

Remittances as Investment: Engaging Migrants and the Formal Sector

Historically, remittances have been primarily used for consumption purposes. The majority of funds sent by remitters to their families at home have been spent on food, clothing, housing and other essential every day expenditures. Studies, and efforts by development agencies, have focused on the potential for the diaspora to not only send money for consumption but also to make investments in their countries of origin.

Indeed, in 2015, the World Bank estimated that diaspora members may have the potential to invest as much as \$497 billion in savings held in the host countries that could potentially be invested in their countries of origin. This is particularly relevant at a time when interest rates on savings in developed countries are at an all-time low and potentially larger returns could be made in other markets.

However, very little is currently known about diaspora investment habits and there are few examples of successful initiatives to achieve scale and long-term success in attracting diaspora investments. In order to achieve diaspora investment a robust engagement plan must be implemented that brings diaspora as a willing and valued partner of government.

This is a multi-faceted area that requires greater attention. The discussion will examine a range of topics that all need to be addressed in order to try to bring a cohesive approach to diaspora investment. Panel members are invited to reflect on the below topics:

1. Is there actually a link between remittances and investment? Or is it a case of 2 plus 2 equals 5?
2. What examples are there of existing best practice in diaspora investment?
3. What examples of good diaspora outreach are there?

4. How is it possible to engage the diaspora in a productive and mutually beneficial way?
5. What is the role of governments in encouraging diaspora investment – particularly where people have migrated for political reasons?
6. How can trust be developed in investments for the diaspora, particularly in markets where there is an absence of normal capital market infrastructure?
7. How to achieve a balance between the understandable needs of the diaspora for security and return whilst at the same time meeting the government's needs for investments in specific areas?
8. What is the decision making process that diaspora members go through in determining where to invest their savings?
9. What tools/investment vehicles are particularly promising for diaspora investment?
10. Are there opportunities to harness normal remittance flows for investment purposes?
11. Some countries have introduced diaspora bonds. How do they work? Are these effective, do they serve the purposes of all stakeholders?

This discussion will identify the common areas that impact all countries looking to attract diaspora investment, attempt to understand the motivation of diaspora members and seek to find ways to harness the potential funds in a way that provides security and return for investors and brings much needed funds into their home country.

On the breakout, participants attending this session will be invited to further explore this topic by doing a diaspora mapping exercise. Together, participants will be able to build a matrix of diaspora investment possibilities reflecting the different ways migrants can be engaged.