

## GLOBAL DIASPORA SUMMIT 2022

# PAVING THE WAY TO ACHIEVING OBJECTIVE 19 OF THE GLOBAL COMPACT FOR MIGRATION

### **Thematic Working Group No.1: Diaspora Economic Capital**

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*Develop targeted support programmes and financial products that facilitate migrant and diaspora investments and entrepreneurship, including by providing administrative and legal support in business creation and granting seed capital-matching, establish diaspora bonds, diaspora development funds and investment funds, and organize dedicated trade fairs (Global Compact for Safe, Orderly and Regular Migration).*

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## 1. Introduction

It is safe to say that governmental focus on unlocking more sustainable uses of diaspora economic capital has been at the forefront of why countries of origin and residence have been drawn more to the diaspora potential for development.<sup>1</sup> With individual entry points from remittances and efforts to change their behavioural application through to more large-scale economic designs for diaspora engagement, the area of diaspora economic capital has emerged as the primary focus of several policies and programmes around the world.

Whilst the area is engrained in several global policy agendas and exchanges, the level of impact from diaspora economic capital is yet to be fully realized. Cutting across the thematic foci of the other technical working groups, it is imperative to explore where and how engagement of diaspora economic capital can be most suitably built. For example, is the primary focus on diaspora economic capital, particularly from governments in countries of origin, too speedily pursued without building the right types of relationships with diaspora communities? A regular complaint from diasporas is often that they feel they get asked too regularly just for financial contributions.

Therefore, in this background paper, the discussion explores diaspora economic capital as just one piece of a complex framing of diaspora capital. It explores how diaspora communities through working with countries of origin and residence and various implementation actors have begun to scale various forms of interventions to unlock the economic capitals of diaspora communities. Based on formative analysis from the IOM's recent toolkit on diaspora mapping, certain thematic areas of engagement are illustrated such as business and entrepreneurship activities, trade and investment activities, remittance sending behaviours and practises, tourism, and philanthropy.<sup>2</sup>

More broadly, economic capital is defined "as any economic resource used to buy and/or make products and provide services."<sup>3</sup> The purpose of this background paper is to provide a sample of activity and discussion as any exhaustive treatment of diaspora economic capital would extend beyond the scope of the background purpose of the paper.

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<sup>1</sup> For all background papers for the GDS, the official IOM definition of diaspora is used. This defines diaspora as "migrants or descendants of migrants whose identity and sense of belonging, either real or symbolic, have been shaped by their migration experience and background. They maintain links with their homelands, and to each other, based on a shared sense of history, identity, or mutual experiences in the destination country." This is sourced via IOM. (2019). Glossary on Migration. International Migration Law, No. 34. IOM. Geneva.

<sup>2</sup> IOM. (2020). *Contributions and Counting Guidance to Measure Economic Impact of Diaspora Beyond Remittances*. Geneva.

<sup>3</sup> This definition was provided by IOM to inform this background paper.

The spirit of the analysis that follows is to shape informative and instructive guidance for participants at the technical working group to explore how diaspora economic capital can build sustainable systems of engagement that align the aims of government with that of the diaspora. It is a decade since the cover of *The Economist* noted that the magic of diaspora is reshaping the global world of business through migrant business networks.<sup>4</sup> In this paper, the aim is to move towards an agenda of action that can build a collaborative, co-created future for the role of diaspora economic capital at home and abroad that fulfils the potential outlined in that article.

## 2. Diaspora Economic Capital for Countries of Origin

Countries of origin, particularly over the past decade or so, have really awoken to the economic power of their global diaspora communities and networks. As the definition of economic capital above prescribes, this power is both financial and non-financial. Whilst the historical discussion on diaspora economic capital was predominantly rooted in remittances, which remains a critical dynamic in the discussion, it has begun to broaden to include ways in which diasporas can contribute to business and entrepreneurship, trade and investment, tourism, philanthropy, and other areas.

These areas should not be seen as the exhaustive listing of how diaspora economic capital can be engaged but provide a solid baseline to build upon the introductory discussions above. These core areas allow an exploration of ways in which all levels of capacity across diaspora communities can play an active role in socio-economic development for countries of origin. It will also allow for cross-cutting themes to emerge that are becoming more pronounced in terms of how governments, diasporas, and international development partners are beginning to engage with diaspora economic capital. These include local development, social impact, gendered engagement, and youth engagement.

### 2.1 Diaspora Tourism

For example, emerging from a period of physical distancing between diasporas and countries of origin due to the COVID-19 pandemic, the acceleration of diaspora tourism is already being witnessed. This sector will emerge as a key area of recovery through diaspora engagement. In recent weeks, the Government of Jamaica has announced a “Rediscover Jamaica” campaign which is a partnership between the Ministry of Tourism and hoteliers to encourage domestic tourism through diaspora marketing. The campaign will include a “60/60 Diaspora Vacation Package,” which will identify “60 Jamaican couples from the diaspora to stay in one of the country’s luxurious hotels at a rate of US\$60 per night from mid- August to mid-December.”<sup>5</sup> Such initiatives are developed from formative global exemplars such as The Homecoming in Scotland, The Gathering in Ireland, and the Year of Return in Ghana.

#### *Case Study One – Year of Return, Ghana 2019*

*The “Year of Return, Ghana 2019” was a major landmark spiritual and birth-right journey inviting the Global African family, home and abroad, to mark 400 years of the arrival of the first enslaved Africans in Jamestown, Virginia. A year-long calendar of events was developed to support the initiative.*

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<sup>4</sup> The Economist. (2011). *The Magic of Diasporas*. 19 November Edition.

<sup>5</sup> Derrick Scott. (2022). Bartlett Targets Diaspora With ‘Rediscover Jamaica’ Campaign. *Jamaica Information Service*, 30 January. (Available at <https://jis.gov.jm/fw-bartlett-targets-diaspora-with-rediscover-jamaica-campaign/>).

