotion programme?

In technical cooperation programmes for value chain promotion, there are two major groups of actors that are distinguished according to their position in the economy. Value chain actors are directly involved in business flows and value creation and as such are directly affected by the consequences of their decisions (business success). Initiators and promoters promote economic development externally on behalf of the public interest.

#### As actors/protagonists:

- ✓ Entrepreneurs, business start-ups, self-employed people, cooperatives
- ✓ Employees and people looking for work
- ✓ National and international private companies in a position to set up PPP alliances or completely private alliances with win-win situations

#### As initiators or promoters:

- ✓ Technical cooperation organisations
- ✓ Business development service providers
- ✓ Officials in government institutions with direct sectoral interests
- ✓ Universities, research institutions, etc.

In most cases, a variety of institutional and organisational forms can be found in both groups. If the potential benefits of migration are exploited, new institutions and organisations join these actors (see Chapter 2).

→ **What are the advantages to an entrepreneur in becoming involved in a value chain promotion programme?**

- The competitiveness of the products or services increases, because value chain promotion addresses challenges along the chain and is most effective where critical bottlenecks occur (e.g. quality, price, volume, consumer confidence or supply security).
- Business owners gain access to new (national and international) markets or can strengthen their current position there, because they can react to market demands more flexibly (e.g. international quality standards are implemented more effectively if all actors in the value chain apply them).
- For small and medium-sized enterprises (SMEs) in particular, it is often only possible to benefit from the prevailing growth of a sector after their integration into a value chain.



## III. Impacts of migration on economic development

### Key questions

- What impacts does migration have on the economy in the migrants' country of origin?
- What potential benefits of migration for the country of origin could be better exploited, and what risks must be considered and reduced if possible?
- What new partners come into play with the promotion of value chains in the context of migration?

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Migration has a wide range of causes. It includes labour migration by highly qualified professionals as well as lowly skilled workers, and migration for the sake of education or to reunite families. Forced migration occurs due to political conditions, war or natural disasters. In all these cases, the migration might be temporary or permanent. A single country may experience various types of migration. Migrants from the same country of origin do not constitute a homogenous group and may, for example, have differing educational and income levels.

It is important to keep in mind that the potential benefits of migration for sustainable economic development, and therefore also the possible approaches in the context of value chain promotion, depend on the respective conditions. In addition to the causes or types of migration, these include:

- the migration phase of a country (e.g. onset of migration, phase of network-building between host and origin country, returnee phase after a conflict has ended),
- the relationship of the diaspora<sup>3</sup> to the government in the origin country and vice versa (e.g. whether the diaspora is part of the political opposition),
- the conditions in the host country (e.g. residence status, integration in the labour market) and
- conditions in the origin country (e.g. labour market situation, business and investment climate).

<sup>3</sup> In these guidelines, the term »diaspora« refers to a (non-homogenous) group of people who continue to maintain emotional and material connections to their country of origin.



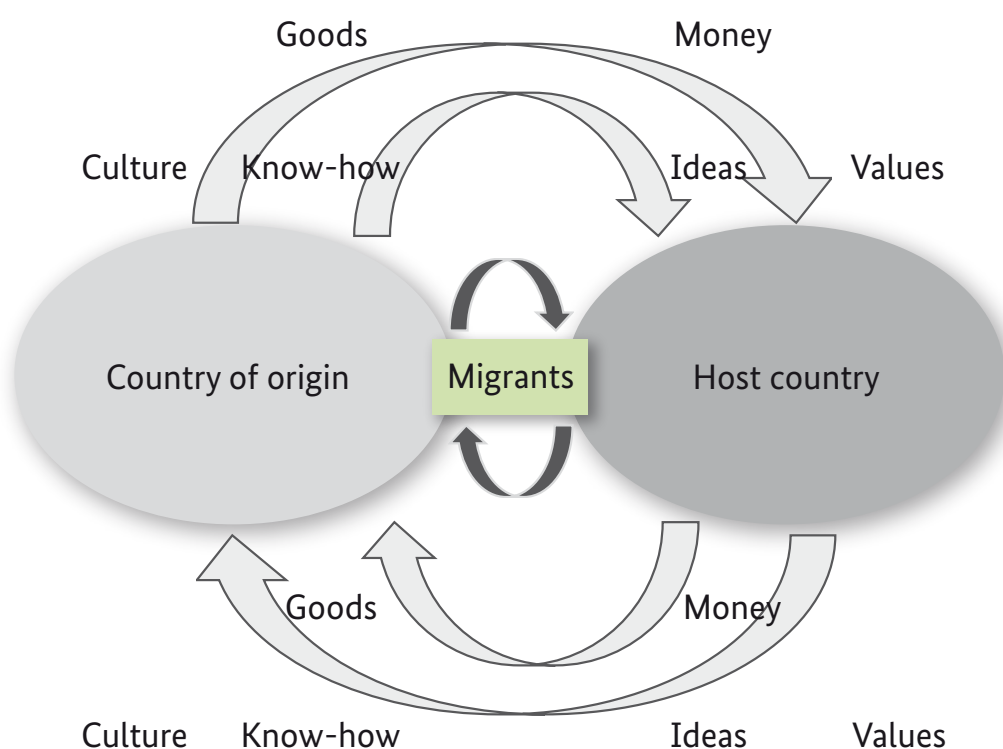
If development cooperation is to use the potential advantages of migration for the sustainable economic development of the origin country, the causes and characteristics of migration must be analysed. The migration-related analysis can be used to create scenarios for the future development of the opportunities and risks of migration.

→ **What impacts does migration have on the economy in the migrants' country of origin?**

→ **What benefits of migration for the country of origin could be better exploited, and what risks must be considered and reduced if possible?**

Flows of labour, money, goods, know-how and ideas are connected with migration (see Figure 3). In the section below, a brief overview will be presented of their potential impacts on the migrants' country of origin.

**Figure 3: Flows connected with migration**



### ■ Migration of labour

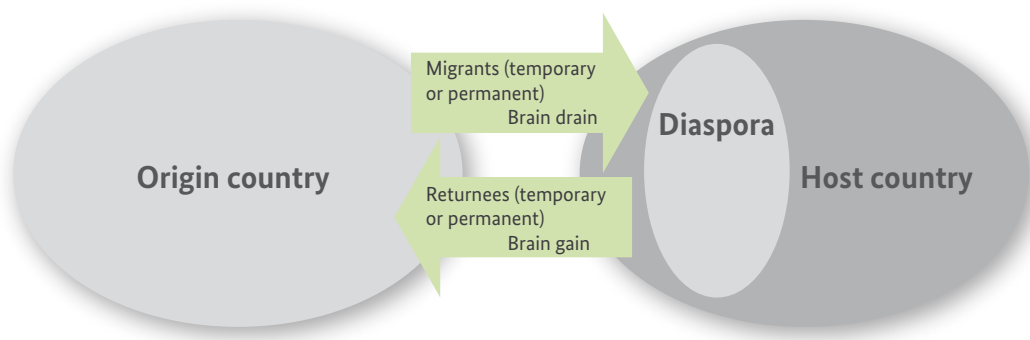
It is well known that international migrants do not primarily come from the poorest families, because these families are not always able to cover the costs of migration (visa and travel expenses for legal migration, expenses for the traffickers and border crossing involved in irregular migration). For this reason, migrants are often from the middle class or even upper class.

If the migrants are (highly) skilled, experienced workers (brain drain), this makes conditions more difficult for sustainable economic development in the origin country: salaries and wages for experienced and trained workers rise, and the competitiveness of the location falls.<sup>4</sup> If value chains with technologically or organisationally sophisticated processes were promoted, this could lead to a shortage of relevant workers, or their wage expectations could rise so dramatically that competitive production becomes difficult. In promotion work, higher expenditure on education and training can be anticipated.

Also, it should be noted that in regions affected by migration, there is a lower incentive for people to enrol for work: It is often the case that remittances from family members living abroad secure that family's livelihood, and remove the need for it to exert itself. Since the option of migration exists, opportunities for earning money locally are compared with those abroad. Local entrepreneurs are then forced to replace labour with capital – i.e. machines – or they must create incentives to cover their need for less qualified workers.

If the migrants return to their countries of origin after a temporary stay abroad, (assuming they are not merely returning for their retirement) they become available once again to the labour market, along with the capacity and skills they acquired abroad (brain gain). Even migrants who do not find a job in the host country that calls for their qualifications (brain waste) acquire language and intercultural skills that make them especially qualified for export-oriented sectors – which is very helpful for value chain promotion. However, if the returnees do not find a job that suits their qualifications, the acquired know-how will remain unused.

**Figure 4: Labour flows connected with migration**



<sup>4</sup> Whether or not this dynamic process occurs depends, in part, on whether the migration region experiences any in-migration. For more details, see Dayton-Johnson et al. 2008.

In addition, if there is a shortage of jobs in the origin country, the simultaneous (involuntary) return of a large number of migrants can create additional potential for social conflict.

## ■ Capital flows

Many migrants regularly send money to their families in order to provide them with support. In addition, money is transferred for investment purposes.

The amount of money transferred has been constantly rising in recent years and in some countries now amounts to a substantial share of the gross domestic product (GDP). For instance, since 1998, Albania has expected to receive 20 percent of GDP each year. Remittances thus constitute an important source of foreign currency income and contribute substantially to poverty alleviation. In addition, the capital flows connected with migration may have the following impacts on overall economic development:

### Higher demand

The remittances transferred by migrants to their families in the origin country increase their buying power and therefore also private demand in the affected regions. In addition, the migration itself creates a demand, for instance for products and services in the tourism sector. For example, in El Salvador, about 40 percent of tourists are migrants.<sup>5</sup>

Thus, there is an overall increase in economic activities in the region, as long as the remittances are not primarily spent on imported products and services. For this reason, it is important to establish conditions that keep the increased capital flows in the region. This is the case when local products and services that are in

demand are offered competitively. The challenge for value chain promotion is that local value chains must be able to withstand stiff international competition. In particular value chain promotion programmes should include the construction industry, restaurant and food suppliers, commerce and logistics, health care and other service providers. This approach is also relevant for development policy, because in an environment in which income rises without direct productive activity, the risk of »Dutch disease« occurs<sup>6</sup>.

### Higher savings

If part of the money transferred to the country of origin is saved, it is then available to the local credit market for lending. In the hands of people who are willing and able to invest it, the money could provide important stimuli to the local economy. This is significant, because the recipient families are not necessarily the people in the region who do business there. A precondition for strengthening the local credit market through remittances is a financial sector with trustworthy financial institutions that offer the recipients of remittances security and returns. This is also an important point when it comes to reducing transfer costs and increasing the safety of money transfers.

<sup>6</sup> This refers to a situation that typically occurs when economies have substantial revenues available to them without having their own value creation (it was originally used to describe the situation caused by the export of raw materials). The inflow of foreign currency increases the value of the country's own currency. The country's own exports become more expensive and the imports become cheaper. There is no productive activity. Hence there is a risk that paradoxically, with increasing revenues, local economic structures decline and unemployment rises. If these revenues fail to materialise at some point, there are no longer any economic structures that can be used to earn income.

<sup>5</sup> Orozco et al. 2005: 17.



### Better financial services

Migration can lead to improvements in both the services and the infrastructure of financial service providers, which is advantageous for value chain promotion. In response to remittances, banks and other financial institutions are increasingly designing their services to be able to reach people who live in more remote areas as well.

In this way, access to modern financial market products is also being opened up to others besides the families of migrants.

