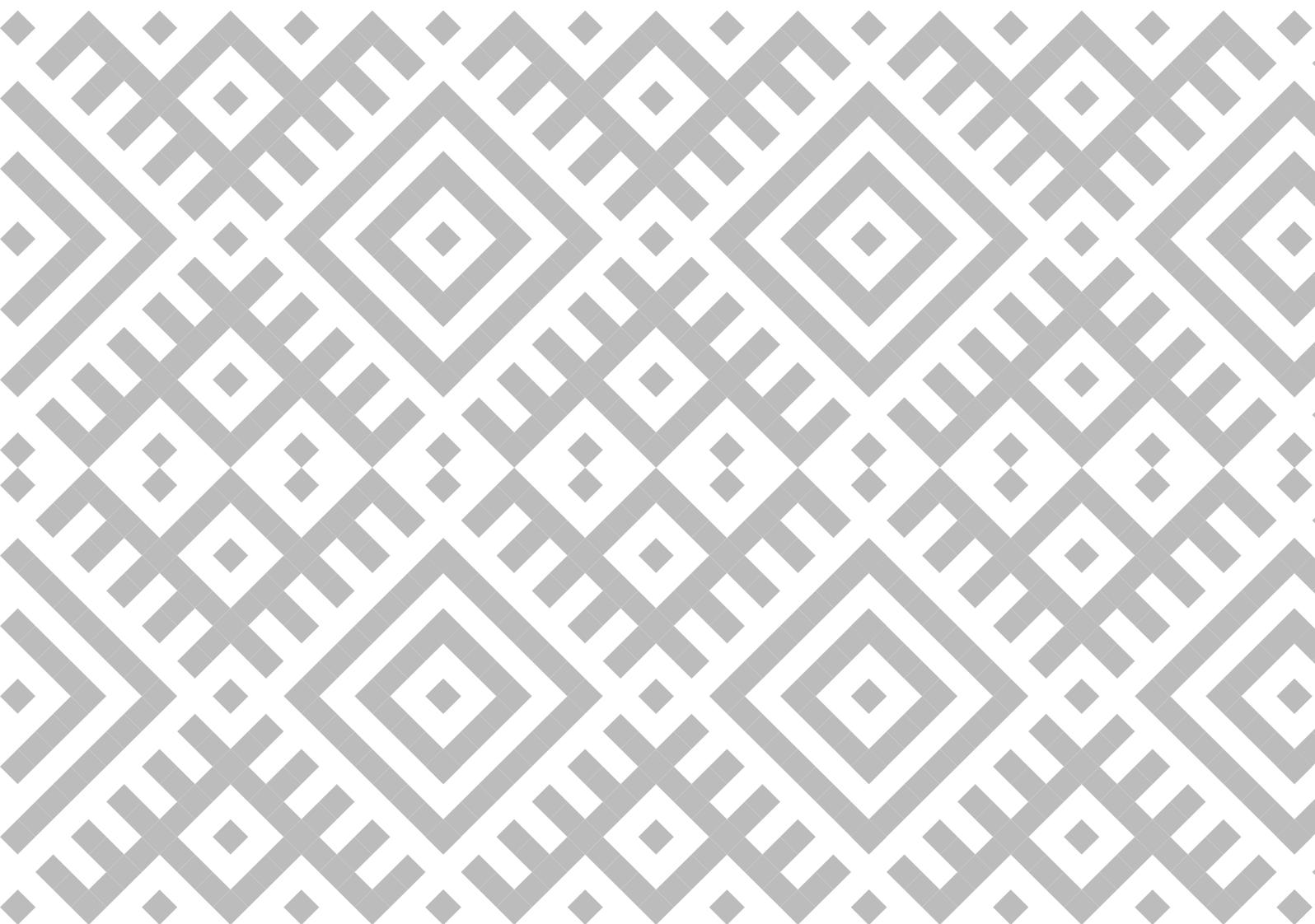


TOOLKIT

FOR
UNDERSTANDING
DIASPORA
INVESTMENT
IN AFRICA

WHAT TO EXPECT?





