

INVESTING FROM ABROAD

PATHWAYS TO UTILIZING DIASPORA INVESTMENT
IN FRAGILE AND CONFLICTED STATE ECONOMIES



one earth
FUTURE
Peace Through Governance



OEF Research
Informing Change for Peace
a program of One Earth Future

INVESTING FROM ABROAD:

PATHWAYS TO UTILIZING DIASPORA INVESTMENT IN FRAGILE AND CONFLICTED STATE ECONOMIES

JAY BENSON

VICTOR ODUNDO OWUOR

February 2019

TABLE OF CONTENTS

EXECUTIVE SUMMARY	iv
I. INTRODUCTION	1
II. FRAGILE STATES AND A LACK OF ACCESS TO CAPITAL	1
III. DIASPORAS AND DEVELOPMENT	2
IV. DIASPORA INVESTMENT	3
Motivations for the Diaspora’s Investments	4
Investment Vehicles and Instruments	5
Diaspora Bonds.....	6
Mutual Funds	8
Social Enterprise Models	8
Savings Accounts in the Country of Origin	9
Diaspora-Leveraged Mobile Money Systems.....	10
Capturing Diverse Investors.....	11
V. PUBLIC POLICY	11
Official Diaspora Engagement	11
Diaspora-Targeted Political Risk Insurance.....	12
Corruption, Rule of Law, and Good Governance.....	13
VI. CONCLUSION	13
ENDNOTES	14

EXECUTIVE SUMMARY

Many frontier economies and fragile and conflict-affected countries depend heavily on remittances sent home by emigrants working in more developed economies, creating a level of dependence at which they are hard-pressed to survive without these remittances. This is the case in the Somali peninsula, Venezuela, Albania, Myanmar, Cabo Verde, Tonga, Guatemala, Nigeria, and Liberia, to mention just a few. While it is universally acknowledged that emigrants and their offspring—the diaspora—keep many households in their countries of origin afloat, what has not been addressed is how these remittances can be a sustainable source of foreign direct investment.

This discussion paper analyzes how the remittances sent back to the diaspora’s countries of origin can be channeled into impactful investments in fragile and conflict-affected countries. The paper starts by discussing the challenging lack of capital in fragile states and subsequently delves into what the literature says about the diaspora and the potential development benefits of remittances. A following section highlights motivations such as altruism, return on investment, and a desire to eventually return which lie behind members of the diaspora investing in their countries of origin. At the core of this research is the issue of whether the aggregate remittances can be used to do more than just support every day, basic needs, but be used to catalyze private sector development, increase employment, and drive macroeconomic growth. The paper proposes possible investment vehicles for the diaspora that could be useful in fragile and conflict-affected environments. The list borrows from what has been implemented in other countries, and though the examples have not necessarily come out of the same challenges fragile and conflict-affected jurisdictions face, they provide good justification for incorporating similar models. The paper concludes with a discussion of the policy implications of the suggested investment models.

Though the work in this area remains relatively understudied, the authors hope that this discussion paper will meaningfully add to the discourse in the field of diaspora investments in fragile and conflict-affected countries and stimulate further inquiry. The subfield of diaspora investment in fragile and conflict-affected states could benefit from engagement with a high-quality research community that is empirical in its initiatives and that coalesces around impactful findings for these jurisdictions.



I. INTRODUCTION

In recent years, the influence of diasporas on the development of their countries of origin has garnered increasing attention among development professionals, policymakers, academics, and those in the private sector. The diaspora can be defined as a population of emigrants and their offspring who have left their country of origin but maintain a sense of national, ethnic, or civic identity. Discussions of how to leverage the financial, social, and human capital of the diaspora have been taking place for years, but only recently have these conversations emerged from relative obscurity to draw significant attention from the international development community. This increased attention is reflected in the African Union's creation of the African Institute for Remittances¹ and the International Fund for Agricultural Development's annual Global Forum on Remittances, Investment and Development.²

Despite this increasing attention, there are still many elements of this emerging subfield that remain underexamined. This report seeks to shed light on such issues by looking specifically at the development impacts of financial investment in fragile and conflict-affected states (FCS). This is an area which has garnered limited attention because of the obvious hurdles to investment that FCS economies present. Concerns over security, political stability, the business environment, and governance create the perception that FCS markets are no-go zones for investors. However, we feel that diaspora investors have a unique combination of capacity, knowledge, and motivation that makes them distinctively suited to investment in FCS environments, and that these investments can play an important role in the economic development and stabilization of such states. This report therefore serves as a scan of the developments in this space by highlighting what is known about the diaspora's investment in FCS environments, and what states, international organizations, and civil society can do to further facilitate this critical form of investment.

First, this report lays out the central challenge we hope to address and explores the lack of access to capital for small and medium enterprises (SMEs) in FCS markets. The second section provides an overview of what is known about the diaspora's role in the development of their countries of origin. Next, we examine diaspora investment and its unique development benefits more specifically. The first three sections each start with a proposition and ensuing arguments for the advanced proposition, which is followed by a set of policy recommendations for states, international organizations, and civil society on how to facilitate greater diasporic investment.

II. FRAGILE STATES AND A LACK OF ACCESS TO CAPITAL

Proposition: SMEs in FCSs are largely starved of capital. This is the combined effect of the low penetration of financial institutions and their risk-averse lending practices in such economies. As a result, SMEs have very limited access to capital and rely nearly exclusively on internally generated capital for growth. This puts significant limitations on their potential for growth and employment generation. This lack of access places an artificial ceiling on private-sector development and economic growth. Overcoming this challenge will be a prerequisite for such states to reach their economic potential.

The domestic private sector in many FCSs suffers from a crippling lack of access to capital. This is largely due to the relative underdevelopment of the financial sector in these economies. FCSs tend to have lower levels of banking penetration than other economies. According to World Bank data from 2015, FCS economies had an average of four commercial bank branches per 100,000 adults. This is in comparison to an average of 12.6 per 100,000 across the globe and 23.6 in OECD states.¹

Furthermore, financial institutions that do exist in these economies are less likely to engage in the kind of small-scale commercial lending that would serve the needs of local SMEs. One measure of this willingness to lend is the amount of domestic credit offered to the private sector by banks as a percentage of GDP. Unfortunately, an average of this indicator for FCS economies is not available, but a quick glance at the data confirms that such economies rank quite poorly. Afghanistan and the Democratic Republic of Congo bottom out the list of economies for which data is available at 3.5 percent and 7.9 percent respectively, while many other FCSs have similarly low percentages, including Chad (12 percent), the Central African Republic (13.6 percent), and Burundi (14.1 percent). These are in comparison to a global average of 98 percent and an OECD-country average of 92.9 percent.² Similarly, in the World Bank's Ease of Doing Business rankings from 2016, 13 of the 20 lowest-scoring economies in the category "Getting Credit" were FCS economies.³ This is largely due to banking sectors in FCS environments being averse to risk, as well as many SMEs in these economies being informal in nature, which often results in their having limited credit histories and financial records. As a 2012 Council on Foreign Relations paper put it, "Banking systems in fragile states take time to revive after conflict, and it is more profitable (and less risky) for banks to make larger loans to larger companies than to support SME growth."⁴

1 See "About Us," African Union: African Institute for Remittances, 2017, <http://www.au-air.org/about-us/>.

2 See "Global Forum on Remittances, Investment and Development 2017," International Fund for Agricultural Development, 2017, https://www.ifad.org/documents/38714170/40673938/GFRID+2018_Outcomes.pdf/6b3187a4-6f2b-473b-b33c-ab401dfa8a42

FIGURE 1: DIASPORA CONTRIBUTIONS TO STATE GDP

	<i>Diaspora Savings (\$ Billion) (2012)</i>	<i>Gross Domestic Product (\$ Billion) (2012)</i>	<i>Percentage of GDP</i>
<i>Ethiopia</i>	2.5	43.3	5.8%
<i>Kenya</i>	2.2	50.3	4.4%
<i>Liberia</i>	0.8	1.7	47.1%
<i>DRC</i>	1.1	29.3	3.8%
<i>Eritrea</i>	0.8	2.6	30.8%
<i>Somalia</i>	2.1	6.5*	32.3%

**Somali 2012 GDP data unavailable, 2013 estimate*

As a result of this lack of access to credit through formal channels, many SMEs in these economies are forced to access credit through informal channels or to depend exclusively on internally generated capital for growth. Recent survey research into firm behavior in fragile environments has begun to shed light on the extent of this challenge. In Somaliland, for example, 67 percent of firms surveyed in 2017 depended solely on internally generated funds for growth.⁵ Lack of access to external capital seriously hampers the growth trajectories of SMEs in these economies, thus limiting their potential as sources of employment and engines for broader economic growth. The limitations on growth created by this lack of financing are the challenge this report seeks to address.