*The Ghana Tourism Authority (GTA) under the auspices of the Ministry of Tourism, Arts, and Culture led the project in collaboration with the Office of Diaspora Affairs at the Office of the President the PANAFEST Foundation and The Adinkra Group of the USA.<sup>6</sup>*

Whilst the level of financial impact is debated, authorities in Ghana estimated that it led to an injection of \$1.9 billion into economy and it was noted that “as a public relations and advertising feat, it was very impressive.”<sup>7</sup> In this context, the commercial power of diasporas also deserves acknowledgement. It has also been mobilized to alleviate commercial pressures in local markets during the COVID-19 pandemic. GERMIN, for example, developed ShqipShop which is an online marketplace that brings together artisanal crafts and patriotic home-goods sourced from producers around Albania and Kosovo to be marketed to the diaspora.<sup>8</sup> This is an example of how different forms of diaspora capital may coalesce for economic impact in areas such as trade promotion, tourism, and such.

## 2.2 Diaspora Trade and Investment

This section of the background paper provides a synopsis of key engagement areas and instruments that can be mobilized through diaspora economic capital in a broader understanding of the role of diasporas in trade and investment. This wires both the financial and non-financial dynamics built across diaspora economic capital.

### 2.2.1 Diaspora Business Development and Entrepreneurship

The role of diaspora economic capital in supporting business development and entrepreneurship in countries of origin is multifaceted. As natural bridge-builders, diasporas can provide important social remittances in terms of sharing advancements in business procedures. They can also be mentors for entrepreneurs back home whilst also remaining an important repository of entrepreneurial talent themselves to be channelled for good back home.

Whilst a lot of strategic interventions have been forthcoming in this regard over the past few years, signposted by initiatives such as Back for Business in Ireland, the African Diaspora Marketplace in the United States, and others, certain areas are growing increasingly popular.<sup>9</sup> These are also reflective of the need for diaspora engagement, especially diaspora economic capital, to remain cognizant of non-diaspora trends in economic development to retain its relevance. Three thematic areas of interest emerging strongly are in the areas of gendered engagement, youth and impact, as well as local development.

In terms of gendered support in countries of origin for both women entrepreneurs locally and in the diaspora, there are many innovative networks being created. Whilst global exemplars such as TurkishWIN remain the forerunners in the field, there have been recent supports by international actors such as GiZ to help support programmes specifically for diaspora women entrepreneurs across

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<sup>6</sup> For more information see, <https://www.yearofreturn.com/about/> and reflections sourced in BBC. (2021). African diaspora: Did Ghana's Year of Return attract foreign visitors? 30 January. (Available at <https://www.bbc.com/news/world-africa-51191409>).

<sup>7</sup> BBC. (2021). African diaspora: Did Ghana's Year of Return attract foreign visitors? 30 January. (Available at <https://www.bbc.com/news/world-africa-51191409>).

<sup>8</sup> For more information, please see <https://shqipshop.org/>.

<sup>9</sup> For more information on Back for Business, please see <https://www.backforbusiness.com/>. For more information on previous iterations of the African Diaspora Marketplace, please see [https://www.usaid.gov/sites/default/files/documents/1880/African\\_Diaspora\\_Marketplace.pdf](https://www.usaid.gov/sites/default/files/documents/1880/African_Diaspora_Marketplace.pdf).

their business development plans.<sup>10</sup> Additionally, new networks such as the Malawian Women in the Diaspora Network is also aligning towards a gendered focus on socio-economic development.

#### *Case Study Two – Malawian Women in the Diaspora Network*

*The purpose of the Malawian Women in the Diaspora Network is to coordinate information that will contribute to greater participation in national development, knowledge exchange and skills transfer, investment in Malawi and philanthropic activities. It aims to be a source of research output and relevant evidence-based material covering diverse sectors and highlighting issues that affect Malawian women. It works to strengthen influential female role models and the inspiration they can bring to young Malawians.*

*The network was launched by the First Lady of Malawi in 2021.<sup>11</sup>*

Another powerful mainstream trend that is beginning to embed into the engagement of diaspora economic capital is prioritization of youth and impact orientated engagements. Given that many small island developing states are facing the brunt of climate change, creative platforms and tools are being created directly or indirectly by countries of origin to push forward ethical and responsible investing that can contribute to the SDGs.

It is important to embrace a wider lens of the economic contribution of diaspora to understand the different roles and responsibilities they can play in such ambitions. One organization which is embracing this challenge is ZidiCircle.

#### *Case Study Three – ZidiCircle*

*ZidiCircle aims to promote inclusive and sustainable economic growth through productive employment and decent work for all diaspora entrepreneurs through capacity building and financing. By providing finance to diaspora entrepreneurs, it hopes to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Its overall aim is to reduce inequities within and among countries for diaspora entrepreneurs by ensuring they get the finance required to kick-start or scale their respective businesses.<sup>12</sup>*

Engaging diaspora economic capital naturally aligns government and the marketplace. Therefore, even in the examples shared above, it is important to note that governments in countries of origin play some specific roles. These are predominantly related to the regulation and design of a favourable economic landscape for local entrepreneurs, diaspora entrepreneurs, and business development to prosper. The actual engagement of the diaspora can sometimes be best served in partnership and be nurtured through specific instruments such as fintech solution, bonds, direct investment opportunities, and such

### **2.2.2 Diaspora Investment**

A form of economic capital mobilization that can offer both financial and development returns for both migrants and countries of origin is that of diaspora investment. Diaspora investment is generally received by business enterprises, government organizations or non-government organizations,

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<sup>10</sup> For more information on TurkishWIN, please see <https://turkishwin.com/>. For more information on GiZ work to empower diaspora women entrepreneurs, please see [https://gender-works.giz.de/wp-content/uploads/2022/02/Womens-entpreneurship-event-flyer\\_final.pdf](https://gender-works.giz.de/wp-content/uploads/2022/02/Womens-entpreneurship-event-flyer_final.pdf).

<sup>11</sup> For more information, please see <https://www.malawianwomendiaspora.com/>.

<sup>12</sup> For more information, please see <https://zidicircle.com/about-us-2-2/>.

distinguishing it from remittances which are generally received by households. Diaspora investment can come in many forms but can, at a higher level, be allocated into three forms whereby the member of the diaspora acquires an asset in their country of origin: diaspora bank accounts, equity, and debt.<sup>13</sup>

#### *Diaspora Bank Accounts*

Diaspora bank accounts may be offered in local or foreign currency and may be accompanied by incentives to encourage investment such as favourable interest rates and/or low tax on interest received. For receiving countries, they can be a low-cost means of mobilising foreign currency flows into the country thus strengthening the country's balance of payments. From these accounts, members of the diaspora may execute other forms of diaspora investment.

