

Charting a Course for Diaspora Investment in Kenya



The Commonwealth

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Acronyms and Abbreviations

ADAM	African Diaspora Asset Managers Ltd
CBK	Central Bank of Kenya
COVID-19	Coronavirus disease 2019
EAC	East African Community
EDTF	Ethiopia Diaspora Trust Fund
EU	European Union
FDI	foreign direct investment
GCC	Gulf Cooperation Council
GDP	gross domestic product
GoK	Government of Kenya
ICT	Information and communication technology
PRIME	Platform for Remittances, Investments and Migrants' Entrepreneurship
KDA	Kenya Diaspora Alliance
KDHC	Kenya Diaspora Homecoming Convention
KIA	Kenya Investment Authority
M-PESA	Mobile Pesa
MTO	money transfer operators
MTP	Medium-Term Plan
NRI	non-resident investor
SDDA	State Department for Diaspora Affairs
SDGs	Sustainable Development Goals
SMEs	small and medium-sized enterprises
UAE	United Arab Emirates

Executive Summary

A combination of political and socio-economic reforms has contributed to sustained economic growth in Kenya. This includes adopting a new constitution in 2010 that introduced a devolved government system and a bicameral legislative house. Several strides have also been made in terms of financial inclusion, largely due to the introduction of M-PESA, which is an innovative mobile money system that has ensured greater financial access and inclusion. As emigration has increased to other parts of the world, remittances have been steadily increasing over the years, with remittances rising to 4 billion US dollars in 2022, accounting for around 3–4 per cent of the country's gross domestic product (GDP) (Central Bank of Kenya 2023). With rising trends in remittances and increasing diaspora investment, the Government of Kenya (GoK) has incorporated the important role that the diaspora can potentially play in the country's development in national policies and strategies. Additionally, surveys conducted by the Central Bank of Kenya and the Commonwealth indicate the potential diaspora members can have for increasing investment and their willingness to scale up investments in the countries of origin and support development.

While diaspora investments have been growing in recent years, surveys show some challenges that prevent the diaspora from increasing investments, including aspects of trust in investment partners and a lack of adequate information on and awareness of investment options and partners. This report, therefore, aims at amalgamating a combination of findings from reviews of literature and policies implemented in Kenya and globally, as well as stakeholder consultations. Based on evidence-based research, it proposes some policy recommendations on how Kenya can further enhance its diaspora investment and contribute towards national development.

The trends in Kenyan emigration indicate that a large portion of the diaspora (over 75 per cent) is located in developed countries like the United States of America, the United Kingdom and Canada, with many of these migrants being skilled workers.

For instance, over 50 per cent of the Kenyan diaspora reported having a high school or college education (MPI 2014a). With large-scale emigration to countries like the USA, a large proportion of remittances to Kenya tend to originate from the United States of America to remit funds to support family and friends back home. More recently, there has been a sharp increase in emigration to Gulf states such as Qatar and the United Arab Emirates, with most emigrants to these countries being unskilled workers.

The Government of Kenya has made strides in incorporating diaspora issues into its national policies and plans. This included the development of the National Diaspora Policy (2014) and the inclusion of diaspora issues in the Kenya National Payment System Vision and Strategy (2021–2025). Furthermore, engagement with the diaspora has advanced over the years and has been incorporated within the Medium-Term Plans to the 2030 Kenya Vision. The potential contributions of the diaspora towards national development have been recognised and plans to address the key challenges they face have been put in place to enhance their involvement and improve dialogue channels with them.

To further bolster diaspora investment, there is a need to establish an overarching national diaspora investment vision outlining priority areas for investment aligned with the national development agenda, as stipulated in the Big 4 Agenda. To operationalise this, there is a need for an evaluative and evolving diaspora investment strategy in the medium term that stipulates specific actions. The actions that could be taken within the short, medium-to-long term include fostering regular engagement with the diaspora and enhancing co-ordination of diaspora investment initiatives across government and key stakeholders. Additionally, the government could also take steps towards reducing costs of remittances, increasing access to information on various investment options, enhancing diaspora trust, identifying business partners for the diaspora, and sustaining a conducive 'ease of doing business' environment to facilitate diaspora investment.

1. Introduction

1.1 Economic and business environment overview

Over the past couple of decades, Kenya has implemented major reforms that have contributed to political stability and economic growth. In 2010, it developed a new constitution that introduced a bicameral legislative house, devolved county government, a constitutionally tenured judiciary and electoral body, and reduced the president's powers (World Bank 2021; BBC 2020).

The combination of economic and political reforms in Kenya has led to sustained economic performance. Additionally, the country's long-term development plan, Kenya Vision 2030, aims to transform Kenya into a newly industrialising middle-income country and provide a high quality

of life for all by 2030. Following the rebasing of gross domestic product (GDP) in 2014, the country was elevated to a lower middle-income country status. Currently, Kenya serves as an economic, commercial and logistical hub in East Africa (Embassy of the Republic of Kenya in Japan 2022b).

Over recent decades, Kenya has made strides on the doing business environment. As of 2020, Kenya ranked 56th on the World Bank Doing Business Index. Examining individual indices shows that Kenya is ranked highly (first) on the protection of minority investors, while the report ranked Kenya fourth on ease of getting credit. However, starting a business, enforcing contracts and registering property remains challenging – with Kenya ranked 129th on the starting a business indicator (see [Table 1.4](#)).

Box 1.1 Kenya's 'doing business' environment: key indicators

Table 1.1 Infrastructure quality: key statistics

Individuals using the internet (% of population, 2019)	22.6%
Secure internet servers (per 1 million people, 2020)	239.5
Fixed telephone subscriptions (per 100 people, 2020)	0.1
Mobile cellular subscriptions (per 100 people, 2020)	114.2
Fixed broadband subscriptions (per 100 people, 2020)	1.3

Source: World Bank (no date, a)

Table 1.2 Financial sector: key statistics

Broad money (% of GDP, 2020)	41.06%
Domestic credit to private sector (% of GDP, 2020)	32.04%
Foreign direct investment, net inflows (% of GDP, 2019)	1.33%

Source: World Bank (no date, b)

Table 1.3 Governance indicators (percentile ranks), 2020

Indicator	Percentile rank
Control of corruption	21.2
Government effectiveness	39.4
Political stability and absence of violence/terrorism	14.2
Regulatory quality	35.6
Rule of law	31.3
Voice and accountability	35.7

Source: World Bank (no date, c)

Table 1.4 Ease of doing business in Kenya: 2020 global rankings by topic

Topics	Global rank (2020)
Overall	56
Starting a business	129
Enforcing contracts	89
Getting credit	4
Getting electricity	70
Paying taxes	94
Protecting minority investors	1
Registering property	134

Source: World Bank 2020a

The business environment has also been supported by the advancement of mobile money payments systems such as M-PESA. The introduction of M-PESA mobile payments in 2007 and its success fostered an increase in digital financial inclusion in Kenya, reaching the previously unbanked and poor population. This contributed to formal financial inclusion rising to 82.9 per cent in 2019 from 26.7 per cent in 2006, according to the FinAccess Households Survey (2021). Additionally, financial exclusion narrowed to 11 per cent in 2019 from 41.3 per cent in 2006 (Ombane 2021). As a result, more Kenyans now have access to financial services such as bank accounts (Ndung'u 2017). For instance, as of 2007, there were 193 bank accounts per 1,000 people; this compares to 2015, when the figure rose to 1,315 per 1,000 people.¹

1.2 Broad remittances trends and objectives of the government

Remittances to Kenya have been increasing over the years, reaching 4 billion US dollars (US\$) in 2022 and predicted to rise over US\$4.5 billion in 2023 (Central Bank of Kenya 2023). Remittances currently make up between 3 and 4 per cent of the country's GDP, with the bulk of the remittances flowing in from the United States. The high inflows of remittances go a long way to support family livelihoods, providing support for healthcare, schooling and necessities. Diaspora remittances have also been found to foster greater financial

inclusion in Kenya (Arthur et al., 2020). Recognising the important role played by the diaspora, the Government of Kenya, through the Kenya Vision 2030 (2008–2012), aims to increase local savings by the diaspora and remittances to Kenya as well as foreign direct investment (FDI) in all sectors. Additionally, the first, second and third Medium Term Plans towards achieving Vision 2030 recognise the important role of the diaspora as an important contributor to development. In addition to this, the Kenyan constitution recognises the diaspora as important and has a section focusing on it, further highlighting the importance the government places on the diaspora.

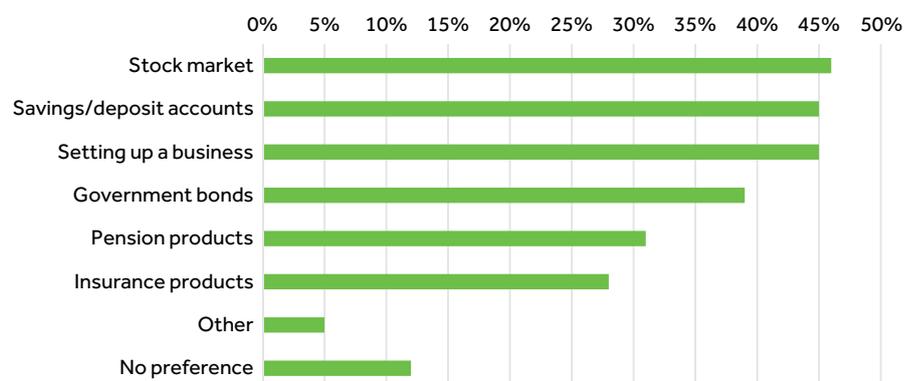
1.3 Commonwealth diaspora investment programme and report objectives

It is estimated that the diaspora community from developing countries holds up to US\$500 billion in savings and surveys indicate they are keen to invest back home (Benson et al., 2016). The challenge that remains is translating these savings into viable investments in home countries to fast-track economic development. The Commonwealth Diaspora Investment Project is, therefore, aimed at leveraging diaspora finance to enhance financing for development. This includes providing technical assistance to countries to help in identifying the best diaspora tools and strategies to help member countries realise enhanced diaspora investment in various forms.

As part of this project, in 2018, the Commonwealth conducted a Commonwealth Diaspora Investor

¹ FRED Economic Data, 'Number of Bank Accounts for Kenya', available at: <https://fred.stlouisfed.org/series/DDAI01KEA642NWDB>

Figure 1.1 Investment interest, by type of savings investment, of the Kenyan diaspora in the UK (% of respondents)



Source: The Commonwealth 2018

Survey aimed at providing an overview of investment practices and preferences of the diaspora living in the UK. This was part of a set of surveys done for six Commonwealth countries: Bangladesh, Fiji, Ghana, Jamaica, Kenya, Nigeria. The survey, which was conducted by sending questionnaires to the Commonwealth diaspora in the United Kingdom in 2018, found that two in five respondents held savings or deposit accounts in their country of origin, but a smaller proportion

held more formal products such as insurance products, stocks and shares, or government bonds (Figure 1.1). It was further found that Kenyan diaspora members are motivated by emotional and social drivers, such as benefitting friends and family and the desire to contribute to Kenya's social and economic development – with 76 per cent reporting remittances sent to benefit family and friends, while 45 per cent sent remittances to invest into social or economic development.

Box 1.2 Commonwealth Diaspora Investor Survey (2018): Key points on Kenya

Current practice

- Top reasons for sending money to Kenya:
 - to benefit family/friends
 - to invest in social and economic development
- 42 per cent have savings/investment (S/I) accounts
- 41 per cent don't hold any form of investment

Investment interest

- 61 per cent are interested in investing more in Kenya
- Property/real estate and health are the sectors of greatest interest to investors
- Top S/I interests:
 - stock market
 - own business
 - government bonds

- Types of initiative of greatest interest:
 - poverty reduction
 - youth development
- 56 per cent would reinvest financial returns in Kenya

Investment obstacles

- Top financial system obstacles:
 - costly taxation policies
 - insecure financial system
- Top governance obstacles:
 - corruption
 - political instability
- Top S/I obstacles
 - lack of S/I info
 - inadequate trust in/knowledge of organisation to manage investments

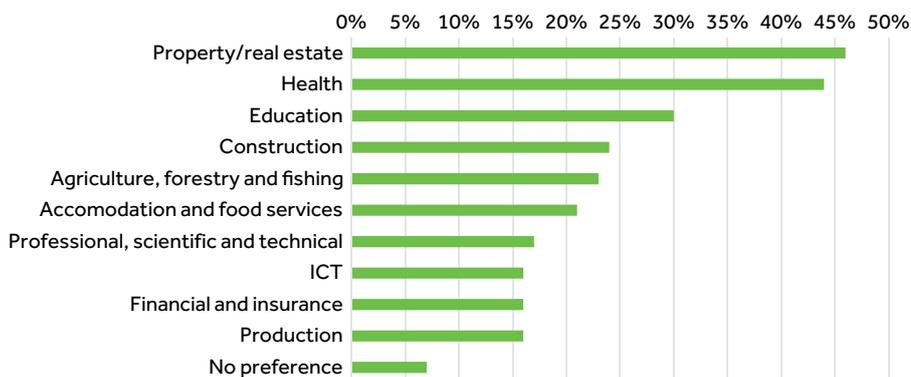
Investment incentives

- Economic incentives
- Greater government recognition
- Improved technological solutions
- Special economic rights

The survey also unearthed that, up to 61 per cent of respondents said they wanted to invest more in Kenya, with a quarter saying this would be for amounts between 10,000–49,999 GB pounds (£), with a preference for medium to long-term

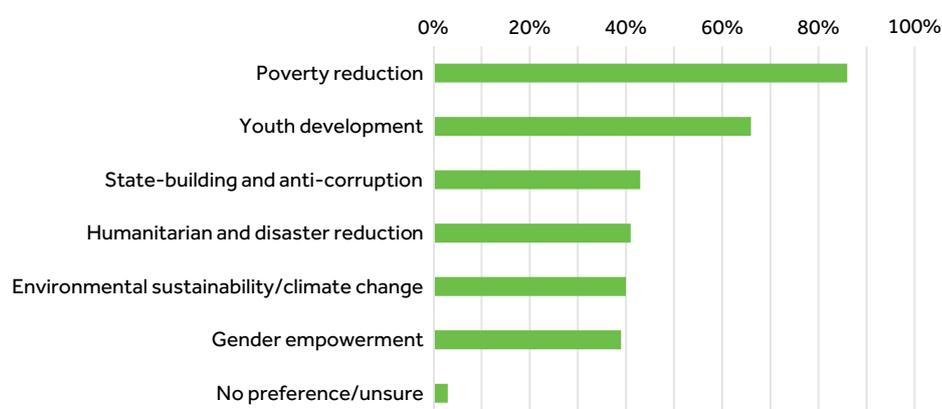
investment types. The respondents also expressed considerable interest in saving and investing in Kenya, with more than two in five diaspora members expressing an interest in investing in the stock market, establishing a business, and in obtaining a

Figure 1.2 Investment interest, by sector, of the Kenyan diaspora in the UK (% of respondents)



Source: The Commonwealth 2018

Figure 1.3 Investment interest, by 'other initiatives', of the Kenyan diaspora in the UK (% of respondents)



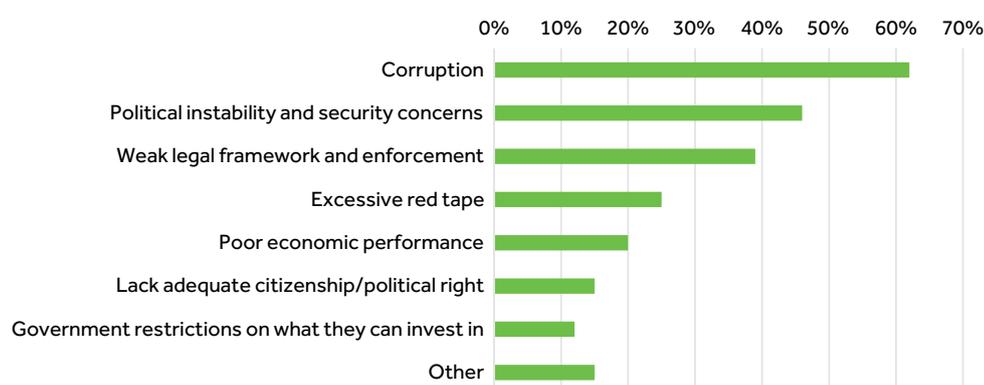
Source: The Commonwealth 2018

savings or deposit account. Furthermore, 56 per cent of the respondents said they would reinvest financial returns from investments back into Kenya, with 22 per cent of the respondents being unsure. In addition, those who wanted to invest more in Kenya were most interested in poverty reduction and youth development initiatives. Of those respondents setting up a business or investing in the stock market, the top 3 categories of interest for investment were property/real estate (46 per cent), health (44 per cent) and education (30 per cent) (Figure 1.3).