III. DIASPORAS AND DEVELOPMENT

Proposition: Members of the diaspora contribute to the socioeconomic development in their countries of origin through philanthropy, transfers of human capital, governance impacts, trade facilitation, and remittances. Global remittance flows have become massive, and they play a critical role in the day-to-day support of welfare and in reducing poverty, but their utility as a tool for long-term economic development is more limited.

Diaspora individuals and communities around the world contribute to the socioeconomic development of their countries of origin in a variety of ways. They may engage in philanthropy,⁶ use skills built abroad to boost human capital through short-term assistance programs or permanent back-

migration,⁷ use business and cultural links to facilitate trade between countries of origin and residence, and lobby for governance reforms in their country of origin. These are all important contributions, but this report focuses on the financial contributions of the diaspora, the primary form of which is remittances.

Remittances are funds sent by members of the diaspora to family and friends in their country of origin, and their scale is colossal. An estimated \$450 billion in remittances was sent globally in 2016,⁸ a figure three times the amount of global official development assistance in the same year. Most of these financial flows are going to developing countries—an estimated \$404 billion in 2013.⁹ In most such developing economies, remittances are not only larger than development aid, but also foreign direct investment.¹⁰ Between 2015 and 2030 an estimated \$6.5 trillion in remittances will be sent to middle- and low-income countries.¹¹ These funds have huge impacts on the countries they are sent to, supporting an estimated 800 million people worldwide.¹²

But how do these large financial flows contribute to long-term development? To understand this, we need to look more closely at how these remittances are being used. Remittances are primarily used to fund the basic, day-to-day needs of recipients and their families. While there is wide variation, it is estimated that roughly three-quarters of global remittances are used for basic, recurring needs such as food, housing, school fees, and basic medical care.¹³ This indicates that remittances serve as a short-term tool for ensuring welfare by keeping recipients fed, clothed, and sheltered, and are therefore critically important.

However, it also means that remittances are limited as a long-term tool for reducing poverty at the level of the individual, family, or community, as well as for catalyzing sustained macroeconomic growth and development. This is because remittances primarily serve to meet immediate, recurring needs, allowing for little in the way of savings or investment. The UN estimates that only 15 percent of global remittances are used for savings or invested in income-generating activities.¹⁴ A study looking specifically at African remittances estimated that a similar 10–20 percent of remittances from the U.S. to Africa were saved or invested.¹⁵ Finally, a survey of members of the global Somali diaspora indicated that only 15.5 percent of senders thought that 20 percent or more of their remittances could be saved by the recipients, while 62.3 percent indicated that recipients of their remittances could not save any of it at all.¹⁶

Remittances serve as a vital safety net which keeps many of their recipients out of the direst forms of poverty. However, because so much of these remittances is spent on a recurring basis and so little can be saved, invested, or otherwise put towards income-generating activities, they have a limited effect on improving the long-term welfare of recipients or generating growth and development at a larger scale. Remittances play a lifesaving role in many places and their value should not be discounted. However, in order to catalyze sustained growth and development, more attention will need to be paid to facilitating a different form of diasporic financial contribution: investment.

IV. DIASPORA INVESTMENT

Proposition: Diaspora investors are uniquely suited to help fill the credit gap in FCS economies. They have the capacity, unique motivations, and skillsets to invest in these complex environments and do so successfully. This not to say that diaspora investors placing capital in FCS countries of origin will not face significant challenges, but they are a uniquely motivated population capable of providing crucial access to capital to SMEs that have few alternatives.

FCS markets are in desperate need of investment capital. Capital is crucial for SMEs to be able to scale up operations and thus increase employment and spur growth. Without access to external capital, an artificial ceiling is placed on private-sector growth and on the subsequent positive spillover this growth has for socioeconomic development and stability. However, FCS economies often lack a pool of domestic capital sufficient for investment, necessitating capital inflows. Unfortunately, perceptions of risk limit capital inflows from most outside sources. Diaspora investors can help fill this gap due to their unique capacity, motivation, and skillsets.

The diasporas of FCSs around the world have the capacity to serve as a significant pool of capital for investment in their

countries of origin due to their size, educational and professional attainment, and pooled savings. In 2013, the UN Department of Economic and Social Affairs estimated that 232 million people, just over 3 percent of the global population, were members of a diaspora.¹⁷ In 2010 the World Bank estimated there were 30.6 million members of the African diaspora.¹⁸ FCS economies in Africa, specifically, often have large diasporas due to outmigration generated by conflict and instability. In 2012, Somalia had an estimated 1.9 million members of its diaspora, the Democratic Republic of Congo (DRC) 1.2 million, and Liberia and Eritrea 400,000.¹⁹ These are significant populations.

In addition, diaspora communities from FCSs often have high and ever-rising levels of educational attainment, translating to increased earning potential, wealth creation, and capacity for investment. An estimated 75 percent of African migrants to OECD countries have a tertiary education.²⁰ Though it is a less representative sample, a survey of African diaspora entrepreneurs in the U.S. indicated that 92 percent had a bachelor's or post-graduate degree,²¹ and 89 percent had a household income over \$50,000, the average U.S. household income.²² These increased earnings by diaspora members are reflected in rapidly rising remittances to Africa. Remittances to Africa quadrupled between 1990 and 2010,²³ and have grown 36 percent in the last decade.²⁴

Obviously, there is wide variation in earnings and wealth accumulation both among individual diaspora members and between diaspora communities. Diaspora members from states with higher levels of human capital development who have been established in their countries of residence for longer are likely to have had the opportunity to accumulate greater wealth than those who have been recently displaced by conflict or instability. With that said, diasporas from FCSs



**THE
LIKELIHOOD
OF DIASPORA
INVESTMENTS
INCREASES WITH
IMPROVEMENTS
IN GOVERNANCE.**



MOTIVATIONS: CAPITAL GROWTH, PROTECTION, EVENTUAL RETURN AND SOCIAL GOOD



ADVANTAGES: FAMILIARITY WITH BUSINESS ENVIRONMENT, CULTURAL CONTEXT, LANGUAGE AND REGULATORY ENVIRONMENT.

do seem to have significant savings which could be invested in their countries of origin. For example, in 2012 it was estimated that the Somali diaspora had an estimated \$10.6 billion in collective savings.²⁵ The corresponding figures for the DRC, Eritrea, and Liberia were \$5.4 billion, \$4.2 billion, and \$3.8 billion respectively. These amounts are likely to have grown significantly in more recent years.

There are also strong indications that there is a large pool of diaspora members who are actively seeking opportunities to invest this accumulated capital. A survey of African diaspora entrepreneurs in the U.S. found that two-thirds of respondents considered themselves to be “active investors.”²⁶ It is true that this specific population is likely to be wealthier and more financially savvy than the average individual, but even when a much broader population is sampled, this willingness to seek out investment opportunities appears prevalent. This is reflected in a 2015 survey of the global Somali diaspora in which just below 60 percent of respondents identified themselves as “active investors.”²⁷ This is not to suggest that all diaspora members are in a position to make investments in their country of origin, but

there is a pool of capital from more established diaspora members that can be leveraged for investment to significant effect. And this pool is likely to only grow. As diaspora communities mature from being comprised of refugees or recent emigrants to being more established, financially successful communities, so will their capacity to be a source of capital.

Motivations for the Diaspora’s Investments

On the other hand, like any investor, diaspora members have a plethora of options for where to place their capital. What are the unique elements of investment motivation which may affect the likelihood of diaspora members choosing to invest in their country of origin? The motivations of diaspora investors, as with any investor, are multifaceted and vary widely, but for the purposes of this report are divided into two categories: social and financial.