While in the past, families in rural areas tended not to be creditworthy or were considered to constitute a high credit risk, proof of regular money transfers by family members who have migrated is a factor that can be recognised as collateral by the local credit institutions. These transfers are not dependent on

local climatic conditions or fluctuations in the market as is the case, for example, with agricultural production. These securities are also valid for financial institutions that can demonstrate a constantly increasing share of remittances by migrants in their portfolio. They can expect better conditions when they refinance their loans.<sup>7</sup>

<sup>7</sup> Even countries with a high percentage of migration-related remittances in their GDP, such as El Salvador, are thinking about financing their budgets through the sale of return certificates on future remittances.

## More investments and business start-ups

Remittances lead to expenditure by the recipient families, for both consumption and investment. Investments are most frequently made for education and health care for the family members, for technical equipment (mobile phones, refrigerators), transport (motorcycles, cars) and real estate (house and land). These investments (especially in education) boost employability and enable or facilitate initial access to business activities.

family businesses can be reinvigorated or reestablished, as long as there are realistic market opportunities. Here, integration into a value chain with high development potential is promising.

For technical cooperation, it is important to understand that, especially at the beginning, in most cases, the recipient families do not invest the remittances directly in economic activities. Often debts must first be paid off that were incurred to finance the migration, after which the remittances are invested in building a house.



For technical cooperation, it is important to understand that, especially at the beginning, in most cases, the recipient families do not invest the remittances directly in economic activities. Often debts must first be paid off that were incurred to finance the migration, after which the remittances are invested in building a house. Only then is investment in business activities considered. Then, it tends to be young people who plan to start up their own business with the help of their parents or family. In addition, existing (or dormant)

Only then is investment in business activities considered. Then, it tends to be young people who plan to start up their own business with the help of their parents or family. In addition, existing (or dormant) family businesses can be reinvigorated or reestablished, as long as there are realistic market opportunities. Here, integration into a value chain with high development potential is promising.

However, even if the business and investment climate in the country of origin is unfavourable, migrants are often relatively willing to invest there. In this context, migrants who have settled in the host country permanently and have opened a business there are a particularly interesting group. While they are not always particularly numerous, they can play a key role in the development of export-oriented value chains in their country of origin. Often they contribute to the establishment of economic relations within a chain by making investments that secure supply relationships inside the origin country. Typically, they participate in trade platforms for ensuring that goods are replenished. In addition, value chain-specific investments in the host country are carried out (e.g. warehouse and transport facilities, import trade agencies, etc.). For value chain promotion, the second generation of migrants in the host country must also be included in the planning, as they often maintain strong ties to the country of origin.

In addition, migrants use collective remittances to participate in public investments and development projects,

for example, those which are organised by migrant organisations for their origin region (construction and development of schools, health stations, etc.).

Returnees do not always find a (suitable) job, even if they have gained valuable experience and know-how abroad. Self-employment and start-up enterprises are potential alternatives in which new ideas and technologies can be introduced. Typical activities include the cultivation of new types of crops and the use of new cultivation methods in agriculture, or active involvement in the service sector, such as automotive services, internet cafés, tourism, restaurants and the hotel industry in the mid- to up-market segment. In the tourism sector in particular, contacts established during a stay abroad are especially useful. Provided they possess some entrepreneurial competence, returnees are the obvious choices for business start-ups and/or collaboration in the context of value chain promotion measures. Greater potential can be anticipated among voluntary returnees than forced returnees.

## Examples

- Approximately 20 percent of the capital invested in microenterprises in Mexico in municipal areas comes from remittances.<sup>9</sup>
- About half of foreign direct investments in China made in 2000 came from members of the Chinese diaspora. This corresponds to USD 41 billion.<sup>10</sup>
- In Germany, there were 364,000 foreign self-employed persons in 2005.<sup>11</sup> The percentage of start-up enterprises by migrants exceeds the quota of those started up by Germans (in 2006, it was 0.3 percentage points higher, at 2.9 percent). Full-time start-ups by migrants are significantly more frequent than among Germans.<sup>12</sup>

<sup>8</sup> Woodruff/Zenteno 2001.

<sup>9</sup> Wei 2004.

<sup>10</sup> Federal Statistical Office 2006 Microcensus.

<sup>11</sup> KfW 2007: 3.



## ■ Commerce with goods and services

In many cases, migration also causes business activities to increase. New consumption habits on the part of the recipients of remittances (fast food, electronic digital technology, mobile telephones, etc.) bring about new trade relations and activities if the demand cannot be met with local products. However, business activities are also increasing in the other direction – from the origin country to the host country. Examples include the »ethnic« or »nostalgic« products<sup>12</sup>, in demand by

migrants in the host country. In countries that are strongly affected by migration, they constitute a significant percentage of exports. Demand created by the diaspora can lead to new markets. The people in the host countries become acquainted with new foods and products from the migrants' home country and also demand these items. However, if this type of value chain is to be promoted, prior assessment is needed as to whether there is a realistic possibility for the products to be exported (in larger amounts) following the project support.



<sup>12</sup> »Ethnic« or »nostalgic« products are products purchased by migrants in the host country because of their special relationship to their country of origin. They include typical foods, traditional clothing and jewelry or special tools. Services such as »religious« services, like the organisation and performing of weddings, are also included here.



## Examples

- North Rhine-Westphalia is Turkey's fifth most important trade partner, ranking even ahead of France. The large Turkish community in North Rhine-Westphalia is an important reason for this.<sup>14</sup>
- Econometric calculations using Canadian trade data from 1980 to 1992 covering trade with 136 states show that a ten percent rise in migration leads to one percent growth in Canadian exports in the respective country of origin and a three percent growth of imports from this country of origin.<sup>15</sup>
- Calculations for Bolivia assume that an increase in emigration of ten percent increases imports and exports by 0.3 percent and an increase in immigration of ten percent even increases them by 0.8-0.9 percent.<sup>16</sup>
- For El Salvador, it is estimated that nostalgic products make up over ten percent of exports.<sup>17</sup>
- When they revisit their country of origin, migrants often bring products with them, either for their families or to sell them there. In Morocco, this can be observed at places such as Torino souk in Khouribga or the car market in El Borj, two markets supplied by a network of Moroccan migrants in Italy.<sup>18</sup>

Another reason for the increase in trade due to migration is the fact that migrants work as trade agents. They have contacts in the host and origin countries and are familiar with both (business) cultures. They may work directly for trade agencies, or, when employed by a company, they become the reason for it to import goods from, or export goods to the origin country. When selecting actors as part of value chain promotion, it is important therefore to include the role of migrants as trade agents.

### ■ Communicating market information, new ideas and know-how

Thanks to modern technology and much lower prices, migrants can maintain a variety of communication ties to their family and friends in the country of origin. These channels are also used to pass on information about market conditions in the host country, on the requirements for access (quality standards) and about consumer behaviour. The same is true for new

technologies. Virtual information and/or gifts, such as computers, digital cameras and mobile telephones, provide families with access to modern infrastructure. These can be used not only privately, but also to substantially ease business dealings, or even to make them possible in the first place.

In addition, the fact that family members who have migrated live closer to potential buyers and groups of buyers can create or facilitate access for products and services. This is especially true for ethnic products, as well as for services in the tourism and health care sector, where individual migrants can take on the role of an agent for their local economy. In this area, word of mouth is the major means of communication and tends to be more a matter of coincidence rather than systematic procedure.

<sup>13</sup> Sauer 2004: 16.

<sup>14</sup> Head/Ries 1998.

<sup>15</sup> Canavire Bacarreza/Ehrlich 2006.

<sup>16</sup> UNDP 2005.

<sup>17</sup> UNECA-NA 2007.

When abroad, migrants can also acquire know-how on technological innovations and gather ideas for

improving production processes and for developing new products.



**The most important potentials arising from migration-linked flows that can be used in the scope of value chain promotion are listed below:**

- migrants and their families as consumers with a specific demand for products and services
- start-up enterprises, direct investments and portfolio investments using additional capital generated by migration
- business activities and coordinating functions of entrepreneurs (migrants and returnees) within the value chain in the origin and host country
- market information and access via migrant organisations in the host country (e.g. professional associations)
- access to technological innovation via the skills migrants acquired in the host country
- establishment and maintenance of transnational business relations and greater trust within the value chain through migrants' intercultural and language skills and contacts
- improvement of overall business and investment climate through the lobbying of migrants

Table 1 provides an overview of the key questions for analysing the migration-linked flows described above.



**Table 1: Status quo analysis of the impacts of migration in the project region or the partner country<sup>18</sup>**

Flows	Questions
Overarching	<ul style="list-style-type: none"> <li>✓ How many migrants have emigrated? Are they men or women?</li> <li>✓ Where did they migrate to? Are they in one or only a few geographic locations, or are they widely dispersed?</li> <li>✓ What type(s) of migration is (are) involved (labour migration, educational migration, flight for political reasons, natural disasters, etc.)?</li> <li>✓ What socio-economic status do the migrants have in the host country (residence status, integration in the labour market, etc.)?</li> <li>✓ How many years ago did the migration begin? Does the migration take place to a large extent via social networks?</li> </ul>
Workforce	<ul style="list-style-type: none"> <li>✓ What sectors do the labourers migrate from and what numbers are involved? What qualifications do they have? In which sectors do they work in the host country, and in what capacity?</li> <li>✓ Does this cause a shortage of skilled labour, which is relevant for the promoted value chains or those which are to be promoted?<sup>20</sup></li> <li>✓ Are there any returnees? If so, do they return voluntarily or involuntarily? In what sectors do they take up work and what qualifications do they have that are of interest for value chain promotion?</li> </ul>
Capital	<ul style="list-style-type: none"> <li>✓ How many remittances flow into the country or region? How big a part do remittances form of GDP, and how do they relate to exports?</li> <li>✓ How are they transferred?</li> <li>✓ What are they used for?</li> <li>✓ Are remittances saved, and if so, how, and what financial institutions are used?</li> <li>✓ Are remittances used for investments within the value chain?</li> <li>✓ Are remittances recognised as security in the small loans market?</li> </ul>
Goods and services	<ul style="list-style-type: none"> <li>✓ What goods and services are in greater demand by the families of migrants?</li> <li>✓ What goods and services are in demand by the migrants in the various host countries?</li> <li>✓ What sales and transport channels are there, and how formal are they? What function do migrants and their networks fulfil there?</li> </ul>
Ideas, market information, knowledge, values	<ul style="list-style-type: none"> <li>✓ What qualifications and positions on the market do the members of the diaspora abroad have? Are they relevant for the value chain that is promoted or is to be promoted?</li> <li>✓ Is the diaspora organised? How are they organised, and in what fields?</li> <li>✓ What is the relationship of the diaspora to its country of origin? Are its members willing to become involved?</li> <li>✓ What ideas, know-how and values are contributed by returnees and influence the value chain?</li> </ul>

<sup>18</sup> Here it must be borne in mind that some regions of origin of skilled labourers may also be in-migration regions of skilled labourers along a poverty gap. The overall regional situation must be assessed in this case.

The questions mentioned in Table 1 are interesting not only for an immediate snapshot of a specific point in time, but also for eliciting possible future developments which would allow conclusions to be drawn about further potential.

