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FROM THE AMERICAN PEOPLE



## Diaspora Engagement Seminars

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# Mobilizing Diaspora Entrepreneurship for Development

Diaspora Engagement Seminar #2

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Migration Policy  
Institute

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George Washington University  
School of Business

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Western Union

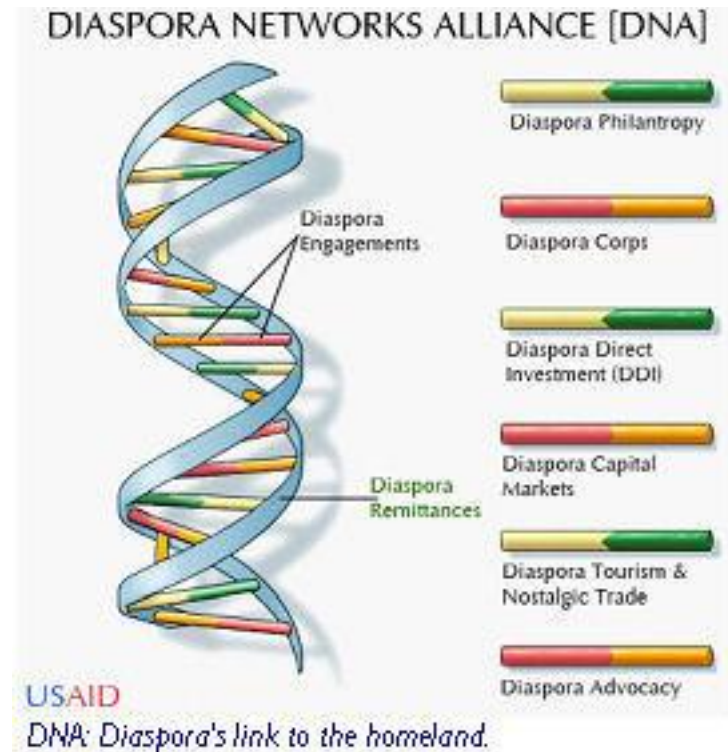
**Zelalem Dagne**

Global Technology & Investment  
PLC

**July 14, 2011**

# USAID FRAMEWORK

1. **Diaspora Entrepreneurship**
2. **Diaspora Capital Markets**
3. **Diaspora Volunteers**
4. **Diaspora Nostalgic Trade and Tourism**
5. **Diaspora Philanthropy**
6. **Diaspora Advocacy**



MPI Publication: *Diasporas New Partners in Global Development Policy*

# Diaspora Direct Investment (DDI) Facility

- Initiated in September 2008 under the Development Credit Authority (DCA)
- Debt lending to the Diaspora Community and Women entrepreneurs
- Up to 17.12 million USD available for loan guarantee
- Three local partner financial institutions
- Targeted Sectors: Manufacturing, Trade, Services, and Agriculture