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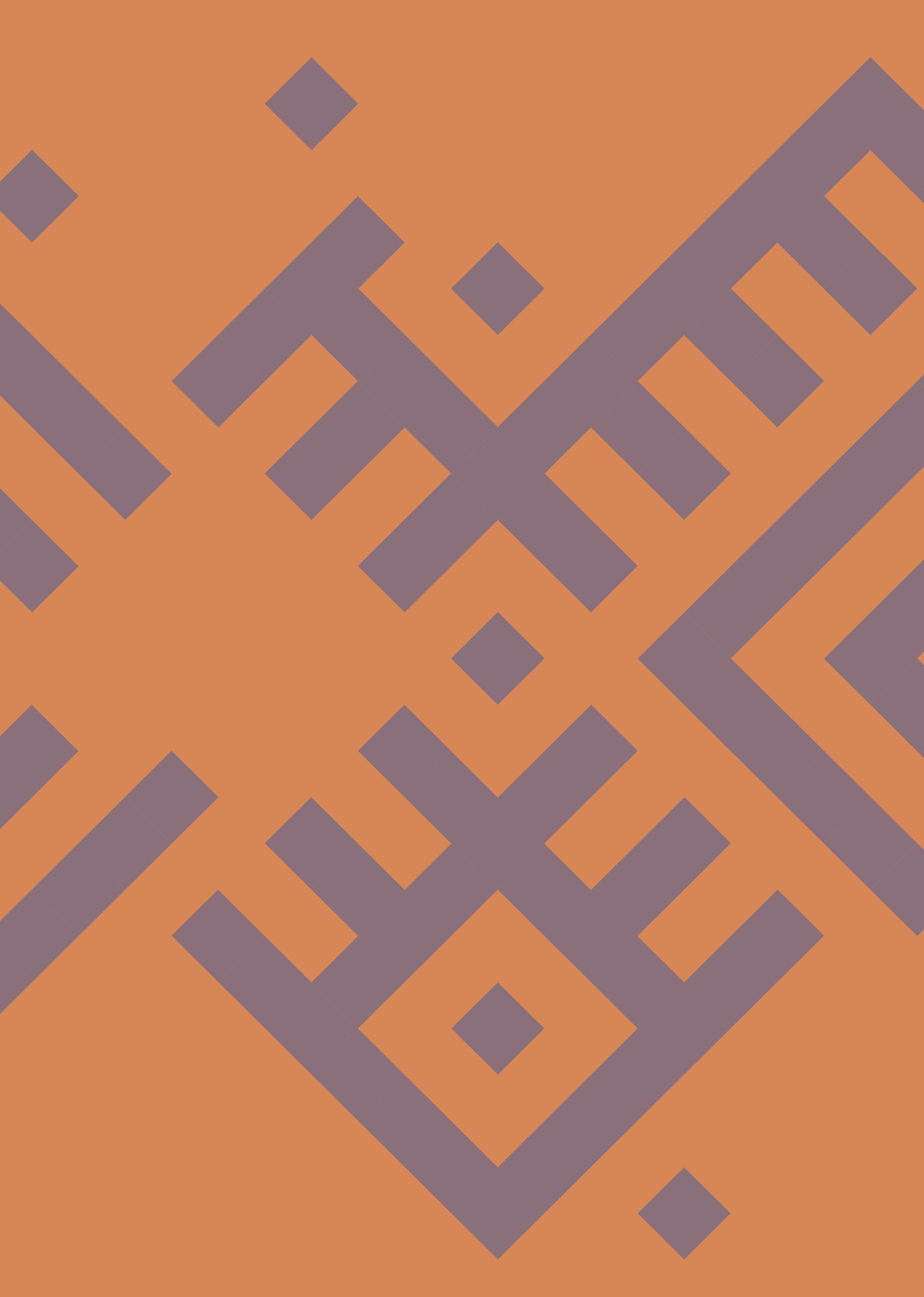
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INTRODUCTION: TOOLKIT FOR UNDERSTANDING DIASPORA INVESTMENT – WHAT TO EXPECT?