#### *Diaspora Equity Investment*

Equity investment is the method whereby a member of the diaspora invests in the private sector of the receiving country. The degree of control or influence that the diaspora investor attains will determine whether that investment is considered a direct investment or a portfolio investment.

- **Diaspora Direct Investment**

Diaspora Direct Investment (DDI) is where a diaspora investor takes a direct stake in a business in their country of origin. Often the investment will establish some level of control or influence over the business (usually set a threshold of 10% shareholding), perhaps with some direct management of the business and possibly a mentoring role.

- **Diaspora Portfolio Investment**

Diaspora portfolio investment is the means by which the diaspora investor holds a small proportion of the equity of a business in the receiving country but does not necessary influence day to day activities. Typical methods of investment might be via stock market investment or mutual funds. Pakistan has had a successful initiative of mobilising such investment via diaspora bank accounts as described below.

#### *Diaspora Debt*

The primary route via which the diaspora may invest in the debt of a country is via diaspora bonds, which may be issued in local or foreign currencies. The funds from such bond issuance may or may not be earmarked for specific purposes. In many examples diaspora appear willing to pay a diaspora premium for these bonds meaning they can by a cheaper way to raise funds for receiving governments than issuing on the market. Pakistan has had a successful initiative in raising investment for diaspora bonds via diaspora bank accounts.

#### *Case Study Four – Roshan Digital Account*

*In September 2020 Pakistan launched the Roshan Digital Account (RDA) which looks to encourage diaspora investment into the country via diaspora bank accounts. A number of incentives were provided to the diaspora including ease of opening a digital account remotely, foreign currency diaspora accounts, favourable interest rates as well as fiscal incentives on returns. Via the accounts, members of the diaspora can invest in diaspora bonds, the local stock market and other securities. As of February 2022, the scheme*

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<sup>13</sup> For a broader discussion on the different types of diaspora investment see Gelb, Stephen; Kalantaryan, Sona; McMahon, Simon and Perez-Fernandez, Marta (2021), *Diaspora finance for development: from remittances to investment*, EUR 30742 EN, Publications Office of the European Union, Luxembourg, 2021, ISBN 978-92-76-38762-6, doi:10.2760/034446, JRC125341



had initiated \$3.6bn inflows into diaspora accounts with onward investment into government bonds of \$2.5bn and stock market investment of \$35m.<sup>14</sup>

Despite such innovative instruments emerging for engagement economic capital, it is also important to remember that asking too much financially of your diaspora too soon can be detrimental to building the linkages between diaspora economic capital and job creation. This is visualized most effectively in terms of the different role that diaspora can play in terms of diaspora direct investment. Based on the foundational work of Ardovino and DeBass on DDI being the untapped potential for development, the five roles they identify for diaspora through DDI helps contextualize the various economic roles that the diaspora can play.<sup>15</sup> These are visualized below:

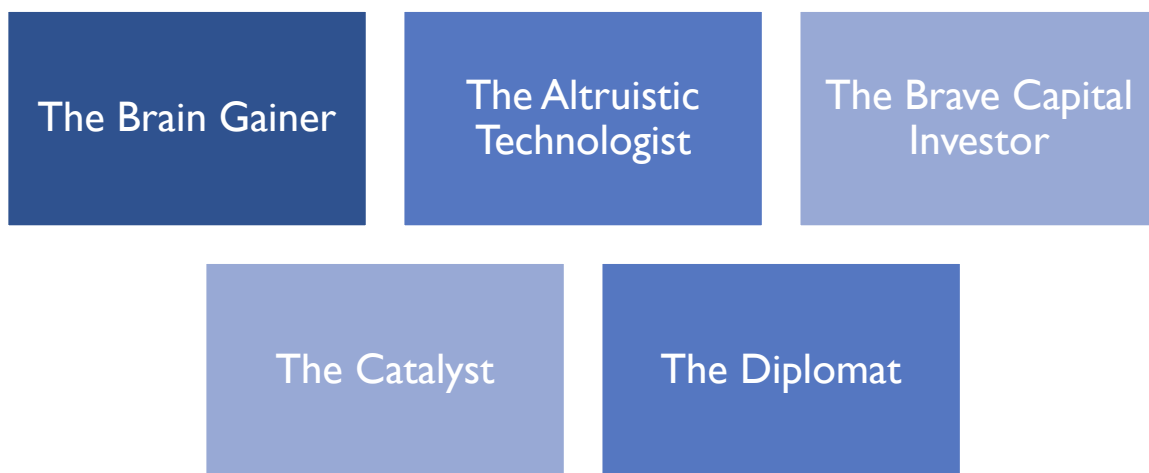


Figure 1 Overview of Roles of Diaspora in DDI (Ardovino & DeBass, 2009)

These roles display an astute understanding of the different development asks that can be made of the diaspora through economic capital. These can include both financial and non-financial asks and building critical knowledge on not what the diaspora can do but what they will do can help countries of origin build a sustainable strategy for engagement. Similarly, another important access point to consider in engaging diaspora economic capital is the growing realization that for many diasporas, their sense of connection to a locality may be more powerful than their sense of connection to the nation.

### 2.2.3 Diaspora and Local Development

The building of a conducive business environment is also complicated by the fact that engaging diaspora economic capital will likely include local authorities also. There is a growing appreciation in diaspora engagement that diasporas have a stronger sense of affinity for their locality back home (i.e., their town, city, or region). Indeed, this has resulted in some towns, cities, and regions beginning to build their own diaspora engagement tools for economic development. For example, Greater Copenhagen

<sup>14</sup> See State Bank of Pakistan dedicated website <https://www.sbp.org.pk/RDA/index.html>

<sup>15</sup> M. Ardovino and T. DeBass. (2009). *Diaspora Direct Investment: The Untapped Potential for Development*. USAID. Available at [https://pdf.usaid.gov/pdf\\_docs/Pnado983.pdf](https://pdf.usaid.gov/pdf_docs/Pnado983.pdf).

has supported the development of the Copenhagen Goodwill Ambassadors which is a network of influential Danish leaders globally who are advocating and promoting on the behalf of the region.<sup>16</sup>

The rising prominence of local development for diaspora economic capital has also been showcased in larger-scale programmatic interventions promoted in partnership between government and international development partners. For example, one of the key results of the USAID Diaspora Invests project in Bosnia and Herzegovina was that the diaspora was more interested in supporting or investing in business development in the local regions from which they were from.