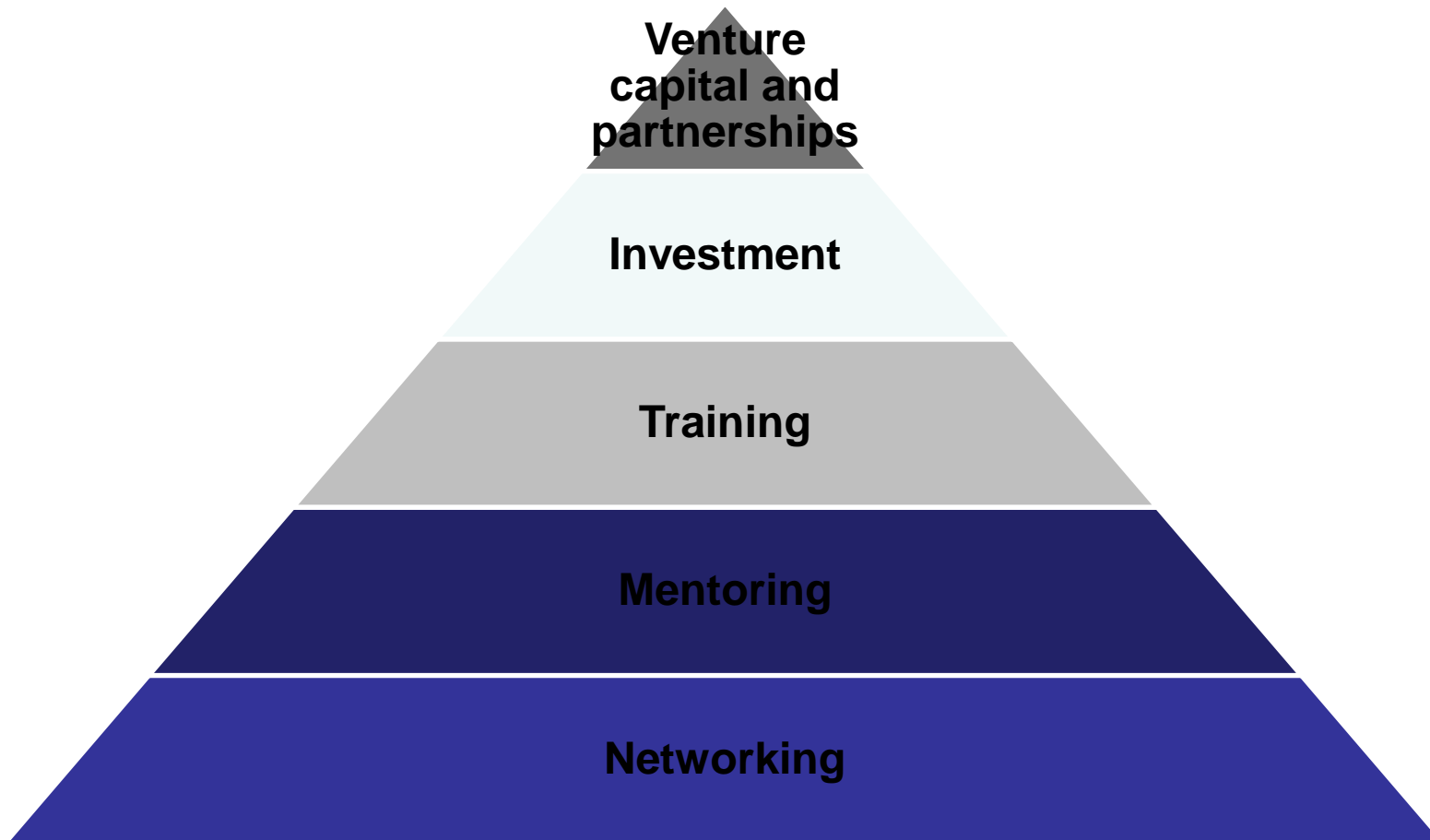
# Diaspora Entrepreneurship: What role in development?

- Fosters business development, job creation and innovation
- Creates economic, political and social capital through global networks
- Mobilizes social capital through cultural and linguistic competence
- Positively correlated with economic growth (but is it a cause or consequence of growth?)

# Is all entrepreneurship good for growth?

- Necessity entrepreneurs
  - Self-employed by default
- Opportunity entrepreneurs
  - Filling a gap, introducing new forms of production

# Levels of Commitment to Diaspora Entrepreneurship



**Source:** Hiroyuki Tanaka and Kathleen Newland, *Mobilizing Diaspora Entrepreneurs for Development*.

# Fostering Diaspora Entrepreneurship

- Global Scot (to Scotland)
- AFFORD (UK-Africa)
- PlugandPlayEgypt and partners (US to Egypt)
  - Education in technology
  - Mentorship
  - Incubation
  - Acceleration
  - Venture capital financing



## INTEREST

- **Investment Interest Survey Project**

- *West Africa* : Ghanaian, Liberian, Nigerian, Sierra Leonean diasporas
- *African Diaspora Marketplace*: Sub-Saharan diasporas
- *Other*: Coptic, Israel/Jewish, Jamaican, Lebanese, Turkish diasporas

## ACTION

- **Investment-Facilitating Institutions Case Studies**

## IMPACT

- **Institutional Change Agents Case Studies**
- **DDI vs. FDI vs. Local Firm Comparative Studies**





## Investment Motivation

Financial

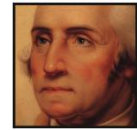
Emotional

Social-  
Status

Political

**Diaspora  
Investment Interest  
is Complex, Often  
Simultaneously  
Motivated by  
Pecuniary and Non-  
Pecuniary Drivers**