The component of diaspora investors’ motivation that likely makes them unique and more likely than others to invest in their country of origin are a basket of factors we will call social investment motivations. Many diaspora members maintain very close ties to family, friends, and local communities in their country of origin. A 2010 survey of African diaspora members found that 84 percent of respondents spoke to family and friends in their country of origin very often and 62 percent visited the country at least once a year.²⁸ Even without these direct ties, they may maintain strong feelings of patriotism and cultural affinity. Either or both of these connections can lead to a variety of non-financial motivations including social good/welfare, family support, political returns, or a desire for an eventual return to their country of origin, as detailed below.

- **Social Good/Welfare:** Like many investors, diaspora members often seek investments which will not only reap financial rewards but will better the lives of others. Having an intimate understanding of the hardships faced by communities in their country of origin, diaspora investors from FCS economies may have particularly strong motivations to leverage their investments for social good. Surveys indicate that improving socioeconomic conditions in their country of origin is a significant motivating factor for diaspora investors.
- **Family Support:** Many diaspora investors still have close family members in their country of origin and investment there may be seen as a means of supporting them. Giving capital to a family member to invest in income-generating activity not only provides for their wellbeing, but as many diaspora investors are simultaneously sending regular remittances, it may also be a means to help those supported by remittances achieve self-sufficiency.²⁹
- **Political Considerations:** There is some evidence to suggest that diaspora investors may be motivated

in part by a desire to gain political influence in their country of origin. However, this motivation seems to be limited to a small subset of investors.³⁰

- **Return Home:** One often-overlooked motivation is the use of investment to facilitate an eventual permanent return to the country of origin. Investment can facilitate such a return through a direct purchase of housing, investment to ensure income streams upon return, and the use of investment to maintain ties, thus easing the reintegration into a community. Seventy-three percent of respondents in a survey of the Somali diaspora noted that eventual return was a factor that motivated their investment.³¹

These non-financial motivations provide diaspora investors with the incentives to place capital in FCS economies that are often perceived as being too high-risk for traditional investors.

However, it is not merely altruistic or cultural factors that motivate diaspora investors; they also expect reasonable financial returns. In the same survey of Somali diaspora investors, when they were asked what the most important factor is when choosing investment opportunities in the Somali region, 32 percent of respondents indicated that minimizing risk was most important, while 29 percent chose maximizing profits.³² Therefore, it is clear that diaspora investors do not see investment in their countries of origin as philanthropy in a different form, but, like any investors, are strongly motivated by the protection and growth of their assets.

In addition, despite perceptions of prohibitive risk, there is evidence that investment in FCS economies can be extremely lucrative. A World Bank study showed that between 2006 and 2011 the average rate of return on foreign direct investment (FDI) to FCS economies was 14.5 percent, in comparison to 9.7 percent in all low-income countries and a global average of 6.2 percent.³³ What's more, diaspora investors have unique advantages when placing capital in their countries of origin. Familiarity with the language, culture, and business and regulatory/legal environment in their country of origin allows diaspora investors to find lucrative opportunities and minimize risk in ways traditional investors cannot. A survey of African-diaspora entrepreneurs showed that 79 percent of respondents felt that when making investments in their country of origin, they had a unique advantage over non-diaspora investors.³⁴ This potential for returns significantly above the global average and unique familiarity with the business environment make investment in their countries of origin an option which is often attractive to investors from FCS economies who are motivated by financial gain.

This unique combination of financial and non-financial motivations makes diaspora investors a ripe source for desperately needed capital in their countries of origin, but

what are the challenges they face? Investing in markets in FCSs often entails navigating several challenges including government bureaucracy, lack of reliable investment information, lack of business infrastructure, corruption, political instability, insecurity, and an underdeveloped financial sector. These are significant hurdles which are present in many FCS economies and affect all potential investors, diaspora and non-diaspora.

Non-financial motivations provide diaspora investors with the incentives to place capital in FCS economies that are often perceived as being too high-risk for traditional investors.

Despite these hurdles, many FCS states, in partnership with international financial institutions and civil society, have been able to use a variety of strategies to attract much-needed investment from their respective diasporas and leverage those investments towards improved development and stability. The following section dives deeper into a few of these financial strategies to highlight their potential to facilitate diasporic investment.

Investment Vehicles and Instruments

Given the importance of diaspora investment to SME growth in FCS economies, what can be done to help facilitate such investment? Recommendations largely fall into the categories of investment mechanism innovation and public policy.

Much of the academic and policy research on the issue of diaspora investment has focused on direct investment, in which a diaspora investor makes an investment into a single firm in their country of origin. This model can be problematic for many potential diaspora investors because of risk, investment size, and lack of sufficient information. However, there are a variety of alternative investment mechanisms for members of the diaspora that are being experimented with by states, international financial institutions, and civil society organizations that can help overcome these barriers to increasing diaspora investment. Facilitating greater variety among such tools would help capture the potential investments of diaspora members with differing investment preferences and capacities. The following section will explore some of these options, including diaspora-targeted bonds, mutual funds, social enterprise funds, country-of-origin savings accounts, and mobile money systems. While these are imperfect categories that can be combined and which sometimes blur together, they serve as a useful framework for organizing the report.

Diaspora Bonds

The first investment mechanism explored is diaspora bonds. Diaspora bonds are bonds marketed to members of a state's diaspora around the world. They are often offered at rates which provide investors returns below market rate. These can take the form of traditional sovereign debt bonds or be tied to a specific development project. Diaspora bonds are not a new concept; Israel has issued diaspora bonds for development projects for decades and India has used diaspora bonds as an effective tool for balance-of-payment support during several periods of financial hardship.

Diaspora bonds have a few key benefits as a means of leveraging the diaspora's wealth for development. They are potentially particularly useful for infrastructure development. Infrastructure investment is characterized by the prohibitively large scale, long time horizons for return, a lack of flexibility, and often only modest returns,³⁵ which can deter individual diaspora investors. Pooled risk, fixed terms, and stable returns mean bonds may help mitigate some of these concerns and, in combination with non-financial motivations, help mobilize substantial diaspora capital for large-scale development efforts such as transportation infrastructure, electrification, and agricultural modernization.

But can bonds also be used as an investment mechanism for diaspora members from FCS states? Ethiopia's experiences with diaspora bonds may help shed light on this question. Ethiopia has issued diaspora bonds twice in the last decade. The first was issued in 2008 and was intended to raise capital for the Ethiopian Electric Power Corporation, but sales fell well short of expectations.³⁶ In 2011 the Ethiopian government tried again, this time with the bonds tied directly to funding the Grand Ethiopian Renaissance Dam, a massive and controversial project with the potential to change the

development and economic trajectory of the country. Despite some changes intended to make it more appealing, the second issuance also appears to be struggling. According to government figures, as of January 2017, the second bond had raised \$39 million from the global Ethiopian diaspora;³⁷ in comparison, in June of 2017 Nigeria raised \$300 million in the first week of its first diaspora bond issuance.³⁸ With an estimated total project cost of \$6.4 billion,³⁹ current diaspora bonds for the Grand Ethiopian Renaissance Dam would help cover just 6 percent of the project. In addition, the Ethiopian government was forced to pay back \$6.5 million in purchases from the diaspora in the U.S. because the bonds were sold without being registered with the SEC.⁴⁰

In the end, Ethiopia's struggles with issuing diaspora bonds are likely due to issues of trust. Though there has been significant changes under the new Ethiopian administration, the Ethiopian government has historically had an antagonistic relationship with significant portions of its diaspora community who believe the government represents the interests of only a small ethnic minority to the detriment of their co-ethnic communities (see Box 1). For those members of the Ethiopian diaspora not deterred by political considerations, the lack of a legal framework for bond issuance and a general lack of transparency may have undermined the confidence of savvy diaspora investors.⁴¹

A diversity of bond term options would help make potential diaspora bond issuances marketable to a wider spectrum of diaspora investors.



Trainee Anwar Albrnaoys refugee from Nigera employed at Bäckerei Berger bakery making swabian pretzels on October 5, 2018 in Reutlingen, Germany. Photo Thomas Niedermueller/Getty Images

BOX 1: POLITICS, IDENTITY, AND DIASPORA INVESTMENT

When considering the potential of the diaspora's investments in FCS economies, we need to be aware of the political context. Many diaspora members were forced to leave their countries of origin because of civil war and other forms of political violence. This leads to complex and often contentious relationships between segments of a diaspora and the governments in their countries of origin. Where they exist, these dynamics reduce the potential for diaspora investment. Few diaspora members will be eager to contribute to the development of a state they see as having targeted them and their families with violence or persecution because of their political, religious, ethnic, or linguistic identities. The potential for FCS economies to leverage diaspora investment for development is likely to depend largely on how amicable their relationships with their diaspora populations are.