Welcome to the *'Toolkit for Understanding Diaspora Investment'*

This Toolkit has been designed for African governments to assess the viability of the diaspora investing financially back home and to determine the best approach for attracting this investment¹. The Toolkit provides a systematic guide for governments to work through, where the findings and recommendations will form the basis for robust diaspora investment strategies and shed light on what development finance institutions (DFIs) can do to support them. It is logical and straightforward in its approach, and available to non-financial experts.

This Toolkit is comprised of:

- 1 | A Handbook** – this document – where Activities should be worked through chronologically and systematically.
- 2 | An accompanying Excel Workbook** – The Diaspora Investment Assessment Template

¹ The term 'diaspora investment' often includes human capital investment – such as knowledge and skills transfer, however, in this Toolkit the focus is solely on mobilising financial investments from the diaspora. See Appendix 1 for further details of definitions.

Points to note:

- It should be emphasised that there is no definitive formula for analysing diaspora investment where certain inputs generate guaranteed outputs. Inputs (a country's financial environment, diaspora profile and the government's relationship with their diaspora) are nuanced and case-specific, while outputs (the investment vehicles) are both complex and flexible in their design. As such there always will be a level of subjectivity involved in the analysis and the formation of the recommendations for diaspora investment. This Toolkit's value is in providing the user with the relevant background knowledge and a structured framework to guide the decision-making process so that recommendations are well-considered and robust.
- It should also be stressed that historically there are not many examples of successful diaspora investment globally². The decision to target the diaspora should not be taken lightly or seen as a 'quick-win'. Most successful examples have involved considerable time in planning and product design, and significant resources in execution to reach and mobilise the diaspora.
- Finally, understanding the potential for diaspora investment in your country is not a once-off assessment process. Circumstances will evolve, and as such, the activities undertaken in this Toolkit should be reviewed periodically and recommendations reformulated accordingly.

² Time and again the Indian and Israeli diaspora bond examples are used to highlight the potential. However, both were raised in exceptional circumstances that are not always applicable to many African countries. In the Israeli case the diaspora bond is open to Jews anywhere in the world – which is particularly effective in the US. Meanwhile, India has maintained strong links with its non-resident (NRI) population.

Working through the Toolkit will provide you with:

- A comprehensive and systematic approach to data collection – ensuring that all relevant information is captured, and relevant stakeholders are engaged.
- An overview of the main investment channels currently available for raising diaspora investment, with an indication of their respective considerations, costs and benefits.
- An Assessment Template providing a standardised framework for analysing the data and reviewing which investment vehicles may be of interest.
- Recommendations on what DFIs and other stakeholders can do to support diaspora investment in a country.
- How to design a roadmap with stakeholder buy-in.

GUIDE TO NAVIGATING THE HANDBOOK

1. Assigning a Coordinator	Chapter 1
2. Data Collection	Chapter 2
a. Diaspora Engagement	
b. Financial Profile	
c. Diaspora Profile	
d. Donor Interest	
3. Diaspora Investment Template Assessment – A Guide to Using It	Chapter 3
4. Diaspora Investment Channel Profiles	Chapter 4
5. Tools to Support Diaspora Investment (Government and Donor)	Chapter 5
6. Developing a Roadmap / Stakeholder Buy-In	Chapter 6
7. Review and Evaluation	Chapter 7