#### *Case Study Five – USAID Diaspora Invests BiH*

*The USAID Diaspora Invests project in Bosnia and Herzegovina had three main components: Assisting in the development of the strategy framework for diaspora investment and engagement in the economic development of BiH, which will be integrated into economic development strategies and action plans at all levels of government (state, entity, cantonal and municipal); Expanding diaspora direct investment through technical assistance and grants to eligible early-stage small and medium-sized enterprises. Technical assistance included establishing a BiH diaspora marketplace and Business Plan Competition to source innovative and high-growth oriented business ideas and providing business advisory services and other technical assistance with successful investors and start-ups also eligible for DCA-backed loans provided through a complementary USAID program outside of the scope of this project; and developing a sustainable local platform to provide diaspora business services and facilitate investment.<sup>17</sup>*

The core rationale for an increasing level of interest in diaspora economic capital by countries of origin remains the fact that diaspora engagement can now be verified as a potential creator of sustainable jobs. The balance for governments in countries of origin to try to strike is to understand when such diaspora economic capital comes in the form of direct financial contributions and non-financial contributions from the diaspora.

Some of these engagement areas can be shaped across the other forms of diaspora capital being discussed in other technical working groups such as human capital and social capital. However, their prominence here is aligned to the reality that engaging diaspora economic capital for countries of origin will be required to not just invest in building institutional offerings but also building access to granular data on the diaspora as well as the correct types of economic networks.

Beyond creating conducive business environments, data collection, and segmented engagements, interventions around remittances and financial inclusion further amplify direct financial inputs from the diaspora through their economic capital. Yet, however, critical questions still remain on the optimal role of government in these areas also.

### 2.3 Remittances and Financial Inclusion

Underpinning moves to begin to target diaspora economic capital for more sustainable outputs has been the remarkable resilience and scale of remittances. In terms of financial contributions by diasporas to their countries of origin, remittances have been the most accessible ways in which

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<sup>16</sup> For more information, please see <https://gwa.copcap.com/>.

<sup>17</sup> For more information, please see <https://www.usaid.gov/bosnia-herzegovina/fact-sheets/fact-sheet-harnessing-diaspora-economic-development>. For evaluation report on the programme, please see <https://www.measurebih.com/performance-evaluation-of-the-usaid-bih-diaspora-invest-activity->.

diaspora communities contribute back home. Whilst critical discourse remains in different parts of the world around potential issues such as remittance dependency impacting development, the scale and resilience of such transfers pinpoints their centrality to understanding economic contributions of diasporas to countries of origin.

In reporting remittance flows in 2021, the World Bank stated that:

In 2021, we expect remittance flows to low- and middle-income countries (LMICs) to reach \$589 billion in 2021, a 7.3 percent increase over 2020. Remittances now stand more than threefold above official development assistance and, excluding China, more than 50 percent higher than foreign direct investment.

This recovery follows the resilience of flows seen in the second half of 2020 which almost compensated for the disruption suffered during the second quarter; flows for the year recorded only a modest 1.7 percent decline in the face of one of the deepest global recessions.<sup>18</sup>

It is imperative to remind the sector of the fundamental reality that the attitudinal and behavioural spend of diasporas is often rooted in its origin as a sociological phenomenon. This means that remittances are primarily personal transfers to family or similar purposes. This often gets muted in the workload towards engagement of remittances where assumptive technologies and tools based on the size of market opportunity fail to verify the specific aims, concerns, and needs of diasporas in how they wish to apply their remittances and how recipients also apply the funds. There is scope to encourage remittance use in different financing tools, but this will be rooted in understanding the motivations of such flows.

Therefore, important engagement tools focusing on data collection, digital and financial inclusion, education and literacy, and other aspects of effective remittance mobilization have emerged as critical in the design and delivery of such engagements. GiZ also developed an online financial education tool to help diaspora communities in Germany scope out more sustainable uses for their remittances and financial engagements with home based on their financial fitness to engage in key sectors.

#### *Case Study Six – GiZ Online Remittance Training*

*The training will increase confidence and knowledge in terms of managing money and budget and understanding the opportunities to invest a part of remittances sent into funds for longer term investments (such as small businesses, savings accounts, insurance). Also, it will train to increase the level of financial knowledge of senders or recipients of remittances so that they are better able to save and invest remittances for sustainable economic development in the country of origin.*

*The modules address the following four topics: Fit to remit, Fit to save, Fit to invest, Fit to entrepreneur.<sup>19</sup>*

The modules in the case study also reflect an increasing range of products being developed by private sector and international development partners working with countries of origin to begin to change behavioural applications of remittances. This has seen an increase of engagements that have begun to

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<sup>18</sup> D. Ratha. (2021). Global Remittance Flows in 2021: A Year of Recovery and Surprises. World Bank, 17 November.

<sup>19</sup> For more information, please see <https://online.atangi.org/enrol/index.php?id=2353>.

test feasibility of channelling remittances through areas such as crowdfunding (e.g., Babyloan Mali)<sup>20</sup>, and linking to other financial services such as savings products, diaspora mortgage products, insurance products, and incentive products (e.g., GUBA Diaspora Card).<sup>21</sup>

Across these areas, governments in countries of origin play an important legislative role but can also support key data collection, managing, and processing roles to help drive product development to be aligned with local need. This can also be important in helping to determine key monitoring and evaluation components across the financial service-linked products delivered for the diaspora.

## 2.4 Diaspora Philanthropy

Diaspora philanthropy remains one of the most underappreciated avenues through which diaspora economic capital can be networked and mobilized for countries of origin. It is often conflated with diaspora charity which whilst meaningful and substantive, does not correlate to the root-cause paradigm change that is wired within diaspora philanthropy. The primary purpose of diaspora philanthropy is not to off-set the ills of an issue back home but to support root-cause change in that issue both across the diaspora and back home.

In terms of how diaspora communities like to transition from non-financial to financial engagements across their economic capital, diaspora philanthropy also emerges as a natural pathway engagement to link diaspora desires to contribute to socio-economic development back home. The focus on social development in this light is often of utmost importance to diaspora communities.

Governments in countries of origin can undertake important legislative reviews across fiscal policy and other areas to ensure active support of such diaspora philanthropy. They can also provide supportive input on the developmental aims of the country. However, important variation does exist in terms of how governments get involved in the governance or implementation of diaspora philanthropy. Two case studies showcase this distinction.

