

# Diaspora Investment in Agriculture (DIA) initiative



## Background

Global diaspora sends home over US\$450 billion in remittances to their families in developing countries every year. Through these remittances the diaspora plays a vital role in the development of their respective countries of origin by fostering investments, tourism, trade, philanthropy, knowledge transfers and cross-border relationships. Although remittances used for agricultural purposes in rural areas are estimated to be relatively small – up to 5 per cent of the entire amount – this still represents four times the global official development assistance (ODA) that goes to agriculture.

The drive to migrate is felt most strongly in post-conflict countries and fragile states. In countries that have faced natural disasters, economic hardship and/or political instability, the diaspora not only takes care of the daily needs of family members, but is also the first to respond in times of emergency. The Diaspora Investment in Agriculture (DIA) initiative seeks to expand on this vital short-term role to help maximize the potential long-term impact of the diaspora as drivers of development.

Long-term economic growth, poverty reduction and food security enhancement cannot be achieved without significant investment in the agricultural sector. Agricultural investment is essential to attain rural growth, job creation, the provision of basic necessities and the establishment of a stable foundation upon which broader economic growth can be realized.

## Key facts

- Global diaspora sends home over US\$450 billion in remittances to their families in developing countries every year
- Diaspora investment in agriculture represents four times global official development assistance (ODA) to agriculture
- It is estimated that migrant savings abroad amount to over US\$500 billion

## Objectives

The DIA initiative seeks to foster job growth in local communities, contribute to poverty alleviation and reduce the need to migrate by:

- Encouraging the global diaspora to invest in sustainable agricultural projects with real potential for impacting the lives of poor rural people.
- Enabling diaspora investors, diaspora organizations and actors on the ground to build the capacity necessary to undertake cross-border investments and gain access to markets for traditional products.
- Stimulating agricultural production and reducing import dependency to enhance food security.

## What is the DIA initiative?

In recognition of the important role played by the diaspora to foster economic growth and its potential to enhance the resilience of fragile communities, the United States Department of State and the International Fund for Agricultural Development (IFAD) have launched the DIA initiative. This major partnership seeks to leverage the contributions of migrant workers and encourage their engagement in sustained economic development through investment in agriculture, particularly in rural areas.

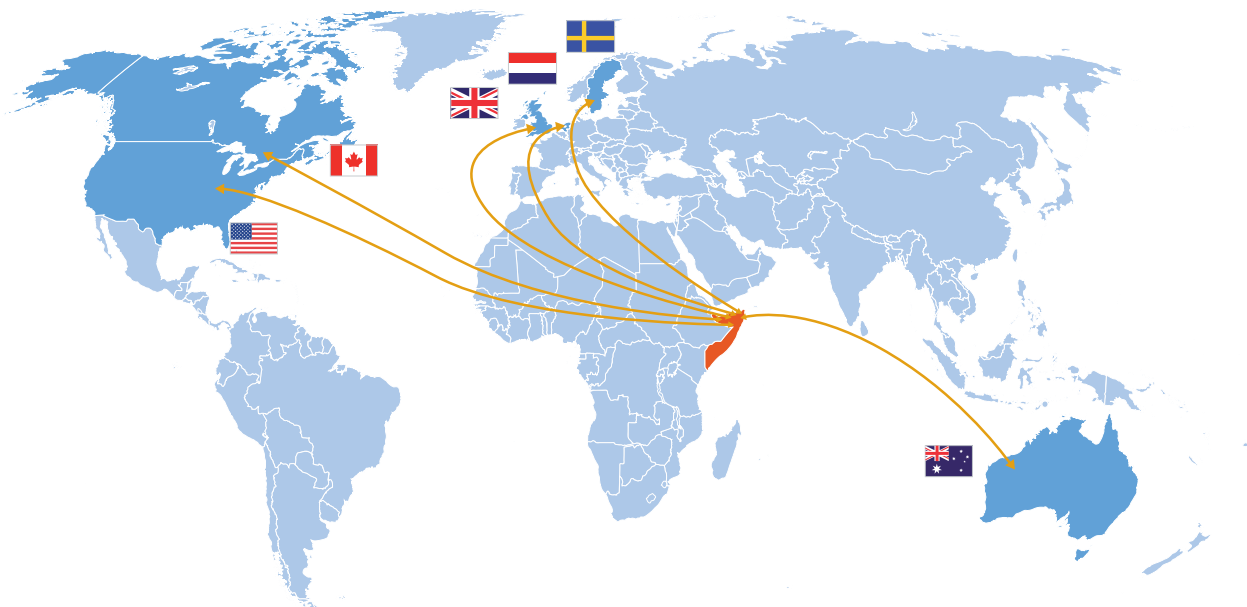
The DIA initiative works to foster job growth in local communities, contribute to poverty reduction and curtail the need to migrate by:

- Encouraging the global diaspora to **invest in sustainable agricultural projects** with real potential to impact the lives of poor rural people.
- Enabling diaspora investors, diaspora organizations and actors on the ground to **build the capacity** necessary to undertake cross-border investments and gain access to markets for traditional products.
- Stimulating agricultural production and reducing import dependency to **enhance food security**.

## Why the DIA Initiative?

Because of the close ties felt by those living abroad towards their communities 'back home', diaspora investors are not only well informed about the opportunities existing in their communities of origin, but are also more willing to invest in fragile markets than foreign investors. While rising global food prices are making it more costly for migrant workers to provide for their families in developing countries, rising prices are also increasing the incentives for local production. Besides the important role that investments make to food security at home, there are also niche export markets for traditional goods in diaspora communities. Successfully tapping demand for these goods can create a unique market with a high-added value for those willing to invest. This presents a significant opportunity for diaspora investment to become an important driver for development.

