



An African diaspora green resources strategy

Mobilising finance and knowledge
to address climate change



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Acronyms

ACF	African Climate Foundation
ACFA	African Crowdfunding Association
AfDB	African Development Bank
AML/CFT	Anti-money laundering and combating the financing of terrorism
ARIP	Adaptation and Resilience Investment Platform
AVSE	Association of Vietnamese Scientists and Experts
BCP	Banque Centrale Populaire, Morocco
BoG	Bank of Ghana
CBN	Central Bank of Nigeria
CCDP	Country Climate and Development Platform
CIP	Country investment platform
CoD	Country of destination
CoO	Country of origin
COPERES	Business Council of Renewable Energies of Senegal
DCI	Development Corporation for Israel
DDI	Diaspora direct investment
EAP	Energizing Agriculture Programme
EDF	Électricité de France
EU	European Union
FADEV	Derived from Fonds Afrique Développement, is now the official title of the French cooperative society investing in African SMEs
FDI	Foreign direct investment
FONSIS	Fonds Souverain du Sénégal
GDP	Gross domestic product
HTA	Hometown association
ICT	Information and communications technology
IDB	India Development Bond
IFAD	International Fund for Agricultural Development
IMD	India Millennium Deposit
IMF	International Monetary Fund

IT	Information technology
ITLG	Irish Technology Leadership Group
JETP	Just Energy Transition Partnership
KYC	Know your customer
M/D	Migrations et Développement, Morocco
MFI	Micro finance institution
MNO	Mobile network operator
MTO	Money transfer operator
NGO	Non-governmental organisation
NISM	Nigerians in the Square Mile
NRI	Non-resident Indian
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PIO	People of Indian origin
PUE	Productive use of energy
PV	Photovoltaic
REBF	Renewable Energy Blended Fund
REEF	Renewable Energy and Energy Efficiency Fund
RIB	Resurgent India Bond
RIPLE	Renewables Investment Platform for Limitless Energy
SEC	Securities and Exchange Commission
SME	Small and medium enterprise
SORE	Socially owned renewable energy
TIE	The IndUS Entrepreneur
TSMC	Taiwan Semiconductor Manufacturing Company
UN	United Nations
UNCDF	UN Capital Development Fund
VC	Venture capital

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Section 1.

Introduction

In many African countries, international debt levels had already reached critical levels by 2018,¹ and today most African economies are in a very difficult situation as a result of shocks to the world economy since then. In the wake of the Covid pandemic, the wars in Ukraine and Iran, and the emergence of more nationalistic political and economic policy changes across the Global North, expectations now are for lower exports from developing countries, lower official development assistance (ODA) and foreign direct investment (FDI) flows into the latter, and rising interest rates on their international borrowing.

This situation has led many observers to focus on Africa's diasporas as one critical resource for the continent's future development, and in particular to support climate change and sustainable industrialisation projects. Of course, migrants' remittances have long been crucial for their families and communities, and in many countries also for the balance of payments: in 2024, (formal) remittances into developing countries were considerably larger than ODA and FDI combined. In 2023, Africa as a whole received US\$90.64 billion in formal inward remittances, a little over 3% of its gross domestic product (GDP). Eighteen African countries received 5% or more of their GDP in (formal) remittances, and ten of those countries, plus another six, received more than \$1 billion annually in (formal) remittances.² Most African countries also receive substantial remittances through informal mechanisms excluded from those figures. Diaspora finance is not restricted to remittances, however: it also includes diaspora investment, migrants and their descendants sending their savings to support both private and public projects in their countries



of origin (CoOs), and using various financial instruments and a wide range of mechanisms to look for a positive return on their assets. Here we define diaspora finance as remittances and diaspora investment, as well as diaspora knowledge, technical expertise and business networks developed in diasporas' countries of destination (CoDs).

The diaspora includes not only migrants from a specific CoO, that is, those born in a CoO who have moved from there to a CoD, but also their descendants, often over multiple generations. In other words, the diaspora is everyone living (temporarily or permanently) outside the country of their birth or their ancestry, who maintains (or may be encouraged to develop and maintain) 'affective' – emotional, religious, ethnic or national – ties and/or economic ties with their CoO. The diaspora is likely to be significantly larger than a CoO's migrant population in a CoD. For example, 1.1 million people in the US are German immigrants or their children, but there are an estimated 48 million people of German descent in the US. Germany's domestic population is about 84 million. One million people in the US are Irish immigrants (including children), but 35 million in the US are of Irish descent and the population of Ireland is only 5.4 million. Similarly, the Indian government estimates that the US has 10 million non-resident Indians (migrants born in India plus children), and 12 million 'persons of Indian origin', that is, later-generation descendants of migrants from India, making the Indian diaspora in the US about 22 million. The Nigerian diaspora in the US was estimated at 396 000 in 2015, up from only 25 000 in 1980: it included 213 000 born in Nigeria, with the remaining 183 000 having at least one Nigerian-born parent.³ In the UK, the 2021 census counted 270 000 people born in Nigeria, up from 191 000 in 2011.⁴ These figures can be compared with about 2.1 million global migrants from Nigeria – people born in Nigeria now living elsewhere.⁵

The migrant–diaspora distinction is important because later diaspora generations, the descendants of those who actually migrated, may well on average be better educated and wealthier than more recent migrants to a CoD, particularly high-income CoDs. Therefore, the diaspora investment contributions of the later generations are potentially greater than those of their forebears, though their affective ties to their CoO may be lower. The diaspora has an ambiguous status in the CoO 'nation', however: they are not present physically, but many are still there emotionally. Political conflicts within a CoO nation may mean a change in the balance of affective ties between recent migrants and later diaspora generations. Diasporas' ambiguous status vis-à-vis the CoO nation means that incentivising financial contributions from the diaspora is partly about the CoO state (and/or other CoO social actors) making the diaspora feel fully and effectively included in the nation. Sometimes it may even include making them feel somewhat guilty about *not* being there physically, and so facing lower risks. At the same time, individuals' investments are intended to earn a financial return on their savings and wealth, and the

diaspora could in theory invest in their CoD, their CoO or in third countries. So diaspora finance processes have to aim for a balance between the diaspora's distinct national solidarity versus their personal wealth motivations for investment.

Two other issues about the diaspora are important to mention at the outset. The first is whether the African diaspora could or should contribute to continental or regional projects, beyond their own CoO. A diaspora generally relates to a single CoO, a single nation, though in some cases ethnic, racial or religious ties may fray affective ties at the margin for some people, to allow a level of solidarity beyond their nation's borders. But it is less likely that a diaspora will invest financially beyond the borders of its CoO to achieve a financial return. A philanthropic donor's large donations may sometimes extend beyond their CoO to the wider region, while less wealthy individuals may sometimes donate small amounts to projects in other CoOs. Thus, the 'single CoO' scope of the diaspora fits well with the African Climate Foundation's (ACF) focused, country-specific approach to climate change.

Secondly, it is very useful to include the diaspora in a CoO's efforts to address climate change, as it underlines – to the CoO nation and to the wider world – the global public good aspect of climate change policies, and the need for global resources to implement them. The diaspora may be a useful political support base in the CoD and its region for mobilising finance from other, non-diaspora sources. And the diaspora may also help to mobilise political support in the CoO from their families, towns and regions to address climate change; they may add their voice politically in CoO policy debates; and they can apply their diaspora knowledge to processes and projects addressing climate change in the CoO.

This paper examines how Africa's diaspora resources (finance and knowledge) from the diaspora in Africa and in the Global North can be drawn on to contribute to climate change projects across the continent. It

focuses in part on the work of ACF, whose strategy is to build new capabilities in Africa to address the continent's current climate change trajectory using locally based models to raise economic resilience, and focusing on both adaptation and mitigation. ACF argues strongly that addressing climate change must be done at the same time as Africa's economies are diversified, using trade and industrial policies to promote structural transformation and green industrialisation, building country investment platforms (CIPs) as a country-specific approach rather than 'one size fits all'.

We start in Sections 2 and 3 by spelling out key ideas on diaspora finance, drawing on and expanding my earlier work on the issue.⁶ Section 2 describes a 'policy wheel' for a CoO government, or other CoO actors, to engage with

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its diaspora, while Section 3 presents a framework to examine different mechanisms and processes of diaspora finance and knowledge resources. Section 4 looks at the conceptual links between the diaspora ‘wheel’ and ACF’s CIP approach to climate finance, which itself draws on Country Climate and Development Platforms (CCDPs). Section 5 assesses a range of ACF’s existing projects to see how diaspora resources have, or could have, been used to support them. Section 6 concludes by summarising how organisations addressing climate change in Africa could increase the role of diaspora finance in their own and their partners’ activities.





Section 2. The diaspora finance ‘wheel’ in a CoO

A diaspora strategy can be thought about using the metaphor of a ‘wheel’ (Figure 1) developed for non-diaspora agencies – a CoO’s national or sub-national governments, CoO and CoD non-governmental organisations (NGOs), and international NGOs or philanthropies. The wheel’s hub-and-spoke structure connects the five strategic elements to a broad philosophy, as well as to each other – statically through the hub, and dynamically as the wheel rolls, each spoke moving to occupy a position previously held by another. This underlines that diaspora engagement is a process involving all its elements concurrently and repeatedly, not simply a step-by-step sequence.

The hub of the wheel is the CoO’s broad development philosophy, its development objectives and its state–society relationship. The five spokes of the wheel are:

- research on the diaspora – its CoD locations, its segmentation, and its available resources;
- targets for diaspora resources – CoO agencies and organisations hoping to receive diaspora resources;
- diaspora partnerships – engagements between diaspora associations and CoO public and private agencies, to build trust and empowerment between the CoO and the diaspora;
- diaspora resource mobilisation – mechanisms and instruments for raising financial and knowledge resources, including financial system adaptation; and
- sustainability of the diaspora strategy – ensuring that diaspora resource flows continue over time and expand in scale.

The hub and four of the spokes are spelled out in this section, while the resource mobilisation spoke is the focus of Section 3. Note that the spokes all link not only to the hub, but also impact upon each other, as shown in Figure 1.

Development philosophy, the hub

A key feature here, which connects diaspora strategy to the CCDP approach, is that 'context matters' – each CoO needs its own philosophy, rather than it being 'one size fits all'. Included in the hub are the CoO's overarching development and economic objectives, for example poverty reduction, increased employment and improved income distribution, together with resilience to climate change. These need to be supported by macroeconomic and growth policies, including (green) industrialisation, and for many African countries, also by financial inclusion of households and of small and medium enterprises (SMEs).

Relations between the diaspora and the CoO state need to fit into the state–civil society linkages which already exist in the CoO, and which are based on its broad political economy. One way of thinking about these linkages is in the commonly used (but often overly narrow) 'political settlements' approach, which uses two elements of society's impact upon state policy to distinguish states:

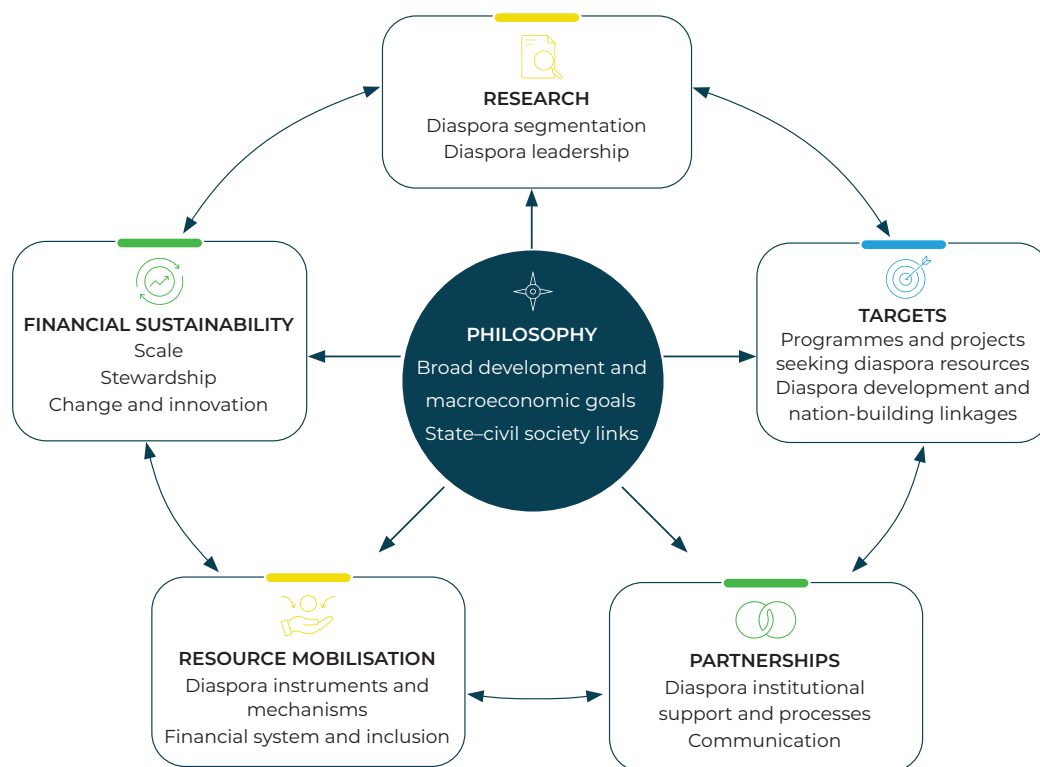
- the degree of breadth of insider groups in the income distribution, or what they call the social foundation; and
- the degree of concentration (or dispersion) of groups in the (political economy) power configuration.⁷

How does the diaspora fit into the power bloc of the political settlement? Is the diaspora a solid grouping, or is it broken up, for example by different CoDs, different skill and wealth levels, or different ethnic or religious groupings, which would place different parts of it in different sections of the political settlement? In part this is an effect of the diaspora's organisation, which is in turn likely to be affected by the CoO state's power over (and support for) activities of its organisations. A simple but straightforward scheme, drawing on thinking about the East Asian 'developmental state', identifies states as one or other of five archetypes in terms of their interactions with different social classes and groups:⁸

- absentee – little state intervention in social groups' activities,
- regulator – protection and policing of social groups' activities,
- nurturer – identification and cultivation of social groups' activities,
- sponsor – funder and logistical support of social groups' activities, or
- centraliser – direct creator and producer of social groups' activities.

Thinking about CoO states in terms of this setup will help us to understand how diaspora organisations are connected to their CoO state, that is, the diaspora partnership 'spoke' of the wheel, and inversely, how the 'hub' of the wheel is structured. The philosophy, and its connected state–society linkages, will change over time as broad political economy change happens in a CoO.

Figure 1: The wheel of diaspora engagement



Source: Author⁹

Research

To raise diaspora resources, it is important to begin by understanding the diaspora: to count who is in the diaspora, where they are and what resources they may have. This means looking at their geographical dispersion and at their differences, both ascriptively – age, gender, ethnicity, language, religion, cities/towns/areas of origin, and migration generation – and in terms of achieved status, such as education and skills, occupation or profession, employment sector, and their incomes and wealth. Basic research may well have been done in most CoOs, by a mix of government, NGOs and academics, but for many CoOs, research will be needed to identify and understand diaspora heterogeneity. Mobilising resources requires a clear idea of the diaspora's segmentation, including in specific CoDs and their cities, not simply across an entire diaspora. Areas of origin, and the link with current or future climate-related threats, are worth mentioning as perhaps of more importance than is often given in diaspora work. Research may involve different methods – surveys, focus groups, interviews – and engagement with different media – newspaper reports, grey literature, academic documents and social media – across different CoDs and be repeated periodically.

Targets

The focus here is programmes and projects of the CoO – at sub-national levels, as well as the national state – where diaspora resources can contribute to national development goals, in this case climate-related projects. In many existing diaspora-linked projects, processes may have been initiated by the diaspora itself, or by a sub-national state, but the national CoO state may be needed to expand the work in scale or scope. The diaspora should be involved in identifying what resources it can provide; where the diaspora itself has started a process, it will already have made its resources ‘more visible’ to the CoO state. If the diaspora is not involved in identifying target projects for diaspora resources, it may not provide what is required, as shown, for example, by the many diaspora bond issues by African and other governments which have failed.

There are two sides to the coin in diaspora resource provision: diaspora finance is both a gift from sender to recipient but also a market exchange between the two. It is neither simply one or the other. The recipient depends on the sender for finance, but provides the sender with returns that are both financial and emotional. Who has the right to decide on the use of those resources: only their recipients, or can the donors also have a role? Successful diaspora finance requires the maintenance of a ‘zone of indeterminacy’ in the process,¹⁰ where both parties understand the investment as both exchange and gift, but tacitly agree to have different interpretations of the transaction: the diaspora will emphasise the gift aspect of the transaction, giving them more say in the use of the funds, while the CoO state will see it as a financial transaction, so that getting a financial return obviates the need for the diaspora to have a voice in the use of the funds. The relationship between diaspora resource provision and the CoO nation is complex: providing funds or other resources is not on its own direct evidence of the *existence* of diaspora patriotism, ‘a testimony to the strength of [their] national attachment’. Instead, it is a ‘constitutive element of nation-building’,¹¹ bringing the diaspora ‘into’ the CoO nation and making it part of the ‘imagined community’, to use Benedict Anderson’s evocative phrase.¹² The diaspora has the benefit, or perhaps disadvantage, of not being physically located in the CoO national space: it is protected from any threats to the lives, wealth and personal security of CoO residents, including from climate change, but it is also less able to project its political voice in that space. Yet by providing resources to the CoO, the diaspora can join the CoO nation and express itself politically. The diaspora–citizen relationship therefore is political, ‘a history of evolving and iterative cooperation, coordination, and occasional conflict’.¹³ Nation-building and diaspora economic contributions do not follow each other step-by-step. How the diaspora is included in the nation, and the trust built between the diaspora and the CoO state, will affect the partnerships and resource mobilisation spokes, and thus the overall diaspora wheel.

Partnerships

The diaspora needs to be seen as part of civil society in the CoO nation, and trust needs to be built between the diaspora and the CoO state, and the diaspora and other CoO civil society groups, notwithstanding the politics underlying their relationships, as with the state's relationships with all elements of civil society. As with other elements of civil society, the diaspora is (or should be) organised into networks, associations and groups, based on heterogeneity variables, allowing the CoO state and other civil society groups to connect with it. In most diasporas, some diaspora associations will likely have started diaspora initiatives involving partnerships with the CoO national government, or with sub-national parts of government, and/or with CoO civil society elements such as business groups. But the CoO state may well be needed to assist with consolidating and expanding those links and partnerships, while in other diasporas, grants from some part of the CoO state may be needed to build diaspora networks and partnerships. Partnerships may follow broader state–society links in a CoO, but are likely also to be impacted by social, economic and other differences across different CoDs and their differences with the CoO, including differences in freedom and room for manoeuvre, which may influence a diaspora's demands about the structure or content of its CoO partnerships.

We can identify four approaches to diaspora organisation:

- **Geographical:** organisations may focus on a single CoD or on multiple CoDs within a single region, for example the European Union (EU), or be a global organisation. Geographical groups may also be corridor-based – focusing on a single town, city or region – on the CoO side only or on both the CoO and CoD sides. Hometown associations (HTAs) – groups mobilising people who come from a particular town or region in the CoO – have been established by migrants in the same CoD location for decades, but social media has allowed these to encompass migrants across one or more CoDs, opening up new possibilities for HTA resource mobilisation to support projects in their CoO area.
- **Skill:** organisations may focus on a single profession or occupation category, or on a single economic sector, or on both labour category and sector. These associations may take some ascriptive variables into account – such as gender, age or ethnicity – as they formalise networks, which may at the same time, especially in skills-based organisations, reflect class divides and potentially available diaspora resources.
- **Issue of interest:** these would include diasporans interested in a particular issue or sector in the CoO, such as early childhood education or disabilities. This may be useful in addressing climate change.

- Political divisions: in some CoOs, organisations may be fragmented based on political divisions within the CoO population, or between the current CoO government and migrants/diasporans. The political conflicts may coincide with ethnic, racial, language or religious divisions, but may be based on other issues, including income/wealth distribution.

Diaspora partnerships need to be structured according to their resource mobilisation purpose. Partnerships can be ‘a mile wide but an inch deep, or an inch wide but a mile deep’;¹⁴ that is, large membership numbers with shallow interactions, or smaller numbers but more sustained engagement. The latter will be focused on ‘movers and shakers’ in the diaspora, perhaps wealthier people interested in philanthropy, or people with substantial technical skills or business networks acquired in their CoD who may be willing to use these to benefit the CoO.¹⁵ The optimal dimensions of partnerships will partly depend on the structure of the diaspora (as shown by the research spoke), and will in turn impact what is possible in terms of target CoO organisations and programmes. Mobilising and organisational strategies will vary according to the approach: ‘inch wide, mile deep’ strategies may be labelled an ‘indirect pragmatic’ approach, in contrast to the ‘direct administrative’ strategy needed to mobilise large numbers of diasporans on ‘mile wide, inch deep’ approaches.¹⁶

Partnerships between the CoO and the diaspora must be a two-way street in terms of financial and political accountability

Partnerships between the CoO and the diaspora must be a two-way street in terms of financial and political accountability: diaspora organisations must account for resources received from the CoO government, but the diaspora needs to be involved in decision-making on resources they provide to the CoO state or other organisations. CoO diaspora policy could link provision of diaspora finance with specific citizenship rights and privileges – political (identity cards, voting, legislative representation), economic (tax provisions, land ownership, bank accounts) and social (health, education, social welfare insurance). Diaspora associations can help market and monitor these rights, and would also benefit from CoO public support for CoO cultural expressions (arts, language, education) in CoDs with significant diaspora numbers.

