



5TH DIASPORA INVESTMENT & POLICY FORUM

'GROWING DDI TO AFRICA & THE UK: OPPORTUNITIES & CHALLENGES'

(PROPOSED SIDE MEETING TO UK-AFRICA INVESTMENT SUMMIT, JAN 2020)

1. OVERALL OBJECTIVES AND RATIONALE

The overall objective of AFFORD's proposed one-day side meeting to the Africa UK Investment Summit on the topic of 'Growing Diaspora Direct Investment (DDI) to Africa and the UK: Opportunities & Challenges' is to engage and mobilise African diaspora entrepreneurs and investors in the UK to work with British and African businesses to support sustainable investment, enterprise development, and job creation activities in African countries. The side meeting will be the 5th Diaspora Investment & Policy Forum (DIPF), which aims to increase diaspora investment into Africa through fostering an enabling policy environment. DIPFs have been held in Nigeria, Rwanda, Sierra Leone, the UK and Zimbabwe.

Trade links between the UK and Africa are already important, but goods and services sold to Africa only make up 2% of the UK's total. The UK is more significant as an investor in African markets, as the fourth largest investor in the continent after the US, UAE, and China.¹ However, there is scope for both trade and investments to increase significantly, especially post-Brexit.

UK based African diaspora investors and entrepreneurs already make significant investments and other financial contributions to African economies. Recent data from IOM shows that approximately 20% of remittance flows to Africa are used for investment purposes, typically in family businesses, SMEs, and property. In 2018, Africans in the diaspora remitted over \$87 bn USD to Africa, through formal channels alone according to World Bank data. This suggests that the diaspora invested nearly \$17.4 bn USD in 2018.

AFFORD will work with the UK government, in particular FCO, DTI, and BIS, to convene the following groups of participants to the 'Growing Diaspora Direct Investment...' Side Meeting:

- Diaspora investors and entrepreneurs
- UK investors and entrepreneurs interested in entering African markets
- African investors and entrepreneurs interested in entering the UK markets
- UK & African banks and other financial and trade institutions
- Commercial / trade attachés from African embassies and High Commissions
- Specialists in development finance, in particular blended finance
- Representatives of Regional Economic Commissions (RECs) in Africa and the African Union

¹ FDi Markets / FT 2018: <https://www.ft.com/content/600603dc-aaac-11e8-94bd-cba20d67390c>

2. SPECIFIC OBJECTIVES

OBJECTIVE ONE

INCREASING TRADE & INVESTMENTS TO AFRICA & THE UK: Connecting diaspora investors and entrepreneurs with UK companies and investors interested in entering African emerging markets, while also connecting African investors seeking to trade and invest in the UK. There will be a particular emphasis on impact investing, to increase the social impact of such investments, especially in terms of supporting job creation in Africa and the UK. The side meeting will incorporate a deal room with the aim of securing a number of deals for investors during the day.

OBJECTIVE TWO

MATCHING DIASPORA AND UK INVESTORS AND ENTREPRENEURS: SMEs and medium and small-scale investors in the UK looking to enter emerging markets in Africa can often lack the knowledge and experience of local conditions and markets. By matching African diaspora entrepreneurs and investors with UK companies and investors, the latter group can gain an entry point into these markets. Similarly, African entrepreneurs and investors looking to enter the UK market may benefit from such matching with diaspora investors and entrepreneurs with experience of investing in the UK and specific African countries.

OBJECTIVE THREE

CONVENING AND AWARENESS RAISING: Hosting and convening meetings around issues of mutual interest, providing thought leadership and increased awareness of the potential of Diaspora Direct Investment (DDI) – for instance, insurance companies entering emerging markets; facilitation of DPPP (Diaspora, Public, Private Partnerships); exploring new forms of development finance, the role of blended finance etc.

OBJECTIVE FOUR

PARTICIPATION: Promoting opportunities to take part in volunteering, coaching, mentoring and other support of African SMEs through AFFORD's Diaspora Experience Programme.