However, there may still be potential for diaspora investment even in cases where the diaspora community is unsupportive of the government in their country of origin. In such cases, state-linked investment mechanisms are likely to be ineffective, but direct private-sector investment and subnational investment mechanisms may still have appeal. It is understandable, as an example, for the large Oromo, Amhara, and Ogadeni diasporas from Ethiopia to be hesitant to participate in investment mechanisms linked to a state they see as historically repressing their co-ethnic communities but they may be considerably more open to investing directly in businesses in their home communities or investing through mechanisms which are tied to subnational government entities they view as more directly supporting their friends, family, and wider communities.

Given these experiences, what can be learned about the potential for diaspora bonds as an investment mechanism in FCS economies? Several considerations are likely to be important to their potential success:

- Information and Marketing:** Accurate identification of and marketing to a diaspora community is critical not only to the success of diaspora bond issuances, but to facilitating diasporic investment more broadly. Knowing where diaspora members live, their level of financial literacy, and their investment preferences will be critical to these efforts. These efforts would be made easier if there is a government entity which focuses on financial engagement with the diaspora. There is also an opportunity for international financial institutions, civil society organizations, and the private sector (particularly money transfer operations) to help collect data on FCS diasporas for this purpose.
- Link to Development:** When targeting the diaspora specifically for bond issuances, FCSs need to consider the complex motivations of diaspora investors. Because they have a mixture of social and financial motivations, bond issuances can benefit from the so-called “patriotic discount,” which means diaspora investors are willing to accept below-market returns on bonds because they feel they are benefiting the social and economic development of their country of origin. Because of this, bonds which are used specifically to fund development projects such as infrastructure, education, or health investments are more likely to appeal to the unique motivations of diaspora investors than issuances from FCS economies which are merely intended for balance-of-payments support. As the African Development Bank stated: “In order to further enhance the confidence of Diaspora investors, the proceeds of Diaspora bonds should be earmarked for projects appealing to the Diaspora such as infrastructure projects, housing, education and other social amenities. Issuing of Diaspora bonds should not necessarily be associated with a simple need for money. It should be marketed as a need for well-integrated and transformational projects.”⁴²
- Bond Structure Diversity:** A diversity of bond term options would help make potential diaspora bond issuances marketable to a wider spectrum of diaspora investors. More options regarding bond maturity, fixed vs. floating rates, frequency of interest payments, and minimum purchases may make such issuances more appealing to a wider spectrum of diaspora communities. Low minimum purchase requirements may be particularly important for less-established diaspora communities from FCS economies who wish to contribute to development in their country of origin but can only afford relatively small bond purchases.
- Build In Liquidity:** Bond offerings in states viewed as insecure or politically unstable may be particularly unappealing to investors because of their lack of liquidity. Potential investors have concerns about government stability over the course of a bond's term, be that 5, 7, or 10 years, etc. In many contexts secondary bond markets would provide this liquidity; however, in the case of diaspora bonds for FCSs, it may be beneficial to build in alternative features to enhance liquidity, such as allowing for early redemption if funds are used for alternative in-country investment. This may help overcome investor concerns over liquidity while keeping investment capital in the country.

- **Currency Instability:** Another investor concern which is particularly pertinent in the context of FCS bond issuances is currency instability. Bond purchases are appealing because of their limited risk, which is undermined by the level of currency instability in many FCS economies. Allowing for bond purchase and repayment in a stable, convertible currency would help mitigate diaspora investors' concerns about currency stability.⁴³
- **Subnational Bonds:** Because purchases of state-issued bonds are often viewed as supportive of a government, they are subject to issues of politics and identity. In many cases, members of a diaspora identify more strongly as members of a particular subnational ethnic, linguistic, or religious group than with a national identity. In some cases, a state's history of political violence means a large portion of its diaspora is unwilling to invest in bonds which appear to support a particular government (see Box 1). The issuance of subnational bonds may overcome these obstacles. Even diaspora investors who are distrustful or lack emotional links to a national government may be willing to invest in bonds which are seen as benefiting their particular region or identity group.

Mutual Funds

Another potentially underutilized investment mechanism is diaspora-targeted mutual funds. These funds appeal to a wider spectrum of potential diaspora investors because they help overcome some of the significant hurdles that diaspora investors face. The further development of mutual funds for the diaspora has the potential to significantly increase the flow of diaspora-originated investment capital into their countries of origin.

Mutual funds may appeal to diaspora investors, particularly non-expert investors, for several reasons. First, they provide more flexibility than substantial direct equity purchases or fixed-term products such as bonds. This is important to diaspora members who are concerned about potential volatility in the political and security situation. In addition, mutual funds are likely to appeal to investors who lack the time or expertise to find sufficient information to properly vet larger investments into individual firms, as the funds have professional managers. The pooled nature of investment means mutual funds may also appeal to more risk-averse investors, thus leveraging a previously untapped source of diaspora capital.

In addition to their potential appeal to a new subset of diaspora investors, mutual funds could play a particularly beneficial role for SMEs in FCS markets. First, investment via diaspora mutual funds into SMEs in FCS economies could help establish initial valuations for firms whose semi-formal nature had been

a barrier to valuation in the past.⁴⁴ Professional fund managers of diaspora-oriented mutual funds would presumably have the context-specific expertise to make reliable valuations of such firms, improving their future access to credit from domestic financial institutions. More simply put, but more importantly, diaspora mutual funds mitigate the challenges of investor risk and lack of information in a manner which could lead to significant increases in the availability of capital to SMEs in particular.

So, what do we know about diaspora mutual funds? Unfortunately, efforts to implement such funds are still very much in the initial stages, and there will certainly be difficult lessons for those who are pioneering their use. Though still in the early stages, two examples bear further mention as they set out differing models for how such funds can be established.

The first is the Rwanda Diaspora Mutual Fund (RDMF). The RDMF was the initiative of a group of financially savvy diaspora members from around the world and was designed as a means for members of the Rwandan diaspora to make even modest investments in Rwandan economic development.⁴⁵ The fund was approved by the Rwandan central bank in 2009,⁴⁶ but has since failed to materialize, reportedly due to issues in planning and the development of the necessary regulatory framework.⁴⁷

Another case is the Liberian Diaspora Social Investment Fund. The fund is a joint project of The Khana Group and the Liberian Professional Network and is intended to help members of the Liberian diaspora provide capital to SMEs in their country of origin.⁴⁸ Recipients will receive ongoing training in an effort to maximize impact and ensure repayment.⁴⁹ The fund also attempts to mitigate investor risk by having outside state and multilateral donors contribute 25 percent of the investment capital.⁵⁰ It is unclear at the moment whether this fund has been fully stood up or is merely planned.

Given the few examples and limited information available, it is difficult to assess diaspora-oriented mutual funds as a model for facilitating the diaspora's investment in their countries of origin. There are clear potential benefits for diaspora investors in terms of risk mitigation, flexibility, and overcoming the information gap, but there are no clearly successful models in FCS states from which lessons can be drawn. With that said, diaspora-targeted mutual funds seem to have the potential to serve as a valuable mechanism for diaspora investment, though their successful execution has yet to be seen.

Social Enterprise Models

One additional way that diaspora members may be able to make financial contributions to their countries of origin is through establishing or funding social enterprises. Social enterprises operate largely as market-oriented firms

but have additional objectives to achieve positive social impacts in their target communities by providing needed infrastructure, healthcare, education, or financial services to underserved populations. Social enterprise investment models may be particularly appealing to diaspora investors because the dual financial and social objectives of these firms match the dual financial and social motivations of the typical diaspora investor.

One example of targeting the diaspora to establish and scale social enterprises in their country of origin is the Indian Diaspora Initiative (IDI). An initiative of the Calvert Foundation and USAID, the IDI sells investment notes to the Indian diaspora in the U.S., the proceeds of which are channeled through Indian financial institutions to be placed with local social enterprises.⁵¹ The goal of this model is to provide scalability for the entire Indian social enterprise sector. Alternatively, individual or small groups of diaspora members may choose to make direct investments in individual existing social enterprises, or even establish their own social enterprises. ZAAD, a mobile money platform in Somaliland discussed at greater length below, is one example of a social enterprise founded by a small group of diaspora members which is flourishing in an FCS economy.