However, despite most respondents expressing an interest in investing in Kenya, two in five respondents stated that they held no form of saving or investment in the country. This mismatch suggests that there is a gap between investment interest and practice. The survey findings suggest

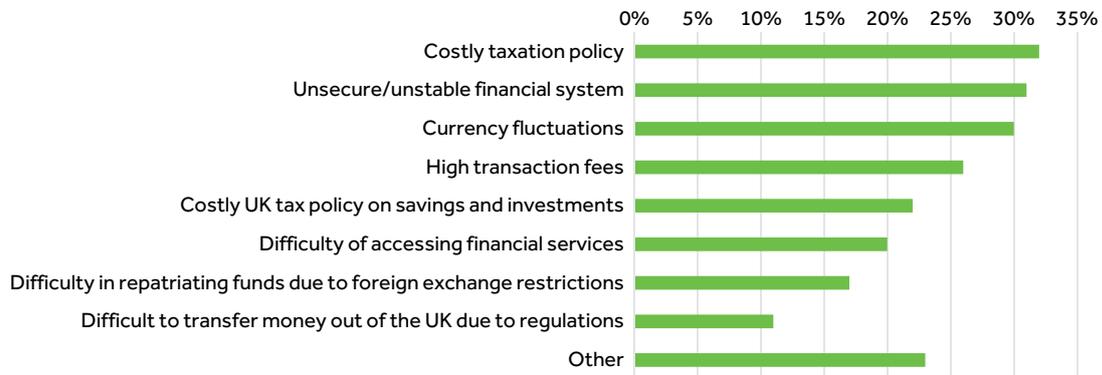
that for diaspora members, a range of issues present a barrier to saving and investment that must be addressed if the gap is to be minimised. Perceptions of corruption were perceived to be a particularly significant obstacle, with over half of all those interviewed saying that tackling this must be the priority for government. This was almost double those who said the same for all other challenges preventing further investment into Kenya. Other challenges highlighted include a lack of information about investment opportunities, a lack of trust in or knowledge of organisations to handle investments, expensive taxation policies, insecure financial systems, and the high costs of transferring money out of the United Kingdom. Furthermore, respondents claimed that if the government was to offer additional economic incentives or greater recognition for the positive role that the diaspora plays in the country, then

Figure 1.4 Governance issues acting as obstacles to further investment by the Kenyan diaspora (% of respondents)



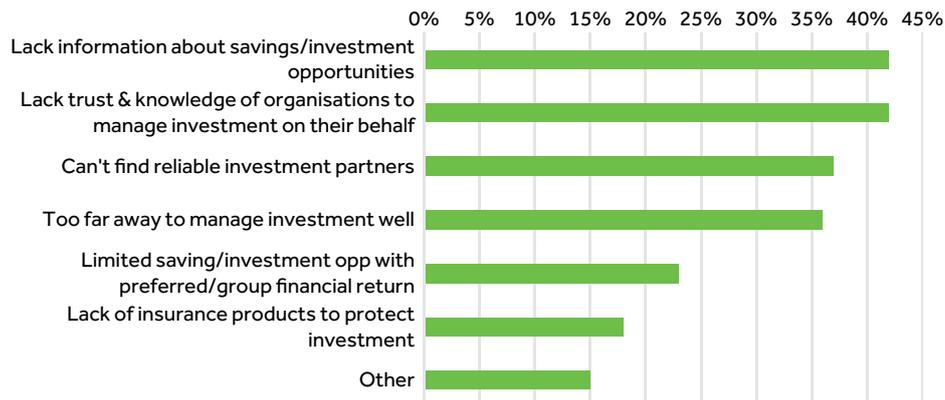
Source: The Commonwealth 2018

Figure 1.5 Financial system issues acting as obstacles to further investment by the Kenyan diaspora (% of respondents)



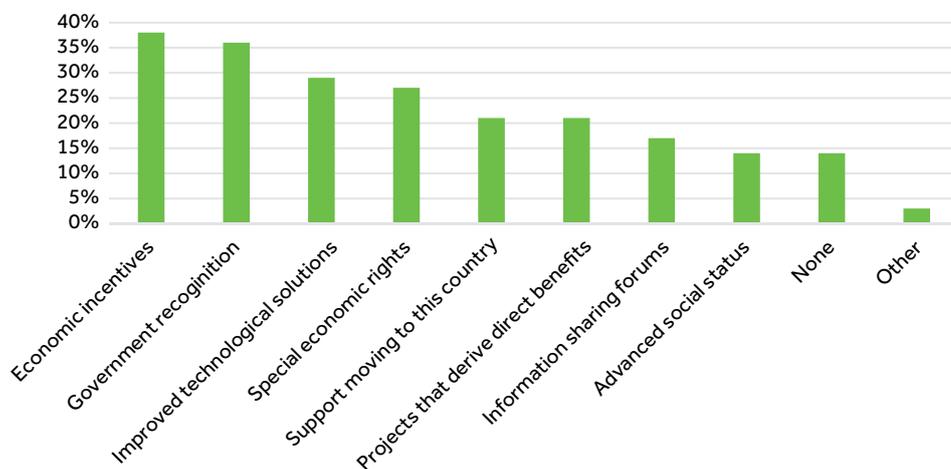
Source: The Commonwealth 2018

Figure 1.6 Other obstacles to further investment by the Kenyan diaspora (% of respondents)



Source: The Commonwealth 2018

Figure 1.7 Factors that the Kenyan diaspora believe would motivate savings/ investment in Kenya (% of respondents)



Source: The Commonwealth 2018

this would motivate further savings/investment into the country. It is notable, however, that one in five diaspora members said that they were unsure when asked about preferences for future savings and investment, suggesting that there is a real opportunity to raise awareness of potential investment opportunities among the Kenyan diaspora.

This report, therefore, aims to chart a way forward and provide policy recommendations that can be implemented to help boost diaspora investment in Kenya. It does this by assessing the current Kenyan diaspora policy framework to suggest strategies that can be implemented in the short, medium and long run and also by drawing from experiences in other countries.

This report is based on a combination of desktop research and key stakeholder interviews conducted between 25 April and 3 May 2022 in Nairobi, Kenya. The stakeholders interviewed included

representatives of key government agencies such as the Ministry of Foreign Affairs, the Central Bank, the State Department for Trade, The State Department for East African Affairs, the Ministry of Labour, the Kenya Investment Promotion Agency and the Kenya Diaspora Alliance. These interviews helped identify the specific challenges and opportunities for diaspora investment in Kenya and provided insight into requirements to help foster diaspora investment.

The report first undertakes a mapping of the Kenyan diaspora in Section 2, while an overview of key remittance trends is discussed in Section 3. The report then examines the literature on diaspora investment initiatives across the world in Section 4, before discussing the current policy framework and recommendations in Section 5. Section 6 provides the policy recommendations arising from the report, and finally section 7 summarises its conclusions.

2. Rising Emigration and Emigration Trends

2.1 Historic and demographic trends

The emigration of Kenyans in large numbers has risen over the past 30 years. Prior to that, between independence in 1963 and the 1980s, few Kenyans emigrated due to costs and high economic growth producing new domestic employment opportunities across all sectors (Odipo et al., 2015). From the 1980s, the economic situation reversed, with negative per capita income growth in the 1990s. With push factors such as high unemployment and political instability, and pull factors such as opportunities for higher salaries, better quality education and healthcare, becoming increasingly apparent during this period, outward migration started to increase. To begin with, other African countries such as Tanzania and Uganda were the predominant host of Kenya’s migrants. However, towards the latter part of the century, migrants primarily left for high-skilled work in western countries, with a high proportion of them made up of tertiary graduates (ibid).

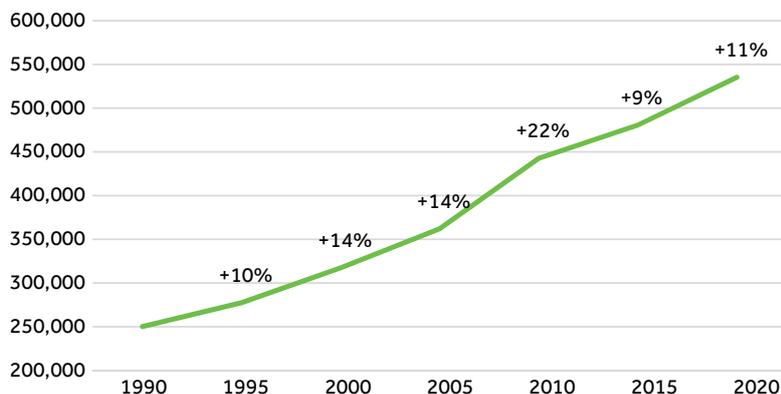
Since 1990, emigration has continued to increase decade-on-decade (Figure 2.1). In 2020, global Kenyan migrant numbers reached 535,348 – up from 442,530 in 2010. Despite this consistent rise in migration, it is predicted that the COVID-19 pandemic could end the decades of growth in

international migration, with major job losses for existing migrants, combined with a sharp decline in new flows (Oxford Economics 2021).

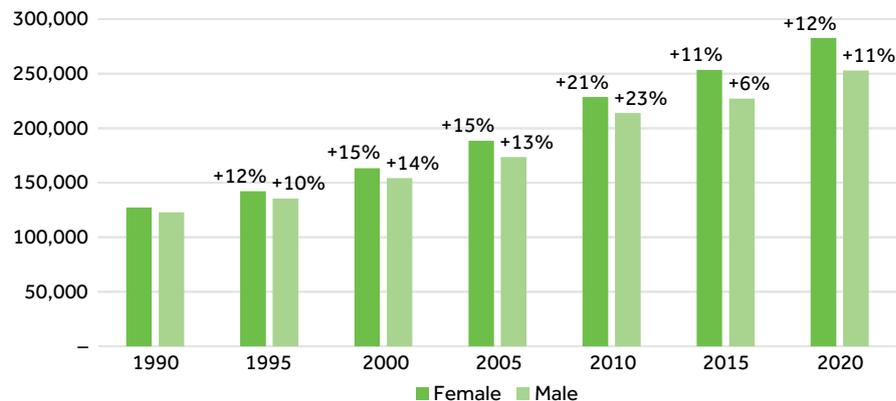
For Kenya, the number of female migrants has consistently been greater than that of male migrants (Figure 2.2). Year-on-year, the number of female migrants has almost always increased at a greater rate than that of males. This may partly be explained by large proportions of migrants moving to countries such as the US for nursing or caregiving-types of jobs (MPI 2014b).

It has been shown that women remit higher proportions of their incomes than male migrants, show more stability and frequency in sending home remittances, and are more likely to remit when unexpected shocks occur (Kenny and O’Donnell 2016). However, total female remittance volumes are often lower, as they frequently earn less than their male counterparts (ibid). For example, for the Kenyan diaspora, women sent home less than US\$492 for the period covering April to June 2021, while men sent amounts greater than US\$985 for the same period. Further analysis shows that this was because the male diaspora either earned more or had more disposable income than the female diaspora, as more men than women reported the remittances accounted for less than 5 per cent of their total income (Pangea Trust 2021).

Figure 2.1 Kenyan emigration, 1990–2020



Source: UN Population Division 2020

Figure 2.2 Year-on-year Kenyan migration by gender, 1990–2020

Source: UN Population Division 2020

This opens opportunities for the Government of Kenya, as it can target policies specifically at women to encourage and stimulate investments and savings in the country. However, the protection of women migrants should be emphasised as a priority in migrant policy strategies, as they often face greater discrimination, are more vulnerable to mistreatment and can be left unprotected by the law in some countries (Kawar 2016).

2.2 Countries with the largest Kenyan diaspora

In terms of geographic movement, most Kenyan migrants move to developed, high-income regions, with most migrants, outside of the African region, residing in Europe or North America (Table 2.1). According to a survey carried out by the Central Bank of Kenya (CBK), the diaspora in Europe, North America and Oceania left in pursuit of higher education, while those in Asia and Africa mainly left in search of employment.

For a long time, the UK was the most popular destination for Kenyan migrants. However, between 2010 to 2020, the number of Kenyan migrants coming to the UK fell by about 5 per cent. There was an opposite trend for the United States, which saw an increase of 75 per cent over the same period. This led to the US becoming the top destination for Kenyan migrants in 2020, standing at 156,960 (Table 2.2). Although Kenyan migrant numbers have increased over the last decade, among the top 10 destinations, both Tanzania and Uganda saw small declines in numbers.