### *Case Study Seven – Ethiopian Diaspora Trust Fund*

*The EDTF is a non-profit organization working in coordination with the Ethiopian government to directly involve diaspora Ethiopians from all walks of life in improving the lives of the Ethiopian people by raising funds for vital socio-economic projects in Ethiopia.*

*The primary objective of the EDTF is to finance people-focused social and economic development projects. The Fund aims to finance projects that meet critical needs selected based on their potential to make the highest positive impact on groups and communities in Ethiopia in such areas as health, education, water and sanitation facilities, habitation, and rehabilitation of persons with disability, agricultural development, technology, small scale entrepreneurship and other income and employment generating projects. The EDTF will give priority attention to projects focusing on youth, women, small holder farmers, small enterprises and entrepreneurs, who can be agents of inclusive social and economic development.<sup>22</sup>*

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<sup>20</sup> For more information, please see <https://www.babyloan.org/fr/mali#>.

<sup>21</sup> For more information, please see <https://gubadiaspora.com/>.

<sup>22</sup> For more information, please see <https://www.ethiopiustrustfund.org/>.

### Case Study Eight – The Ireland Funds

*The Ireland Funds are a global fundraising network for people of Irish origin and ancestry and friends of Ireland dedicated to raising funds to support programmes of peace and reconciliation, arts and culture, education, and community development throughout the island of Ireland.*

*The Ireland Funds have chapters throughout the US and there are now Ireland Funds in 11 other countries united under the slogan of Peace, Culture and Charity. Over 100 events are held annually throughout the world attended by over 40,000 people. The Funds have raised over \$600 million and financially supported 3200 projects on the island of Ireland. They have developed a grants and organisation vetting process based in Dublin. They have successfully run capital fundraising campaigns, developed Young Leader network and have established an influential global network many of whom have gone on to interact with Ireland in different ways.<sup>23</sup>*

In the first case study, there is a more active role for government in the coordination of the philanthropic instrument whilst the second case study is an independent philanthropic entity that does collaborate with government but retains its total independence. For example, in the case of the Ireland Funds, political leaders are often key-note speakers at events, but the day-to-day operations of the entity remain fully independent of political involvement. This brings an ability for the diaspora philanthropic involvement to embrace activities focused on discovery and risk.

For example, during the Northern Ireland Peace Process, the Ireland Funds was able to support interventions that it may have been difficult for government to. This is echoed in the reality that private philanthropy is private; it can go to places that governments cannot or do not want to go. This can help governments in countries of origin by offsetting some of the cultural, economic, or social tensions that may be permeating through the country.

## 2.5 Diaspora Economic Capital Engagements: Institutional, Informational, and Implementation Considerations

From this preliminary evidence base, it is clear across the analysis thus far that engagement of diaspora economic capital brings forward important considerations and challenges for governments in countries of origin. To provide some structure on how to address these and provide a baseline framework to identify actionable outcomes through this technical working group, the paper provides a scoping of the institutional, informational, and implementation technicalities required for effective engagements of diaspora economic capital.

At an institutional level, governments must commit to design and delivery of institutional tools that can ensure the delivery of reliable market analysis and information sharing to engage diaspora economic capital. It must also utilize its institutional apparatus to drive the right quality of diaspora networks to support such engagements. Finally, it must also commit to the design of robust institutional collaboration across government and marketplaces to set a favourable legislative and fiscal environment to attract diaspora economic capital as well as ensure the monitoring of such engagements.

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<sup>23</sup> Case study provided by Kingsley Aikins, former Global CEO of The Worldwide Ireland Funds. For more information, please see <https://irelandfunds.org/>.

Given the widening scope of financial products being offered to diasporas to attract their economic capital, it is important for governments to track impact of diaspora economic capital both through and beyond remittances. The IOM, in collaboration with DMA Global, have developed a six-step guide to help governments in countries of origin institutionalize this process.<sup>24</sup>

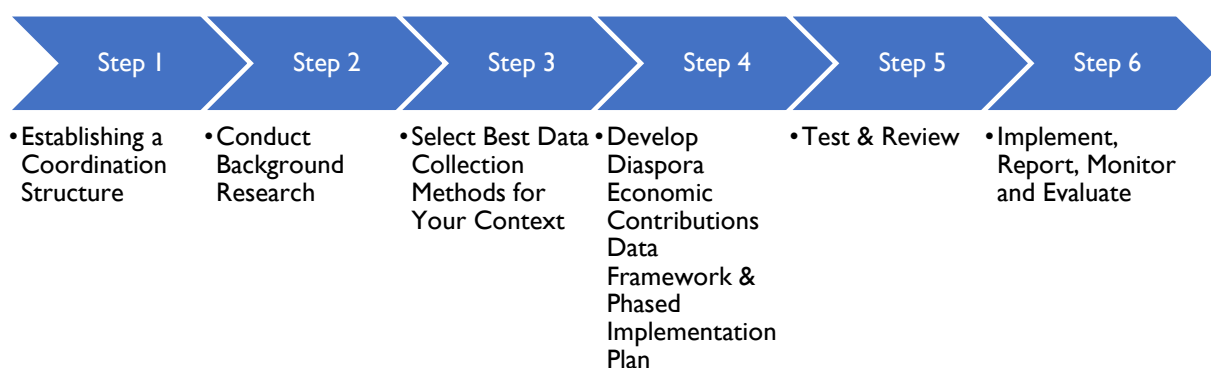


Figure 2 Six-Step Process for Measuring Economic Contributions of Diaspora

These steps clearly articulate the intersections of the institutional, informational, and implementation capacities that governments need to formalize to take a structured and systematic approach to engaging diaspora economic capital. These steps organically build a whole of government and whole of society approach in that government will require to engage market leaders to design and deliver complete statistical and data analysis on the flows and impact of diaspora economic capital.

At an informational level, governments must become the go-to source for the dissemination of reliable market and investment information. Working through the networking lens, it must also make the necessary leadership decisions to shape the right type of diaspora economic capital networks based on the relevant information informing the developmental plans of local markets and sectors. At the heart of the informational considerations for government is ensuring effective research and development to shape meaningful diaspora economic capital contributions.