Financial sustainability

Provision of diaspora resources needs to be sustainable over time, expanding both in scale and in scope, bringing in new diaspora groups, geographically and generationally, and developing new instruments and processes through innovation. Key to sustainability is stewardship,¹⁷ developing ongoing connections with the diaspora to move from a transactional to a relational approach. Part of this is ensuring accountability on the substantive impacts of diaspora resource use, their outputs and development outcomes. But also crucial is the public acknowledgement of resources provided, through news stories, awards and annual diaspora days. This may also help to encourage a degree of competition amongst the diaspora as they aim to outdo each other in the provision of financial resources.¹⁸ In some situations, including addressing climate change and humanitarian relief, the CoO may also aim to encourage a sense of obligation amongst the diaspora abroad – leading to increased financial provision – by comparing them unfavourably to those living inside the ‘CoO nation’ who make greater sacrifices and give their lives, or at least their livelihoods and homes.¹⁹

Sustainability requires monitoring and evaluation, but it is important to identify how to measure success: is it simply the amount of diaspora finance brought in, that is, the input? Or should impact also be considered, that is, outcome-focused measures? If the former, is it only direct finance provided by the diaspora itself, or should it also include indirect finance which the diaspora has helped to raise through its networks, for example, provided as foreign investment by their employers, business contacts and so on, or non-diaspora donations to social projects? Looking only at formal diaspora finance measures ignores these issues, as well as the money sent informally by the diaspora, or the value of diaspora knowledge and mentorship which is often an informal accompaniment to finance, or skill engagement in technical processes, which in the long run may be more important to support development than the provision of funds.

Sustainability in diaspora engagement and finance may be affected by political changes and/or economic crises in the CoO, and by global or regional crises, which could also lead to changes in the research, targets and partnership spokes, as well as in options for resource mobilisation.



Section 3. Diaspora resources: Financial instruments and knowledge

This section looks at diaspora resource mobilisation, focusing on both the intermediation mechanism for financial transfers and the impact of those transfers. One important difference from much climate finance should be noted at the outset: the diaspora are individuals, so they are able to supply finance through *retail* financial instruments, meaning financial intermediation will be needed to aggregate funds to supply large-scale projects. Figure 2 provides a framework for thinking about different diaspora finance instruments, based on the ongoing engagement between the supplier – the diaspora – and the user – the CoO recipient. Figure 2 distinguishes between remittances, diaspora investment and diaspora knowledge.

We reject as an oversimplification a long-standing argument that remittances are unproductive for development because their recipients – migrants' families in the CoO – spend them primarily on consumption rather than on investment, which, it has been commonly argued, would contribute more to economic development.²⁰ The 2018 United Nations (UN) Global Compact on Migration continued to popularise the idea that remittances must be shifted towards investment, its Objective 20, Action (g), 'promot[ing] investments from remittance senders in local development and entrepreneurship in countries of origin ... to enhance the transformative potential of remittances beyond the individual households of migrant workers'.²¹

From the perspective of individual households, especially poor households with migrant family members, there are five problems with the consumption–investment distinction:

- poor households do invest, both in their own homes and in their own family-based 'household microenterprises';



- money is fungible, so using remittances for consumption frees up other household funds (or non-monetary resources such as labour time) for investment;²²
- some goods and services, most obviously education and health, are classified as consumption in national accounting systems, but they are an investment from the perspective of the household making the expenditure, as they create assets ('human capital') with a potential future return to the household;
- remittances are often the yield or return from a previous investment by the family in the migration to a CoD of one of its members, as a household income-raising strategy;
- finally, remittance transfer mechanisms may offer households a route to financial inclusion, and so contribute to future livelihoods and investments.

At the macroeconomic level, remittances enhance growth and stability through standard Keynesian multiplier effects in the short term, even if spent on consumption. This impact is *irrespective* of what the migrants' families themselves do with their cash. As already noted, remittances are a significant share of GDP in many countries, and a crucial source of foreign exchange, increasing the capacity for imports and for external debt servicing.²³ Remittances are generally more stable than other sources of foreign exchange, especially in small developing economies, and are often also countercyclical, rising as a share of GDP when domestic or global growth drops because remitters continue to support their families in this situation.²⁴ During the Covid pandemic, the share of remittances rose or stayed stable in most developing countries, rather than falling as many 'expert' commentators expected at the outset.²⁵ But remittances need to be aggregated and pooled if they are to be used to support large-scale investments in a CoO.

Figure 2 separates remittances and diaspora investment based on the prior relationship between sender and recipient, and the nature of the financial transaction: its duration and expectation of a financial return,²⁶ its impact on the financial accounts (balance sheet or wealth statement and income statement) of both sender and the recipient and on their rights and obligations to each other, their 'moral balance'. A remittance is a gift from sender to receiver, almost always reflecting a direct, interpersonal connection between the two parties. Financially, it is a one-way transaction: the sender receives no financial asset, nor any future monetary return. But like other gifts, there are psychic or emotional returns: the recipient and sender are likely to be family, and the sender's migration may have been part of the family's livelihood strategy so that remittances are expected. Some remittances may have an intended development impact in one's home town – collective remittances, or community donations – while others may aim for the same in the diasporan's CoO – large-scale (usually individual/family) philanthropy. A diaspora investment,

by contrast, is a two-way financial transaction between sender and recipient, who usually have no interpersonal connections. A financial asset is transferred to the sender from the recipient – usually a private enterprise or a public agency in the CoO – in exchange for the funds, with the latter obliged to pay future financial returns to the former.

Both remittances and investments provide the supplier of funds with some level of moral claim on the recipient, by ‘fusing’ gift giving and market exchange to some degree, and this is played out in decisions over the use of the money: who – recipient or sender – decides on this, or rather, what is the balance of decision-making between them? If the direct recipient is the (CoO) government, the moral claim gives the diaspora some sense of belonging to the CoO nation, or perhaps to their village or town of origin.

Remittances

Family remittances

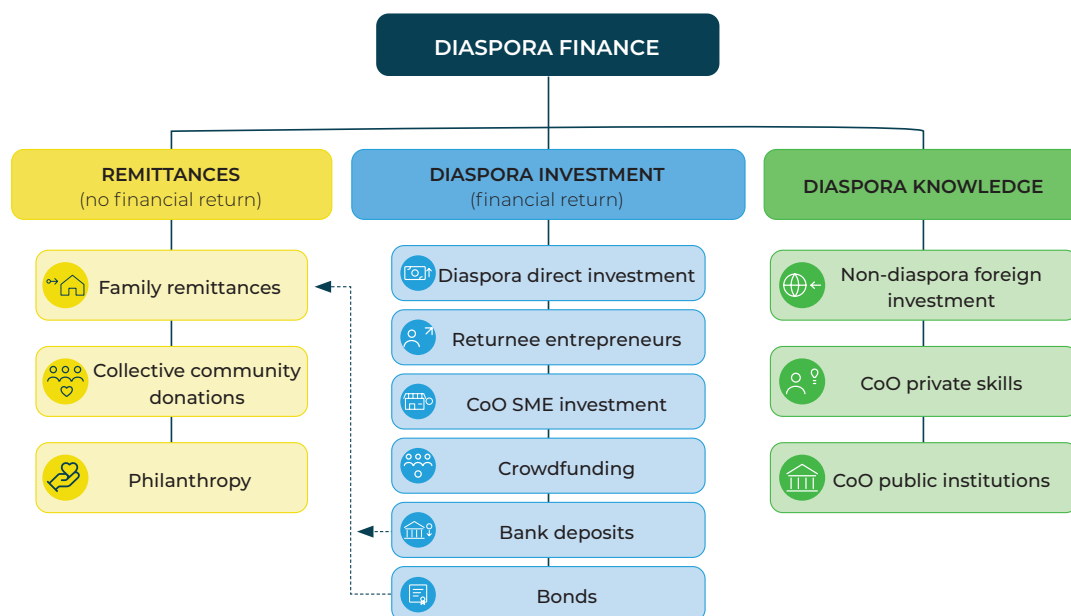
Formal remittance mechanisms include commercial banks, money transfer operators (MTOs) such as Western Union or MoneyGram and, more recently, mobile network operators (MNOs) such as Orange or M-PESA, and fintech payment apps – CinetPay or OnAfriq in Africa, or Wise globally.²⁷ Commercial banks are less likely to be used in developing countries with low levels of financial inclusion.

Informal MTO-type mechanisms, including ‘postmen’ carrying physical cash or hawala agents, have long been used by migrants from developing countries.²⁸ The latter use cross-country broker networks to avoid the need for physical cash transfers, a process which is in fact very similar to that used by formal MTOs, though recorded on ‘informal’ accounts. Informal remittances have often been lower cost and more convenient for migrants and families (if sometimes less secure), especially as immigration regulations in many CoDs make it difficult for migrants there to access formal bank accounts, while financial system barriers exclude their families from CoO banks and financial institutions. A shift to formal institutions and processes has been strongly encouraged by post 9/11 US legislation and regulation on anti-money laundering and combating the financing of terrorism (AML/CFT).

The exact percentage of remittances using informal channels is unknown. A commonly cited but unverifiable figure is 50% as large as official remittances, based perhaps on econometric research that estimated informal remittances to be between 35% and 75% of officially recorded flows across 104 countries. This figure may now be outdated – MNOs and fintech apps have since emerged. Yet more recent estimates using a similar methodology put the share of *official* remittance inflows to Pakistan at around 40%, and the maximum

share of official outflows from Italy as between 6% and 38%, depending on the destination region.²⁹

Figure 2: Framework of mechanisms for diaspora resource flows



Source: Author

The spread of mobile phones, and the shift to digital finance which it has helped, are also assisting in moving remittances from informal to formal mechanisms. Today, MTOs and MNOs often work together, and most of them also use the commercial banking system for cross-border transactions. Fees for North-North and North-South transactions have dropped dramatically in the past ten years, though South-South transaction costs remain very high.³⁰ Notwithstanding this, and the greater security and speed of MNO transactions, remittances sent using mobile money seem to still be a small share of formal channels as compared to MTOs: according to the GSMA, less than 3% of all global remittances, and less than 1% in sub-Saharan Africa.³¹ Notwithstanding technological advances, organisational and regulatory shifts are still needed, for example, on inter-bank payment systems, to expand MNO use in remittances. Formal cross-border systems often involve multiple institutions and multiple regulatory regimes, and less than a decade ago, there was still limited standardisation of operational processes and rules.³² Scharwatt and Williamson identified a series of regulatory issues, including settlement risk, aligning KYC and AML/CFT processes, ensuring that transaction and balance limits are harmonised and appropriate, addressing consumer protection issues such as transparency and dispute resolution, and complying with applicable exchange control requirements.³³

In looking at remittances, a key variable is the degree of financial inclusion for recipients in the CoO but often also for senders in CoDs. Objective 20 in the 2018 UN Global Compact on Migration supports further financial inclusion of

migrants, through its Actions (d) on regulation and (e) on innovation in the remittance market, and most importantly Action (i) on 'access to ... banking solutions and financial instruments for migrants ... such as bank accounts ..., savings accounts, loans and credits'.³⁴ But the benefits of wider financial inclusion need to expand beyond the families of migrants. The CoO financial system benefits if remittance flows strengthen micro finance institutions (MFIs) and other local financial institutions, and enhance access to financial literacy in poor communities.

MTOs and MNOs provide retail payment services via transaction accounts (e-wallets) for customers, which is a first step in financial inclusion. But transaction accounts are not savings accounts, and MTOs and MNOs do not generally have banking licences allowing them to take deposits or provide loans. These would broaden the financial inclusion impact of remittances, and their impact on economic expansion.³⁵ However, if migrants and diasporans have their own accounts in CoO deposit-taking banks, they can – as the dotted lines in Figure 2 suggest – direct remittances towards family members, or towards the purchase of CoO goods and services, or towards investment in financial assets, such as bonds. Deposit accounts are a form of diaspora investment – a loan from the depositor to a bank – and are discussed further below.

Goods-based remittances, where the migrant remitter directly purchases goods in the CoD or CoO for their CoO-based families, are often found when migrants are in CoDs neighbouring, or close to, their CoO. For example, during crisis periods for the Zimbabwean economy in the 1990s and 2000s, Zimbabwean migrants in South Africa purchased groceries and household goods in South Africa to truck to their families: sending cash remittances was of limited benefit to families, as so many basic consumer goods were either unavailable in Zimbabwe, or steeply priced as inflation rose rapidly. In the Philippines, which from the 1970s developed a massive programme of outmigration to create employment, the *balikbayan* ('return home') box became a common mechanism for migrants to provide goods as gifts to their family while still abroad, especially after the government made them duty-free in the late 1980s. Some countries in Eastern Europe organise 'diaspora days', an annual occasion for migrants to return home for a holiday, when they will bring goods from Western Europe with them. Remittances have also been adapted to support services in the CoO for migrants' families, for example, health insurance or education fees. As we discuss below, goods-based remittances can help promote household resilience to climate change, for example by paying for household solar panels and electrical systems, or for household insurance to offset cyclone or flood losses.

Goods-based remittances can help promote household resilience to climate change, for example by paying for household solar panels

Collective remittances or community donations

These are relatively small individual donations from migrants from a single CoO village, town or region from where they (or their ancestors) came. Collective remittances are usually collected by a non-profit HTA of migrants, to support local projects or programmes, often a physical or social infrastructure investment – a health centre, school, road or stadium. The local government is likely to be involved, with accountability resting between the HTA and the local government: the HTA monitors the project, and its migrant members may donate knowledge and skills to the project over and above financial donations. Involvement in community donations may be a stepping stone for many diasporans towards individual diaspora investment. Many HTA-financed projects relate to adaptation and resilience at the local level, so collective remittances are worth further investigation for philanthropic organisations like ACF.

The best-known example of these programmes is the '3x1' programme in Mexico: collective remittances sent by Mexican HTAs in the US to support local social and economic infrastructure in the HTA's village/town of origin were matched by contributions from each of the three levels of Mexican government: federal, state and local, hence '3x1'. The programme took decades to evolve, from Mexican migrant welfare association programmes started in the 1960s, which began to be matched, first by one Mexican state government in the 1980s, then other states, and finally federal and local government across Mexico, after 2000.³⁶ But the programme no longer exists, being shut down in 2018 when the new left-wing federal ruling party centralised social spending due to concerns about both corruption or elite benefit, and limited local government capacity. However, it is commonly used now as a model, for example in Moldova from 2015.³⁷

There are also African examples. By the early 1990s, there were nearly 400 associations of Malian, Mauritanian and Senegalese emigrants in France and in Italy.³⁸ The *dahira*, or mutual aid and public assistance network of the Mourides, collected about CFA6 billion, about \$9.5 million, from its 60 000 members in North America and Western Europe over ten years, for a hospital opened in 2003 in Touba, Senegal, their religious capital, though more secular groups have had less fund-raising success.³⁹ Nigerian HTAs in the UK have provided community donations to their towns and regions of origin, though as in Mexico, some projects are seen to benefit only the local 'elite'.⁴⁰

Philanthropy

This is the last form of remittance-type diaspora finance, that is, large donations by a wealthy individual or family. Though there is no financial return, these donations imply, like diaspora investment, a long-term relationship of acknowledgement and accountability between senders and recipients, which underpins the significant non-financial return to the sender. A common

diaspora philanthropy focus sector is investment in human capital, but there is scope to extend this to climate change-oriented activities, as ACF itself has shown. The focus is on a relatively small number of diasporans to support CoO institutions, using an 'indirect pragmatic' approach to identify and persuade individuals, starting with informal, contact-based networks before creating formal institutional platforms to systematise interactions.⁴¹

Diaspora investment

It is worth starting with some important differences between diaspora investments and investments by other economic agents. Firstly, like other investors, diaspora investors expect a financial return on their investments, but their emotional/affective ties with their CoO may induce them to accept *lower* returns and/or higher risks than they would for investments in their CoD or third countries, because they may see themselves as in effect *impact* investors in the CoO, looking for an economic or social development effect, or supporting the CoO state, over and above the financial return.⁴² In other words, diaspora investments may embody a 'patriotic discount': part of the return is a 'gift' to the CoO rather than a financial flow back to the investor, so that investing in the CoO is a way for the diaspora themselves to feel, and to be seen by others as, part of 'the CoO nation'. Secondly, the diaspora may be more willing to invest in their CoO than in other locations outside their CoD, because they have 'in-between advantages' in their CoO, relative to *both* local CoO businesses *and* foreign investors without CoO linkages, which may raise their financial return relative to other non-CoD destinations.⁴³ Relative to the local CoO businesses, they have lower transaction costs and stronger business networks and business information in the CoD. Relative to non-diaspora foreign investors in the CoO, they have a 'diaspora premium': lower transaction costs due to greater cultural familiarity and levels of trust, and greater access to business networks and knowledge of market opportunities and business obstacles.⁴⁴ So diaspora investors have a competitive advantage, a diaspora premium, in their CoO, which may significantly moderate the 'liability of foreignness' which foreign investors face entering a new market, a competitive disadvantage compared to domestic investors due to low familiarity with the new environment. These advantages apply both to direct investments, where the diaspora investor plays a role in the investing business's strategy, and to indirect investments that shape which local assets a diasporan will invest in or avoid.

As Figure 2 illustrates, diaspora investment may involve a number of different instruments. They may be either equity or debt, which differ in their risk/return trade-off, based on (i) the precedence of the lender's claim on the borrower's income, and (ii) the tradability of the instrument in secondary financial markets. Equity investments in private enterprise, whether in SMEs or large corporations, and whether owned domestically or by foreigners, have only a residual claim

on the borrower's net income (profits), after other creditors have been paid, so there is a greater risk on the financial return than for debt, but on the other hand there is no cap on the size of the return. Debt may be either a loan to a private enterprise made directly, or the purchase of a bond issued by a firm or a CoO public agency, or a loan to a bank in the form of a bank deposit account.

Diaspora direct investment (DDI)

Here, the diaspora themselves run a business in the CoO from a CoD.⁴⁵ Some examples: the French diaspora which has lived for many generations in Madagascar set up export apparel production there in the 1990s, and used their in-between advantages and networks in France to export their output to the EU. The second- or third-generation Ethiopian diaspora in the US set up an apparel export industry in Ethiopia after 2000, marketing their output in the American market using their links there.⁴⁶ Graham surveyed DDI (ownership or management) in the Philippines and Georgia: DDI accounted for 63% of his sample of 223 foreign firms in the former and 16% of 154 firms in the latter.⁴⁷ He shows that diaspora-affiliated firms are both more socially connected than other foreign firms, and use and benefit from social ties more than other foreign firms do. But diaspora firms do not have a greater economic or social impact than other foreign firms, though their significant presence in areas and sectors that struggle to attract investment is in itself a development impact. A CoO government may provide tax benefits to the diaspora to invest, as the Indian government did for non-resident Indians (NRIs) and people of Indian origin (PIOs) in 2015, giving them parity with domestic investors, well beyond the limits set for foreign investors.⁴⁸ In Cape Verde, where the standard view is that diasporans outnumber domestic residents two-to-one,⁴⁹ the government has given diasporans even greater investment incentive benefits than to local investors.

Returnee entrepreneurs

The investment is made by diasporans who move back to their CoO to run an enterprise, bringing with them resources – finance, but also knowledge and business networks – acquired in the CoD.⁵⁰ In many African countries, returnees will set up informal microenterprises, but here we are interested in formal small and medium-size firms. The information and communications technology (ICT) industry in Taiwan was directed and supported by government industrial policy from the mid-1980s, including the establishment of a joint public/private Industrial Technology Research Institute. But startup enterprises were largely established by returnee entrepreneurs who had worked as managers and executives in the US, and were financed by a new venture capital (VC) sector in Taiwan also set up by returnees. By 1996, 40% of the then 200 ICT firms in the Hsinchu Science-based Industrial Park had been started by returnees, and 2 500 returnee engineers and scientists were working in the park.⁵¹

In India, returnees have also been important in ICT, but others played a crucial role in building social entrepreneurship to address development needs and welfare of the poor. The largest database of poverty reduction enterprises in India, constructed in 2010, had 229 organisations where the biographical details of the founders were known: 78 (34%) of these organisations were founded or co-founded by returnees.⁵² Interestingly, the number and overall share of social entrepreneurship enterprises in the energy and ICT sectors increased rapidly after 2000, with heavy involvement of both returnees (50%) and expatriates (20%) in the energy arena. ICT social entrepreneurs were more commonly local (56%). The authors of the study attribute this in part to the nature of innovation in each industry: in ICT, it is more incremental while in energy it is more disruptive. They provide six case studies of Indian returnee social entrepreneurs, one of which is Husk Power Systems founded by Gyanesh Pandey and Manoj Sinha, who grew up in Bihar, India, before moving to the US for studies and work, and then returning to Bihar in 2002. Husk, still run by Sinha and Pandey, is now a multinational corporation, and one of the world's largest private minigrid operators. In September 2025, it was given a loan of US\$3.2 million by the Renewable Energy Blended Fund (REBF) project in Nigeria. Evidently, there are important opportunities for returnees in addressing climate change and we return to this below.

SMEs run by domestic CoO entrepreneurs

This is a key focus for this paper, because the lack of enough, and large enough, private businesses has long been a critical failure in Africa's economic development: without more businesses of all sizes but particularly SMEs with the potential to grow larger, there is little prospect of broader economic growth, increased employment and higher incomes. Today, new and growing SME enterprises must be green, to address climate change. In almost every African country, there is a plethora of small and micro enterprises but a 'missing middle' of medium-size companies, a major reason being the absence of appropriate financial institutions to lend to small but growing enterprises.⁵³ A recent report defined the missing middle as enterprises with 5 to 250 employees, seeking capital from \$20 000 up to \$2 million.⁵⁴ This group cannot borrow from commercial banks to expand output and employment because the loans they demand are too small, and their tenure too long, relative to commercial banks with short-term deposits. The enterprises are too small to interest investment banks. The risk-adjusted financial and transaction costs for a bank of lending at this scale to small enterprise is higher on a dollar-for-dollar basis than lending to other, larger borrowers. But the missing middle have already outgrown MFIs: the loans they need are too large and MFI interest rates are too high. As a result, the capital needs for expansion of this missing middle of enterprises have remained unfilled in Africa.