**Riddle, 1995; Gillespie, Riddle, Sayre, Sturges 1999;  
Gillespie, Sayre, Riddle 2001; Nielsen & Riddle, 2009;  
Graham, Riddle, Nielsen, 2011**



## Multilaterals & Bilateral Donors

## NGOs, Think Tanks, Private-Sector

- Diaspora Organizations, Business Incubators
- Migration Policy Institute, Western Union

Riddle, Brinkerhoff,  
Nielsen 2008;  
Riddle, Nielsen,  
Hrivnak, 2010;  
Riddle & Nielsen, 2010;  
Riddle, Hrivnak,  
Nielsen 2011

## Diaspora Investors

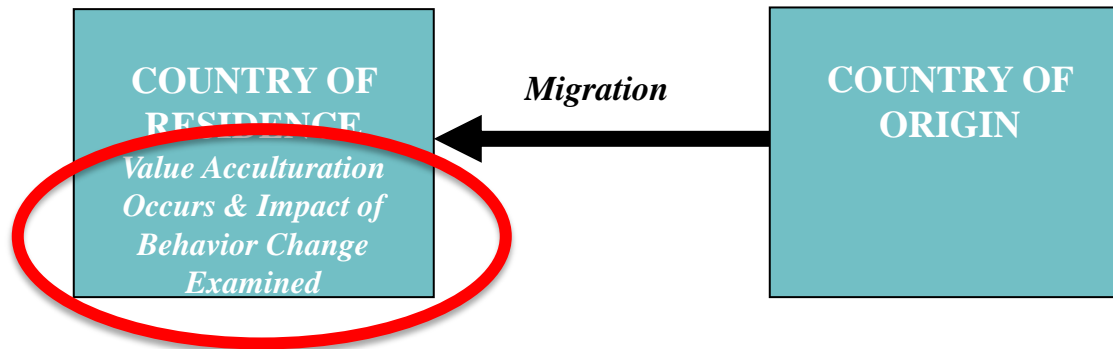
- Entrepreneurs
- MNC/SME Employees

## COO Governments

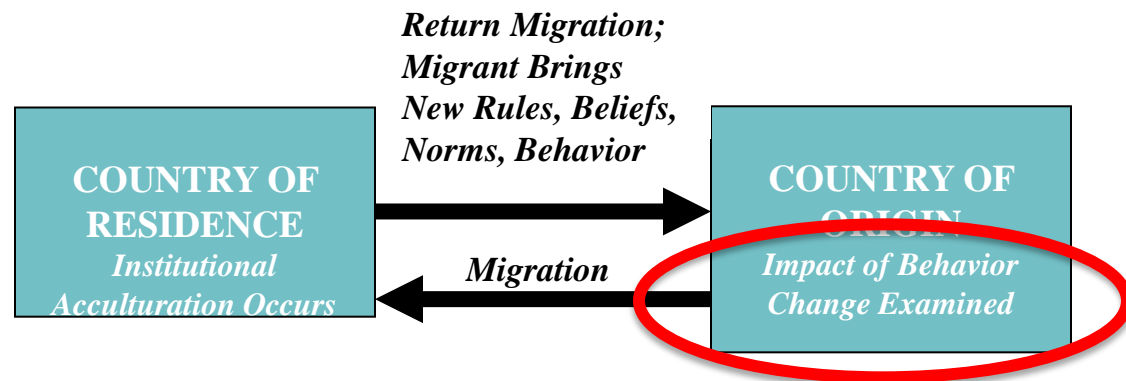
- IPAs
- Ministries
- Embassies, Consulates



## VALUE ACCULTURATION OF IMMIGRANT CONSUMERS & MNC EXPATRIATES



## INSTITUTIONAL ACCULTURATION & CHANGE-AGENT IMPACT OF DIASPORA INVESTORS



Riddle & Brinkerhoff,  
2011; Nduom, Spencer  
& Riddle, 2011

# African Diaspora Marketplace (ADM)

Pilot: USAID and Western Union partnered on a new model of development focusing on Diaspora-driven investment and SME business

*Does it catalyze market-appropriate investment, leverage and multiply resources, generate employment, lead to sustainable outcomes?*

- 18 months after pilot businesses selected, all operational
- Body of research has been completed and will continue with George Washington University on Diaspora Investment
- Partners have generated learning to refine future models
- Fostered interest in Diaspora-driven SMEs
- On track for November 2011 launch of ADM II

# ADM I: Leveraging Investments & Fostering Innovation

## TAF Biotechnology

- First-ever commercial-scale plant tissue cultural laboratory and factory in Ethiopia

## Aceritas Goat Farm

- First-ever commercial goat farm in Ghana
- Cross-Africa partnering w/ hardy goats and agri-learning from South Africa

## Uganda Solar Ovens

- Potential to replace 70% of wood/oil use
- Improves health

## Earthwise Ferries

Re-Building ferry system: Transported 30% of economy before ceasing operations in 1996.

