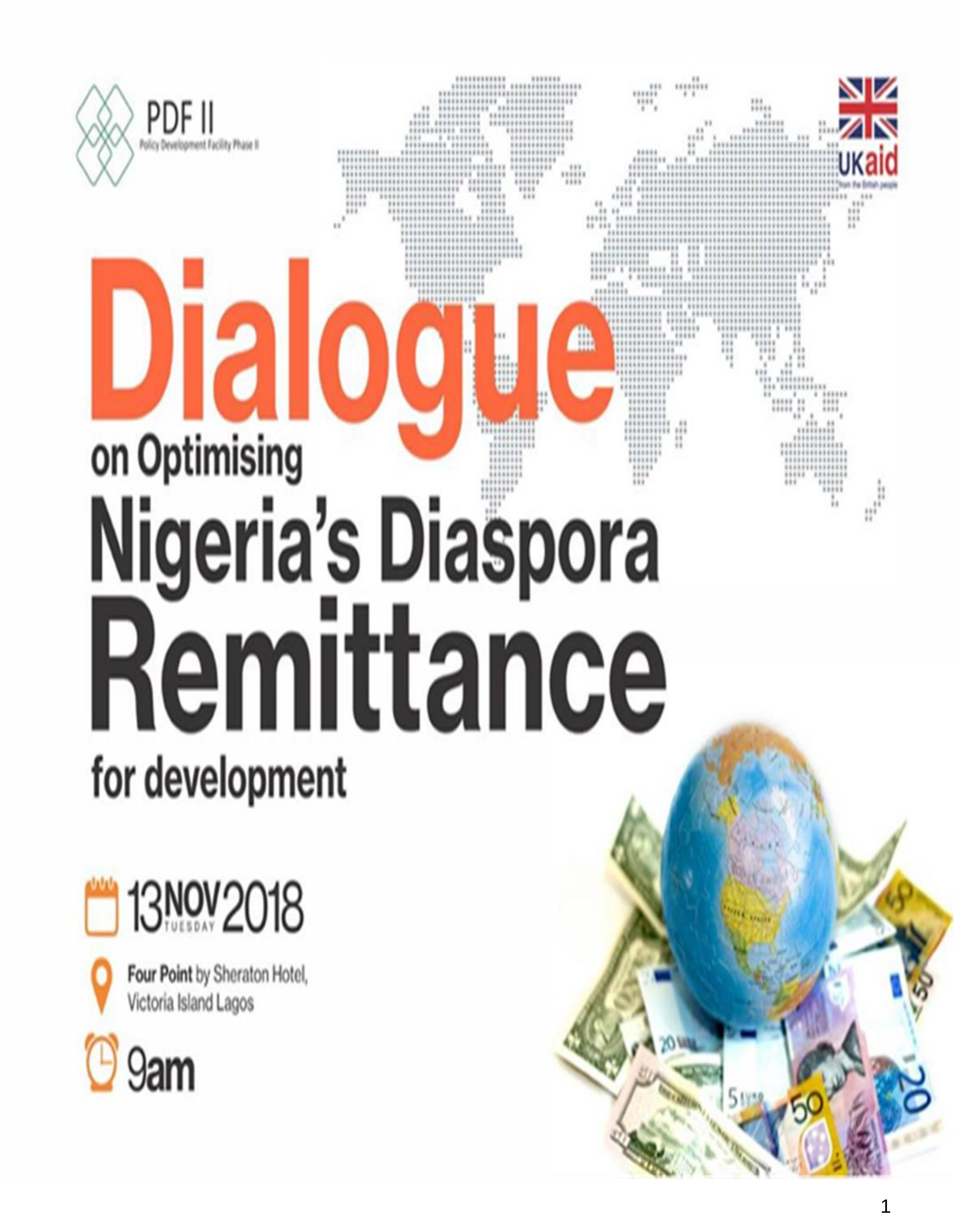
PDF II
Policy Development Facility Phase II
UKaid
from the British people
Dialogue
on Optimising
Nigeria's Diaspora
Remittance
for development
13 NOV TUESDAY 2018
Four Point by Sheraton Hotel,
Victoria Island Lagos
9am

