di·as·po·ra

noun 
\(d\text{ī}-\ \text{as-
}\text{p(ə)-rə, dē-}\)

the movement, migration, or scattering of a people away from an established or ancestral homeland
African Union Definition of Diaspora:

"consisting of people of African citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union"
Key Messages

1. Diaspora contributions are more than remittances.
2. There are significant untapped economic benefits.
3. Governments need to do more.
Contributions of the diaspora

1. Trade

2. Investments
   - Direct Investment
   - Investments by households
   - Investments in capital markets

3. Philanthropy and Collective Remittances

4. Transfer of Technology and Skills
Migration and Trade Go Hand in Hand: African and OECD Countries

Bilateral trade (2007) and migrant population (2010) between OECD and Africa. Each dot represents a migrant corridor (Kenya-UK, Morocco-France, etc.)
Role of Diaspora

- Overcome inadequate information about international trading opportunities:
  - Providing market information
  - Supplying matching and referral services to their members

- Migrants facilitate host and source country bilateral trade and investment

- Diaspora can be an important source as well as facilitator of:
  - Research and innovation
  - Technology transfer
  - Skills development
INVESTMENTS
Investments in business and housing
C. Diaspora Investment

- Diaspora resources are determined by the net wealth of members.

- Types
  - Diaspora bonds (India, Israel, Ethiopia, Nepal)
  - Diaspora funds (Armenia)

- Several countries show that diasporas do invest (e.g., China, Ethiopia, India, Israel, Ireland)
Rationale for issuers

- Patriotic discount - a 5% interest rate may attract diaspora investments even in high-risk countries

- Diaspora members more loyal investors than average institutional investor in times of distress

- SEC registration poses a challenge

- Mitigation of political risks and design of attractive projects is key to the success of d-bonds
The wealth of the diaspora can be mobilized through diaspora bonds

<table>
<thead>
<tr>
<th>Country</th>
<th>Diaspora size (millions)</th>
<th>Estimated savings ($ billions, 2009)</th>
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Source: Ratha and Mohapatra 2011.

Remittances can also be used as collateral to raise bond-financing for development projects.
Philanthropic Activities by the African diaspora associations: Denmark case study

- Sending used equipment: 41 (34%)
- Sending new or larger equipment (e.g. machines): 6 (5%)
- Donations / collective remittances: 27 (22%)
- Education / capacity building / informational campaigns: 13 (11%)
- School projects / orphanages / activity centers: 9 (7%)
- Health clinics / hospital projects: 3 (2%)
- Other small-scale projects (wells / farming / micro-credit etc.): 4 (3%)
- Larger programs (education / environment / infrastructure): 4 (3%)
- Larger programs: 20 (16%)
- Information / education: 17 (14%)

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- Health clinic projects: 3 (2%)
- Other small-scale projects: 9 (7%)
- Collective remittances: 27 (22%)
- Sending new equipment: 6 (5%)
- Sending used equipment: 41 (34%)
Transfer of Technology and Skills

1. Licensing agreements
2. Direct investment in local firms
3. Knowledge spillovers (managerial positions)
4. Networks of scientists and professionals
5. Virtual return, extended visits or electronic communications
Using the Diaspora to Supplement Local Capacity

- Global exchange of knowledge

- Networks provide:
  - A critical mass of professional peer review not available at the national level
  - An effective mechanism for keeping in touch with the frontier of knowledge
  - A cost effective means for specialized training and skills formation

- Mentoring, internships, etc
China: How to foster innovation?

Research collaborations

- Provide scientific input, key techniques, reagents to facilitate research projects, etc;
- Help establishing research institute, centers, & laboratories that meet the US standards;
- Joint laboratories with joint grants;
- Joint biotech companies and joint fund raising activities
The diaspora is more willing to take risks in its own country but...

They will need:

1. Conducive business environment
2. Sound and transparent financial sector
3. Rapid and efficient court systems
4. Safe working environment
Government policies to maximize the benefits of the diaspora

• Policies in sending countries
  • Dual/Multiple citizenship/Voting rights
  • Conducive business environment/trade/tec
  • Measures to quantify their diaspora
  • Develop financial instruments to tap to the diaspora
  • Portability of pension funds
  • Management of Migration

• Policies in receiving countries
  • Acceptance of dual citizenship
  • Agreement with other countries (social security portability, labor, taxation)
  • Protection of immigrants
Policy recommendations for governments

- **Data**
  - Improve data collection on diaspora

- **Improving diaspora outreach**
  - Embassies/foreign service departments need to provide more investment, trade, skills & technology transfer services, as well as more staff training in these areas
  - Better coordination among different departments within the embassies and governments

