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## Diaspora Engagement Seminars

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## Diaspora Investments in Developing Countries

Diaspora Engagement Seminar #3

### Speakers:

**Aaron Terrazas**

Policy Analyst

Migration Policy Institute

**Richard Cambridge**

Manager, Africa Diaspora  
Program

World Bank

**Eric-Vincent Guichard**

CEO

Gravitas Capital Advisors,  
Inc.

### Moderator:

**Romi Bhatia**

Sr. Advisor for Diaspora  
Partnerships  
USAID ODP/PSA

**August 18, 2011**

# Diaspora Investments in Developing Countries

Aaron Terrazas

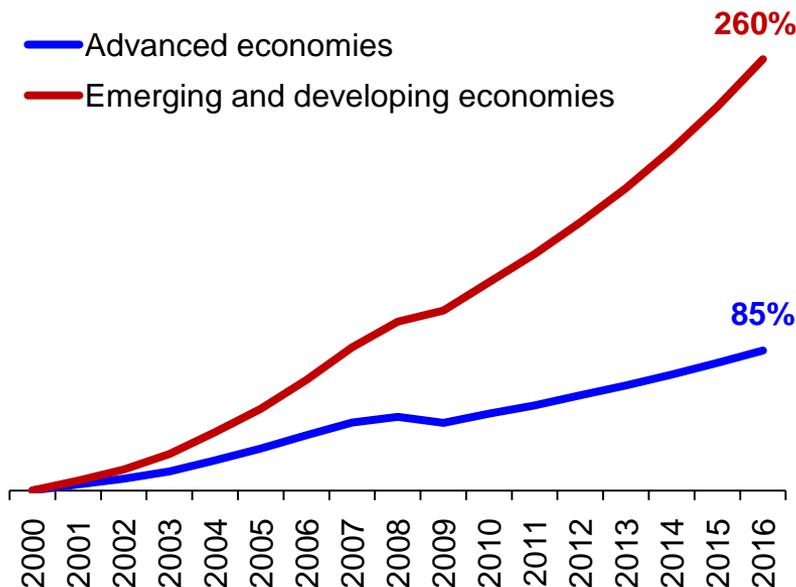
Policy Analyst

Migration Policy Institute

# 1. Economics

**Global growth has shifted to the developing world...**

**Cumulative Real GDP Growth, 2000-16 (2000=0)**



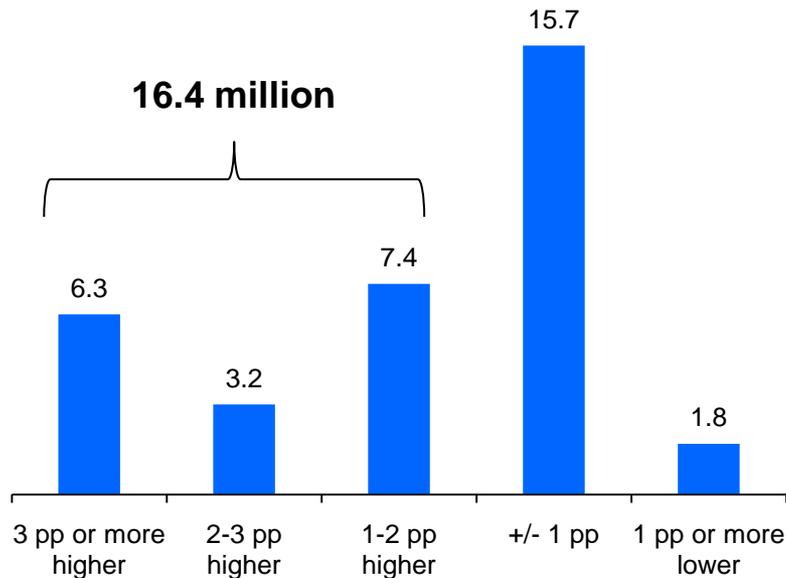
**...but until recently, developing countries had a difficult time attracting external finance (or paid dearly for it).**

