Developing a Road Map for Engaging Diasporas in Development

A HANDBOOK FOR POLICYMAKERS AND PRACTITIONERS IN HOME AND HOST COUNTRIES

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Remittance flows unquestionably serve as an important lifeline for millions of families in developing countries and thus have been the focus of many policy discussions and interventions. However, remittances are largely used for short-term, daily consumption rather than productive investments that can fuel sustainable economic growth. Given the important size of financial flows originating from diaspora populations, governments are becoming increasingly interested in how to channel such flows to foster entrepreneurship, support innovation, and develop priority sectors of the economy.

One of the biggest obstacles to achieving sustainable growth in developing countries is a lack of investment. According to Richard Cambridge, manager of the African Diaspora Program at the World Bank, Africa requires $96 billion in investments annually if it is to grow its economy by 5 percent a year.235 In addition to China’s $20 billion annual investment in Africa, the World Bank provides $8 billion yearly, but the total still falls short of the necessary amount for sustainable growth. Much of the remainder could potentially originate from diasporas, with a small portion stemming from traditional investors.

Diaspora Investments: A Menu of Viable Options

1. Provide access to information
   - Share information on how to invest or obtain business loans
   - Create a one-stop shop for investment information

2. Provide access to networks
   - Organize business events for diaspora members
   - Match local entrepreneurs, business owners, and government leaders with their diaspora counterparts
   - Create exclusive international networks of top business leaders

3. Provide access to business training programs
   - Supply training directly
   - Support training programs provided by the private sector and international organizations

4. Provide entrepreneurs access to funds
   - Set up matching funds
   - Provide loans

5. Channel private funds to finance private businesses or public infrastructure.
Realizing the significant impact that diaspora direct investment could have on development is an important first step. However, governments, multilateral organizations, and private actors must then offer the necessary frameworks, programs, and opportunities to maximize its potential. There is no magic formula for maximizing the development impact of diasporas’ direct investment in developing countries. Governments have taken different approaches to attract various forms of investment from their diasporas. This chapter outlines five major areas —access to information, access to networks, access to training, access to funds, and investment in public infrastructure — in which governments and other organizations have engaged diaspora populations to contribute to sustainable development.

A. Provide Access to Information

International investors are normally averse to investing in risky environments. Diaspora members, however, typically have a somewhat different risk profile when it comes to investing in their countries of origin. They may simply have better access to information, or be less sensitive to exchange-rate risks because they have financial obligations that can be satisfied in local currency. Much perceived risk, however, arises from a lack of transparency about local business opportunities. This can be a significant obstacle to investment by even the most intrepid diaspora investor.
1. Provide Information on How to Invest or Obtain Business Loans

Many governments, banks, and other organizations now expressly offer members of the diaspora privileged information on investment procedures and requirements in their countries of origin, including information on how to obtain business loans. Bangkok Bank, the largest commercial bank in Thailand, for example, offers counseling services for those interested in local investment opportunities. Bosnia and Herzegovina’s Department for Diaspora maintains an enquiry portal for local investment opportunities.

2. Create a One-Stop Shop for Investment Information

Some governments maintain websites that serve as a one-stop shop for learning about investment opportunities, requirements, and procedures as well as about starting businesses in their countries. Box 1 highlights Ethiopia’s approach.

Box 1: Investing In Ethiopia

In November 2010 the government of Ethiopia launched the website of the Ethiopian Investment Agency (EIA), a government agency established in 1992 to promote private investment and foreign direct investment (FDI) in particular. An investment board, chaired by the Minister of Industry, supervises EIA’s activities. The agency’s services include promoting the country’s investment opportunities and conditions to investors; issuing investment permits, work permits, trade registration certificates, and business licenses; negotiating and signing bilateral investment promotion and protection treaties with other countries; advising the government on policy measures needed to create an attractive investment climate for investors; assisting investors in the acquisition of land and utilities; and providing investors with pre- and postapproval services. Its website serves as a one-stop shop for investment in Ethiopia. It offers information on, among other things, areas available for investment by Ethiopian nationals, domestic investors, and foreign investors, as well as capital requirements, income tax exemptions, and information on tariff and customs.


B. Provide Access to Networks

In an effort to channel the skills, strengths, and experiences of diaspora members toward development, governments and private organizations have established diaspora network organizations. Network organizations range in nature from informal to structured.
Network organizations offer a variety of ways in which diaspora members can contribute to development in their countries of origin. Their activities include, but are not limited to, business networking events, educational exchange trips, cross-border partnership programs in priority economic sectors, seminars, and mentorship programs. Below are a number of examples of how such organizations can engage diasporas in development.

1. Organize Business Events for Diaspora Members

A number of network organizations offer educational trips and convene business events for their members. Some organizations are headquartered in destination countries, often in metropolises where members of the diaspora work and reside, while others are stationed in countries of origin. Networks can take many shapes and forms: some are simply online virtual communities of members worldwide, some consist only of diaspora entrepreneurs, some focus on spurring development in specific geographic regions within developing countries, and some operate through local chapters. Others are composed mainly of government officials and representatives of diaspora umbrella organizations. While some network organizations require membership fees, others offer their services for free.

Such organizations tend to receive some form of financial or in-kind support, from the government of the country of origin (and occasionally a destination-country government), although not all of them receive such support when they are first established. The business events they organize typically focus on strategic or priority sectors set out by the country of origin, often in consultation with business experts. In addition to business events, some organizations also facilitate job opportunities through job search portals on their websites. Boxes 2 and 3 highlight experiences in Australia and Morocco, respectively.
Box 2: Advance: Connecting Australians in 80 Countries

Established in May 2002 by a group of Australian professionals, Advance is a nonprofit global network of over 20,000 Australians living in 80 countries and working as scientists, researchers, artists, musicians, government officers, entrepreneurs, and employees of Fortune 500 companies and small business owners. Headquartered in New York — with offices in London, Hong Kong, China, and San Francisco, and local chapters in Boston, Chicago, Hong Kong, China, London, Los Angeles, New York, Paris, San Francisco, Shanghai, Toronto, and Washington, DC — it leverages the strong relationships of Australian diaspora members with business, government, and academia.

Advance receives government support from the Australian Department of Foreign Affairs and Trade, Australian state governments, and global corporate partners and donors. Membership is free, and members have access to events organized by Advance that promote Australian business, talent, and innovation via live events, video conferences, online programs, webinars, and podcasts. The organization:

- Connects Australian professionals living overseas in eight key industries: academic and research; the arts; financial services; life sciences; media, communications, and technology; professional services; public and charitable enterprises; and the green network.
- Offers a web portal with job opportunities, repatriation information, and seminars for members of the Australian diaspora who wish to return to Australia or migrate to other countries.
- Offers job listings online submitted by its partners through its Talent Mobility Partners program.