Savings Accounts in the Country of Origin

The final mechanism for channeling the diaspora's financial resources for development in FCSs that will be discussed is the use of savings accounts in the country of origin. This is obviously an indirect means of encouraging diaspora contributions to SME growth, but is also relatively low-hanging fruit for both diaspora members and FCS financial institutions and could have significant impacts.

As mentioned, FCS economies often suffer from underdeveloped financial institutions. This often means the nascent banking sectors have a lack of capitalization which hampers lending generally and contributes to risk aversion, which deters SME lending. The diaspora's savings could play an important role in helping provide seed capital and developing these emerging FCS banking sectors, hypothetically contributing to increased domestic lending.⁵² Additionally, using deposit accounts in the country of origin may serve as a low-risk entry point for the diaspora's financial engagement in that country, potentially leading to further investment as their level of comfort increases.

However, attracting these deposits from the diaspora and effectively leveraging them for SME financing may not be as straightforward as it first appears. A few factors will play an important role in attracting much-needed deposit accounts. First, one of the primary concerns of diaspora members will likely be the currency risk. With that in mind, similar to the



Photo Jean-Pierre Laroque/DEF

discussion of diaspora bonds, it will likely be necessary to denominate diaspora-focused deposit accounts in stable, convertible currency options, preferably reflecting the places in which the diaspora primarily reside. In addition, banks in FCS markets may need to consider their less financially established diaspora members when marketing deposit accounts, particularly by offering both fixed and current term accounts and placing lower minimum deposit requirements on accounts than has often been the case with previous diaspora-targeted deposit-account programs implemented elsewhere.⁵³ Furthermore, steps must be taken to ensure that those deposits are then leveraged for SME financing. Bank commitments to use a certain portion of diaspora deposits for SME financing may help to both attract additional funds from socially motivated diaspora investors and ensure those funds contribute to private-sector development and economic growth in FCS economies.

BOX 2: DOLLARIZATION IN FCS ECONOMIES

Informal or real-sector dollarization is a problem to varying degrees across a variety of FCS economies. Due to past currency instability and poor macroeconomic performance, many individuals and firms choose to hold a certain amount of their assets in a foreign currency such as U.S. dollars or Euros, or use them as a parallel medium of exchange. In doing so, individuals and firms hedge against the risk of inflation and currency instability. For the same reason, dollarization may also facilitate investment inflows as investors (both diaspora and otherwise) seek the stability that comes with having investments denominated in a reserve currency. For that reason, the report mentions at several points the utility of offering diaspora investors the option of denominating investments and holding their assets in their country of origin in a reserve currency.

However, we should also acknowledge that such policies could also contribute to new or deepening dollarization and its accompanying challenges to national economic policy. Dollarization degrades the state's ability to use monetary policy as a tool for economic management, and in more severe cases can hamper the liquidity of the domestic financial sector.⁷⁰ FCS economies may decide that these drawbacks are acceptable in the short term to provide a degree of stability to the economic environment and facilitate investment. But in the long term, FCS economies will need to take steps to de-dollarize. De-dollarization is a very difficult process, but it appears to be most effective when policies focus on improving macroeconomic stability, thus increasing confidence in the local currency, rather than through top-down forced de-dollarization, which tends to cause capital flight and slow growth.⁷¹

Diaspora-Leveraged Mobile Money Systems

While not an investment mechanism per se, one of the more experimental potential tools available for facilitating the financial contributions of the diaspora is the use of specifically designed mobile money systems. The use of such systems could leverage the diaspora for development gains on several fronts. Mobile money platforms that caters to diaspora preferences, could facilitate diaspora investment in the following ways:

- Facilitating remittances with lower transfer costs
- If denominated in a stable currency, such a system may help mitigate the risk of currency instability and inflation so frequently found in FCS economies

- Pooled funds within this mobile money system could be used to invest in development projects or leveraged into SME financing in the country of origin
- The system may also serve as an entry point for using the diaspora's capital to offer other catered financial products to SMEs in the country of origin

But these benefits are counterbalanced by significant challenges. First, mobile money systems require significant initial investment and often struggle to become profitable until reaching scale.⁵⁴ In addition, mobile money systems require very diverse expertise from across several more traditional business sectors. Finally, to really become successful as a social enterprise to be used for development, such a system has to become more than simply a transfer tool. Users must be persuaded to keep funds in their accounts and regularly use the platform to make and receive payments so that the pooled funds can be sustained and utilized for investment with social impact. For all three of these challenges, diaspora investors may benefit from partnering with local telecommunications enterprises and financial institutions that can contribute capital, cross-sector local expertise, and the local retail and marketing infrastructure to overcome these challenges.

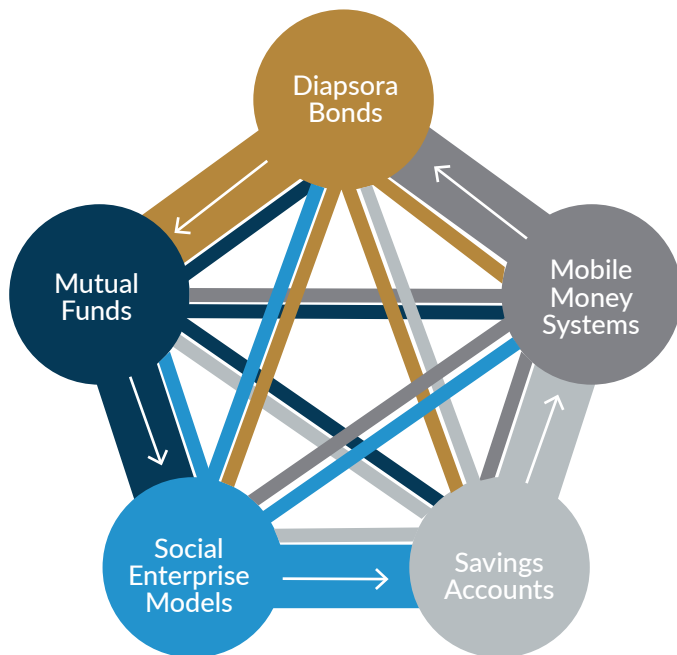
There is some evidence that such mobile money systems are logistically feasible and commercially viable in the context of FCS economies. ZAAD, the mobile money service of the telecommunications firm Telesom, has proven quite successful in the Somaliland market. Established in 2009, ZAAD has experienced surprising uptake in Somaliland, with 10 percent of the population subscribing to the service and those subscribers engaging in transfers more frequently than those using other mobile money systems.⁵⁵ This second point is particularly important because it means people cash out of the system less frequently, increasing its utility as a stable pool of capital to be reinvested. ZAAD also appears to have had a significant impact in providing basic financial services to an underserved population.⁵⁶

However, critics have also pointed out the potential pitfalls of the ZAAD model as a tool for development. Because money in the ZAAD system is held in U.S. dollars,⁵⁷ skeptics argue that it may contribute to the dollarization of Somaliland's economy.⁵⁸ While this concern for the long-term independence of an FCS economy's monetary policy is justified, the benefits in terms of financial inclusion and investment facilitation likely outweigh these concerns given the immediate need for enhanced private-sector development. If the success of a mobile money system like ZAAD can be developed in partnership with the diaspora and replicated in other FCS economies, it may prove to be a valuable means of leveraging their financial resources for SME development in their countries of origin.

Capturing Diverse Investors

Diaspora investors cannot be treated as monolithic. They likely fall imperfectly along a spectrum from those who are less established, less financially secure, less active investors, and more risk averse, to more established, wealthier, more investment-savvy, and more risk-acceptant. The former diaspora investors are likely to prefer low-risk investment vehicles such as bonds and mutual funds while the former have the resources and motivation to make larger investments in a single firm or begin their own enterprise in their country of origin. By failing to provide a variety of investment vehicles for the diaspora, FCS economies risk losing out on the full spectrum of potential diaspora investment.