# 2. Demographics

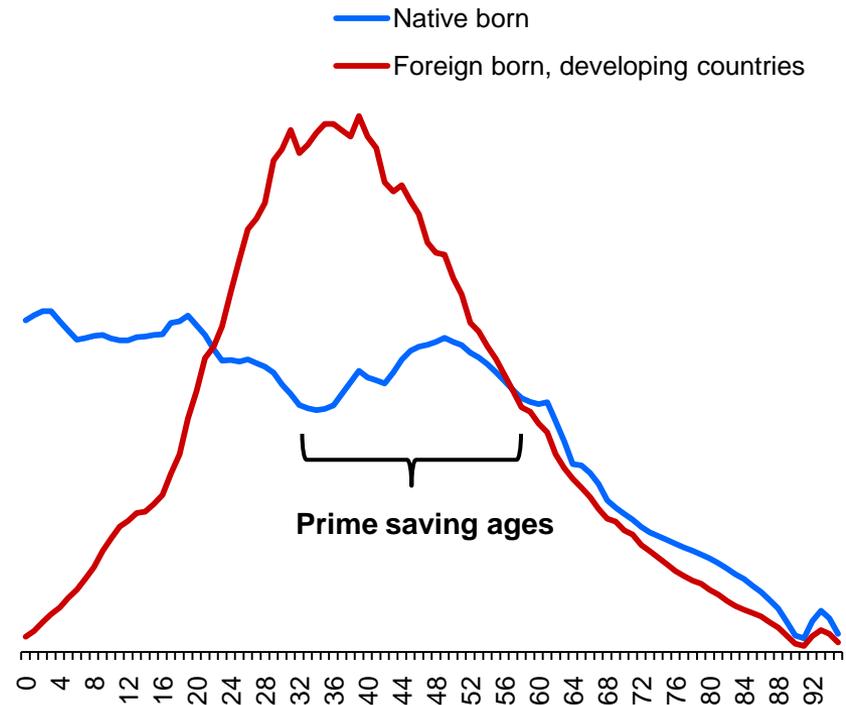
Immigrants to the US come from rapidly growing developing countries...

...and are heavily concentrating in the prime working and saving age groups.

Number of foreign born (millions by projected GDP Growth over 2012-16 in country of origin (relative to US growth))



Age of the Foreign Born, 2009



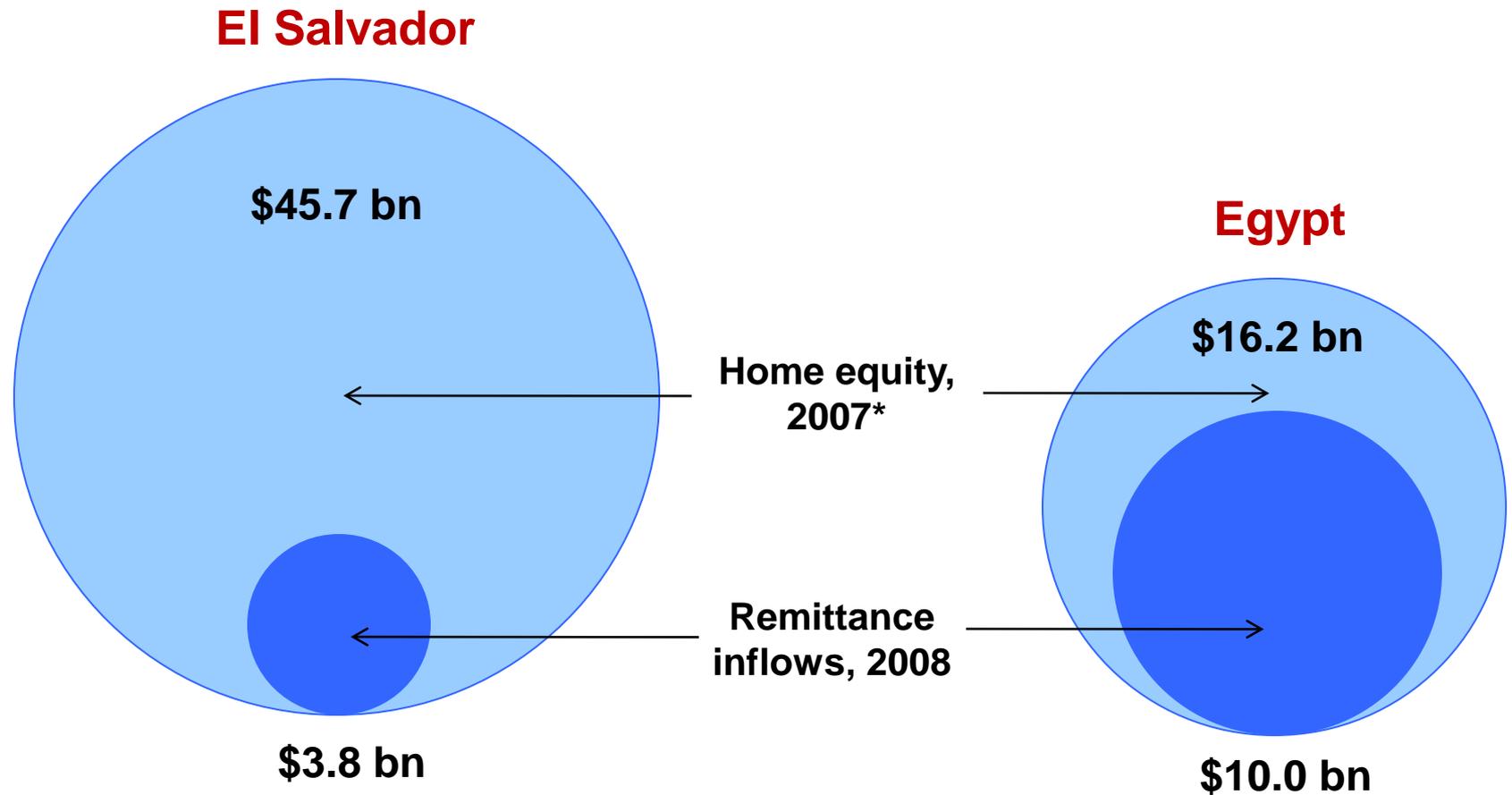
Sources: Migration Policy Institute analysis of data from the International Monetary Fund, World Economic Outlook, April 2011; US Census Bureau, American Community Survey and World Bank, Country Income and Lending Groups.