Event Report

Nigeria Diaspora Study Dissemination Dialogue

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1 Background

Nigeria's diaspora, estimated at up to 15 million people worldwide, plays a crucial role in driving growth and progress in the country. As Nigeria emerges from recession, civic and business leaders are looking to leverage the diaspora in order to mobilise development resources. Recognising the importance of diaspora engagement, the Government of Nigeria has recently established the Office of the Senior Special Adviser to the President on Foreign Affairs and Diaspora and is currently drafting a National Policy on Diaspora Matters.

In July 2017, DFID's Policy Development Facility (PDF II) commissioned Dalberg Advisors to conduct a study on behalf of the Office of the Vice President (OVP), the Nigerian Investment Promotion Commission (NIPC), and Ministry of Foreign Affairs (MFA) to support ongoing efforts to spur development through diaspora engagement. **This study, titled "Nigeria Diaspora Study: Opportunities for Increasing the Development Impact of Nigeria's Diaspora," aimed to understand the potential to engage the diaspora in order to generate productive investments and resources for development in Nigeria**. The study focused primarily on two areas: remittances from the diaspora to Nigeria and direct investments into Nigeria made by the diaspora. It explored the purpose of current diaspora remittances, the diaspora's ability to make investment remittances and/or switch between consumption and investment remittance, the willingness of diasporans to invest in Nigeria, the challenges they face in investing in Nigeria, and potential solutions to those challenges. For more information, please visit www.pdfnigeria.org/nigeria-diaspora-study/.

PDF II hosted an event on November 13, 2018, in Lagos, to disseminate the findings and promote recommendations of the study to a wider group of stakeholders in the private sector—especially financial service providers, investment and equity firms, and key public sector actors and representatives of Nigerians in the diaspora. The focus of the session was to identify gaps for future studies on diaspora remittances and their use, and to encourage private sector financial services providers to identify, design, and package new investment products for Nigeria's diaspora.

2 Introduction

Acting as Facilitator, **Akin Sawyerr of ALTS Consulting** welcomed participants and informed the audience that the objective of the dialogue was to discuss the findings of the study and produce specific individual and collective actions that would advance participation in the country's development by Nigerians in the diaspora. He described the forum's agenda and noted that the dialogue was intended to provide a platform for galvanising all stakeholders into action.

Welcoming remarks

Dr. Titilola Akindeinde, **Programme Manager** for **Policy Development Facility Phase II (PDF II)**, expressed profound appreciation to all delegates for attending the dialogue and emphasized the importance of bringing a cross-section of stakeholders together on one platform to discuss a very important topic that holds great potential to catalyse development in Nigeria. As an impact-driven organisation, PDF II is a programme of DFID that supports Nigeria's champions of change in developing economic reforms and policies that can lead to poverty reduction. Remittances from the diaspora—especially Nigerians in the UK and US—account for a significant portion of Nigeria's GDP; however, most of the funds are used for consumption. In light of the potential to channel these funds into more productive use, a year ago, PDF II embarked on this study with support from Dalberg Advisors. The study revealed information pertinent to private sector actors that design and market investment products and are looking to crowd more investments into their respective sectors. More importantly, the study provided interesting insights into how best to raise and channel funds from the diaspora into high-potential segments that support economic and social development.

Opening address

Laure Beaufils, British Deputy High Commissioner to Nigeria, expressed that the UK government recognised the economic, social, and cultural value of Nigerians in the diaspora, and undertook this study to understand how best to strengthen people-to-people linkage between the UK and Nigeria. The UK government was excited about the report, as it provided strong evidence that Nigerians in the diaspora were interested in the country's economic growth and social prosperity, and were keen to invest in Nigeria. In addition to spotlighting the barriers to investing in Nigeria—including limited access to capital—the study highlighted the tools and levers required to increase investments from Nigerians in the diaspora, as well as the government's role in driving increased participation of the diaspora in economic development. To achieve better outcomes, the UK saw partnerships among the private sector and various agencies of the Nigerian government as critical. This study set a path for the future of investing in Nigeria, and the UK High Commission in Nigeria would continue to support efforts to realise the objectives of the study.

