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series drawing on research and
capacity development actions

DIASPORA ENGAGEMENT AND ECONOMIC GROWTH

Diaspora Investment

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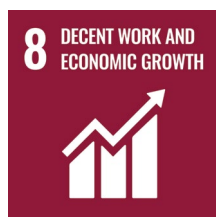
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Context

Diaspora investment represents a significant avenue for fostering development within nations. This form of investment garners keen interest from national governments, the international public sector, and private sector entities alike. Defined as financial instruments that generate assets¹, diaspora investment enables migrants and their descendants to channel funds back into their countries of origin. The resulting economic benefits hold promise for driving sustainable development when effectively harnessed². Extending non-traditional financing avenues such as diaspora investment to entrepreneurs enhances access to credit and capital. This in turn empowers aspiring business owners to pursue ventures that might otherwise be beyond their reach. The transformative potential of diaspora investment has captured the attention of governments and private sector actors, spurring concerted efforts to encourage and expand its role in the investment landscape.



Diaspora investment has a key role in the attainment of the SDGs, with particular attention on SDGs 8, 10 and 17. For instance, investments made by diaspora bridge gaps for Micro, Small and Medium Enterprises (MSMEs) which often find it difficult to gain necessary support for growth (SDG 10). This growth would create job opportunities enabling access to growth and responding to the development challenge of lack of employment primarily for youth (SDG 8)³.

Equally, the creation of a more vibrant and responsive enabling environment which encompasses government, civil society, private sector, financial institutions and other interested parties working in partnership (SDG 17) is necessary to see increased activity among diaspora investors.

1 S. Gelb, S.Kalantaryan, S. McMahon and M. Perez-Fernandez, *Diaspora finance for development: from remittances to investment*, JRC Technical Report, 2021 Definition of diaspora investment located within Abstract.

2 IFAD, *Global Forum on Remittances, Investment and Development*, Outcomes Report, 2023 p.3.

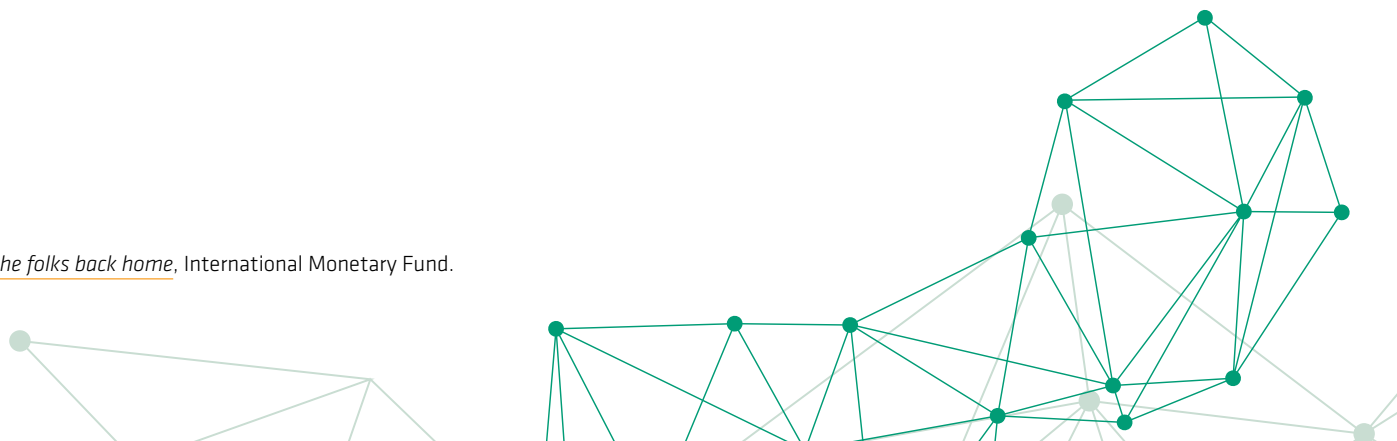
3 P.Carter and P. Sedlacek, *How job creation fits into the broader development challenge*, Insight, impact Study:005, CDC Investment Works, 2019, P. 2.