Recent labour migration

In recent years, temporary labour migration from Kenya to the Gulf Cooperation Council (GCC) countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) has increased significantly. Seeking to fill labour shortages in sectors such as construction and other service-based jobs ahead of the UAE Expo in 2020 and the (football) World Cup in Qatar in 2022,

Table 2.1 Emigration from Kenya per country grouping and geographic region (2020)

Country grouping	No. of diaspora members	Geographic region	No. of diaspora members
Developed regions	400,391	Africa	126,637
Less developed regions	134,957	Asia	8,105
High-income countries	400,470	Europe	187,678
Middle-income countries	56,445	Latin America and the Caribbean	215
Low-income countries	78,433	Northern America	186,201
		Oceania	26,512

Source: UN Population Division 2020

Table 2.2 Top destinations for Kenyan migrants ('international migrant stock' of Kenyan origin, 2010, 2015 and 2020)

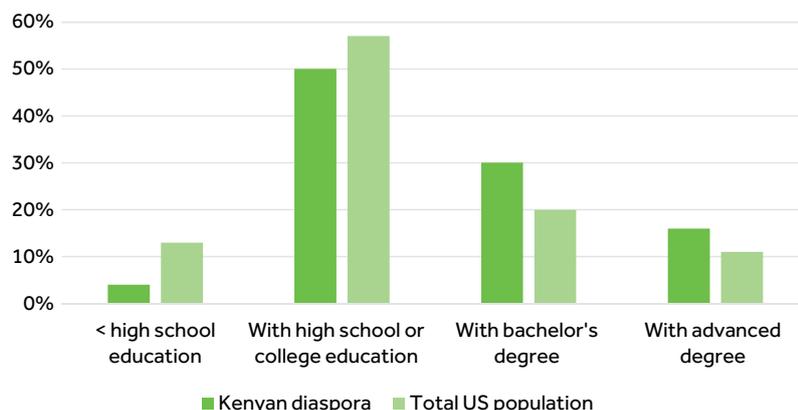
	2010	2015	2020	% change, 2010–2020
United States of America	89,826	125,185	156,960	75%
United Kingdom	146,627	131,845	139,352	-5%
Uganda	38,271	38,254	34,241	-11%
Canada	24,515	26,988	29,241	19%
Australia and New Zealand	16,961	21,434	26,512	56%
Mozambique	22,749	23,584	24,779	9%
Australia	15,370	19,720	24,557	60%
United Republic of Tanzania	27,864	27,247	24,274	-13%
South Africa	13,282	17,141	19,901	50%
Germany	12,109	12,427	16,678	38%

Source: UN Population Division 2020

some Gulf countries and employers turned to Kenya as a fresh source of semi- and low-skilled workers – particularly as Asian countries impose restrictions on sending workers to the region. Common employment opportunities taken by Kenyan migrants include as construction laborers, cleaners, hospitality servers, security officers and taxi drivers. However, there have been numerous complaints reporting illegal and unethical recruitment practices, and working violations, as well as trafficking and servitude. Kenya has created frameworks to protect its migrant workers in this region; however, at the time writing, governance gaps still created challenges in upholding national migration policies, emphasising the potential vulnerability of migrant workers (MPI 2016).

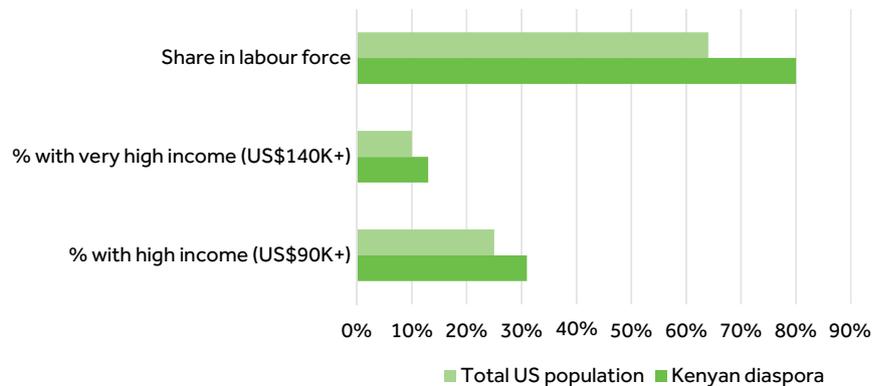
Despite potential 'brain drain' effects of migration, particularly with the loss of highly skilled and educated migrants, the impact can also be positive for the country of origin as well as the country migrated to. If leveraged correctly, Kenyan migrant workers can contribute significantly to the socio-economic development of the country in terms of skills, expertise and transfer of knowledge upon return (Tum 2016). Further to this, the substantial level of remittances sent back to Kenya from abroad offers an important contribution to economic and national development. This has been recognised by the Government of Kenya through its consideration of diaspora remittances as a flagship project under the financial sector within Kenya Vision 2030. As such, objectives – including leveraging the potential benefits of remittances on socio-

Figure 2.3 Educational attainment among the Kenyan diaspora (aged 25 and over) in the United States



Source: MPI 2014a

Figure 2.4 Labour participation and earnings among the Kenyan diaspora in the United States



Source: MPI (2014a)

economic development, reducing the transfer costs of remittances, and developing appropriate legal and regulatory frameworks for remittances, payments and settlement systems – are now being implemented into policies (IOM 2018).

2.3 Mapping characteristics of Kenyan diaspora in selected countries

According to the Diaspora Remittances Survey carried out by CBK (2021a), 34 per cent of diaspora respondents had attained a master's degree, with 26 per cent holding a bachelor's degree. Most migrants were professionals in the business and finance, engineering, health, or information and communication technology (ICT) sectors. The most common sector for migrants to be employed in was human health and social work, at 12 per cent. This was followed closely by the finance and insurance sector, at 10 per cent, with education, professional activities and ICT all at 8 per cent. Average incomes for migrants varied depending on age and geographical location. Those in Asia and East Africa had the lowest average income at less than US\$2,000 per annum. In Europe, Oceania and North America, most migrants were earning more than US\$50,000 per annum, reflecting their migration motive to pursue education translating into better-paid jobs. Forty-five (45) per cent of those earning less than US\$2,000 were aged under 30 years, while 60 per cent of those earning more than US\$50,000 were aged between 31 and 45, residing mainly in North America and Europe.

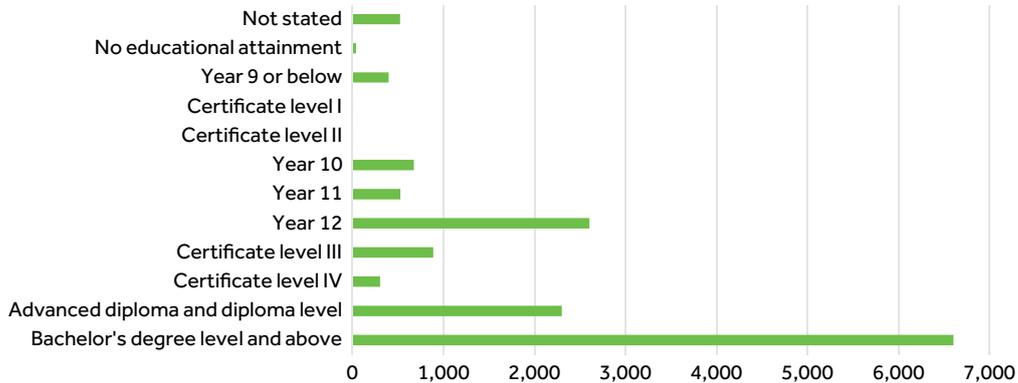
Kenyan diaspora in the United States

The number of Kenyan immigrants in the US has grown substantially over the years, rising by 75 per cent between 2010 to 2020, from 89,826 to 156,960. As of 2014, many Kenyan diaspora members were young, highly educated and economically successful (MPI 2014a). Their median age was 33 and 98 per cent were under the age of 65. Kenyan diaspora members were more likely to be in the labour force than the general US population, and a greater share of Kenyans held bachelor's degrees and advanced degrees than the US population overall. The median annual income for Kenyan diaspora households was US\$61,000, above the median of US\$50,000 for all US households. Thirteen (13) per cent of Kenyan households had incomes over US\$140,000, which was the income threshold for the top tenth of US households. A quarter of the diaspora members were employed in the nursing profession, while 31 per cent were likely to be in professional or managerial occupations, including specialised fields such as engineering, science, law or human resources (HR), as well as in administration/managerial roles such as finance or HR.

Kenyan diaspora in Australia

Most Kenyan residents in Australia have migrated since the early 2000s, with 66 per cent of the current Kenyan-born population in Australia arriving between 2001 and 2016. The Kenya-born population in Australia tends to be highly qualified, with approximately 43 per cent having a university degree or higher (Figure 2.5).

Figure 2.5 Education level of Kenyan diaspora in Australia (aged 15+)



Source: Australian Bureau of Statistics 2016

Table 2.3a Employment status of Kenyan diaspora in Australia, 2016

Employment status (2016)	Percentage
Worked full-time	51%
Worked part-time	33%
Away from work	5%
Unemployed	11%
Not in the labour force	26%

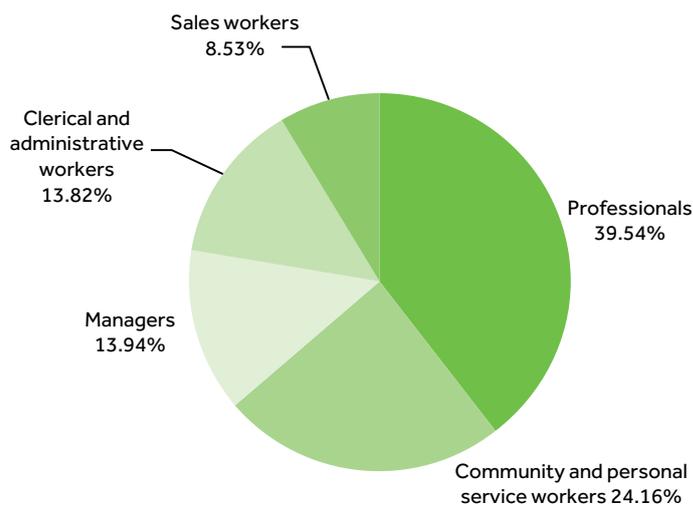
Source: Australian Bureau of Statistics 2016

Table 2.3b Weekly median income (A\$) of Kenyan diaspora in Australia, 2016

Median weekly income (A\$) (2016)	Amount
Personal	A\$731
Family	A\$2,140
Household	A\$1,820

Source: Australian Bureau of Statistics 2016

Figure 2.6 Occupations (% by type) among the Kenyan diaspora in Australia, 2016

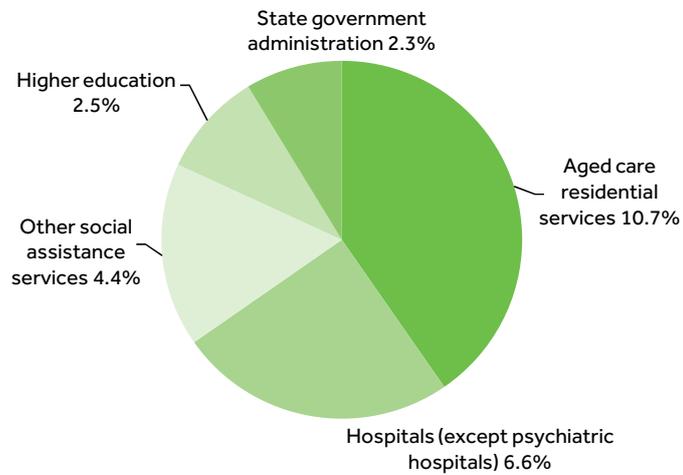


Source: Australian Bureau of Statistics 2016

As of 2016, just over 50 per cent of the diaspora were in full-time employment, with an additional 33 per cent in part-time work. Eleven (11) per cent of

the Kenyan diaspora in Australia was unemployed, slightly higher than the average national unemployment rate of around 6 per cent. The

Figure 2.7 Top five Industries of employment (% by type) among Kenyan diaspora in Australia, 2016



Source: Australian Bureau of Statistics 2016

median individual weekly income was around 731 Australian dollars (A\$), with family median incomes totalling A\$2,140 (Table 2.3).

Of the employed Kenyan migrants in Australia, around 45 per cent were in professional or managerial occupations (Figure 2.7). Twenty-

two (22) per cent were employed in social care-type roles, including working in hospitals, aged care residential services and other social assistance services.

3. Money Matters: The Story of Remittances in Kenya

3.1 The importance of remittances

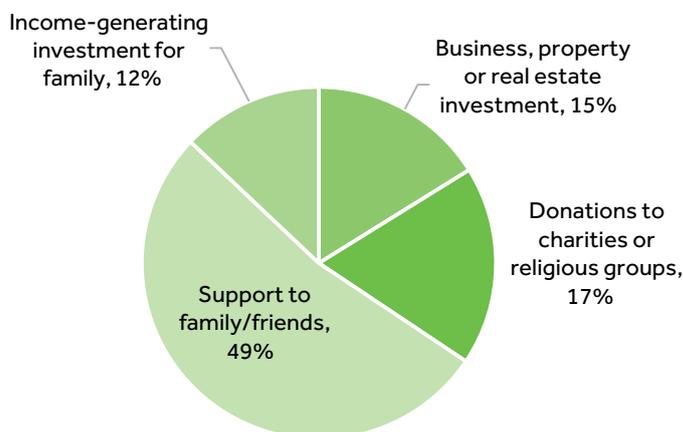
Over the last 20 years, remittance flows have grown in value five-fold, and make up more than 4 per cent of a country's GDP in over 70 countries (IFAD 2021a). Large proportions of remittances are used to cover food, medical and educational expenses in the poorest rural areas in developing countries, offering lifelines to households, as well as contributing toward several Sustainable Development Goals (SDGs). Remittances are also often used to invest in home countries, creating important economic knock-on effects in addition to income and employment generation. During times of severe global economic distress, such as the COVID-19 pandemic, remittances allow for consumption-smoothing during shocks, fostering resilience and recovery in the sender's home country. During such times, remittance senders become front-line providers of economic security, with remittances' magnitude, reliability and cascading effects making them a crucial building block in developing economies' efforts to return to normalcy (Oxford Economics 2021).

In Kenya, remittances have been reaching all-time highs since 2010, heading towards US\$4.5 billion in 2023. This is equivalent to almost 4 per cent of the country's GDP and represents a substantial contribution to the economy

(CBK 2023). Remittances in Kenya can also be fundamental to a family's healthcare, with studies relating them to a 5 per cent decline in mortality among children aged 5 years and below, while also raising the overall life expectancy at birth for those in receipt of diaspora remittances (Kibet and Rono 2021). Higher diaspora remittances have also been shown to lead to greater financial inclusion in Kenya (Arthur et al., 2020). In addition, it has been established that the moderating effect between formal diaspora remittances and financial inclusion is positive and statistically significant, implying that the diaspora policy implemented by the government has greatly influenced diaspora remittances and financial inclusion in the right direction in Kenya (ibid). This therefore provides evidence that the Government of Kenya should continue to strategically strengthen diaspora policies to increase the flow of remittances.

In Africa, one in every five people sends or receives international remittances, without considering domestic flows. Most remittances received in Africa cover daily needs, with a significant amount (25 per cent) available for savings or investment (IFAD 2021a). The case of Kenyan remittances follows a similar trend. According to a study by Pangea Trust (2021), 49 per cent of respondents claimed their

Figure 3.1 Top reported remittance uses among the Kenyan diaspora (% of responses)



Source: Pangea Trust 2021

main purpose of remittance was to directly support family and friends to provide food, medical and educational expenses (Figure 3.1). Fifteen (15) per cent of respondents reported sending remittances to be invested in business, property or real estate, and 12 per cent invested into long-term income-generating activities for the diaspora member's family. An overwhelming 95 per cent stated that investments were not just financially driven, but instead a combination of socio-economic factors (ibid).