- **Stimulating Investment**
  - Innovative ways of developing financing instruments, harnessing diaspora resources, etc
## Boosting the development impact of migration: selected policies

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<th>Objective</th>
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<td>Mobilizing the diaspora</td>
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<td>Virtual/temporary programs</td>
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<td>Government invitations</td>
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<td>Stimulating ties with overseas communities</td>
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<td>Foreign currency accounts (Bangladesh)</td>
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<td>Premium interest rate accounts</td>
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<td>Investment packages to overseas (China)</td>
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<td>Establishing special office (Mexico)</td>
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<td>Linking cooperatives/banks with banks in developed countries</td>
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<td>Increasing domestic bank presence in transferring remittances</td>
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<td>Savings mobilization: social security/housing/ microfinance programs</td>
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<td>Stimulating investment</td>
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<td>Outreach through migrant’s service bureaus</td>
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<td>Tax breaks on imported capital goods</td>
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<td>SME schemes (financial, infrastructure or innovative)</td>
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<td>Training programs</td>
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<td>Outreach to migrant collectives/ Hometown associations (HTAs)</td>
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<td>Public-private ventures</td>
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<td>Competitive bidding for development projects</td>
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<td>Improving attractiveness of receiving countries to diaspora</td>
<td>Research funding and monetary incentives (Ireland)</td>
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<td>Attractive salary packages, multiple-entry visas</td>
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<td>Enabling migrants to spend on their relatives’ behalf</td>
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Key Messages

1. Diaspora contributions are more than remittances.
2. There are significant untapped economic benefits.
3. Governments need to do more.
splaza@worldbank.org
Complete report, data and other resources at:

www.worldbank.org/migration
Stylized Facts

Within Africa:
- High concentration in: Côte d'Ivoire, South Africa, Kenya
- Ties with their home countries (remittances, collective remittances, nostalgic trade, tourism and services)
- Diaspora Associations (cultural, political, burial associations, savings and credit groups)

Outside Africa:
- New destinations: Spain, Italy, UEA, Qatar
- Dispersed for larger countries (Nigeria, South Africa)
- Ties with their home countries (remittances, collective remittances, nostalgic trade, tourism and services)

- Both diasporas contribute to their home countries
- Difficult to measure contributions for charitable purposes
Largest destinations of African migrants include both high income and African countries.

Source: Migration and Remittances Factbook 2011
Outline

1. Mapping of the African diaspora

2. Benefits of engaging with the diaspora:
   A. Support for poverty alleviation & philanthropy
   B. Support for trade, technology and knowledge transfer
   C. Investment
   D. Potential for Return

3. Government policies to engage diaspora in sending and receiving countries

4. Policy recommendations
Types of Direct Contributions

- Type of Support
  - Noncommercial financial
  - Commercial financial

- Examples
  - Collective remittance to community groups (HTA)
  - Investment (in IT in India)
A. Philantropic Activities

- Initiatives are now beyond the scope of remittances

- Type of activities
  - Charities
  - Education (training, computers, teachers)
  - Health (sending medicines, equipment)
  - Relief activities
B. Support for trade, technology and knowledge transfer

- Foreign emigrants: significant source of demand for home country’s exports
- A source and facilitator of research and innovation
- Due to their cultural and linguistic abilities, they are better able to adapt, establish connections and reduce asymmetric information
China: How to foster innovation?

Research collaboration:

- Provide scientific input, key techniques, reagents to facilitate research projects, etc;
- Help establishing research institute, centers,& laboratories that meet the US standards;
- Joint laboratories with joint grants;
- Joint biotech companies and joint fund raising activities
The Latin Scientific Diaspora

- Not interested in “moving back” to their countries of origin
- Most countries have failed in attracting them back
- Not well organized
- Interested in helping their country of origin and/or other Latin countries
- LatIPnet has created own network of diaspora individuals
- Scientists, directors, professionals, investors, lawyers
C. Diaspora Investment

- Diaspora resources are determined by the net wealth of members.