The question here is whether there is a role for the diaspora in filling this gap in 'early stage' capital provision – through either equity or loans (or both) – for domestic SMEs in their CoOs. To assess this, we need to look closely at the African capital market. A large number of funding syndicates and networks based in Africa (often in Mauritius) or in Europe – private equity, VC, angel investors or impact investors⁵⁵ – have emerged in the past 25 years to fill the gaps in the African SME capital market. A 2025 report by I&P, a French impact investor in this market, divided these funds into five categories based on their 'investee ticket', its target range for investment into a single enterprise: three were labelled SME funds – early stage, growth and debt, respectively – and the other two were 'large equity' funds and VC funds supporting larger companies.⁵⁶ The report suggests that the overall number of Africa-focused SME fund managers has risen from about 30 in 1990 with an aggregate of less than US\$1 billion assets under management, to about 220 in 2016 with US\$30 billion under management, to over 500 funds in 2024 with more than US\$65 billion under management.⁵⁷

I&P surveyed a sample of 135 VC and SME funds that are either fund-raising or already supplying capital. But the collective target of \$9.3 billion for all the funds supplying SMEs is a small share of the number of African funds supplying capital into Africa, and tiny compared to the estimated African SME funding gap of US\$140 billion. Of the 135 surveyed funds, only about 40% were in the three SME categories combined. Amongst the 25 early-stage SME funds in I&P's sample, 18 (72%) were country-specific funds; the average fund size was US\$7 million, and investee ticket sizes typically ranged from US\$100 000 to US\$1 million, though US\$100 000 implies a relatively large enterprise in Africa. But this also means there is a range of SMEs below the US\$100 000 threshold for which early-stage capital provision is not available – they remain trapped in the gap between local level MFIs and commercial banks.

The capital needs for expansion of the missing middle of enterprises have remained unfilled in Africa

I&P also point out that, notwithstanding the growth in Africa's private capital market, there are still gaps in the 'missing middle'. Many limited partner financiers, mostly based in Europe or the US, only provide funds to more experienced managers located in Europe or the larger African capital markets (South Africa, Mauritius, Nigeria and Kenya), and who align with the financier's own investment strategy. This 'progressively push[es African fund managers] to increase their ticket size', and creates a vicious circle in the African capital market: even though Africa's small economies and their early-stage SMEs need country-based fund managers with small funds and local expertise, it is very difficult for these new generations of first-time African fund managers to 'emerge' by closing their funds, while more experienced managers located in the larger markets get support, become more successful and so get additional funds.⁵⁸

The I&P survey shows that there are a range of mechanisms which can help to address these limitations, including liquidity management and progressive fund-raising (linking increased demand to improved enterprise performance).

A key role in early-stage SME funding is played by 'catalytic' capital, that is, patient capital which 'accepts higher risk and/or concessionary returns and/or unconventional terms (in relation to collateral or size) compared to a conventional investment, in order to generate positive impact or enable third-party investment'.⁵⁹ Catalytic funding is usually provided by ODA-supported agencies or by private foundations that provide 'more than just ... financial resources:

They have anchored new funds, funded operational and design costs, supplied working or warehousing capital, and offered junior tranches to absorb initial losses and de-risk investments for other LPs [Limited Partners]. In doing so, they have helped early-stage and country-focused funds ... to overcome structural fundraising barriers and gain credibility among more risk-averse investors ... [so that they can] reach first close, build a track record and validate new fund models'.⁶⁰

There is a role for diaspora investment in Africa in providing finance and knowledge to CoO enterprises

It is worth underlining that the French financial ecosystem for SME finance is quite different from that in the UK, the US and other Anglo systems, and deserves closer attention. There is UK funding of SMEs in Africa, but ticket values seem much higher than those found in the French or Benelux financial ecosystems, while diaspora funding of African SMEs is much less developed.⁶¹ For example, the British International Investment (BII, formerly the Commonwealth Development Corporation, or CDC) ticket size seems very much higher than that of I&P and other francophone entities. The publicly owned British Business Bank (BBB) provides very small loans of up to £25 000 to UK-based firms,⁶² an amount which would be very suitable in Africa, but the bank does not operate outside the UK. I&P's own funders include the European Investment Bank (EIB), Bpifrance (the French government's support agency for entrepreneurs),⁶³ Proparco (a French development finance institution, partly publicly owned) and the West African Development Bank (the joint development financing institution of the West African Monetary Union, or WAMU).⁶⁴

I&P has demonstrated that there is a role here for diaspora investment in Africa, both in providing finance and knowledge to individual CoO enterprises, and in building functionality and depth in early-stage SME funding ecosystems by supporting regulatory reform processes. It was a key player in a five-year project started by the International Fund for Agricultural Development (IFAD) in 2019, to channel investment from the Malian diaspora in France into agriculture and agro-processing enterprises in Mali.⁶⁵ Even though the project occurred in a period marked by two coups in Mali, sanctions on Mali

from ECOWAS, the withdrawal of ODA by France and other donors, the Covid pandemic, and military conflicts involving both extremist Islamic groups and foreign-led mercenaries, the project was not only successful in its financial targets in Mali, but also led to the formation of a diaspora-owned fund in France to support SMEs in Mali and West Africa. The project started with the research spoke of the diaspora wheel, undertaking a year-long survey of the Malian diaspora in France,⁶⁶ which was followed by three different investment projects being piloted from 2020–2024 to support investments from different groups of diaspora investors and different sizes of Malian enterprises.

I&P, which had not worked before with the diaspora, was part of the first IFAD investment project, supported by a grant of EUR230 000, helping to start a new Malian diaspora-based SME fund in France called Ciwara Capital.⁶⁷ I&P engaged with mid-career professionals in the Malian diaspora via focus groups, out of which they mobilised four founding Ciwara shareholders. All are graduates of prestigious European business schools and hold CEO, senior management or partner positions in energy transition, fintech or banking businesses in France. They all had previously tried to invest in Mali, some as diaspora returnees. Each put up an initial stake of EUR12 500, to support feasibility and legal research to identify the right financial vehicle for diaspora investment.⁶⁸ They later expanded their individual stakes to EUR50 000 each, EUR200 000 in total, to support Ciwara's initial funding target of at least two SMEs with at least 50 jobs. When establishing Ciwara, both its founders and I&P intended that it would operate beyond the IFAD Mali diaspora project. The initial EUR200 000 fund was expanded in a second stage to EUR2 million, by bringing in 36 more Mali diasporans investing EUR50 000 each. In this stage, Ciwara plans to make minority equity investments in 10 to 15 early-stage SMEs in Senegal and Côte d'Ivoire as well as Mali, expanding beyond its founders' CoO, with investment tickets ranging from EUR50 000 to EUR300 000. It will support its portfolio by mobilising skills and networks from its shareholders. To become a Ciwara investor, a Mali diasporan needs some business experience, in entrepreneurship, accounting or law, which is different from investment experience. Part of Ciwara's brief is to enhance (high-end) financial literacy within the Malian diaspora itself: its website includes a very basic short manual for new investors underlining the limited investment experience of its second-stage investors. In a third phase, Ciwara will be integrated more broadly into the African SME funding ecosystem, and intends to bring in EUR80 million from institutional investors.

Ciwara is the first structured and operational funding facility for African SMEs led by the African diaspora, to my knowledge, but it emulates a few diaspora-run investment funds in CoD economies supporting diaspora startups or domestic startups in their own CoOs. One is Diaspora Ventures, started by French migrants in the US to invest in startups in France.⁶⁹ In addition, angel investor networks have been started to mobilise diaspora funding for both

domestic investors and for DDI/returnee entrepreneurs, sometimes with government support, such as The IndUS Entrepreneur (TIE), which started in the US, or ChileGlobal started by domestic and diasporan Chileans.⁷⁰

In addition to supporting the establishment of Ciwara, I&P used the grant from IFAD to set up a Malian impact VC fund, Zira,⁷¹ with funding from I&P, Ciwara and wealthy Mali-based investors. Zira makes loans from EUR30 000–300 000 to local medium-sized enterprises in agro-processing and other sectors. Ciwara investors mentor their Malian SME borrowers, while Zira mobilises Malian technical consultants to work more consistently with the borrower enterprises, to improve their business management and financial capabilities. Zira has also become part of I&P's pan-African SME fund manager network, providing funding opportunities and building shared skills to strengthen the entrepreneurial ecosystem across Côte d'Ivoire, Niger, Burkina Faso, Madagascar, Senegal and The Gambia, and Mali.⁷² Teranga, the I&P fund in Senegal supported also by Fonds Souverain du Sénégal (FONSIS), is particularly important, funding renewable energy businesses, including some by returnee entrepreneurs.

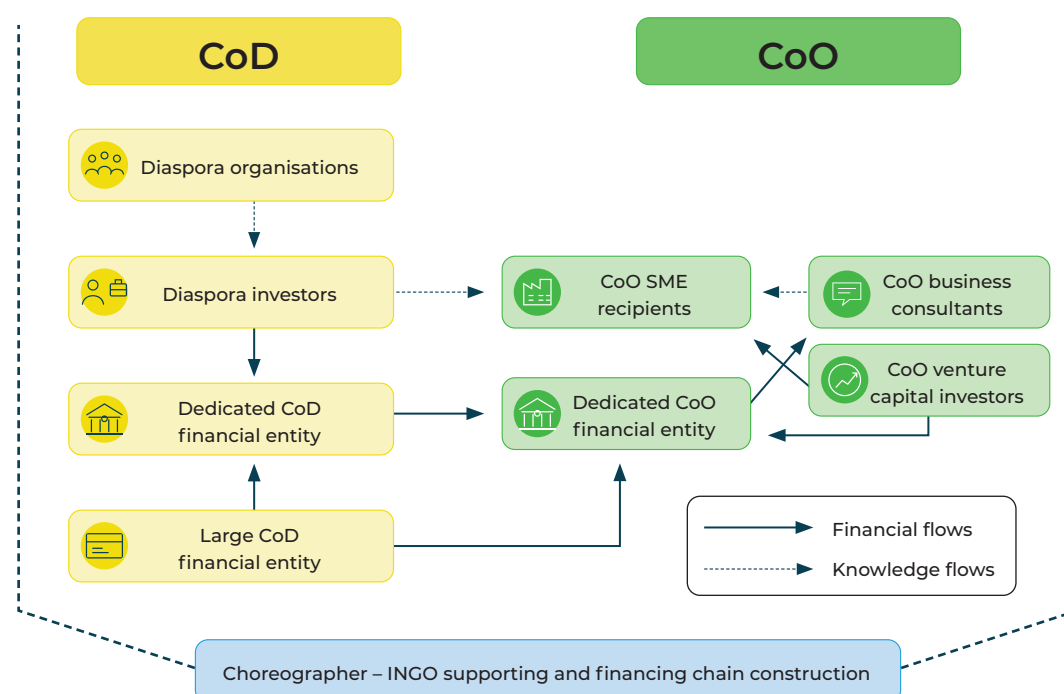
IFAD's second project, labelled YiriMali, focused on smaller diaspora investments of EUR1 000–2 000 each, mobilised into investment clubs by FADEV, a cooperative impact investor which evolved out of the Garrigue solidarity fund in France, to become an independent VC organisation in 2013. Since then, FADEV has invested a total of EUR1.5 million, in amounts of EUR15 000–125 000, in 27 African companies in Cameroon, Côte d'Ivoire, Mali and Senegal. FADEV is based in Montreuil, a town with a large Mali diaspora, but like I&P, had not worked with the diaspora before this IFAD project. FADEV employed two young Malian diasporans to work on the IFAD project. They used their own personal networks as well as project workshops to mobilise investment clubs of around 12 to 15 people to invest in a single Malian enterprise, with each member investing an equal amount. The clubs involved groups with smaller savings than those in Ciwara, either early-career second-generation diasporans, or else older, lower-income, first-generation migrants interested in development in their regions of origin.

The project is targeting six investor clubs to invest EUR20 000 into six SMEs in the Kayes or Bamako regions of Mali, where most diasporans in France come from.⁷³ FADEV hope that a successful pilot in Mali will allow them to extend the model into other West African countries where they operate. Projects like these need an experienced impact investor like FADEV, as the original plan had to be adapted following changes in French financial regulations.⁷⁴ In Mali, FADEV works with two well-established business consultants to find and mentor appropriate SME borrowers (meeting minimum criteria of turnover and time in existence).

There are several important lessons from the Ciwara and YiriMali projects. Each required cooperation between a set of organisations in the CoD and the CoO, as shown in Figure 3, including:

- a 'patient capital' impact investor in the CoD, preferably with experience in developing countries;
- a CoD fund to guarantee loans;
- a diaspora organisation in the CoD to mobilise potential investors;
- a local financial institution in the CoO (and potentially also independent local VC or angel investors);
- small business consultants in the CoO to identify local SME productive entrepreneurs, and then train them on business skills and financial literacy;
- legal and financial consultants, in both CoD and CoO, to develop new regulations and perhaps new products in the CoO and perhaps the CoD too; and finally
- a 'choreographer', usually an international NGO (like IFAD) or a development bank, to support the value chain construction process by providing core funding, organising the partners in both CoD and CoO (including the diaspora investors), and engaging with CoO (and often also CoD) government agencies on necessary regulatory reforms.

Figure 3: Financial value chain for provision of early-stage capital: Diaspora to CoO SMEs



Source: Author

Underlying these lessons is a recognition that setting up SME funding relationships in Africa generally requires constructing new cross-border

financial value chains, bringing together multiple organisations, requiring new financial regulations, and often new financial instruments and new private financial institutions, in sending and recipient countries, the CoD and the CoO. This is complicated organisationally and requires trust to be built, and so it takes time – nearly five years for the IFAD projects in Mali. Secondly, specific financial products for *diaspora* investment may not exist in the CoO financial ecosystem. Developing them may involve regulatory innovation but may spill over into broader financial sector development in the CoO, supporting later investment by both domestic and foreign investors.

IFAD's third project was a crowdfunding project described in the next sub-section. The narrow marketing efforts successfully used to support diaspora funding of SMEs in Mali can be counterposed to crowdfunding as a broad-based online marketing process.

Crowdfunding

This is the fourth box under diaspora investment in Figure 2, an organisational technology for peer-to-peer fund-raising rather than a distinct financial asset. Crowdfunding aggregates small-scale retail transactions from modest savers, who can choose which small organisations and enterprises they wish to invest in, from those available on the crowdfunder's site, and can choose to provide capital in the form of loans, equity, donations or rewards (usually the good or service to be produced with the funds raised). Crowdfunding uses an online platform to market an offer widely, so distinguishing it from narrowly marketing to investors by building a club, as in the case of YiriMali or Ciwara. The crowdfunding platform's intermediation is crucial in evaluating potential projects for retail investors. Its fees may be a high share of an organisation's capital needs, but it is far cheaper than equity or bond markets, and less onerous in terms of collateral and other risk management requirements than commercial banks.⁷⁵ It is possible to crowdfund in European markets for African SMEs, even for renewable energy firms, as shown by Energise Africa, a British crowdfunder raising loan capital for Roam Bikes and other enterprises, and to which we return below.⁷⁶ Crowdfunding's retail focus and widely based marketing seems at first glance highly appropriate for the diaspora, but many crowdfunding projects focused specifically on raising finance from a diaspora have failed.

Early diaspora-run SME crowdfunding platforms like Ovamba or Homestrings aimed to develop peer-to-peer diaspora investment through loans or equities to CoO SMEs, but these platforms proved difficult to scale up and were abandoned.⁷⁷ They suggest that diaspora crowdfunding, at least for equity or loan funding, needs a large group of diaspora investors from a single CoO on the capital supply side, well organised and relatively well off by their CoO standards, operating in one CoD or a group of closely linked CoDs (like the EU), and on the

demand side, a liquid and broad CoO SME borrower market stretching across different enterprise sizes and industrial sectors. One problem for Ovamba on the capital supply side, or Homestrings from both the supply and demand sides, may have been their attempt to meet these criteria by adopting a pan-African focus, which cut across most diasporas' focus on a single country, their own CoO. In addition, the need for mentoring of equity/loan recipient SMEs underlines the need for direct linkages (even if virtual) between small syndicates or clubs of diasporan investors and borrowers, which is not viable with crowdfunding.

Crowdfunded donations (as opposed to equity, debt or rewards) for African microenterprises have also not worked with the diaspora, as shown by the failure of the third IFAD project in Mali. Its aim was to source small crowdfunded donations from the Malian diaspora to be passed through MFIs in Mali as small loans to rural microenterprises in another IFAD project in Mali, supporting vocational training, employment and entrepreneurship for rural youth. In November 2016, IFAD contracted a French donations crowdfunder, Babyloan, to raise funds from the Malian diaspora and other investors. Babyloan was a very experienced crowdfunder but had never worked with the diaspora, like I&P and FADEV.⁷⁸ Babyloan created a page on its website with Malian farmer and agro-processing entrepreneur profiles, began developing partnerships with Malian diasporan 'influencers' and organisations in France, and linked with Malian MFI networks to promote capability building. Unfortunately, the project failed as a *diaspora* investment project: by 2020, about EUR195 000 had been mobilised, over half the targeted amount, but only 9% of the funds came from the Malian diaspora, who amounted to only one-sixth of the targeted number of diaspora contributors. In addition, average loan size to the rural microenterprises was only EUR635, less than half the targeted EUR1 750. Babyloan also found that most of the targeted MFIs in Mali did not meet its standards, and eventually withdrew from the project.⁷⁹

Crowdfunded donations for African microenterprises have not worked with the diaspora

In Ghana, the UN's Capital Development Fund (UNCDF) used its GrEEN programme (Boosting Green Employment and Enterprise Opportunities) to experiment with three different crowdfunding approaches to raise SME finance from the diaspora.⁸⁰ The performance was largely disappointing. A reward-based approach raised about US\$160 000 for 350 farmers (about US\$450 for each farmer) from both diaspora and domestic donors, whilst a loan-based approach raised US\$392 000 for 700 SMEs (US\$560 each), with solid repayment performance. The donation-based approach was ineffective as diaspora audiences saw rural enterprises asking for donations as 'begging'. The relatively small amounts raised for individual SMEs led the UNCDF to shift the GrEEN programme agenda to address Ghana's crowdfunding ecosystem, and in particular its regulatory framework.⁸¹ When GrEEN switched the donations

funding target to local climate change adaptation projects, that is, to non-profit activities, the diaspora provided \$40 000, so there may be some potential in using crowdfunding to widen the appeal of HTAs.⁸²

Aside from the limited engagement of African diasporas in Europe and the US with CoD-based crowdfunders, regulatory and cost entry barriers for African SMEs that hope to enter the US and EU crowdfunding markets create a high 'deal floor'. In the US, so-called 'regulation crowdfunding' – enterprises raising finance through equity or debt – can only be done by platforms registered with the Securities and Exchange Commission (SEC).⁸³ Since November 2021, an EU law governs equity- and loan-based crowdfunding up to EUR5 million, with standardised requirements for information provision by 'project owners' (finance-seeking enterprises), by individual investors (focusing on their wealth and financial literacy), and by crowdfunding platforms (including conflict of interest and prudential policies).⁸⁴ In both the US and the EU, the applicant for funding needs to be located in the same jurisdiction as the crowdfunding platform, so African SME startups would be forced to set up a foreign holding company in a CoD, which is financially costly, time-consuming, and will also often require domestic regulatory approval in the CoO.⁸⁵ In addition, crowdfunding platforms charge commission which may amount to as much as 10% of targeted funding, while some platforms suggest that only about one in twelve of applicant projects actually make it through the platform's vetting process to be listed. In the EU, the crowdfunding regulatory focus is on medium-sized enterprises, looking to raise around US\$500 000 (or US\$850 000 if the enterprise has an agriculture- or climate-smart business model), making commission at least \$50 000, far higher than viable for most Africa SMEs.⁸⁶

In both the US and the EU, the applicant for funding needs to be located in the same jurisdiction as the crowdfunding platform

There are also many barriers to establishing viable SME crowdfunding markets in Africa, including low average deal size, the need for low commissions to be paid by borrowers, low financial literacy of potential investors and investees, low levels of consumer protection, and high risk of illicit flows. African financial regulators – whether central banks (likely responsible for loan finance) or equity market regulators (responsible for equity) – have small, underequipped teams that are already dealing with many other challenges, not least green finance. Broadening their remit to include SMEs and crowdfunding involves building new relationships with SME funding networks and platforms. Establishing an SME crowdfunding regulatory framework is a country-specific and long process, involving significant regulatory changes. For example, in Ghana, it has taken about five years, so far, for the market to evolve. Work on framework reform started in 2020 by the UNCDF and the African Crowdfunding Association (ACFA) together with the Bank of Ghana (BoG) and Ghana's SEC, leading to a BoG policy

for banks published in February 2021, and SEC (Ghana) guidelines on investment crowdfunding published in draft in April 2022 and finalised in June 2024, after a period of 'sandbox' experimentation with crowdfunders and engagement with different groups in the SME funding environment.⁸⁷ The guidelines emphasise the need to bring together early-stage SME capital providers (labelled 'crowdfunding intermediaries') and crowdfunding platforms into a single ecosystem with banks and MFIs. In addition, crowdfunding is opened up to new instruments such as revenue- or profit-sharing, leasing and offtakes. This is intended to allow well-functioning donation and reward crowdfunders to grow by moving into the SME investment space, while incubators and accelerators which provide SMEs with business mentoring can develop new revenue streams as their mentees benefit from crowdfunding. UNCDF expects the Ghanaian diaspora to be a key source of funds for local CoO SMEs, using crowdfunder intermediaries, though marketing cannot be done in CoDs, only in Ghana itself.⁸⁸ It will be interesting to see if Ghanaian crowdfunding can successfully fund SMEs, and in particular if it is able to bring in significant diaspora investment.