Bringing forward engagements from the institutional and informational considerations to those focused on implementation, it is already clear that government will need to allocate relevant human and financial resources to mainstream diaspora engagement across economic development. This must be viewed as a seed investment and given the scope of market possibilities through the lens of diaspora economic capital, it is strongly encouraged that governments lean on external partners, including diaspora organizations, when possible, to create a spirit of co-ownership. It may also be important for governments, at the appropriate time, to step back and allow the market to deliver on its own in terms of diaspora economic capital engagements.

With these considerations in mind, the paper provides five preliminary agenda setting considerations for governments in countries of origin to successfully engage diaspora economic capital.

<sup>24</sup> IOM. (2020). Contributions and Counting Guidance to Measure Economic Impact of Diaspora Beyond Remittances. Geneva.

1	Commit to formal inter-institutional governance frameworks to ensure conducive environment for engagement for diaspora economic capital.
2	Commit to structural approaches to monitoring and evaluation of diaspora economic contributions as identified in the IOM's <i>Contributions and Counting Guidance</i> .
3	Centralize key transitional engagements such as philanthropy as key pathway engagements for contributions from diaspora economic capital.
4	Advance programmatic support to diaspora communities in areas of digital and inclusion, education and literacy to increase diversification of remittance giving and spend which consider gender, age, and digital capacity differences across the diaspora and local marketplaces.
5	Mainstream diaspora engagement across relevant socio-economic development policy agendas as a quick, low-cost policy innovation to illustrate governmental commitment to diaspora engagement.

Figure 3 Preliminary Reflections for Countries of Origin in Engagement Diaspora Economic Capital

### 3. Diaspora Economic Capital for Countries of Residence

Although countries of origin have been prioritized in the discussion thus far in terms of engaging diaspora economic capital, the potential impacts for countries of residence have been greatly undervalued. As Ardovino and DeBass note in their treatment of diaspora direct investment in the U.S., it also “works in the interest of U.S. commercial policy and diplomacy.”<sup>25</sup>

Beyond the diplomatic importance, countries of residence can also begin to align softer wins through diaspora economic capital by ensuring they have access to diaspora networks of affluence and influence which can contribute to a wide range of policy goals for countries of residence including economics, education, and security. Similar, diaspora marketing is emerging as a key commercial advantage for not just countries of origin but for leading sectors in countries of residence too.

Other softer wins include the intellectual and enterprise capacities that can be built through diaspora communities in countries of residence to drive forward solutions to pressing issues of our time around social cohesion, shared prosperity, and equitable progress for all. Countries of residence, either through governmental or market led supports, can strategically engage diasporas to help on these issues.

Therefore, this background provides an overview of three key areas where diaspora economic capital can generate impact for countries of residence either through government implementation or facilitation.

#### 3.1 From Networks of A&I to Diaspora Marketing

Multi-sectoral diaspora networks of affluence and influence represent remarkable pools of experience, knowledge, and impact for countries of residence. Take, for example, the Hellenic Initiative which was founded in 2012 by members of the global Greek and philhellene communities who were compelled to respond to the worsening economic crisis and inspired to help shape Greece’s long-term recovery. The executive board comprises of leader such as President Bill Clinton, Andrew Liveris, and others,

<sup>25</sup> M. Ardovino and T. Debass. (2009). *Diaspora Direct Investment: The Untapped Potential for Development*. USAID. Available at [https://pdf.usaid.gov/pdf\\_docs/Pnado983.pdf](https://pdf.usaid.gov/pdf_docs/Pnado983.pdf).



with ambassadorial roles for leaders such as Arianna Huffington and NBA star Giannis Antetokounmpo. The organization is committed to ensuring it is about “investment not handouts,” through “impact and outcomes.”<sup>26</sup>

By nurturing the advancement of such networks of affluence and influence across diaspora communities, then countries of residence can draw important bilateral or multilateral impacts for domestic and foreign policy. By committing to support of diaspora purpose and impact, countries of residence can build important alliances to safeguard its domestic and foreign policy well-being.

Working beyond these networks of affluence and influence, countries of residence can also embrace larger scale engagements of diaspora communities in their growing prominence as a consumer and marketing segment. For example, in recent years, there have been significance developments of diaspora orientated marketing to help build businesses in countries of residence through the buying power of diaspora. This has been most notable witnessed in the marketplaces such as culture, education, and tourism which are covered in more detail in other background papers. This can have an important post-pandemic economic impact to sustain jobs in countries of residence also in key sectors.

### 3.2 Access to Changemakers

Another important consideration for countries of residence in terms of engaging diaspora economic capital is the emerging necessity to adopt interventions that ensure the long-term inclusion of diaspora communities in such countries. Diasporas are communities and networks of changemakers and leadership that can contribute to the diverse cultural, economic, social, and political prosperity of countries of residence.

Governments and their respective partners will face increasing pressures from next generation communities to embrace such steps. Therefore, by supporting and nurturing the inclusion of diaspora changemakers can be an important role that countries of residence play in building inclusive societies. This gives diaspora economic capital, for example, another important domestic impact for countries of residence. A prime example of such work would the ABLE programme by the African Diaspora Network (ADN) in Silicon Valley.

#### *Case Study Nine – Accelerating Black Leadership and Entrepreneurship*

*ABLE is an enterprise accelerator program designed to strengthen, energize, and support small businesses and non-profit organizations led by African diaspora communities in the United States.*

*Adapted from ADN's Builders of Africa's Future program that celebrates innovation and impact among early-stage African enterprises, ABLE identifies 15-20 Black business leaders catalysing an array of sustainable solutions to poverty across multiple sectors at the local and national level. This includes education, healthcare, finance, connectivity, agriculture, and renewable energy, all of which address essential community needs while spurring sustainable growth.*

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<sup>26</sup> For more info, please see <https://www.thehellenicinitiative.org/our-history/>.



*The program is designed to expand economic pathways and advance entrepreneurial efforts through online and in-person training and mentorship that supports the adaptation and innovations of Black entrepreneurs within the current global pandemic and changing economic climate.<sup>27</sup>*

### 3.3 Economic Diplomacy

The clearest rationale for countries of residence in engaging diaspora economic capital is the economic diplomacy impact it can have. Whilst some of these trends have been highlighted above, in terms of strengthening bilateral economic relationships or serving the respective policy agendas for countries of residence, the engagement of diaspora economic capital locally in countries of residence can also lead to job creation in countries of residence if successful.