- Types
  - Diaspora bonds (India, Israel, Ethiopia, Nepal)
  - Diaspora funds (Liberia is considering it)

- Several countries show that diasporas do invest (e.g., China, Ethiopia, India, Israel, Ireland)
D. Potential for Return

- Governments can not enforce people to return home permanently
- But they can facilitate short visits or virtual returns
- Some countries have been successful in promoting return
  - incentive packages, positions suitable according to their expertise, house rent allowance, transport facilities, etc).
  - but each country is different.
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Supporting the diaspora – Role of embassies

1. Providing dual citizenship/voting rights
2. Limiting the Costs of Migration
3. Reducing Asymmetric Information
4. Mobilizing the diaspora
Challenges

- No government has complete mapping of diaspora
- Little involvement with investment, trade & technology transfer, few embassy staff dedicated to this
- Little coordination at the embassy/consular level when dealing with diaspora
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Key messages

- Diaspora can be a source of wealth and ideas
- Diaspora can contribute to private sector development through investments, business contacts, trade opportunities, technology, and skills transfer
- Capacity for managing migration is weak in Africa – it needs to be strengthened
- Migration should not be viewed as substitute for development at home but integral to globalization
The wealth of the diaspora can be mobilized through diaspora bonds

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Remittances can also be used as collateral to raise bond-financing for development projects

*Source: Ratha and Mohapatra 2011.*
Diaspora bonds

- Through retailing at denominations ranging from $100-$10,000, issuers can tap into wealth of migrants
- Migrants more loyal than average investors in times of distress. Might be interested in financing infrastructure, housing, health and education projects
- Diaspora bonds would offer higher interest rate than the rate diaspora savers earn from bank deposits where they reside
- Preliminary estimates suggest Sub-Saharan African countries can potentially raise $5-10 billion per year from diaspora bonds
Diaspora Bonds (contd.)

- Bonds issued by a country to its own diaspora
- Examples: Israel Independence Issue, Resurgent India Bond
- Potential for Africa? Examples:

  **Ethiopia:** Millennium Corporate Bonds
  - Purpose: to raise funds for the Ethiopian Electric Power Corporation

  **Zimbabwe**
  - Purpose: to finance the reconstruction program
  - African Export-Import Bank will guarantee the raising of the bond
Israel and India have raised nearly $40 billion via diaspora bonds.
African diaspora is concentrated in Africa

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Source: Migration and Remittances Factbook 2011
Some examples:
Mexico - Hometown Communities

• Organized groups collect remittances from their members to finance community investments in their native towns

• Vehicle for diffusion of information about investments opportunities in Mexico

• Remittances are accompanied by personal and managerial skills
Kenya Embassy in UK

• Ministry of Foreign Affairs has set up a special department for diaspora & jobs

• Engaging the diaspora for economic activities and placing the diaspora in jobs

• Organized events: Investment Forum, Housing investment (2007-2008), visits of the Ministry
How is India dealing with these issues?

- The embassy in the destination country plays a key role:
  - Help with worker complaints (non-payment of wages, arrears etc.).
  - The embassy contacts the company directly and tries to reach an amicable settlement.
  - Otherwise advises workers to go to labor department or take legal recourse – sometimes the embassy contacts the Indian diaspora community to pay the relatively expensive legal fees.
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3. Government policies to engage diaspora in sending and receiving countries

4. Policy recommendations
African diaspora (definitions)

- **Definition African Union**: "consisting of people of African citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union"

- **For this report, includes:**
  - skilled and unskilled
  - located inside and outside Africa
  - people born in other countries

- Not possible to have a complete map of diaspora
Where is the African Diaspora?
Stylized Facts

Within Africa:
– High concentration in: Côte d'Ivoire, South Africa, Kenya
– Ties with their home countries (remittances, collective remittances, nostalgic trade, tourism and services)
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Source: Migration and Remittances Factbook 2011
Largest destinations of African migrants include both high income and African countries

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Benefits of engaging with the African diaspora

A. Support for poverty alleviation and philanthropy
B. Support for trade, technology, and knowledge transfer
C. Investment by the diaspora
D. Potential for return
A. Philantropic Activities

• Initiatives are now beyond the scope of remittances

• Type of activities
  – Charities
  – Education (training, computers, teachers)
  – Health (sending medicines, equipment)
  – Relief activities
Philanthropic Activities by the African diaspora associations: Denmark case study

- **Sending used equipment**
  - 41 (34%)
- **Sending new or larger equipment (e.g. machines)**
  - 4 (3%)
- **Donations / collective remittances**
- **Education / capacity building / informational campaigns**
- **School projects / orphanages / activity centers**
- **Health clinics / hospital projects**
- **Other small-scale projects (wells / farming / micro-credit etc.)**
- **Larger programs (education / environment / infrastructure)**

- **Other small-scale projects**
  - 9 (7%)
- **Health clinic projects**
  - 3 (2%)
- **School projects**
  - 13 (11%)
- **Information / education**
  - 20 (16%)
- **Collective remittances**
  - 27 (22%)
- **Larger programs**
  - 4 (3%)
- **Sending new equipment**
  - 6 (5%)
Some examples:
Mexico - Hometown Communities