Most recently, Advance hosted the Advance Emerging Leaders Summit in New Delhi, India, that brought together Advance network members and emerging leaders to strengthen relationships between Australia and India, explore redesigning Indian and Australian entrepreneurial ecosystems, meet the region’s future energy needs and the challenges of urbanization, and fulfill demands for high-quality international education.


Box 3: Creating Networks among Moroccan Diaspora

The German aid agency GIZ, with a €1.6 million grant from the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development, supported Morocco in creating a favorable business environment by harnessing the skills and knowledge of the Moroccan diaspora. The program, Migrations and Développement Economique dans la région de l’Oriental (MIDEO), lasted from June 2008 to June 2011 and involved chambers of commerce, regional investment centers, private service providers, and the Hassan II Foundation, as well as other partner institutions such as the Agency for the Development of the Oriental region, diplomatic representations of Morocco in Europe, diaspora organizations in Europe, and other donors.

Among its accomplishments:

- MIDEO successfully established an association of former members of the Moroccan diaspora who are entrepreneurs in the region.
- Started a process for establishing a federation of female business owners in Al Hoceima province.
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CHAPTER 7: DIRECT INVESTMENT: FINDING AND ATTRACTING INVESTORS IN THE DIASPORA

2. Match Local Entrepreneurs, Business Owners, and Government Leaders with their Diaspora Counterparts

Another type of diaspora network organization is one that matches local entrepreneurs or business owners with those in the diaspora. Some networks rely on seasoned diaspora experts and business leaders to offer advice to local entrepreneurs on how to start a business and how to penetrate the global market, and may introduce them to third parties through their own networks. Others provide services to help entrepreneurs connect with leaders in government and business in their home countries. The overarching goal of such organizations or initiatives is to increase the flows of international trade and foreign investment to the countries of origin as well as foster local entrepreneurship and create long-term, strategic alliances with diaspora-connected entities. Box 4 highlights initiatives in Lebanon and the Philippines.

Box 4: Matching Investors at Home and Abroad

The Lebanese Business Network is a nonprofit organization established jointly by the Georges N. Frem Foundation and InfoPro, a publishing and market research company, to identify and create links between Lebanese entrepreneurs, expatriates, and international businesses through an online marketplace and business-matching database. The network also has a number of resource partners including IDAL, a public investment promotion agency, the Federation of Lebanese Chambers of Commerce, the Association of Lebanese Industrialists, and the Subcontracting and Partnership Exchange-Lebanon. Its services are free and involve business referrals, increased access to international markets, and knowledge transfer. The goal is to introduce Lebanese entrepreneurs to international businesses so as to create strategic alliances, joint ventures, and other partnerships; facilitate international trade; and increase FDI in Lebanon. However, anyone interested in doing business in Lebanon can have access to the network.

The Business Advisory Circle (BAC) is a network of individuals and organizations that help prospective overseas Filipino entrepreneurs set up business partnerships in the Philippines.

BAC has a technical working group comprised of business advisers of many government agencies and nongovernmental organizations (NGOs) including Go Negosyo, the Philippine Chamber of Commerce and Industry (PCCI), the Department of Trade and Industry (DTI), the Philippine Franchising Association (PFA), the Women’s Business Council of the Philippines (WBCP), and the European and American Chambers of Commerce in the Philippines. These partners offer advice and support to businesses. The Commission on Filipinos Overseas (CFO) serves as a coordinator between participating organizations and diaspora entrepreneurs and businesses, providing the necessary directions and referrals to facilitate communication and partnerships between public, private, and civil society entities. BAC seeks to increase the design of innovative partnership models, help identify and link business ideas in key industries, provide assistance in finding funding partners, and work with policymakers in trade and finance agencies to create a favorable business environment for overseas Filipinos. Currently, the main goal of the Filipino government is to make overseas Filipinos aware that such services are available to them.


3. Create Exclusive International Networks of Top Business Leaders

A number of diaspora network organizations limit membership to top business leaders and influential diaspora members. These individuals offer their time to mentorship programs, networking events, and meetings with government leaders on how to promote economic development in strategic sectors and regions in their respective countries of origin. By selecting and bringing together key diaspora members around the world who work in important growth sectors, these organizations are able to create and deploy a potentially influential resource for development. A commonly shared trait among such exclusive organizations is their focus on public-private partnerships. Government and business leaders come together to create strategic plans for how to engage diasporas in development. Such initiatives are found in Scotland, Chile, and Mexico (see Boxes 5, 6, and 7, respectively).

Box 5: GlobalScot

GlobalScot is Scotland’s diaspora-based framework for promoting economic development. In 2001 Scottish Enterprise (Scotland’s main economic enterprise and innovation and investment agency, largely funded by the Scottish government) launched GlobalScot as an international network of Scottish business leaders and those interested in supporting the development of the Scottish economy.

GlobalScot’s mission is to market Scotland as an attractive place for investors through its members, develop new markets overseas, and mentor Scottish businesses at home and abroad. Since its creation, GlobalScot has helped generate more than £30 million in gross value added to Scotland. GlobalScot encourages its over 600 members (or “Global Scots”), all of whom hold senior positions within their respective organizations, to serve on one another’s boards and to educate others about business opportunities in Scotland and job opportunities for Scots in global firms — and encourage them to take part. GlobalScot membership is by invitation only and confers notable prestige on the select few.
GlobalScot offers its services free of charge. In partnership with Scottish Development International (SDI), the Scottish government, and other agencies, Global Scot helps entrepreneurs identify business opportunities abroad and offers advice on how to enter markets, negotiate and broker business deals, leverage finance, establish contacts, make strategic business plans, and expand business networks. Every year, the network holds at least 60 networking events. In 2009 it held “Scotland’s Global Opportunity — Great Minds & Innovation,” its biggest event to date; 106 Global Scots and 233 representatives from Scottish organizations attended, resulting in 150 one-to-one connections. Reportedly, 70 percent of GlobalScot attendees and 60 percent of Scottish company representatives attending identified new business leads. The first GlobalScot Connect event held in the United States, in November 2010, offered more than 60 US-based Global Scots the opportunity to meet with Scotland’s promising growth companies. Global Scots have served as mentors to Scottish students and are invited to speak at schools and universities, offering guidance on developing skills that are in demand and providing internship placements and employment opportunities.