Diaspora deposit accounts in CoO commercial banks

A deposit account is a simple, low-cost mechanism for both depositor and deposit-taking institutions, requiring straightforward regulatory and supervision requirements under the control of the CoO government and central bank. They are offered by commercial banks in Anglosphere financial systems, and by *caisses de dépôts* (publicly owned savings institutions investing in infrastructure) in francophone systems. Diaspora deposits are (like other bank deposits) in effect loans from the depositor to the bank, but unlike bonds, are not tradable in secondary markets. Deposit accounts can be used to channel remittance flows to migrants' families, to enable purchases of goods and services in the CoO, such as repayment of a housing loan, or as a savings vehicle for migrants, while at the same time also expanding purchases by the bank in public sector bonds. They provide an important means to shift remittances from informal to formal mechanisms, while expanding financial inclusion for migrant families, and often more widely in low-income communities. Some CoOs require depositors to have a 'diaspora certificate' proving eligibility (linking to the partnership spoke of the diaspora wheel), and CoO governments will often offer the diaspora financial incentives, partially offsetting the patriotic discount, such as a choice of local or foreign currency deposits (the CoO government assumes the currency risk), tax-free or otherwise preferential interest rates, or access to CoO bank loans.

Aggregated diaspora bank deposits offer important benefits to the CoO economy, bringing foreign exchange into the formal economy as informal remittances are formalised, while expanded deposits allow the banks to increase bond purchases to support long-term government or public sector debt. As a result, we need to evaluate diaspora domestic bank accounts as an alternative to diaspora bonds, while also noting that they can contribute significantly

to expanding household financial inclusion, not just for migrants and their immediate families, but through demonstration effects, across much wider communities.

This is demonstrated by the Moroccan experience from the early 1970s to the 1990s, which seems poorly documented in migration scholarship but offers important lessons to other CoOs. The Moroccan government used the state-owned Banque Centrale Populaire (BCP) to shift remittances from migrants in France and Spain from informal to formal mechanisms, to help expand governmental resources through the purchase by BCP of national public infrastructure bonds. At the same time, this promoted financial inclusion in rural areas, as migrants' families started using bank accounts to access their remittances. In the 1980s, remittances as a share of GDP rose to average 5.8%, boosting capital inflows – remittances were 84.5% of 1990 inflows – while the migrant/families' share of bank deposits rose, peaking at 30% of the national average in 1987.⁸⁹

India started bank accounts and deposit schemes as part of limited citizenship rights for its diaspora in February 1970. This included a range of rupee accounts for use within India, and foreign currency accounts for domestic or external use, offered by commercial banks as well as the publicly owned State Bank of India, which had offices in over 30 countries.⁹⁰ Some deposit instruments are, from the investor's perspective, little different from diaspora bonds – tax-exempt, non-tradable but repatriable, fixed-term deposits for one to five years. Inflows to these diaspora accounts rose through the 1980s: the stock of non-resident foreign exchange accounts was \$12.4 billion in March 1990. But as oil imports rose and other international credit dried up, an exchange rate crisis from early 1990 meant these accounts declined by 70% by end-1990. This led to an IMF loan of US\$2 billion, while a five-year India Development Bond aimed at the diaspora was issued in October 1991, raising US\$1.6 billion. The crisis led to regulatory changes to diaspora bank accounts in 1992/93, lowering the permissible forex share and limiting fund repatriability, while the longer-term response was a major package of policy reforms which completely remade the Indian economy.

Later rupee crises in 1998 and 2000 were addressed by diaspora bond schemes (discussed below), though a further crisis in 2013 was addressed by allowing commercial banks to offer an effective 16% rate of return to NRIs to swap their foreign currency deposits for rupees. This was well above the rates funds were attracting at the time in the US market – a large diaspora premium, far from a patriotic discount – which led to large inflows of diaspora savings. In 2015, NRIs were admitted to the national pension scheme, allowing low-income migrants to save – the minimum annual payment was INR6 000 (about US\$93) – with the funds in aggregate supporting the country's foreign exchange and public sector borrowing needs. In April 2016, the stock of diaspora-linked bank deposits was

about US\$127 billion, just over one-third of India's foreign exchange reserves at that time, while in 2024, NRI bank deposit holdings amounted to about US\$153 billion, of which US\$16.2 billion had flowed in during FY25.

Pakistan started an important diaspora deposit scheme in 2020. The country has a population of about 230 million and about 6.9 million migrants. World Bank-KNOMAD data shows that formal remittances were US\$33.2 billion in 2024, about 9.8% of GDP, up from US\$17.1 billion, 7.0% of GDP, in 2014. Informal remittances and other unofficial 'hawala' transactions may, by one estimate, be as much as 40% of formal remittance inflows, that is, about US\$7 billion in 2017.⁹¹ Following a failed diaspora bond scheme (discussed below), Pakistan started a diaspora deposit scheme – the Roshan Digital Account – in September 2020, aiming both to formalise informal remittances and to raise capital inflows, incentivised by tax breaks. In addition to family remittances or local purchases of goods and services, the deposits can be used to purchase retail Naya government bonds as a vehicle for diaspora savings. The Roshan scheme attracted nearly US\$7 billion of deposits in its first two years, of which about two-thirds went into Naya bonds. By June 2025, there were over 850 000 Roshan accounts, and cumulative gross inflows since 2020 have been US\$10.5 billion. In the year to June 2025, gross inflows were US\$2.3 billion, and net inflows US\$0.56 billion (after outflows to remittance recipients and goods and service purchases). The stock of Naya diaspora bonds was US\$1.225 billion, which was only 1.5% of all government long-term commercial foreign debt. But the latter was mostly owed to official multilateral and bilateral foreign agencies: Naya bonds represented as much as 8.75% of government long-term foreign *private* debt (bonds and loans). This underlines the potential for aggregated diaspora deposits to support long-term debt of public agencies, for example in large-scale renewable energy projects.⁹²

The Central Bank of Nigeria (CBN) has also recently (1 January 2025) changed its financial regulations to allowed non-resident Nigerians to open non-resident Nigerian accounts remotely in domestic banks, to hold foreign-earned income or savings. The depositor needs a Non-Resident Bank Verification Number (for which a Nigerian passport is required). Funds can be held in US dollars, euros or pounds sterling, as well as naira, and the two types of account – ordinary or investment – can be used for 'ordinary' transactions or for savings and investments, including in dollar-denominated Federal Government of Nigeria bonds.⁹³ Interest on the latter is tax-free for non-residents, and deposits in the accounts are fully repatriable. At this stage, the CBN has not published data on the uptake of the non-resident Nigerian ordinary or investment account, or the purchase of government bonds using the latter account.

Diaspora bonds

At first glance, bond finance seems particularly appropriate for addressing the public funding requirements faced by large-scale responses to climate change, particularly in relation to adaptation. Thus, it is worth looking closely at *diaspora* bond issues by national governments, that is, a retail bond supported entirely by a CoO's diaspora. This gets a lot of support in academic and policy debate, and many CoO governments have tried them. The literature usually points to Israel and India as archetypal successful examples, as well as Nigeria in Africa, the only issue which met its financial target.⁹⁴ However, we show here, through careful examination of diaspora bond issues by all three countries, that diaspora bond issues are far more complicated, and much less promising, than is argued in the literature. As we discuss later, green bonds, where the targeted projects address climate change, and where the diaspora per se is not the particular focus within the investor market, are much more promising for funding climate change challenges, while diaspora bank accounts, discussed in the previous sub-section, can help support a wide range of public bonds, while also expanding financial inclusion where this is a problem.

Israel has raised large sums from the Jewish diaspora, mainly in the US, since the 1940s.⁹⁵ The US Jewish diaspora – defined slightly differently than the use of the term 'diaspora' in this paper, since it was largely not born in, nor migrated from, Israel – was sizable even then,⁹⁶ and included not only a considerable middle class but also many leading figures in the US business and financial corporate community. The European Holocaust carried out by the German Nazi party and other organisations during World War II shaped responses to the new Israeli state which was established in 1948, both from the Jewish diaspora and from broader elements of US and Western civil society. But there were still underlying political tensions between the US Jewish diaspora and the Israeli government over fund-raising, particularly about the division of funds between Israeli state construction versus the charitable needs of American Jews. The latter supported Israel, but did not yet see themselves as part of the Israeli nation. Advised by leading American Jews, including Roosevelt's Treasury Secretary, Henry Morgenthau, Israel set up the Development Corporation for Israel (DCI) in 1951 to issue 10- to 15-year tax-deductible and non-tradable bonds, denominated for different wealth levels and retailed to the Jewish diaspora in the US (and elsewhere) as the sole market. The bonds had regulatory approval from the US SEC, and were Israel's main source of external borrowing until the mid-1970s, financing physical infrastructure construction.⁹⁷ After the mid-1970s, their market was widened to US financial institutions. Annual average sales in the 1950s were US\$42 million, rising to US\$322 million in the 1970s, and over US\$1 billion in the 2000s: today, gross global DCI bond sales amount to over US\$55 billion.⁹⁸ From the mid-70s to mid-80s, Israel also started borrowing from the US government, and from the late 1980s to the late 1990s, issued negotiable bonds guaranteed by the

US. But Jewish diaspora purchases of DCI bonds remained important: in 2005 they amounted to 32% of the Israeli government's outstanding external debt.⁹⁹ The flow of new sales and the rates offered are determined annually by the Israeli government, taking account of Israel's foreign exchange requirements, its other possible sources of international borrowing, borrowing levels and rates in Israel and the US, and an assessment of diaspora demand. Shifts in diaspora bond demand are closely linked to external threats to Israel – gross sales almost doubled after the Six Day War in 1967 compared to 1966; they rose 70% after the Yom Kippur War in 1973; and over US\$5.7 billion has been raised since October 2023.¹⁰⁰ On the other hand, the diaspora did not increase its demand in response to Israeli government economic policy mismanagement, for example in the 1980s when inflation rose rapidly.

A long-run patriotic discount can be identified in the early days of the Israeli state: from 1951 to 1989, Israeli bonds averaged 4% return, while the US ten-year bond average was 6.8%. But the discount was not consistent: from 1953 to 1958, and again after 1984, the Israeli bond return was higher than US ten-year bonds, in effect a diaspora premium. From 1993 to 2004, when Israeli bond purchases were increasingly from later-generation Jewish diaspora looking for market rates, the two returns were similar. Net sales, after deducting redemptions and debt service, were positive between 1951 and 1980, but negative between 1980 and 2003, that is, annual bond inflows could not cover both interest and redemptions.¹⁰¹ The Israeli experience depended on a financially and politically successful diaspora in the CoD for the CoO government to successfully launch and sell the bond to the diaspora. Israel also shows that a patriotic discount cannot be presumed.

India has also used its diaspora to support its response to external threats, though in their case mainly from global trade and financial markets during balance of payments crises in 1991, 1998, 2000 and 2013. The need in each case was for short-term financial inflows, and raising diaspora investment was not straightforward in any of these instances. In 1991, as mentioned above, a steep decline in NRI foreign currency stocks was a central feature of the crisis, so an India Development Bond (IDB) was issued in October 1991 to be sold to the Indian diaspora only, raising US\$1.605 billion. The 1998 crisis was linked to international sanctions and capital outflows after India's nuclear weapons test. The government issued a Resurgent India Bond (RIB) which raised US\$4.2 billion, helped by the Indian diaspora being positive about the Indian government's rapid economic policy reforms following the 1991 crisis. In 2000, another rupee decline resulted in the government's India Millennium Deposit (IMD) scheme, which raised US\$5.5 billion.

Neither the IDB in 1991, the RIB in 1998 nor the IMD in 2000 was registered with the US SEC. The Indian government chose to avoid this regulatory barrier, perhaps because in the 1990s there were few Indian diaspora business, financial

and political leaders in the US economy and society who could have managed the process through the various regulatory hurdles, as was needed by Israel. The Indian diaspora in the US today is in a different situation, much more influential, but countries wanting to issue diaspora or other bonds in the US need to consider whether their US diaspora can assist the bond's SEC registration. The RIB was sold on a retail basis to Indian diaspora investors in the US by the publicly owned State Bank of India, which claimed they were certificates of deposit, not bonds, and thus not subject to SEC regulation. The Indian government avoided SEC regulation of the IMD in 2000 by sacrificing sales to its US-based diaspora, and focusing only on the EU, including the UK, and the Gulf markets. Often-cited problems with SEC regulation include costs and disclosure requirements, neither being insurmountable, and lead times, which are a possible problem for rapidly raising short-term finance. In addition, and more problematically for a CoO government, there was the potential for lawsuits in the US's litigious and plaintiff-friendly legal environment.¹⁰² The terms of Indian diaspora bonds were less flexible than the Israeli ones, and the patriotic discount was smaller, but the Indian diaspora responded positively nonetheless, allowing the bonds to achieve their main purpose, to increase the supply of foreign currency *in the short term*. By the next rupee crisis, in 2013, the Indian government had moved away from diaspora bonds, using, as discussed in the previous sub-section, bank asset swaps to bring in foreign currency deposits from the diaspora, raising US\$34 billion.

In Africa, many CoOs have tried to raise funds using a diaspora bond, but only Nigeria can be said to have succeeded in raising a large sum directly from its diaspora

In Africa, many CoOs have tried to raise funds using a diaspora bond, but only Nigeria can be said to have succeeded in raising a large sum directly from its diaspora: its December 2017 diaspora bond was oversubscribed by 130% and raised US\$300 million. The interest rate on the diaspora bond was much lower than Nigeria's Eurobond issues, so diaspora investors did provide a patriotic discount. But though large in absolute terms, the amount raised must be seen in context: it was just over 1% of annual formal remittance inflows to Nigeria of US\$22 billion, and more importantly, only 2.68% (in stock terms) of Nigeria's total external commercial debt, and only 0.95% of Nigeria's total external debt at the time. When the diaspora bond was repaid in 2022, the principal was about equivalent to the interest rate bill on Nigeria's external debt for the previous quarter,¹⁰³ while Eurobond issues have raised US\$15 billion since 2017, fifty times as much as the diaspora bond. In other words, although the diaspora bond succeeded in raising its targeted funds from the diaspora, the volume of funds was very small compared to what Nigeria needs and its overall fund-raising on the bond market. The diaspora bond was therefore not critical to Nigeria's external financing.

The Nigeria diaspora bond's issuance followed four years of planning, involving diaspora engagement and navigation of complex regulations in both the UK and the US.¹⁰⁴ Nigeria was the first African country to issue a bond targeted at retail investors in the US, which required SEC approval, and one reason for the diaspora bond may have been to test the waters in the US market, and to improve the country's credit rating in international financial markets.¹⁰⁵ Notwithstanding SEC approval, it was offered as a retail US\$ bond with a minimum US\$2 000 investment, thus avoiding exchange rate risk to investors, and sold through private banks and wealth managers, so also avoiding wholesale sales to institutional investors.

At about the same time as it issued its US\$300 million diaspora bond, Nigeria also issued a much smaller green bond, raising US\$29 million in December 2017. This was followed by a second green bond in June 2019 for US\$44 million. Even though the government has chosen not to issue a new diaspora bond after the first one was repaid, it did issue a third green bond for NGN50 billion (about US\$35 million) in 2025, a much smaller amount which was oversubscribed by 80%, attracting NGN91 billion (about US\$64 million).¹⁰⁶ Nigeria is now aiming for a US\$1 billion national green bond, though one would expect that much of this will be spent on ordinary infrastructure formally identified as 'green'. A green bond for NGN14.8 billion (US\$10.4 million) was also issued by the Lagos State government in September 2025, and was oversubscribed by 98%, at the same time as a Lagos infrastructure bond for NGN200 billion (about US\$140 million). These were the first sub-national government bonds issued in Africa.¹⁰⁷ The framework for the Lagos green bond was developed by the Lagos State government working with the UK government, an important point to which we return below.

There has been a lot of media commentator support for Nigeria issuing a second diaspora bond, and the government issued a call in April 2024 for fund managers to lead what it called a Nigeria Diaspora Fund.¹⁰⁸ But when the successful bidders were named six months later, the government had (sensibly) relabelled it as a Nigeria Global Investment Fund focused on SMEs across a range of sectors, including agriculture, manufacturing, wider energy, infrastructure, fintech and others. The named fund managers are looking for US\$10 billion, from the diaspora but also other sources, to support SME funding in named funds, similar to the SME early capital funding as discussed by I&P in its report.¹⁰⁹ This opens up interesting possibilities for wealthy Nigerian diasporans to engage in Ciwara-type diaspora VC mechanisms.

In addition, we noted above that at the start of 2025 the CBN allowed non-resident Nigerians to open domestic bank accounts, opening up the possibility for retail investments in federal government bonds from within Nigeria. It would appear that Nigeria has abandoned the idea of diaspora bonds, bonds in which the main source of funds would be the diaspora, while opening up new possibilities for the diaspora to invest in Nigeria through other mechanisms.

In sum, none of the apparently successful examples of diaspora bonds – Israel, India and Nigeria – has been straightforward. The bonds were critical financially for the new Israeli state to build infrastructure, but the US Jewish diaspora at the time had specific features lacked by other CoOs – the diaspora had not migrated from its CoO, and had significant wealth and power in the CoD, including a significant presence in the US national government and financial sector.

The bonds' role in Israel's early history may be unique: the patriotic discount of three decades after the CoO state was established has disappeared, and the role of diaspora bonds in the Israeli economy has changed.

The US-based Indian diaspora in the 1990s was quite different to Jewish diaspora of the 1940s, which may have helped persuade the Indian government to use more nuanced tactics for its diaspora investments, even avoiding the US market in 2000. India has subsequently abandoned diaspora bonds in favour of diaspora deposit accounts, even though their diaspora in the US has become much more influential. Nigeria successfully issued a diaspora bond, but it was very small in relation to the country's overall funding needs, and the government for now seems to have decided that diaspora bonds are a less effective fund-raising mechanism than engaging the diaspora as well as other sources in capital provision for SMEs.

Generally, where CoOs have tried diaspora bonds, the performance has been patchy at best

Where other CoOs have tried diaspora bonds, the performance has been patchy at best. In Kenya, a 2011 bond targeted to the diaspora failed, even though five other bonds targeted to all investors were more successful; nonetheless, the country is apparently now thinking of a new diaspora bond issue.¹¹⁰ In Ethiopia, a 2008 Millennium Bond targeted at the diaspora failed, and in 2011, only US\$50 million of a total US\$7 billion bond to finance the Renaissance dam was raised from the diaspora. Ghana's Golden Jubilee Bond in 2007 was targeted at raising infrastructure finance from both the domestic population and the diaspora, but was undersubscribed by 60%.¹¹¹

Outside Africa, diaspora bond performance has been no better. In Bangladesh, there are three bond schemes for the diaspora: a US Dollar Investment Bond, a US Dollar Premium Bond, and a Wage Earner Development Bond. But these could only be purchased by diaspora investors at a bank in Bangladesh, using special identity documents, and were redeemable only in local currency, the Taka, all of which discouraged investment. Furthermore, the government imposed a maximum investment ceiling of BDT10 million (or BDT1 crore, about US\$120 000) per person in these schemes in December 2020. This limit was lifted in 2022, but interest rates on the bonds were halved. The reasons for all these regulatory changes are not clear, but they have not encouraged investment.

In Pakistan, diaspora bonds have also not worked. The government set up a Banao bonds initiative in 2019, aiming to raise US\$1 billion from dollar-

denominated bonds sold to Pakistanis with foreign bank accounts. This failed, and, as discussed above, in response the government set up Roshan Digital Accounts in September 2020, linked to a Naya diaspora bond. The Roshan minimum threshold is much lower than for Banao, as Roshan is also intended to shift remittances from informal to formal mechanisms. Roshan deposits can be held in hard currency, returns are tax deductible, and investment in Naya diaspora bonds is voluntary. As discussed already, the diaspora response to Roshan was much more enthusiastic than to Banao. The Roshan account/Naya bond process has been a relative success: by 2022, two-thirds of Roshan holdings were in Naya bonds, and by June 2025, the stock of Naya diaspora bonds was US\$1.225 billion, 8.75% of the government's long-term foreign private debt.

The discussion here underlines the complexity of diaspora bonds. CoO governments hoping to use them to raise finance for long-term capital spending projects need to consider the size and wealth of their diaspora, especially in key CoDs, as well as the terms of the bond instrument – the interest rate (and potential patriotic discount), the denominations (size of individual instruments, currencies), negotiability (redemption terms, and trading in secondary markets) – which impact marketing strategies, as does possible regulation by foreign (CoD) authorities. Most diasporas are not big and wealthy enough to support a large bond issue on its own. Governments also need to think about foreign exchange risk: if redemption is in local CoO currency, the risk is assumed by investors, reducing demand for the bonds. But if redemption is in hard currency, the government assumes the risk, which potentially lowers its net proceeds.¹¹² CoO governments also need to consider alternatives for raising large-scale capital in the international financial market, as other, non-diaspora instruments and mechanisms may have more fund-raising power. The CoO government must take a realistic view of how the diaspora sees domestic governance standards in the CoO, as well as its relationship with its diaspora: if large sections of the diaspora feel that accountability and contract enforcement in their CoO are inadequate, or that economic and development policies are inappropriate, or if there is significant political conflict between diaspora and government, the diaspora are much less likely to support a diaspora bond issue. On the other hand, if the diaspora does support a diaspora bond (or some other instrument), the latter's contribution will go beyond finance, to cement political cooperation between the diaspora and the CoO government, which could lead to further diaspora finance and resources.