### 3. Savings and investment

Among employed, working-age immigrants in the United States in 2008:

- **9 million** had savings accounts.
- **6 million** had IRAs or 401(k)s.
- **2 million** owned equities or money market accounts
- **1.5 million** owned certificates of deposit.
- **< 1 million** owned US government savings bonds, municipal bonds, or corporate bonds.

## 4. Income v. wealth



*Note:* \*Includes homes owned outright and those with an existing mortgage; nativity based on household head only.

*Source:* Migration Policy Institute analysis of data from the US Census Bureau, American Community Survey 2009 and World Bank Development Prospects Group, Remittance Estimates.

## 5. Range of investment vehicles

- Savings accounts
- Mutual investment funds
- Transnational mortgage loans
- Sovereign bonds
- Sub-national bonds
- Private equity
- Corporate bonds



# **Diaspora Investments in Developing Countries**

**Richard Cambridge**

Manager, Africa Diaspora Program

World Bank

# What areas we are focusing on?

- Analytical and Policy Work
- Finance and Private Sector
- Development Marketplace Idea

# Things to remember?

- Diaspora is not a homogenous monolithic
- It is not our money



# HOMESTRINGS

COME MAKE A DIFFERENCE  BACK HOME

## **Diaspora Direct Investments (DDI)**

A new source of development capital

Individual Impact Investing in the 21<sup>st</sup> Century

**Eric-Vincent Guichard**  
CEO, Gravitas Capital Advisors, Inc.

# What are the facts?

- What we know about Diaspora capital flows:
  - US\$450B in remittance flows from West to Emerging Markets (10%-15% per year) - WB
  - US\$40B in flows into Africa alone (P2P)
  - Conventional Wisdom: Subsistence Consumption

# What do Remittances say about DDI?

- Remittances outstrip any other form of flows
  - Size
  - Resilience
- Remittance flows = Diaspora Investment Flows?
- Need to find out who these remitters are and what their motivations are...

# GWU – USAID/WU Research

- GWU-AID-Western Union Afro Migrant Study:
  - About 1,000 members of US-based African Diaspora were surveyed – sponsored by WU
  - Research Objectives:
    - Profile?
    - Investment interest and activity?
    - Obstacles to investments?
    - Diaspora investment advantages?
    - Investment motivation?

# GWU-AID/WU Findings

- Profile?
  - Average stay in the US: 22.18 years
  - 72.2% plan to return “back home”
  - Average age of respondent: 46 years old
  - More than 50% have annual incomes in excess of US\$100,000
  - Average remittance in past 3 yrs: US\$12,974 (std dev: US\$22,873.)

# GWU Findings

- Diaspora investment motivation summarized:
  - Financial
  - Emotional
  - Social-status
  - Political

# Implications?

- How to translate into a palatable proposition?
- Need to:
  - Facilitate Access to Impactful Opportunities
  - Provide Reasonable Prospects for Returns
  - Provide Process Transparency
  - Address Voice Mechanism
- Must do this in a single proposition...

**Solution...**



**HOMESTRINGS**

COME MAKE A DIFFERENCE  BACK HOME

# Collaborators

- Development Financial Institutions
  - Use Private Equity Funds
  - Public Private Partnerships
  - Homestrings provides access to the above to each qualified member of the Diaspora
- Investment Promotion Agencies
  - Showcasing pipeline of projects
  - Using Homestrings as a gathering platform

# Conclusion

- Homestrings is strategically placed to be the repository of impact-driven investment opportunities for Diaspora
- Homestrings is an organized platform where sponsors can showcase their offerings (Governments; Banks; Corporations; Project Sponsors, SMEs...)
- Homestrings is the first Diaspora directed investment “shopping mall.”

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**THANK YOU!**

Please visit <http://microlinks.kdid.org/events>  
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