3 Presentation on Nigeria Diaspora Study

Ejike Izejiobi, a consultant at **Dalberg Advisors,** remarked that last year, with support from PDF II, Dalberg set out on this exciting journey to understand the potential to generate productive investments and resources for development in Nigeria by engaging the Nigerian diaspora. The focus of the study was primarily on two models of diaspora engagement: remittances to Nigeria and direct investments in Nigeria (whilst also looking at the diaspora's promotion of investment in Nigeria). To determine the potential for diaspora engagement in investment activity, Dalberg employed four research methods in this study: desk research, an online survey of 175 diaspora members comprised of younger adults and first-generation immigrants, stakeholder interviews with representatives of 30 Nigeria diaspora organisations, and human-centred design workshops.

Dalberg identified a number of common themes among the Nigerian diaspora around the motivations for and barriers to remitting and investing. The three main barriers were *lack of sufficient capital available to invest*, *lack of awareness of investment opportunities*, and *difficulty identifying trustworthy investment opportunities*. Motivations for remitting and investing—as well as actual behaviours—varied across a number of demographic characteristics, including gender, geography, occupational status, and generation. Through a close analysis of the specific motivations and barriers faced by the diaspora, Dalberg identified 10 personas falling into three categories: *remitters*, *investors*, and *non-investors*.

Across the diaspora landscape, Dalberg found an appetite to invest in Nigeria in the future. While only 31% of respondents currently invest in Nigeria, a vast majority (86%) of those who do not nonetheless expressed an interest in investing in the future. The study revealed that real estate is the most popular category for both current and future investments. Members of the diaspora also indicated the potential for a significant increase in investment in franchises, export-oriented businesses, and social enterprises. The top three sectors of interest—both now and in the future—are technology, services, and agriculture.

In concluding his presentation, Izejiobi noted that the study identified two primary levers for encouraging diaspora engagement in Nigeria. The first is to promote specific investment opportunities led by the private sector and third-party arbiters; the second is to improve the overall enabling environment for investment by addressing barriers to engagement at the ecosystem level as well as specific challenges identified by the diaspora.

Questions and comments on the diaspora study presentation

Dr. Badewa Adejugbe Williams, director of the Nigerian Diaspora Alumni Network (NiDAN), stated that she found the study to be quite fascinating. However, she pointed out that 175 respondents did not represent a sufficient sample size. More respondents should have been interviewed—perhaps aiming for 10% of the estimated 15 million Nigerians in the diaspora. An alternative approach would be to interview returnee diasporans in Nigeria. She pointed out that efforts were underway between the office of the Senior Special Adviser to the President on Diaspora & Foreign Affairs and the Nigerian Investment Promotion Council to develop a trust fund for Nigerians in the diaspora.

Ore Sofekun of Investment One stated that, with respect to the study recommendation on open source peer-review channels to harness trust among the diasporans, she would like to gain more clarity on how this would work.

Olajide Fabamise of Leadership Newspaper remarked that one of the solutions put forward to increase interest among Nigerians in the diaspora was to crack down on corruption, and wondered what insights the study provided on how best to address corruption fears inhibiting investments by Nigerians in the diaspora.

Adaeze Sokan of Ventures Platform pointed out that the recommendation cited crowd funding platforms as a potential solution. Sokan wished to know if this was proposed by Nigerians in the diaspora or recommended by Dalberg—and did the inclusion of this recommendation imply that there were no fears among the diaspora of sending funds via digital platforms?

Afolabi Adejumo, representing the **Office of the Vice President,** stated that research had shown that remittances could have negative impacts such as spikes in currency, decapacitation of certain sectors, and the “Dutch disease”—and hence it was important to put actions in place to forestall undesired consequences. Did the study take into account the peculiarities of the Nigerian economy? Secondly, Adejumo continued, there were varying figures from government agencies on the total value of remittances into the country, which suggested the absence of an accurate and robust mechanism for capturing remittances. It might therefore be worth considering leveraging other channels such as household surveys.

