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Ambassador Roderick van Schreven, the Netherlands
Scene setter diaspora, investments and trade

Excellencies, distinguished guests, dear colleagues, ladies and gentlemen.

Let me begin by thanking the Government of Sweden for the invitation to co-convene this meeting together with the Government of Morocco. The opportunity to speak about our diaspora and development policy is much appreciated.

The purpose of my presentation today is to explain the reasoning behind the focus of the Dutch government on diaspora, entrepreneurship and trade. I subsequently would like to elaborate on how these basic principles translate into policies by highlighting two interesting examples. Based on these two activities, I will conclude by stating what we have learned so far and where we see room for improvement. I hope to hear your comments or suggestions in the discussion afterwards.

In recent years, governments, development agencies and donors have increasingly focused on promoting entrepreneurship as a route to international development. In 2009, *The Economist* even called entrepreneurs 'global heroes' in a special issue on entrepreneurship. This enthusiasm might be a bit premature, since whether entrepreneurship actually causes economic growth has not been researched extensively enough. Therefore, prudence is in order, because the relationship between development and entrepreneurship is a complex one.

The Netherlands is of the opinion though that it cannot be denied that entrepreneurs and in particular small and medium size enterprises have a high impact on the economy. They play an essential role in transforming traditional low-income economies to modern economies by creating new firms, enabling greater specialization, educating their workers, raising productivity and absorbing surplus labour from the traditional or agriculture sector. This is in the developing countries, but SMEs are also of relevance in highly developed economies. If we look at the diaspora, a lot of migrants own small and medium size enterprises, send remittances back, build up expertise and knowledge and often develop activities in their countries of origin. These are reasons why the Government of the Netherlands focuses on these migrant entrepreneurs.

We have a strong believe in the strength and potential of migrant entrepreneurs. These entrepreneurs are often transnational ones, meaning they employ their bicultural skills and seek opportunities beyond national boundaries. They not only use their personal contacts, knowledge of the language of their home countries and the understanding of social norms to undertake activities in these countries, but also make use of the knowledge they acquired in countries of residence. In doing so, diaspora entrepreneurs can build bridges between countries of origin and destination. Before coming to Geneva I was Director General for Foreign economic relations for five years. I was based in the Netherlands and in charge of trade missions and economic visits. During several trade missions to Turkey I was impressed by Dutch from Turkish descent. These were mostly well educated female managers, consultants or entrepreneurs, able to clinch deals, generate cooperation between companies in

Istanbul and Amsterdam by adopting the right negotiations style. However, these competences are not only an asset in the countries of origin but also in trading with for example the Far East where people with a bicultural background are able to understand others better. The Netherlands lives from export and needs these qualities and my personal feeling is that in an increasing competitive environment countries who understand the potential and enrichment of diaspora will be in the lead.

Moreover, we realize that migrants are often willing to invest in emerging or high-risk markets, while other investors may be discouraged by unfavourable conditions and find these markets for that matter unattractive. Migrants seem to be more inclined towards risk-taking behaviour and because they usually migrated with a strong desire for socio-economic advancement they are more likely to become self-employed. In the past years, entrepreneurship has substantially increased among people of different migrant minority groups in the Netherlands. Between 1998 and 2008 the number of migrant enterprises rose from 30.000 to 70.000. This is an increase of 136%, compared to an increase of Dutch enterprises of only 32%.¹ Currently, one out of five newly set-up businesses in the Netherlands is undertaken by a migrant entrepreneur and so reaching now the average in the Netherlands.²

So, as part of its migration and development policy, the Dutch government concentrates on diaspora entrepreneurs. With regard to this, we find it important that countries of origin and residence cooperate in creating favourable conditions for investment and diaspora involvement in development. Some will say that uncertain conditions lead to high risk return, but in the long run a sound and transparent business climate will generate more investment and migrants can influence this in their country of origin.

Ladies and gentlemen,

I would like to continue with explaining how the principles I just mentioned, translate into concrete activities.

First, our Migration and Development policy focuses on unlocking the development potential we believe migrants to have. The Ministry of Foreign Affairs provides funding to so-called business incubators. Diaspora entrepreneurs are usually first-time or inexperienced entrepreneurs. If they want to invest in emerging markets, they often face difficulties in finding funding especially now several Dutch banks had to be saved by the Dutch government and have a lack of cash. The business climate in some difficult markets requires experience and courage. Business incubators can be helpful in overcoming such barriers faced by starting entrepreneurs. One of its most important functions is to improve the likelihood of survival of new businesses by selecting and focusing on those candidates that seem to hold the greatest potential and drive for success. Not all migrants are necessarily

¹ Jaarrapport Integratie 2011,

http://www.scp.nl/Publicaties/Alle_publicaties/Publicaties_2012/Jaarrapport_integratie_2011

² Sahin, Baycan en Nijkamp, The economic importance of migrant entrepreneurship: An application of data envelopment analysis in the Netherlands, Research Memorandum 2012-8

<http://statline.cbs.nl/StatWeb/publication/?DM=SLNL&PA=37325&D1=0&D2=a&D3=0&D4=0&D5=a&D6=l&HDR=G2,G3&STB=G1,G5,T,G4&VW=T>

entrepreneurs. We have recently supported two business incubators: Seva Network Foundation and IntEnt (an abbreviation of 'Internationalization of Entrepreneurship'). Both organizations assist migrants in developing entrepreneurial skills, the drafting of a business plan, analyze the market and look for resource mobilization.