This publication draws on EUDiF's capacity development actions in **Egypt** and **West Africa**, as well as the **Benchmark Report: Diaspora Investment Practices** to reflect on the roles diaspora play in investment, creating innovative investment solutions and identifying effective diaspora engagement strategies. All the approaches explored highlight the necessity to add to recognised partners and seek expertise from new or non-traditional partners who can create effective pathways of engagement.

Remittances vs diaspora investment

According to economist Dillip Rathi "When migrants send home part of their earnings in the form of either cash or goods to support their families, these transfers are known as workers' or migrant remittances"⁴. These contributions from diaspora to their countries of origin (CoO) constitute a valuable aspect of their connections to home. In 2022, diaspora remittances reached US\$647 billion and it is estimated by 2030 this figure will reach over US\$5 trillion. These funds are mainly going to families in low- and middle-income countries (LMICs) to provide developmental and, when necessary, humanitarian crisis support. These contributions can be used for starting or supporting a business and this is where the distinction between diaspora remittance and investment can become blurred. However, if we focus on a remittance as a contribution and investment as an asset-producing exercise a nuanced exploration of diaspora financial contribution can take place.

4 D. Ratha, *Remittances: Funds for the folks back home*, International Monetary Fund.



Diaspora roles in the investment ecosystem

Diaspora encompasses people with professional skills and talents that are of great benefit when applied to diaspora investment and creating a conducive environment. Below we explore some of the roles we have observed in the EUDiF actions, research and overall diaspora investment ecosystem. The first two roles are explored in greater detail in the following pages, as they have featured in EUDiF actions.



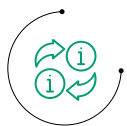
Investors

Diaspora are in a position to be aware of investment opportunities available in their CoO through their connections on the ground (family, media, friends, networks etc.). Some diasporas actively seek opportunities that will enable social impact as well as economic growth. Diaspora investors also identify opportunities within their communities in their country of residence (i.e. nostalgia economy – fast consumer goods, cultural items such as textiles). Their understanding of the terrain may lead investors to perceive higher risk options as more viable.⁵



Mentors

The skills and knowledge gained by diaspora who have invested in their CoO as well as those who have formalised their knowledge of the investment ecosystem are an important resource as mentors to new or expanding investors, entrepreneurs, businesses and other relevant ecosystem actors.



Brokers

Accessing information in a timely and factual manner is essential for investors. Diaspora are often able to compile and share this information with interested parties in their countries of origin and residence. They are also able to create or develop investment products due to their knowledge and understanding of investor interest and demand. Brokers also assist in the negotiation of contracts and being a liaison to facilitate deals and partnership building.



Initiators

An individual or entity that identifies potential partnerships, initiatives, or opportunities and establishes connections or collaborations to advance them.

⁵ V. Yelewre, *Diaspora transnational investments. The role of DutchGhanaian emigrants from the Northern Savannah Ecological Zone in national development*, International Institute of Social Sciences, 2020, P15