- Sourcing local partners: 600 farmers grow sunflowers for bio-fuel ;and paperless ticketing system.

## Sproxil, Inc

- Drug anti-counterfeiting solution based on SMS technology
- Honored by CGI and IBM Smartcamp
- Saving lives and helping law enforcement catch criminals

## Global Tracking

- First-ever GPS tracking system for monitoring commercial fleets in Ethiopia
- Economic growth previously hindered by loss and theft of cargo; Coca-cola first customer

# Lessons and Outcomes

- Businesses breaking new ground or niche
- Solution to problems/development gaps
- Diaspora-related small business issues can be addressed:
  - Local supply availability
  - Cost Fluctuations
  - Local regulations and authorities
  - Technical Assistance
  - Infrastructure
  - Local partnerships
  - Capital
  - Broad market access

# Doing Business In Ethiopia

## Fleet Management System

In support of Logistics Management & Electronic Cargo Tracking

### *Global Tracking*

**ICT Enabled Solution for the Transport Sector**

Global Technology & Investment, PLC

Falls Church, Virginia, U.S.A

Addis Ababa, Ethiopia

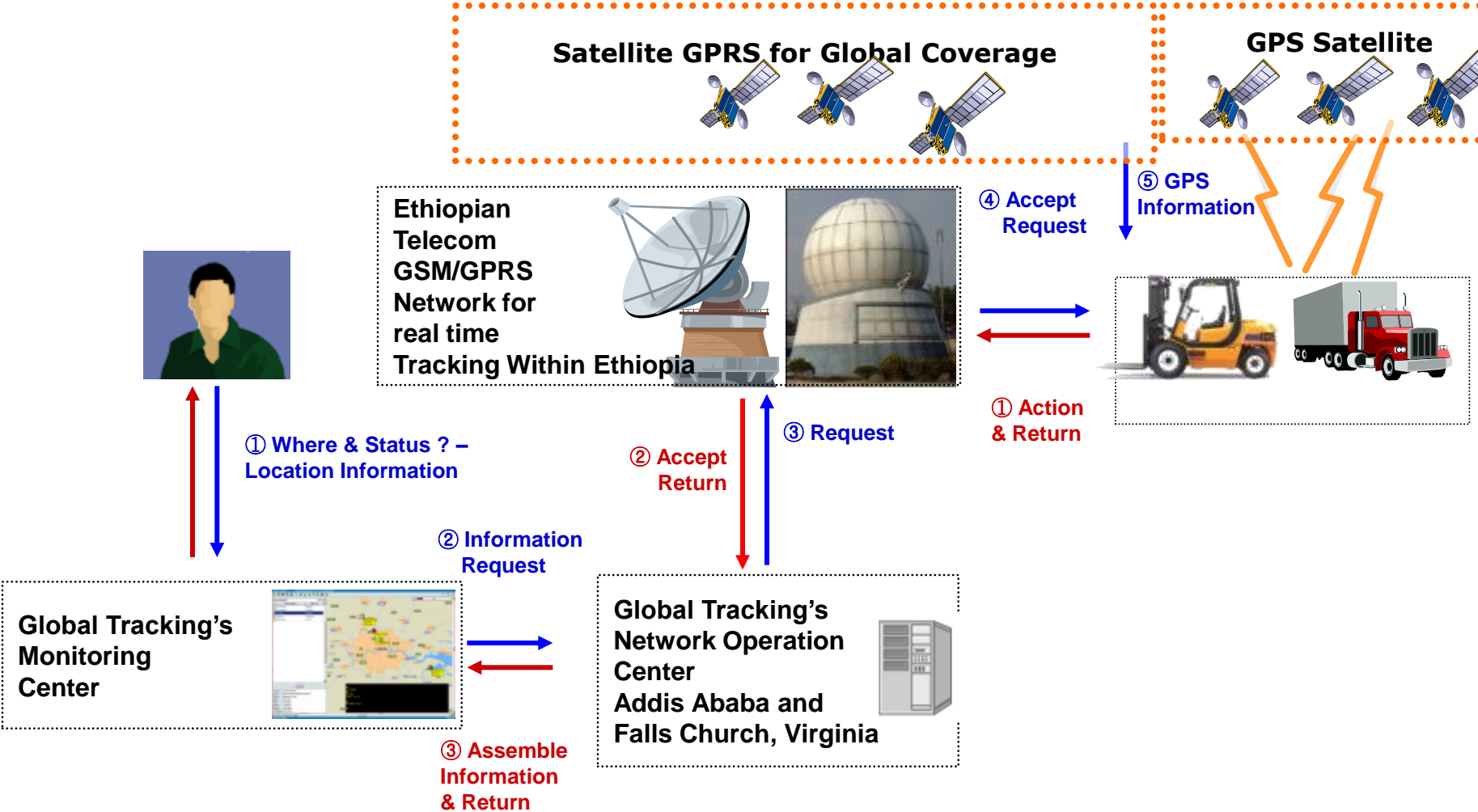
July 14, 2011

# Background

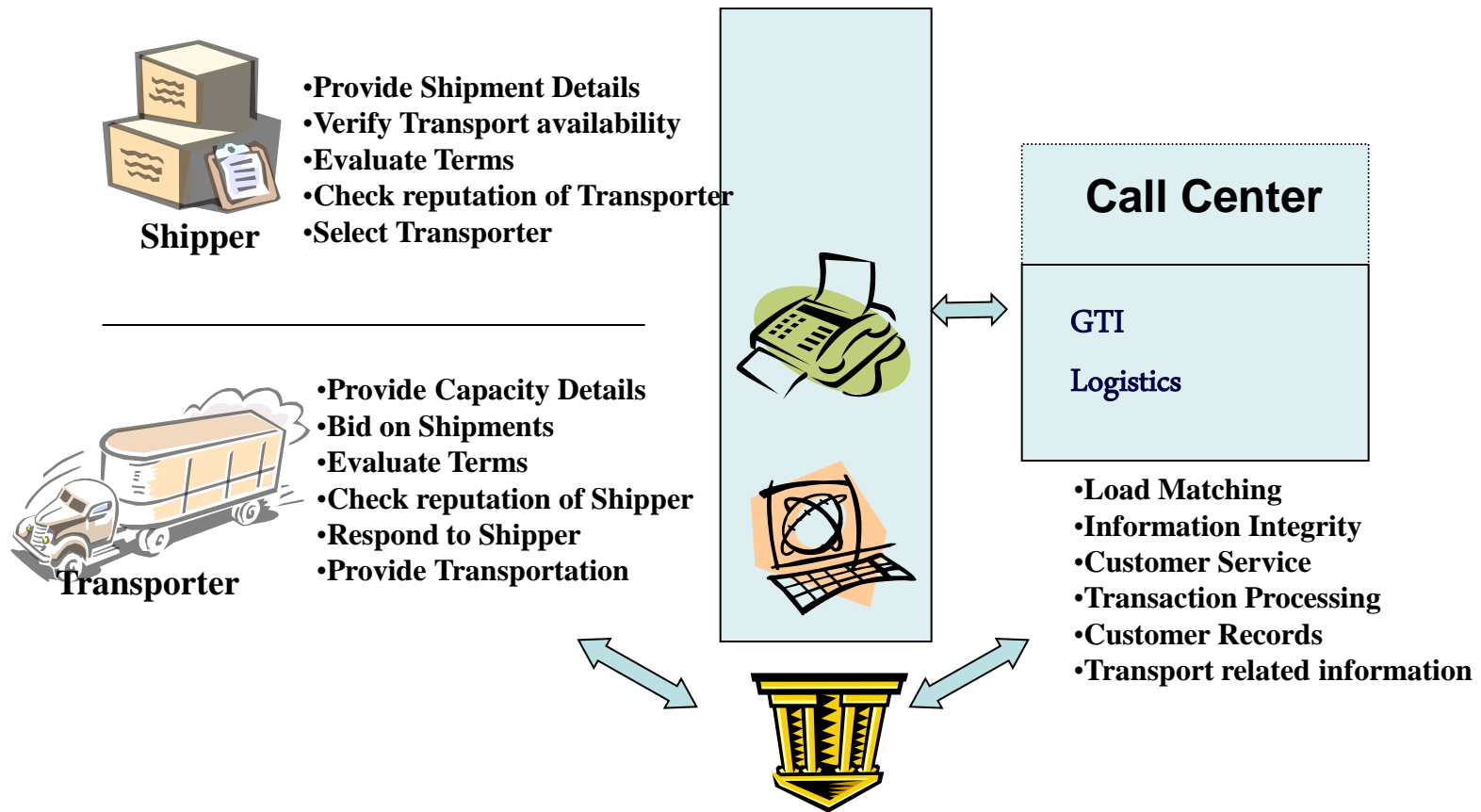
- Lived in the United States for the past 30 years.
- Direct engineering & managerial experience in telecommunications technology & operations, industrial engineering, and capital investment projects with such leading US companies: Rubbermaid, Comsat, Qualcomm, Teligent and American Online.
- Traveled extensively to Africa and Middle East to develop potential markets for fixed wireless, wireless local loop, and mobile systems.
- Participated on promoting and implementing capital investments in Africa in general, and Ethiopia in particular.
- Fully engaged on a Fleet Management business operation in Ethiopia
- BSc on Engineering from the University of Massachusetts, and a Masters in Telecommunications & Information Technology from the George Washington University.