Box 6: ChileGlobal

ChileGlobal — the Talent Network for Innovation — promotes and facilitates the development of key economic clusters in Chile by reinforcing their links with Chileans (and some non-Chileans) residing abroad who are working to introduce innovative technologies to Chile. Its mission is to support the development of innovation, highly qualified human capital, and business creation in Chile through the transfer of knowledge, skills, ideas, contacts, and technology through members of the diaspora, and to help the country play an important role in the knowledge economy. Members of the network contribute their time, experience, contacts, knowledge, and skills to help globalize Chilean companies.

Through its network of about 400 registered influential Chileans living in the United States, Canada, Mexico, Brazil, Argentina, Australia, China, Spain, Sweden, and England, ChileGlobal designs and finances business projects that introduce innovations in both the production and services sectors, boost human capital to augment productivity, and promote technology and knowledge transfers to and from Chile.

This highly exclusive network was founded in 2005 by Fundación Chile, a small public-private foundation that helps entrepreneurs launch technically innovative agribusinesses in Chile. A Technical Secretariat runs its day-to-day operations and helps facilitate connections between its members with counterparts working in academia and the private and public sectors in Chile. Until 2009 ChileGlobal was located within Fundación Chile and its activities were supported by Chilean public funds. In 2010 the organization became part of the Fundación Imagen de Chile, a public-private institution with a mandate to promote Chile’s image abroad.

Given its own limited resources, ChileGlobal relies on connecting existing resources. For example, it relies on partners such as ProChile (the Export Promotion Agency of the Ministry of Foreign Relations) and the Chilean Economic Development Agency (CORFO) to help identify potential members and support member activities, seminars, and workshops. ChileGlobal has three focus areas: human capital development, support of public policies on innovation, and business development. To date, it has helped create 76 companies with more than 50 domestic and international partners (including private corporations, universities, and institutes of technology), and currently owns a share in 23 of them.

Red de Talentos Mexicanos, or the Mexican Talent Network, was founded in 2005 by the Secretariat of Foreign Relations in partnership with the Institute of Mexicans Abroad (IME) and the National Council on Science and Technology (CONACYT) and with the financial support of the US-Mexico Foundation for Science (FUMEC), which now serves as its Technical Secretariat. Today, the Ministry of the Economy also supports it. While it is an independent network, it has strong ties to the Mexican government and nongovernment institutions.

Red de Talentos attempts to leverage the resources of its highly qualified diaspora members to help Mexico develop a knowledge-driven economy. The network members are organized in regional or local chapters, which independently define areas of interest. The Silicon Valley chapter, for example, focuses on information technology (IT) while Houston specializes in biotechnology, health, and energy. The entire network meets at annual conferences to define key strategic goals and afford members the opportunity to network and share experiences within their respective chapters. The network promotes ties between Mexico and its highly qualified professionals living abroad by supporting high-value-added projects in 39 areas of business development and education. It currently has 11 projects of strategic importance to Mexico.


4. Challenges in Creating and Keeping Diaspora Business Networks

While diaspora networks can be a useful resource for both governments and diaspora members looking to strategically develop economic sectors, start a business, seek investments, or simply build an influential network, leaders of diaspora organizations have met challenges in achieving their intended objectives.

When trying to set up a diaspora network, organizers tend to consider all members of the diaspora as equal. However, some organizations have found that cooperation with less educated members of the diaspora may require different forms of engagement than those that work well with highly educated members. This perhaps suggests that membership schemes should be selective and more strategic.

Members of the diaspora who work in developed countries and who are interested in starting businesses in their countries of origin are less inclined to return permanently but rather prefer to run their enterprises from a distance. This raises the question of whether permanent physical presence in the country is of utmost importance or whether members of the diaspora can be effective from afar or as regular visitors. Many highly skilled individuals hold dual nationality or permanent residence in two or more countries and can circulate between them with ease.
According to Molly Pollack, director of ChileGlobal, lessons learned include:

- Sustaining network organizations over the long term is a challenge;
- Political support at home is needed to respond quickly to shifting diaspora interests;
- Diaspora networks should focus on the quality, not quantity, of their members to achieve high impact;
- Developing partnerships with public and private bodies that promote innovation is key.

The level of commitment, areas of interest, and availability of diaspora members to engage with network organizations often fluctuate. Network organizations must take into account such potential changes and plan accordingly.

C. Provide Access to Business Training Programs

Some governments and multilateral organizations directly provide training to potential entrepreneurs who wish to start businesses in their countries of origin or destination. The goals of such training programs and services include facilitating diaspora contributions to sustainable economic development through business and job creation, increasing the standard of living among diaspora communities, and educating the diaspora on how to write business plans and start businesses. Some training services simply provide fact sheets about various aspects of starting a business while others hands offer hands-on training and customized courses for potential entrepreneurs. Some private organizations — often with the financial support of governments or multilateral institutions — offer similar training programs.

1. Provide Training Directly

Several governments — including those of Colombia, Portugal, Israel, and Brazil (see Boxes 8, 9, 10, 11) — provide programs that train diaspora members directly.
Box 8: ProMicro

ProMicro was established in April 2010 as a pilot project by the Colombian consulate in New York with the support of Colombia Nos Une, a development program of the Colombian Ministry of External Relations, to offer support to small businesses run by Colombians living in New York and New Jersey. The program has three main components:

- Offer work-related education via the National Service for Training (SENA), an online education website
- Provide technical assistance and free legal consultations for starting and growing businesses in the United States
- Provide microcredit for microenterprises.

ProMicro helps Colombians create successful business plans through a network of over 25 private and public partner organizations that provide training, technical assistance, and capital to small businesses in the United States. To date, the organization has provided services to 650 members and offered workshops in Queens, Manhattan, and Harlem in New York City; and in nearby Hackensack and Elizabeth, New Jersey. It is looking to expand its services to Colombians living in other regions of the United States.


Box 9: Promoção do Empreendedorismo Imigrante (PEI)

The Immigrant Entrepreneurship Promotion (Promoção do Empreendedorismo Imigrante, PEI) program was set up by the High Commission for Immigration and Intercultural Dialogue (Alto Comissariado para a Imigração e Diálogo Intercultural, ACIDI IP) in Portugal to help immigrants in Portugal to start their own businesses by connecting them with executives and entrepreneurs who can offer advice. Established in 2009 with European Union (EU) funding involving six countries (Portugal, Spain, Italy, Switzerland, Greece, and the Netherlands) to address financial management of immigrant households and immigrant entrepreneurs, the program is in its third phase, which will last from 2011 to 2012.

The purpose of the program is to help immigrants acquire the entrepreneurial skills needed to create sustainable businesses and to connect potential entrepreneurs with entrepreneurship support programs. The main components of the program include:

- Creating a team of trainers and agents of intercultural mediation for entrepreneurship
- Mobilizing and building the capacity of institutions to promote entrepreneurship
- Educating and training potential entrepreneurs
- Liaising with institutional partners and mobilizing other relevant actors.