→ **What new partners come into play with the promotion of value chains in the context of migration?**

Successful value chain promotion is also dependent on the initiators and promotor. Institutions and groups of persons can become involved, who have direct or indirect ties to the migrants. The table below lists these types of organisations and their potential role in value chain promotion:



**Table 2: Institutions in the host country**

Institutions	Potentials	Role in value chain promotion (Examples)
Non-profit/religious migrant organisations	<ul style="list-style-type: none"> <li>Knowledge about the diaspora</li> <li>Contact structure with access to diaspora</li> <li>Channelling of donations to non-profit projects in the origin country (group solidarity)</li> </ul>	<ul style="list-style-type: none"> <li>Articulation of the demand for ethnic products and services in the host country</li> <li>Acquisition and support with preparing and participating in trade fairs in the host country</li> <li>Allocation of slots for study and scholarships at universities in the host country for young people from the country of origin in order to strengthen technical, entrepreneurial and commercial capacity</li> </ul>
Business and professional associations of the diaspora, chambers of commerce founded by migrants	<ul style="list-style-type: none"> <li>Access to business networks</li> <li>Access to technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition/referral of trade and business partners</li> <li>Information and advice on the market structure relevant for the value chain</li> </ul>
Institutions for the promotion of integration; local level development cooperation	<ul style="list-style-type: none"> <li>Integration of migrants the host country</li> <li>Financial aid</li> <li>Development programmes and projects in the origin countries</li> </ul>	<ul style="list-style-type: none"> <li>Placement of technical and sectoral specialists</li> <li>Cofinancing of value chain promotion programmes</li> <li>Support with networking and mediation between relevant actors</li> </ul>
Institutions for promoting the return of experts (e.g. CIM in Germany))	<ul style="list-style-type: none"> <li>Contacts</li> <li>Financial support for the return of experts in areas relevant for development</li> </ul>	<ul style="list-style-type: none"> <li>Placement of technical and sectoral specialists</li> <li>Promotion of business start-ups by returnees</li> </ul>

Institutions	Potentials	Role in value chain promotion (Examples)
Banks with high presence in the host and origin country	<ul style="list-style-type: none"> <li>Financial services related to money transfer (value-adding services)</li> </ul>	<ul style="list-style-type: none"> <li>Loans for productive investments secured by remittances</li> </ul>
NGOs that work in the field of migration	<ul style="list-style-type: none"> <li>Contacts to emigrants and returnees</li> </ul>	<ul style="list-style-type: none"> <li>Partners in value chain project implementation</li> </ul>
Economic attachés at embassies and consulates of the origin country in the host country	<ul style="list-style-type: none"> <li>Possible contacts to the diaspora</li> <li>Information on investment opportunities in the origin country</li> <li>Information structures</li> </ul>	<ul style="list-style-type: none"> <li>Organisation of and support for participation in trade fairs in the host country</li> </ul>
National offices for the protection of intellectual property	<ul style="list-style-type: none"> <li>Product and corporate certification for market access</li> </ul>	<ul style="list-style-type: none"> <li>Patent/protection of intellectual property for nostalgic products</li> </ul>
National offices for standardisation and quality assurance	<ul style="list-style-type: none"> <li>Product, process and corporate certification for market access</li> </ul>	<ul style="list-style-type: none"> <li>Accreditation and/or certification of regional origin</li> </ul>
Trade and investment agencies managed by migrants	<ul style="list-style-type: none"> <li>Access to customers</li> <li>Market knowledge</li> </ul>	<ul style="list-style-type: none"> <li>Establishing and supporting transnational business relationships</li> <li>Market analyses</li> <li>Advertising</li> </ul>
Media with migrants as the target group (radio, TV, print)	<ul style="list-style-type: none"> <li>Access to customers and investors</li> </ul>	<ul style="list-style-type: none"> <li>Advertising</li> <li>Information</li> </ul>

In the origin country, too, a number of institutions would seem relevant for the process of assimilating the potential benefits and risks of migration, and could

contribute as partners to the successful promotion of value chains (see Table 3).



**Table 3: Institutions in the country of origin**

Institutions	Potentials	Role in value chain promotion (Examples)
Non-profit/religious foundations; usually also local offices of the organisation based in the host country	<ul style="list-style-type: none"> <li>▪ Contacts to the communities and families of the migrants in the origin country</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information on commercial investment opportunities</li> <li>▪ Joint investments in the infrastructure of the origin country that have a positive impact on the businesses in the value chain</li> </ul>
Offices of business associations in the origin country	<ul style="list-style-type: none"> <li>▪ Business networks</li> <li>▪ Networks of potential end customers and potential demand</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business contacts and acquisition of investors</li> <li>▪ Business development services</li> <li>▪ Sponsors of subcomponents of value chain promotion</li> <li>▪ Advice on legal aspects of value chain coordination</li> </ul>
Bilateral chambers of commerce between the origin and host country		
Returnee organisations (also, specifically, alumni networks of universities in the host country)	<ul style="list-style-type: none"> <li>▪ Networks on the host country</li> <li>▪ Cultural bridge-building</li> <li>▪ Specific know-how</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business contacts and acquisition of investors</li> <li>▪ Placement of technical and sectoral specialists</li> <li>▪ Transfer of supraregional management know-how</li> <li>▪ Building confidence in the value chain/business climate development</li> </ul>
Ministries responsible for migration (e.g. Ministry for Diaspora) and related foundations	<ul style="list-style-type: none"> <li>▪ Policy-making</li> <li>▪ Promotion programmes</li> <li>▪ International mandate for negotiations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shaping the role of migration within economic policy</li> <li>▪ Migration and returnee policy</li> <li>▪ Coordination and cofinancing of value chain promotion programmes</li> <li>▪ Representatives of interests of transnational value chain actors in trade agreements</li> </ul>
Government institutions promoting investments by migrants (e.g. bank granting loans)	<ul style="list-style-type: none"> <li>▪ Advisory services</li> <li>▪ Promotion programmes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Promotion of investments within the value chain</li> </ul>

For the sake of completeness, it should be added that criminal structures can also develop in migrant networks. Because the legal competences are not always transparent in transnational business relations, in many cases bureaucratic conditions are not imposed. Programmes to promote global value chains must therefore ensure that their contractual relationships are above board and, if necessary, can be enforced. The risk of abusing business relations for the illegal transfer of

products and funds (even if these are in so-called grey areas) can discredit the promotional work and tarnish the reputation of the participating institutions for years to come.

In post-conflict situations, care must be taken that cooperation with the diaspora is conflict-sensitive.





## IV. Selection of products and markets

### Key questions

- What value chains are suitable for migration-related promotion (pre-selection)?
- What can serve as migration-related evaluation and selection criteria for value chains?
- How can the selection process be shaped?

The steps leading to the selection of the value chains to be promoted are no different in the case of migration-related value chain promotion. However, additional criteria are involved that take into account the potential benefits and the risks linked to migration. These criteria will be discussed in the section below.

### → What value chains are suitable for migration-related promotion (preselection)?

When selecting a region in which to work, the project staff and partner organisations can already take into account the extent to which it is affected by migration. After this they make a preliminary selection of appropriate value chains that are available for promotion.

In this phase, strategic considerations are crucial, with the focus on market potential in the future. The following distinctions must be made:

- Should the promotion primarily concentrate on markets whose consumers are predominantly migrants and domestic consumers in the host country (export promotion)?
- Should the promotion primarily target markets in which the consumers are predominantly recipients of remittances (local production with local distribution)?
- Should it address value chains which are suitable for promotion for other reasons, but for which migrants play a positive role in some way?

Here, it is not so much a question of »either or«, but rather of determining which of the questions should be accorded higher priority without completely neglecting the other questions. The result itself reflects a process of discussion and consensus-building among the local population, the local administration and technical cooperation employees.

If work is carried out in a region, when selecting a value chain it is not important for the entire chain to be located in that region (this is nearly impossible with value chain promotion anyway). In addition, value chains which do not yet exist in the region or country, but which could potentially be introduced, should also be considered. In this case, other potentials linked to migration can be considered (e.g. investments from remittances, qualification of returnees).

As the result of this step, a number of products are selected for further evaluation.<sup>19</sup>

Some typical products for promotion in regions or countries that are strongly affected by migration are listed in the following overviews. If the markets are located in the host country, from the perspective of the origin country these are export products, as presented in Table 4. On the one hand, these are products that are bought first by migrants, but which can also reach other consumers in niche markets. In the longer term, mass-market demand for them might even develop. On the other hand, using the migrant networks, standard manufactured products can also be exported more easily to the host country.

**Table 4: Examples of products and markets in the host country**



	Nostalgic products for migrants	Innovative and exotic products for niche markets	Standard products for the mass market
Traditional foods (e.g. dairy products, sausage and meat products, spices)	✓	✓	✓
Traditional everyday objects, handicrafts	✓	✓	
Cultural and entertainment products (media products)	✓	✓	
Industrial products (in some cases innovative)		✓	✓

<sup>19</sup> For details, see Mahnke 2006.

If local markets in the migrants' country of origin are involved, the products and services listed in Table 5 could play a role. For the recipients of remittances, the demand for local and imported goods rises. Through the migrants, an increase in demand on tourist markets can develop to which local business owners, as well as

migrants and recipients of remittances can respond. With their contacts and the know-how they might have acquired, migrants have a competitive edge, especially with services related to all aspects of import goods and in the tourism sector.



**Table 5: Examples of products and markets in the origin country**

	Products for local markets	Products and services for import markets	Products and services for tourist markets
Food	✓	✓	
Financial services, logistics	✓	✓	
Industrial products (e.g. vehicles, electronics, media)		✓	
Handicrafts			✓
Services and products for weddings and other celebrations			✓
Health care services			✓

### → What can serve as migration-related evaluation and selection criteria for value chains?

For the subsequent evaluation and final selection, the team must define and set criteria.

The following table contains examples of existing criteria that were modified with regard to migration or new specific criteria that were drawn up.



Table 6: Examples of selection criteria with regard to migration

Criteria complex	Examples of selection criteria with regard to migration
1. Employment prospects	<ul style="list-style-type: none"> <li>✓ How attractive are the anticipated new jobs compared to emigration?</li> <li>✓ Do the new employment opportunities take into account the labour market influenced by migration (qualification and flexibility of the labourers, willingness to offer manpower)?</li> <li>✓ What possibilities for self-employment arise when remittances are used?</li> <li>✓ To what extent are returnees included?</li> </ul>
2. Development prospects of the national economy	<ul style="list-style-type: none"> <li>✓ Will the selected value chain focus on the (future) demand of the migrants in the host countries? Or on the demand in the origin country that increases due to remittances?</li> <li>✓ Does the value chain have an influence (increase and/or security of income) on the migrants' families and if applicable, on returnees?</li> </ul>
3. National and international competitiveness	<ul style="list-style-type: none"> <li>✓ Is the value chain attractive for migrants' investments (or those of their families)?</li> <li>✓ Can the value chain be effectively linked with migrants' networks?</li> <li>✓ Are there export options in markets that were created by migrants?</li> <li>✓ Can market requirements (quality regulations) posed by the host countries be met?</li> </ul>
4. Innovation	<ul style="list-style-type: none"> <li>✓ Does the value chain offer room for technological innovation?</li> <li>✓ Are there activities for technology transfer between the host and the origin country?</li> </ul>
5. Sustainability	<ul style="list-style-type: none"> <li>✓ Does the value chain contribute to tying the migrants to their country of origin?</li> <li>✓ Can the regional specificity of the product be used as a competitive edge (or even as the unique selling proposition)?</li> </ul>

In selecting value chains for promotion programmes, in addition to important economic aspects, criteria must be used that take the strategic and political objectives of partner organisations and technical cooperation into account. In a region that is strongly affected by migration, it is particularly important to include, for example, those households that do not have any family members

abroad in order to avoid exacerbating social disparity. The following table shows how such a combination of economic and political criteria might look in the example of a migration-related value chain promotion project.