3. PROPOSED AGENDA FOR 'GROWING DDI...' SIDE MEETING

Suggested sessions for the 'Growing DDI...' Summit include the following:

1. Hidden Success: the facts about Diaspora Direct Investors & Entrepreneurs
2. Scaling up DDI (incl. the development of new diaspora financial instruments; blended finance)
3. Improving Access to UK and African Markets
4. Building UK Diaspora SME Partnerships through Franchising and other successful models
5. What's available (pitching fora)
6. The Experience of diaspora female investors and entrepreneurs
7. Potential for diaspora Impacting Investing (especially around youth and job creation)
8. Mentoring and coaching a new generation of African and diaspora entrepreneurs

4. ABOUT AFFORD

AFFORD was established in 1994, with a mission “to expand and enhance the contributions Africans in the diaspora make to African development”. Priority projects and activities are focused on diaspora contributions to job creation through African enterprise development. AFFORD’s innovative approach mobilises the financial, intellectual, and political assets of the African diaspora and channels them to drive economic growth and social development in Africa. It also enhances the capacity of actual and potential investors and actively influences international policies to create an enabling investment climate. AFFORD’s mission is achieved through programmes and projects undertaken solely or in collaboration with partners in Africa, the U.K, E.U and other parts of the world. These projects and programmes fall within the following overlapping themes:

- Investment, Enterprise & Employment
- Diaspora Engagement, Network Building & Training Services
- Learning & Policy Advocacy

5. AFFORD DIASPORA FINANCE (ADF) PROGRAMME

AFFORD seeks to maximise the impact of diaspora financial and skills investment into Africa which has been estimated at between US\$17.4 billion in 2018. AFFORD is delivering a number of exciting new investment and financial instruments, as well as a philanthropy/giving platform through which diaspora investment and resources can be mobilised and scaled to support wealth and job creation in Africa.

The ADF programme is shaped by the focus on diaspora investment and employment promoted by African governments, the Sustainable Development Goals (SDGs) and Addis Ababa Conference on Financing for Development (FFD) – see Section 6 below for more detailed background information.

Despite the current estimated US\$17.4 billion of diaspora investments, AFFORD believes that by providing the right framework and support these efforts can be greatly amplified. ADF’s Theory of Change reflects this, specifically: that as a result of increased and structured diaspora investment and the removal of barriers (to SME growth, job creation and diaspora investment), new, decent and sustainable jobs will be created, which will result in an improvement in living standards, contributing to lowering poverty rates and improved socio-economic indicators in target countries. Funded by Comic Relief /UKAid through CGI, Pharo Foundation and Noel Buxton Trust, ADF contains a number of programmes including:

AFFORD BUSINESS CLUB (ABC)

ABC provides a dual hub:

- Supporting diaspora and other UK investors and businesses into Africa
- Providing an entry point for African export businesses to access UK/European markets.

ABC currently supports 53 members engaged in or seeking to launch their business in Africa. A further 30 members are being supported with end to end business backing to invest over £1. 7 million in fast growth SME’s in Ethiopia, Kenya, Nigeria, Rwanda, Sierra Leone and Zimbabwe. The investments have led to the creation of over 1000 well-paid, and sustainable jobs, and a network of Business Development Support (BDS) agencies in four countries. ABC seeks to build on its current offer in the following areas: strengthening joint venture partnerships to enter emerging African markets; the provision of conferences and trade missions; networking and learning opportunities delivered by inspirational business leaders; and access to extensive information sources from policy papers to how to do business factsheets.

DIASPORA FINANCIAL INSTRUMENTS

AFFORD has developed a range of RemitPlus™ Products that aim to transform diaspora remittances and other forms of Diaspora Direct Investment (DDI) into sustainable forms of international development finance. RemitPlus™ Diaspora Bonds will raise funds of under \$10m; for shorter term projects of 3-5 years; to finance physical and tangible stand-alone projects in Africa that reflect the development and investment interests of the diaspora. AFFORD is currently launching a pilot RemitPlus™ Diaspora Bond (RDB) targeted at the Rwandan diaspora that will finance 400 affordable housing units. RDBs will be replicated in different African markets, financing tangible stand-alone locally demanded projects.