A key problem for many African CoOs is the small size and relatively low income levels of their diaspora, especially in high-income Western countries

A key problem for many African CoOs is the small size and relatively low income levels of their diaspora, especially in high-income Western countries, suggesting that aggregate savings by their diaspora are low and would not be sufficient to

support a large bond issue. Some commentators argue for a pan-African diaspora bond, perhaps issued by the African Development Bank (AfDB).¹¹³ However, this would require a process for assigning proceeds amongst different countries and different projects. The AfDB has not endorsed a diaspora bond issue by itself, but its staff have made some useful suggestions, including that the AfDB can provide credit enhancements for bonds or other instruments, such as guarantees, trust funds or co-financing.¹¹⁴ Africa has several regional monetary unions, partly to deal with the scale issues faced by small countries in running a monetary system. One AfDB staff suggestion is to promote diaspora investments across a single monetary union, to overcome the wealth constraint faced by individual CoO diasporas. This is worth exploring, and is similar to the approach of Ciwara, the Malian diaspora SME fund in France, to support businesses not just in Mali, but across the West African franc zone. If linked to a monetary union, diaspora bank deposits linked to remittances would probably be more useful than diaspora bonds, as the guarantees proposed by the AfDB will suit the former better.

To conclude this sub-section, I would disagree with many researchers and commentators who remain enthusiastic about diaspora bonds' potential to support public projects in CoOs. Amongst the main proponents are the World Bank's migration finance specialists who continue to promote diaspora bonds, while rejecting diaspora deposit accounts on account of their apparent short-term volatility.¹¹⁵ As I show in this section, the extensive focus on *diaspora* bonds – where a bond's financial target relies on diaspora resources alone – is not helpful. This is of course not to suggest that governments should not issue bonds at all, where the diaspora is part of the market, along with the wider local and international financial community. But the patchy performance of diaspora bonds has been true across different CoOs, in Africa and elsewhere, and in different periods. Diaspora bonds should be assessed together with diaspora deposit accounts, as many of the instruments are similar from the diaspora investor's perspective. Linked to remittances, diaspora deposit accounts help to expand financial inclusion, with inclusion of migrants and families often supporting more widespread inclusion in their communities. The increase in savings from the diaspora and the wider community allows banks to invest in wider swathes of government bonds to support long-term public expenditure, including on green projects. Morocco's BCP and Pakistan's Roshan account provide examples which are well worth further study.

The patchy performance of diaspora bonds has been true across different CoOs, in Africa and elsewhere, and in different periods

Diaspora knowledge

We define diaspora knowledge as a productive resource useful for future income generation and development. In discussing the different diaspora finance mechanisms, we have seen that financial flows into the CoO are often accompanied by knowledge flows, in diaspora investments in private enterprise in the CoO, whether SMEs, DDIs or returnees, and also in collective donations and philanthropy. Indeed, the financial return to diaspora investors often depends in part on the provision of knowledge, either by the investors themselves or by others organised within the financial value chains. But as shown in Figure 2, there are also knowledge flows from the diaspora independent of financial flows, which are worth discussing as they are potentially useful in addressing climate change.

The diaspora may provide technical knowledge, organisational knowledge – that is, entrepreneurial or managerial capacity – and network knowledge to individuals and organisations in their CoO. The diaspora may be *more* effective in transmitting knowledge resources into the CoO than either CoO locals or foreigners, because of the diaspora's 'in-between advantages' spanning the CoO and the CoD: their familiarity with two languages and cultures, and their access to two sets of opportunities and two sets of economic and social networks.¹¹⁶ Aware of what works in CoDs, they can introduce sometimes small incremental innovations commonly used in the CoD which can help to promote organisational and institutional change within the CoO.

Their in-between advantages make migrants and diasporas knowledge brokers and boundary-spanners par excellence. We can understand this better if we move away from conceptualising knowledge as 'bankable', that is, away from the idea that individuals learn through exposure to additional codified (or explicit) knowledge. Instead, we should take account of the tacit, uncoded aspect of knowledge. As Michael Polanyi first put it, much knowledge is 'more than we can tell': it has elements which we know from practice and experience, but which cannot be easily explained.¹¹⁷ Its tacit dimension makes knowledge 'sticky'. On the one hand, it is linked to individuals, so its transfer may require direct contact with those who have it. So movement of people, or at least virtual contact, is often required for knowledge transfer. Much of this will be cross-border, and it should be emphasised that knowledge transfer – both receiving and transmitting – is undertaken by *all* migrants, not only by 'high-skilled' people with advanced formal education.¹¹⁸ On the other hand, knowledge is also 'sticky' in relation to its organisational, social and spatial contexts, so that ideas and practices from CoDs are changed and (re)shaped, transformed, when applied in CoOs (or vice versa, transferred from CoOs to CoDs), rather than being simply a technical application of existing knowledge.¹¹⁹

The last segment of Figure 2 illustrates three different sorts of diaspora knowledge flows. The first is advice to diaspora's CoD employers or other parts

of their organisational or business networks to undertake FDI (equity investment) in their CoO. Diasporas from Taiwan, China, India, Ireland and Israel working in the US information technology (IT) industry encouraged US investment into their respective CoOs, which was crucial in establishing new IT industries in those CoOs. As discussed earlier, many of them returned home to work in the newly established subsidiaries.¹²⁰ This is not diaspora investment per se, as there is no diaspora financial stake, but rather the use of diaspora resources – their ‘in-between’ advantage – to support FDI inflows to their CoO. An important example of this is Morris Chang, a Chinese national born and raised before the Revolution, who migrated to the US as a student. He stayed in the US and became a highly successful executive in the American semi-conductor industry. After 35 years in the US, the Taiwanese government asked him in 1985 to ‘return’ to Taiwan to set up a semi-conductor chip producer. Although not strictly from Taiwan, Chang was a Chinese diasporan, and in effect a returnee. Chang drew on his US experience to shape corporate strategy for the new company, Taiwan Semiconductor Manufacturing Company (TSMC), deciding that it would manufacture but not design chips. And he used his US business networks in TSMC’s initial setup, hiring executives from the US, while TSMC’s early customers were US chip designers. Finance was provided by wealthy Taiwanese under government ‘encouragement’ and technology was supplied by Philips, a Dutch company, in exchange for equity. Today, TSMC is the largest chip producer in the world, and Organisation for Economic Co-operation and Development (OECD) economies are significantly dependent on this firm.¹²¹

The second diaspora knowledge flows are processes to support the development of individual skills in the CoO, both technical and organisational. These are often intended to offset the ‘brain drain’, the idea that migration of people with high or mid-level skills (as conventionally understood) to the Global North severely decreases the skills pool in Global South CoOs.¹²² Policies to stem the flow of migrants through quotas on either out-migration from CoOs or in-migration to CoDs have not worked well.¹²³ But there are a range of other ‘brain redistribution’ mechanisms, linked to migrant/diaspora return of different durations and frequencies. These ‘direct’ or ‘administrative’ schemes focus on large numbers of diaspora members, requiring diaspora research mapping, and their implementation, or at least their initial stimulus, often involves spatially based diaspora organisations in the ‘partnership’ spoke of the diaspora wheel.¹²⁴ They include:¹²⁵

- Brain circulation – permanent or temporary return of migrants to the CoO;
- Brain banks – diaspora networks facilitating CoO access to knowledge from both diasporas and natives in CoDs via physical movement and/or online engagement;
- Brain exchanges – temporary work- or training-related movement of skilled people between CoO and CoD;

- Brain gain – mid-level skills training in a CoO for a particular occupation, such as nurses or software engineers, carried out by institutions from a particular CoD. These are labelled Global Skills Partnerships in the Global Compact on Migration, Objective 19e. A share of graduates will migrate to the CoD, but enough stay in the CoO to serve its needs.

Brain circulation and brain bank networks often involve systematising a process which may have started as ad hoc and informal, but has led to organisations supporting diaspora mentoring and business network expansion for both CoO and diaspora enterprises. This knowledge-based support is not necessarily linked to diaspora financial flows, though these organisations will generally have good links with CoO government agencies, and play an important role in building diaspora partnerships. Two examples with large numbers of members, both started in Silicon Valley, are TIE and the Irish Technology Leadership Group (ITLG),¹²⁶ while Scotland and Chile have smaller organisations – GlobalScot and ChileGlobal – focusing on enterprises in specific sectors.¹²⁷

Efforts to create CoO national diaspora networks crossing business and professions have a mixed record of success. In some CoOs, cross-sector networks have failed because of limited numbers of skilled migrants (Colombia), or low-capability state institutions (Argentina), or limited links between diaspora organisations and CoO public agencies due to political or ascriptive differences (South Africa).¹²⁸ The Association of Vietnamese Scientists and Experts (AVSE) is a successful example, perhaps because it is divided into ten sector-based sub-networks, covering, inter alia, banking and finance, ICT, medicine and sustainable development, each linked to the relevant Vietnamese government ministry.¹²⁹

Efforts to create CoO national diaspora networks crossing business and professions have a mixed record of success

Nigerians in the Square Mile (NISM) was a group started in 2008 for financial sector and related professionals and managers in the City of London; it had over 2 000 subscribers by 2020.¹³⁰ Like AVSE illustrates the benefit of specific sector or occupational, and also on a specific CoD. Unfortunately, NISM as an organisation did not survive the Covid pandemic and lockdowns, though its mobilising group remains in London and active in diaspora issues.¹³¹

Both NISM and AVSE's sub-networks support the third kind of diaspora knowledge flow illustrated in Figure 2, flows to CoO public institutions, including both government and public sector agencies and social and non-government organisations. These knowledge flows can help in specific regulatory and policy change in a CoO, or more generally on public sector managerial capability issues, drawing on diasporans with relevant skills and experience and their networks in CoDs. A pragmatic approach is needed to find the right people, but these networks are a good place to start. Evidently, this can be useful in addressing climate change.

A very interesting example of this, relevant to building renewable energy sectors and more generally to addressing climate change, is the work of a local development NGO, Migrations et Développement (M/D), set up in Morocco in the mid-1980s by a small group of returned migrants in the mountainous Souss region after they were laid off from their aluminium smelter jobs in France. When they returned home, they realised that the lack of basic infrastructure – electricity, water and sanitation, transport and communication – in their towns and villages of origin was a serious challenge as they tried to establish new livelihoods in agro-processing or retail trade. M/D was initially established to fund-raise, plan and implement local electricity networks to supply households and water pumps, and enable a shift to electric-powered irrigation, which could shift agricultural output patterns. M/D set up HTA-like local associations in the local towns and villages, and drawing on their ‘in-between advantages’, used their French trade union and employer networks to connect with EDF, the French state-owned electricity company. EDF sent technicians to the villages to oversee the electricity network construction done by local villagers, with their input leading to use of local products and topography in construction, which lowered costs. EDF contributed financially to the process, as did local villages, while migrants and returnees provided a small ‘crowdfunded’ share. M/D was so successful that over the next ten or so years, it was responsible for constructing electricity installations in about 70 villages, with another 140 in a ‘queue’. EDF was already working with the Moroccan government to expand the country’s electricity networks, and it brought M/D into those discussions, which led to the adoption of some of M/D’s technical innovations in the electricity system and the localisation of government standards. By 1996, government policy shifted fundamentally to address rural electricity for the first time.¹³²





Section 4. Linking CIPs and the diaspora framework

In this section, we start by looking at conceptual parallels and linkages between the diaspora framework and CCDPs, a mechanism increasingly used by climate finance strategists to shape programme implementation, and which is the basis for ACF's CIP approach. CCDPs are CoO national government-led partnerships with international donors, aiming to coordinate delivery of various streams of finance to a developing country to enable sectoral or economy-wide transformational investment.¹³³ As its generic title implies, a CCDP is intended to promote action on *both* climate *and* development, moving away from trade-offs between the two to complements. A CCDP has three basic features. The first is a credible political agreement (and legal contracts?) between a beneficiary government and foreign donors, which also takes account, at least implicitly, of the country's underlying 'political settlement',¹³⁴ that is, how its wider political economy is reflected in informal rules (perhaps codified in formal laws and regulations) about burden-sharing, particularly amongst elite groups. The second feature of a CCDP is a coordinated programmatic approach to policy reform and finance, aiming to harmonise concessional resources provided by foreign donors, and to ensure that country-level policy and regulatory reforms are carried through to enable use of those foreign resources. Thirdly, a CCDP looks at what credit enhancements and other strategic support are needed to efficiently leverage private sector finance to scale up delivery by matching financial assets to appropriate risk/return trade-offs. A CCDP therefore requires engagement with private financial institutions, both domestic and foreign, at an early stage in constructing the platform.¹³⁵ A country platform can therefore be described as 'a strategic hub: convening actors, coordinating funding, and curating pipelines of investment projects', as one commentator put it.¹³⁶



Several aspects of country platforms are worthy of comment here, because they parallel aspects of the diaspora wheel process. Firstly, a platform's major features are not a sequence to be followed, but a set of priorities to be addressed simultaneously and repeated over time, as each ensures the others can occur – the process is similar in this sense to the diaspora wheel. Secondly, a CCDP is about building trust and coherence amongst multiple stakeholders to overcome fragmentation, both between a beneficiary government and its international partners, and within the former, across its state – its different agencies and sub-national levels – as well as between the state and the private sector and civil society. A common 'tussle' in this and other foreign aid-linked transactions is between beneficiary government and foreign donors over de facto ownership of the process,¹³⁷ similar in many ways to the tussle between the CoO state and the diaspora. Thirdly, while a global architecture to support platforms across different countries is necessary, and lessons from elsewhere can be useful, the word 'country' in the CCDP acronym underlines that they should rest on *national* (and nationally defined) priorities.

At the same time, the three basic features of a platform identified above focus on agreement amongst domestic groups over the distribution of burden-sharing, both benefits and costs and both short and long term. Defining 'national' priorities thus involves considerable political and institutional work. An important element of the process of platform construction is building organisational capabilities, both within the state and across other social segments. In this way, concerted action to address climate challenges can assist broader-based national development. This underlines that creating a country platform takes time, some commentators even suggesting as long as 'decades'.¹³⁸ The slow emergence of tangible outcomes makes the process very difficult, but 'low-hanging fruit' – some investments showing early positive results – will enhance its credibility.

ACF, a philanthropic organisation drawing on international donors, has built its strategic approach – labelled CIPs – using CCDPs as a foundation. It is in fact likely that ACF contributed to the wider global formulation of CCDPs, given its role in shaping the South African JETP, the first climate change platform, which influenced both the CCDP concept and its application in other country contexts. ACF itself is now moving away from focusing solely on supporting advocacy and policy in African countries to supporting more concrete interventions to address climate change, aiming to help 'unlock public and private investments'.¹³⁹ ACF very pointedly argues that there is no singular 'Africa-wide' model: each African country is distinct and needs its own national approach. In line with the description of CCDPs already described, ACF's CIPs have three elements: '[firstly] coordinat[ion of] political alignment, [secondly] policy reform and ... [thirdly] scaling up [to] meet private objectives but also address the country's needs for development and investment'. In other words, CIPs 'creat[e] momentum around a package of implementable investment initiatives, backed by the right

supportive funding, [to] accelerate reforms rather than waiting for them to be solved before moving forward'. It is significant that despite being an international non-government donor, ACF goes further than national level initiatives, and is interested also in sub-national and local state approaches and in sectoral and technology-focused initiatives. One of its country- and sector-focused 2025–2028 strategy documents refers to its 'distinctive strength [being] its platform approach: rather than funding one-off projects, it invests in structures and relationships that bring diverse actors together, unlock[s] co-financing, and help[s] set important foundations for long-term systems change'. Another strategy document references 'inclusive platforms' and 'coordinated collective action ... diverse stakeholders with complementary strengths creat[ing] coalitions for collective voice'. ACF underlines that platform processes take time: creating new financial architecture involves a 'lengthy development process'.¹⁴⁰

There are several overlaps and common elements between the strategic approach to addressing climate change using country-based investment platforms, and the diaspora wheel framework described above:

- The country's political economy – including the relationship amongst elites and between elites and the state – is crucial to both the political settlement in the platform and the hub of the diaspora wheel.
- In both frameworks, decentralised initiatives beyond the national state are significant, at sub-national state level and for particular social groups and sectors in civil society, one of which is the diaspora.
- Both the CIP and resource mobilisation in a CoO's diaspora wheel require time, and therefore patience, to address policy and regulatory reforms and to build trust as new financial value chains are built, and often sub-national capacity development.
- There are important similarities between the CIP as a strategic focus – convening, coordinating funding, and curating project pipelines using grant finance – and a financial value chains choreographer using grant finance to support CoO SME funding, including diaspora investment.
- Both approaches involve impact investing to achieve a financial return on private investment while addressing climate change and development, paralleling the diaspora's need for an investment return while allowing for a patriotic discount.
- Both approaches, the CIP and the diaspora wheel, require scaling up to use private finance to meet development objectives.

It is also worth mentioning some differences between the CIP approach and the diaspora wheel framework.

Sequencing: diaspora schemes are often started by the diaspora itself, that is, the initial stimulus is not from the CoO national state but a bottom-up process started by the diaspora or a sub-national state, which may then be scaled up to

national level with help from the national state. CIPs are generally top-down, starting with national state policy, and early results may be needed to enable the process to continue, including at sub-national level.

Scale of implementation: diaspora schemes are often single projects rather than part of larger programmes or platforms, providing successful examples to promote scaling up, while CIPs' explicit focus starts from national-level policies and national or sectoral programmes. Nonetheless, ACF's Adaptation and Resilience Investment Platform (ARIP) strategy acknowledges that project-by-project processes may be necessary, for example as part of a 'proof of concept stage' in adaptation and resilience implementation, to ensure effective procedures and build investor confidence in an arena where there is often no return revenue stream to investors, so that grants and concessional finance are needed.¹⁴¹

ACF's country- or sector-focused strategies have five interconnected 'pillars': climate governance; sustainable economic development; adaptation and locally led resilience; inclusion, equity and social justice; and investment mobilisation. How should these be combined with the diaspora wheel? This can be looked at in two ways. One is: how can ACF best engage with an origin country wheel's existing hub and spokes, and so contribute to that wheel? The other is: how would diaspora resource engagement work in practice within an ACF platform? Where would diaspora work sit institutionally in ACF, what instruments and partnership models could be used, and how could ACF's grant funding be used to de-risk pilots and crowd in other investors? The second of these options is clearly preferable: diaspora resources should be seen as a complement to the resources – both finance and knowledge – that ACF is already providing through its platforms to programmes and projects addressing climate change and economic development. Diaspora resources are for the most part connected to a specific origin country, rather than being Africa-wide or across an African region, and are also distinct from each other. So different diaspora resources fit better with different specific platforms and programmes. At the same time, there may be some scope for looking at cross-regional initiatives within one of Africa's regional monetary unions.

Diaspora resources are for the most part connected to a specific origin country, rather than being Africa-wide

We now spell out how to bring diaspora resources into the CIP in a specific CoO. Starting with the hub of the wheel, a CoO's political economy would already have been analysed as part of the underpinning of ACF's five-pillar CIP approach. In that analysis, it is important to distinguish between and explore the interactions across, on the one hand, a broad 'organic' political economy of the country, laying out the class basis of the elites and their domination over lower classes and groups, and on the other hand, the somewhat narrower approach

followed in the political settlements approach, which focuses on ‘conjunctural’ shifts within and between political parties and factions.¹⁴² The political economy analysis must take account of existing patterns and institutional expressions of state–civil society interactions across specific sectors. A key focus for addressing climate change is how the dominant classes interface with the energy sector. In countries like Nigeria, Senegal and South Africa, the energy sector is crucial for exports and therefore to the demand side of the economy, in addition to supplying energy for domestic production and consumption, while power cuts and other supply-side problems make energy resilience important in these countries as well as in Malawi or Zambia, which do not export oil or coal. The role of the financial sector in supporting both the public sector and also private enterprise is equally important.

The starting point when focusing on a specific CoO is a basic understanding of its global diaspora (not just its first-generation migrant population), that is, draw on the research spoke of the wheel: where the diaspora is located (the main CoDs), and a broad outline of its heterogeneity, including ascriptive variables (age, gender, ethnicity, language, religion, cities/areas of origin, migration generation), its education and skill levels and employment (both occupation and sector), and its average incomes and wealth and remittance levels and practices, as well as its politics and key diaspora leaders, if any. If the CoO has some sort of migration or diaspora agency within the national state or there is significant academic work on migration, much of this research may already exist. After other elements of the wheel are specified, especially projects/programmes and diaspora financial resources, more detailed research may be needed to mobilise the latter.

The starting point when focusing on a specific CoO is a basic understanding of its global diaspora

Moving to the next spoke of the diaspora wheel – partnerships – the research on a country’s diaspora also needs to focus on the links between the CoO state and elements of civil society, on the one hand, and its diaspora’s organisations and associations on the other. If the diaspora is seen in the CoO as *part of* civil society, it should be part of the ‘coordinated political alignment’ which is core to the CIP. How this can be done will depend on the diaspora’s existing organisational setup both in major CoDs and in the CoO, as well as how the CoO’s system of political rights and representation accommodates the diaspora. The diaspora often starts or provides key resources to projects and will want some ownership in those projects, which are more likely to be individual programmes and projects, especially at sub-national level, than large-scale national policy or implementation programmes. But where the diaspora is organised at a national level, representatives should be involved in policy discussions which are part of CIP political processes. If the diaspora is well organised, it provides a basis for targeting narrower segments of the diaspora –

based on CoD, age, migration generation, CoO region of origin, or income – for specific resources, both financial resources, for example support for SMEs, and knowledge, identifying specific diasporans with appropriate technical skills who might be willing to work on climate- or finance-focused projects.

The next spoke of the diaspora wheel is target agencies and organisations in the CoO for receipt of diaspora resources. A funding agency like ACF will already be working with a number of potential target organisations in projects or programmes, many of which could potentially benefit from diaspora financial and knowledge resources. One example is diaspora expertise to support climate change policy and regulatory reform by national and sub-national states. Another example, as already implied in Section 3, is that the focus on green industrialisation should look closely at the need for financial support to SMEs demanding electricity produced from renewable energy sources. Potential target organisations should be expanded to include SME fund managers, as without financial support (linked to mentoring and market access), SMEs will not grow and enable broader economic development.