**Table 7: Examples of politically and economically based selection criteria in a project for migration-related value chain promotion**

Criteria that reflect the strategic considerations of technical cooperation and its partner institutions	Criteria for an economically-based selection
<ul style="list-style-type: none"> <li>✓ A significant share of the value creation occurs in the origin region of the migrants.</li> <li>✓ Relevant positive impacts on the local employment market develop (income opportunities offer alternatives to migration, also for families without a family member abroad)</li> <li>✓ The distribution of value creation reaches as far as the poor sections of the population in the target region who cannot migrate.</li> <li>✓ Regional, social and environmental certification is possible without substantial extra effort.</li> <li>✓ Migrants have access to new technologies and can promote their transfer within the value chain.</li> <li>✓ Environmental criteria, gender parity and food security are positively influenced.</li> <li>✓ Opportunities for PPP arise, especially related to migrants or returnees who are active as entrepreneurs.</li> <li>✓ Future security for migrants' investments is ensured.</li> <li>✓ The contacts/networks established through migration are used.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Potential to increase value creation in the country is available.</li> <li>✓ The value chain's share of GDP is (or has the potential to be) relevant.</li> <li>✓ The current share of exports and the probable development in the future (elasticity) are considered to be positive.</li> <li>✓ There is a critical mass of businesses in the value chain and of consumers (e.g. migrants and/or their families in the country of origin).</li> <li>✓ Demand (e.g. by migrants or their families in the origin country) increases.</li> <li>✓ A potential for modernisation and for transfer of technology exists.</li> <li>✓ The value chain can become competitive (e.g. if products of equal value from neighbouring countries are offered for the same group of migrants).</li> <li>✓ The most important development bottlenecks can be resolved (effort, risk).</li> <li>✓ Opportunities for creating synergy with other value chains in the country exist.</li> <li>✓ The organisational and coordinating structure within the value chain can be designed noticeably more efficiently through the participation of migrants as bridge-builders between cultures.</li> <li>✓ Through the agency of migrants, local value chains can be integrated into global value chains.</li> </ul>



Irrespective of the selected promotion or strategic approach, the formulation and selection of criteria should be transparent and take place in a spirit of consensus-building among those involved.

The assessment of the criteria takes place with regard to future development. If there is a great deal of uncertainty, analyses should be carried out by specialists or (independent) sectoral experts should be consulted for the assessment.

### Example: Tourism value chains in Montenegro

Migrants play an important role for tourism value chains as customers, investors and people who transfer know-how. In Montenegro, the project Development of Tourist Sites in the Montenegrin Hinterland recognised this potential and together with the Migration and Development Sector Project investigated it in more detail in a study for the Plav project region<sup>21</sup>. This involved carrying out qualitative interviews with the migrants during their summer holiday in Plav. In addition, a quantitative survey was also set up on the diaspora website.

Some 14,000 people live in the municipality of Plav, and at least as many people from the region live abroad. The study developed by GIZ demonstrated the potential for private investments by the diaspora in the tourism sector (hotels, restaurants, etc.). In addition, the migrants contribute to the development of infrastructure with their non-profit investments through diaspora associations. This is also important for tourism (e.g. setting up a swimming area at the river).

When the migrants come back to visit in the summer, they organise the »Blueberry Festival« and the »Gusinjer Summer«, two events to which the migrants make financial, programmatic and organisational contributions. The organisers have recognised the significance of diaspora tourism for the district and use the events to offer the migrants something to do and – if possible – convince them to prolong their stay in the area.

### → How can the selection process be shaped?

The selection criteria that have been agreed are now used to assess the preselected value chains. The results are compared and finally the value chains are prioritised. A one-day workshop is well suited for this procedure. The group of participants should consist of a

mixture of sectoral experts and political decision-makers from the partner organisations. The actual assessment should be carried out by the participants individually.<sup>21</sup>

<sup>20</sup> Winterhagen 2008.

<sup>21</sup> Mahnke 2006 presents a detailed procedure that is easy to use.



Before a final decision is taken, the partner experts should be given the opportunity to vote on the selection within their respective organisations.

The potential for conflict can arise if some actors in the value chain have a negative attitude towards migrants and do not understand the motivation for migration.

### ■ Acquiring information for the selection process

In order to assess the specified criteria and make a well-founded selection, it is necessary to acquire the right information. Possible sources of information include official statistics or primary information supplied by NGOs, business associations or sectoral specialists. In addition, migrants with related know-how should be taken into consideration and included.

### ■ Application (autoselection) by the actors themselves

In some cases, on their own initiative, groups approach technical cooperation project offices and request support for the promotion of their value chain. This usually occurs because they have either heard or read about the programme or see market opportunities that can only be tapped into together with other actors in the chain (e.g. migrants in the host country with plans to export goods). Migrants and their organisations are acquainted with both the technical cooperation of the host country and the situation and needs in their country of origin, which is why they also approach technical cooperation employees directly.

If an application arrives at the project office, this is advantageous, because it demonstrates that the actors are extremely motivated and willing to compromise from the outset. A project can achieve a similar effect by issuing a tender for promotion measures for which the actors of a value chain then need to apply.

In all of these cases, it is particularly recommended that the actors themselves be allowed to determine the initiative and the speed of the changes. In most cases, the actors are highly motivated, which has a positive impact on the work. Nevertheless, it is important to check their seriousness and readiness to assume responsibility. Also, the cooperation must be contractually agreed.

With initiatives of private entrepreneurs, migrant organisations or NGOs, the leading role should remain in the private sector. It may be advisable to discourage persons in the public sector (or political institutions) from becoming too deeply involved.



## V. Analysis and strategic planning

### Key questions

- How can migration be taken into account in the analysis of the value chain?
- What must be taken into consideration in strategic and operational planning? What strategic alliances can be concluded?

Once the value chain has been selected as described in the previous step, the exact functional interactions and processes in the value chain must be analysed and strategic promotional approaches for the value chain identified.

### → How can migration be taken into account in the analysis of the value chain?

The following section demonstrates how migration can be included in the depiction of the value chain and the analysis of the actors, the market and the competitive advantages of the value chain. While the individual steps are presented consecutively, the procedure is in fact iterative.

### ■ Visual representation of the value chain (chain mapping)

**Concept:** In practice, schematic depiction of the value chain (chain mapping) has proven to be a worthwhile analytical instrument. At a participatory workshop, the actors work together to identify the stages in the value creation process and their functions. The production

processes, services, etc. are then depicted, beginning with the inputs (raw materials, design, etc.) and continuing through to the end product.<sup>22</sup> In addition, the actors are identified along the functions in the value chain, from the input providers to the end consumer. The extent and complexity of the depiction of the value chain depends on the particular value chain selected.

**Objective:** The actors involved in the analysis gain a common perspective on the value chain and realise that in the end, a competitive product or service can be offered if they work together effectively within the value chain. For this reason, the entire value chain is viewed as a competitive unit.

**Link to migration:** If migrants in the host country (in the case of actual or potential exports) or returnees (with business activities in the origin country) have been identified as actors during value chain selection, they should already be included in the analysis at this point. If the specific groups of persons have not yet been identified, a preliminary study is recommended.



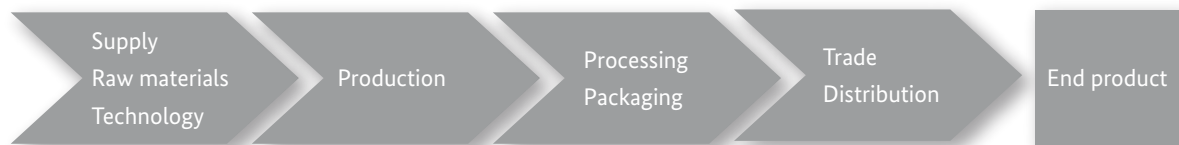
<sup>22</sup> See GTZ ValueLinks 2007, Module 2.



**Figure 5: Value chain map**

**Figure 5a: Generic elements of a basic value chain map**

### Functions in the value chain



### Actors in the value chain

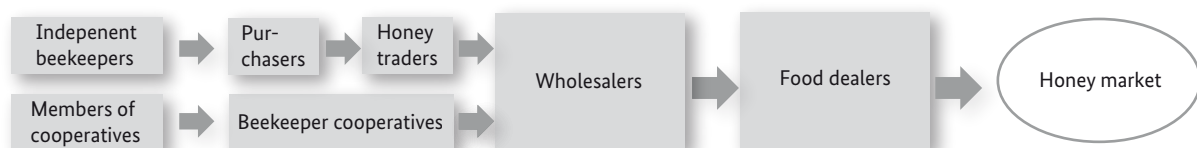


**Figure 5b: Example of the honey value chain**

### Functions in the value chain



### Actors in the value chain



### ■ Further analysis of actors and their role in the value chain

**Concept:** As part of value chain mapping, the actors are identified and their functions qualitatively assigned in the value chain. In addition, the actors can be further analysed according to certain questions and be quantified and broken down into different categories. Such questions could, for instance, be used to assess the size of the group in numbers, the size of the business, distance to the market or gender aspects.

**Objective:** The actors characterise their role in the value chain and acknowledge their interdependence. Worthwhile cooperation arrangements (strategic alliances) become visible.

**Link to migration:** Assessing the role of migrants in the value chain also makes sense at this point. In the following figures, this »migration mapping« is depicted schematically.



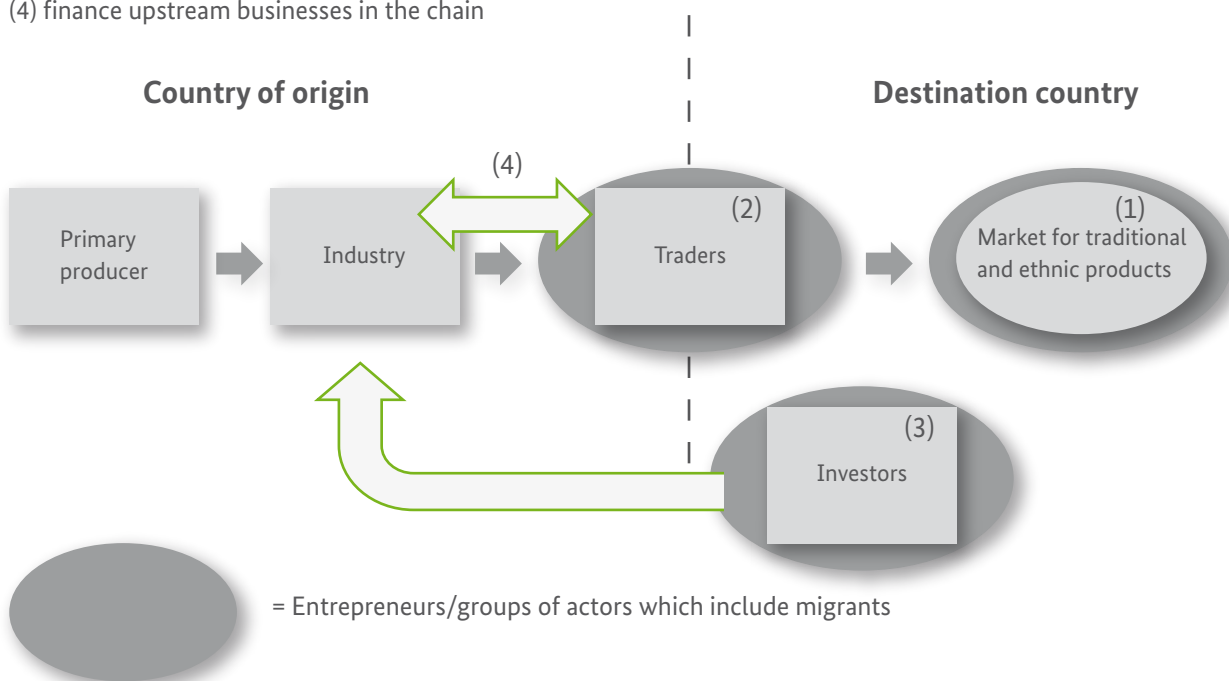
**Figure 6: Migration mapping – identifying and depicting migrants as actors in an export-oriented value chain**