**Lobbyists**

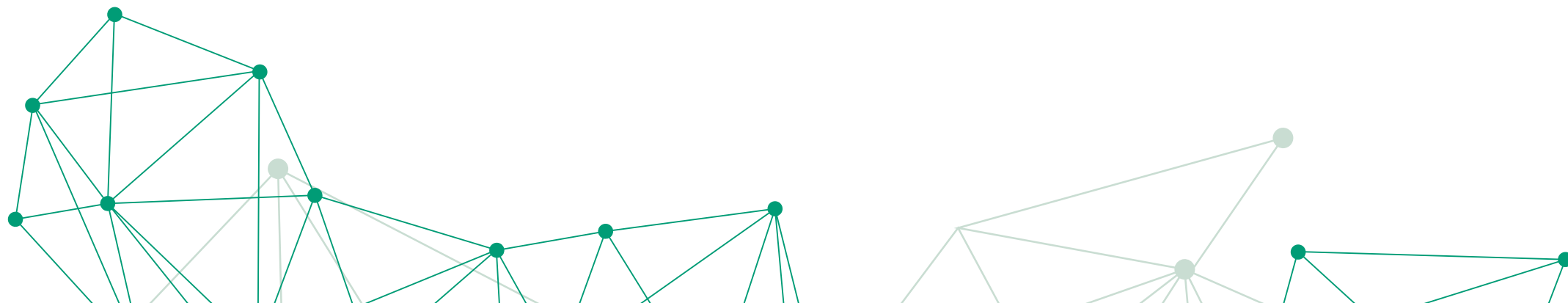
The strong links and common objectives between diaspora members result in the formation of organised individuals and groups that can advocate and lobby for policies that support the development of an enabling environment for investment and in support of the investor.

**Matchmakers**

There are those who have remained connected and engaged with their countries or region of origin and are able to initiate matches between investors and investees, seek investors in response to in-country demand and generally support all interested parties.

**Promoters**

Diaspora can act as ambassadors of domestic opportunities and promote investment packages in accessible and attractive ways for the diaspora market and other investors.



Categorising investors

Within the financial industry there are categorisations based on investors investment size. While the following table does not fully reflect investor levels, it can function as a useful guide. It is worth noting that an aspect of diaspora investment is collective investment (collectives) where investors pool funds to be able to enact larger investments than they could do alone.

Investor	Level of available investment	Types of diaspora investment	Investors
<u>Retail/ Individual investor</u> (1)	\$10,000 to \$50,000	Bonds, shares, stocks, crowd investment, micro angel investing	Diaspora individuals, collectives and organisations
	\$50,000 to \$100,000	Bonds, shares, stocks, crowd investment, small scale angel investing	Diaspora individuals, collectives and organisations , private equity firms, government (central banks)
	<u>\$100,000 to \$1 million</u> (2)	Crowd investment, angel investing, private equity	Private equity firms, government (central banks, IPAs) , financial institutions, Diaspora companies
<u>HNWI*</u> (3)	\$1 million to \$5 million	Crowd investment, angel investing, private equity, public infrastructure investment, private-public-diaspora partnerships (PPDP)	Private equity firms, government (central banks, IPAs) , financial institutions, Diaspora companies
<u>Very-HNWI</u> (3)	\$5 million to \$30 million	Crowd investment, angel investing, private equity, public infrastructure investment, private-public-diaspora partnerships (PPDP)	
<u>Ultra-HNWI</u> (3)	\$30 million plus		

* High Net worth Individual (HNWI)

(1) <https://www.investopedia.com/terms/r/retailinvestor.asp>

(2) <https://www.dlapiperaccelerate.com/knowledge/2018/friends-and-family-round-vs-angel-round.html#:~:text=Angel%20rounds&text=Angel%20investors%20look%20for%20companies,million%20in%20such%20a%20company.>

(3) <https://www.investopedia.com/terms/h/hnwi.asp>

Key challenges

Investment can be a complex space and challenges can and do arise due to a number of micro and macro influences. Diaspora investment raises its own considerations, some of the key issues that have been raised by diaspora investors are outlined below. These aspects can prevent diaspora from investing confidently.

Challenge	Who is responsible for solutions?	
	Diaspora role	Lead entity/ies to address the issue
Investment experience For some diaspora there is the lack of investor knowledge to consider. The interest and finances are available to participate but there is a lack of knowledge and skill to begin investing in the various vehicles.	Broker and mentor	Diaspora, private sector and Government
Awareness of investment options Diaspora interested in investing often find it difficult to locate relevant and timely information on opportunities, processes and data for due diligence. Despite sometimes having investment experience, investment opportunities may not be available or communicated about.	Broker and initiator	Diaspora and Government
Investment infrastructure The national and economic context dictates the availability of investment opportunities, as well as institutions (public and private) that have been established. When one or other is lacking, investment potential is limited.	Lobbyist	Government
Knowing the diaspora For entities with investment opportunities, it can be difficult for them to connect with diaspora investors as locating motivated investors necessitates understanding and ability to access, engage and locate them effectively.	Broker, matchmaker and promoter	Diaspora and Government

Economic challenges in the domestic market

The domestic market may not encourage diaspora investment (due to local currency fluctuations, barriers to market insight, etc). Investors seek stable and growth positive conditions to feel confident in entering emerging markets.