Yewande Swabore of Olaniwun Ajayi LP remarked that she found the presentation to be very enlightening. She felt that, while the regulatory framework was robust, information on regulation was not sufficiently available to people in the diaspora—and that it was important to address this problem.

Sulaiman Adedokun of Meristem remarked that the study pointed to the fact that 71% of remittance was currently used for consumption, which spoke to the level of poverty in the country. He doubted if much could be done to channel these funds to investment unless widespread poverty were first addressed.

Dalberg's response

Nneka Eze, Partner and Office Director at Dalberg Advisors, and **Dalberg consultant Ejike Izejiob**i responded to the above questions and comments. Their remarks are summarized below:

- *We were aiming for a larger sample for the online survey, but it was difficult to get more respondents, despite offering incentives for participation. There are a number of reasons for this, including lack of confidence in the outcome of the survey (given experience from related engagements in the past), issues of legal status of some respondents approached in their host country, and lack of data on Nigerians in the diaspora. For future studies, it would be helpful for diaspora organisations to aggregate data on their members and support with one-on-one engagement of members, although this is costlier than on-line surveys. As for the proposed alternative pathway, speaking to returnee diasporans poses the risk of biased perspectives. Government also has a role to play in this regard through the Nigerian embassies and Ministry of Foreign Affairs, perhaps leveraging several touch points with diasporans as channels for data collection and information dissemination*
- *The key issue here is that investors lack clarity on where to go to for investment advice and whom to trust to provide quality advice. On peer-review channels, what we have seen in other markets are platforms where investors can go to review and rate their advisors, and other individuals can use this rating to select a trusted advisor*
- *There are different layers to the diaspora's concerns regarding corruption. First, people have or know someone who lost their funds either through an individual scam or fraud in government. Second, perception is based on corruption stories reported in the media. Intervention is required both at checking corruption and addressing the messaging that goes out about corruption in Nigeria*
- *A crowdfunding platform was not literally proposed by Nigerians in the diaspora but stems from two data points that we saw from the survey that suggest the potential utility of crowdfunding. One was the need for a platform to share information on opportunities; the other was the lack of adequate capital for available opportunities. Together, these make a strong case for fund pooling to allow investors with smaller funds take advantage of larger investment opportunities*
- *The study did not focus on the channels of remittance—cash, digital transfers, cryptocurrency. Perhaps digging into the channels could help address concerns about the reliability of remittance data. It would be nice to see recent data on remittances from the period of recession until now, in order to validate if there is a correlation to the macroeconomic performance of Nigeria*
- *On the potential negative impact of remittances, this is where the Central Bank plays a role in ensuring that capital inflows from the diaspora do not disrupt macroeconomic and currency stability*
- *Regarding the comment on regulation, perhaps there is a robust framework, but more important is how the regulatory framework is implemented. One thing that was expressed strongly in the survey is distrust in the system stemming from past experiences of diaspora investors with cumbersome litigation processes and lengthy duration. In addition, there are perception issues about our legal system that need to be addressed*
- *The big issue is that we have about 80% of our population living on less than USD 2 a day. What will be interesting is to identify areas that link closely to diaspora personas that care about social good and channelling their investments to specific opportunities that help to address poverty. The second important factor is to see how to expand investments from the diaspora to geographical regions that are doing very badly in the poverty index. Interestingly, the study indicates a marked interest by the diaspora to invest in these regions in the future.*

4 Panel Discussion

Context

Roughly 27% of the 15 million Nigerians in the diaspora live in either the UK and USA, yet 45% of the USD 21 billion remitted to Nigeria in 2015 originated in these two countries. Remittance flows tend to be larger, and more stable, than private investment flows and official development assistance. The report indicated that 30% of remittance funds go to investment-related uses and most remittances were sent to cover emergency situations, such as medical care or funeral expenses, or to support the basic needs of family and friends. The study found very limited potential to switch current consumption remittances to investment-related uses unless there were radical changes in the provision of public goods and services and employment.