**Figure 6a: Migrants in the host country**

#### Migrants in the host country

- (1) consume products from the origin country
- (2) are active in the trade/export of ethnic and other products
- (3) invest directly in production firms in the origin country
- (4) finance upstream businesses in the chain



**Figure 6b: Returnees**

## Returnees

(5) work in their own companies, introduce product and process innovations and use their knowledge of the export market

(6) are employed in dependent employment relationships

(7) work as consultants, importers and technology suppliers

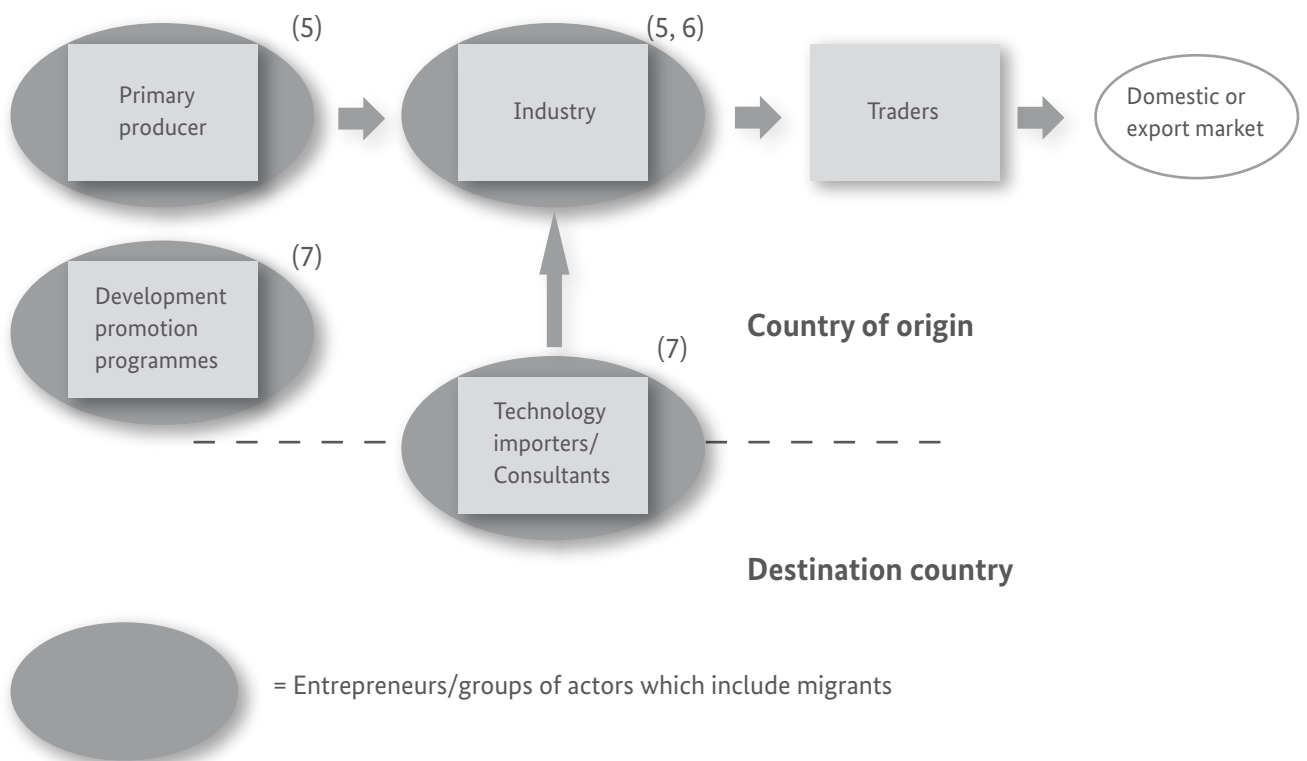
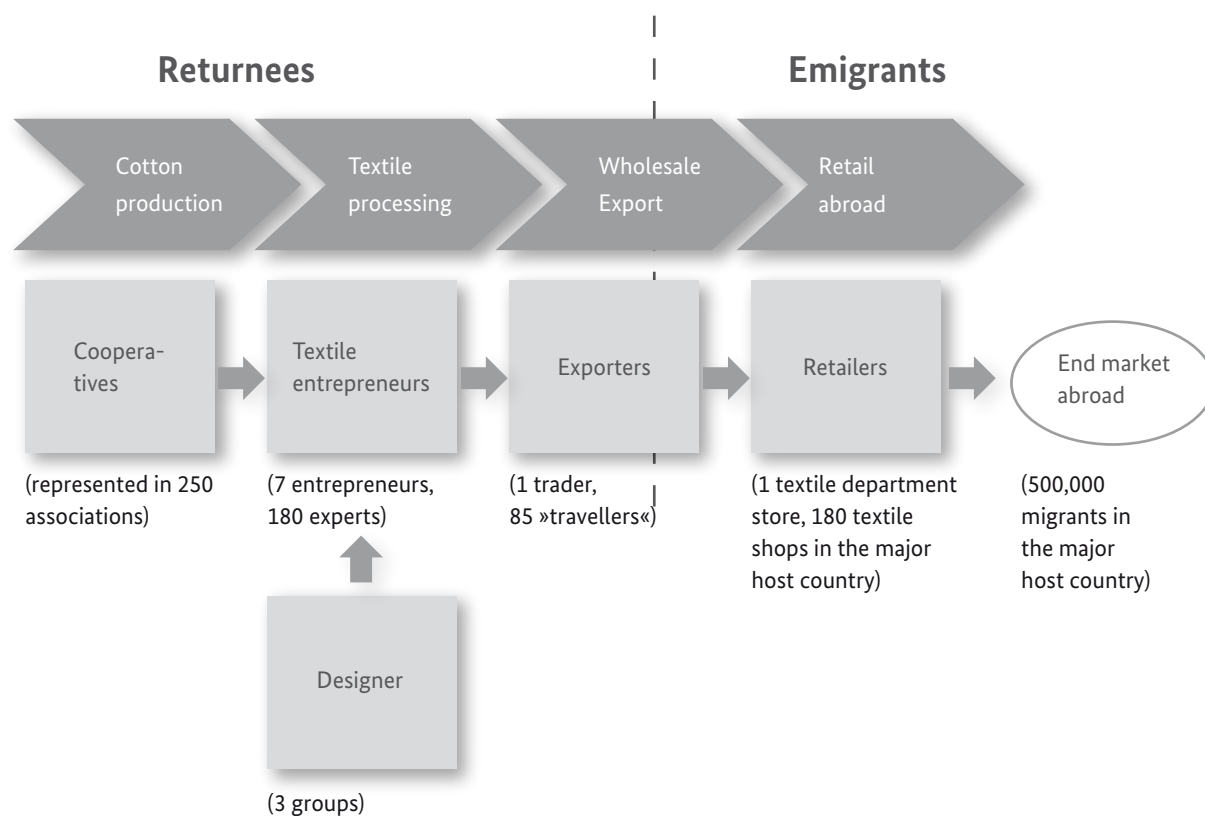


Figure 6c: Number of migrants in the value chain (Example: traditional textiles)

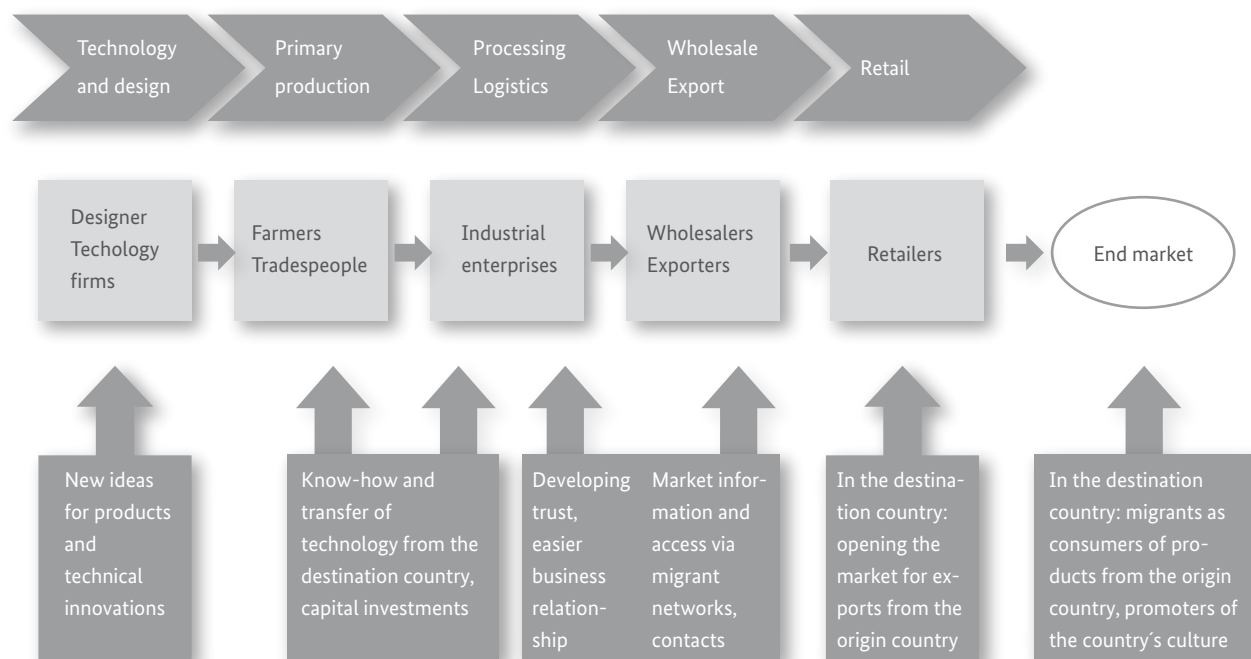




**Figure 7: Contributions of migrants to the development of the value chain as actors and promoters**

In the figure, some important potential benefits linked to migration are assigned to the stages in the chain where they are likely to have the greatest impact. However, they may also affect other parts of the chain. New ideas that develop as a result of migration affect not only the products themselves but also have an influence, for example, in the areas of packaging, transport or marketing.

The figure shows a global value chain. With a local value chain, it is not the migrants in the host country who are potential new consumers, but rather their families in the origin country whose purchasing power is boosted by remittances.