Mentor and researcher**Government****Political landscape and stability**

Trust in the government, national stability and the political landscape is a barrier to investment, particularly in election periods and during instances of national and regional instability.

Broker and lobbyist**Government****Financial regulation**

Without policies and institutions to ensure financial protection and encourage investment (e.g. incentives), the potential is limited.

Broker and lobbyist**Private sector****Institutional capacity**

Building connections and ties with diaspora is still a new endeavour for many public institutions (such as embassies, investment offices, IPAs, and untapped potential of diaspora investment).

Investors and initiators**Government****Tracking diaspora investment**

Diaspora investment can be difficult to monitor and evaluate due to numerous barriers, including institutional capacity, as well as available monitoring systems, and the difficulty of identifying the source as *diaspora* investment.

**Researcher/ gatekeeper
and promoter****Government**

Diaspora investment in action



Enhancing governmental capacity to attract expatriate investments into Egypt

In partnership with The General Authority for Investment and Free Zones (GAFI) and Anima

Summary:

In partnership with EUDiF, GAFI sought to further strengthen its expertise in attracting expatriate investment. The action aimed to enhance GAFI's expat investment unit's capacity to engage with their expatriates' community through the development of tools and methodologies for effective expatriate investor engagement.

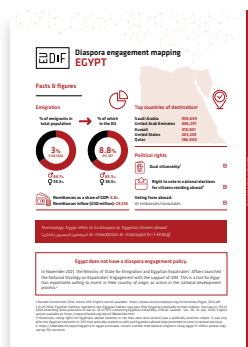
Strands of work:

1. Designing a tailored roadmap and communication plan to attract expatriate investment.
2. Peer exchange with other investment promotion agencies and governments.
3. Development of an outreach campaign, including a tailored survey to gain insight of the needs and behaviours of potential expatriate investors.

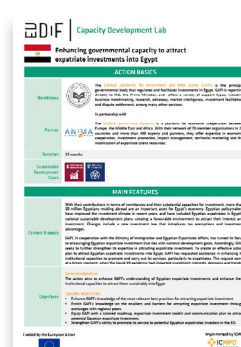
Read more:



About
Egypt



About the
action



Partner for progress

GAFI recognised the interest of expatriate investors in opportunities within Egypt and partnered with the Egyptian Professionals Network (EPN) which, has over 10,000 members, to understand these investors better. EPN also assisted GAFI with marketing and communication with their members.

Through this partnership, GAFI learned about the interests of their target audience and developed effective communication strategies. They conducted a survey with EPN and EUDiF's assistance and held online sessions with GAFI representatives. This helped gather data for GAFI and raised awareness about their work. It also helped EPN understand GAFI better, so they could support their members more effectively.

After the campaign, participant responses helped create an engagement roadmap with support from EUDiF and identified experts.

Investment Promotion Agencies supporting diaspora investment

Diaspora investors (DIs) come in diverse forms, from individual investors to collective groups comprised of professionals or community/hometown associations⁶, all united by the goal of investing in their countries of origin.

The ways in which institutions are responding to their diaspora has been captured in EUDiF's Typology of Diaspora Engagement Institutions: "Different modes of engagement are used to involve diaspora in driving economic development, ranging from simple information sharing to fully-fledged programmes, and more broadly through diplomacy"⁷. Investment Promotion Agencies (IPAs) often offer such one-stop-shop assistance to diaspora investors. IPAs like GAFI work in collaboration with other state entities (departments, embassies, ministries etc.) that impact on expatriates' ability to invest comfortably and expediently.