DIASPORA EXPERIENCE

Diaspora Experience is a diaspora philanthropy and giving platform, providing volunteering, mentoring and other professional opportunities for contributing to African development.

ACTION RESEARCH, POLICY AND PRACTICE

The Diaspora Investment & Policy Forums (DIFPs) raise awareness and work with European, African governments and other stakeholders to develop policies, structures and systems that facilitate the optimum contribution of diaspora investment. Overall ADF offers diaspora and other investors a holistic package: it builds their capacity, provides resources and incentives for structured investment

6. BACKGROUND AND CONTEXT

AFRICAN GOVERNMENTS AND THE DIASPORA

The African Union (AU) considers the diaspora to be the 'Sixth Region of Africa', giving a clear steer that the African diaspora need to be viewed within the context of socio-economic development. Sovereign members of the AU are increasingly actualising the AU by declaring their non-resident diasporas as regions of the country, giving recognition to them belonging to the nation-state. The diaspora as a recognised constituency and region, is given access to a portfolio of rights and privileges available to citizens at home including tax breaks for Diaspora Direct Investment (DDI); right to vote at national elections; and the opportunity to be represented at municipal and national legislative bodies; and seeking to engage and encourage diasporas to invest and contribute positively to national development. Governments are particularly aiming to harness for productive and structured investment a part of the US\$40-\$60 billion that the World Bank estimates is remitted annually to Africa. This figure is in the region of US\$17.4 billion, given the World Bank estimation that at least 20% of remittances are directed towards investment of some kind, including real estate, agri-business, IT, education, health, transportation and tourism enterprises.

SDGS, FFD, & AND DIASPORA FINANCE

The agreed outcomes of the Sustainable Development Goals (SDGs) and Addis Ababa Conference on Financing for Development (FFD) constitute important contributions to and support the implementation of the post-2015 development agenda. Both have recognised the positive contribution of migrants (diasporas) for inclusive growth; as well as the important role of remittances and the need to reduce transfer costs to 3 per cent by 2030. The Addis Ababa Action agenda also recognised that micro, small and medium-sized enterprises, create the vast majority of jobs in most countries, as well as the importance of working with private actors and development banks to provide access to credit. It also recognised the importance of harnessing blended finance, incorporating public-private partnerships; and the important use of international public-finance, including Overseas Development Aid (ODA) to catalyse additional resource mobilization from other sources, public and private. Although diaspora contributions to international finance and development are increasingly acknowledged by governments and key multi-lateral agencies, there remains a widespread lack of knowledge on how to convert private remittance flows into structured investment and development finance. Furthermore, the policy framework still does not adequately facilitate the pooling of diaspora resources for greater development impact or the creation of innovative diaspora financial instruments.

AFFORD'S ROLE IN DEVELOPING DIASPORA FINANCE

AFFORD has played a key role in presenting solutions and innovative programmes that brings together diaspora and the diverse and important institutional FFD stakeholders to formulate structures to implement investment plans with a relevance for diaspora input. Our extensive knowledge of diaspora investments, remittances, and fund structures, include: the written project evaluation and replication plan on 'RemitPlus™ Diaspora Finance Report (2011)', which provided outlines for African Diaspora Bonds, Diaspora Mutual Fund, Diaspora SME Fund, and Diaspora Bank Accounts. That 2011 report influenced many processes, policies and practices including the: AU Global African Diaspora Summit (2012); UN High Level Dialogue on Migration (2013); Addis Ababa Action Agenda on Financing for Development (2015); Joint Valletta Action Plan (2015); target 10.7 of Sustainable development Goals (2015); Paragraph 35 and 44 of the recently concluded UN Global Compact for Safe, Orderly and Regular Migration (13 July 2018); and the £2.9 million diaspora finance element of the Comic Relief/UKAid funded Common Ground Initiative (CGI) Programme, now the largest such diaspora finance programme to date.

7. FOR MORE INFORMATION

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