- Organized groups collect remittances from their members to finance community investments in their native towns
- Vehicle for diffusion of information about investments opportunities in Mexico
- Remittances are accompanied by personal and managerial skills
B. Support for trade, technology and knowledge transfer

- Foreign emigrants: significant source of demand for home country’s exports
- A source and facilitator of research and innovation
- Due to their cultural and linguistic abilities, they are better able to adapt, establish connections and reduce asymmetric information
Migration and Trade Go Hand in Hand: African and OECD Countries

Bilateral trade (2007) and migrant population (2010) between OECD and Africa. Each dot represents a migrant corridor (Kenya-UK, Morocco-France, etc.)
Technology and knowledge transfers

- Licensing agreements between diaspora owned or managed firms
- Direct investment in local firms as a joint venture
- Knowledge spillovers (managerial positions)
- Networks of scientists and professionals
- Virtual return, extended visits or electronic communications
- Return to permanent employment
C. Diaspora Investment

- Diaspora resources are determined by the net wealth of members.

- Types
  - Diaspora bonds (India, Israel, Ethiopia, Nepal)
  - Diaspora funds (Liberia is considering it)

- Several countries show that diasporas do invest (e.g., China, Ethiopia, India, Israel, Ireland)
Investments in business and housing funded by remittance from within and outside Africa
ChileGlobal

An active international network of Chilean business owners and high level executives and those with an affinity for Chile who are interested in contributing and sharing the success of the Chilean economy.
China: How to foster innovation?

Research collaboration:

- Provide scientific input, key techniques, reagents to facilitate research projects, etc;
- Help establishing research institute, centers, & laboratories that meet the US standards;
- Joint laboratories with joint grants;
- Joint biotech companies and joint fund raising activities
The Latin Scientific Diaspora

- Not interested in “moving back” to their countries of origin
- Most countries have failed in attracting them back
- Not well organized
- Interested in helping their country of origin and/or other Latin countries
- LatIPnet has created own network of diaspora individuals
- Scientists, directors, professionals, investors, lawyers
Examples of LatImPetu Companies

The Problem:
• Boom of tequila industry in Mexico triggered overgrowth of agave plants
• Agave grown outside “Designation of Origin” zones by the tequila industry could not be sold
• Price of agave plummeted
• Hundreds of agave farmers went bankrupt while their agave plants went to waste. Losses in billions of dollars.

The Solution:
Production of new, valuable, and global products (other than tequila) from agave (e.g. natural sweeteners and food additives)
The diaspora is more willing to take risks in its own country but…

They will need:

- Conducive business environment
- Sound and transparent financial sector
- Rapid and efficient court systems
- Safe working environment
D. Potential for Return

- Governments can not enforce people to return home permanently
- But they can facilitate short visits or virtual returns
- Some countries have been successful in promoting return
  - incentive packages, positions suitable according to their expertise, house rent allowance, transport facilities, etc).
  - but each country is different.
Virtual return

- Virtual participation distance teaching, e-learning, joint research projects, peer reviewer
- Remote resource mobilization (donation of books, sending computer, providing medical equipment)
- Examples of facilitating conditions for returnees to the Universities (flexibility in appointments, recognition of degrees, etc)
- Information and identification of short-term return assignments
- Access and acquisition of bandwidth for education and research purposes.
Outline

1. Mapping of the African diaspora

2. Benefits of engaging with the diaspora:
   A. Support for poverty alleviation & philanthropy
   B. Support for trade, technology and knowledge transfer
   C. Investment
   D. Potential for Return

3. Government policies to engage diaspora in sending and receiving countries

4. Policy recommendations
Government policies to maximize the benefits of the diaspora

• **Policies in sending countries**
  – Dual/Multiple citizenship/Voting rights
  – Conducive business environment/trade/tec
  – Measures to quantify their diaspora
  – Develop financial instruments to tap to the diaspora
  – Portability of pension funds
  – Management of Migration

• **Policies in receiving countries**
  – Acceptance of dual citizenship
  – Agreement with other countries (social security portability, labor, taxation)
  – Protection of immigrants
Supporting the diaspora – Role of embassies

1. Providing dual citizenship/voting rights

2. Limiting the Costs of Migration

3. Reducing Asymmetric Information

4. Mobilizing the diaspora
Kenya Embassy in UK

- Ministry of Foreign Affairs has set up a special department for diaspora & jobs
- Engaging the diaspora for economic activities and placing the diaspora in jobs
- Organized events: Investment Forum, Housing investment (2007-2008), visits of the Ministry
How is India dealing with these issues?