The DIA initiative aims to build on the funds invested by migrant workers to generate new streams of capital for sustainable agricultural investment in fragile countries. By strengthening existing links between migrants and their home communities and building new partnerships, the initiative will create job opportunities, enhance food security and tap potential export markets. Such investment is critical to fragile and post-conflict states as these countries are often dependent on food imports, experience significant emigration and have difficulty attracting investment from abroad. These factors negatively affect already difficult situations in the country and limit development opportunities.



## Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture

**Total project cost:**  
US\$1.55 million

Recognizing the critical role played by migrant workers in sustaining livelihoods, IFAD engaged in policy dialogue with the Government of Somalia, one of the most severely conflict-stricken countries in the Near East and North Africa region. Somalia is estimated to receive over US\$1.3 billion annually in remittances, exceeding official aid to the country.

At the 2010 International Forum for Rural Development in Somalia, representatives of the diaspora, government, development agencies and academia initiated a dialogue to outline priorities and opportunities for joint action to promote local development. The innovative approach designed for Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture builds on the Somalia Forum initiative.

The project is implemented by a Dutch NGO, the Business in Development (BiD) Network Foundation, in partnership with Shuraako, an American NGO with field offices in Somalia.

Project objectives are to:

- Promote pro-poor investment mechanisms in rural areas
- Build diaspora capacity and promote the transformation of diaspora into agents of development
- Promote strategies connecting the diaspora with private, civil society and public stakeholders in Somalia.

Project activities started in 2014, with the creation of the Somali

AgriFood Fund ([somaligrifood.org](http://somaligrifood.org)), a matching seed capital fund that aims at providing incentives to facilitate diaspora investments into the Somali agriculture, fisheries or food processing sectors. The AgriFood Fund supports investment projects that can range from US\$20,000 to US\$250,000 through a 40% contribution. The remaining 60% are financed by the business owner cash or in-kind contribution (20%) and by external capital, of which at least one third (or 20% of the total project cost) is to be financed by the diaspora. The leverage ratio of the US\$673,000 fund is expected to be 3.4 to 1, or a total investment of US\$2.28 million.

Shuraako is the Fund Manager and is responsible for advertising the fund, screening applications, carrying out due diligence on eligible businesses prior to submission to the Investment Committee, channeling funds to recipients and monitoring implementation.

By January 2016, 199 candidates had applied to the AgriFood Fund and 6 business owners had been awarded financing for a total of US \$435,600. The approved business plans involve 8 diaspora investors, of which 2 are women. These are all originating from the region they invest in and are contributing 40% to 60% of investment. The 6 awarded agribusinesses are expected to generate 196 new jobs and to open new market outlets for about 15,000 small-scale producers in the agriculture and fisheries sectors. In the third investment round, the AgriFood Fund contribution was brought down

to 20% and applicants were put in contact with partner Somali banks to complete financing.

The project has demonstrated that it is possible to attract diaspora investment into Somali agribusinesses and to generate employment and revenues through diaspora resources. Furthermore, it has raised interest from the national financial sector (local banks and micro-finance institutions) to develop activities aiming at diaspora investment into the local economy. This will however require improved banks' compliance with international banking standards. The creation of the Somali Banking Association, which was facilitated by Shuraako, constitutes a first step in this direction.

Diaspora's interest in contributing to the Somali economy was further confirmed by the online Somali Investment Survey, which was carried out by Shuraako in 2015. It was responded by close to 1,000 participants in 33 countries. Most respondents regard investment as a way to prepare their return to Somalia. The survey provides useful information as to factors that would facilitate diaspora investment, including evidence of profitability, a transparent and enforceable contract and risk mitigation.

IFAD is now planning to finance a follow-up phase, which will aim at upscaling good achievements by building the capacities of Somali public and private institutions to provide the diaspora with the services they need to invest into Somali SMEs.

## How will it work?

The DIA initiative will work through selected financing mechanisms ranging from a competitive call for proposals to targeted investment. Through these mechanisms, eligible diaspora entrepreneurs, migrant organizations and key strategic entities will be financed to implement projects that stimulate the development of the agricultural sector in their home countries. In particular, the initiative will identify and cofinance viable projects and models focused on food security, diaspora investment and agricultural value chains.

Proposals will be evaluated based on their potential impact, equity contribution, sustainability and suitability for replication and scaling up. Selected projects will identify, design and pilot test agricultural initiatives. The initiative will also provide technical assistance and capacity-building support designed to create the enabling environment required for success and to build transnational ownership. The DIA initiative will be administered by IFAD's Financing Facility for Remittances (FFR), which has a strong record of generating innovative projects in the area of international migration and development, and is being implemented within the context of the International diaspora Engagement Alliance (IdEA) ([www.diasporaalliance.org](http://www.diasporaalliance.org)).

## Where

Countries to be covered by the initiative include Afghanistan, Angola, Burundi, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Djibouti, Egypt, Haiti, Iraq, Liberia, Sierra Leone, Somalia, Sri Lanka, Sudan and Tunisia. The programme will expand to include other countries outside this list.

## With whom

The DIA initiative is open to key development players from the international donor community, the private sector, foundations and public institutions that have strong strategic interest in sustainable agricultural development in post-conflict countries and fragile states. The initiative also calls upon academia and think tanks to maximize knowledge generation, dissemination and the creation of communities of practice.



## Financing Facility for Remittances

The Financing Facility for Remittances (FFR) is a US\$35 million, multi-donor facility, administered by the International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations dedicated to the eradication of rural poverty. The FFR has been working since 2006 with the goal of increasing the development impact of remittances and enabling poor rural households to advance on the road to financial independence. The FFR cofinances development projects in close collaboration with public, private and civil society partners. Furthermore, it acts as an information broker to facilitate the dissemination, replication and scaling up of remittance-related best practices.



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