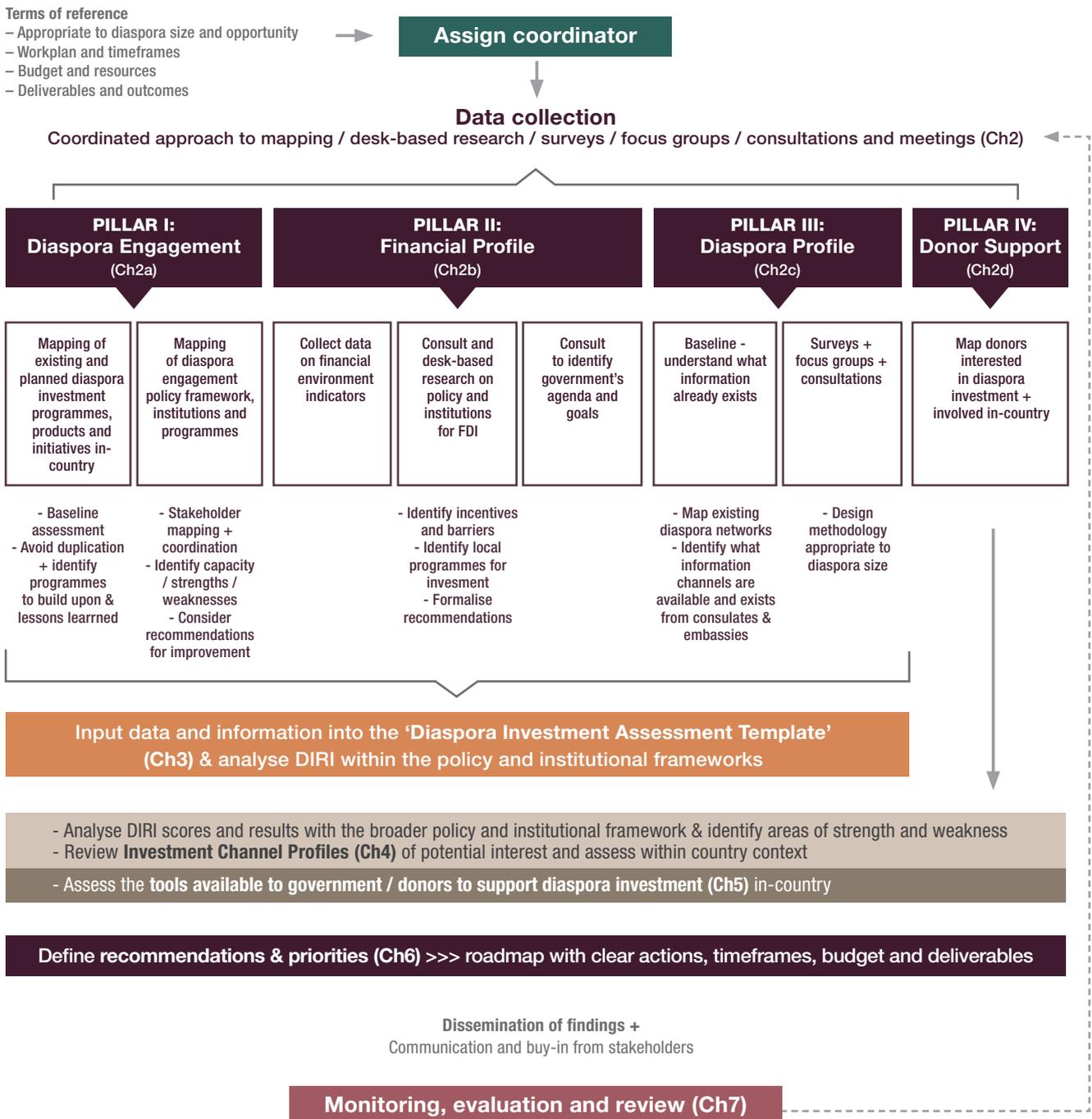
For reference:

- Appendix 1 provides the definitions on diaspora and diaspora investment that are used in the Toolkit.
- The Toolkit has been piloted and tested in three countries (Ghana, Nigeria and Senegal). The findings and outputs from these countries are in Chapter 8. These case studies illustrate the outputs from the assessment template and how the different inputs form the framework for analysis.

The Diaspora Investment Toolkit

This Toolkit outlines the process that the user should go through to understand the opportunities for diaspora investment in their country. Figure 1 shows the flow-diagram for the assessment process. This should be reviewed in detail and used as a point of reference as the Toolkit follows the structure of this flow diagram.