The report also highlights that the biggest obstacle to enabling investments for the diaspora members is them being able to access appropriately packaged

and credible information on available investment opportunities. In addition to this, other major concerns preventing initial or further investment were worries of being too far away to handle the investment or lack of trust in or knowledge of available organisations to handle the investment/finances on their behalf. The Diaspora Remittances Survey carried out by the Central Bank of Kenya (2021a) supports these findings, stating that the main challenges faced when accessing the information on investment opportunities were large amounts of misinformation, limited access to information, unco-ordinated and untimely information, and the high costs of acquiring information.

Box 3.1 Key facts on the Kenyan diaspora

- In the 11 months to December 2021, Kenya saw its highest remittance flow on record, at \$33.37 billion.
- It is estimated that 14 per cent of Kenyan adults receive up to US\$735 annually from abroad.
- Diaspora remittance is now Kenya's highest forex earner, having overtaken tea in 2018.

According to the CBK Diaspora Survey (2021a), remittances were predominantly sent to support recipients in areas of food and household consumption, medical expenses, rent and household utilities, and for ceremonies such as funerals and weddings. Yet of the total proportion of cash remittances, over half was used instead for investment in real estate for recipients, mortgage payments for senders, and the purchase of food and household goods. Citizens who migrated for employment reasons tended to invest more in real estate, while diaspora members employed in international organisations spent more on mortgage payments.

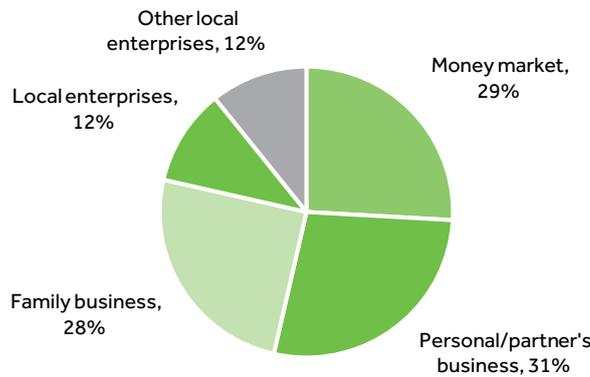
Remittances tend to flow into Kenya in small amounts, reflecting their use and need for ongoing day-to-day household expenditures such as healthcare, education and consumption, as previously mentioned. Therefore, although remittances are estimated by CBK to involve a large amount of money, it has no control over these fragmented remittances due to the direction and form in which they are sent. There are yet to be many successfully implemented mechanisms that would allow for the effective pooling of remittances, so they could be used for direct investment or

channelled into national development initiatives. There are ongoing plans to create frameworks such as a 'big bank approach' that would allow diaspora members in a certain country to lump and consolidate their remittances together through a trusted intermediary, allowing them to be utilised for greater impact, particularly in national development.

3.2 Trends in remittances

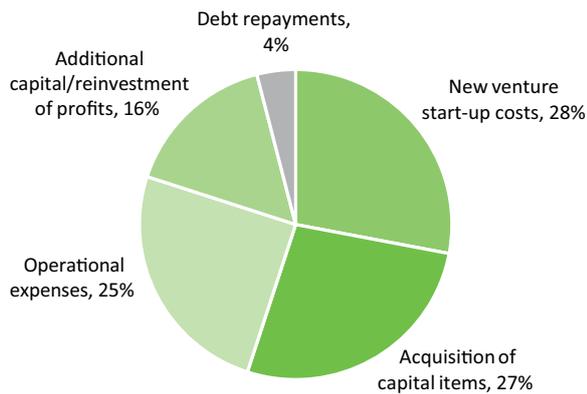
With the onset of COVID-19, remittance inflows to sub-Saharan Africa were predicted to fall by over 7 per cent in 2020 (IMF 2021). However, counter to these predictions, remittance flows to many countries within sub-Saharan Africa showed resilience and instead reached record highs in 2021 and onwards. This was reflected in Kenya, where remittance inflows increased to over US\$3 billion in 2020 and have continued to rise to over US\$4 billion through 2022 and 2023 (Figure 3.5). Since 2004, Kenya has experienced a consistent increase in annual remittance inflows, except for a small decline in 2009. The year 2018 saw one of the largest increases in remittances, reaching just below US\$2.7 billion from just under US\$1.95 billion the year before (Figure 3.5). Since then, remittances have continued their upward

Figure 3.2 The four investment options selected by the Kenyan diaspora (% of responses)



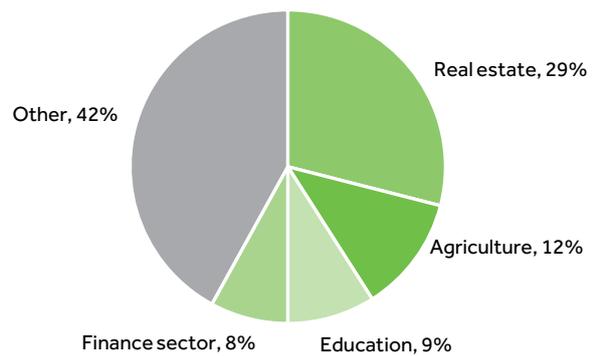
Source: Pangea Trust 2021

Figure 3.3 Reported proportion of Kenyan diaspora's business investment by cost/expense



Source: Pangea Trust 2021

Figure 3.4 The four investment sectors selected the Kenyan diaspora (% of responses)



Source: Pangea Trust 2021

*Note: 'Other' responses included fast-moving consumer goods (FMCG) and retail; professional services; renewable energy and green businesses; ICT; hospitality; healthcare; transport and logistics; entertainment and arts; and manufacturing.

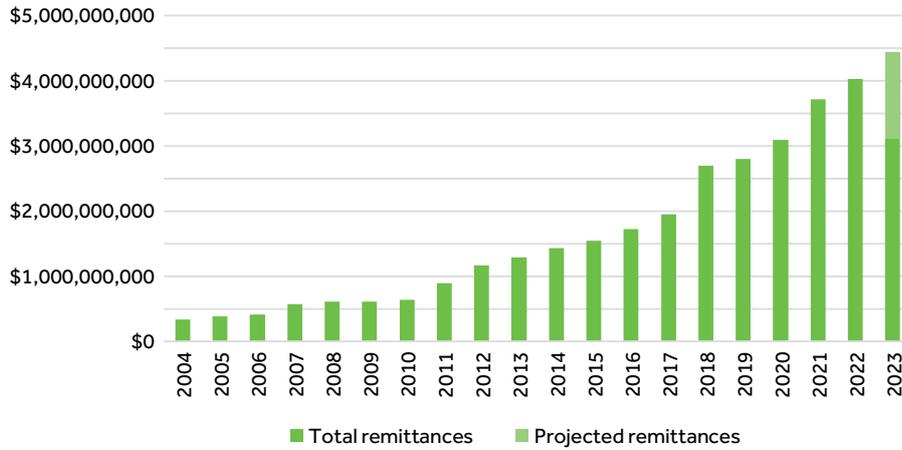
trend, perhaps slowing somewhat between 2018 and 2020, but then increasing further in 2021 as diaspora members continued to provide much-needed support for their families based in Kenya. Month-on-month remittance trends tend to feature small fluctuations, as seen in [Figure 3.6](#). However, from January 2022 until August the same year, there was a gradual but consecutive six-month fall in remittances. This could be attributable to the rising cost of living and inflation, particularly in high-sending countries such as the US.

The increase in remittance flows to Kenya is argued to be partly a result of financial innovations and the adoption of convenient, advanced technology such as transfers through mobile phones. These aspects are ever-more present in Kenya, making it

easy for families to send and receive money, despite the widespread restriction of movement and lockdowns (IFAD 2021b). In addition, targeted rising emigration levels, demonstrated through Kenyan policy attempting to actively increase the flow of Kenyan citizens working abroad, naturally correlate with higher remittances sent back to the country.

However, this increase in remittances could also be overstated, as the consequences of the COVID-19 pandemic, such as air travel restrictions, can forcibly encourage the use of formal channels over informal ones to transmit funds (IMF 2021). So rather than an increase in overall remittance inflows,

Figure 3.5 Annual remittances inflows to Kenya (US\$), 2004–2023



Source: Central Bank of Kenya 2023

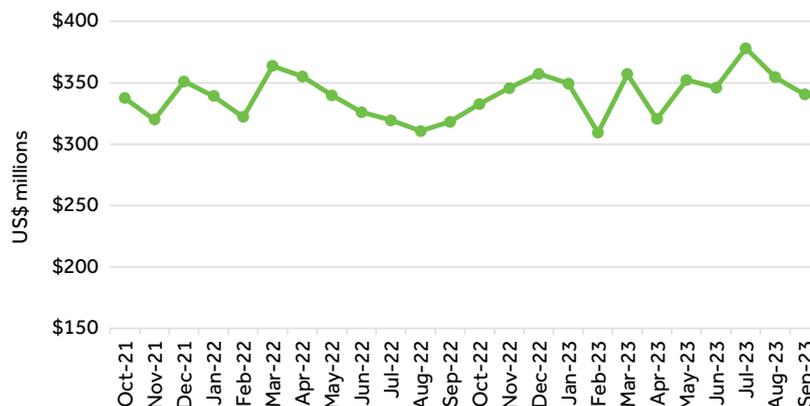
the rise in the use of formal channels may just mean that higher levels of remittances are being officially captured and recorded. Having said this, the altruism of the Kenyan diaspora should never be overlooked, as the impact of the COVID-19 pandemic would have encouraged increased remittances from the diaspora to help families back home throughout this challenging period.

As demonstrated in [Figure 3.7](#), well over 50 per cent of the remittances sent to Kenya come from the US, totalling US\$2.3 billion over the 12 months leading up to September 2023. Historically, the UK has usually been the next-largest sender of remittances, although at a substantially lower amount than the US. But across the 12 months leading up to September 2023, remittances from Saudi Arabia had almost doubled their 2021 level from US\$185 million to US\$359 million, overtaking

the UK as the second-largest sender of remittances to Kenya. Across the same timeframe and within the top 10 senders of remittances are three GCC countries, namely Saudi Arabia, the UAE, sending US\$60 million, and Qatar, sending US\$59 million. The two countries from the sub-Saharan Africa region within the top ten senders of remittances are Tanzania and Uganda. In 2019 and 2020, South Africa was ranked as the third-largest sender of remittances to Kenya at US\$196 million in 2020; however, it has fallen significantly since then, with only US\$20.5 million sent in 2022 (CBK 2023).

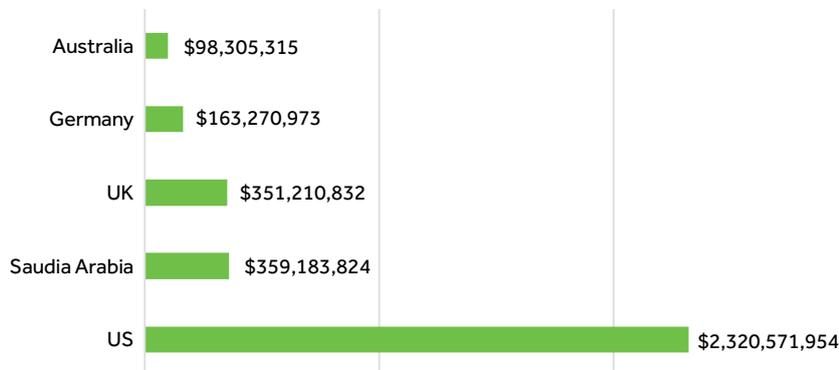
Although difficult to capture, there are also inflows of in-kind remittances to Kenya, albeit on a much lower scale than cash remittances. According to the survey by the Central Bank of Kenya (CBK 2021a), 30 per cent of respondents sent in-kind remittances in 2019, consisting mainly of household

Figure 3.6 Monthly remittances inflows (US\$ millions) to Kenya, October 2021–September 2023



Source: Central Bank of Kenya 2023

Figure 3.7 Five countries sending most in remittances (US\$) to Kenya, October 2022–September 2023



Source: Central Bank of Kenya 2023

and electronic goods, clothing, shoes and medicines. Most in-kind goods sent to Kenya were valued to be worth between US\$501 and US\$5,000. In-kind remittances have a much higher cost of sending compared to cash remittances, although this is inversely related to value; that is, the higher the value of the item, the lower the cost of sending as a percentage (CBK 2021a).

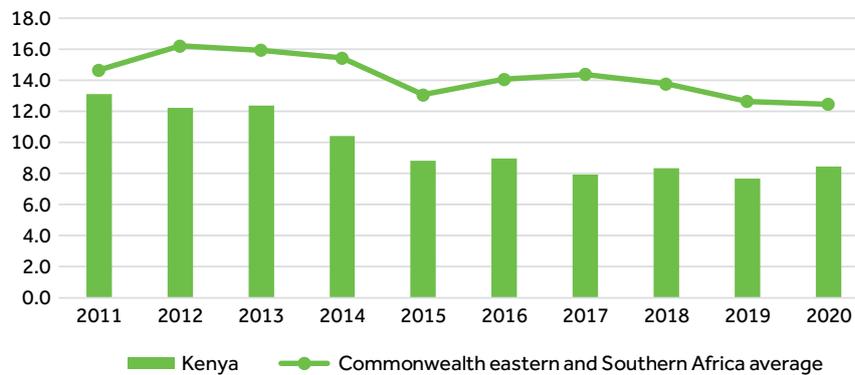
3.3 Transaction costs of remittances

The average transaction cost of sending US\$200 to Kenya from abroad was 8.4 per cent in 2020 (World Bank 2021). However, more recent estimates state the cost to be around 6.2 per cent, just below the global average of 6.3 per cent (IFAD 2023). The average cost ranges substantially depending on the remittance corridor and chosen service provider. The cost of remitting has fallen over the years from 13.1 per cent in 2011 (Figure 3.8). The adoption of technology such as digital wallets and mobile money via M-PESA, along with the integration of mobile phone financial services, are responsible for much of the lowered costs of transactions (IFAD 2021b). According to a 2021 survey carried out by the Central Bank of Kenya, the average cost of sending funds using the most dominant and preferred service providers such as mobile money operators, money transfer companies and banks was as low as 4–5 per cent of the amount remitted (CBK 2021a). Using courier companies, on the other hand, represented the highest costs at around 29.2 per cent of the value remitted. Further to this, such formal channels were shown to be more expensive than the cost of sending funds through some informal channels. In terms of remittances corridors, the most expensive

regions to send remittances from were Europe, Asia and the rest of Africa, averaging between 4 and 6 per cent, while North America, East Africa, Latin America and the Caribbean had lower costs at 2 to 3 per cent (ibid). In the last quarter of 2021, the two highest remittance-sending countries, namely the United States and the United Kingdom, had similar average transaction costs of sending remittances across all services at around 5.75 per cent (World Bank 2021).

