# INVESTOR IMMIGRATION: A POLICY OVERVIEW

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# Policy Overview

- Why have governments introduced investor programs?
- What policy choices do they make when designing them?
- What are the costs and benefits of the various models?

# Investor Residence Programs

- Growing number of programs
- Huge variation in program design
- Growing demand from wealthy families in emerging economies

# Investor motivations

- Traditional immigration: settle permanently abroad with family, especially in most popular destinations
- Insurance policy: a second nationality or residence to keep future options open (including for children)
- Travel rights: access to other countries with visa-free travel
- Taxation: establish residence in low-tax jurisdiction
- Motivations not mutually exclusive

# Policy Questions

- What kind of investment to accept
- Whether to impose residence requirements
- How to ensure integrity and reduce risk of abuse

# Program Design (1): Traditional Model

- Private investment in specific business(es)
  - Common in high-income countries (e.g. US, France, Singapore, Netherlands)
  - An option in most other countries with investor programs
- Goal: boost foreign direct investment and create jobs
- Risks: (1) investments can be withdrawn after time; (2) project approval process may lack transparency; (3) monitoring compliance can be difficult; (4) immigration benefit may distort market decisions.

# Program Design (II): Cash Model

- Nonrefundable donation to national development fund
  - Most common in Caribbean (St Kitts & Nevis, Dominica, Antigua & Barbuda, Grenada), under development in Malta
  - Zero- or low-interest government bonds a functionally similar alternative (e.g. Hungary, Ireland, formerly Canada).
- Goal: revenues for public investments & development
- Risks: (1) impact of spending may not be sustainable; (2) more vulnerable to domestic & international criticism (discomfort with "selling citizenship")

# Other Program Designs

- Regular government bonds
  - E.g. UK, New Zealand, Australia
- Purchasing personal property
  - E.g. Portugal, Latvia, Spain
- Economic benefits of both are much less clear

# Residence requirements

- A few programs offer immediate citizenship
- Several give temporary status, maintained with zero or limited visits (e.g. Hungary, Latvia, Portugal, Spain)
- Many require substantial residence
  - Typically 2-5 years to non-conditional permanent residence, more to citizenship
  - Residence requirements during conditional period: e.g. 11-50% of the year (Australia), 12-40% (New Zealand), 50% (UK)
  - Designed to admit expertise / active contributors to local economy…
  - … but also make program less attractive for businessmen who need to travel

# Residence requirements

- Destination must be sufficiently popular to attract applicants who actually want to settle
- Residence-based programs look like traditional "immigration" – relatively uncontroversial
- Programs without residence requirements open to criticism of "selling citizenship"...
- ... or selling access to other countries

# International Perceptions

- Internationally, losing visa-free travel rights is a (rare) worst-case scenario.
  - Due diligence on source of funds and criminal backgrounds must inspire trust
  - But fail-safe due diligence is impossible…
  - … and investor programs may be vulnerable to single-case scandals…
  - … especially if residence requirements are minimal

# Conclusions

- Program goals need to be clearly defined
- Cash-based citizenship programs:
  - Can provide significant, flexible revenues
  - Unquantifiable risk of losing visa-free travel rights abroad if due diligence fails
- Private-sector investment with residence requirements:
  - Smaller applicant numbers
  - Economic impacts harder to control
  - More likely to bring expertise / active economic participants