FIGURE 2: COMPLIMENTARY MECHANISMS FOR LEVERAGING DIASPORA INVESTMENT



V. PUBLIC POLICY

Having discussed a few of the underutilized investment mechanisms for the diaspora, we now turn to an arguably more important and certainly more difficult variety of policy recommendation: public policy reforms to facilitate investment by the diaspora. These are incredibly difficult to undertake in the context of FCS economies because of a general lack of governance capacity and the absence of immediate financial incentives. However, these steps are critical to creating an appealing investment climate which will allow FCS economies to leverage the diaspora's capital for sustained development.

Official Diaspora Engagement

One of the most impactful and relatively simple steps FCS can take to facilitate increased investment from their diaspora is to establish an official entity to engage with them. Such an engagement strategy can be officially undertaken by an independent government entity or a designated subdivision of an existing relevant government department such as a foreign or commerce ministry. Having an institutional home for efforts to engage the diaspora financially allows for greater outreach, which increases diaspora members' sense that they have a stake in the development of their country of origin and perhaps helps overcome some of the information gaps which sometimes restrict the diaspora community's ability and desire to invest. Such initiatives have proven successful in broader contexts; research has shown that on average, a 10 percent increase in spending on the promotion of investment leads to a 2.5 percent increase in foreign direct investment.⁵⁹

Developing new government bodies to focus on facilitating investment by the diaspora is likely to be challenging in the context of FCS economies with already limited governance capacity, but these efforts do not need to be large, and they have the potential to catalyze outsized economic benefits. For further insights on how to structure this official engagement it may be valuable to take a closer look at such efforts already underway in FCS economies.

Ethiopia is an example of a FCS which has taken an active but decentralized approach to diaspora engagement. There are a handful of government entities and initiatives which seek to manage various aspects of the state's relationship with its diaspora.⁶⁰ In terms of diaspora-originated investment, the Ethiopian Investment Agency (EIA) is the primary actor. The EIA provides services like those of many official investment-promoting entities around the world, promoting opportunities and seeking to facilitate investment through the provision of logistical assistance surrounding obtaining permits and ensuring adequate infrastructure. However, the EIA does not focus exclusively, or even primarily, on diaspora investment and thus may not be providing the kinds of facilitation services that may be necessary to meet the diaspora's unique preferences. Services may be targeted at investment on a larger scale than typifies diaspora investment and may lack the tie-ins to development outcomes and social motivations which are uniquely important to the diaspora community when placing capital in their countries of origin.

Another FCS which has developed a comparatively centralized approach to engaging its diaspora is Burundi. Burundi established the Diaspora Department within the Ministry of External Relations and International Cooperation in 2009 and it has since developed into the focal point for official efforts to engage the country's sizable diaspora. As with many government entities in FCS economies, the department faced initial challenges due to



Photo by Joe Dara/Unsplash

a lack of resources. With an original staff of only three,⁶¹ the department had early difficulty accurately mapping the Burundian diaspora and the nature of their financial transfers back into the country,⁶² information which is key to developing effective programs for encouraging diaspora investment. The department has since benefited from significant capacity-building efforts by the International Organization for Migration, including provision of technical assistance and trainings and the funding of a study trip to visit similar government entities in Kenya.⁶³ The department has begun to make small but significant strides towards more effectively engaging the diaspora, including the recent development of a National Policy for the Diaspora.⁶⁴ It has also initiated a “Diaspora Week,” which brings representatives of Burundian diaspora associations from around the world back to the country to meet with leaders in the private sector and civil society and develop recommendations for the government to better leverage the diaspora for development.⁶⁵ It remains to be seen if these efforts have led to increased diasporic investment in the country, but Burundi appears to offer an example of a modestly resourced government entity centralizing

policymaking around diaspora issues and implementing tangible efforts to engage the diaspora for development.

A lack of resources and capacity are the primary impediments to the kind of government entities described above playing a more effective role in facilitating diaspora investment in FCS economies. With this in mind, there may be a role for outside actors to play in the form of financial support, capacity building, and research. Donor states and international institutions can help increase the capacity of such government bodies through training and budgetary support, while NGOs and academic institutions active in this space could play a very valuable role by simply conducting research that provides information on the location, number, and investment preferences of a given diaspora.

In FCS economies the development of official entities tasked with facilitating diaspora investment is nascent, and information on the efforts that have been made is limited, but it appears that if properly structured and supported, they may play a key role in facilitating investment by the diaspora.

Diaspora-Targeted Political Risk Insurance

Another potential tool for facilitating the diaspora’s investment in FCS economies is political risk insurance (PRI). PRI is a form of publicly or privately issued insurance which can be used to protect investments against losses due to a variety of factors, most often including damage or destruction from various forms of political violence, expropriation or breach of contract by the host government, and unforeseen restrictions on capital mobility. Though diaspora investors may have unique characteristics which help mitigate some of the risk of investing in FCS economies, investment risk in these contexts is still significant and constitutes a major barrier to increased investment. Development of PRI services which target the diasporas of FCS economies may help overcome this barrier.

PRI is not a new concept; it has been made available in various forms from national governments, multilateral institutions, and private firms for years. Many individual states provide some form of political risk insurance to individuals and firms seeking to invest abroad. However, in most cases, these official or semi-official PRI providers are primarily interested in facilitating outbound investment for reasons of national competitiveness. Only one major national provider, the American Overseas Private Investment Corporation, defines the development of an investment market in the inbound economy as a primary mission.⁶⁶ This means that the positive development effects of investments in FCS economies, such as greater access to capital for SMEs, increased employment, and growth, are given low priority or ignored altogether when most PRI providers make coverage decisions. What’s more, diaspora investors may

have difficulty accessing nationally backed PRI providers due to varying restrictions based on citizenship, which some diaspora investors may not meet.⁶⁷

There are also multilateral organizations such as the African Trade Insurance Agency and the Multilateral Investment Guarantee Agency—a division of the World Bank—that provide more explicitly development-oriented PRI services. However, many of these programs appear to focus on large-scale investment in infrastructure development, which, while having development benefits at the macro level, does little to address the issue of SME access to capital in FCS economies. Development of diaspora-specific programs by these existing actors may be necessary to fully leverage the potential of diaspora investment because of the unique needs and preferences of this pool of investors, which are not catered to in existing programs.

Alternatively, there may also be space for new actors to enter the PRI market specifically focused on facilitating diaspora investment. Nonprofit organizations or public-private partnerships in the areas of diaspora engagement, development finance, and social enterprise may be well placed to develop PRI programs for the specific purpose of facilitating diaspora investment to improve SME access to capital in FCS economies. Such tailored programs may be better able to market PRI services specifically to diaspora investors, cater to diaspora investor needs regarding investment size, preferred sectors, and the specific forms of political risk present in individual FCS economies, overcome gaps in the private PRI markets which make PRI for investments in the most fragile of states unavailable, and place greater emphasis on the positive development effects of investment, thus catering to diaspora investors' unique social-good motivations.

Corruption, Rule of Law, and Good Governance

All of the more focused investment mechanisms and public policies discussed to this point have the potential to positively impact the flow of diaspora investment into FCS economies. However, none will have effects on SME access to capital in these economies as fundamental as improvements in the areas of corruption, good governance, and rule of law. Fragile and conflict-affected states often, though not always, struggle with these issues for obvious reasons. Reinforcing cycles of conflict and economic underperformance create both a significant lack of governance capacity and the space for some within government structures to squander the state's limited resources through corruption. These dynamics create an atmosphere of uncertainty at the political and macroeconomic level, but also at the level of day-to-day business operations, significantly discouraging outside investment.

Empirical analysis confirms that governance issues including corruption, regulatory quality, and government efficacy are all strongly negatively correlated with inbound FDI.⁶⁸ No specific

quantitative analysis of the impact of governance on diaspora investment is available, and there is reason to believe that the diaspora's heightened level of familiarity with the cultural, political, and business contexts in their FCS of origin may mitigate these effects to some degree, but we also know that these issues are of major concern to diaspora investors. In the previously mentioned study of Somali diaspora investors, lack of contract enforcement and corruption were listed as the third and fourth most severe barriers to investment, behind only political instability and insecurity.⁶⁹

In the end, sustainable improvements in governance capacity, rule of law, and the overarching business environment will likely do more to increase the inflow of all forms of capital available to SMEs, including diaspora investment, than the more specific investment mechanisms and policy options detailed above.