Although Kenya has a much lower cost of sending remittances in comparison to its neighbouring countries, it is still above the SDG target of 3 per cent (World Bank 2021). Furthermore, it costs more to send money to Kenya from other African countries, including, for example, Tanzania, South Africa and Rwanda, than from Germany, Canada and the US. This significantly reduces the amount of money received by families to purchase food, pay for housing, education and healthcare, and to save and invest. In addition, with the cost being higher to remit from some African countries, it may encourage these diaspora members to transfer funds in person rather than through formal channels, as it is easier to visit more often. However, data were limited to evidence the extent of this. To address such issues and take advantage of development opportunities, innovative programmes such as the Platform for Remittances, Investments and Migrants' Entrepreneurship (PRIME) Africa programme (2021), implemented by the International Fund for Agricultural Development (IFAD) and co-funded by the European Union (EU), aim to promote more affordable and faster remittance transfers through innovations, partnerships and scalable products. The PRIME programme attempts to achieve this by addressing

Figure 3.8. Average transaction cost (%) of sending remittances to Kenya, and Commonwealth Eastern and Southern Africa Average, 2011–2020



Source: World Bank Data 2021

the data gap, increasing market competition, supporting coherent regulations, co-financing business models that link remittances to financial services and financing scalable best practice innovations. Having said this, creating enabling factors that can facilitate further and continuous reductions in the cost of sending remittances should remain a strong aim within government diaspora plans and as such, should be reflected through policy actions.

3.4 Popular modes of sending remittances

The Kenyan remittances market is highly digitalised, driven by high financial inclusion rates and the prevalence of mobile wallets. According to IFAD (2023), more than half of all remittances are terminated into M-PESA wallets, and over half of transactions are channelled through Equity Bank. Remittance value chains to and from Kenya involve several players, including the sending party, banks or international remittances aggregators, a licenced entity in the receiving market, and payout sub-agents. In Kenya, 38 commercial banks, 14 microfinance banks, PostBank, 19 money remittances providers and two mobile money providers have a direct license to offer inbound and outbound money transfers. International money transfer operators partner with these entities and payout via their networks and sub-agents. It is estimated that SendWave and World Remit are the largest senders of remittances to Kenya globally. At the time of writing, it was possible to send remittances mobile-to-mobile wallets to seven other African countries from Kenya, and it

was possible to receive remittances mobile-to-mobile from six countries, making it one of the most globally integrated countries. Access to international remittances in Kenya is among the best on the continent, with a good distribution of money transfer operator (MTO) agent locations and mobile money agents.

The use of informal channels to send and receive money to/from Kenya is high, especially within the East African region. Hawala service providers are also prevalent, although many of the Hawala providers are registered as MTOs in Kenya. The main informal channel used within the region is via registered and unauthorised M-PESA agents residing in other countries and offering cross-border money transfers and cash-in/cash-out services. Although there were no data available on the prevalence and scale of informal remittances flowing from and to Kenya, stakeholder interviews suggested that such flows were commonplace from border countries through family and friends, hawala, bus drivers, and informal agents.

The Diaspora Remittances Survey commissioned by CBK found that the top three channels used to send remittances were mobile money operators, money transfer companies and banks (CBK, 2021a). The most preferred service provider was M-PESA/Safaricom, followed closely by banks. Most respondents claimed to use their preferred service because of the convenience and speed of service, with 72 per cent claiming remittances were transferred on the same day. However, 33 per cent of respondents claimed that the main challenge of sending money to Kenya was the cost of transferring, with 20 per cent stating hidden fees

to be the second biggest challenge. Hawala, credit unions, the postal network, transport operators, hundi operators and courier companies were used less, making up 4 per cent each as a proportion of total cash remitted. Personally carried cash makes

up only 0.4 per cent of the total cash remitted, despite being the fourth most used provider to send cash to Kenya, meaning although used, it is only used for small amounts.

4. Diaspora Investment Across the Globe: Lessons Learned

Across the globe, various countries have implemented policies, strategies and instruments that have targeted diaspora investment. These range from diaspora bonds to equity loans and knowledge-sharing mechanisms. Examples of countries where diaspora bonds have been successful include India and Nigeria, which have been able to raise substantial funds to finance major projects. This section provides an overview of major diaspora initiatives implemented, outlining successes and challenges faced in their implementation.

4.1 Diaspora investment tools

4.1.1 Diaspora bonds

In 1991, India floated a diaspora bond providing the first formal mechanism for non-resident investors (NRIs) to repatriate US\$1.6 billion (Rustomjee 2018). Further bonds, such as the resurgent India Bond released in 1998, raised US\$4.2 billion, with maturity in 2003. The India Millennium Development Bonds, released in 2000, raised more than US\$5.5 billion within the first two months. This was not registered under Security and Exchange Commission (SEC) rules and was targeted exclusively at NRIs. In 2017, Nigeria issued a diaspora bond that managed to raise US\$300 million for investment and was oversubscribed by 130 per cent. This provided diaspora investors with a return of 5.6 per cent, paid over five years. Israel has also been successful with its diaspora bonds, managing to raise an accumulative US\$40 billion by 2015 since it began issuing them in 1951 (ibid).

At the other end of the spectrum, a few countries have attempted to issue diaspora bonds with limited success. These include Ghana and its 2007 Golden Jubilee Savings Bond, which raised only 20 million Ghana new cedi (GHS) against a target of GHS50 million (Rustomjee 2018). Ethiopia issued the Millennium Corporate Diaspora Bond in 2008, which failed to attract sufficient diaspora investment due to perceived political risk, high minimum purchase thresholds, uncompetitive

fixed-rate instruments and a lack of confidence in the Government of Ethiopia's ability to guarantee the investment. In 2011, it issued the Renaissance Dam Bond with improved results, although there was still limited diaspora uptake. It included the use of foreign currency-denominated and floating-rate bonds and a much lower minimum subscription. Similarly, the Kenya diaspora bond gained only a quarter of the target funds (ibid).

To be able to replicate successful diaspora bond issuance, country experiences suggest that there is a need for regulatory approval to list bonds abroad, as well as strong outreach and trust-building with the diaspora. Furthermore, governments must overcome the challenges that are common with diaspora bond issuance. Lessons include the need to:

- meet external requirements for successful bond issuance (financial and political stability, high credit rating);
- have a wealthy diaspora, with trust in local institutions and extensive technical advice; and
- allot substantial time and resources to plan and obtain financial advice.

4.1.2 Supporting returning diaspora investors

Portugal's Programa Regressor supports returning migrants willing to invest, set up a business or work. In its first month of implementation, in January 2019, 1,700 people were registered to return. Incentives include a 50 per cent tax break for the first five years if returnees have lived abroad for more than three years, financial support to start-ups and help with obtaining employment. It combines financial incentives and employment matching and does not discriminate across various levels of skills. Portugal's experience suggests that success with regressor support programmes of this type requires awareness-raising and inter-institutional collaboration. Opportunities for replication are predicated on appropriate

financial and legislative reform, investment in digital matching, and the use of public–private partnerships (PPPs) (Programa Regressor, 2022).

4.1.3 Diaspora funds

Ethiopian Diaspora Trust Fund

The Ethiopian Diaspora Trust Fund (EDTF) is a non-profit organisation working with the government to directly involve the diaspora in the business of improving the lives of the Ethiopian people by raising funds for vital socio-economic projects in their country of origin. Its primary objective is to finance people-focused social and economic development projects. It aims to finance projects that meet critical needs, selected based on their potential to make the highest positive impact on groups and communities in Ethiopia in such areas as health, education, water and sanitation facilities, rehabilitation of persons with disabilities, agricultural development, technology, small-scale entrepreneurship, and other income- and employment-generating projects. The projects supported by the EDTF to date include water supply, integrated services for orphans and vulnerable children, improving children’s learning environment, and hygiene and sanitation. Projects requiring funding present their budgeting needs to the EDTF, which then selects the projects to which the diaspora can contribute (EDTF 2022).

Financing rural youth in Mali

Under the Mali Rural Youth Project, Malians in France provide loans to micro-entrepreneurs in Mali through several mediums, including an online crowdfunding platform called Groupe de Recherche et de Realisation pour le Development Rural (GRDR), a French non-governmental organisation (NGO), and Babyloan, another crowdfunding platform. The project utilises crowdfunding to channel diaspora funds to productive agricultural activities, while also maximising diaspora ownership of investments. Under this project rural youth micro entrepreneurs receive €2,000 for agricultural activities, vocational training and career development planning. According to reviews of the initiative, replicating such project success requires building trust, stimulating interest among diaspora members, awareness campaigns and adequate resources to audit financial institutions. Further, the reviews indicate that a project of this nature is more suited for countries with specific zones of emigration (EUDiF 2021).

Other initiatives

Other initiatives that have been implemented across the globe have centred on skills transfers or knowledge sharing, as well as on pooling remittances to support hometown associations and remittance securitisation (see [Box 4.1](#)).

Box 4.1 Other diaspora investment initiatives across the globe

Knowledge sharing networks and skills exchanges

These initiatives include professional networks, skills-matching databases, coaching, virtual return for education or training purposes (distance learning), pro bono capacity building for individual initiatives, partnerships with the private sector for return or training schemes and providing support to universities. Some examples include the following:

- Kosovar Diaspora Business Union
- Ghanaian Beyond Return Campaign: a 10-year plan to encourage dialogue with the diaspora
- El Cucayo in Ecuador, which provides grants to businesses, awarded together with skills and mentoring
- the Irish Technological Leadership Group, which provides venture capital together with mentoring and market matching information
- Malaysia Talentcorp, which works with the government, private sector and diaspora to bring about the return of educated and high-skilled diaspora members
- the South Africa Network of Skills Abroad (SANSA), which connects highly qualified and skilled diaspora with opportunities to advance education, research and development in the country.

These initiatives are more easily replicable by other countries compared to diaspora bonds.

Remittance-linked housing loans for the diaspora

Examples include diaspora mortgage facilities such as:

- Mi Casa Con Remesis in Colombia
- Mi Vivienda in Peru
- Construmex Mexico

Pooled remittances and remittance securitisation

Examples of **remittance-pooling** initiatives include:

- Hometown associations in Mexico.
- Moldova PARE 1+1: Offers training to individuals and grants to businesses.
- Ethiopia Addis Hiwot: Receives donations to support 10 families with 40 children in Addis Ababa with financial support.
- Senegal Waounde: Senegalese diaspora from the village of Waounde use donations to fund infrastructure in their village of origin.

These can benefit from matching funds from diaspora host countries, origin countries, the private sector and non-profit organisations.

Remittances securitisation bundles together the title to future remittances based on the assumption of stability. There are successful examples of this in Latin America, Turkey, Central Asia and elsewhere.

Source: IDB 2012

4.2 Building an enabling environment for diaspora investment

4.2.1 The case of transparency

Transparency and education on the cost of remitting could also increase the level of savings. For example, a report from the UK Government found that first-time remittance senders choosing the lowest-cost option to send remittances doubled after being shown transparent pricing. Awareness of cost can encourage individuals to shop around, stimulating competition in the market and further driving down costs. An example of competition reducing the cost of remittances comes from the United States–Mexico corridor. Remittances were highest when the market was dominated by one large MTO, which controlled the market through exclusive contracts with distributors. However, once these contracts were broken up and competition entailed, remittance costs for consumers fell by nearly 60 per cent (World Bank 2006). Evidence suggests

that the actual cost to providers of facilitating remittance transactions is not very high. This lends further support for countries introducing a competition policy.

4.2.2 Building trust and engagement

To gain the trust of the diaspora, a careful, co-operative, reciprocal, open and strategic series of engagement initiatives should be planned, implemented and nurtured over time (iDIASPORA, GRFDT, CISAN and ADEPT, 2021). Nigeria, for example, after the end of military rule, has implemented a series of initiatives to engage its diaspora in national development. Such initiatives have included roundtables, conferences, dialogues and the creation of diaspora desks, platforms and organisations such as the Nigerians in the Diaspora Organisation and the Nigerian National Volunteer Service. Through the creation of such groups, and openness of dialogue, diaspora members were able to push their agenda on items such as dual citizenship. This represented a large turning point in diaspora engagement of Nigeria. In addition,

Nigeria has established a national diaspora database, creating two sets of benefits. First, it has enabled the diaspora to gain a feeling of being recognised; and second, it allows the Government of Nigeria to understand the diaspora's needs and demands. It is suggested that the success of such initiatives in gaining trust and expanding engagement partly accounts for the country's bond offering tripling from US\$100 to US\$300 million (Wolff et al., 1016).

On the other side, those countries with hostile diaspora environments are less likely to succeed in raising finance through diaspora bonds. Various factors can limit trust and hamper engagement and empowerment of the diaspora in homelands. These factors include the political environment, lack of an enabling investment environment and limited systematic integration of the diaspora.

In Zimbabwe, it was recognised that the diaspora was not keen to invest back home. A possible reason for this could be lack of confidence and trust due to the prevailing situation in the country (Murzapu and Havadi 2021). Over the years, there has not been a noticeable attempt from Zimbabwean parties to engage constructively. Zimbabwean diaspora members have largely relied on the public media as their primary source of information on the situation back home. This is not ideal considering media deficiencies that border on over-exaggeration, disinformation and misrepresentation of facts (ibid). To overcome this lack of trust, confidence-building measures for diaspora investors could include earmarking specific projects, transparency over the use of funds, pooling efforts of country-specific bonds through a trusted intermediary and establishing clear communication channels.

5. Policy Framework for Diaspora Engagement and Investment in Kenya

5.1 The history of Kenya's diaspora engagement

The Government of Kenya has developed several policies and strategies aimed at building and maintaining a positive relationship with the diaspora, while creating mechanisms to facilitate and encourage investment and the flow of remittances into the country and participation in development. This section looks at the current policy framework for diaspora engagement in Kenya.

5.2 Kenya's new diaspora policy framework

In recognition of the important role the Kenyan diaspora has in national development, the government has made significant progress over the years to mainstream the participation of the diaspora in economic and political activities through a range of engagement initiatives and policy actions. In 2008, the first major step was taken when the Kenya Vision 2030 was launched, including three Medium Term Plans (MTPs) that labelled the Kenyan diaspora as critical to the growth of the Kenyan economy. Their inclusion in the development blueprint was fundamental to achieve the goals of the 2030 vision. Furthermore, 'diaspora diplomacy' was also established as one of the key pillars of Kenya's Foreign Policy.

The first Medium Term Plan (MTP1) (2008–2012) towards Kenya Vision 2030 predominantly aimed to scale up linkages and networks with the Kenyan diaspora and to develop a diaspora policy, after identifying remittances from the diaspora as a major reason for the current account deficit remaining modest (GoK 2008). **The Second Medium Term Plan (MTP2) (2013–2017)** aimed to increase local savings and remittances from the Kenya diaspora and FDI in all sectors (GoK 2013). The plan included the groundwork to establish a National Diaspora Council of Kenya (NADICOK) by

2021, as well as the finalisation and implementation of a National Diaspora Policy to overcome the absence of a legal framework on the diaspora, among other issues.