- The embassy in the destination country plays a key role:
  - Help with worker complaints (non-payment of wages, arrears etc.).
  - The embassy contacts the company directly and tries to reach an amicable settlement.
  - Otherwise advises workers to go to labor department or take legal recourse – sometimes the embassy contacts the Indian diaspora community to pay the relatively expensive legal fees.
Challenges

- No government has complete mapping of diaspora; data mainly based on those who register with embassy.

- Little involvement with investment, trade & technology transfer, few embassy staff dedicated to this: At most, facilitate forums, or provide matching.

- Little coordination at the embassy/consular level when dealing with diaspora.
Outline

1. Mapping of the African diaspora

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Policy recommendations for governments

• Data
  – Improve data collection on diaspora

• Improving diaspora outreach
  – Embassies/foreign service departments need to provide more investment, trade, skills & technology transfer services, as well as more staff training in these areas
  – Better coordination among different departments within the embassies and governments

• Stimulating Investment
  – Innovative ways of developing financing instruments, harnessing diaspora resources, etc
## Boosting the development impact of migration: selected policies

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
</tr>
</thead>
</table>
| **Mobilizing the diaspora** | Dual citizenship  
Virtual/temporary programs  
Government invitations |
| **Stimulating ties with overseas communities** | Diaspora bonds  
Foreign currency accounts (Bangladesh)  
Premium interest rate accounts  
Investment packages to overseas (China)  
Establishing special office (Mexico)  
Linking cooperatives/banks with banks in developed countries  
Increasing domestic bank presence in transferring remittances  
Savings mobilization: social security/housing/ microfinance programs |
| **Stimulating investment** | Outreach through MFI infrastructure  
Outreach through migrant’s service bureaus  
Tax breaks on imported capital goods  
SME schemes (financial, infrastructure or innovative)  
Training programs |
| Outreach to migrant collectives/ Hometown associations (HTAs) | Matched funding  
Public-private ventures  
Competitive bidding for development projects |
| Improving attractiveness of receiving countries to diaspora | Research funding and monetary incentives (Ireland)  
Attractive salary packages, multiple-entry visas  
Enabling migrants to spend on their relatives’ behalf |
Complete report, data and other resources at:

www.worldbank.org/migration
## The wealth of the diaspora can be mobilized through diaspora bonds

<table>
<thead>
<tr>
<th>地域</th>
<th>Diaspora size (millions)</th>
<th>Estimated savings ($ billions, 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Africa</td>
<td></td>
<td></td>
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<tr>
<td>阿尔及利亚</td>
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<td>4.2</td>
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<tr>
<td>埃及</td>
<td>3.7</td>
<td>6.0</td>
</tr>
<tr>
<td>摩洛哥</td>
<td>3.0</td>
<td>9.6</td>
</tr>
<tr>
<td>合计</td>
<td>8.7</td>
<td>22.3</td>
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<tr>
<td>Sub-Saharan Africa</td>
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<td></td>
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<tr>
<td>埃塞俄比亚</td>
<td>0.6</td>
<td>1.9</td>
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<tr>
<td>加纳</td>
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<tr>
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<tr>
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<tr>
<td>南非</td>
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<tr>
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<tr>
<td>合计</td>
<td>21.8</td>
<td>30.4</td>
</tr>
</tbody>
</table>

### Source:
Ratha and Mohapatra 2011.

Remittances can also be used as collateral to raise bond-financing for development projects.
Diaspora bonds

- Through retailing at denominations ranging from $100-$10,000, issuers can tap into wealth of migrants
- Migrants more loyal than average investors in times of distress. Might be interested in financing infrastructure, housing, health and education projects
- Diaspora bonds would offer higher interest rate than the rate diaspora savers earn from bank deposits where they reside
- Preliminary estimates suggest Sub-Saharan African countries can potentially raise $5-10 billion per year from diaspora bonds
Diaspora Bonds (contd.)

• Bonds issued by a country to its own diaspora

• Examples: Israel Independence Issue, Resurgent India Bond

• Potential for Africa? Examples:

  **Ethiopia**: Millennium Corporate Bonds
  - Purpose: to raise funds for the Ethiopian Electric Power Corporation

  **Zimbabwe**
  - Purpose: to finance the reconstruction program
  - African Export-Import Bank will guarantee the raising of the bond
Israel and India have raised nearly $40 billion via diaspora bonds.