## Example: Impacts of migration to Côte d'Ivoire on the value chains of manioc and cashews in Burkina Faso<sup>23</sup>

### ■ The migration situation

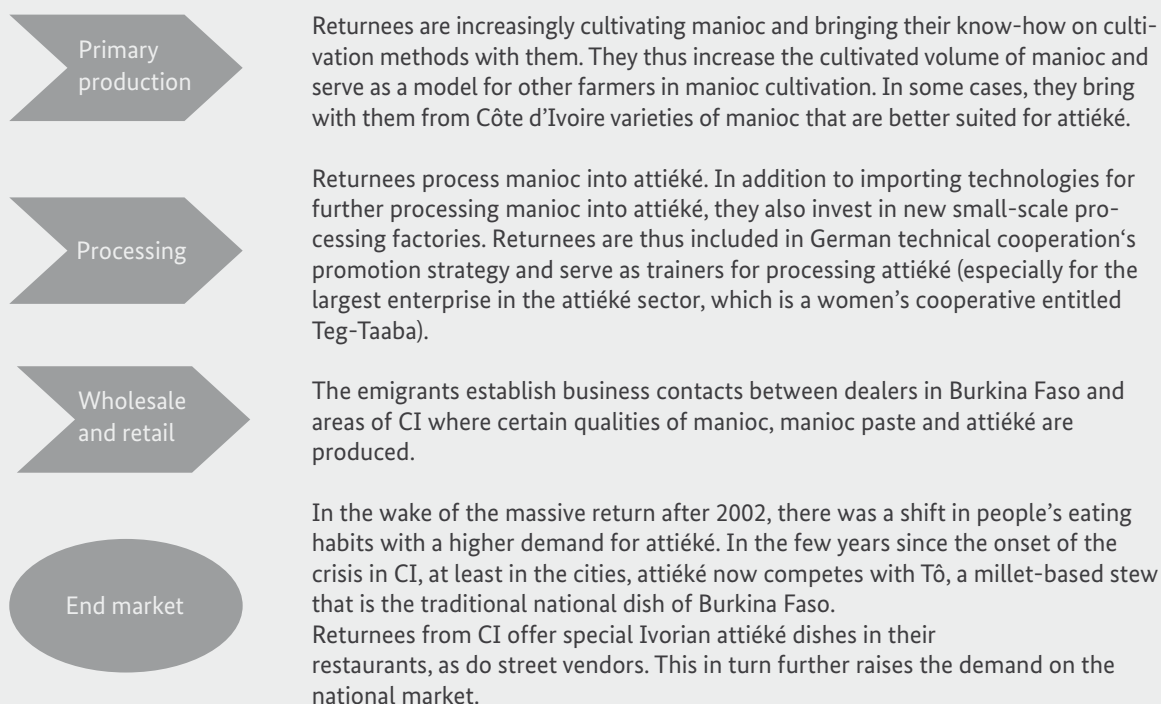
Labour migration by Burkinans to cocoa, coffee and rubber plantations in Côte d'Ivoire (CI) already started back in colonial times, when the former Upper Volta was still united with CI as one colony and the Burkinans were recruited as forced labourers. Since then, migration has not lost its significance, with around three million Burkinans currently living in CI. This is the equivalent of approximately 20 percent of the population of Burkina Faso. Thus, the impacts of migration have been felt for decades. Recently, however, the influence of the returnees has drastically increased. Since 2002, many emigrants have returned to Burkina Faso in the wake of the political crisis in CI. Official estimates assume that there are approximately 360,000 returnees.

### ■ The manioc (attiéké) value chain in Burkina Faso

The value chain of attiéké, a couscous-like staple food produced from manioc, is strongly linked to CI. Most of the attiéké consumed, as well as the preliminary product, a dough made of ground manioc roots, are imported from CI. The commodity value of the imported attiéké is estimated to be over half a million euros per year. In general, little manioc was cultivated in Burkina Faso and little attiéké and other manioc products consumed. The types of manioc available in Burkina Faso come from Nigeria and are less suitable for making attiéké than for other dishes. The goal of the promotion strategy of German technical cooperation (Agricultural Development Programme, Burkina Faso) and the participating enterprises for the attiéké value chain is to enable the producers in Burkina Faso to produce attiéké or manioc paste themselves and boost production of their own manioc roots. Tests were performed to find out which of the types of manioc introduced by researchers are best suited for making attiéké. In this way, further processing of the 60,000 tonnes of manioc roots produced each year is to be promoted. So far, manioc has only been processed to a very limited extent. It has been used for starch (tapioca) and manioc flour (gari), using traditional methods. However, the quality of these products does not meet the standards required by urban markets. In their unprocessed state, the manioc roots are only good for up to three days after they have been harvested, which means they have to be processed into manioc paste, a preliminary product, which is good for up to four months.

<sup>23</sup> The example was put together by Marie Müller. Background information was obtained through discussions with Andrea Riester (Migration and Development Sector Project), Katy Schröder (formerly with the Agricultural Development Programme, Burkina Faso; presently with the Programme d'Appui au Sous-secteur de l'Irrigation de Proximité (PASSIP), Mali), Andrea Wilhelmi-Somé (Agricultural Development Programme, Burkina Faso) and Stefan Koppmair (ASA Young Leaders for Sustainability Programme; manioc value chain).

## ■ The impacts of migration on the manioc (attiéké) value chain

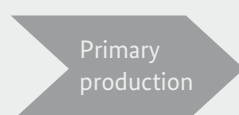


## ■ The cashew value chain in Burkina Faso

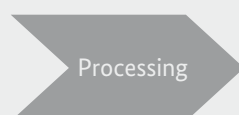
In contrast to manioc, cashews are rarely used by domestic consumers, but are primarily an export product (cash crop). Most cashews are exported to India in an unprocessed state. Only a small proportion (approx. five per cent) is cracked, shelled and packed locally for export to the USA and Europe. The nuts are very difficult to crack because they are surrounded by a caustic liquid that must be handled with caution. Today, there are four cashew processing plants in Burkina Faso: one industrial plant and three smaller processing units. The goal of a German technical cooperation promotion strategy (Agricultural Development Programme) for the cashew value chain is to process as many of the cashews in Burkina Faso as possible, especially in light of the fact that Viet Nam, as the world's largest producer of raw nuts, will continue to push back the sale of raw nuts from West Africa.



## ■ The impacts of migration on the cashew value chain



Returnees who have worked on cash crop plantations in CI establish new cashew plantations for cash crops, meaning that their production is intended for the market. They use their experience with plantation cultivation in CI in their new plants in Burkina Faso and stimulate entrepreneurship in Burkina Faso in line with market-oriented agriculture, which is promoted by German technical cooperation.



While the new processing plants were not built by the returnees directly, the know-how of the migrants gained in CI played a major role in the development of the plants.

In some cases, the technology also came from CI, where in the past the largest processing plants in the region were located. Many employees of the processing plants also used to work in CI, for instance, as cashew peelers. The know-how acquired in CI can now be used in Burkina Faso. The returnees also work as technicians for the plants. Their know-how related to production technology (shelling, heating and drying equipment, etc.) is in demand.

## ■ Analysis of potential (market analysis)

**Concept:** For the analysis of potential, the market potential and opportunities of the product (or service) and its future development are analysed. This should be performed by competent trade representatives or consumers, who define market requirements and can assess the future need for the product.

**Objective:** The current market demand and future market trends are assessed. The competitors and competitive situation are known, as are benchmarks for quality and price.

**Link to migration:** At this point, the migration-related market potential can be integrated and the know-how of the migrants and their families harnessed:

- The market in the host country: Immigrants are familiar with the market, the quality standards and consumer preferences in the host country, whether for products and services for the migrant community or the general market.

- The market in the origin country: Migrants and their families are also informed about the new needs, desires and product requirements in the origin country brought about by remittances.

If the representatives of commerce and the consumers cannot be included in the market analysis at the analytical workshop, and especially if migrants and their families cannot be involved, it is urgently recommended that a separate market study should be developed. This can be carried out in preparation for the analytical workshop. It is imperative not to take strategic decisions that are based on speculative market assessments.



## Example of Honduras: Analysis of the market for ethnic products in the USA

Around one million Hondurans have emigrated in the past decades, amounting to about 10 to 15 percent of the population. Around 90 percent of the migrants live in the USA. The programme for economic and employment promotion (PROMYPE) implemented by GIZ on behalf of BMZ works to support local and regional economic development in a region that is strongly affected by migration. A study initiated by GIZ showed that migration is highly relevant for sustainable development of the local economy. The majority of migrants from the region emigrate to the states of Virginia and Maryland in the area surrounding Washington, D.C. The study revealed that 74 percent of the migrants had bought »nostalgic products«. A market analysis aimed to provide a more exact picture of supply and demand.

For the analysis, 53 interviews with migrants from Honduras were carried out in Virginia and Maryland, and owners of stores where the products are sold were surveyed. To this end, the following questions were posed:

- What products are bought?
- Where are these products produced?
- How do the products produced in Honduras get to the USA?
- How are these products marketed?

The market analysis yielded the following results:

Dairy products were bought most frequently, followed by beans, bread, tamales, tortillas and coffee. The vast majority not only shopped in the stores, but also purchased items from »viajeros« (travellers) who travel back and forth with their suitcases between Honduras and the USA.

Very few products are imported directly from Honduras. Many of them come from other Latin American countries or are manufactured directly in the USA – even if they are marked as Honduran products in order to appeal to the migrants from the country. One reason for this is that Honduran products do not meet the quality standards of the USA.

A number of products that are not yet available were missed by the migrants, constituting a business potential.

## ■ Analysis of competitive advantages of the value chain

**Concept:** Once the actors have reached a common understanding of their value chain, as the next step they perform a critical analysis of the actual state of the chain. Based on the mapping of the value chain, the productivity and share of value in the various parts of the chain are diagnosed. These results are then used to

- make statements on the strengths and weaknesses within the chain
- identify and assess the critical success factors for each part of the chain and for the entire chain.

**Objective:** The competitiveness of the value chain is assessed.

**Link to migration:** For the analysis of the competitive advantages, it also makes sense to examine whether migration-linked potentials are exploited and, if not, what is preventing this.

### → What must be taken into consideration in strategic and operational planning? What strategic alliances can be concluded?

## ■ Planning the objectives and strategy of value chain promotion

**Concept:** Planning the objectives of value chain promotion is based on a realistic assessment of the existing market potential (analysis step 3). It takes into account the current competitive advantages of the value chain (analysis step 4), and assesses the available or anticipated resources for promotion. Based on these three

factors, concrete strategic objectives are defined for the value chain promotion. For the assessment of resources, internal resources in the value chain are taken into consideration (e.g. involvement with the value chain's own funding, existing infrastructure, level of organisation and technological production level), as well as resources and funding that can be mobilised externally (such as human resources, funding, natural resources, access to innovation and technological progress).

Strategic planning consists of mid-term (approx. 5 years) and long-term (approx. 10 years) objectives (vision of the development), and the most important routes used to achieve these objectives (strategic elements, strategic axis, etc.). It takes the needs and challenges within the value chain into account in order to achieve the targeted objectives. Once the objectives have been determined, working together with the actors, the strategic fields of action are set out.

**Objective:** The important step towards a »development vision« for the value chain has been achieved when the mutually elaborated promotion strategy has been accepted and approved by all actors within the value chain. The identification of the actors along the value chain with this common vision is one of the most important sources of motivation for successful cooperation within the value chain. This vision must be communicated to other organisations involved (public institutions, migrant organisations, technical cooperation), because their agreement is needed in order to achieve effective cooperation.

**Link to migration:** The migration-related potentials should also be included in the assessment of resources. This includes the investment potential arising due to migration, financial products based on remittances, human and entrepreneurial capital of the migrants, infrastructure and organisational structures as competitive factors.

## ■ Strategic alliances

**Concept:** After planning the objective and strategy, the actors must agree on the responsible parties and cooperation during the implementation of measures in the agreed fields of action. It is recommended that the planning status should be documented at this point and used as the basis for negotiations on the cooperation with the strategic partners, if they have not already been involved in the planning process to date.

**Objective:** The most important actors and promoters are involved and the type of cooperation and particular responsibilities are clear.