Figure 1: The Diaspora Investment Assessment Process



ACTIVITIES

Throughout the Toolkit there are several activities that the user is asked to perform. It is important to work through this list chronologically. A summary checklist is provided below:

UNDERSTANDING DIASPORA INVESTMENT TOOLKIT ACTIVITY CHECKLIST				
STAGE	SUBSTAGE	NO.	ACTIVITY	CHECKED Y/N
The Toolkit Coordinator		1.1	Assign a Toolkit coordinator	
		1.2	Draft a terms of reference	
		1.3	Set up a steering committee	
Data Collection	Pillar I: Diaspora Engagement – Chapter 2a	2a.1	Map existing diaspora investment-related initiatives	
		2a.2	Mapping of diaspora-related institutions for your country	
		2a.3	Baseline assessment of diaspora institutions	
		2a.4	Assessment and review of diaspora engagement institutions	
		2a.5	Review of existing data and information on the diaspora	
		2a.6	Baseline assessment of information and data on the diaspora	
		2a.7	Assessment and review of diaspora information and data	
		2a.8	Diaspora policy framework – understanding what currently exists	
		2a.9	Baseline assessment for diaspora engagement policy framework	
		2a.10	Is the diaspora engagement policy framework fit-for-purpose?	
	Pillar II: Financial Profile Investment Climate – Chapter 2b	2b.1	Review the data in this tab for your country and ensure data is from the most recent year available	
		2b.2	Understand the investment requirements of government	
		2b.3	Understand investment policy framework, institutions and programmes	
	Pillar III: Diaspora Profile ‘Know Your Diaspora’ – Chapter 2c	2c.1	Identify who you can work with to help you locate your diaspora	
		2c.2	Identify research methodologies to profile your diaspora according to your budget	
		2c.3	Research and profile your diaspora according to budget and timeframes	
		2c.4	Analysing and understanding the results of your survey is important to identify topics of interest and establish a baseline to compare when diaspora is resurveyed	
		2c.5	Refer to Table 10 to transform the survey and FGD findings into quantitative data for the Diaspora Investment Assessment Template	
	Pillar IV: Donor Interest – Chapter 2d	2d.1	Understand whether donors have specific sectors of interest	
2d.2		Are there donors that are involved in supporting diaspora investment that are not currently active in your country?		
Diaspora Investment Assessment Template Use and Analysis	Data Inputting	3.1	Follow instructions on ‘INPUTS’ tab in the Diaspora Investment Assessment Template	
		3.2	Complete hard data indicators	
		3.3	Complete soft data in ‘Survey inputs’ tab	
	DIRI workbook	3.4	Familiarise yourself with the DIRI Workbook tab and the mechanics of the DIRI	
	Weightings	3.5	Review the weights assigned to indicators to understand their relative importance to one another and contribution to the DIRI	
	DIRI Outputs	3.6	Review the information in the three tabs (SNAPSHOT, DIRI and DIRI_IC) in relation to the guidance notes provided	
	DIRI	3.7	Review DIRI sub-indexes and the relative scores	
		3.8	Review and assess the DIR_IC Results Table	
Tools to Support Diaspora Investment (Government & Donor)	Guidance to Using the Diaspora Investment Support Tool in the DIRI Assessment Template	5.1	Review the potential tools that could be used to support diaspora investment through specific vehicles and their relative appropriateness within your country context	
Forming Recommendations, Priorities and a Roadmap		6.1	Produce diaspora investment roadmap	
Monitoring, Evaluation and Review		7.1	Monitoring (ongoing)	
		7.2	Evaluation	

