

DIASPORA INVESTMENTS AS A MECHANISM FOR FINANCING DEVELOPING ECONOMIES: A REVIEW OF THE NIGERIAN DIASPORA BOND EXPERIENCE

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Abstract: *Despite the extensive economic literature on diaspora or migration and its negative impacts on origin economies, there is a growing trend among governments to explore mechanisms for leveraging this phenomenon to support economic development in the origin countries. This is particularly evident in efforts to encourage remittances and investment in financial instruments and products offered by institutions and governments of these countries. This study, within a descriptive and analytical framework, aims to examine the contribution of the diaspora in financing the economy, with a focus on the case of Nigeria, one of the African economies where the diaspora constitutes a significant percentage of the global migrant population. The study found that the diaspora plays a crucial role in financing the economy, whether through remittances or investments. However, there are several challenges and issues that need to be addressed to ensure the sustainability of diaspora financial flows to the origin countries.*

Keywords: *Migration, Diaspora, Remittances, Diaspora Bonds, Financing, Nigeria.*

Introduction

Migration has consistently been a prominent and influential pattern that defines the global economy, with large waves of migration, particularly from developing to advanced and emerging economies. Various circumstances and factors explain this phenomenon, such as the quest for job prospects and the escape from difficult living conditions. The African continent, in particular, experiences substantial migration activity, with a significant influx of migrants migrating inside the area and beyond. Most international migration occurs within Africa, and according to the latest available data on (International Organization for Migration, 2019), an estimated 21 million Africans resided in a different African nation. This marks a significant increase compared to 2015, when it was estimated that approximately 18 million Africans resided beyond their nation of origin, however still inside the African area. Additionally, the population of Africans residing in various

locations outside of Africa increased within the same time frame, the number of individuals increased from over 17 million in 2015 to over 19.5 million in 2020. Since the year 2000, there has been a substantial increase in global migration inside Africa, and since 1990, the population of African migrants residing outside of Africa has increased by almost 100%. The growth in migration to Europe has been particularly notable, and by 2020, the majority of African-born migrants who live outside of Africa are now residing in Europe (11 million), Asia (approximately 5 million), and North America (around 3 million) (International Organization For Migration, 2024, p. 56).

Given this large African diaspora worldwide, many African countries have sought to leverage it by offering various incentives and implementing policies aimed at re-engaging their diaspora with their countries of origin or finding ways to enhance their investments in their home countries. Among these countries is Nigeria, whose diaspora constitutes a significant proportion of the global diaspora. The relationship between Nigeria and its diaspora is particularly noteworthy, making it a subject worthy of study. The purpose of this investigation is to investigate the contribution of the Nigerian diaspora in funding the economy, with a focus on the Nigerian diaspora as a case study.

Literature Review

The topic of diaspora and its role in the economy is one of the important subjects that has gained increasing attention in both academic and practical circles, particularly in light of the growing trend of this phenomenon. Governments are attempting to leverage the outflow of human resources and convert anticipated negative impacts into confirmed positive effects. There are several previous studies on this topic, among which is the study by (Duke, 2011), which aimed to highlight the significance of diaspora bonds as an external funding source for Nigeria. The study examined various international experiences with diaspora bonds, clarified the challenges and requirements for issuing diaspora bonds in Nigeria, and concluded that the large number of Nigerian diaspora members and the high inflow of remittances are key factors in Nigeria's ability to increase external funding through the issuance of these bonds.

Another study by (Bouoiyour, 2008) aimed to highlight the interaction between the diaspora and development in Morocco by reviewing Morocco's migration policy and the extent to which Morocco benefits from its diaspora through financial remittances and diaspora investments. The study concluded that Morocco does not adequately benefit from its diaspora through remittances, nor does it achieve significant gains from these investments (through technology transfer).

On the other hand, the study by (Williams, 2018) aimed to examine the evolution of policies seeking to mobilize and maximize diaspora investments in their countries of origin. The research examined the economy of three Balkan countries—Bosnia and Herzegovina, Kosovo, and Montenegro—each of which has significant diaspora populations. The research illustrates that in the aftermath of conflicts, economies strive to engage the expatriate community in order to address the adverse effects of economic disruptions.

In the same context, the study by (Aja, Nnaji, & Okorie, 2024) aimed to analyze trends in remittance flows and their corresponding contribution to Nigeria's GDP and national income. The study also analyzed the direct influence of financial remittances on social factors and the economic well-being of families receiving assistance in Nigeria, and identified the motivating factors and long-term effects of Nigerian citizens' migration to

foreign countries. The study revealed that remittances from the Nigerian diaspora constitute a significant portion of GDP and national income, and financial remittances were found to enhance the social and The economic well-being of local recipients is enhanced by financial assistance provided by relatives living abroad, which is often used for investment in entrepreneurial endeavors.