VI. CONCLUSION

Small and medium enterprises in FCS economies are faced with massive hurdles to accessing the capital they need to develop. Diaspora investors, with their unique combination of skills and motivations, may be uniquely suited to fill that gap. The diaspora, driven by both their emotional ties to their countries of origin and significant investment returns, can be leveraged to make a difference in the state of FCS economies. Opportunities exist, despite the absence of complete supporting structures, for these diaspora investments—essentially impact funds—to be profitable because a large stratum of the population in each country of origin has underserved needs. As discussed, the diaspora's investments that enhance the country of origin's business ecosystems can create substantial economic value and put fragile nations on a path towards stability.

This brief report has outlined some of the steps that could be taken by financial institutions, FCS governments, and multilateral institutions to help facilitate this unique stream of much-needed financing in FCS markets. In doing so, the authors acknowledge three issues. One, that the investment options are not novel in themselves and are largely based on current wisdom in finance. Their recommended use in this FCS context is, however, largely unconventional. Two, that these recommendations are not universally applicable. Their utility will vary based on the specific hurdles to stability and growth in every context. Finally, one of the clear takeaways of this research is that there are still many gaps in our knowledge about the diaspora's investment in their countries of origin and the options for facilitating such activity. There is a clear need for more research by academics, civil society, and international financial institutions on the impact of this unique form of investment and its spillover effects for development in FCS economies. This, along with better monitoring and evaluation of existing diaspora investment projects, will be critical to determining best practices for fully realizing the potential of diaspora investment in FCS contexts.

ENDNOTES

- 1 “Commercial Bank Branches (Per 100,00 Adults),” The World Bank, 2017, https://data.worldbank.org/indicator/FB.CBK.BRCH.P5?view=chart&year_high_desc=true.
- 2 “Domestic Credit to Private Sector by Banks (% of GDP),” The World Bank, 2017, https://data.worldbank.org/indicator/FD.AST.PRVT.GD.ZS?view=chart&year_high_desc=true.
- 3 “Doing Business: Economy Rankings,” The World Bank, 2017, <http://www.doingbusiness.org/rankings>.
- 4 Gayle Tzemach Lemmon, “Entrepreneurship in Postconflict Zones,” Council on Foreign Relations Working Paper, May 2012, p.3.
- 5 Victor Odundo Owour, “Firm Behavior in Fragile States: The Cases of Somaliland, South Sudan, and Eastern Democratic Republic of Congo,” OEF Research, March 29, 2017, p. 14, http://oefresearch.org/sites/default/files/documents/publications/Firm_Behavior_Fragile_States.pdf.
- 6 Kathleen Newland, Aaron Terrazas, and Roberto Munster, “Diaspora Philanthropy: Private Giving and Public Policy,” Migration Policy Institute Diasporas and Development Policy Report, September 2010, p. 2.
- 7 A.A. Mohamoud, “Reversing the Brain Drain in Africa: Harnessing the Intellectual Capital of the Diaspora for Knowledge Development in Africa,” SAHAN Wetenschappelijk Adviesbureau Feasibility Study for NUFFIC, September 2005, p. 4, <https://www.diaspora-centre.org/DOCS/Reversingthebraind.pdf>.
- 8 Frédéric Ponsot, Donald F. Terry, Bibiana Vásquez, and Pedro de Vasconcelos, “Sending Money Home: Contributing to the SDGs, One Family at a Time,” International Fund for Agricultural Development, June 2017, p. 9, <https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6>.
- 9 “Migration and Remittances,” World Bank, accessed October 16, 2018, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20648762~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>.
- 10 Ponsot, Terry, Vásquez, and Vasconcelos, “Sending Money Home,” p. 5.
- 11 Ibid., p. 4.
- 12 Ibid., p. 5.
- 13 Ibid., p. 11.
- 14 Ibid., p. 4.
- 15 “The Role of the Diaspora in Nation Building: Lessons for Fragile and Post-Conflict Countries in Africa,” African Development Bank Fragile States Unit, January 30, 2012, p. 7, <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2011%20The%20role%20of%20the%20Diaspora%20in%20Nation%20building%20-%20lessons%20for%20fragile%20and%20post-%20conflict%20countries%20in%20Africa.pdf>.
- 16 World Bank Service Delivery Indicators (SDIS) Data, <http://databank.worldbank.org/data/source/service-delivery-indicators>.
- 17 “Number of International Migrants Rises Above 232 Million,” United Nations Department of Economic and Social Affairs, September 11, 2013, <http://www.un.org/en/development/desa/news/population/number-of-international-migrants-rises.html>.
- 18 Amadou Boly, Nicola Coniglio, Francesco Prota, and Adnan Seric, “Diaspora Investments and Firm Export Performance in Selected Sub-Saharan African Countries,” United Nations Industrial Development Organization: Development Policy, Statistics, and Research Branch Working Paper 6 (2012): p. 5, <https://open.unido.org/api/documents/4814924/download/Diaspora%20investments%20and%20firm%20export%20performance%20in%20selected%20sub-Saharan%20African%20countries>.
- 19 Supriyo De, Dilip Ratha, and Seyed Reza Yousefi, “A Note on International Migrants’ Savings and Incomes,” World Bank Migration and Remittances Unit Development Prospects Group, September 24, 2014, p. 6, <http://blogs.worldbank.org/peoplemove/files/Note%20on%20Diaspora%20Savings%20Sep%2023%202014%20Final.pdf>.
- 20 “The Role of the Diaspora in Nation Building,” African Development Bank, p. 4.
- 21 Liesl Riddle and Nana Kweku, “African Diaspora Marketplace Investment Interest Survey,” George Washington University Center for International Business Education and Research, 2010, p. 9, <http://diasporaalliance.org/wp-content/uploads/2012/04/ADM-Investment-Interest-Survey-Report.pdf>.
- 22 Ibid., p. 11.

- 23 Boly, Coniglio, Prota, and Seric, "Diaspora Investments and Firm Export Performance."
- 24 Ponsot, Terry, Vásquez, and Vasconcelos, "Sending Money Home," p. 15.
- 25 De, Ratha, and Yousefi, "A Note on International Migrants' Savings and Incomes," p. 6.
- 26 Riddle and Kweku, "Investment Interest Survey," p. 10.
- 27 Jay Benson, Lindsay Heger, Lee Sorensen, and Alexandria Wise, "Somali Diaspora Investment Survey Report: Typologies, Drivers, and Recommendations," Shuraako Research Report, June 16, 2016, p. 22, <http://shuraako.org/sites/default/files/SDIS-Survey-Report.pdf>.
- 28 Riddle and Kweku, "Investment Interest Survey," p. 21.
- 29 Benson, Heger, Sorensen, and Wise, "Somali Diaspora Investment Survey Report," p. 32.
- 30 Riddle and Kweku, "Investment Interest Survey," p. 17.
- 31 Benson, Heger, Sorensen, and Wise, "Somali Diaspora Investment Survey Report," p. 33.
- 32 Ibid., p. 30.
- 33 Khalid Alsuhaibani and Paul Barour, "Are Rates of Return in Places that Are Fragile and Affected by Conflict Really Higher?" Multilateral Investment Guarantee Agency blog post, June 18, 2014, <http://blogs.worldbank.org/miga/are-rates-return-places-are-fragile-and-affected-conflict-really-higher>.
- 34 Riddle and Kweku, "Investment Interest Survey," p. 22.
- 35 "The Role of the Diaspora in Nation Building," African Development Bank, p. 23.
- 36 Sonia Plaza, "Ethiopia's New Diaspora Bond: Will it be Successful This Time?" World Bank People Move blog, August 23, 2011, <http://blogs.worldbank.org/peoplemove/ethiopia%E2%80%99s-new-diaspora-bond-will-it-be-successful-this-time>.
- 37 Homa Mulisa, "Ethiopia: Diaspora Gearing Up Astounding Contribution," The Ethiopian Herald, March 22, 2017, <http://allafrica.com/stories/201703220921.html>.
- 38 Yomi Kazeem, "Nigeria's First Ever Diaspora Bond has Raised \$300 Million," Quartz Africa, June 26, 2017, <https://qz.com/1014533/nigeria-has-raised-300-million-from-its-first-ever-diaspora-bond/>.
- 39 Nizar Manek, "Africa's Biggest Hydropower Plant to Supply Power to Sudan," Bloomberg, April 5, 2017, <https://www.bloomberg.com/news/articles/2017-04-05/africa-s-biggest-hydropower-dam-to-supply-electricity-to-sudan>.
- 40 Kevin Mwanza, "Ethiopia to Refund \$6.5M It Raised in a Diaspora Bond in the U.S.," Moguldom, June 13, 2016, <http://afkin-sider.com/127519/ethiopia-refund-6-5m-raised-diaspora-bonds-u-s/>.
- 41 Seliatou Kayode-Anglade and Nana Spio-Garbrah, "Diaspora Bonds: Some Lessons for African Countries," African Development Bank Africa Economic Brief 3, no. 13 (December 2012): p. 8, <https://pdfs.semanticscholar.org/6bc3/c1f9a90208131e5ef362baecb349743b900d.pdf>.
- 42 Ibid., p. 9.
- 43 Ibid., p. 6.
- 44 Aaron Terrazas, "Diaspora Investment in Developing and Emerging Country Capital Markets, Migration Policy Institute Report, August 2010, p. 19, <https://www.migrationpolicy.org/research/diaspora-investment-developing-and-emerging-country-capital-markets-patterns-and-prospects>.
- 45 Ibid.
- 46 Edmund Kagire, "Rwanda: Diaspora Mutual Fund Takes Shape," The New Times, January 7, 2009, <http://allafrica.com/stories/200901070142.html>.
- 47 James Karuhanga, "Diaspora Mutual Fund to be Revived," The New Times, December 10, 2013, <http://www.newtimes.co.rw/section/read/45848/>.
- 48 Christy Sisko, "What Have We Learned About Engaging Diasporas?" Chemonics blog, October 13, 2015, <https://www.chemonics.com/what-have-we-learned-about-engaging-diasporas/>.
- 49 Liz Ford, "Liberia Urged to Invest Remittances, Not Just Spend Them on Everyday Needs," The Guardian, January 30, 2013, <https://www.theguardian.com/global-development/2013/jan/30/liberia-invest-remittances-everyday-needs>.