Still, there may be potential to switch some investment-related remittances (e.g., lending for entrepreneurship or household assets) to formal investment structures that could provide larger-scale benefits (e.g., at the community or village level). These opportunities could be unlocked with improvements to the overall investment ecosystem that enable individual investors to participate in deals with smaller capital requirements, and with increased aggregation of deal flow and pipeline opportunities for the diaspora via easy-to-access and well-known platforms.

Panellist perspectives

Subject matter experts from the private sector, government officials, and representatives of key diaspora groups spoke during the session. These speakers, their focal questions and perspectives are summarized below.

Onyekachi Wambu, Executive Director, Afford UK

What role can diaspora organisations play in informing the improvement of the investment climate in Nigeria and the promotion of investment within their diaspora community?

From its inception in 1994, Afford UK has been at the forefront of championing efforts with the Nigerian diaspora community to promote investments in Nigeria—even before the topic became mainstream following research studies funded by the World Bank. Attempts have been made in the past to set up a diaspora trust fund but have failed due to concerns among the diaspora community that the funds would be misappropriated. It is logical that diasporans are interested in investing in offshore markets that offer better accountability and transparency. Afford has deployed three key interventions that could help address these constraints and encourage investments from the diaspora community: providing financial, technical, and strategic support to diasporans investing in small and medium-sized enterprises (SMEs) through the Afford business club; creating diaspora investment and policy forums as a platform for sharing pain points with regulators; and working towards launching a diaspora bond to fund impactful projects in Africa.

Oladipo Joseph, member of the Economic Advisory Council, Office of the Vice President

In the context of Nigeria's current government, what is required to create an enabling environment that will catalyse increased engagement in the country's investment market by Nigerians in the diaspora?

Government has the will to create an enabling environment and has shown great commitment to this topic through the establishment of the diaspora council, a platform for government to engage with and get Nigerians in the diaspora involved in policy formulation. Similarly, government has introduced the electronic certificate of cash transfer to ease capital flow and *repatriations for Nigeria's diaspora. There are ongoing plans to bring in representatives of Nigeria's diaspora as honorary members of the Nigeria Economic Advisory Council.*

Shirley Somuah, Vice President, CardinalStone Partners
Given the value of funds available to the Nigeria diaspora segment for investment, has CardinalStone explored fundraising from the diaspora, and could you share some lessons learned in this process?

Both on the private equity and asset management side, CardinalStone has supported Nigerians in the diaspora in making principal investments in Nigeria and Ghana. From an institutional perspective, there are two main challenges: absence of information symmetry and restrictive investment regulations on offshore markets that prevent capital providers from Nigeria from soliciting investments from the diaspora. The biggest barrier to investing on the private equity side is that the minimum funds investing firms accept often run into millions of dollars, inhibiting participation from interested diasporans who lack that scale of capital. One of the ways to address this is through pooled investment vehicles and clubs that can vet their members, pull the funds, and then aggregate funds for private equity investments. Early-stage businesses whose financing needs are smaller ticket sizes present another great opportunity for disaporans to invest through angel networks. On the diasporan end, there's also the question of lack of understanding of the varying dynamics of different investment options (i.e., safer options such as fixed income versus and riskier options like private equity). Capital providers need to step back and profile diasporan investors, taking into account their risk appetite in offering investment products. Nigeria has a robust regulatory framework; the challenge is with figuring out where to find information on regulation.

Obinali Egele, Founder, Diasfunds
In the context of Nigeria, what are some potential challenges that organisations such as Diasfunds might face in leveraging crowdfunding for diaspora investment in Nigeria? What could be done to address these constraints?