PEI also runs a business Ideas Competition open to participants from non-EU countries who complete its course on business creation. The best three ideas presented at the Business Ideas Competition win €5,000, €3,000, and €1,000 in prize money to implement the business idea. The competition is implemented by the ten National Centers for Assistance to Immigrants in Lisbon and Porto, along with other organizations including training bodies and the National Association for the Right to Credit.

Box 10: Israeli Ministry of Immigrant Absorption

The Israeli Ministry of Immigrant Absorption offers programs and services to assist former residents of Israel who wish to start or transfer a business in Israel. The Ministry’s Business Entrepreneurship Department provides business counseling services, training and guidance for entrepreneurs, business feasibility checks, preparation of business plans, business mentoring and guidance, tax counseling, and financial assistance for business investments through its 12 business counseling centers.


Box 11: CAIXA Econômica Federal (CAIXA)

CAIXA is a government-run bank that acts as the main agent of Brazil’s social policies. Established in 1861, CAIXA became a state-owned financial institution in 1969 and was attached to the Ministry of Finance and headquartered in Brasilia. It operates through 17,000 service points nationwide, serving 170 million Brazilians.

CAIXA and its partner, the Brazilian Support Service for Micro and Small Businesses (Serviço Brasileiro de Apoio à Micro e Pequena Empresa, SEBRAE), have been working to ensure that Brazilian migrants in the United States with entrepreneurial capacity receive business training through SEBRAE’s online training system so that when they return to Brazil with business ideas, they will be able to tap into their savings. SEBRAE is also taking steps to ensure that remittance recipients in Brazil receive training to start and strengthen businesses.

CAIXA offers support to migrants and their relatives with financial services tailored to their needs. To date, the program has established a partnership with a US bank, conducted needs assessments for migrants and their families living in Massachusetts, and developed six remittance-linked financial products tailored to the target population.

Source: Hall, Ten Years of Innovation in Remittances.

2. Support Training Programs Provided by the Private Sector and International Organizations

Instead of providing training directly, some governments opt to support training initiatives in the nongovernmental sector, such as IntEnt in the Netherlands and Afford in the United Kingdom. Some governments have also worked in partnership with international organizations such as the International Organization for Migration (IOM) through its Migration for Development in Africa (MIDA) program (see Boxes 12 and 13).
Box 12: IntEnt and AFFORD: Inventing Investors in the Diaspora

IntEnt. Based in the Netherlands, this organization was created in 1996 by Social-Economical Entrepreneurship in the Netherlands (SEON), FACET BV, and Triodos Bank, at the request of the former Dutch Minister of International Development, J. P. Pronk. Its purpose is to stimulate the kind of entrepreneurship among immigrants that will have a sustainable impact on development in their home countries. The organization offers fee-based support to diaspora entrepreneurs seeking assistance in developing business plans for implementation in Morocco, Turkey, Suriname, Ghana, Ethiopia, Curacao, and Afghanistan. Its services include providing information about entrepreneurship, orientation sessions and training courses, counseling, advisory services, market information, referral and mediation, assistance during and after starting a business in the program countries, networking, management training, online services, and supplementary financing.

Between 1996 and the end of 2009, IntEnt helped launch 350 businesses, including 50 new businesses in 2009 alone. In 2009 the organization began to offer its services to immigrants residing outside of the Netherlands who wished to start businesses in developing countries, and opened IntEnt-type sister organizations in Suriname, Morocco, and Ghana. That same year, it received 1,305 information requests from within the Netherlands, conducted 654 intake interviews, enrolled 210 participants in the support course program and 195 in the in-country market exploratory program, and helped start 46 businesses. An extra 40 participants from abroad enrolled in the support course program, of whom ten participated in the in-country market exploratory program and six started businesses. Together, these businesses created sustainable investment worth more than €14.5 million and almost 990 jobs. The average IntEnt entrepreneur invested €62,000.

The African Foundation for Development (AFFORD). AFFORD was founded in 1994 by Africans living in the United Kingdom to help the African diaspora there create wealth and jobs in Africa. Its main program, Supporting Entrepreneurs and Enterprise Development in Africa (SEEDA), uses the skills, knowledge, and wealth of the African diaspora to support SMEs in Africa. Its efforts thus far have focused on entrepreneurship in Ghana and Sierra Leone. With the support of the UK Voluntary Services Overseas (VSO) Diaspora Volunteering Initiative, SEEDA has organized five missions to Africa. As of July 2009, 70 diaspora members had contributed advisory services worth £200,000, to help 800 businesses in Sierra Leone and Ghana with business planning, marketing, bookkeeping, and access to financial services. SEEDA has also contributed to the creation of two new business development centers in Sierra Leone that provide business advice and advocate for a better business environment in the country. To date, it has invested about USD$400,000 in 800 companies.

Box 13: IOM’s Migration for Development in Africa (MIDA)

MIDA is a capacity-building program implemented by IOM. Two MIDA initiatives — Diaspora for Development of Cape Verde (DIAS DE Cabo Verde) and the Guinea Project — have focused on training members of the diaspora to acquire entrepreneurial skills necessary to establish their own businesses.

**Diaspora for Development of Cape Verde (DIAS DE Cabo Verde).** This project, which lasted from 2008 to December 2009, was cofinanced by the European Commission and the Portuguese government and jointly implemented by the Instituto das Comunidades de Cabo Verde (IC) and IOM. DIAS DE Cabo Verde encouraged Cape Verdians residing in Portugal, Italy, and the Netherlands to contribute to the development of key sectors of the Cape Verdean economy and improve its investment climate by transferring their knowledge and skills to professionals in Cape Verde as well as developing entrepreneurial projects with local partners. The project also promoted the active participation of Cape Verdian public agencies through counseling of diaspora members in the areas of business creation and investment opportunities. Cape Verdean diaspora professionals executed 29 training missions, 19 of which were conducted by those from Portugal, eight from the Netherlands, and two from Italy. In addition, Cape Verdean entrepreneurs carried out nine network missions, three of which originated in the Netherlands, to explore investment opportunities in Cape Verde. During these networking missions, 33 Cape Verdians living in Portugal, Italy, and the Netherlands and their business partners received advice on investment opportunities in strategic sectors and on SME creation and management under the support of the Agency for Entrepreneurial Development and Innovation (Agência para o Desenvolvimento Empresarial e Inovação, ADEI).