Countries of residence are playing an increasing role in the incubation of diaspora entrepreneurship and innovation that can lead to job creation and meaningful employment locally. Given the projected aims of diasporas to impact both countries of origin and residence, such job creation will also be nurtured in countries of origin as already noted. By ensuring a commitment to diaspora economic creativity and networking it across countries of residence and origin, then local and global impact can be generated. This is aligned with the growing realization that a physical return to countries of origin by diasporas is no longer needed to generate impact. Diasporas, therefore, living remotely in countries of residence can build supports and solutions that generate jobs and economic value both in countries of residence and origin.

#### *Case Study Ten – WIDU.africa*

*This is implemented by Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). In collaboration with the African diaspora in Europe, WIDU applies an innovative approach that combines funding and coaching to strengthen new and existing small businesses in Africa, which then leads to the creation of new jobs.<sup>28</sup>*

### 3.4 Scoping Institutional, Informational, and Implementation Considerations for Countries of Residence

The paper acknowledges that the analytical base on exploring the contributions and value of diaspora economic capital for countries of residence is only emerging. Therefore, it is only able to scope out some of the early institutional, informational, and implementation technical considerations for countries of residence in this area. These considerations are aligned with the fact that countries of residence face different prospects and pressures in terms of how they can benefit from, coordinate, and manage effective engagement of diaspora economic capital.

The background paper offers five preliminary considerations for countries of residence to address the challenges and opportunities in engaging diaspora economic capital.

1	Commit to incubation initiatives to provide access for diaspora leaders into mainstream economic and entrepreneurial programmes in countries of residence.
2	Partner with key centres for diaspora communities and leaders, such as universities, to provide pathways for economic empowerment of diaspora communities.

<sup>27</sup> For more information, please see <https://africandiasporanetwork.org/able/>.

<sup>28</sup> For more information, please see <https://widu.africa/>.

3	Commit to support of established diaspora economic leadership networks to strengthen economic diplomacy portfolios including specific engagement of women and next-generation diaspora economic leaders.
4	Develop peer-to-peer industry exchanges between local economic leaders and diaspora economic leaders.
5	Enact legislative reform to further incentivize tools for diasporas to contribute locally and to countries of origin.

Figure 4 Preliminary Reflections for Countries of Residence in Engaging Diaspora Economic Capital

## 4. Building a Co-Created Future for Diaspora Economic Capital

The background paper has explored insights on the rationales and tools that both countries of origin and residence can use to begin to create long-term impact for socio-economic development in both jurisdictions through diaspora economic capital. The successful delivery of such interventions, however, means that governments will have to manoeuvre between implementer and facilitator of such engagements.

It is imperative to remind also that diaspora economic capital is but one of the many forms of diaspora capital. Governments will need to earn the right to have this economic development discussion with their respective diasporas either as a country of origin and residence. This amplifies the need for governments to think strategically and structurally on how best to govern such engagements. A key consideration here is who, in terms of economic diaspora capital, is best positioned to make economic asks of the diaspora.

For example, it is often argued that the number one reason why diasporas give economically is belief in the mission of the organization making the ask and that the second reason is because of who asks them. This centralizes an important verification role of endorsement for government but also the importance of partnerships, especially with the private sector, that will allow diaspora organizations, international development partners, and others, to also make developmental asks for diaspora economic capital.

Scaling such engagements will always come down to partnership. For diaspora economic capital to be sustainably engaged in the long-term, diasporas need to feel that the government's focus is also there for the long-term. Going too quickly in terms of trying to attract diaspora economic capital can prove detrimental for countries of origin and residence. In this light, having key partners and stakeholders who have intimate knowledge of diaspora aims, concerns, and needs as brokers of engagement can be a critical enhancer for engagement of such capital.

In that spirit, the paper provides some short recommendations on how to embed the role of government across the institutional, information, and implementation technicalities for success by sharing some reflections on what can be done at a policy, programmatic, and partnership level to engage diaspora economic capital.

### 4.1 Delivering Action and Impact: Policy, Programs, and Partnership

The ability for governments in countries of origin and residence to move between implementor and facilitator is best envisioned in the role of government at a policy, programmatic, and partnership level. The paper provides one recommendation for each of these areas to set a baseline discussion for the technical working group.

Area	Recommendation	Responsible Actor(s)	Potential Outcomes for Action from GDS
Policy	Prioritize a holistic approach to policy engagements of diaspora economic capital, based on clear legislative and governance commitments, that engages both financial and non-financial contributions of diasporas for development in countries of origin and residence.	Governments in countries of origin and residence.	Commit to development of a Global Diaspora Policy Alliance to link policymakers working on diaspora engagement in countries of origin and residence.
Programmatic	Develop long-term programmatic interventions that provide create favourable business environments, suitable spaces for research and development, role of diaspora in governance of engagement plans, as well as piloting programmes to identify scalable interventions.	Governments in Countries of origin and residence; Diaspora organizations; international development partners.	Commit to establishment of a governance and implementation code of conduct for the engagement of diaspora economic capital.
Partnership	Ensure active co-creation between government, diaspora, and marketplace representatives in governance and implementation of all forms of diaspora economic capital engagements to leverage new technologies and tools of scale.	Governments in Countries of origin and residence; Diaspora organizations; international development partners.	Commit to prioritizing a programme of multi-stakeholder action to design digital market interventions for diaspora economic capital.

Figure 5 Rationale Recommendations for Potential GDS Outcome Statements on Diaspora Economic Capital

### Policy Recommendation

Despite a prolific increase in the number of diaspora policies and strategies emerging in terms of engaging diaspora economic capital for countries of origin as well as policy instruments for mainstreaming diaspora communities as economic development actors in countries of residence, the cross-sharing of optimal models and frameworks is sporadic. Given that diaspora engagement is essentially a non-competitive industry, there is an opportunity to share much more. The GDS is another seed of such collaboration but more structured approaches through alliances of communities of practice are needed.

Therefore, this background paper provides the policy recommendation that diaspora policies prioritize a holistic approach to policy engagements of diaspora economic capital, based on clear legislative and governance commitments, that engages both financial and non-financial contributions of diasporas for

development in countries of origin and residence. Advancing this can be nurtured through the outcome document to emanate from the summit.