Diasfunds approaches diaspora investment from an impact investing lens, channelling capital to SMEs. I strongly believe that instead of looking at diaspora interest at a generational level, we need to come to terms with the fact that a significant proportion of Nigerians in the diaspora would never have interest in coming back to or investing in Nigeria. A good way to go about attracting diaspora investments is to create emotional connections with the African continent to stimulate interest in investing. A key issue faced in designing investment products is limited information on what is and is not acceptable by regulation. Given that the crowdfunding model is new in this part of the world, there is not yet a framework guiding its operation. Attempts to launch a crowdfunding platform stalled with the realisation that the Security and Exchange Commission (SEC) had banned it. Recent developments including the establishment of an innovation sandbox give hope that these types of bottlenecks will be addressed soon. Investment promotion should be led by the private sector, while government's role should remain that of creating an enabling environment.

Adesina Emmanuel, Director of Investments, Nigerian Investment Promotion Commission
NIPC is keen to support both the private sector and government in improving the investment landscape in Nigeria. Given its role as a bridge between government and private sector, NIPC is often faced with the issue of distrust by both parties. The agency does not develop projects but rather serves as a platform to link project promoters with capital providers. In order to ease the process of business registration and operation, NIPC has a one-stop shop that aggregates agencies that offer all relevant services required to set up investment in Nigeria.

Bayo Adeyemo, Country Treasurer, Citibank Nigeria
Given Citibank's experience in pioneering targeted savings and asset finance products for the French diaspora a decade ago, how can a similar service be structured and rolled out for the Nigerian diaspora?

Ten years ago, Citibank leveraged its global presence and capabilities to launch a diaspora product with Groupe Banque Atlantique in Togo to facilitate remittances from the diaspora. The bank tried to replicate this in Nigeria but was not successful due to stringent know-your-customer (KYC) and anti-money-laundering (AML) requirements. It is also important to note that the competitive landscape is different in Nigeria as the International Money Transfer Operators are strong in this Clime. On the other hand, the variation in rates at different exchange rate windows is a certainly a barrier to investing. A lot of monies remitted come through the parallel market and trade at a premium. As that gap widens, the incentive to remit money diminishes—potential investors are de-incentivised from investing, as they do so at a discount. Convergence of exchange rate will help in capturing data and increasing the size of capital flows. In thinking about how this can be addressed, Citibank currently issues a global repository note that allows large offshore investors to invest in Nigeria in the currency of their country and earn local Nigeria market rates without the hassles of certificate of capital importation (CCI). There is an opportunity to tweak this for the diaspora to accommodate smaller-size transactions. Further, CCI can also be applied to the estimated USD 24 billion in domiciliary accounts in commercial banks. To further incentivize domiciliary accountholders, government should explore issuing CCIs for investment of domiciliary balances in fixed income and other instruments, to ensure that such remittances stay longer in the system.

Audience reaction to the panel session

Dr. Akindeinde of PDF II echoed the observation that information is a big problem for diasporans, and asked what was the best way to package information on available investment options and their associated risks to diasporan community.

Babatunde Bello of Romis Consultants remarked that his firm had been looking for partners to work with to develop a crowdfunding platform. Bello proposed a collective effort with regulatory agencies to address the regulatory bottlenecks in order to open up the crowdfunding space. Often, SMEs cited access to market as a key barrier. How could access to market be expanded for SMEs?

Having spent years in banking, **Ikemefuna Mordi, Lead Partner at Desarrolar**, was concerned about the approach to product development by banks using residual knowledge informed by personal travel experience to assume the needs of diasporans, instead of engaging the diaspora community to learn what was most important. The diaspora community lacked trust in government, hence government was not well placed to lead engagement of the diaspora. There was no collaboration among private sector actor; different actors needed to come together to approach the diaspora in a targeted manner.

Fehintola Odulaja, a consultant, remarked that the government—especially in some states—was making significant efforts to leverage Nigeria's diaspora for productive investment. She noted that there was an increasing push by states to grow foreign direct investment (FDI) and that a lot of the states had developed agencies led by the private sector to engage the diaspora. The Nigerian Investment Certification Programme for States was currently being piloted in the

South West and government had taken steps to ensure that these agencies were structured and empowered in such a manner that they could effectively engage the diaspora.