**MIDA Women Guinea Project.** This project encouraged the creation of microenterprises by poor rural women. Members of the Guinean diaspora living in West African countries such as Senegal provided an eight-day training course in creating and managing microenterprises to 60 Guinean women. A partnership was formed with the microfinance institution Rural Credit of Guinea (RCG), in the course of which RCG was able to ensure small lines of credit ranging from 300,000 to 650,000 Guinean francs (approximately $155 to $332) on more favorable terms than other microcredit institutions. In November 2003, RCG gave 56 microcredit loans to the trainees to create or expand microenterprises, and a year later had received 55 reimbursements. IOM covered all expenses related to the microcredit grants, including fees for membership, filing, and participation in the solidarity fund and security funds. Three Guinean diaspora trainers and RCG trainers provided support and advice to project participants. In due course these enterprises offered employment and the opportunity to acquire new skills or crafts for the beneficiaries and local population. Research associated with the project revealed that the methods used in Europe and North America to set up small businesses were less applicable to rural project locations in Guinea; this insight resulted in reliance on diaspora members in neighboring countries instead of those residing in the North.


**D. Provide Entrepreneurs Access to Funds**

A number of governments and international and private organizations provide initial startup funding or subsequent capital infusion in the form of competitive grants, matching funds, or loans at favorable rates to help entrepreneurs launch their businesses. Funds are rarely distributed for free and often have ceilings or require matching funds.
Horst and her colleagues find in their review of diaspora initiatives in post-conflict situations, that although “most mainstream funding schemes require entrepreneurs to raise some of their funding themselves,” counterpart requirements for diaspora projects are generally much higher. Horts and her colleagues highlight the case of a pilot project in Pakistan, which required diaspora members to put up 50 percent in matching funds. Contributions, however, may be provided in other forms than cash such as in a GIZ pilot project, which allows diaspora members to cover as much as 40 percent of that counterpart requirement with voluntary work.241

Governments also offer avenues through which members of the diaspora can access loans through local banks. Colombia Nos Une, for example, has partnered with the Colombian Foreign Trade Bank (BANCOLDEX) to offer lines of credit to diaspora entrepreneurs looking to start their own businesses. In addition, Colombia Nos Une offers nonfinancial support to entrepreneurs such as working with local universities to train individuals on business management.

Box 14: Targeting the “Opportunity Entrepreneur”

The role of diaspora entrepreneurship in development goes beyond remittances sent home. It has the potential to extend along the whole spectrum of human development as it fosters business development, job creation, and innovation; creates economic, political, and social capital through global networks; mobilizes social capital through cultural and linguistic competence; and positively correlates with economic growth.

According to MPI, there are two types of entrepreneurs:

- The necessity entrepreneur who opens a business for survival (such as a stall in the open market), is self-employed by default, and concentrates in petty trade or personal services. He/she doesn’t create many jobs and in many cases barely makes enough to feed the family.
- The opportunity entrepreneur who is filling a gap in the economy and introducing new forms of production. He/she contributes substantially to economic growth and often creates jobs outside the immediate family.

Source: Newland and Tanaka, Mobilizing Diaspora Entrepreneurship for Development.

1. Provide Matching Funds

IntEnt. IntEnt facilitates the creation of new businesses by entrepreneurial and enterprising migrants and primarily offers services to migrants who wish to set up businesses in their countries of origin.242 In addition to offering training courses, advisory services, and market information, IntEnt also offers funding for certain projects from its Friends and Family Fund (FFF), set up in 2009. IntEnt received financing from an
EU program (a joint Hivos-IntEnt project within the Aeneas program) to set up the FFF to help private-sector development in developing countries. IntEnt can invest up to €50,000 in an enterprise if:

- Friends and family of the entrepreneur provide a guarantee for half of the investment to the fund;
- The entrepreneur’s financial plan is approved;
- The entrepreneur accepts guidance during the first year after start-up of his/her business.

Such services help entrepreneurs to overcome credit limitations and high interest rates at local banks; time-consuming and complicated bureaucracy; unfamiliarity with local procedures and market conditions; unstable political, economic, and security environments; and cultural differences.

**African Diaspora Marketplace (ADM).** ADM was a pilot project in the form of a business competition held in 2009 and sponsored by the US Agency for International Development (USAID) in partnership with Western Union, the world’s largest remittance services provider. During the competition, US-based members of the African diaspora — either US citizens or legal permanent residents — presented 733 business plans for SMEs that would contribute to economic development in sub-Saharan Africa. Applicants were required to have a partner organization in Africa to help them execute their projects, and to own at least 25 percent of the proposed company. The goal of ADM was to spur job creation, generate income, and produce goods and services by offering matching grants to African diaspora members living in the United States.

Judges were drawn from USAID, Western Union, businesses, NGOs, and diaspora, development, and academic groups. They evaluated applications based on the quality of the business idea as well as its proposed management plan, sustainability, results orientation, and ability to capitalize on diaspora resources. In January 2010 ADM announced 14 winners who were awarded matching grants of $50,000 to $100,000 to help fund businesses in seven countries. (Winners were required to match these grants through financial or in-kind contributions.)

The initiatives included a business aimed at increasing production of school, hospital, and agricultural supplies in Ethiopia and a franchise business that would offer health care to populations living in rural areas in Ghana. Some of the companies that were selected included TAF Biotechnology (Ethiopia), Aceritas Goat Farm (Ghana), Uganda Solar Ovens (Uganda), Earthwise Ferries (Uganda), Sproxil, Inc. (Nigeria), and...
Global Technology and Investment PLC (Ethiopia). Upon receipt of the grant, winners were allowed 18 months to fully execute their business plans, and to date all are still operational.245

In November 2011 USAID and Western Union launched the second ADM, giving entrepreneurs another chance to compete for funding. Taking into consideration lessons learned from the first competition, the second competition will focus grants on high-impact sectors in Africa, including agribusinesses, renewable energy, and information and communication technology (ICT). Western Union and USAID also intend to invite small business investment funds and technical assistance mentors to participate in the effort to engage with diaspora entrepreneurs.246

Development Marketplace for African Diasporas in Europe (D-MADE). D-MADE was a 2007 World Bank initiative that awarded cash prizes and technical assistance to innovative entrepreneurial African diaspora groups for projects implemented in sub-Saharan Africa.247 The program received financial support from the Belgian Development Cooperation, the Dutch Ministry of Foreign Affairs, the German Federal Ministry for Economic Cooperation and Development (BMZ), and the French Development Agency. In 2008 the competition produced 16 awardees who each received a €40,000 grant to implement their ideas in 11 African countries (Mali, Côte d’Ivoire, Benin, Burkina Faso, Cameroon, the Democratic Republic of the Congo, Ethiopia, Madagascar, Malawi, Sierra Leone, and Togo).248 These innovative businesses, based in Europe, all involved local counterparts in Africa. Winners were expected to make financial contributions of 5 to 25 percent of the D-MADE award. (The Award Team could waive the contribution requirement under exceptional circumstances.)249 In addition to grants, winners also received customized technical assistance for their respective businesses and monitoring of their activities for one year.