#### *Programmatic Recommendation*

An opportunity from this summit is to reflect on whether increased activity in diaspora engagement is translating to progress in diaspora engagement. Governments, diasporas, and their partners in implementing diaspora engagement programmes have often found financial or operational constraints in scaling diaspora engagement due to the programmatic nature of many interventions. This is a key challenge that can be addressed through the outcomes of this summit.

Therefore, this background paper provides the programmatic recommendation that it is critical to develop long-term programmatic interventions that provide favourable business environments, suitable spaces for research and development, an active role of diaspora in governance of engagement plans, as well as piloting programmes to identify scalable interventions. Put simply, diaspora engagement should not be in a rush to execute, and it should be expected that scalable impact will take policy and programmatic visions that work across a 15 to 20-year timeframe.

#### *Partnership Recommendation*

Achieving these visions will require the government to help set the framework and tone of engagement but will also mean essentially meeting the diaspora where they are in terms of their capacities and propensities to engage economically. By aligning multi-stakeholder design and delivery, then governments can ensure that the engagement of diaspora economic capital is informed by their leadership and implemented in partnership with actors who may be able to move the diaspora to act more emphatically. This will reap mutual benefit for governments and diasporas alike.

Therefore, this background paper provides the partnership recommendation that it is a necessity to ensure active co-creation between government, diaspora, and marketplace representatives in the governance and implementation of all forms of diaspora economic capital engagements to leverage new technologies and tools of scale. The core of this recommendation is to ensure that governments, through external partners, talk with and not at diaspora communities in terms of delivering engagements of their economic capital.

## 5. Four Guiding Questions for Thematic Working Group

In navigating through the complex roles and opportunities for countries of origin, countries of residence, and the optimal framework for engagement diaspora economic capital, this technical working group can set some guiding questions to align with the expected outcomes from working group. This will be rooted in the outcome document of the GDS shaping important planning and monitoring of the GCM through the International Migration Review Forum (IMRF). The outcome document is envisioned as a Future Agenda Document to guide and shape global collaboration on diaspora engagement.

In alignment with efforts to reinforce implementation of the GCM through the IMRF, the Future Agenda Document of the GDS provides a timely opportunity to shape an inclusive global statement of a future agenda of action in diaspora engagement that can directly inform the IMRF and wider

implementation of the GCM.<sup>29</sup> The Future Agenda Document, therefore, will aim to guide the process and prioritization of engagements to contribute to this global statement. Such a document can then serve as a first-step global framework for action on diaspora engagement to directly contribute to the further and future implementation of Objective 19 of the GCM by inspiring the active collaboration of all stakeholders across the ecosystem of diaspora engagement.

The guiding questions for each technical workshop at the GDS, therefore, have a collective responsibility to help shape actionable input to design such a global statement of support for action in diaspora engagement directly aligned with Objective 19 of the GCM. Four guiding questions to initiate this are identified below. They are designed to address the policy, programmatic, and partnership steps to achieve the future agenda and to explore how to establish the GDS as the global convening to guide the process of achieving this vision.

- Policy: What can the Future Agenda Document recommend at a policy level to achieve global collaborative action on diaspora economic capital?
- Programmatic: What can the Future Agenda Document recommend in terms of programmes for diaspora engagement to diaspora economic capital?
- Partnership: Who are the key actors to partner with governments to increase impact in engagement of diaspora economic capital and how can the Future Agenda Document support such partnerships?
- Process: How can the Future Agenda Document reaffirm the importance of the GDS as the global 'go-to' process to achieve this global collaborative action for diaspora engagement?

## 6. Expected Outcomes

Given the preliminary framing provided in this background paper and the expertise of participating governments in engaging economically with diasporas, the technical working group could consider the following outcomes in terms of shaping meaningful and measurable future actions on diaspora engagement through economic capital engagement. These have been shaped as direct outcomes from the working group and visionary outcomes from the working group.

### *Direct Outcomes*

***Peer-to-Peer Modules of Impact:*** The technical working group can serve as a purposeful peer-to-peer governmental exchange where modular designs of impact for engagement of diaspora economic capital are developed. This can result in creation of post-working group dialogue collaborations to build legacies beyond the Global Diaspora Summit through government-to-government collaboration on such engagements.

***Monitoring:*** Collaborative decisions can be drawn on how best to monitor and track impact to identify most suitable ways to develop such engagements of diaspora. A baseline for such monitoring can be extrapolated by sharing of existing practices as well as identification of key lessons learnt and insights on any failures experienced in this area of engagement.

***Partnership Prospecting:*** A direct outcome can be partnership prospecting which can identify the key external supporters that can be instrumental for both governments of countries of origin and

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<sup>29</sup> For more information on how the IMRF is supporting implementation of the GCM, please see <https://www.un.org/en/migration2022/> and <https://migrationnetwork.un.org/pledges>.

residence to deliver meaningful engagement of diaspora economic capital. This can include civil society, diaspora organizations, foundations, international development partners, private sector, and others as identified by participants at the technical working group.

#### *Visionary Outcomes*

**Future Agenda for Diaspora Economic capital:** This visionary outcome is to scope out the framing of a future agenda of action for engagement of diasporas through economic capital. This can be rationalized through the direct outcomes above to set in place an achievable agenda to mainstream diaspora economic capital as a pathway for positive contributions to both countries of origin and residence. Dynamics to be considered in this agenda will be increased policy focus on diaspora engagement, strategic enhancement of diaspora engagements across economic portfolios, creation of new applications to support diaspora economic capital engagement, and scale or replicability of models of success already active in the market.

**A Participatory Framework for the Future Agenda:** This visionary outcome will unpack the complex layers of leadership and partnership required for success in engaging diasporas through economics to offer an overview of the actors required to deliver the future agenda vision. This can serve as an inspirational ask of leadership across these different markets to centralize diaspora economic engagements into their current and future portfolio of strategic activities. This will ensure that the Future Agenda Document will be an inclusive agenda with active ownership for all actors across the diaspora engagement ecosystem.

## Conclusion

This short background paper is provided as a contextual scene-setter to the technical working group on diaspora economic capital at the GDS. It provides explorative discussions with some baseline information and instruction to help guide the technical working group. With the expected outcomes of this working group, it is envisaged that the depth and range of expertise and experience from participants at the technical working group will advance these preliminary discussions to collaboratively outline a future statement of action to ensure that diaspora economic capital will bring mutual benefit for both countries of origin and residence.