To deepen their understanding of IPA approaches, GAFI partnered with DMA Global through the EUDiF action to benchmark expatriate investment practices. DMA looked into the experiences of nine institutions, including five IPAs, to identify successful engagement strategies and best practices. The report generated served as a blueprint for GAFI to develop its own approach, focusing on connecting with expatriate communities, identifying their needs, and creating conducive environments for investment, thus contributing to national economic development efforts.

Five key elements of the GAFI approach:

- 1. Position GAFI as the central hub for any expat investment:** GAFI aims to be the central hub for expat investments, welcoming all investors regardless of their investment size. This involves creating targeted communication campaigns to increase awareness and educate expats about the available investment opportunities and the role of GAFI in supporting them.
- 2. Cultivate and leverage investment networks:** GAFI is committed to actively targeting and developing relationships with existing investment groups and networks that already show a strong interest in Egypt. Additionally, fostering investment interest among the youth diaspora through current youth-focused initiatives will help build a future pipeline of investors.

⁶ M. Orozco and K.Welle, *Hometown Association and Development: A look at ownership, sustainability, correspondence and replicability*, Inter-American Bank, P.12

⁷ F. Tittel-Mosser, *A Typology of Diaspora Engagement Institutions*, EU Global Diaspora Facility, ICMPD, 2023, P.18

3. **Foster coordination with internal and external stakeholders:** GAFI will continue to work closely with other departments to identify and support expat investors. For instance, collaborating with departments responsible for business surveys and registrations can help pinpoint existing Egyptian investors abroad. Moreover, engaging with the European Desk and continuing coordination with Egyptian embassies and the Ministry of State for Emigration and Egyptian Expatriates Affairs (MoSEEA) will streamline efforts and improve outreach.
4. **Develop comprehensive education and awareness campaigns:** Innovative and informative campaigns are essential to educate expats about investment opportunities in Egypt. These campaigns highlight the legal and incentive frameworks available to foreign investors, with a particular focus on sectors such as real estate, technology start-ups, and investment funds. Using various communication channels and organising events further increase awareness and engagement.
5. **Promote GAFI's services through enhanced communication:** The promotion of GAFI's services to expats involves ensuring they are compelling and tailored to different audiences. This includes guaranteeing the GAFI website demonstrates the commitment to expat investors and using a mix of targeted communication channels to deliver clear, value-driven messages. Additionally, continuing to host events and collaborating with well-known public and private figures helps mobilise and inform potential investors about the opportunities available in Egypt.



Capacity development of diaspora to leverage funds for African SMEs



In partnership with the [African Foundation for Development \(AFFORD\)](#)

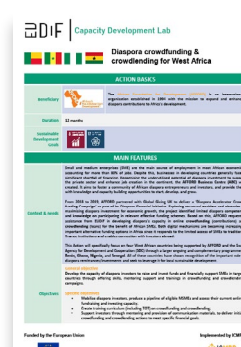
Summary:

In this action AFFORD supports diaspora interested in investing in [Benin](#), [Ghana](#), [Nigeria](#) and [Senegal](#). EUDiF supported AFFORD to develop the capacity of diaspora investors to raise and invest funds and financially support SMEs through skills development, mentoring support and trainings in crowd-funding and crowd-lending. This action contributes to the work of the AFFORD Business Club (ABC) supporting diaspora investors and entrepreneurs.

Strands of work:

1. Research on crowd funding landscape, challenges, and opportunities in Africa and the diaspora investment ecosystem.
2. Production of a crowd investment curriculum tailored to the diaspora experience available in English and French.
3. Skills development for AFFORD staff and diaspora volunteers on how to leverage crowd funding platforms and support SMEs to develop and deploy crowdfunding campaigns to raise financing.

Read more:



Speak the right language!