We wanted to know if these incubators are successful. Therefore, we are currently interviewing migrants that took part in either the Seva or IntEnt programme. So far, most interviewees were positive about the incubators. They gave the aspiring entrepreneurs the last push in the right direction and offered the possibility to meet like-minded entrepreneurs during courses. Migrants were also offered the opportunity to visit a country of their liking and to meet with local contractors, possible employees and business men. These so-called market orientations were considered helpful, especially by those migrants who had left their countries of origin at a young age. But also important, some realized they were not ready to start a business and avoided probable failure and bankruptcy.

Finally, migrant entrepreneurs can apply, like other Dutch enterprises interested in investing in emerging markets, for technical and financial assistance. The Netherlands' government is currently developing a specific financial support instrument for small and medium sized enterprises active in developing countries.

Next to entrepreneurship, the Netherlands also focuses on engaging the diaspora in the development of their countries of origin. Worth mentioning is our Temporary Return of Qualified Nationals programme, executed by the International Organization for Migration (IOM) in the Netherlands. Temporary return started in 2006, followed by a second project in 2008 and it enables the diaspora to contribute to the reconstruction and development of countries of origin. The objective of the programme is to contribute to the reduction of poverty and to stimulate economic development by strengthening the institutional capacities of both public and private organizations. But as a former DG I also see the relevance of getting first-hand information and expertise of upcoming markets. Important is that this temporary return is a demand-driven programme, based on the identified and expressed needs in the country of origin. It utilizes the specific knowledge and expertise of skilled diaspora members to support sectors where skills shortages have been identified.

In 2012, the Skills Database contained the profiles of in total 964 qualified migrants. In the years 2006-2012, IOM facilitated a total of 523 temporary return assignments. As such, the project is considered quite successful, since participants are positive and the number of applicants exceeded the number of available assignments. Most of the three month assignments were carried out in the education, agriculture, private sector development and health sector. The project focused on a long list of countries namely Afghanistan, Armenia, Cape Verde, Georgia, Ghana, Iraq, Morocco, Somalia, South Sudan, Bosnia and Herzegovina, Sierra Leone, Serbia and Kosovo. All these countries have to contend with skilled labour shortages and brain drain. We started with the third batch in December last year and strive for another 400 migrants to work temporary in their countries of origin.

Ladies and gentlemen,

Let me conclude by sharing what we have learned from these activities.

First, diaspora entrepreneurs can be drivers of economic change and growth in the Netherlands and in countries of origin. A distinction has to be made between those migrants that become entrepreneurs because they experience difficulties in finding a job in the regular economy of a host country and as a second best set up their own business and others who notice unexploited opportunities in the Netherlands or in their countries of origin and can tap in to those by introducing techniques acquired in countries of residence. The first category migrants can be defined as necessity entrepreneurs. These enterprises are quite vulnerable. Let's not forget that nearly half of all companies in the Netherlands go bankruptcy within the first five years. That is higher than in other European countries. A specific percentage for migrant enterprises is unavailable, but the survival rate is affected by the international orientation, size and sector of a company. Necessity entrepreneurs are often employed in retail shops and have a limited number of workers, negatively influencing their survival.³ That seems to say our statistics. Their developmental impact is therefore limited compared to the second category of opportunity entrepreneurs, who are far more innovative.

The advantage of those highly skilled migrants is their spillover effect. Through the introduction of advanced technologies or innovative production methods or most important adapting the products to the needs of the European market these entrepreneurs are successful. Let's face it, these entrepreneurs know what happens in Marrakech or Dar es Salam and they are important for the Netherlands. They build bridges and open new markets. I am curious to hear whether other governments specifically focus on these kind of entrepreneurs?

Second, increased cooperation between countries of origin and destination is desirable. Together we can create a favourable investment climate in developing countries. Research indicates that a migrant's decision to invest in their home countries is usually affected by bad infrastructure, corruption, red tape, lack of macroeconomic stability, trade barriers and lack of trust in government institutions. Meetings like today and discussions during the Roundtable sessions can help to talk about these issues and suggest solutions.

To attract bonafide businessmen from countries who need a visa for the Netherlands I started in 2007 *the orange carpet treatment*. Serious entrepreneurs who visit our country on a regular basis get "business class" treatment and can be granted a visa with a validity up to three years. Countries of origin could consider using a similar principle for diaspora entrepreneurs. This is only one example, underlining that it is especially crucial to communicate and to match supply and demand.

³ Internationaliseringsmonitor CBS 2012 <http://www.cbs.nl/NR/rdonlyres/6E2AE5A7-825A-44A0-85F5-4DBCA6B1B38A/0/Internationalisationmonitor2012hoofdstuk6.pdf>

Lastly, the sustainability of undertaken activities has to be guaranteed. Involving diaspora in the development of their countries of origin is relatively new and the number of established enterprises is for the moment modest as well as the number of temporary returns assignments per country. No quick results and impact can therefore be expected in terms of long-term development on the national level. The government of the Netherlands does believe though that the developmental potential of the diaspora is unmistakable. We consider migrants as catalysts or accelerators that help bring positive change and for that matter they might deserve the term 'global heroes' after all.

Thank you for your attention.