**Link to migration:** For value chain promotion in which the potential benefits of migration are exploited, strategic alliances with the new partners mentioned in Chapter 2 should be considered. Initially, bilateral discussions can take place with these partners in order to agree on the type of cooperation, binding services and mutual benefits, and to prepare the cooperation agreement. These can make use of PPP arrangements.

Many institutions have their own promotion programmes and projects. Thus cooperation may take place under the auspices of existing technical cooperation programmes. However, if, for example, migration organisations or chambers are involved to open up market access for the value chain, the cooperation will take place based on contracts for supplies and services governed by private law (e.g. trade fair preparation and participation in the host country).

## ■ Operational planning for value chain promotion and monitoring

Once strategic alliances have been concluded and the cooperation agreed, operational planning is carried out. It is also important to establish a results-based monitoring system from the very beginning. These two aspects will not be discussed in further detail in this manual, because they are not substantially affected by including migration. For more information, please see the relevant literature.<sup>24</sup>

<sup>24</sup> GTZ ValueLinks 2007, module 3, module 11; Capacity WORKS: success factor 3 (steering).

## VI. Process-design and implementation

### Key questions

- How can trust be created within the value chain? How can entrepreneurs be motivated to cooperate in a value chain??
- How can the potential effects of migration be taken into account when implementing value chain promotion in the respective fields of action of technical cooperation?

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### → How can trust be created within the value chain? How can entrepreneurs be motivated to cooperate in a value chain?

Cooperation within a value chain only works if it is based on mutual trust and respect. This trust is conveyed to the consumer with the product or service (quality and its certification), and thus becomes a competitive factor. However, in many cases serious conflicts arise between the companies in the chain over factors such as prices and quality, which impede cooperation in the value chain or even render it impossible.

The foundation of trust is transparency. Actors within a value chain promotion programme must therefore receive in-depth information on the following aspects, whereby the special features of the migration-affected context should be taken into account:

- The concept of the value chain promotion and, if applicable, the adaptations that were elaborated in a participatory process.
- The participating actors, their roles and their positions relative to each other (business relationships, social relationships, etc.): If migrants have left their

country due to political considerations or pressures, it should be borne in mind that they may encounter local business owners who might (have) belong(ed) to the other camp.

- The distribution of value creation among the actors of the value chain: Investments from public sources and from economic development funds are only justified if they actually improve the income of poor people: this does not occur automatically, and requires in-depth monitoring, awareness-raising (e.g. on social responsibility) and possibly flanking measures. At the same time, migrants should not get special treatment over the local population as they often already belong to a privileged group.

Due to their language and (business) cultural skills, migrants can often work as intermediaries in the host and origin countries when cooperating with partners in transnational business relationships. In this way, they can make an important contribution to creating trust and establishing successful business relationships within a global value chain.

Once promotion activities have commenced, specific measures with visible results should be implemented quickly. These serve to both create and deepen trust within the value chain. To this end, both migrants and returnees should be included in implementation.

Maintaining and expanding motivation is part of the ongoing management and leadership role during the promotion process. This process must be designed proactively and, at the beginning, is generally carried out by technical cooperation employees. In the course of the promotion process, the actors of the value chain should be gradually empowered to carry out the process themselves.

→ **How can the potential effects of migration be taken into account when implementing value chain promotion in the respective fields of action of technical cooperation?**

Table 8 shows the migration-related potentials that can be used in the various fields of action of technical cooperation when implementing value chain promotion, and gives specific examples of this.

**Table 8: Use of migration potential in technical cooperation fields of action for the implementation of value chain promotion**

Technical cooperation fields of action in value chain promotion	Relevant migration potential	Examples for the use of migration potential
Strengthening private business linkages  (Module 5 from ValueLinks)	<ul style="list-style-type: none"> <li>▪ Migrants as bridge-builders between various (business) cultures</li> <li>▪ Cross-border thinking and management</li> <li>▪ Institutions of the diaspora (e.g. professional associations)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use migrants as consultants for the establishment of business relationships (e.g. concept of trade agency on both a local and international basis <sup>26</sup>)</li> </ul>
Engaging in public-private partnership  (Module 6 from ValueLinks)	<ul style="list-style-type: none"> <li>▪ Migrants as entrepreneurs in the host country facilitate communication</li> </ul>	<ul style="list-style-type: none"> <li>▪ Foster joint cross-border activities between the origin and host country</li> </ul>
Strengthening services in value chains  (Module 7 from ValueLinks)	<ul style="list-style-type: none"> <li>▪ Innovators among the migrants</li> <li>▪ Business start-ups and investments by migrants and returnees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fill high-level jobs in the service sector with qualified returnees (brain gain)</li> <li>▪ Tailor business services to the special needs of migrant entrepreneurs</li> <li>▪ Offer business start-up programmes with CEFE instruments<sup>27</sup> for the families of migrants (especially for young people) and returnees in cooperation with institutions in the host country</li> </ul>
Financing value chains  (Module 8 from ValueLinks)	<ul style="list-style-type: none"> <li>▪ Remittances</li> <li>▪ Investments by migrants, their families and returnees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support access to modern financial products (ATMs, electronic banking)</li> <li>▪ Promote development of interesting financial products on the basis of remittances</li> <li>▪ Offer investment opportunities within the value chain to be promoted (participatory offers) via relevant institutions (e.g. chambers of industry and commerce)</li> </ul>

25 Cf. Tienhoven 2007.

26 Cf. [www.cefe.net](http://www.cefe.net).

Technical cooperation fields of action in value chain promotion	Relevant migration potential	Examples for the use of migration potential
<p>Introducing social, ecological and product quality standards</p> <p>(Module 9 from ValueLinks)</p>	<ul style="list-style-type: none"> <li>▪ Migrants in international certification and accreditation institutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilitate access to international certification for local business owners by cooperating with migrants in international certification and accreditation institutions</li> <li>▪ Offer high-level jobs for returnees in the quality assurance system (brain gain)</li> </ul>
<p>Improving the business environment of value chains</p> <p>(Module 10 from ValueLinks)</p>	<ul style="list-style-type: none"> <li>▪ Entire spectrum of economic potential linked to migration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support development of improved offer of legal and affordable financial transfer</li> <li>▪ Improve regulations for accreditation and certification of products and services</li> <li>▪ Create legal security for investments by migrants</li> <li>▪ Ease residence and visa regulations</li> </ul>



## VII. Conditions at meso and macro level

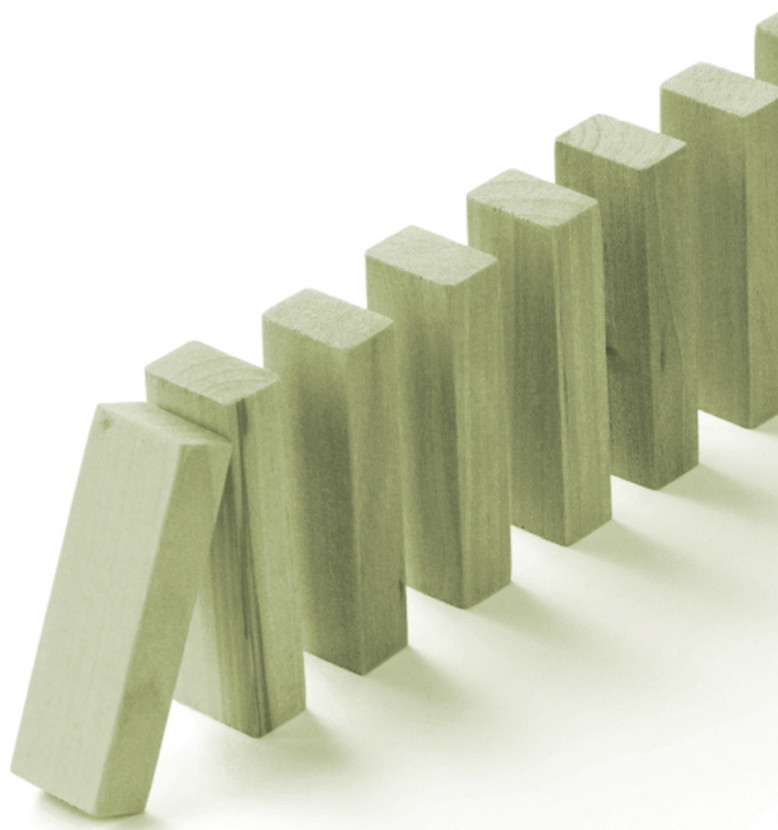
### Key questions

- How can conditions be shaped to allow the potential of migration to be used for economic development?
- What gender issues related to migration should be taken into account for policy-making?

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The impacts migration can have on development in the origin countries is largely determined by the policies of both the origin and the host country. In addition to immigration quotas, residence status and the integration of migrants into the labour market of the host country play a major role in the development impacts of migration. Because the technical cooperation employees addressed by these guidelines primarily work in programmes and projects in the origin country, however, the focus has been placed here on policies in the origin country. In particular, measures are considered,

which can be used to strengthen the positive development results of migration. However, the potential and possibilities of regional approaches that include both the host and origin country are not ignored, because there are numerous host countries that are not industrialised nations. Examples include migration from Kyrgyzstan to Kazakhstan, from the Philippines to the Gulf States, from the Palestinian territories to Jordan or from Rwanda to Kenya.



## → How can conditions be shaped to allow the potential of migration to be used for economic development?

### ■ Improving the business and investment climate

The use of remittances for investments in economic activities is desirable. The resulting economic development also improves the income of families who do not have access to transfer payments. These types of investment can be increased if their costs and risks are reduced. To this end, the following measures should be added to the political agenda:

- Improvement of the infrastructure in order to lower costs for market access by the people involved in business activities. This applies to roads, communications, power supply, etc.
- Information services on new markets, quality standards, technological advances,
- Accreditation and certification services, especially in order to guarantee access to export markets, as well as other business development services
- Improvement of other conditions, such as legal security and facilitation of business registration. These measures are especially important for migrants who make their investments from the diaspora and can only be present locally for a limited period of time.

In various projects, GIZ has introduced a business and investment index and has been able to achieve concrete improvements in the local and national business climate by fostering dialogue between the public and private sector.

### ■ Development of the financial sector

In order to achieve an increase in transfers made through formal channels, governments should adapt their legislation with regard to money-laundering and transactions to allow the easy transfer of smaller amounts (possibly also using microfinance institutions) and prevent »overregulation«. In addition, access to banking services should be improved for families in the origin countries. In order for this to happen, better representation of banks and other financial intermediaries in rural regions is needed, along with confidence in the security of the financial system.

In addition to strengthening the overall financial infrastructure, banks should be made aware of the target group of migrants and recipients of remittances, and of their business potential. Local financial institutions that, in certain circumstances, participate in the transfer of money can improve their refinancing and acquire migrants and their families as customers for other financial products (cross-selling). In addition, the portfolio of financial services must be expanded, for example, to include products that allow migrants to take out a loan even if the project and the collateral are not in the same location. Money transfers could be recognised as collateral for loans to entrepreneurs. Thus, it makes sense to cooperate with institutions that strengthen the (micro-)finance sector by way of training seminars, training and information on remittances.

Improved access to financial services provides migrants and their families with more opportunities to use the money they have received for their needs. In addition, the financial system can be used to release money transfers that have been saved for use as loans to other persons who have carried out business activities successfully.

### ■ Multiplication of available money for economic development

Economic promotion programmes can receive government subsidies. For example, in a value chain promotion measure, each privately invested share is matched by a share from public funding. PPP instruments should be studied for their suitability for this purpose, also in cooperation with migrant organisations in the host country.