El Cucayo. El Cucayo is a competitive matching fund program run by Ecuador’s government that supports enterprising Ecuadorean migrants who wish to start a business or expand an existing one and make it financially profitable. The program, operated by the National Secretariat for Migration (Secretaría Nacional del Migrante, SENAMI), offers information and technical advice, training and coaching, provision of seed capital, and referrals to public banking institutions for accessing lines of credit. Applicants must possess Ecuadorean citizenship, have lived abroad for at least a year, not have spent more than 60 days in Ecuador during the last year abroad, have returned to Ecuador since 2007, and not have any legal issues that would impede eligibility for the program.
Applicants have several financing options, which are largely divided into a 50-50 arrangement (where both the applicant and SENAMI contribute 50 percent to the project) or a 25-75 percent arrangement (where the individual covers 75 percent of the project and SENAMI 25 percent). For 50-50 percent arrangements, individuals can apply for up to $50,000 for community business projects (those that involve at least two migrants and a community organization) or up to $2,500 for individual/family business projects. Under the 25-75 percent arrangement, individuals can apply for up to $15,000 for individual or family business projects or up to $50,000 for associative business projects (those involving at least five individuals, at least two of whom are migrants).250

Considered a success, the program between 2008 and 2010 funded 502 productive enterprises, created 2,051 jobs in Ecuador, provided technical assistance for the preparation of 642 business projects, and trained 4,329 people in productive social investment.

2. Provide Loans

Ministry of Immigrant Absorption (Israel). The ministry offers programs and services to assist former residents of Israel who wish to start a business in Israel or transfer one to the country. Two types of loans are available for opening businesses: the State-Guaranteed Small Business Assistance Fund (of the Ministry of Trade, Industry, and Labor) and the Fund for the Self-Employed Immigrant (of the Ministry of Immigrant Absorption).251 An individual can only apply for a loan from the Fund for the Self-Employed Immigrant252 one time. The loan approval process is as follows:253

- The business counselor transfers the business plan and his recommendations to the fund committee;
- The committee examines the business and determines the amount of the loan;
- The committee determines the guarantees and securities required from the entrepreneur;
- The committee refers the entrepreneur to a partner bank of the Ministry of Immigrant Absorption to realize the loan.

Returning citizens as well as immigrants (most of whom are seen as members of the Jewish diaspora) and, under some circumstances, children of immigrants, are eligible for these loans.
E. Channel Private Funds to Finance Private Businesses or Public Infrastructure

A number of private and public-private initiatives channel private funds into developing both private businesses and public infrastructure projects. Such programs range from those that offer opportunities to invest in selected businesses in developing countries to those in which governments and private corporations match incoming remittance flows with government and private funds to finance public infrastructure projects such as building roads, power plants, and schools. Unlike programs that offer diaspora entrepreneurs direct access to grants, loans, or business training for their own entrepreneurial activities, these targeted investment approaches leverage the financial capital of members of the diaspora by channeling it into the businesses and infrastructure development in countries of diaspora origin.

In recent years, however, public-private partnership programs — such as Inter-American Development Bank (IDB) efforts to pool investments from hometown associations (HTAs) and the Mexican Tres por Uno (3x1) program, which channel pooled investments into public infrastructure projects — have been criticized for not focusing enough on creating businesses and jobs but rather investing in things for which the government should take responsibility. Governments are now realizing the need to shift their focus to creating SMEs and jobs. Boxes 15 and 16 highlight examples of programs that are attempting to meet this need.

Box 15: Homestrings: Diaspora Investment Platform

Homestrings is an investment platform for diaspora and other investors around the world. Established in 2011 by US investor Eric-Vincent Guichard (who grew up in Guinea), Homestrings researches and assembles investment opportunities, all of which have at least a 66 percent chance of producing positive investment returns for the diaspora. It offers investors opportunities to invest a minimum of £5,000 in funds, projects, and public/private partnerships. Its collaborators include financial institutions and private equity funds (including Actis, the Small Enterprise Assistance Funds [SEAF], the Summit Development Group, Ecobank, Insparo Asset Management, and TLG Capital) that manage investment portfolios in developing and emerging markets. Homestrings does not allow individuals who have a net worth of under $1 million or those who have not had an annual income of at least $200,000 individually or $300,000 with a spouse for the preceding two years to invest through its platform.

Box 16: The Liberian Diaspora Fund

The Khana Group and the Liberian Professional Network (LPN) established the Liberian Diaspora Fund to channel remittances from the diaspora toward investments in SMEs in Liberia to help fight poverty and create jobs in a sustainable manner. The Liberian Diaspora Social Investment Fund is owned and managed by Liberians and allows members of the diaspora to invest in designated businesses and sectors of the economy. The sectors in which it invests include: agribusiness, fisheries, natural resources, technology, infrastructure, and health care. Its performance measures are poverty reduction and job creation. To create a shared-risk arrangement, 75 percent of the fund originates from the diaspora, while the remaining 25 percent investment comes from multilateral organizations, the US Overseas Private Investment corporation (OPIC), the World Bank, USAID, and other sources. In addition to providing investment to entrepreneurs, the fund also offers training in critical business skills, accounting, and marketing to entrepreneurs and mentorship by pairing entrepreneurs with experts.


3x1 para Migrantes. Established in 1999 as a new iteration of its predecessor — the Dos por Uno (2x1) program involving the state government of Zacatecas and the Mexican federal government — the Mexican Tres por Uno (3x1) program has made a real difference in empowering migrants and promoting local community development. Every dollar contributed by a diaspora member through a dedicated Mexican HTA abroad is matched by a dollar each from the municipal, state, and federal governments. As of December 31, 2010, the 3x1 program operated in 28 of the 31 states of Mexico, and had approved 2,488 projects including 874 urbanization and paving projects; 571 potable water, drainage, and electricity projects; 359 education, health, and sports projects; 332 productive projects; and 56 rural road projects. In 2010 total financing from migrant associations and local, state, and federal governments reached over 1,192.8 million pesos (approximately $100 million).