- 50 Sisko, “What Have We Learned?”
- 51 Calvert Foundation, “FAQ: Indian Diaspora Investment Initiative,” <http://www.calvertfoundation.org/storage/documents/Website-FAQ-final.pdf>.
- 52 Terrazas, “Diaspora Investment in Developing and Emerging Country Capital Markets,” p. 12.
- 53 Dovelyn Rannveig Agunias and Kathleen Newland, “Developing a Road Map for Engaging Diasporas in Development,” International Organization for Migration and the Migration Policy Institute, 2012, p. 208, https://publications.iom.int/system/files/pdf/diaspora_handbook_en_for_web_28may2013.pdf.
- 54 Philip Osafo-Kwaako, Marc Singer, Olivia White, and Yassir Zouaoui, “Mobile Money in Emerging Markets: The Business Case for Financial Inclusion,” McKinsey and Company, March 2018, p. 1, <https://www.mckinsey.com/~media/McKinsey/Industries/Financial%20Services/Our%20Insights/Mobile%20money%20in%20emerging%20markets%20The%20business%20case%20for%20financial%20inclusion/Mobile-money-in-emerging-markets.ashx>).
- 55 “The Rise of Mobile Money Services in Somaliland,” ICTWorks, January 29, 2016, <https://www.ictworks.org/the-rise-of-mobile-money-services-in-somaliland/#.WuDi6C7waCg>.
- 56 Claire Pénicaut and Fionán McGrath, “How Telesom ZAAD Brought Mobile Money to Somaliland,” GSMA, n.d., p.2, <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2013/07/Telesom-Somaliland.pdf>.
- 57 Ibid., p. 10.
- 58 Gianluca Iazzolino, “Somaliland Has Embraced Mobile Money – But at What Price?” The Guardian, May 19, 2014, <https://www.theguardian.com/global-development/2014/may/19/somaliland-mobile-money-zaad-inflation-economy-banking-remittance>.
- 59 Liesl Riddle, Jennifer M. Brinkerhoff, and Tjai M. Nielsen, “Partnering to Beckon Them Home: Public-Sector Innovation for Diaspora Foreign Investment Promotion, Public Administration and Development 28, no. 1 (February 2008): p. 56, <https://doi.org/10.1002/pad.469>.
- 60 Katie Kuschminder, “Diaspora Engagement in Ethiopia: Finding its Footing,” Maastricht Graduate School of Governance, Migration Policy Brief 4, <https://migration.unu.edu/.../diaspora-engagement-in-ethiopia-finding-its-footing.html>
- 61 Maastricht Graduate School of Governance, “Diaspora Engagement in Burundi: The Emergence of a Migration Policy,” Migration Policy Brief 3, <https://www.files.ethz.ch/isn/153266/PB3.pdf>.
- 62 Sonja Fransen and Melissa Siegel, “Diaspora Engagement in Burundi: The Emergence of a Migration Policy,” Maastricht Graduate School of Governance, Migration Policy Brief 3 <https://collections.unu.edu/eserv/UNU:884/PB3.pdf>.
- 63 “Burundi’s Diaspora Week Underway with Partnership, Development Focus,” International Organization for Migration press release, August 4, 2017, <https://www.iom.int/news/burundis-diaspora-week-underway-partnership-development-focus>.
- 64 “The Establishment of a Department of Diaspora,” Global Forum on Migration and Development, November 1, 2016, <https://gfmdd.org/pfp/ppd/2701>.
- 65 “Burundi Engages Diaspora in Development,” International Organization for Migration press release, July 25, 2014, <https://www.iom.int/news/burundi-engages-diaspora-development>.
- 66 Kathryn Gordon, “Investment Guarantees and Political Risk Insurance: Institutions, Incentives and Development,” OECD Investment Policy Perspectives 2008, p. 105, <https://www.oecd.org/finance/insurance/44230805.pdf>.
- 67 Ibid., p. 98.
- 68 Azmat Gani, “Governance and Foreign Direct Investment Links: Evidence from Panel Data Estimations,” Applied Economics Letters 14, no. 10 (2007): p. 753–756, <https://www.tandfonline.com/doi/abs/10.1080/13504850600592598>.
- 69 Jay Benson, Lindsay Heger, Lee Sorensen, and Alexandria Wise, “Somali Diaspora Investment Survey Report: Typologies, Drivers, and Recommendations,” Shuraako Research Report, June 16, 2016, p. 36, <http://shuraako.org/sites/default/files/SDIS-Survey-Report.pdf>.
- 70 Mauro Mecagni and Rodolfo Maino, “Dollarization in Sub-Saharan Africa: Experience and Lessons,” International Monetary Fund: African Department, May 2015, p. 1, <https://www.imf.org/external/pubs/ft/dp/2015/afr1504.pdf>
- 71 Mauro Mecagni and Rodolfo Maino, “Dollarization in Sub-Saharan Africa: Experience and Lessons,” International Monetary Fund: African Department, May 2015, p. 42, <https://www.imf.org/external/pubs/ft/dp/2015/afr1504.pdf>

ONE EARTH FUTURE

oneearthfuture.org     

One Earth Future (OEF) is a self-funded, private operating foundation seeking to create a more peaceful world through collaborative, data-driven initiatives. OEF focuses on enhancing maritime cooperation, creating sustainable jobs in fragile economies, and research which actively contributes to thought leadership on global issues. As an operating foundation, OEF provides strategic, financial, and administrative support allowing its programs to focus deeply on complex problems and to create constructive alternatives to violent conflict.


OEF RESEARCH


oefresearch.org  

OEF Research is a program of One Earth Future. OEF Research believes that policy and practice reflect the quality of available information. We promote empirically-informed research developed using methodologically rigorous approaches as a tool for policy making in peace, security, and good governance. We believe in analyzing evidence using both quantitative and qualitative best practices. We also believe the most innovative solutions to problems of conflict and peace necessarily involve a diverse set of disciplinary and sectoral viewpoints. Much of our work aims to break down the barriers between these different perspectives.

CONTACT US

 303.533.1715

 info@oneearthfuture.org

 525 Zang St. Broomfield, CO 80021



OEF Research

Informing Change for Peace

a program of One Earth Future

one earth
FUTURE

Peace Through Governance