Similarly, the study by (Owotemu, Ifechi-Fred, & Faleti, 2024) aimed to evaluate the possible influence of financial remittances on economic development, examining the manner in which host nations and beneficiary families make use of their remittances. In the event that remittances are allocated to infrastructure investment, investing in human capital development, healthcare, and education has the potential to significantly impact long-term economic growth and development. The research revealed that financial remittances have a favorable influence on the economy development by bolstering and broadening family income, promoting company activity, and fostering investment.

Methodology

The primary objective of this investigation is to investigate the contribution of the diaspora in funding the economies of emerging nations. To achieve this objective, an analysis of the Nigerian experience was conducted, as it is one of the most prominent examples among developing countries. The Nigerian diaspora represents a substantial share of the worldwide migrant population, and Nigeria is a major beneficiary of remittances from its diaspora.

Therefore, this research aimed to address the following inquiries:

- What efforts has the Nigerian government made to strengthen its relations with the diaspora?
- To what extent does the Nigerian diaspora contribute to funding and supporting the local economy?
- What are the main challenges facing Nigerian diaspora bonds?
- What are the key lessons learned from the experience of diaspora bond financing in Nigeria?

To answer these questions, the study relied on the descriptive method, which aims to highlight current issues and addressing issues by gathering and analyzing data in a manner that enables a comprehensive depiction and examination of the circumstances. As noted by (Manjunatha, 2019), this method is particularly suitable for addressing various social phenomena, especially those of an economic, administrative, or financial nature, in order to achieve the most accurate results.

Regarding the sources of information, the study drew on various previous studies on the subject, including journals, books, conferences, and websites. When analyzing the Nigerian experience in diaspora financing, the focus was on reports issued by official international organizations.

The Conceptual Framework of Diaspora Investments

The term "diaspora" is a relatively modern concept in the field of social sciences. Before 1980, this term was associated with few scholarly works and research, and the connection between the diaspora and the Jewish people was very evident, making it difficult for researchers to apply it to other social groups.

The Nature of the Diaspora

The diaspora, also referred to as expatriate communities, denotes the stock of migrants or long-term migrants (Wickramasekara, 2017, p. 06). As per the International Organization for Migration, diaspora refers to individuals from ethnic and national groups who have migrated from their home countries but nevertheless have connections with them. The word diaspora refers to transnational communities who reside in one location while maintaining ties with their countries of origin, being both 'here' and 'there' (International Organization for Migration, 2019). The concept of diaspora is closely linked to human migration, and it is not new to humanity. People have migrated for trade, employment, relocation to preferred places, or as a result of wars and human disasters (Diaspora, Ministry of Foreign and Kenya, 2024, p. 01). In his pioneering research, Tololyan observed that the term "diaspora" in Greek has been in use since ancient times, the phrase originally denoted the dispersion of Jewish people, and later extended to include the scattering of Greek and Armenian groups. The three classical diasporas were primarily historical events characterized by consecutive waves of human movement driven by economic or political factors. The contemporary use of the word diaspora, referring to foreign populations, expatriates, minorities, and other groups, originated in the late 1960s (Gevorkyan, 2021, p. 03).

The concept of diaspora only started attracting significant scholarly attention after 1980. Authors like Médam (1993) observed that its use had become so frequent that it was losing its scientific validity, as it referred to numerous phenomena characterized by the dispersal of populations from a national area across many receiving countries.

The theorization of the concept of diaspora primarily originates from Anglo-Saxon research. Gabriel Sheffer (1986) traces its emergence to Armstrong's (1976) article, which argued that it is a mistake to consider the term diaspora applicable only to the dispersal of Jews, noting that other diasporas, such as the Phoenician and Assyrian, existed or even preceded it (Tchouassi, 2010, p. 212). The many interpretations of the word diaspora, along with the intricate nature of migratory history in every nation and the ever-changing patterns of movement, the exact determination of the magnitude of the diaspora is a tough issue. For instance, estimates suggest that the size of the Nigerian diaspora ranges between 1.2 to 1.7 million individuals, depending on the specific definition of diaspora employed. The United Nations estimates that the Indian diaspora is the largest in the world, with around 18 million people, boasting a substantial global reach and playing a vital role in fostering development through contributions to trade and venture capital. The Chinese diaspora has considerable importance as well, both in terms of its immense population of 10 million inhabitants and its vigorous activities. This diaspora is notable for its distinctiveness by a profound feeling of cultural affinity with the native country, it has enabled the diaspora to actively engage in Chinese global business, advancements in technology and investments from foreign entities.

In addition to the above, the Jewish diaspora is considered a special case, as many of the communities belonging to this diaspora predate the establishment of the Israeli entity, with these communities being widely dispersed (Fang & Wells, 2022, pp. 5-6).