Nneka Eze remarked that Dalberg had conducted a number of studies of the diaspora remittance landscape, including in India, and that one intervention that proved helpful was the introduction of alternative identification cards for foreign-born citizens, which ensured that they were captured in the country's database and had some official ties to India. There could be some benefit in thinking about the possibility of voting rights for Nigerians in the diaspora to create direct linkages with Nigeria.

Akin Sawyerr, the Facilitator, asked if exchange risk was a key consideration in designing products—and did respondents cite this as a major issue? If so, how could financial service providers hedge against this risk?

Response from the panellist

Bayo Adeyemo

Nigeria is still dependent on commodity-based revenue. Given that commodity prices are cyclical, exchange rate shocks are bound to happen. Banks are managing this through using forward naira settlement options, which is the most cost-effective form of hedging. While it doesn't completely protect against liquidity risk, it gives subscribers comfort against exchange risk. To unlock more value from the diaspora, dissemination of information to the diaspora community and collaboration between the private sector and government are critical.

Obinali Egele

On creating access to markets for SMEs, crowdfunding is one pathway to achieve this by channelling diaspora funds to investments in the backward valuechain of SMEs.

Onyekachi Wambu

Fundamentally, members of diasporas are interested in investing at home and do so in a variety of ways, including investing in their relatives to make them self-sustaining. The majority are unable to do this at scale due to lack of capital. Underpinning the lack of capital cited by diasporans is the fact that foreign banks do not lend funds for offshore investments while, at the same time, diasporans are unable to access credit from Nigerian banks to invest in opportunities back home. Nigerian Banks are not doing enough in this regard.

Oladipo Joseph

There is greater need for collaboration. Diasporans are not aggressive enough in investing in Nigeria, and we will be better off if diasporans become more intentional and bullish in taking on investments.

Shirley Somuah

On facilitating collaboration between stakeholders, it will be great if a development partner like PDF II could support in organising a forum to build out pathways for collaboration.

5 Address by The Honourable Minister of Foreign Affairs

Folake Abdul-Razak, representing the Minister of Foreign Affairs, addressed the gathering. A summary of her remarks follows:

The joint action that led to the development of the Nigeria Diaspora study clearly demonstrates the need for interventions that will catalyse increased engagement of Nigerians in the diaspora for economic growth. Importantly, Nigerians in the diaspora have a large stake in the economic development of the country. Recent government policies have been directed towards improving engagement with the diaspora community. There is enough evidence to support the important role that diaspora communities play in nation building. For instance, 80% of foreign direct investments to China stem from China's diaspora community. It is worth noting that most countries that are looking to engage the diaspora community spend about 1% of their total budget on citizens abroad. Lessons can be drawn from the experience of countries such as China, India, Italy and the Philippines, among others, that have implemented diaspora policies to advance economic development and nation building. The Ministry of Foreign Affairs is working towards piloting techniques and models that will enhance the positive impacts of remittances on the development of Nigeria. Among its ongoing efforts is the introduction of the Nigerian Economic Diplomacy Initiative (NEDI), which seeks to use modern diplomacy as a tool toward re-engineering economic growth and development through the facilitation of increased market access. This dialogue comes at an appropriate time as it gives the Ministry the opportunity to interact with stakeholders and identify ways to better engage with Nigerians in the diaspora. The Ministry of Foreign Affairs and other related MDAs are ready to collaborate and partner with development actors and private sector organisations to achieve better outcomes.

6 Closing Remarks

The event ended with closing remarks and a vote of thanks from Dr. Akindeinde of PDF II. She reiterated the inspiration for commissioning the study and emphasized that the UK government remained interested in Nigeria's development and was keen to see where this study went from here. She urged Nigerians in the diaspora present at the dialogue to take the message of great investment opportunities in Nigeria to the diaspora community in their respective countries. She ended her remark by calling for more dialogues on the topic and urged the private sector institutions present to step forward and champion collective efforts for increased diaspora engagement, despite challenges in the enabling environment.