To focus on social infrastructure projects, the federal government’s Social Development Secretariat (Secretaría de Desarrollo Social, SEDESOL) has a financial limit of 800,000 pesos per infrastructure, equipment, or community service project (25 percent of total project costs), and a 300,000 peso limit for productive (job- and tax-creating) projects (50 percent of total project costs). For projects concerning the former group, the government can, after obtaining approval from the Committee on Validation and Attention toward Migrants (COVAM), increase the limit depending on the size and social impact of the project. In general, projects are divided into six main categories: education, health, and sports; potable water, drainage, and electricity; roads and highways; culture and recreation; urban improvement; and productive community projects.
Box 17: Cuatro-Por-Uno: Making Public-Private Partnerships Work

Hoping to build on the success of the 3x1 program, in 2005 money-transfer giant Western Union announced the 4x1 program — a mechanism through which Western Union (the first private-sector participant in the program) provides the third layer of matching funds in addition to local, state, and federal governments in Mexico. Its initial program was launched in the state of Zacatecas in 2005, where it donated funds for eight projects. It pledged matching funds of $1.25 million, with $250,000 earmarked for each participating Mexican state. The types of job-creating projects that qualify for funds include agricultural infrastructure, natural resources conservation efforts, and community-based economic development projects such as structural improvements or technical upgrades to existing small businesses, educational facilities, and health care centers. However, HTAs must apply to Western Union for matching funds for development projects in Mexico. In 2008 Western Union funded an additional 21 projects in Zacatecas, Veracruz, Guanajuato, Michoacan, and Guerrero.

Some have voiced criticism that the transaction costs charged by money transfer organizations such as Western Union are too high. Giving back to the communities from which they draw their profits through programs such as the 4x1 program sends a positive message to Mexican immigrants in the United States and their relatives in Mexico.


GIZ Pilot Project. In 2007 the German International Development Agency (GIZ), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), created a three-year pilot project to engage diaspora organizations in Germany in the joint implementation of social infrastructure programs that contribute to development in their countries of origin. The project offered cofinancing of investments. The pilot’s goals were to identify preconditions for successful cooperation with diaspora communities and provide criteria for the practical design of a cooperation arrangement with these communities for nonprofit activities.

Among the joint GIZ-diaspora organization partnership projects implemented are:

- The Afghan Bedmoschk Solar Center, which created solar and wind plants to provide energy and light to 12 extended households in Afghanistan. Two men from the village received vocational training on how to maintain the energy stations.
- Afghanisch-Deutscher-Ärzteverein (ADAV) e.V., a migrant organization in Germany that, with the support of GIZ, has been training Afghan physicians through the transfer of skills. ADAV organized an advanced diagnostic sonography course for physicians,
including five women, from the southern and southwestern provinces of Afghanistan. The course allowed participants to offer patients diagnostic sonography in their respective localities. ADAV plans to continue offering such courses.

Kasser e.V., an immigrant organization in Hamburg that, in partnership with an Afghan engineering firm and a local construction company, helped build a girls’ school in the town of Herat, Afghanistan. The local school authority administers the school and is responsible for all expenses and salaries. Operational since 2008, the school has ten classrooms, a faculty room, and a library serving more than 200 girls from disadvantaged families. Kasser e.V. is equipping the library and offering teaching materials.\(^{259}\)

### Challenges and Lessons Learned

Governments, multilateral institutions, private corporations, state-owned and commercial banks, nonprofit organizations, and diaspora institutions, each with their comparative advantages and areas of expertise, play an important role in leveraging diaspora contributions to development. This chapter discussed five ways in which governments and other organizations have engaged diasporas in development: by providing access to information, access to networks, access to training, access to funds, and by directing investment to public infrastructure.

While the highlighted initiatives have all made valuable contributions to engaging diasporas in development, they have also faced their fair share of challenges. This section lays out a few of the key challenges and lessons learned from their experiences.

#### A. Obtain Commitments from Institutions and Individuals

Find partners whose social mission is to help disadvantaged or inexperienced individuals. Many organizations, particularly private for-profit corporations (including commercial banks), can be reluctant to participate in development-related projects involving the diaspora. Banks, for example, might consider low-income individuals with little business background or financial capital as a risk not worth taking and thus refuse to offer them loans and other banking services. However, as IDB finds in the case of Brazil’s CAIXA, some banks and organizations have a social
mission of working with the “base of the pyramid” and believe in training migrants to be future business leaders. Without buy-in from institutions, projects that aim to help members of the diaspora start businesses or invest in development could prove unsustainable.260

Build strong institutions with a long-term perspective. According to Molly Pollack, director of ChileGlobal, some of the key lessons learned in building a diaspora network organization include: (1) the need to think long-term about how to sustain a network organization; (2) the need to obtain political support at home to be able to respond quickly to shifting diaspora interests; and (3) the relative advantages of having a select membership rather than open membership for achieving high impact.261 Competitions for business grants hosted by the World Bank and other organizations have been successful in producing a number of promising businesses run by members of the diaspora that can contribute to sustainable development in their countries of origin. However, these competitions tend to have high overhead costs, and seem to be limited in their reach; those who do not win funding must look for opportunities elsewhere. Governments and international organizations should first determine whether such funding schemes effectively create sustainable businesses that contribute to development at a reasonable cost and, if so, determine how best to sustain such programs.

B. Ensure Coordination among Partners

Create a one-stop shop for diaspora entrepreneurs. Many organizations offer information or services about investment opportunities, entrepreneurship, and business partnerships. However, they tend to act in an individual capacity, lacking overall policy coherence, vision, or strategy. Governments, through their respective diaspora affairs departments, could establish a one-stop web portal that provides the information the diaspora needs to know about business start-up, investment opportunities, available business consultations, average remittances fees, taxes, permits, capital requirements, loans, and the like. Other useful information could include links to diaspora network organizations, training institutes, banks, or international organizations with which governments have partnerships.
Define the government strategy and policy framework for engaging the diaspora. Such a policy, for example, might clarify whether it is promoting and supporting entrepreneurship among members of the diaspora abroad or trying to attract investments and current or future entrepreneurs to their countries of origin. One way of ensuring that potential businesses will meet the priorities and objectives of national development is to define key industry sectors in which to promote diaspora investment. Setting such parameters can help governments communicate their economic priorities to members of the diaspora, and thus stimulate entrepreneurial activity in the areas where it is needed most.

Define partners’ tasks before and while implementing projects. When implementing projects that involve multiple institutions, coordination across partners is paramount. The alternative is duplication of efforts, wasted resources, and slow or even failed implementation of programs. All parties involved in an initiative should clearly outline and understand their individual roles and expectations during both the planning and project implementation phases.

Mobilize relevant resources from both the public and private sectors. Governments in countries of origin and destination, multilateral agencies, diaspora communities, private businesses, and a wide range of civil society organizations all have resources to contribute to development efforts. An emphasis on building partnerships among the many stakeholders is good practice for development generally, and diaspora engagement in particular.

