Diaspora Investments in Developing Countries
Diaspora Engagement Seminar #3

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Aaron Terrazas
Policy Analyst
Migration Policy Institute
Global growth has shifted to the developing world…

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

- Advanced economies
- Emerging and developing economies

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

Source: International Monetary Fund, World Economic Outlook, April 2011.
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)

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.
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

El Salvador

- $45.7 bn
- Home equity, 2007*
- Remittance inflows, 2008
- $3.8 bn

Egypt

- $16.2 bn
- $10.0 bn

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
Diaspora Direct Investments (DDI)
A new source of development capital
Individual Impact Investing in the 21st 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?
• 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...
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!

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