The National Diaspora Policy was created in 2014 as a strategy to engage and empower the diaspora, after recognising them as being critical to the growth of the economy (GoK 2014). The plan would aim to improve engagement with the diaspora by opening up dialogue channels through associations, promoting diaspora participation in democratic processes, creating specific mechanisms that would improve interactions with diaspora youth, providing pre-departure and reintegration training, and increasing the government's capacity to offer consular services. The plan would further aim to overcome the challenges of the high cost of remittances, a lack of integrated databases on the diaspora, and inadequate structures and incentives for investment opportunities. As a complement to the 2014 Diaspora Policy, the Kenya Foreign Policy was also formulated, aiming to further engage and partner with diaspora members to harness their expertise and skills for national development. 'Diaspora' made up one of the five pillars that were set out within the policy, emphasising the need for 'diaspora diplomacy' and the importance of facilitating their integration into the development agenda (ibid).

The Third Medium Term Plan (MTP3) (2018–2022) towards Kenya Vision 2030 reported progress on the opening of five new diplomatic missions to expand markets and enhance consular services to the Kenyan diaspora (GoK 2018). The plan further emphasised continuous issues of inadequate data on the Kenyan diaspora that were hampering effective management, engagement and support. As a result, among its projects for 2018–2022 was one to digitise and govern the collection, analysis and dissemination of labour market information. In addition, informational exchange mechanisms were

advanced to enable effective collaboration between the East Africa Community (EAC), partner states, migrant workers and Kenyans in the diaspora.

The Fourth Medium Term Plan (MTP4) (2023–2027) succeeds MTP3 and will implement the second to last phase of Kenya Vision 2030 (GoK 2022). The Government of Kenya, through the State Department for Planning, was responsible for the formulation of the plan and activities before implementation that ensured full representation of all national stakeholders, the public and the country's 47 counties. The overarching theme of MTP4 is that of sustained economic growth through creating a more competitive, inclusive and resilient economy among all sectors. In addition, there will be a heavy focus on achieving income inequality and empowering youth, women and persons with disabilities (GoK 2022). The continuous focus on diaspora-targeted aims, particularly those that have been evaluated from previous plans and considered not fully achieved, would synergise and complement the overall ability to achieve the objectives of MTP4. This is also necessary to ensure existing and planned diaspora policy frameworks are fully established and working as expected.

Further policy initiatives such as the **Kenya National Payment System Vision and Strategy (2021–2025)** also target challenges faced by the diaspora. Within this strategy, produced by CBK, a review of how the efficiency and cost-effectiveness of international payments and remittances can be improved was carried out to increase the flow of such payments and capture their contribution toward national growth (CBK, 2021b). In addition, the **Diaspora Remittances Survey (2021)**, also carried out by CBK, looked to improve the quality of statistics on remittances, both those sent through formal and informal channels and those sent in-kind (CBK 2021a). The survey aimed to identify the efficiency and cost of alternative remittance channels, as well as the challenges the diaspora faced when trying to remit. The survey also explored investment opportunities available to the diaspora, aiming to identify the availability of information on such investments, and the current use of remittances received in Kenya.

Further effective practices arising from policy initiatives and government action to improve engagement with and investment from the Kenyan diaspora include:

- Kenya Diaspora Homecoming Convention (KDHC) events;
- the release of Diaspora Bonds; and
- the establishment of diaspora organisations such as the Kenya Diaspora Alliance, which aims to ensure the rights to inclusion, representation and participation in national affairs of Kenyans abroad, as well as offering investment opportunities through its Diaspora Investment Club (DACL).

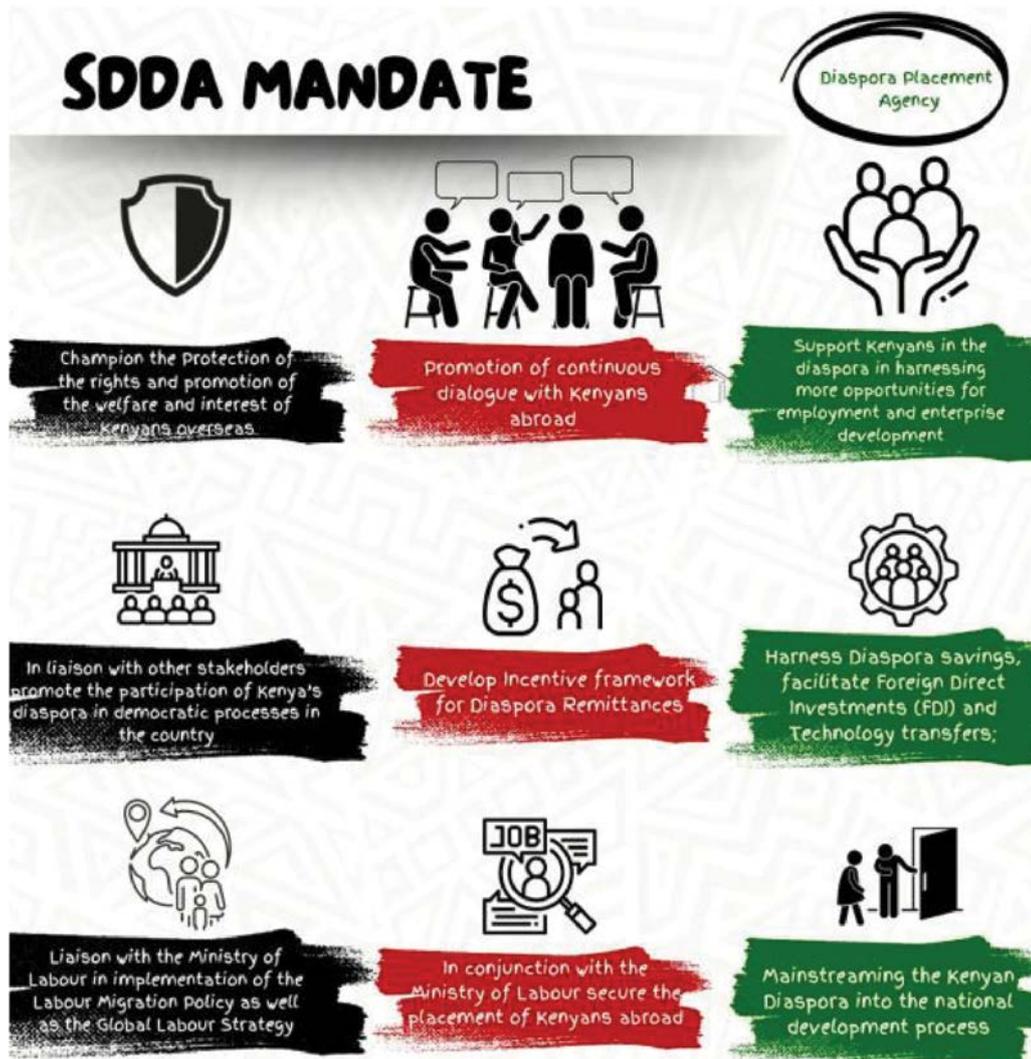
In 2022, the country went a step further and established the State Department for Diaspora Affairs (SDDA), which falls under the Office of the Prime Cabinet Secretary and Ministry of Foreign and Diaspora Affairs. The State Department of Diaspora Affairs was charged with several mandates, as outlined in its nine-point plan, which include protecting the rights of the Kenyan diaspora and promoting continuous dialogue with Kenyans living abroad (Figure 5.1).

5.2.1 Kenya's Labour Migration Policy

Over the past couple of years, the Government of Kenya has put in place several initiatives aimed at enhancing labour emigration abroad. This has seen the government signing bilateral agreements with several countries, including the United Kingdom and Canada, on the exportation of skilled workers. The agreements cover both temporary and permanent emigration.

This initiative is aimed at creating employment and encouraging skills transfers and has been beneficial given the high surplus of skills and unemployment in Kenya. This has seen most skilled workers emigrating to the USA and United Kingdom and non-skilled workers largely emigrating to the Middle East. Employment in the Middle East has ranged from construction to security to domestic work, with some gaining employment in airlines like Qatar Airlines. Gulf countries also turned to Kenya to fill labour shortages ahead of United Arab Emirates (UAE) Expo 2020 and the (football) World Cup in Qatar in 2022 (Malit and Youha 2016). Potential emigrants may use private recruitment agencies vetted by the government, with the government providing pre-departure training. From the government consultations, it was also highlighted that the Government of Kenya is also providing training tailored to the specific needs of

Figure 5.1 State Department for Diaspora Affairs mandate



Source: Government of Kenya

certain countries. This includes initiatives such as training nurses to meet the requirements of the United Kingdom.

It is important to note that despite government efforts to ensure the protection of migrant workers, illegal and unethical practices remain which result in Kenyan migrant workers to these countries suffering from labour malpractice. In a bid to curb this, the Labour Institutions Act was enacted in 2007, which aims to regulate cross-border recruitment by private employment agencies, reduce malpractice and introduce registration requirements (ibid).

In 2009, the Government of Kenya drafted an overall migration policy and the National Labour Migration Policy. This focuses on the deployment

of Kenyan workers, labour rights, protection while abroad and reintegration (ibid). Overall, this policy together with the Labour Migration Management Bill, which remained in draft form at the time of writing, aim at boosting labour migration management (Republic of Kenya 2022). At the time of this report, the policy and bill were at the cabinet level for adoption (ibid).

5.2.2 East Africa Community policy

The East African Community (EAC) is classified as a regional intergovernmental organisation with seven country members, namely: the Democratic Republic of Congo, the Republics of Burundi, Kenya, Rwanda, South Sudan, Uganda, and the United Republic of Tanzania

Synergising well with Kenya's current labour migration approach, the treaties and regulations established by the EAC provide free movement of labour, as well as goods and services, throughout the seven country members. In this respect, the EAC takes a cohesive and sustainable approach to enhance the potential of migration, through tight partnerships among migrants' countries of origin and destinations within the bloc. Further to this, the EAC also acts as an investment mechanism, identifying key priority areas for investment in each member state. For Kenya, these areas are labelled as food security, affordable housing, manufacturing, affordable healthcare, energy, financial services, ICT, agriculture and infrastructure. To increase investment activities across the bloc, the EAC Investment Policy (2019–2024) encourages partner states to 'harmonise and rationalise investment incentives, including those relating to the taxation of industries' (EAC 2022). It will aim to achieve this by replacing existing restrictions on the free movement of capital, with a common regulatory framework treating the EAC as a single investment bloc and creating a region-wide approach to promote regional investment opportunities. This should prevent high costs for partner states from competing against one another for the same source investment markets. There are still challenges that remain, such as that of double taxation. Despite signed agreements to avoid double taxation, the fear of loss of revenue and tax evasion, combined with each country having its own set of regulations and institutions to deal with foreign investment, mean challenges such as double taxation still act as a potential barrier to invest.

EAC does have diaspora-specific initiatives coming up: for example, pipeline projects and packages aimed at improving access to credit for the diaspora through the East African Development Bank. However, according to consultations carried out for this report, many of these types of projects are at the concept stage and require regional catalyst policies and the participation of diaspora members.

5.2.3 Kenya diaspora investment policy and private sector diaspora investment initiatives

As mentioned as a key challenge and issue to be addressed within Section 5.3 of this report, Kenyans abroad are faced with limited access to information or awareness of investment

opportunities in Kenya, alongside a lack of investment incentives. To address such issues, the 2014 Diaspora Policy laid out intentions to develop diaspora-specific incentives and investment packages such as government securities and public-private partnership (PPP) engagements. Currently, the Kenya Investment Authority (KIA) is the main statutory body responsible for promoting investments in Kenya. It acts as an investment promotor, facilitator and carer, for both domestic and international investment. As such, it is one of the main interfaces between diaspora members willing to invest and the Kenyan private sector. As it stands, there are very few diaspora-targeted investment opportunities and incentives that the KIA can offer. Furthermore, existing tax incentives – such as that offered to those investing over US\$100,000 – are underutilised.

The KIA is aiming to overcome these issues by creating a 'one-stop shop' diaspora investment desk. This should create coherence in awareness and the promotion of investment, allowing the KIA to be the sole source and the 'go to' department for diaspora investment queries. This would create regular interaction and dialogue between the investment promoter and diaspora members willing to invest. As a result, clear frameworks for enticing investment can be identified, misuse of funds from the diaspora channelling investment through family and friends can be minimised, and the KIA can influence diaspora policy to effectively overcome barriers to diaspora investment. Furthermore, there are also plans within government to develop a migrant resource centre that will provide the diaspora with relevant information and skills on how best to invest. The offer of this training can be beneficial for both the diaspora and government. First, the initiative itself can act as a promoter of investment, creating awareness of investment opportunities. And second, the government can influence the channelling of investment into national priorities, creating protected returns for the diaspora while enabling the government to benefit from higher diaspora investments for development.

In addition to government-led diaspora investment initiatives, there have also been several private sector-led diaspora programmes. Various commercial banks, such as Equity Bank, have programmes for the diaspora, with mortgages and housing schemes that encourage the diaspora to enter real estate and infrastructure development. African Diaspora Asset Managers

Ltd (ADAM) is an investment firm that acts as a safe and regulated body for the Kenyan diaspora. It was granted the first license of its kind for a diaspora fund, regulated directly by the Kenyan Capital Markets Authority. The scheme allows diaspora investors to make payments as small as US\$5 through the M-PESA app. This opportunity to invest as much or as little as diaspora investors want, creates a pooling effect for their resources, allowing for meaningful and viable investments instead of risky and unsuccessful ventures made through family and friends with no operational control on the ground.

5.2 Institutional framework for diaspora engagement and investment in Kenya

The main actors involved with diaspora-related issues include, but are not limited to, the Ministry of Foreign Affairs, the Ministry of Labour, the State Department for the East Africa Community, the State Department for Trade, the Kenya Investment Authority, the Central Bank of Kenya and the Kenya Diaspora Alliance.

- The State Department for Diaspora Affairs: Created in 2022, and falling under the Ministry of Foreign Affairs, this department aims to improve the services of Kenyans living abroad.
- The Ministry of Labour: This ministry seeks to promote and facilitate the deployment of Kenyans abroad, through harmonising international labour migration policies within East Africa and beyond. This is to encourage foreign exchange earnings and knowledge transfers upon return.
- The State Department of the East Africa Community (EAC): The EAC aims to encourage the free movement of persons, goods and capital across the region.
- The State Department for Trade: This department works closely with the Ministry of Foreign Affairs, aiming to increase the flow of diaspora investment into the country and overcome challenges of investment misinformation and opportunity awareness.
- The Kenya Investment Authority (KIA): This organisation acts as an interface for diaspora members wanting to invest in the private sector in Kenya. As such, the KIA is looking to set up

a diaspora desk that will solely be responsible for engaging with, promoting and facilitating diaspora-led investment. It will look to market potential investment opportunities and make such ventures easy to carry out. In addition, through regular engagement with the diaspora, the KIA can identify further challenges that diaspora members face within the private sector investment landscape and can carry out advocacy work on behalf of the diaspora to have these challenges addressed through national policy.