C. Plan for Unexpected Situations

Plan for unfavorable circumstances. Unexpected external factors, such as a financial crisis or a natural disaster, can influence the scale and effectiveness of any project. When CAIXA was looking for partners in US banking institutions, it faced difficulty in getting buy-in from US banks impacted by the global financial crisis; after many failed efforts it finally succeeded in establishing a partnership with a US bank, but its intended timetable was disrupted.

Think strategically about what segments of the diaspora population to engage first, and how. Quality may be more important than quantity when trying to create an influential
D. Work with Experienced Partners

- **Know your partners well.** One of the key lessons that GIZ learned while carrying out its projects with various diaspora organizations was that government agencies and other institutions that offer support to such groups should know their partners well prior to establishing any cooperation agreement. For example, governments should first understand the skills and capacities of diaspora organizations, and establish whether members have enough time and organizational resources for effective engagement. They would do well to grasp underlying political relationships and diasporas’ level of communication with origin-country governments and local actors in the private and nonprofit sectors. They must assess claims of various diaspora organizations to represent the broader diaspora community and make difficult trade-offs between inclusiveness and manageability of interaction with diasporas. In addition, destination-country governments should also find and engage appropriate public-sector partners in countries of origin and agree on mutual objectives. Importantly, governments and other institutions that offer support should ensure that diaspora organizations have a sense of ownership of any projects that are implemented.

- **Work with partners that have a proven track record and good knowledge of the local business environment.** While many organizations may wish to play a part in projects aimed at leveraging diaspora resources and energies, not all of them are in a position to offer high-quality, beneficial support. Institutions chosen for projects under competitive funding schemes, for example, should have a proven track record in providing services such as quality business counseling, training, or organizing and sustaining diaspora networks. At the same time, however, governments should find ways to build the capacity of less experienced organizations so that they can become capable partners.

- **Work with partners that understand the specific needs of local and diaspora communities.** While many organizations may be willing and able to offer generic business training or conduct skill-
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Transfer projects, not all of them may understand local needs. For example, the MIDA Women Guinea Project invited diaspora members from West African countries instead of those living in Europe and North America to train local women on how to start SMEs, which allowed for the transfer of more relevant information. Finding the right partners can make the difference between success and failure in creating sustainable businesses. Multilateral institutions, for example, can use their relationships with local organizations to help facilitate access to credit for local banks that offer microloans to small and medium-sized enterprises.

Outsource tasks to optimize costs and efficiency. It is unrealistic for a single organization to provide comprehensive resources and services to members of the diaspora. Offering targeted, high-quality services often requires governments and other large institutions to find appropriate partners that can do a better job of offering programs tailored to meet the needs of particular partners. This makes sense both from a practical and financial point of view.

E. Take Appropriate Actions When Conflicts of Interest Exist

Make informed decisions where there are conflicts of interest. Donors should make informed decisions about whether to provide support for projects that involve conflicts of interest. For example, for-profit financial institutions have a vested interest in providing business and financial literacy training; unrepresentative diaspora organizations may try to capture the benefits of a project for a narrow group. In such cases, governments can rely on due diligence information-gathering and negotiation with partner organizations to make the best judgments they can about a fair disposition of resources.

F. Assess and Monitor Projects

Public and private organizations should closely monitor outcomes. Organizations that offer competitive grants or loans to service providers should continually assess and evaluate their programs. Service providers also have an incentive to closely monitor results and use a variety of indicators to measure the impact of programs: effective services lead to sustainable businesses, and, in some cases, to funding from government institutions. Private and public institutions providing business and entrepreneurship training should also consistently monitor and
evaluate outcomes to learn how to strengthen their programs and improve services. Some useful indicators to evaluate outcomes include: data on the nationality, gender, age, and educational background of those benefiting from projects or programs; the number of businesses created as a result of the program; the longevity of businesses created or strengthened, the number of new businesses that received financing; the number of business clubs or networks created; and the number of advisers and trainers active locally.

Adjust services according to evaluations. Monitoring and evaluation can provide important insight on the types of courses (online, in-person, workshops, technical assistance, skill transfers through professional exchanges or reintegration schemes, etc.) that are most effective in supporting aspiring entrepreneurs to realize their business goals. Programs that have had minimal impact on creating sustainable businesses could be reconsidered while those that have produced positive results could be reinforced. Institutions that offer services in more than one country should ensure that local partner institutions meet their standards and offer the same content and level of service as they do.

G. Look for Innovative Solutions to Old Problems

Use innovative financial instruments to fuel sustainable development. In addition to providing business training and investment opportunities to members of the diaspora, governments, multilateral institutions, and private entities should think creatively about how to further leverage the resources that diasporas have to offer. A variety of innovative funding mechanisms can channel investment to basic public infrastructure projects and social services. These include diaspora bonds, securitization of future remittance flows, public grants, and public-private matching fund programs.

Adopt a whole-of-government approach to engage diaspora resources. Dedicated cofinancing development programs have a proven track record of directing resources toward public infrastructure projects and social services. One strength is that these programs adopt a whole-of-government approach involving multiple ministries and levels of government to inform migration and development policies and identify synergies. However, one challenge they have yet to overcome is how to encourage more
investment in productive areas, such as the creation of small and medium-sized enterprises that can stimulate job growth. Meanwhile, some criticize programs that use remittances to invest in public infrastructure because they see provision of infrastructure as a government responsibility. In response, some policymakers are shifting their focus to the use of remittances and matching funds toward job creation and entrepreneurship.

**Information technology (IT) is a key factor of success, and projects that built capacity in this area are more likely to be successful.** Securing the appropriate hardware and software is essential for businesses to be able to track client preferences; secure real-time information about market prices; analyze the risk factors of loans; communicate between branches, across borders, and up and down the value chain; demonstrate products to potential clients tracking loan application processes; accept payments on loans; allow clients to access information about their accounts, and perform countless other business processes. This is an area where experienced consultants add great value, given how quickly information technology evolves.

**In choosing businesses to support, knowledge of the local context is important, not just a business plan.** In the EU Return of Qualified Afghans (RQA) program, IOM indicated that beyond an assessment of the merits of the applicants’ business plan, IOM sought out applicants who presented themselves as adept in anticipating and solving problems that they might encounter in Afghanistan. Most beneficiaries selected for grants were well-prepared and resourceful. But in one instance, a grant recipient apparently assumed that reliable city electricity would be available by the time his computer courses commenced, and budgeted nothing for a stable generator; his business failed. But examples like this, where EU-RQA grant recipients were clearly unaware of existing market conditions, were rare. Based on the low rate of business closures per business surveyed (2 out of 8), IOM’s strategy of choosing candidates with good qualifications to run a business was a success.