CH1

ASSIGN TOOLKIT COORDINATOR

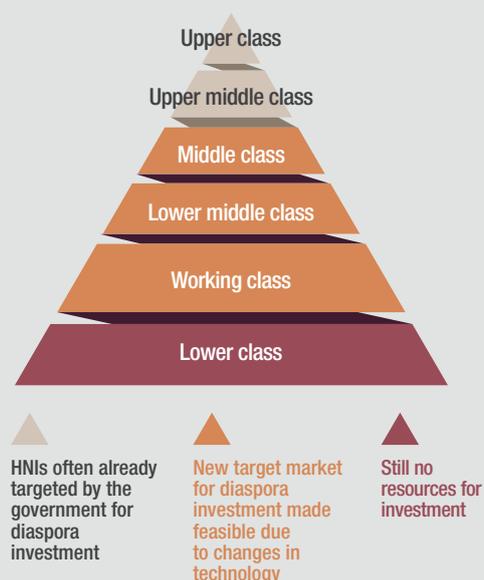
Finding the Toolkit a Home

This Toolkit is for government ministries, departments or agencies (MDAs) where there is vested interest in mobilising the diaspora for financial investment. MDAs that could take the lead in the use of the toolkit include:

- Ministry of Finance
- Central Bank
- Treasury
- Ministry of Trade
- National Investment Promotion Agency
- Diaspora Unit

BOX 1: DIASPORA INVESTMENT – A NEW FRONTIER OF OPPORTUNITY

The potential for diaspora investment is at an exciting time. Historically, diaspora investment has been focused predominantly on high net worth individuals (HNIs), however, recent developments in technology now mean it is financially feasible for governments, and businesses, to engage with a wider segment of the diaspora.



The ubiquity of access to the internet and smart phones among Africans and diasporans is creating new levels of connectivity, not only between family and friends, but also presenting new opportunities for businesses, financial institutions and governments to engage and communicate with those overseas.

Furthermore, more recently, the emergence and uptake of cross-border digital payments is also changing the remittances landscape, reducing the costs and timeframes involved, and providing an opportunity for those overseas to manage their investments remotely from the convenience of their mobile phones. This digitalisation is also providing higher levels of transparency, accountability and trust.

THE TOOLKIT COORDINATOR

ACTIVITY 1.1: Assign a Toolkit coordinator

- The Toolkit coordinator is an individual, or a small team, to take the lead and ownership in the implementation of the Toolkit. The coordinator role is important in ensuring that the necessary focus is given to data collection and stakeholder engagement, and that the analysis is coordinated – bringing together all strands of the assessment process.
- The coordinator should be a senior consultant or expert, either within one of the identified MDAs or a dedicated external resource. A DFI could take on this role. If an external resource is hired to manage the process through the Toolkit, at least six months' full-time work should be budgeted for, in addition to travel.
- Buy-in from identified stakeholders is key to the assessment, due to the often uncoordinated involvement of multiple government MDAs. Buy-in will give both legitimacy and credibility to the work being carried out.
- It is important that the coordinator has access to government stakeholders and key policy and decision makers for support in the implementation of the recommendations.

ACTIVITY 1.2: Draft a terms of reference

A terms of reference (TOR) should be drafted, taking into consideration the diaspora size and the country's resources for activities. The TOR should include:

- Workplan and timeframes
- Budget and resources for undertaking the Toolkit activities
- Expected deliverables and outcomes

Data inputs collected and applied to the Toolkit should be reviewed and updated on an annual basis to reflect changes in the environment.

ACTIVITY 1.3: Set up a steering committee

A steering committee of identified stakeholders should be set up to provide support, guidance and national oversight of the Toolkit process. The steering committee should meet on a regular basis, share relevant information, detail clear division of roles and responsibilities, communicate and address any issues that have arisen, and plan collaboratively. Recommendations should be presented to the steering committee and a workplan formulated collectively.

