CONTEXT

Executive Summary

The substantive financing gap associated with implementing the Sustainable Development Goals (SDGs) is compelling countries to look for alternative sources of finance to achieve their international commitments. International diasporas have emerged as an important community to assist countries to advance their development agenda and new forms of diaspora investment may go some way to close the SDG financing gap.

Migration has been one of the key pillars upon which the association of Commonwealth members has been built. It has resulted in a large Commonwealth diaspora across Commonwealth countries, with the significance of intra-Commonwealth migration still visible to this day. In 2015, 44 per cent of migration from Commonwealth countries was to other Commonwealth countries, equivalent to approximately 22 million migrants per annum.1

At the same time, remittance flows now dwarf all other external financial flows to Commonwealth emerging and developing countries, and were equivalent to approximately 42 per cent of these flows in 2015.

Even though the volume of these flows varies greatly across countries, as does the significance of remittances as a proportion of gross domestic product (GDP), they remain a key source of external finance for most Commonwealth countries.'Diaspora investment', as defined here, is distinguishable from remittances, and is a financial transfer that is: (i) sent by members of a diaspora to their country of origin; ii) received by business enterprises, government organisations or non-
government organisations; and (iii) provides a financial return (or an item of corresponding value) to the sender. Scaling up diaspora investment offers multiple economic and social benefits for recipient as well as remitter countries.

1 This number is based on formally recorded migration flows.

2 Excluding Australia, Canada, Cyprus, Malta, New Zealand, the UK and Singapore.

Rather than attempting to estimate the total size of current Commonwealth diaspora investment

– which is a challenging albeit valuable task – this paper presents an estimate of the 'diaspora investment potential' for Commonwealth countries.

It is a measure of the maximum additional finance that could be leveraged from a country's diaspora for investment purposes, and is equal to the proportion of income that is allocated to savings from migrants and their children.

- **For many countries, the diaspora investment potential is relatively aligned to global trends for remittances. Yet, some countries that do not currently record large remittance inflows recorded large diaspora investment potential,such as Canada, South Africa and Trinidad and Tobago.**

- **Migrant investment potential – which accounts for the investment potential from migrants only – appears to be greater for small states than other Commonwealth countries when measured by its percentage of a country's GNI. On average, small states could raise approximately 4.52 per cent of GNI per annum from their migrants as compared to 1.18 per cent of GNI for Commonwealth non-small states.**

- **Migrant investment potential appears to be most significant for middle-income Commonwealth countries, particularly upper-middle income, as expressed as a proportion of GNI.**

- **Migrant investment potential for one year is equivalent to more than 10 per cent of annual total government expenditure for 15 Commonwealth countries.**

Furthermore, it could close over 25 per cent of annual government deficit in 10 Commonwealth countries.