Projects that benefit a community as a whole (e.g. improvement of the infrastructure, laying power lines, water supply) can also be financed by this matching funds mechanism. They can also have a positive impact for the entrepreneurs in the promoted value chain. If migrant organisations work together with a local authority to improve the roads, this can facilitate market access for the entrepreneurs. Tourism value chains can profit from an improvement in the infrastructure if

### Example: 4x1 programme in Mexico

Starting in the region of Zacatecas, the Mexican Government has already promoted non-profit engagement of migrant organisations in their regions of origin since the late 1980s. The 3x1 («three for one») programme grew out of this support. In the programme, every dollar donated by migrant organisations to a non-profit project was matched by one dollar each at local, regional and national level. Building on this, the 4x1 programme has since been introduced. The objective here is to promote investments by Mexican migrant organisations in income-generating activities more strongly. The fourth dollar comes from a private company, the financial service provider Western Union, in the form of a public-private partnership.

While it is still too early to evaluate the programme, criticism has been expressed that the projects were not adequately prepared, thus constituting a risk that they will not be successful.

it makes it easier for tourists to reach the area or if the community becomes more attractive. If the engagement of the migrant organisations aims to improve training and education, this has a long-term positive effect on the businesses, because more qualified workers are available.

### ■ Other ways of boosting the development impact of money transfers

In addition to the suggestions above, there are a number of other approaches for creating diverse new employment and income opportunities from the increase in buying power brought about by remittances. Opportunities may be found in different contexts.

## Example: CIM Programme to Promote the Development Activities of Migrant Organizations

The Centre of international Migration and Development (CIM) – a joint operation of GIZ and the Federal Employment Agency – on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), is promoting the engagement of migrant associations in their countries of origin.

CIM supports the establishment of cooperative partnerships between migrant associations based in Germany and development cooperation projects in the countries of origin. In this partnership, the associations profit from GIZ's technical and sectoral know-how and can further increase the sustainability of their projects through networking with German development cooperation. GIZ and CIM in turn use the networks and competencies of the migrants for development-policy activities on the ground.

Non-profit projects are promoted if they:

- offer interfaces with the priority areas of German development cooperation in the respective partner country,
- are implemented by registered (charitable) associations and
- actively involve partners in the origin countries in their planning and implementation.

The engagement promoted includes a wide range of approaches, such as the implementation of measures for teaching job skills and for generating income, as well as investments in water and energy supply. Some of these activities have a positive influence on value chain promotion, for example, through improvements in the infrastructure.

CIM subsidises the projects with up to 50 percent of the overall volume. The maximum subsidy is EUR 40,000. This amount may be higher in special cases. The association's own contribution must amount to 50 percent of the total project volume. Ten per cent of the total project volume must consist of a financial contribution, while 40 percent may constitute labour inputs.

- A large percentage of the remittances is spent locally if the demand can be met locally. The environment for local value chain development should be specifically designed for this (infrastructure, credit programmes, market information systems, advisory services, etc.).
- A significant proportion of transferred money is invested in education. For this reason, access to better training and vocational training should be facilitated. This provides young people with new prospects locally and boosts human capital. The businesses' demand for specialist staff that has arisen due to migration should also be considered.

have stayed behind. These transfers are usually meant to provide security for the family rather than to fund business activities.

In addition, female migrants are subject to a higher security risk than their male counterparts. If a policy of exporting labour is pursued in the origin countries, the protection of migrants is an essential negotiating point with host countries, and one where the situation of female migrants should be taken into account.

Women must be explicitly included in value chain promotion programmes in the origin country. The special role they assume when the men have emigrated should be taken into account as well.

### → What gender issues related to migration should be taken into account for policy-making?

While equal numbers of women and men migrate, employment in the host country is often gender-specific. There are also differences in transfer patterns. Studies show that women who have migrated occasionally transfer higher amounts to their families who



## VIII. Combination with other technical cooperation approaches

### Key questions

- What types of project are suitable for independent migration-related value chain promotion?
- What types of project can integrate aspects of migration-related value chain promotion and combine them with their own approaches?
- What types of project can be used to shape the environment in which the value chain promotion takes place?

### → What types of project are suitable for independent migration-related value chain promotion?

Independent migration-related value chain promotion can be implemented in projects or components of a programme in which the major aim is value chain promotion. In such projects, the entire value chain can be included in the analysis and promotion while taking into account the potential advantages and risks of migration as described here. These projects will primarily be located in regions and countries that are strongly affected by migration. They will most commonly involve programmes and projects for economic development and employment promotion and projects in the agricultural sector and for rural economic development. Migration-related value chain promotion can be implemented both for local economic systems, and in order to integrate local economic and migration potentials into value chains that exist at regional and international levels. The primary production and processing of traditional foods for existing ethnomarkets is of particular interest in this area. However, certification of origin and

cultivation (ecological cultivation and organic products) and related marketing can also be effectively improved in primarily vertically arranged networks. After all, fields such as eco-tourism, high-quality niche products and agribusiness can also be the object of migration-related value chain promotion in the form of stand-alone projects or independent components.

In the case of regional migration, independent migration-related value chain promotion also makes sense for regional projects. It would be conceivable to establish South-South cooperation for value chain promotion, similar to the structure of the three-way project for AIDS prevention involving Brazil, other countries in Latin America and GIZ. The object of promotion would chiefly involve regional and global value chains that extend to the markets of the migrants' host countries. In this type of context, an active role for the host country as a part in the cooperation is also conceivable. The potential benefits of migration could be used to increase value creation in both the origin and the host country. For this kind of regional project, the advice provided by DC would primarily be aimed at the macro level.

### **Example<sup>27</sup>: Labour migration from the Philippines to Malaysia as a chance for the promotion of the seaweed value chain in the BIMP-EAGA regional project<sup>28</sup>**

#### **■ The seaweed value chain in the BIMP-EAGA**

Seaweed farming spread from the Philippines (since 1966) to Indonesia and Malaysia (from 1978). 65 per cent of the world's seaweed farming areas are now located in the region, where the climate is conducive to seaweed cultivation. A processing industry has become established in the Philippines and in Indonesia in particular, but also in Malaysia, because seaweed is in high demand by the food and cosmetics industry and in pharmaceutical production, both as a raw material and in its processed form as carrageen. There are markets at both regional and global level, especially in China, Japan and the USA. In the Philippines and Indonesia, this has brought about considerable export growth for seaweed and seaweed products. Due to the annual increase in demand of ten percent, the potential for expanding seaweed farming in the region is considered to be huge.

The seaweed and carrageen market was thus identified as a model for the promotion of intraregional trade in the BIMP-EAGA, because 1. cultivation, processing and export take place in the region, 2. there is a very high level of global demand and a potential for creating jobs and 3. it can make a contribution to peace and rural development. For example, the promotion of small-scale seaweed farms has already been successfully launched within the programmes for poverty alleviation in the Philippines and in the Malaysian state of Sabah. With regard to ecological impacts, seaweed farming is considered to be a highly sustainable agricultural sector.

Within the BIMP-EAGA and with the participation of development organisations such as FAO and GIZ, regional forums have been established to address aspects of production, marketing and associated social and ecological topics, which contribute to the further development of the value chain.

#### **■ The migration situation**

Malaysia is considered an example of the structural dependence of economic development on labour migration. The country's economic growth was accompanied by massive in-migration, particularly from Indonesia, Malaysia's neighbour. In addition, many of the foreign labourers traditionally come from the Philippines, Bangladesh and Myanmar. In the wake of the crisis in Asia, Malaysia has launched an increasingly protectionist immigration policy and has deported numerous irregular labour migrants.

<sup>27</sup> The example comes from Christiane Voßemer. As background information served an interview with Mary Jean T. Roxas (GIZ – Project BIMP-EAGA).

<sup>28</sup> Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area

Nevertheless, immigration continues to be a major economic factor, which is demonstrated by seaweed farming in Sabah: despite the fact that seaweed production is anchored in national development plans as an economic project of the future, providing 82,000 hectares of additional cultivation area and developing industrial infrastructure for processing, Malaysia falls far short of its production objectives. This is largely attributed to a shortage of labourers in Sabah, which is experiencing strong economic growth. Approximately 6,000 labour migrants already work there in the seaweed sector. The majority of the roughly 1,000 registered farmers and the estimated 5,000 other labourers are Filipinos who are preferred as workers due to their language skills and their positive attitude towards farm work.

Since 2007, targeted recruitment of Philippine seaweed farmers has been practised. For these farmers, the possibility of official migration from the conflict-laden southern areas of their country also offers economic prospects. Both large-scale operators and smallholders are addressed. For the latter group, government-subsidised seed purchases aim to help reduce start-up investments.

Philippine specialists, agriculturists and traders are also employed in the Malaysian seaweed industry and help the projects of the BIMP-EAGA association establish joint research and technology development in the regional seaweed value chain.

## ■ Potential of migration for the seaweed value chain in Malaysia and in the Philippines





Even new forms of PPP can be established through migration-related value chain promotion. Thus it would be conceivable for lead businesses managed by migrants in the host country (supermarkets, tourism companies, logistics firms) to establish their own value chain together with actors in the origin country.

→ **What types of project can integrate aspects of migration-related value chain promotion and combine them with their own approaches?**

Even in projects in which classic value chain promotion is not used, it is possible to assess to what extent the instruments of migration-related value chain promotion can be used for analysis and development of a promotion strategy for achieving the project's own objectives.

In a number of economic promotion projects, in most cases only certain aspects of value chain promotion are dealt with from a programmatic point of view. Nevertheless, migration-related value chain promotion can provide important impulses for planning and implementation. If, for example, certain quality standards must be met for access to the export market, they should usually be introduced and implemented effectively along the value chain (quality chain). The migration-related value chain helps migrants bridge the gap between the quality requirements in the destination country and the need for adaptation of the chain in the origin country. Other sub-areas that can be developed with migration-related value chain promotion are innovation and business start-up promotion.

Even in rural development programmes that do not promote an entire value chain, value chain promotion still provides a means of using the potential linked to migration and, at the same time, of including the economic competence of the private sector. This is possible

in all regions in which there are or were high migration movements.

→ **What types of project can be used to shape the environment in which the value chain promotion takes place?**

In order to increase the impact of direct value chain promotion and secure this in the long term, it is crucial to shape the economic and political environment. This can be done through other projects in the area of sustainable economic development – especially policy-advice projects on migration, economic and social policy – and through projects in complementary fields of action such as municipal development and decentralisation. In addition to the conditions discussed in Chapter 6, important conditions that can be positively influenced by way of the projects include regulatory mechanisms (quality assurance, accreditation and certification), as well as innovation initiatives, vocational training and infrastructure development. In addition, it is important to offer advice on the negotiation of free trade agreements and other regional integration initiatives. Migration-related institutions with which cooperation can be carried out are listed in Chapter 2.

Poverty alleviation cannot be achieved through value chain promotion alone, which is chiefly organised according to economic criteria. Using flanking measures in the projects themselves, or through cooperation with other projects, it is possible to ensure that even the poorest persons can profit fairly from the economic successes being achieved.

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Sector Project Migration and Development  
Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn  
Tel. + 49 (0) 61 96 79-0  
Fax + 49 (0) 61 96 79-11 15

migration@giz.de  
www.giz.de/migration

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#### Addresses of the BMZ offices

BMZ Bonn	BMZ Berlin
Dahlmannstraße 4	Stresemannstraße 94
53113 Bonn, Germany	10963 Berlin, Germany

T +49 228 99 535-0	T +49 30 18 535-0
F +49 228 99 535-3500	F +49 30 18 535-2501

poststelle@bmz.bund.de  
www.bmz.de