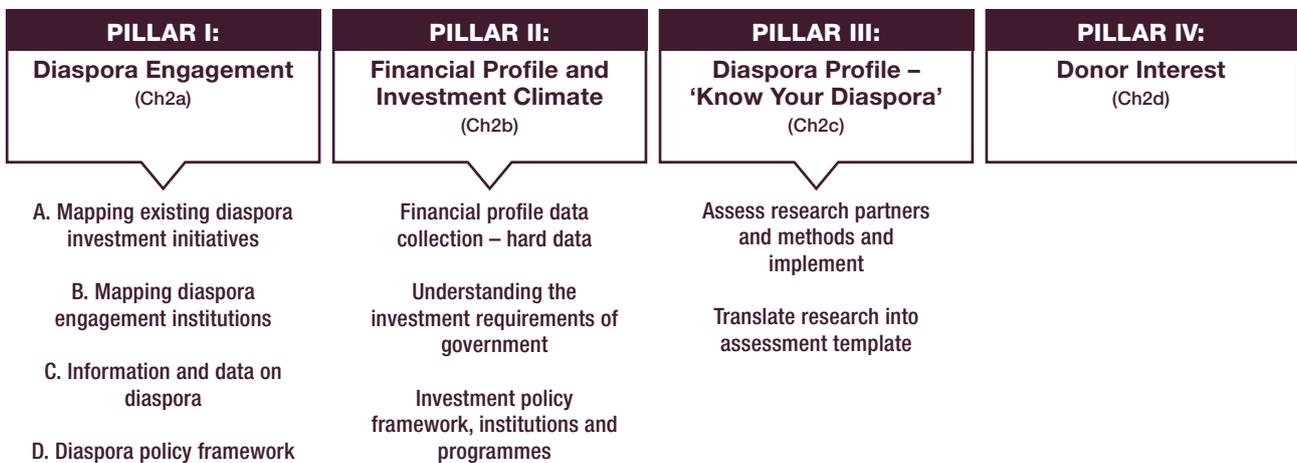
CH2

DATA COLLECTION

As shown in Figure 1 in the Introduction, data collection and mapping are key activities in the diaspora investment assessment process and resources (budget and time) should be allocated appropriately to the process. The outputs from the Diaspora Investment Assessment Template (see Chapter 3) and the subsequent analysis

will **only be as good** as the quality of the data inputted.

This Toolkit provides a structured approach to data collection and outlines the data, indicators and information needed to form the basis of the assessment. This has been broken down into four Pillars:



Within each of these Pillars there are specific areas of interest, activities and indicators that need to be collected when considering diaspora investment potential. The Toolkit is prescriptive in terms of the information that needs to be collected within each Pillar. Details of the research methodology and the information to be gathered can be found in Appendix 2, Chapters 2a–d.

A range of research methodologies will be required to collect and gather the information, including:

- Desk-based research – including web-based databases, government portals, reports and internet searches for company information, news archives, etc.
- Primary research – including consultations, interviews, surveys and focus group discussions.

Chapters 2a–d should be worked through chronologically. **All information should be collated, documented and reviewed before progressing to Chapter 3,** the ‘Diaspora Investment Assessment Template’. The information gathered through the mapping and consultation exercises will frame the results from the Assessment Template within the broader context.

Information gathered in each section should also be reviewed separately, and weaknesses and gaps identified in relation to diaspora investment to form recommendations for improvements.

 **ACTIVITIES: Complete activities 2a.1–2d.2.**

APX1

DEFINITIONS

WHO ARE THE DIASPORA?

The diaspora encompasses the citizens of a country staying temporarily or permanently abroad, persons with origins from the country and their descendants, as well as the communities formed by citizens and persons of the country living abroad.⁶

HOW TO DEFINE DIASPORA INVESTMENT?

A. Direct diaspora investment (DDI)

International entrepreneurship in the country of origin by a repatriated or a circular-migrating diasporan, or foreign direct investments made in the country of origin by a multinational enterprise (MNE) as the result of managerial actions / advocacy led by a diasporan employed by the MNE.

B. Diaspora portfolio investment (DPI)

Investments made in the country of origin by a diasporan or groups of diasporans, including (1) the purchase of sovereign bonds issued by the country of origin government, (2) the purchase of equity in companies in the country of origin, (3) investments made in fixed-income or other securities that lend money to firms exclusively in the country of origin, (4) stock purchases in the country of origin, and (5) investments made in mutual funds comprised of firms in the country of origin.

The focus of the Toolkit for Understanding Diaspora Investment is on DPI. Other elements that may be considered as diaspora investment are out of scope.

⁶ Moldova Government.

CONTACT:

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