- The Central Bank of Kenya: The bank collects data and conducts analysis on key diaspora statistics, such as the flow of remittances. As previously mentioned, the CBK carried out a Diaspora Remittances Survey between March and May 2021, to enrich data on diaspora remittances, their costs, structures, uses and investment opportunities. During the consultations, the CBK indicated plans to continue building upon this by carrying out another household survey in the near future.
- The Kenya Diaspora Alliance (KDA): This alliance focuses on ensuring the rights to inclusion, representation and participation in national affairs of Kenyans abroad. The KDA collaborates closely with the government to contribute to policy initiatives and legislation, such as the 2014 National Diaspora Policy. The KDA also has an investment arm known as the Diaspora Invest Club, which is registered as a limited liability company, with current start-up businesses valued around US\$4 million in sectors such as real estate, agribusiness, renewable energy, financial markets, tech-innovation, and business/investment consultancy. This arm of the KDA is responsible for organising events such as the Kenya Diaspora Homecoming Conventions. Among other things, the KDA is working on projects such as a diaspora digital bank and a programme in partnership with Pangea Trust that will look to increase investment opportunities for the diaspora.

5.3 Challenges and issues to be addressed

The Commonwealth Diaspora Investment Mission to Kenya for this study revealed several challenges that will need to be addressed if diaspora investment in Kenya is to improve.

5.3.1 Diaspora engagement

- Several strides have been made to engage with diaspora members to build their contribution to the development of Kenya. Prior to the establishment of the State Department for Diaspora Affairs (SDDA), diaspora engagement was occasional and sporadic. The first Kenya Diaspora Homecoming Conference was held in 2014. With the establishment of the new SDDA, the Government of Kenya held Diaspora Investment Conferences in 2022 and December 2023 with the aim of engaging diaspora members, as well as making them aware of possible investment opportunities. The government, through the Ministry of Foreign Affairs, also engages with some members of diaspora associations through missions with embassies serving as a point of contact. However, the government could benefit from engaging with a larger umbrella organisation as an entry point to reaching out to various branches of diaspora organisations. In a positive step towards supporting labour migration, the Government of Kenya has deployed labour attachés to countries where labour migrants from Kenya have been increasing.
- For effective diaspora engagement, the Government of Kenya must be able to track where diaspora members are located. Although it urges diaspora members to register with embassies once they have emigrated abroad or to register with the government before emigrating, data on the diaspora is limited. This is partly because such registration is a suggestion and not a requirement and so compliance with these requests remains low. There is therefore a need to have a better process in place to track the diaspora toward developing targeted diaspora products. This is made difficult by the lack of an integrated system to track the diaspora located in various parts of the world. The various diaspora associations in different parts of the world serve to bridge the information gap. However, more data is needed for effective planning and policy formulation.

5.3.2 Costs of remittances and diaspora investment challenges

- Despite the strides that have been made in financial inclusion and the use of the M-PESA international remittances platform, the cost of remittances to Kenya remains high – well

above the 3 per cent recommended by the SDG targets. The costs of remittances are exacerbated by the fact that some MTOs in migrant-origin countries have high charges that offset the low costs of sending with M-PESA. As a step towards increasing diaspora remittances and investments, reducing the costs of sending money remains of utmost importance.

- Additionally, most of the remittances entering Kenya come in small quantities and at intermittent intervals. This makes it difficult for the government to capture and direct such flows into national development investments. Therefore, diaspora investment could be enhanced by pooling diaspora financial flows to ensure that investments are substantial and can be channelled towards large-scale development projects.

5.3.3 Diaspora policy framework

- The Government of Kenya recognises the importance the diaspora plays and its potential to further support development. This is apparent in the various initiatives being implemented by organisations and policy frameworks being put in place. There is a need to set out a clear and measured approach to boosting diaspora investment. This includes developing clear, concise policy targets and timelines for the implementation of policy recommendations.
- There is also a need to ensure that the diaspora policy framework is multi-sectoral and involves various stakeholders providing inputs where relevant.

5.3.4 Leadership and institutional co-ordination

- The stakeholder consultations conducted for this study provided a wealth of information on the various initiatives being undertaken by the Government of Kenya to scale up diaspora investment and engagement. At the time of consultations, various government departments were carrying out diaspora initiatives. Despite some degree of communication and engagement across government ministries and departments, co-ordination was limited. The establishment of the key State Department for Diaspora Affairs was a step forward for the country, as it has taken the leadership role in diaspora-related issues.

- Going forward, to effectively implement planned strategies and outputs, there is a need to enhance capacity building within all units of the SDDA.

5.3.5 Trust and inadequate information and awareness

- Many Kenyan diaspora members prefer to conduct business with friends or family or have them oversee their investments. This often results in the mismanagement of funds, which reduces the trust held by diaspora members and makes them wary of investing more back home. This presents an opportunity for government to help the diaspora locate vetted potential partners that it could partner with.
- This could prove beneficial given the high interest of local small and medium-sized enterprises (SMEs) to work with the diaspora. The challenge that remains pertains to inadequate processes and resources to enhance this. Facilitating connections could therefore go a long way in supporting SMEs, since many have inadequate or lack seed capital to scale up their businesses.
- Also noteworthy is that a large proportion of the investments by the diaspora remains in real estate as well as holding savings accounts. More could be gained by guiding the diaspora on areas in which to invest according to the government's priorities. This could entail the government mapping out key priorities for investment by the diaspora and regularly providing information on viable options available to it through existing engagement channels or by setting up a specialised platform with information made readily available. This includes government priorities as set out in the Big 4 Agenda, which covers food security, affordable housing, manufacturing and affordable healthcare (Republic of Kenya, 2020).

5.3.6 Challenges revealed by the Central Bank survey

- In December 2021, the Central Bank of Kenya conducted a survey of the diaspora (CBK 2021a). The survey highlighted that high costs for sending remittances remained a significant challenge, with a large proportion of respondents citing hidden fees and transfer times as other challenges affecting their ability to remit funds. The survey also highlighted unfavourable

exchange rates applied by service providers, as well as limits on amounts that could be sent via mobile money operators, also affected their remittances. Last, the survey noted limited interoperability of mobile money systems remained a challenge, together with slow interbank transfers.

- Regarding investment, 28 per cent of respondents highlighted that misinformation, limited access to, poorly co-ordinated and untimely information, and the high cost of acquiring information, all posed challenges to their willingness to invest back home. To add to this, respondents observed relevant institutions to be unresponsive or slow to respond, with fraud, theft and corruption, and a lack of mechanisms to vet investment schemes as other challenges affecting their willingness or ability to invest. Additionally, they said questionable land transactions posed challenges that put diaspora construction projects in jeopardy.
- The survey also revealed that lack of trust between some diaspora members and the Government of Kenya and perceptions of corruption and business risk continued to hinder diaspora engagement. The survey found diaspora members felt they were only valued due to their monetary contributions in their home countries, rather than because they belonged to there or their birth right as citizens. The issue was compounded by the fact that there was no provision for diaspora voting, despite the constitution permitting it. Other challenges cited included lack of access to funding or credit for diaspora initiatives, both for development projects and start-ups, or to growth capital for diaspora-led enterprises.

5.3.7 Challenges revealed by the Pangea Trust Diaspora Report

- *The Diaspora Remittance Mapping Study* report produced by Pangea Trust on behalf of the Government of Kenya identified several challenges faced by the diaspora when trying to invest in the country (Pangea Trust 2021). The most prominent obstacle reported by diaspora members preventing their investment was not being able to access and gather credible information about investment opportunities. As a result, the diaspora would often rely on relatives for such information, with the use of

Table 5.1 Cross-cutting challenges and gaps faced by the Kenyan diaspora

	Investment options	Trust	Information platforms	Costs	Partnerships
Commonwealth survey (2018)	✓	✓	✓	✓	✓
CBK survey (2021a)	✓		✓	✓	
Policy findings	✓	✓	✓	✓	✓
Pangea Trust study (2021)	✓	✓	✓		✓
Kenya Diaspora Initiative	✓	✓	✓		✓

Source: Commonwealth Secretariat compilation

social media being the second most common source of investment information. With an already fragile relationship of trust between diaspora members and families handling investments on their behalf, an apparent lack of information on investment opportunities can amplify the most common concerns held by the diaspora. The primary worry stems from the physical distance between the diaspora and its potential investments, making individuals feel as though they cannot possibly self-manage their investments from abroad. Further to this, a quarter of diaspora members revealed they did not know or trust any potential investment handlers or institutions to manage investments on their behalf.

- For those successfully holding investments back in Kenya, there were also three identified overarching post-investment challenges. First, with high worry about the misuse of funds and the physical distance between the investor and the investment, it is key that monitoring mechanisms are in place to ensure the protection and success of any investment. However, many of these mechanisms are either impractical or could cause further friction between families, as enforcing activities such as the use of accounting software or requiring constant transaction records could exaggerate

the perception of mistrust. Second, diaspora investors found it difficult to reach relevant support networks when needing to address risks or settle disputes about the misuse of funds. Furthermore, when such events occurred, a resolution was often slow and communication with authorities and investees was limited. Third, when trying to exit their current investment, it was common to face issues of delays, poor communication and foreign exchange losses.

The challenges mentioned above, both in terms of sending funds and investing in Kenya, were also mentioned throughout other surveys, studies and diaspora initiatives (Table 5.2). Throughout the three Medium Term Plans towards Kenya Vision 2030 and Central Bank diaspora policy notes, five overarching challenges were found. These were: a lack of information and knowledge of investment options; low levels of trust in current and potential investment partners; inadequate access to and awareness of information platforms; the high costs of remittances; and low availability and ease of acquiring partnerships for investment. Lack of investment opportunities and information platforms were identified as a challenge across all surveys, studies and diaspora initiatives. However, issues of trust, high remittance costs and partnerships were also apparent throughout other findings.

6. Policy Recommendations and Opportunities for Diaspora Investment

The significant level of diaspora remittances and the desire of the diaspora to invest back in Kenya, suggest that effective engagement with Kenyan migrants offers a vast opportunity to utilise diaspora remittances for national development and to contribute to achieving the Sustainable Development Goals (SDGs). By analysing the challenges that the diaspora continues to face, the factors that would incentivise investment, and diaspora initiatives that have already been established, some consistent themes and gaps appear that could be addressed through expanding engagement and investment strategies, and policy initiatives and plans.

This report finds that although diaspora issues are present throughout all Kenya's Medium-Term Plans and within other policy initiatives, there are additional steps that the government can take, including restructuring existing frameworks to aid development toward effective implementation. On this note, an effective way to visualise and present recommendations for implementation is by classifying them as either short-, medium- or long-term objectives. Short-term recommendations can be implemented or addressed almost immediately; however, this is not to say that they only need to be considered in the short term as they may require long-term commitment. Similarly, long-term recommendations may involve a greater amount of time to implement and take effect, potentially needing prerequisite tasks to be in place or addressed before they can be achieved. For Kenya, the overarching diaspora agenda seems to be encouraging labour migration in the short term for potential economic gains that can be sent back through remittances flows and foreign exchange earnings in the medium term; and then finally, financial and human resource investment and transfers in the long term for those diaspora members that decide to move back. Accordingly, policy recommendations and initiatives are outlined to align with these goals and their timelines.

6.1 Establishing a national diaspora investment vision, framework and leadership

To pave a way for increased diaspora engagement in Kenya, a roadmap or diaspora investment vision needs to outline activities and strategies to be implemented in the short, medium and long term. This could be developed through a consultative process with all relevant stakeholders, including the diaspora, clarifying the various roles and responsibilities to be played by each. Among other things, the vision could focus on matters regarding setting up relevant legislation and policies to boost diaspora investment that is in line with diaspora needs. A comprehensive diaspora investment vision would also help to ensure that diaspora investment plans and strategies are incorporated into MTP4 and future MTPs going forward. The continued incorporation of diaspora issues in the MTPs would ensure that budgetary allocations are made toward diaspora investment. For an effective diaspora vision, there is a need to outline potential areas in which the diaspora could support development. As such, the diaspora investment vision would then be in line with national development priorities. Therefore, the key to setting up a comprehensive diaspora investment vision would be to identify key areas for diaspora support and outline plans for regular engagement with diaspora members.

6.2 Operationalising the vision

Effective operationalisation and implementation of the national diaspora vision would entail developing an evolving and evaluative diaspora strategy and policy. As well as clarifying policy initiatives within the framework of the MTPs, to which the success of the previous framework is evaluated subsequently, it is also vital to ensure that current diaspora policy is up to date. To this end, the 2014 National Diaspora Policy should

be either updated, recognised within the MTPs directly, or evaluated and adapted periodically. Since the release of the 2014 Diaspora Policy, diaspora issues have evolved and the context in which they sit is unquestionably different. Both the number of migrants and the value of remittances sent have increased. Combining this with global shocks such as the COVID-19 pandemic has created a different environment for the Diaspora Policy agenda, requiring flexibility and adaptability. This does not mean that the 2014 policy is no longer applicable, but instead shows the opportunity to expand on already existing foundations. Further, it is vital to include the Diaspora Policy within the upcoming MTP4, to consider updating the 2014 Diaspora Policy by 2024 such that it can become an iterative exercise every 10 years and, importantly, to ensure the continued applicability of the policy to current challenges.

In addition, as there have been examples of policy aims within the Medium-Term Plans that have not been met or have been postponed, this has left some government departments confused as to roles and responsibilities when certain activities are not fulfilled and new objectives are set. This can hinder further progress and create mistrust between the government and the diaspora, as diaspora members feel neglected when promises are not met. Therefore, evaluation of previous policy actions – and transparently identifying what has not been achieved and possible next direct steps to overcome this – are key. This ensures that any proposed diaspora policy is framed in a multi-faceted way, so the diaspora continues to feel valued beyond just its potential contribution to economic input. Diaspora members should instead feel involved and consulted as policy evolves. In this respect, the Medium-Term Plan 4 towards Kenya Vision 2030 should include practical steps to achieve diaspora policy objectives, laid out in accordance with time and priority, rather than a high-level overview of what is expected to be implemented.

Commitment to engagement

As reported earlier, continuous and constant engagement is critical for a successful diaspora policy and a strong relationship between the government and its citizens abroad. Events hosted by the KDA, such as the annual Kenya Diaspora Homecoming Convention, provide opportunities for the government to participate and express

its commitment. As such, although organised by a non-government department, attendance by government stakeholders should be encouraged to reflect commitment to the diaspora. In the medium term, more events for engagement should be organised. However, it is important that these do not occur as ad hoc or fragmentedly occurring events, as this can build up distrust and negative views from the diaspora on its ability to rely on the government to keep up with diaspora members' evolving challenges and concerns. Therefore, the medium-term target should be a commitment by the government to ensure timely and consistent engagement, including through events that can be widely advertised. By advertising these re-occurring engagement events, the government can further its rapport with the diaspora, creating effective communication channels to enable engagement with diaspora members in national development. However, although implemented in the medium term, this should be a long-term obligation, to be carried out in conjunction with other policy recommendations. Such events could even take the form of virtual live internal government stakeholder conferences or meetings that discuss diaspora-related issues. In this case, meetings that would normally occur within the government pertaining to diaspora activities could simply be streamed and made accessible to the diaspora. As a result, the diaspora would remain aware of the transparent activities of government and, if allowed, could even participate in meetings through Q&A sessions. This would entail allocating appropriate funding for engagement and information-sharing initiatives or having a budget line specific to the diaspora.