AFFORD has been collaborating with diaspora groups and individuals for over three decades. However, venturing into the innovative realm of diaspora investment and crowdfunding required engaging with a new segment of the diaspora in a different manner.

To navigate this effectively, EUDiF supported AFFORD to establish partnerships with the private sector and seek expertise. They collaborated with a diaspora investment marketing expert who provided valuable insights into effective outreach strategies, the presentation of information, and the language that resonates with the target audience.

A communication strategy was crafted to guide AFFORD, along with assistance in the development and execution of various activities within their action plan. Working with the expert not only ensured that AFFORD's outreach was culturally and linguistically appropriate but also facilitated staff training throughout the collaborative process of activity development.

To learn more about diaspora and communication please see [Communication for Diaspora Engagement](#) in this series.

Diaspora mentors supporting SME growth

African Small and Medium Enterprises (SMEs) face a range of challenges hindering their growth. Two significant obstacles stand out, the first is limited access to financing⁸, as traditional banking systems often overlook SMEs due to perceived risks and collateral requirements. The second is limited training and knowledge⁹ to strengthen their infrastructure and to compete effectively in the global marketplace. Diaspora have been looking at both practical and innovative ways of providing assistance.

In discussions about diaspora contributions, you often hear about the three T's: time, talent, and treasure. When it comes to mentoring, it tackles the first two: time and talent. Diaspora bring a wealth of knowledge, experience, networks, and skills that can meaningfully help bridge the gaps mentioned above. AFFORD saw the value in this and made mentoring a central part of their collaboration with EUDiF. Diaspora mentors team up with local entrepreneurs to guide them on how to use crowdfunding for their businesses. They also offer advice on how to improve business structures to attract investors. One of the most beneficial aspects of this mentorship program is gaining insights into how businesses operate in the mentors' countries. This includes understanding market demand, marketing strategies, branding styles, and the needs of diaspora customers. It is all about sharing knowledge and empowering entrepreneurs to succeed!



“The entrepreneurs really valued their time with diaspora mentors in Europe. It would be great to continue creating these links as the exposure makes such a difference.

- MDF West Africa (AFFORD local partner)

⁸ S. Cooper, *Why priming Africa's SMEs for growth needs more than money*, World Economic Forum (weforum.org), 2023

⁹ S. Cooper, *Why priming Africa's SMEs for growth needs more than money*, World Economic Forum (weforum.org), 2023

What comes next

Scalability and replicability

Geographic:

The diaspora outreach plans, communication guidance and outreach strategies developed and delivered in these actions provide the tools for the partners to be able to adapt and utilise them to enter new locations and expand their engagement with diaspora communities. GAFI has plans to apply the resources and tools to approach their diaspora in the Middle East and Americas. AFFORD have already delivered the crowdfunding curriculum to Sudanese diaspora in the UK and are planning to do the same in Nigeria and Senegal.

Range of services:

Based on the insights gleaned during the actions, the partners intend to utilise the knowledge to improve the way they work with and support their diaspora audience. AFFORD are planning to build direct relationships with crowdfunding platforms to assist them better cater to diaspora investors within the African market.

Range of beneficiaries:

Through the research conducted, GAFI has acquired insights into the needs and interests of expatriate investors, enabling them to tailor their engagement strategies (including mapping language preferences, and broker networks) for Egyptian expatriates worldwide. Additionally, AFFORD's research and curriculum piloting have unlocked broader potential beyond financial investments, leveraging diaspora members' skills, knowledge, and time. This holistic approach was implemented in the pilot phase, leading to an expanded outreach that now encompasses diaspora individuals interested in supporting African-based entrepreneurs and exploring crowd investment opportunities to enhance financing endeavours. The lessons learned within both actions provide guidance for other interested parties and peers to emulate or incorporate the information into their own work.



Top tips

Partner with new actors – Both activities benefited from the experience, knowledge and skills of partners that were from different sectors to their own. This enriched the actions by bringing new perspectives, engagement approaches and differing ways of working.