# Fleet Management Technology



# Logistics Management System



# Motivation to start business in Ethiopia

- Desire to help the country in my area of expertise (based on the *experience that I came across from India, China and Israel*).
- High rate of motor vehicle accident, direct effects on pedestrian & economy !
- Noticed a great need in the transport sector efficiency utilizing ICT
- Transportation Cost !

# Identifying business opportunity

- The transport sector is the lifeline of a country's socio-economic activities.
- Ethiopia stands on the threshold of rapid economic development
- Export and import of goods drive today's fast growing economy of Ethiopia
- So does the complexity of managing fleets and maintaining cargo security

# Identifying business opportunity (Cont.)

## **Cargo Security**

- Cargo theft
- Changing high quality export items with low quality items
- Contraband

## **Logistics Management**

- Not having organized logistic information
- Manual procedures
- Data exchange and management inefficiency

## **Fleet Management**

- Unable to know vehicle whereabouts & off routes
- No means of knowing fuel consumption
- No means of identifying Vehicle and driver performance
- Dispatching & Mileage estimation based on assumptions

# Assessing the risks

- Lack of appropriate Information
- Under estimating the local competition
- Expecting red carpet service level - cultural gap
- Takes more time and finance
- Managing the time & family obligation between Ethiopia & U.S.A.
- Finding an effective & reliable local representation

# Participation in ADM – Experience & Value Gained

- Success – due to excellent support provided by AED (Academy for Educational Development)
- The African Diaspora Marketplace workshop – Great experience !
- Preparing the ADM document, & Interviews were a big challenge, however helps to reevaluate our overall business approach.
- Expanded our business network & motivating us for a bigger goal and result.

# Current State of Business

- *Gilat Satcom Partners with Global Tracking of Ethiopia to Offer Fleet Management and Personal Tracking Solutions*
  - <http://www.pr.com/press-release/311070>
- Opened employment opportunities & head count will grow as we are securing more projects
- The local team making great progresses in handling the technology, customer service, training and maintaining the business key objectives
- More challenging work ahead of us



# Challenges at Forefront

- ❖ (access to finance , operational and regulatory challenges)
  - Operational challenges – power, network stability/coverage
  - Access to Finance – major obstacle to secure adequate supply
  - Banking/Customs – Long process and custom duties as well as processes are ongoing challenges.
  - Regulatory – Excellent support from the Ministry of Transport, process is already underway to establish technology & operational standards, as well as rules and regulations to bring transport sector efficiency

# Thoughts on How

- ❖ Donor agencies, private sector and diaspora community can support more entrepreneurs
- Considering the direct and indirect impact on the desire of the country's economic development plan, employment - expanding creative ways of local financing.
- Creating awareness through Workshop and Media



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**July 14, 2011**



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**THANK YOU!**

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