Information creation, sharing and marketing

One vital step to encourage diaspora investment in Kenya is providing and making available information on both access to reliable business partners in the country and viable investment opportunities. The Pangea Trust diaspora report recognises this as one, if not the main, issue preventing further diaspora investment. In addition, the report demonstrates the eagerness of diaspora investors to expand current investment portfolios in sectors beyond just real estate and into local SMEs and start-up enterprises (Pangea Trust 2021). It is suggested that the future diaspora desk within the KIA should implement a digital platform that

contains information on all potential diaspora-specific investment options and respective business partners that have been vetted and assured. As the diaspora has confidence in the private sector, and the KIA has a close relationship with private businesses, it is suitable to host such a digital investment platform in conjunction with the consular diaspora desk within the Ministry of Foreign Affairs. Given budget and capacity constraints, this platform need not compete with existing technological investment platforms. Instead, it can be linked with private sector alternatives, such as those offered by ADAM or the KDA, as the service should connect the diaspora with private sector options as well as government schemes. The platform can also be used as a potential tool to help pool diaspora finances to support large-scale government initiatives within national development.

However, just the creation of the information platform alone will not address the challenges it is trying to overcome. Widespread marketing to create awareness of the platform and its uses is also required. This can be done through government diaspora engagement events, where the user-friendliness and benefits of the platform can be demonstrated. Several other key considerations should be reflected upon throughout the process of establishing the platform. First, timely, up-to-date and transparent information should be paramount for both private sector investment opportunities and government-funded projects. For private sector investment opportunities, the information made readily available should include:

- the minimum required investment amount – preferably as small as possible;
- all management costs involved;
- expected return and length of investment;
- investment partners, their vetting and channels through which to contact them;
- contact details of support personnel for any issues or queries that might need resolving;
- any legal information and documentation on investment procedures or regulations;
- investment performance; and
- any investment incentives.

For investment towards government projects, the same applies; however, in addition it is vital that

the direction and use of funds are transparently portrayed, whether it is to go towards infrastructure projects or debt relief, for example. In this regard, it may be beneficial to publish the government's diaspora investment vision, so that the targeting and utilisation of diaspora funds can be identified and aligned with the altruistic intentions of the diaspora.

Furthermore, although diaspora members may be capable of using digital investment platforms from their experiences in countries where this technology is readily utilised, digital financial literacy remains an important core component to consider, so that uptake and retention of the platform grows (Pangea Trust 2021). This is another element of support that the Commonwealth Secretariat can offer, through the current Fintech Toolkit and plans for Fintech literacy projects.

6.3 Mechanisation of the vision Responsibilities

The Ministry of Foreign and Diaspora Affairs, through the newly formed State Department for Diaspora Affairs, will spearhead the process. With regards to the vision, the roles and responsibilities of each government department should be clearly labelled within the document. By doing so, all government departments can remain aware of each other's roles and can communicate with each other to ensure target achievement remains aligned. This could be presented as a visual framework for clarity and include the relevant timeline of each department's goals. For example, in the short term, the Ministry of Labour would be allocated the role of offering extensive training to citizens so that they can be fully equipped to enter their new marketplace and be aware of how to flow income back into the country. In the medium term, the Central Bank of Kenya and Kenya Investment Authority, working closely with the Ministry of Foreign Affairs and Diaspora Affairs, would be assigned responsibility for channelling investment by engaging with the diaspora, creating financial pooling instruments and partnering with the private sector, while also considering potential World Bank initiatives in this context. In the long term, particular departments should be given responsibility for creating mechanisms that can further advance current reintegration activities for returning diaspora members, to utilise their knowledge and skills and improve their effective transfer to Kenyan citizens.

Further to this, a central internal department desk should be formally established and made known to all relevant sections, so that it can inform all stakeholders to keep track of progress and connect any department with other relevant bodies to ensure effective communication, co-ordination and collaboration. As a result, the improved communication and awareness of one another's responsibilities can help set tasks to be worked on in partnership, while also raising awareness of which actions may be hindering or advancing current planning. This should be done immediately, in conjunction with upcoming new policy plans.

Timelines and prerequisites for successful engagement

As with any policy plans and objectives, it is crucial to have clearly defined targets and timelines outlining when the objectives will be advanced and achieved. This entails demarcating feasible actions to be undertaken in the short, medium and long term. These actions are drawn from the findings of this paper, findings from the Commonwealth survey (Commonwealth Secretariat 2018) and lessons drawn from other countries' experiences. Additionally, imperative to the successful

Table 6.1 Features of elements crucial for successful initiatives²

Trust	<ul style="list-style-type: none"> • Clearly defined strategy and objectives • Two-way communication • Central engagement hub • Integration of diaspora in policy design • Citizenship and ability to execute voting rights • Transparency and publishing of documents • Balanced media portrayal • Political stability and governance
Access to information	<ul style="list-style-type: none"> • Awareness • Clear tax structures and legal requirements • Engagement events • Education and improved literacy • Balanced media portrayal • Knowledge of the profile of diaspora members and their interests
Enabling business environment	<ul style="list-style-type: none"> • Government co-ordination • Investment Incentives • Cost and reliability of energy • Access to inputs such as land and finance • Reduce red tape • Technology, and ability to complete processes online
Collaboration	<ul style="list-style-type: none"> • Continuous engagement • Recognised roles and responsibilities • Demonstrated strategic partnering between the government and private sector institutions

Source: Commonwealth Secretariat

implementation of policies and attainment of targets is a set of prerequisites that can determine the success of any project objectives. For enhanced diaspora investment and engagement, this includes elements such as trust, access to information and maintaining an overall conducive business environment. Components of these elements are outlined in [Table 6.1](#).

It is evident from the findings of the present report that, throughout the process, close collaboration among crucial stakeholders is imperative for a

successful diaspora investment strategy. This includes setting up a steering committee to meet regularly, led by the Ministry of Foreign Affairs and comprising the Ministry of Labour, the Departments of Trade, East African Affairs, Treasury and Planning, the Central Bank of Kenya, and the Kenya Investment Authority. The committee will help oversee the implementation of various initiatives and will manage the identification of key projects and areas for potential diaspora investment and support ([Table 6.2](#)).

Table 6.2 Summary of policy recommendations, prerequisites and timeframes

Prerequisites		Trust	Information access	Collaboration	Enabling and business environment
Timeframe	Recommendations				
Short term	Identify key projects and areas for diaspora members' investment, given their profile, interests and chosen investment practice		✓	✓	
	Establish a diaspora investment vision and roadmap		✓	✓	
	Map out roles and responsibilities of various entities overseen by a steering committee			✓	
Medium term	Awareness raising for diaspora projects and incentives		✓	✓	✓
	Identifying and matching business partners for the diaspora	✓	✓	✓	✓
Long term	Business and investment environment	✓	✓	✓	✓
	Reducing remittance costs	✓	✓	✓	✓

Source: Commonwealth Secretariat

7. Conclusion

Evidence shows that remittance levels by the Kenyan diaspora have shown resilience across 2020–2021, contrary to early World Bank predictions estimating dramatic declines in global remittances (World Bank 2020b). By December 2022, Kenya had reached record level of remittances, over US\$4 billion, or around 3 per cent of the country's GDP (Central Bank of Kenya 2023). Not only are remittances a vital part of the country's economy, being the largest foreign exchange earner, but they also offer lifelines for many families and households, particularly during the economic downturns – such as that resulting from the COVID-19 pandemic.

The Government of Kenya and the Central Bank, among other stakeholders, have taken large strides to increase and leverage remittance flows into the formal financial system. Policies aiming to protect, incentivise and engage with the diaspora, with programmes such as the Platform for Remittances, Investment and Migrants Entrepreneurship (PRIME) Africa, the aims of which include reducing transaction costs for remittances, have made significant progress towards achieving this.

The continuation and development of additional legislative and policy frameworks are essential going forward, to address challenges that withhold further investment into the country and so that potential opportunities offered by the diaspora can be optimised.

Following the steps taken by the Government of Kenya to address challenges faced by the diaspora and to provide incentives for diaspora investment, this report describes additional steps that can be taken to advance and augment the success that Kenya has achieved in attracting diaspora investment and increasing remittance flows. These steps can offer a structured path to the development of diaspora policy as priorities for the government in accordance with the context and relevant status of challenges and opportunities.

Based on an in-depth review of the diaspora landscape, this report has been able to contextualise suggested policy initiatives relevant to the country's priorities. With its in-country consultations with all Kenyan diaspora stakeholders – from government institutions such as the Ministry of Foreign Affairs and Investment Authorities, to registered diaspora trusts such as the Kenya Diaspora Alliance – this report presents an overview of challenges faced by the diaspora. These challenges include information barriers preventing investment and indirect issues such as limits to collaboration and communication among internal departments creating a disjointed approach. The challenges pose barriers to the unlocking of diaspora finance potential.

In addition to information gathered through consultations, this report analyses and complements existing research by institutions such as Remitscope, the International Organization for Migration (IOM) and the Pangea Trust. It builds on and complements existing work, taking into account all aspects of previous studies to synergise with the Commonwealth Secretariats' independent findings and provide a comprehensive approach to unlocking the potential of diaspora finance in Kenya.

The recommendations in Section 6 will help the country to engage with its diaspora productively. They will help Kenya overcome obstacles hindering diaspora investment, as well as internal challenges that are preventing optimal and potential progression on diaspora policy development. Through the consideration of these suggestions, in addition to the strong targets that policy-makers have already laid out, it is hoped that diaspora policy can enable the effective implementation of Kenya's Medium-Term Plan 4. This will ultimately aid the government and the citizens of Kenya in fully utilising the resources offered involving diaspora engagement and investments to maximise their participation and contribution to economic growth and advancement towards achieving Kenya's 2030 Vision.

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Annex 1. Global Examples of Diaspora Engagement

Type	Categories	Description	Examples
Equity	Diaspora direct investment (DDI)	DDI: Transnational corporate investment; Private equity; Venture capital funds	
	Diaspora portfolio investment (DPI)	DPI: Investor runs a small proportion of equity with no influence on activities (shares, mutual funds)	
Loans	Diaspora Bank accounts and Diaspora platforms for loans in CoO	<ul style="list-style-type: none"> Diaspora hold bank accounts in home country Can be forex denominated, in some cases exempt from taxes 	<ul style="list-style-type: none"> India Business loans such as Babyloan Mali
	Remittances linked housing loans	Migrants borrow in CoO for housing, Mortgage	<ul style="list-style-type: none"> Mi Casa Con Remesis in Colombia Mi Vivienda in Peru Construmex Mexico Pag Ibig Philippines
	Equipment leasing	Provision of physical capital equipment for businesses	<ul style="list-style-type: none"> Ovamba in Cameroon
	Pooled remittances in collateral	<p>Can be through matched funds from government in some cases.</p> <p>In some cases, implemented together with NGOs like in Moldova.</p>	<ul style="list-style-type: none"> Mexico Hometown associations: Collective remittances and matched funds. Moldova PARE 1 + 1: People were trained, and businesses received grants Ethiopia Addis Hiwot: Receives donations to support 10 families Senegal Waounde: Use donations to fund infrastructure in their village Philippines Linkapil: Facilitates transfer of donations to small scale, high impact projects WIDU: German governments led to ensure Investment in Africa: Diaspora (25%), Entrepreneur (25%), German government (50%) Fundacion Chile and Chile global programme: provides help to entrepreneurs to launch technically innovative businesses

Type	Categories	Description	Examples
Diaspora Bonds	Diaspora bonds	<ul style="list-style-type: none"> Success depends on whether diaspora is large enough and has sufficient wealth Requires technical and financial assistance Nigeria planned for over 4 years 	<ul style="list-style-type: none"> Nigeria: Oversubscribed by 130%, raised US\$300 million Israel: As of mid-2021 has brought in US\$46 billion. Success due to: <ul style="list-style-type: none"> Grassroots connection to and direct pro-active engagement with diaspora. Vision to contribute to infrastructure projects as part of LT development strategy. Patriotic discount, SEC registered, not restricted to diaspora. Worldwide recognised financial instrument, adapting to dynamics within diaspora communities, making them a safe investment, beneficial to the state. <p>India:</p> <ul style="list-style-type: none"> India Development Bonds provided, in 1991, the first formal mechanism for NRIs to repatriate US\$1.6 billion. Resurgent India Bonds, released in 1998, raised US\$4.2 billion by maturity in 2003. India Millennium Development bonds, released in 2000, raised more than US\$5.5 billion within the first two months. Characteristics: not registered under SEC rules and targeted exclusively to NRIs. Aiming to support BoP. <p>Some less successful examples</p> <ul style="list-style-type: none"> Ghana's golden jubilee savings bond in 2007 raised only GHS20 million against target GHS50 million. Ethiopia issued bonds in 2008 and 2011; however, only a few investors came forward due to perceived risk and trust issues. In 2018, the Ethiopian government tried raising funds through the Ethiopia Diaspora Trust Fund, which raised US\$4 million for healthcare and water supply. Kenya: Diaspora bond issued gained only a quarter of the target. Bonds from investors from any country were found to be more successful. <p>Successful examples include Latin America, Turkey, Central Asia</p>
	Remittances securitisation	Bundles together the title to future remittances based on assumption of stability	

Type	Categories	Description	Examples
Knowledge Transfers	<ul style="list-style-type: none"> • Exchange of information, skills and human capital • Support investors on how and where to invest • Professional networks • Skills-matching databases • Coaching • Virtual return for education or training purposes (distance learning) • <i>Pro bono</i> capacity-building of individual initiatives • Partnerships with private sector for return or training schemes • Providing support to universities 	<p>Conditions for success:</p> <ul style="list-style-type: none"> • mutually beneficial opportunities, willingness to provide long-term coaching and support • active business support and investment from diaspora • gaps in home education and training systems 	<ul style="list-style-type: none"> • Kosovo Global diaspora business union • Ghanaian Beyond Return Campaign: a 10-year plan to encourage dialogue with the diaspora. • ElCucayo, Ecuador: grants to businesses awarded together with skills and mentoring • Ovamba: Online platforms which offers funding for SMEs and serves as a marketplace • Irish Technological Leadership Group: provides venture capital together with mentoring and market matching information • Liberia: Diaspora social investment fund: provided equity to SME entrepreneurs through equity investment and provision of skills (accounting and marketing) • Malaysia: Talentcorp working with government, private sector and diaspora to bring the educated and high skilled back • The South Africa Network of Skills Abroad (SANSAA) connects highly qualified and skilled diaspora with opportunities to advance education, research and development in the country.
Others	<ul style="list-style-type: none"> • Diaspora skills and knowledge networks • Skills and human capital exchange • Returns diaspora entrepreneurs 	<p>Formal networks e.g. database with contact details to optimise flows of information</p> <p>Aimed at capitalising on expertise, experience, skills of diaspora</p> <p>Return home to start a business</p>	

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