How: Identifying partners and engaging with them to work together to enter new markets or reach expanded audiences is a process of research, developing connections and being clear on expectations and motivations. This [partnership guide](#) developed by EUDiF is a useful resource to get started.

Tailor engagement – The importance of identifying meaningful pathways of connection was key as it enabled the action partners gain access to their target audience - diaspora investors. Utilising the correct language, platforms, initiators and motivation triggers have a significant impact on attaining engagement goals.

How: Gaining insight from those with expertise and experience is key to help shape successful strategies. This information can be gained from peers within your sector or through the insight of brokers and researchers. A combination of these pathways is captured in EUDiF's resource developed in partnership with [DMA Global](#) a benchmark report: [Diaspora Investment Practices](#).

Leverage partner resources – As a technical partner EUDiF is positioned to assist identify experts, peers and advisors to engage with and provide guidance to accelerate the work and aims of our partners.



Learn more

The European Union Global Diaspora Facility (EUDiF) has worked with a number of partners and experts to produce papers and resources to support our partners and contribute to the knowledge acquisition of our peers. Some of these resources have contributed to this paper.



Benchmark Report: Diaspora Investment Practices (2023)

DMA Global identified nine investment promotion agencies who have developed useful practices to engage with their diaspora. These practices were captured, analysed and shared with our partners in Egypt. This report is an expansion on that work compiled to share with those interested in engaging with diaspora communities.

Diaspora Driven Green Practices: Curated practices from Comdu.it and Zidi Circle (2023)

To delve deeper into green partnership options and practices with the diaspora, this complementary research paper provides practical insights from the experience of two organisations: Comdu.it and Zidicircle.

EUDiF Diaspora Partnership Fundamentals (2023)

This partnership guide has been developed based on partnership expertise and lived experience to provide insight on the fundamentals of building and sustaining partnerships, particularly within the diaspora ecosystem.

A Typology of Diaspora Engagement Institutions (2023)

EUDiF has devised a typology of diaspora engagement institutions to enhance public understanding of this dynamic ecosystem and complement its work supporting institutions to grow, adjust and engage the diaspora in ever more innovative ways.

Future Forum 2022: Human Capital - Enhancing diaspora investment skills: government and diaspora perspectives (2022)

Future Forum is EUDiF's annual event to share knowledge and practices within the diaspora ecosystem. In the 2022 edition of the forum, the session exploring diaspora investment has provided insight and contribution into the content of this paper.

External resources



GFRID 2023 Summit: Preliminary findings and actionable outcomes - GFRID

A set of preliminary findings and actionable outcomes resulted from the Global Forum on Remittances, Investment and Development Summit 2023. The findings are directly linked to the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), and the Global Compact for Safe, Orderly and Regular Migration (GCM) Objectives 19 and 20.



JRC Technical Report - Diaspora finance for development: from remittances to investment (2021)

This report examines different forms of diaspora finance around the world, it identifies over 300 diaspora finance initiatives through a systematic review of over 500 research, policy and grey literature documents. The study highlights the broad diversity of diaspora finance mechanisms around the world.



Migration, Diasporas and the Sustainable Development Goals in Least Developed Countries (2018)

This UN paper produced by Keith Nurse is a useful resource which explores the developmental potential of migration captured in four Goals and five Targets in the Sustainable Development Goals (SDGs). This paper goes on to explore the economic challenges as well as the opportunities for diaspora trade and entrepreneurship.



THE WORLD BANK

Diaspora for development in Africa (2011)

Dilip Ratha and Sylvia Plath explore the nexus between migration and development through the impact of remittances. They explore the potential of remittances to stimulate Foreign Direct Investment (FDI), improve access to foreign capital markets, provide grants for development and other benefits to countries of origin.

European Union Global Diaspora Facility

ICMPD
2 Place du Champ de Mars
1050 Brussels
Belgium



www.diasporaforddevelopment.eu



EU-diaspora@icmpd.org



[@diaspora4devEU](https://twitter.com/diaspora4devEU)

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