The next spoke of the wheel is resources. Aside from community donations and large-scale philanthropy, the diaspora invests as individuals in ‘retail’ resources, requiring intermediation to scale up to enable support for large-scale climate change projects. This is relevant for diaspora resources currently unconnected with climate change projects, including bank deposits to hold remittances and savings, equity and loans to private SMEs demanding renewable energy-based electricity, and green goods-based remittances. As discussed at length in the next section, it is possible to shape individual instruments and diaspora mechanisms to support often critical small-scale elements of larger processes, but a very clear understanding of these mechanisms is needed, as evidenced by the plethora of initiatives which seemed strong on paper but failed to succeed in the market,¹⁴³ such as crowdfunded equity or loans for SMEs, or diaspora bond schemes of various African governments.

Another set of resources is diaspora knowledge, which has two aspects. One is the location and use of experts in the diaspora on addressing climate change as well as financial regulations. The other is mobilising the diaspora into organisations to raise awareness of CoO climate change challenges, both within their CoD, which may help with fund-raising, and also with political support for climate change action in their CoO, where the diaspora often retain significant influence in the community, and are able to impact on local values through ‘social remittances’, ideas flowing from CoD to CoO through individual communications between migrants, their families and communities.¹⁴⁴

As we have discussed, different diaspora resources are on a spectrum between gifts and market exchange, with the ‘gift’ side of that spectrum contributing to the diaspora’s membership of the CoO nation. The diaspora has the privilege of not being physically located in the CoO national space, and so is protected from

the threats to lives, wealth and personal security faced by domestic residents, whether from civil or external wars, natural disasters, daily personal security linked to crime, as well as the impact of climate change. This privilege is linked to the patriotic discount, often understood as a deduction in investors' financial return, but it may also affect the speed and level of a diaspora response, to external military or economic threats (as seen in Israel or India), but also to natural disasters such as earthquakes. By the same argument, if a CoO is threatened by climate change-related disasters, a patriotic discount (that is, the diaspora privilege) should apply, and in some cases could be large enough to justify little or no financial return for diaspora investors in some projects, for example, national or local level adaptation projects to address resilience.

The last spoke of the wheel, financial sustainability, is core to any philanthropy value chain, including issues such as stewardship (acknowledgement of and accountability for resources), expanding project scale and scope, and innovation.





Section 5. Using diaspora resources in climate change projects

This section looks at some of ACF's current projects, and potential future projects, to examine how specific diaspora financial instruments and knowledge resources could be tailored for them. We discuss each instrument shown in Figure 2.

Family remittances

African diasporas can be encouraged to provide 'green' goods-linked remittances, especially solar panels and similar equipment for migrants' family homes or family-run small enterprises.¹⁴⁵ Later, we return to channelling remittances through bank savings deposit accounts to support public bonds and promote financial inclusion. Solar panels are of course important for homes and businesses everywhere, but as shown by recent floods in Jamaica and Indonesia, they can be critical in promoting resilience in coastal zones or riverbank areas likely to suffer from floods, where grid-linked electricity connections can be quickly destroyed, leaving towns and villages without power for long stretches. As occurred in Jamaica, homes with solar panels can assist entire communities in the short term by providing electrical power.¹⁴⁶ In Senegal,¹⁴⁷ Nigeria, Mozambique and elsewhere in Africa, both coastal and inland areas are susceptible to floods, and would benefit from solar power from photovoltaic (PV) panels mounted on homes and small businesses. This of course requires local SME suppliers to provide and install the equipment.

A diaspora-based project, RemitResilience, was set up by BASE, a Swiss NGO, in the Pacific to use remittances to support migrant family home resilience through green solar power provision and other equipment. It aims for a locally relevant, self-sustaining remittance finance vehicle for Fijian, Tongan and Vanuatan migrants in Australia and

New Zealand to support retrofitting of family homes with secure roofing, water tanks, and rooftop solar panels and batteries to ensure shelter, water and communications in post-cyclone periods.¹⁴⁸

The Business Council of Renewable Energies of Senegal (COPERES) is establishing a Credit Energy Mechanism to support household PV panel purchases, and they could work with Senegalese diaspora organisations in Europe to promote PV panel acquisitions as 'green' goods remittances.¹⁴⁹ Finance is a major constraint, given the initial set-up cost for PV panel installation and the difficulties of accessing loans, from banks or MFIs, because of households' low incomes and limited credit history. Regular remittance receipts provide an alternative credit history to loan repayments, and loans for solar panel installation can be repaid by future remittances. This could be supported by a guarantee fund using Just Energy Transition Partnership (JETP) finance.

In some communities with large numbers of migrants, a project of this sort could become an important means to publicise the benefits of PV panels for *all* households, which is important for local resilience and would also support local panel supplier enterprises, which is crucial. This could also work in other countries, for example in Nigeria, where M-Kopa is a major PV panel financier.

Collective remittances or community donations

The ARIP papers on Moving from Climate Risk to Resilience in Malawi, Zambia and Kenya¹⁵⁰ advocate local level adaptive infrastructure programmes and projects in rural towns and villages, for example in water and irrigation; these offer little or no financial return and so need grant finance. The diaspora may be willing to help through HTAs organising community donations for small local projects, working with local authorities or farmer associations.

Initial engagement with the diaspora wheel for Malawi and Zambia shows both have relatively small diasporas – about 2% and less than 1% of their respective populations – largely located in southern Africa, and with low average income. For Malawi, 50% are in South Africa, 26% in Zimbabwe and 21% elsewhere in the region; for Zambia, 19% are in South Africa, 70% in the region. Annual remittance inflows are 2.4% of GDP in Malawi, and lower at 0.8% for Zambia. Kenyan migration is a small share of population, about 1%, and most migrants are in the US (about 40%) and the UK (about 25%), while remittances are a relatively high share of GDP, about 4.6%. All three countries have diaspora associations in South Africa and the UK, and Kenya in the US too, whose members, both the middle classes with higher disposable incomes and poorer migrants, may be willing to contribute to climate change adaptation projects. The associations may also be

useful in engaging the diaspora on climate change issues, and through them, their networks in each CoO. Kenya has large diaspora organisations in the US, the UK and South Africa.¹⁵¹

A second arena for community donations would be socially owned renewable energy (SORE), that is, solar minigrids set up at village or urban informal settlement level by the community, perhaps with help from the local authority. The Saltuba Cooperative in KwaZakhele township, Gqeberha, is one of about twenty such renewable energy projects in South Africa.¹⁵² It is almost certain that none of these obtained any diaspora finance, as the communities with SORE minigrids are extremely unlikely to have significant numbers of international migrants sending individual or collective remittances, though it is possible some may have received financial contributions from internal migrants.¹⁵³ The SORE grids appear to be relatively cheap to set up and have minimal running costs, and with some changes in regulations, they can supply excess power into the electricity grid, potentially earning additional income for the community or its households.¹⁵⁴ South Africa has a significant and relatively wealthy diaspora in the US, the UK and other anglophone countries. Though the diaspora has few roots in poor townships, there is considerable willingness to donate to community projects if their local sponsors and/or the fund-raising entity in the diaspora is familiar and there is some degree of accountability.¹⁵⁵

There is some tradition of community donations amongst Senegalese migrants, which has extensive diaspora associations in France, Italy and Spain. These may also support community donations for rural SORE grids, where electricity access is much less extensive, at 44% in 2018, than in urban areas (90%, though cost is high).¹⁵⁶ Senegalese electrification policy is based on a 'concessions-led' (or agency-led) profit-based model which makes small, isolated, low-income villages commercially unattractive.¹⁵⁷ This would also extend the market for Senegalese PV suppliers. The Senegalese JETP guarantee fund discussed in relation to green remittances can perhaps also be applied to HTA-linked SORE projects.

Diaspora direct investment

The diaspora may invest themselves in medium-size enterprises (DDI), or they may influence FDI decisions by their CoD employers. Konexa is a renewable energy FDI in Nigeria, rather than a DDI, but a close look at the enterprise is instructive in thinking about DDI.¹⁵⁸ Konexa was started by a former employee of the Shell Foundation in London, who was not a Nigerian diasporan. After unsuccessful efforts in India, he recognised opportunities in Nigeria. With private equity investment from a San Francisco-based corporate, he secured permission from the Nigerian electricity regulator for the first renewable energy trading platform for commercial and industrial users in Nigeria, allowing it to use an integrated distribution model to guarantee electricity supply.

Over a short period, Konexa obtained a MIGA guarantee of \$16.9 million, and investments of \$21.6 million from impact investment funds connected to the EU, the UK and German governments, to Dutch and Norwegian government-owned development banks, and to two large multinational corporations, Microsoft and Sanlam. From a DDI perspective, two things about Konexa are interesting. Firstly, the Konexa founder's initial personal financial stake appears to have been minimal and remains small. He used his expertise in building renewable energy systems in developing countries, built at the Shell Foundation, to successfully raise significant funding. Secondly, he seems to have had very little detailed knowledge of the Nigerian market when he started working in Nigeria – he did *not* have a diasporan's 'in-between advantages'.¹⁵⁹ The idea to use a trading platform was given to him by the Nigerian regulator, while Konexa's progress was delayed, sometimes even altered, as a result of his limited understanding of Nigerian business culture. In other words, Konexa would have benefited as it entered Nigeria if there had been diasporans involved in their executive, as there now appear to be.¹⁶⁰

Amongst the minigrid developers being assessed by the United Capital REBF, three were foreign-linked. The first of these is Husk, one of the world's largest private minigrid operators. Originally started by Indian diaspora returnees as a social enterprise in 2002, it is now a multinational minigrid operator. Like many FDIs, Husk is raising finance locally in its target economy, and was loaned NGN5 billion (US\$3.2 million) in September 2025 by the REBF.¹⁶¹ The other two foreign-linked minigrid developers in the REBF list were Ashipa, a DDI investment in Nigeria set up by a Nigerian migrant in the US, and CeeSolar, established by a diaspora returnee. There is evidently a potential role for the diaspora in minigrid development in Nigeria and Senegal.

Diaspora support for CoO/returnee SMEs

Here we look at the diaspora provision of capital – equity and loans – for CoO SMEs and returnee SMEs (whose in-between advantages may include a credit history or access to CoD finance) across a range of sub-sectors, including:

- PV solar panels – installation and maintenance for commercial and household use;
- agriculture and agro-processing – equipment for irrigation, cold storage, milling and transport; and
- e-vehicles – production of vehicles, batteries and chargers, as well as passenger and goods transport services.

Throughout this section, financial support should, as already explained above, be taken to mean funding combined with mentoring or training in

business entrepreneurship, including financial management, human resource management and marketing, where the diaspora's in-between advantages make its participation even more valuable.

We have noted that a major growth problem in Africa is the lack of financial support for SMEs, on which successful green industrialisation depends. A key problem in addressing climate change is creating effective demand for renewable energy-generated electricity which is sustainable in the long term, financially for the enterprise, economically for the society, as well as environmentally. Higher demand will come from increasing both the supply (production, distribution, installation and maintenance) and the use of electrically powered equipment by SMEs, the latter raising their own productivity. This will require public policy interventions to provide SME funding.

A major growth problem in Africa is the lack of financial support for SMEs, on which successful green industrialisation depends

For example, the RMI *Harvesting Sunshine* report on the Energizing Agriculture Programme (EAP) argues that '[t]o maximize the benefits of energy access investments, incentives for energy end use are crucial. Nigeria's 170 minigrids ... show the risk of not supporting energy supply and use in tandem. These systems are the cheapest way to electrify many off-grid communities. Yet, they are underutilized because, on average, customers each spend less than US\$2 monthly on power, often due to the inability to afford equipment'.¹⁶² This report underlines 'the mutual benefits of PUE [productive use of energy] for minigrid developers and equipment suppliers', while highlighting that the most important barrier to sustainability and scaling for PUE companies is lack of finance, *because they are small*. Although the focus is rural areas, urban SMEs in Africa face the same obstacles in obtaining equipment finance.

The Renewable Energy and Energy Efficiency Fund (REEF) in Senegal is not directly about financing SMEs, but it has two important links with SMEs. First, the main sponsor of REEF is FONSIS, which has a separate SME funding partnership with I&P, the French impact investor whose work with the Malian diaspora in France was discussed earlier. FONSIS is a key funder of I&P's subsidiary Teranga Capital, Senegal and Gambia's first impact investment fund for startups and SMEs set up in 2016. Other partners in Teranga include Sonatel (public telecoms company), Société Générale Senegal (a bank) and Askia (insurance), as well as the EU, Proparco (France), and the Dutch government Challenge Fund for Youth Employment. Teranga is part of I&P's pan-African network of investment firms including Comoé Capital in Côte d'Ivoire, Sinergi in Niger, Sinergi Burkina in Burkina Faso, Mirakap in Madagascar, and Ciwara in Mali.¹⁶³

I&P funds several of Teranga's current suite of SME projects in renewable energy

activities in Senegal through its Digital Energy fund.¹⁶⁴ Two of these SMEs were set up by returnees from Senegal's diaspora. The first is Ibriz, set up in 2020 by diaspora returnees from France to supply solar panels for irrigation. Ibriz has already supplied 1 500 farms, and started a programme in August 2025 to supply another 5 000 through its SOLIR (National Program for the Promotion of Solar Irrigation for Agricultural Sovereignty) partnership with the Senegalese government, partnering with the Ministry of Agriculture, Food Sovereignty and Food (MASAE) and the National Agency for Renewable Energies (ANER). A key issue for Ibriz's small enterprise customers is access to finance, and Ibriz partners with an MFI to provide an investment loan to farmers, allowing them to pay for the pump over three years, with repayments linked to their harvest performance.¹⁶⁵

A second Teranga returnee beneficiary is Solarbox, set up in 2022 by a returnee from the US, to produce two- and three-wheeled electric vehicles for goods or people transport. Solarbox recently got US\$1 million pre-seed funding from Teranga and three other funders.¹⁶⁶ A third Teranga beneficiary is Senfraï, started by a local entrepreneur (not a returnee) in 2023 to compete in the Senegalese cold chain market, which has been dominated by two gasoline-powered compressor systems running off vehicle engines. Senfraï produce solar-powered refrigeration units adaptable to different small trucks and tricycles, and run independently of vehicle engines. Senfraï operate vehicles themselves, renting space to farmers, and also sell them outright. They also have a solar-powered cold storage warehouse facility in Bayakh, outside Dakar.

There are different options for diaspora investors here. One is to invest in renewable energy agricultural equipment producers, such as Ibriz or Solarbox, following a similar Ciwara-I&P or YiriMali-FADEV model as was done in Mali. The financial value chains built there underline the need to have separate financial value chains based on SME borrower size. Alternatively, diaspora investors could assist farmers (or farmer associations), or agro-processors, to purchase renewable energy equipment from equipment-producer SMEs like Ibriz, Solarbox or Senfraï.

REEF is also the primary private sector financing mechanism for Senegal's JETP, aiming to de-risk projects and mobilise institutional capital to accelerate universal energy access and green industrialisation. A second link between REEF and SME financing in Senegal could be using the JETP fund as a loan guarantee fund to support diaspora investment in renewable energy agricultural equipment supplier SMEs. This would be similar to Cofides Nord-Sud, a cooperative loan guarantee fund which has long engaged in West Africa together with FADEV, and plays an important role in the YiriMali SME value chain, providing financial guarantees for 60% of potential losses on YiriMali clubs' investments.

COPERES' Credit Energy Mechanism in Senegal does not consider PV panel suppliers to install and maintain panels in homes and commercial buildings, but intervention is needed to ensure that sufficient PV panel SMEs emerge and get adequate financial support. Diaspora investment clubs could assist here, especially if assisted by a JETP-based guarantee fund and quality control processes to help potential diaspora investors assess supplier creditworthiness.

In Nigeria, the Nigeria Sovereign Investment Authority (NSIA) Renewables Investment Platform for Limitless Energy (RIPLE) project has three pillars: a solar power plant displacing diesel-based electricity, a PV panel manufacturer, and a battery manufacturer, owned by a Chinese foreign investor (through its Slovakian subsidiary) which plans to build an end-to-end battery production and distribution value chain in Nigeria. There is an essential role for SMEs in market expansion in all three activities: respectively, demanding electricity from the solar plant for their productive activities, installing and maintaining PV panels in commercial buildings and homes, and supplying and servicing battery charging stations. It is not clear if SMEs, as suppliers and purchasers of equipment, have been directly considered by RIPLE planners.

In contrast, the United Capital REBF programme has been set up in part to enable SMEs to increase their own productivity by using electricity from minigrids. SMEs can borrow from the REBF to purchase low-cost electrical equipment for use in agriculture value chains, such as small-scale greenhouse or agro-processing facilities, cold storage systems, solar-based electric charging stations, or battery swapping hubs. The REBF is a US\$25 million fund, consisting of a US\$10 million concessional fund from the Nigeria Off-grid Market Acceleration Program (NOMAP) set up by Shell Foundation with the UK Foreign, Commonwealth and Development Office (FCDO) and USAID, complemented by US\$15 million private funding from United Capital.¹⁶⁷ REBF targets 200–400 SMEs in 20–40 communities, intending to create 300–600 jobs, and its loans are 40% concessional and 60% recoverable. There is an important role in REBF for Nigeria Solar Marketplace, an entity set up in mid-2024 by the Dutch government and a Dutch NGO to connect Nigerian and foreign solar market businesses.

Both REBF and EAP discussed above suggest that minigrid developers and PUE suppliers need capital investment so that they can offer equipment to customers on credit. But do they have the skills and organisational capabilities to become lease or loan providers to their customers, or should they acquire them, as opposed to sticking to their main business: producing electricity or equipment? Where value chains are being constructed to provide electrical equipment to farmers or agro-processing SMEs, they appear to be paid for by grants, and so are not scalable. MFIs may be seen as an alternative route to equipment leasing, but they may lack the capital and skills to become viable lease financiers, as happened in the YiriMali and Babyloan segments of the Malian diaspora SME loan project discussed above.

Leasing may be a viable option, but lease instruments differ from short-term business or household loans, because the risk levels are impacted by taxation and potential currency-linked macroeconomic instability. Leasing in Nigeria remains limited to large corporations only, so small-scale equipment leasing to SME suppliers may need new specialist institutions. SME users may need a credit history to be able to take on loans directly, but diaspora investors could possibly support SME leases via loans or equity exchange. A triangular setup may be possible, where a diasporan takes out an equipment lease with a leasing company on behalf of an SME, repaying through regular remittances, in return for an equity (or loan) stake in the SME, with the investor also mentoring the SME entrepreneur. The Nigerian Bank of Industry (part of the public sector) is keen to expand leasing, and may be able to support this by setting up an SME leasing division.¹⁶⁸ Alternatively or additionally, United Capital's naira-based UC Infrastructure Fund, which manages the REBF, could establish a specific sub-fund for SME equipment provision, taking funds from diaspora investors uninterested in leasing contracts, working with appropriate impact investment funds in the UK or US playing a similar role to I&P.

Finally, we turn to e-vehicles in Kenya (and East Africa), in particular e-scooters for passenger transport, e-motorbikes and small trucks for goods transport, and buses. There are four important e-vehicle producers in East Africa, all started by 'entrepreneurial FDI', that is, expatriates (not diaspora returnees) who migrated to their destination country and used their prior experience and networks in the sector in establishing new startups: BasiGo (buses) by an American and a Briton, Ampersand (e-bikes) by a New Zealander, Roam (e-bikes and buses) by three Swedes, and Spiro (e-bikes) by an Indian.¹⁶⁹ It is perhaps not surprising that there appear to be no African-owned producers in the e-mobility market at this stage, given the recent emergence of the sector globally. But given that current production capacity in Africa is far below a viable threshold, it should be possible to find and support potential African diaspora returnees with requisite expertise to start new manufacturing firms. Outside of production, there seem few opportunities for diaspora investment in e-vehicle services. E-bike producers run battery charging stations directly (Spiro) or in partnership with firms with a wide geographical spread (Roam and Quickmart convenience stores), and have partnered with financial institutions to lease bikes and buses (Roam with Fortune Credit, an MFI, or M-Kopa, a fintech), Spiro with Mogo (a fintech). Across Africa, many people own a small fleet of motorbikes as a sideline to their main source of income, which they informally lease to riders – remittances can help them but there is little scope for diaspora investment.

There appear to be no African-owned producers in the e-mobility market at this stage, given the recent emergence of the sector globally

Diaspora investment in SMEs, 'green' or otherwise, requires construction of new financial value chains, which in turn needs convening support and grant finance from a choreographer. The choreographer needs to connect with diaspora associations in a CoD, so as to mobilise diasporans interested in investing in CoO SMEs, to connect with CoD financial entities which already have CoO exposure, to engage with CoO financial entities to identify potential investee SMEs, and to finance initial value chain construction, including financial and legal advisors in both CoO and CoD. Most crucially, it must encourage all participants to stick with a (lengthy) process where bumps and obstacles are inevitable, and ensure that finance goes to 'green' SMEs.¹⁷⁰ Given all these tasks, choreography is likely to be best undertaken by an international NGO, such as IFAD in the Malian diaspora processes discussed.

Crowdfunding

Crowdfunding for SME equity or debt involves developing new country-based regulations, and Ghana shows that it can be a long process. Europe-based SME startup funders need to register as Ghanaian crowdfunding intermediaries, perhaps develop new financial instruments such as revenue- or profit-sharing, and persuade institutional investors to include crowdfunders in their list of eligible intermediaries and to lower their investment floor to include SMEs. In targeting diaspora investors, crowdfunding intermediaries will be able to market their offers only in Ghana, not directly in CoDs, though this may not be a major obstacle for online processes (if diasporans have Ghanaian bank accounts).

Nigerian and Kenyan crowdfunding regulations on equity and debt have been passed,¹⁷¹ but local platforms still face considerable hurdles. In Nigeria, medium (small) enterprises can raise up to NGN100 million (NGN70 million), or approximately US\$70 000 (US\$50 000), over a 12-month period. Retail investors are limited to 10% of their net annual income.¹⁷² In Kenya, enterprises of any size can raise up to KES100 million (approximately US\$770 000) over a 12-month period, but individual retail investors have a ceiling of KES100 000 (US\$770).¹⁷³ These investor limits are small, but may be appropriate for the diaspora. Both countries appear to allow diaspora investors, as there is no explicit bar on investors from abroad, though they would need to have a local bank account in the CoO. But there appear to be very few equity- or debt-based crowdfunding platforms currently operating in either country, making crowdfunded investment, from local investors or the diaspora, very difficult for SMEs.

In Nigeria, there are only five crowdfunders, two of which focus on real estate,¹⁷⁴ and crowdfunding still requires basic conceptual explanation for both lenders and borrowers.¹⁷⁵ Growth Boosters is a debt-based crowdfunder linking SMEs with small investors, often from the same local neighbourhood, and financing assets rather than working capital.¹⁷⁶ Pennytree advertises cross-border

remittance services on its website, but the link is inactive. Bamboo, which started as a stock trading app in Nigeria before expanding to Ghana and South Africa, acquired a Canadian Money Service Business license and a US broker-dealer trading licence in 2024, and so also offers cross-border remittances and transfers under its Misan brand from three source countries – Nigeria, Canada and the UK – to 11 African destination countries, as well as to the US, UK, Canada and the Eurozone.¹⁷⁷

In Kenya, there appear to be no equity-linked crowdfunders.¹⁷⁸ One debt-linked MFI-type crowdfunder operating successfully is Pezesha,¹⁷⁹ but it borrows only from high-net-worth local investors in Kenya and Uganda, as well as from local banks and fintechs, and from institutional investors from abroad. Its minimum investment is US\$50 000. They accept funds only from Kenyan bank accounts, another requirement for diasporan investors.¹⁸⁰ Unlike many crowdfunders, investors cannot identify which investee SMEs they are interested in. Instead, Pezesha scores SME applicants using a proprietary lending model assessing mobile money and bank transactions, and then provides credit to successful applicants from its general loan fund. In other words, its business model is no different from a bank or MFI. Fortune Credit, another Kenyan MFI, partners with Roam on e-bike loans, and has solar lighting and irrigation loan products.¹⁸¹ Like Pezesha, it raises funds from large foreign institutions, such as Dutch impact investor Triple Jump. It seems unlikely that funds can be mobilised from diaspora investors in sufficient quantities to support organisations such as these two financiers, whether in Kenya or elsewhere in Africa.

Before concluding this sub-section, we should look at opportunities for indirect diaspora investment in e-transport production or renewable energy systems through Europe-based crowdfunders. Energise Africa is a UK-based debt crowdfunder, run by Ethex and LendaHand, British and Dutch impact crowdfunders respectively.¹⁸² Since August 2017, it has mounted 246 campaigns raising bonds (debt finance) for 22 different companies, raising GBP44.25 million (US\$60.4 million) in total, on average about GBP5 million (US\$6.82 million) per year, or about GBP180 000 (US\$246 000) per campaign.¹⁸³ Bond investments are repaid with 6.75% interest after six months, and are tax-free to UK-based investors, for whom the minimum investment is only GBP50, with no maximum.¹⁸⁴ Corporations they have raised money for in the past include Oolu, a commercial/industrial and household solar panel provider operating in Senegal, Mali, Nigeria, Niger and Burkina Faso, and Redavia, a German-owned solar panel provider to commercial and industrial sites in Ghana and Kenya.¹⁸⁵

Energise Africa seems to have strong funding reach but excess capacity at present: it has only raised finance for six companies since the start of 2022. But one of these is Roam, the Kenyan e-bike producer, which has raised GBP2.55 million (US\$3.42 million) for working capital for motorbike production through eight separate bond issues on the Energise Africa UK crowdfunder since July

2024, with a ninth issue for GBP500 000 (US\$670 000) currently underway. Energise Africa's only other active campaign currently is a 13th bond for Bisedge, a Nigerian electric forklift leasing and sales company which imports machinery from Germany and also operated in Kenya and South Africa. It is not clear, of course, how much of Roam's Energise Africa bond issues came from the Kenyan (or the East African) diaspora, but engagement with the UK's many diaspora organisations could lead to more diaspora support in the UK being channelled to Roam and other African renewable energy SMEs through Energise Africa and other European crowdfunders.

Bank deposit accounts and green bonds

Many African governments see green bonds as a useful financial instrument to address climate change, particularly in relation to funding adaptation needs. Green bonds are indeed useful, but it is important to dispel the idea that a *diaspora* government bond – that is, a bond where the *primary* target audience of potential investors is a country's diaspora – is the right approach to green bond issues, whether for infrastructure, electricity or other climate change purposes.

We argued strongly above that in most African countries, aggregate diaspora investment is unlikely to be large enough to support diaspora bonds. Nigeria did succeed once, but we showed that its government has apparently decided not to repeat that experiment. This remains true even if 'green' or climate-focused bonds attracted a bigger patriotic discount for diaspora investors than 'regular' bonds. On the other hand, as shown by the Lagos State experience, green bonds get substantial support if marketed to a general investor audience, especially if they are modestly sized, and issued by a large city or sub-national region. Of course, some investment in the Lagos State green bond may have come from the diaspora, but we do not know how much. As we noted, the Lagos green bond regulatory framework was developed jointly by the Lagos State government and the UK government. Presumably it drew on bond market technical expertise in the City of London, where there are a large number of Nigerians. Using diaspora knowledge and expertise to help shape green bond regulatory processes seems a more productive method to get diaspora input than a bond marketed specifically to diaspora funders.

Diaspora deposit accounts in domestic banks can receive remittance inflows, supporting financial inclusion but also allowing aggregation for bank investment in green bonds or other public sector debt. Marketing directly to the diaspora and using tax breaks to incentivise holding savings in bonds, boosts their chances of success. Morocco's BCP provides a very important historical example from the 1970s, while Pakistan's Roshan Digital Account is another useful model in today's more advanced financial setups. Nigeria has recently adopted a similar non-resident account mechanism, and it will be interesting

to follow its progress, both in collecting remittance inflows and in directing some of them to public investments. Kenya, which like Nigeria has substantial remittances (in financial value and as a share of GDP), a sophisticated banking system, and a significant policy focus on the diaspora, should be encouraged to explore this approach. The Zambian and Malawian diaspora is substantially in southern Africa, where the large South African banks are dominant, and these banks (as well as MNOs and MTOs) should be encouraged to examine possibilities for pooling and aggregating remittances across the region. In francophone financial systems in West and Central Africa, publicly owned *caisse des dépôts* (savings and loan associations) are an important institutional mechanism to collect a share of domestic private savings to support public infrastructure projects.¹⁸⁶ Regulatory changes should be possible to extend them to the diaspora, to bring remittances (much of which remains informal) into the formal financial system, expanding financial inclusion and adding to their aggregate pool of funds for public investment, as happened in Morocco half a century ago.

Diaspora knowledge

In addition to financial resources, we also need to look at the diaspora's knowledge resources, both technological and organisational, and their networks, which can be critical in putting together programmes and projects to address climate change. These require policy, regulatory and institutional reform by both national and sub-national governments, in both environmental and financial arenas – for example, developing green standards, financial instruments and risk assessment tools, or new project preparation capacity in both sub-national governments and the private sector to build a pipeline of bankable climate projects attractive to domestic and international investment. There is a role for the diaspora in training skilled CoO labour, especially at the local level, while diaspora associations can help to identify diaspora investors or potential returnees with appropriate sectoral experience.

CoO government engagement with diaspora associations in important CoDs can initiate this, supported by international NGOs, while at the same time, they could begin to mobilise their diaspora to provide political and social support for addressing climate change. The UK office of the International Organisation for Migration showed what was possible, mobilising members of three UK-based diasporas – from Ghana, Jamaica and Bangladesh – on climate issues.¹⁸⁷ This can raise awareness in CoDs (and their governments) about climate change challenges facing a CoO, while at the same time helping to mobilise CoO communities. Many diasporans may have CoD-based knowledge of issues like circular economy business models or sustainable agriculture, to pass on to their CoO networks. Getting diasporans involved in climate change-related NGOs in the CoO through their boards of directors or advisory committees could help.



Section 6. Conclusion

This paper examined the use of diaspora finance and resources, including remittances to households (and communities), investments in CoO financial assets seeking a monetary return by migrants and later-generation diasporas, and knowledge transfers by the diaspora to their CoO. The paper spelled out a wheel framework for building a diaspora strategy and policy, which can be used by a CoO state, a non-state CoO agency, or an international NGO or philanthropy. The diaspora wheel is country-specific, located in an understanding of the country's 'hub', that is, its political economy, its growth and development needs and priorities, and its international debt and domestic financial system, including financial inclusion of households and business enterprises. The 'spokes' of the wheel examine the CoO's migrant/diaspora population, including its geographical spread across different CoDs, their heterogeneity (both ascriptive and achieved status), their wealth and income distribution, and the political and social organisations which underpin partnerships with the CoO state and civil society entities. The wheel should also identify target projects and programmes addressing climate change, which could benefit from diaspora resource provision. The paper discussed at length a wide range of diaspora resources' intermediation mechanisms and potential impacts on targets, illustrating these with examples from various CoOs in Africa and elsewhere.

The paper discussed the links and overlaps between the diaspora wheel and ACF's CIP approach, as well as the CCDP which underlies the CIP, to focus on how international organisations could apply the diaspora wheel to existing and future projects and strategies. It suggested that diaspora resources should be seen as a complement to existing resources – both finance and knowledge – already provided by an organisation like ACF. In other words, diaspora resources should be 'mainstreamed' into ACF's existing country- or issue-based platforms, rather than creating an alternative specialised 'window' with diaspora



resources. There are two connected reasons for this choice. The first is that diaspora resources are in the first instance connected to specific countries, rather than being Africa-wide or regional, and in that sense they are similar to ACF's country-based CIPs (or related CCDPs). The second is that diaspora resources are distinct from each other, so transfer mechanisms for, and impacts of, different diaspora resources need to 'fit' the specific hub and spoke characteristics of a country wheel.

The paper illustrated this by showing how diaspora resources are used, or could be used, in specific projects and programmes. The paper considered recent efforts by parts of the African diaspora in Europe to directly provide funding support – indirect investment through loans and equity – to CoO SMEs, tied to entrepreneur mentorship. This area is key, given the importance of the 'missing middle' in African business as an underlying factor in African economies' low growth levels, and given the dependence on sufficient demand from SMEs to make renewable energy generation economically and financially sustainable in the long term. The paper pointed out that significant regulatory and institutional innovation across new financial value chains is likely to be necessary in both CoD and CoO, for example, building investment clubs amongst diasporans in the former, equipment leasing agencies in the latter, or VC entities on either side. A key issue in building these financial value chains is the need for a 'choreographer' to manage and finance the (often lengthy) process, usually an international NGO with financial and convening power.

Diaspora support to CoO business could take the form of either direct or returnee investment

Diaspora support to CoO business could also take the form of direct investment – where a diaspora invests in their CoO from their CoD – or of returnee investment – where a diasporan moves back to their CoO to start a business. A diasporan may also have indirect influence on an FDI by their employer or another CoD business. All these mechanisms may make a significant difference in emerging industrial sectors like renewable energy minigrids or e-vehicle production.

A second area of focus in the paper was examination of the potential of CoO diaspora bond issues – bonds marketed only to the diaspora – to aggregating diaspora savings to support CoO public expenditures. The paper argued that this route compares quite unfavourably with the alternative approach of pooling remittances in diaspora savings deposit accounts in commercial banks or *caisse des dépôts*. The latter are important not only because they can be invested in (general or green) public sector bonds to finance infrastructure, but also because they promote financial inclusion of households, a key distributional issue in most African economies.

A third focus was the potential contribution of diaspora knowledge to support CoO institutions trying to develop and implement new policies and regulations

in areas like energy generation and distribution, financial instruments or industrial policy. It is critical to begin to mobilise the diaspora in significant CoDs, to identify high-skill people with relevant technical knowledge in these and related areas, and also to mobilise the diaspora in general as a political voice around climate change. In the CoD, it might influence commercial or ODA funding flows, while in the CoO, it can help to build political support for addressing climate change, as diasporans influence their families and communities.

A fourth focus in the paper was mobilisation of collective remittances by HTAs to provide donations for local level community projects in CoO towns, villages or rural areas. This has been used in many parts of the world, including in several African countries, and is especially important as a way to move lower-income and especially intra-African migrants into diaspora finance, beyond family remittances. There may well be scope for community donations to fund local level infrastructure for climate adaptation and improved resilience.

HTAs use social media as well as donation crowdfunders, and the paper looked next at crowdfunding, still poorly developed in Africa except for donations. Substantial regulatory change is needed for enterprise crowdfunding, but there is some potential for Europe-based diasporas to use CoD crowdfunders to provide equity or debt capital to CoO SMEs, including in renewable energy. A sixth target area is 'green remittances': a migrant uses their remittances to buy resilience-focused goods or services, such as solar panels and equipment to cyclone-proof coastal housing.

Finally, the paper identified the need to engage with the AfDB, as well as regional central banks and monetary unions and the African Union, to explore two areas. One is country-based credit enhancements, such as guarantees or trust funds, to support both diaspora and general funding for SMEs. The other is the potential for cross-border within-region pooling of deposit accounts, which could expand the public investment possibilities of remittances and diaspora savings.

About the author

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- 20 See, for example, the overview chapter in SM Maimbo and D Ratha (eds). 2005. *Remittances: Development impact and future prospects*. Washington, DC: World Bank.

- 21 See <https://digitallibrary.un.org/record/1660537?ln=en&v=pdf>.
- 22 In fact, remittance funds sent for use in a migrant's family microenterprise are in theory diaspora investment, though the funds will likely be sent via the same mechanism – often informal – as other remittances between the sender and the recipient, and the transaction is unlikely to be formally recorded as an investment.
- 23 The International Monetary Fund (IMF) and the World Bank recently reformed their debt sustainability framework for low-income countries to take account of the impact of remittances on debt carrying capacity. See IMF. 2018. Guidance Note on the bank-fund debt sustainability framework for low income countries. Washington, DC, <https://www.imf.org/en/publications/policy-papers/issues/2018/02/14/pp122617guidance-note-on-lic-dsf>.
- 24 Neagu, C. and M. Schiff, 2009. Remittance Stability, Cyclicity and Stabilizing Impact in Developing Countries, Policy Research Working Paper 5077, World Bank, Washington DC; Jadhav, N and B. Singh, 2006. Workers' remittances as stable financial flows: Some evidences from India. Labour and Development, 11-12 (1&2), 23-47; De, S., Islamaj, E., Kose, M. A., and Yousefi, S. R., 2016. Remittances over the Business Cycle: Theory and Evidence. KNOMAD Working Papers 11, World Bank/KNOMAD: Washington DC.
- 25 See World Bank. 2020. World Bank predicts sharpest decline of remittances in recent history. Press release, 22 April, www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history.
- 26 Remittances are a long-term, repeated process, but each separate transaction is itself short term.
- 27 CinetPay: International Centre for Migration Policy Development (ICMPD). 2020. Collection of diaspora engagement practices. Euro-African Dialogue on Migration and Development (Rabat Process). Accessed at: <https://www.rabat-process.org/en/activities/publications/publication-collection-diaspora-engagement-practices>; OnAfriq (formerly MFS Africa): Making borders matter less, Africa's hidden champions, <https://www.africanhiddenchampions.co/wp-content/uploads/2025/05/MFS-Africa-Making-Borders-Matter-Less.pdf>; Wise: www.wise.com.
- 28 Hawala is an Arabic term, and the system is often called *hundi* in South Asia and *fei ch'ien* in East Asia. It evolved historically from long-distance trade financing.
- 29 Data in this paragraph from World Bank. 2005. *Global economic prospects 2006: Economic implications of remittances and migration*. World Bank: Washington, DC; D Ratha. 2017. What are remittances? *Finance and Development*. Washington, DC: IMF, <https://www.imf.org/external/pubs/ft/fandd/basics/pdf/ratha-remittances.pdf>; C Freund and N Spatafora. 2005. Remittances: Transaction costs, determinants, and informal flows. World Bank Policy Research Working Paper 3704; KS Mughal, MF Arby, S Babar, S Ilyas and F Schneider. 2021. Estimates and economic analysis of informal remittances for Pakistan. *Journal of the Asia Pacific Economy* 28(1): 199–215, <https://doi.org/10.1080/13547860.2021.1879350>; F Ferriani and O Giacomo. 2019. More distance, more remittance? Remitting behavior, travel cost, and the size of the informal channel. *Economic Notes* 48(3), November: 1–23.
- 30 See <https://remittanceprices.worldbank.org>.
- 31 For the years 2019, 2020 and 2021, see GSMA, *State of the industry report on mobile money*. London: GSM Association.
- 32 See Committee on Payment and Settlement Systems (CPSS). 2007. *General principles for international remittance services*. Washington, DC and Basel: World Bank and Bank for International Settlements. Accessed at <https://www.bis.org/cpmi/publ/d76.pdf>; Committee on Payments and Market Infrastructures (CPMI). 2018. *Cross-border retail payments*. Basel: Bank for International Settlements.
- 33 C Scharwatt and C Williamson. 2015. *Mobile money crosses borders: New remittance models in West Africa*. London: GSMA, <https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2015/04/2015-MMU-Mobile-money-crosses-borders-New-remittance-models-in-West-Africa.pdf>.
- 34 See <https://digitallibrary.un.org/record/1660537?ln=en&v=pdf>.
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- 41 Y Kuznetsov (ed.). 2013. *How can talent abroad induce development at home? Towards a pragmatic diaspora agenda*. Washington, DC: Migration Policy Institute.
- 42 See K Gillespie, L Riddle, E Sayre and D Sturges. 1999. Diaspora interest in homeland investment. *Journal of International Business Studies* 30(3): 623–634; TM Nielsen and L Riddle. 2007. Why diasporas invest in the homeland: A conceptual model of motivation. Available at SSRN: <https://doi.org/10.2139/ssrn.987725>; DR Agunias and K Newland. 2012. *Developing a road map for engaging diasporas in development*. Geneva: International Organization for Migration; Lindsay Dolan and Alexandra Zeitz. 2024. Migration and development finance: A survey experiment on diaspora bonds. *Review of International Organizations* 19: 185–215, <https://doi.org/10.1007/s11558-023-09505-4>.
- 43 See JM Brinkerhoff. 2016. *Institutional reform and diaspora entrepreneurs: The in-between advantage*. New York: Oxford University Press; BAT Graham. 2019. *Investing in the homeland: Migration, social ties, and foreign firms*. Ann Arbor, MI: University of Michigan Press. On the 'liability of foreignness', see S Hymer. 1976. *The international operations of national firms: A study of direct investment*. Cambridge, MA: MIT Press; J Dunning and S Lundan. 2008. *Multinational enterprises and the global economy*, 2nd edition. Cheltenham, UK and Northampton, MA: Edward Elgar Publishing.
- 44 Note that if diasporans feel there are greater risks due to political conflict or to business challenges, a 'patriotic premium' or a 'diaspora discount' are also possible, that is, a greater reluctance to invest in the CoO.
- 45 This is analogous to FDI with an equity share larger than 10%. The diaspora may also own a smaller share (below 10%) of a locally or foreign-owned CoO business, which is diaspora indirect investment (FII).
- 46 On Madagascar, see M Morris and C Staritz. 2014. Industrialization trajectories in Madagascar's export apparel industry: Ownership, embeddedness, markets, and upgrading. *World Development* 56: 243–257; and on Ethiopia, L Whitfield and C Staritz. 2017. Made in Ethiopia: The emergence and evolution of the Ethiopian apparel export sector. Centre for African Economies CAE WP 2017-3. Roskilde, Denmark: Roskilde Universitet. Accessed at: <https://forskning.ruc.dk/en/publications/made-in-ethiopia-the-emergence-and-evolution-of-the-ethiopian-app>.
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- 48 Before 2015, India had three distinct categories of migrants and diasporans: NRIs, PIOs born outside India and citizens elsewhere, and Overseas Citizens of India (OCIs), permanent migrants from India now resident elsewhere. PIO was merged with OCI in 2015. None of these categories allowed voting rights or access to public office.
- 49 This is endorsed by the government and the International Organization for Migration (IOM) even though it is unsubstantiated by research, and most migration was during the period of Portuguese colonialism which ended 50 years ago.
- 50 M Elo and L Riddle. 2016. Understanding diaspora investment. In M Elo and L Riddle (eds), *Diaspora business*. Brill Publishers, E-Book ISBN 9781848884038: 13–28.
- 51 See AnnaLee Saxenian and Charles Sabel. 2008. Roepke Lecture in Economic Geography – Venture capital in the 'periphery': The New Argonauts, global search, and local institution building. *Economic Geography* 84(4): 379–394.

- 52 See Devesh Kapur and Neha Gupta. 2013. International migration and reforms in India: From political and bureaucratic leadership to social entrepreneurs. In Yevgeny Kuznetsov (ed.), *How can talent abroad induce development at home? Towards a pragmatic diaspora agenda*. Washington, DC: Migration Policy Institute: 67–100.
- 53 See for example Alan Gelb, Christian J Meyer and Vijaya Ramachandran. 2014. Development as diffusion: Manufacturing productivity and sub-Saharan Africa's missing middle. Working Paper 42/2014. Helsinki: World Institute for Development Economic Research (UNU-WIDER).
- 54 Kusi Hornberger and Veronica Chau. 2018. The missing middles: Segmenting enterprises to better understand their financial needs. Collaborative for Frontier Finance with Omidyar Network and Netherlands Ministry for Foreign Affairs. Accessed at: <https://english.dggf.nl/documents/2018/10/30/the-missing-middles-cff-full-report>.
- 55 I define these as follows: private equity and VC networks obtain funds from institutional investors and sometimes high-net-worth individuals. Private equity buys a large percentage of the equity of large and mature domestic firms, taking on management control to turn a firm around and sell it profitably. VC is high-risk/high-reward 'patient capital' with a long-term (five to seven year) outlook, investing in small/medium startups looking for scale-up funds. VC takes a smaller ownership percentage but provides mentorship. Angel investors are high-net-worth individuals acting independently, using their wealth to provide 'patient capital' and mentorship to seed/early-stage businesses, usually taking equity rather than debt. Impact investors aim to achieve positive and measurable social and environmental returns along with financial returns.
- 56 Investisseurs & Partenaires (I&P). 2025. How can African SME funds mobilise more capital? Data and lessons from pioneering LPs and GPs. Argidius Foundation, January, <https://www.ietsp.com/en/content/how-can-african-sme-funds-mobilise-more-capital>; Marianne Vidal-Marín and Julia Kho. 2025. Mobilizing more capital for African SME funds: New research reveals persistent market constraints – and a growing focus on innovation. *Next Billion*, 30 June, <https://nextbillion.net/mobilizing-capital-african-sme-funds-new-research-persistent-market-constraints-growing-focus-innovation/>.
- 57 Investisseurs & Partenaires (I&P). 2025. How can African SME funds mobilise more capital? Data and lessons from pioneering LPs and GPs. Argidius Foundation, January, <https://www.ietsp.com/en/content/how-can-african-sme-funds-mobilise-more-capital>, p. 21.
- 58 Ibid., p. 23, and Section 2.
- 59 Ibid., Part 5. See also I&P and Catalytic Capital Consortium. 2023. Using catalytic capital to foster the emergence of African entrepreneurs in underserved markets, <https://www.I&P.com/en/content/IP-C3-report-catalytic-capital>.
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- 61 For a small-scale UK-based project on diaspora support for African SMEs, see the work of the African Foundation for Development (AFFORD) in Sierra Leone: <https://afford-uk.org/wp-content/uploads/2024/09/3.5.8-MADE-Sierra-Leone-Roadmap-2020.pdf>.
- 62 See <https://www.startuploans.co.uk>.
- 63 Bpifrance was formed in 2013 from OSEO (the French Agency for Innovation), CDC *Entreprises*, part of the investment arm of *Caisse des dépôts et consignations*, and FSI (*Fonds Stratégique d'Investissement*), the French sovereign wealth fund.
- 64 See Staff Writer. 2025. I&P secures \$46.7m first close for third African fund to target the 'missing middle'. *Launch Base Africa*, 2 December, <https://launchbaseafrica.com/2025/12/02/ip-secures-46-7m-first-close-for-third-african-fund-to-target-the-missing-middle/>.
- 65 IFAD. n.d. *Mobilizing diaspora resources into an impact investment fund in Mali*. Project Profile Series. Rome. Accessed at: https://gfrid.org/wp-content/uploads/2023/05/2023-05-08_PF_Mali_IPDEV_W.pdf; IFAD. n.d. *Mobilizing Malian diaspora investments into agrifood SMEs*. Project Profile Series. Rome. Accessed at: https://ffremittances.org/wp-content/uploads/2023/07/2023-06-01_PF_Mali_FADEV_e_v.06.pdf.
- 66 See IFAD and Red Mangrove. 2022. *Investment practices and preferences of the Malian diaspora in their country of origin*. Rome. Accessed at: <https://www.ifad.org/en/web/knowledge/-/investment-practices-and-preferences-of-the-malian-diaspora-in-their-country-of-origin>.
- 67 See www.ciwara-capital.com. See also Ciwara Capital, IFAD and I&P. 2024. Mobilizing the diaspora through private equity: The case of Ciwara Capital, <https://www.I&P.com/en/content/white-paper-diaspora>.

- 68 Ciwara was started as a Société par Actions Simplifiée (SAS) vehicle, a pragmatic instrument where there is a shareholder's agreement and strict control over regulatory requirements, making it easy to bring in new investors (up to 150 only, to avoid public market regulations), who get no tax benefits.
- 69 See www.diaspora.vc.
- 70 See www.tie.org and www.chileglobalventures.cl/en/. An Irish example, ConnectIreland, has now folded.
- 71 See www.ziracapital.com.
- 72 Respectively Comoé Capital, Sinergi, Sinergi Burkina, Miarakap, and Teranga in Senegal and Gambia.
- 73 See <https://fadev.fr/yirimali/>. The name draws on the Bambara word 'yiriwa', or development.
- 74 The original plan was for each investment club to form an independent *cigales* (Club d'Investisseurs pour la Gestion Alternative et Locale de l'Épargne Solidaire), a well-established corporate form in France since the 1980s, involving a group that invests in small and medium-sized businesses, cooperatives or associations in its neighbourhood, city, department or region, with members providing skills, expertise and networks as well as finance. But French financial regulations changed, preventing French banks from providing bank accounts to *cigales*. So each club now invests directly in FADEV, which then invests into the Malian SME, using a French mechanism called a *compte courant d'associe* (associate's current account), an intermediate structure between equity and loans through which investors can provide finance to another organisation where they own a small investment, with the loan funds repaid with interest.
- 75 In the Organisation for Economic Co-operation and Development (OECD), crowdfunding platforms generally have the same regulator as publicly traded corporations.
- 76 See <https://www.energiseafrica.com/about>.
- 77 These were both forced to close. Homestrings was started as an Africa-wide equity/loan crowdfunder in 2012. It attracted over 7 000 members and raised over \$30 million for 35 projects across 13 African countries, but these numbers appeared well short of its targets, and it was closed as a funder in 2019. See <https://www.homestrings.com/about>, accessed 20 December 2023. Ovamba was started in 2013 to support businesses in Cameroon initially, but shifted to being a fintech platform providing software packages for SME risk assessment of trade and working capital finance for commercial banks (www.ovamba.com).
- 78 Babyloan had financed MFIs in 22 developing countries across Africa, Asia and Latin America, supplying EUR14 million to 19 MFIs, which made 41 000 non-interest-bearing loans to 30 000 entrepreneurs.
- 79 There were also problems with Babyloan itself: Babyloan was bought out by LendaHand, a Dutch donations crowdfunder, as part of the consolidation of the European crowdfunding market in the wake of the new EU law enacted in 2020 for implementation at the end of 2021. LendaHand is a debt and equity crowdfunder, financing entrepreneurs in developing countries since 2013, and providing a financial return of 3% to lenders. In that sense it was different from Babyloan's no-interest loans (which required philanthropic investment to be sustainable), but LendaHand saw Babyloan's market of French lenders as a promising new market. LendaHand was not very focused on Mali (especially after the May 2021 coup, when capital flows in and out of Mali became more difficult) or more generally on diaspora investment.
- 80 See my interview in October 2023 with Elizabeth Howard of African Crowdfunding Association (ACFA), who assisted UNCDF in this work. See also ACFA. 2020. ACFA Label Framework, <https://africancrowd.org/wp-content/uploads/2020/04/ACFA-LABEL-FRAMEWORK.pdf>.
- 81 The performance of the three GrEEN projects is discussed here: <https://www.uncdf.org/article/8267/championing-crowdfunding-in-ghana-critical-lessons-and-significant-milestones-after-three-years-of-implementation-under-the-green-project>.
- 82 The initial donations enterprise crowdfunder is outlined here: <https://www.uncdf.org/article/6494/two-crowdfunding-models-pioneered-in-ghana-under-the-green-project>; after that failed, the new community project crowdfunder is discussed here: <https://www.uncdf.org/article/8006/green-continues-championing-crowdfunding-in-ghana-with-a-new-partnership-with-chango-by-it-consortium>.
- 83 See www.sec.gov/files/rules/final/2015/33-9974.pdf.
- 84 Regulation 2020/1503 on European crowdfunding service providers for business, regulated by the European Securities and Markets Authority (ESMA) in collaboration with national regulators.

- 85 Indeed, the high floor is likely forcing crowdfunder consolidation even in the EU, where the Netherlands is becoming a major hub for small crowdfunders, given favourable tax regimes, regulatory flexibility and licence requirements.
- 86 A Delivorias. 2017. Crowdfunding in Europe, EPRS PE 595.882. European Parliamentary Research Service. November.
- 87 See <https://www.bog.gov.gh/wp-content/uploads/2021/02/NOTICE-CROWDFUNDING-POLICY.pdf> and https://sec.gov.gh/wp-content/uploads/Final-Regulatory-Laws/Guidelines/SEC_Crowdfunding_Guidelines_2024.pdf.
- 88 See UNCDF. 2025. Introducing a regulatory framework for investment crowdfunding in Ghana: A systems change approach. New York, <https://www.uncdf.org/article/8860/introducing-a-regulatory-framework-for-investment-crowdfunding-in-ghana>.
- 89 See N Iskander. 2010. *Creative state: Forty years of migration and development policy in Morocco and Mexico*. Ithaca and London: Cornell University Press; N Iskander. 2010. Moroccan migrants as unlikely captains of industry: Remittances, financial intermediation, and La Banque Centrale Populaire. Wagner Research Paper No. 2010-12. New York: New York University.
- 90 See State Bank of India's NRI services at www.onlinesbi.com/nri/sbi_home.html.
- 91 See Muhammad Subtain Raza, Muhammad Fayyaz and Haseeb Ijaz. 2017. The hawala system in Pakistan: A catalyst for money laundering and terrorist financing. *Forensic Research & Criminology International Journal* 5(4): 00167, DOI:[10.15406/frcij.2017.05.00167](https://doi.org/10.15406/frcij.2017.05.00167). It is unclear if the US\$7 billion estimate covers both inward and outward transactions, or only the former. The authors suggest global annual 'hawala' flows of approximately \$500 billion.
- 92 The diaspora bonds are called Naya Pakistan Certificates. Data here is from State Bank of Pakistan, *Annual report on the state of Pakistan's economy 2024–25*, Karachi, especially Table 4.9, page 78, as well as earlier issues. Remittances data from World Bank-KNOMAD: see <https://blogs.worldbank.org/en/peoplemove/in-2024--remittance-flows-to-low--and-middle-income-countries-ar> or https://drive.google.com/drive/folders/1vrGXeAf_6VH64kTC_plsHNvHfQyocYj; migration data from Migration Policy Institute: Immigrant and emigrant populations by country of origin and destination, <https://www.migrationpolicy.org/programs/data-hub/charts/immigrant-and-emigrant-populations-country-origin-and-destination>; and population data from UN Department of Economic and Social Affairs, Population Division. 2022. World population prospects 2022. Online Edition, <https://population.un.org/wpp/Download/Standard/Population/>.
- 93 Central Bank of Nigeria. 2025. Introduction of non-resident Nigerian ordinary account and non-resident Nigerian investment account. ED/FEM/PUB/FPC/001/002, 10 January. See <https://www.cbn.gov.ng/Out/2025/TED/TEDFEMPUBFPC001002.pdf>.
- 94 See SL Ketkar and D Ratha. 2007. Development finance via diaspora bonds track record and potential. World Bank Policy Research Working Paper 4311; Dilip Ratha and Suhas L Ketkar. 2010. Diaspora bonds: Tapping the diaspora during difficult times. *Journal of International Commerce, Economics and Policy (JICEP)* 1(2) October, DOI:[10.1142/S1793993310000147](https://doi.org/10.1142/S1793993310000147); Aleksandr Gevorkyan. 2021. *Can diaspora bonds supercharge development investment?* Washington, DC: Migration Policy Institute, <https://www.migrationpolicy.org/article/diaspora-bonds-supercharge-development-investment>; William Gumede, David Monyae and Kamo Motshidi. 2012. An African diaspora bond for infrastructure development: Lessons learnt from India, Israel and Islamic bonds. DBSA Policy Brief, August, <https://www.dbsa.org/sites/default/files/media/documents/2022-09/Policy%20Brief%20No.%206%20An%20African%20Diaspora%20Bond%20-%20Lessons%20learnt%20from%20India%20Israel%20and%20Islamic%20-%20Aug%202012.pdf>. Note that many journalistic commentaries, and even research papers, mislabel bond issues to the general global bond market as 'diaspora' bonds. They are not the same.
- 95 See detailed history of the late 1940s and early 1950s in Dan Lainer-Vos. 2013. *Sinews of the nation: Constructing Irish and Zionist bonds in the United States*. Cambridge, UK and Malden, MA: Polity Press.
- 96 About 5 million, 3.7% of the US population of about 135 million, according to Wikipedia.
- 97 Yehiel Rehavi and Asher Weingarten. 2004. Fifty years of external finance via state of Israel non-negotiable bonds. Foreign Exchange Activity Department Assets and Liabilities Unit, Bank of Israel. 6 September, <https://boi.org.il/en/economic-roles/research-and-publications/all-research/research-papers/fifty-years-of-external-finance-via-state-of-israel-non-negotiable-bonds/>.
- 98 See Ibid., Tables 1 and 2, and <https://www.israelbonds.com/About-Us/DCI-Israel-Bonds.aspx>. From 1951 to 1979, gross sales of the DCI bonds raised almost US\$4.45 billion, with net sales – after redemptions – being US\$2.68 billion. Up to 2003, gross (net) DCI sales were US\$24 billion (US\$9.15 billion).

- 99 See SL Ketkar and D Ratha. 2007. Development finance via diaspora bonds track record and potential. World Bank Policy Research Working Paper 4311, p. 4.
- 100 1967 and 1973 data from Yehiel Rehavi and Asher Weingarten. 2004. Fifty years of external finance via state of Israel non-negotiable bonds. Foreign Exchange Activity Department Assets and Liabilities Unit, Bank of Israel. 6 September, <https://boi.org.il/en/economic-roles/research-and-publications/all-research/research-papers/fifty-years-of-external-finance-via-state-of-israel-non-negotiable-bonds/>; 1980s data from Dilip Ratha and Suhas L Ketkar. 2010. Diaspora bonds: Tapping the diaspora during difficult times. *Journal of International Commerce, Economics and Policy (JICEP)* 1(2) October, DOI:10.1142/S1793993310000147; and 2023–24 data from DCI website.
- 101 Yehiel Rehavi and Asher Weingarten. 2004. Fifty years of external finance via state of Israel non-negotiable bonds. Foreign Exchange Activity Department Assets and Liabilities Unit, Bank of Israel. 6 September, <https://boi.org.il/en/economic-roles/research-and-publications/all-research/research-papers/fifty-years-of-external-finance-via-state-of-israel-non-negotiable-bonds/>, Tables 1 and 2.
- 102 See SL Ketkar and D Ratha. 2007. Development finance via diaspora bonds track record and potential. World Bank Policy Research Working Paper 4311.
- 103 Michael Faromoti. 2022. Should Nigeria issue another diaspora bond? Stears and Co., <https://www.stears.co/article/should-nigeria-issue-another-diaspora-bond/>.
- 104 Cyrus Rustomjee. 2018. Issues and challenges in mobilizing African diaspora investment. Centre for International Governance Innovation, University of Waterloo, Policy Brief 130, April, <https://www.cigionline.org/publications/issues-and-challenges-mobilizing-african-diaspora-investment/>.
- 105 The finance minister at the time said: 'Nigeria can now routinely access funds from private banks and wealth managers in the US and European markets: this opportunity is not available to other developing countries that have only issued Eurobonds. To have received the approval of the US SEC indicates that the highest level of transparency and accountability in the economic process has been attained. ... the bond would impact the country's credit, transparency and financial market development index rating.' See Nigeria Investment Promotion Commission. 2017. Nigeria raises \$300 million from diaspora bond. 20 June, <https://www.nipc.gov.ng/2017/06/20/nigeria-raises-300-million-diaspora-bond/>.
- 106 See Government of Nigeria, Debt Management Office. Accessed 16 January 2026, <https://www.dmo.gov.ng/fgn-bonds/green-bond>. Also see Nigerian National Council on Climate Change. 2023. A road map and survey to guide the establishment of the Nigerian Climate Change Fund (NCCF). October.
- 107 Isaac Anyaogu. 2026. Nigeria bets on \$2 billion fund to boost energy transition. *Reuters*, 13 January, <https://www.reuters.com/sustainability/cop/nigeria-bets-2-billion-fund-boost-energy-transition-2026-01-13/>; Sustainable Stories Africa. 2025. Lagos launches Africa's first sub-national green bond, raising N244.8 billion for infrastructure. 24 November, <https://sustainablestories.africa/news/lagos-launches-africas-first-sub-national-green-bond-raising-n244-8-billion-for-infrastructure>.
- 108 Olajumoke Oladunjoye. 2024. FG to attract Nigerians foreign savings with new diaspora bond. *Carnival Media*, 21 April, <https://carnivalmedia.ng/fg-to-attract-nigerians-foreign-savings-with-new-diaspora-bond/>.
- 109 Uche Usim. 2024. FG appoints 23 managers to lead \$10bn Global Investment Fund. *The Sun*, 28 August, <https://thesun.ng/fg-appoints-23-managers-to-lead-10bn-global-investment-fund/>.
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- 165 See <https://www.afd.fr/fr/senegal-energie-agriculture> and <https://youtu.be/75ZLVc-hdO4?si=LRgKWN9Y6QH8qVVi>.

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- 168 Olasupo Olusi. 2025. Leasing in Nigeria: A hidden engine for inclusive growth. *Business Day*, 3 September, https://businessday.ng/backpage/article/leasing-in-nigeria-a-hidden-engine-for-inclusive-growth/?utm_source=chatgpt.com. Olusi is CEO of the Bank of Industry (BoI), www.boi.ng.
- 169 On Roam, see <https://liu.se/en/news-item/alumni-driving-electrification-in-kenya>; Ampersand's founder is Josh Whale (<https://www.linkedin.com/in/josh-whale/>); Basigo was started by Jit Bhattacharya, an American (<https://www.factore.com/news/silicon-valley-entrepreneur-joins-impact-investing-firm-factor-e-ventures>), and Jonathan Green from the UK (<https://www.linkedin.com/in/jonathangreen83/>); Spiro is majority owned by Gagan Gupta, an Indian whose corporate headquarters are in Dubai, but he started his career in the agro-processing sector in Gabon (https://en.wikipedia.org/wiki/Gagan_Gupta). Spiro initially imported e-bikes into Africa from China but has since opened manufacturing plants in Benin, Togo, Nigeria and Kenya.
- 170 Ciwara, set up by Malian diasporans, initially decided to focus on three key sectors: agrifood, renewable energy and finance. But its first direct investment independent of its original establishment was in a Senegalese digital communications platform, not a *directly* 'green' investment.
- 171 In 2021 in Nigeria (https://sec.gov.ng/documents/1107/1.-Emomotimi-AGAMA_Rule-on-Crowdfunding-HOD.pdf) and in 2023 in Kenya (<https://new.kenyalaw.org/akn/ke/act/in/2022/175/eng@2022-12-31>).
- 172 People who are *not* 'sophisticated, high net worth' investors, defined – rather loosely – as 'having 3 years' experience of actively investing in the capital market and understands the relationship between risk and return'.
- 173 In Kenya, a retail investor is anyone who is not a sophisticated investor, defined – more tightly than in Nigeria – as someone licensed under the Capital Markets Act; an authorised or collective investment scheme; a bank, insurance company, co-op, statutory, pension or retirement fund; or an individual, company, partnership, association or a trustee purchases securities at their issue price.
- 174 The five are Monieworx (<https://monieworx.com/>), GrowthBoosters, Pennytree (<https://www.mypennytree.com/>), Maxfund and PropCrowdy, the latter two focusing on property investments. See Anthonia Obokoh. 2025. How crowdfunding is giving BD 2025 everyday Nigerians access to alternative finance. *Business Day*, 28 September, <https://businessday.ng/news/article/how-crowdfunding-is-giving-everyday-nigerians-access-to-alternative-finance/>. Apps like Risevest, Chaka, Bamboo, Trove or Hisa are often called crowdfunders, but they are not – they allow trading in publicly quoted foreign and local stocks. The first four are Nigerian, and Hisa is Kenyan. Risevest acquired Chaka in 2023 and Hisa in 2024.
- 175 See for example the interview with Ololade Adesola, CEO, Growth Boosters, Crowdfunding democratising capital raise & investments, *CNBC Africa*, 18 February 2025, <https://www.cnbcafrica.com/media/6368994661112/growth-boosters-crowdfunding-democratising-capital-raise-investments>.
- 176 See the company website: Democratizing business financing: How crowdfunding is changing the game for SMEs. 13 February 2025, <https://www.growthboosters.com.ng/post/democratizing-business-financing>; How everyday Nigerians can start investing in businesses that matter. 21 September 2025, <https://www.growthboosters.com.ng/post/nigerians-investing-in-businesses-that-matter>.
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- 178 This is based on an extensive Google search which showed only donations-linked crowdfunders based in Kenya, such as M-Changa, or foreign-based funders in the US and a range of other countries.
- 179 See <https://pezesha.com/>.
- 180 Personal communication from Pezesha.
- 181 See <https://fortunecredit.co.ke/>. Its first product after starting in 2014 was loans to regular ICE boda boda riders.
- 182 See www.energiseafrica.com. LendaHand is the crowdfunder which took over Babyloan, which had been involved in the IFAD SME funding project in Mali.

- 183 Of this, GBP4.5 million (just over 10%) is overdue, and GBP3.46 million (nearly 8%) is written off.
- 184 It is tax free if the funds are invested as part of an individual savings account (ISA), up to GBP20 000 per annum. US investors are ineligible.
- 185 Oolu was bought by Ignite, a Nigerian solar provider, in 2024. See HSFG. 2024. Ignite Power acquires DRE provider Oolu. 25 April, <https://www.hsfg.africa/news/ignite-power-acquires-oolu/>.
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