Types of Diaspora Networks and Their Potential

Given the interactions that can occur between various individuals who belong to the diaspora and the nations from which they come, two types of diaspora networks may form: (Maatoug & Bouriqui, 2024, p. 465)

Primary Network: This connects expatriates residing abroad with their countries of origin, facilitating the transfer of resources to these countries.

Secondary Network: This involves members of the diaspora connecting with each other within the same country or across different countries of origin, which enhances the potential for resource mobilization within the diaspora community.

Given the diaspora's simultaneous belonging to the nations from whence they originate and their residential countries, they have the ability to serve as catalysts for change and possess knowledge of the overall circumstances in both nations. The International Organization for Migration (IOM) classifies the potential of the diaspora as follows (Shayan, 2021, p. 10):

- **Human Capital:** Diaspora members living abroad can enhance their knowledge and skills, and they can share these skills and experiences with their countries of origin.
- **Social Capital:** This refers to the communication networks of the diaspora, as they connect with the nations from whence they originate, with individuals from the same diaspora in other countries, and with friends and relatives. Social media facilitates this communication.
- **Economic Capital:** The business initiatives led by expatriates between countries of origin and residence, additionally, investments of both small and major sizes are included and financial remittances to families and relatives, contribute to increased employment opportunities and poverty reduction in the countries of origin.
- **Cultural Capital:** Due to their transnational nature, expatriates can serve as a bridge for establishing cultural relations and mutual understanding amidst the nations they were born in and the nations they now live in.

Diaspora Investments (Importance and Types)

Diaspora investment refers to the process of mobilizing wealth by migrants, which can result in financial and developmental advantages for both the migrants themselves and their countries of origin. Typically, commercial enterprises, government organizations, or non-governmental organizations receive diaspora investments, distinguishing them from financial remittances usually received by families (Larisa, Cancel, Clifford, Russell, & Aikins, 2022, pp. 7-8). Diaspora investments offer multiple benefits to the receiving countries, including the following (Tavakoli & Charumathi, 2017, p. 08):

- Providing additional resources for development financing;
- Expanding capital markets;
- Enabling access to lower-cost credit;
- Encouraging confidence and investment from non-expatriate investors;
- Providing a more reliable flow of resources, not solely dependent on the rate of financial return, especially in the face of increasing global uncertainty.

Diaspora investment can take many forms, and it primarily includes the following:

Expatriate Bank Accounts: Financial accounts held at a bank for expatriates may be given in either domestic or international currency. and may include incentives to promote investment, examples of such benefits include advantageous interest rates and/or less taxes on the accrued interest. Regarding the nations that get anything, these accounts provide as a cost-effective means to attract and manage foreign cash inflows, thereby enhancing the nation's current account surplus. These accounts allow individuals of the diaspora to participate in other types of investing as well (Larisa, Cancel, Clifford, Russell, & Aikins, 2022, pp. 07-08). An example of this is the accounts offered by the Central Bank of Turkey

for the diaspora, which include fixed-term deposit accounts denominated in foreign currencies and Super FX accounts are exclusive to those holding Turkish passports who live outside of Turkey. These fixed-term accounts are available in several currencies such as euros, dollars, pounds, etc. They have a minimum deposit requirement of \$1,000 and a minimum term of two years. The annual interest rate for all currencies is 0.25% (Agunias, 2012, p. 208).

Diaspora Debt (Diaspora Bonds): The primary way through which expatriates can one way to invest in a country's debt is by purchasing diaspora bonds, which may be issued in either the native currency or a foreign currency. Diaspora bonds refer to bonds issued by governments targeting citizens and individuals who belong to a country but live elsewhere. Thus, they represent a form of government debt directed at the country's community abroad (Oji, 2015, p. 08). These bonds are typically pooled into the government budget and used for developmental projects. The country that intends to adopt this mechanism sells the bonds to diaspora communities abroad at a national rate, meaning a low-interest rate, making them public debt obligations to be repaid in the future. Investors are not necessarily focused on returns when purchasing these bonds, as they are primarily motivated by national aspirations to contribute to their country. expatriate bonds refer to financial instruments issued by governments or government agencies with the specific intention of attracting investment from their expatriate population, giving expatriates the option to invest part of their wealth in their homeland in the form of diaspora bonds (Akkoyunlu & Stern, 2018, p. 58).

Diaspora bonds are a kind of financial instrument that a nation, sub-sovereign organization, or private firm may issue to obtain cash from people in the diaspora who live overseas (Ratha & Ketkar, 2010, p. 252). The use of diaspora bonds originated in the early 1930s by Japan and China and has endured until the current time, with the Israeli diaspora bond raising nearly \$25 billion over the past thirty years. India also raised approximately \$11 billion from diaspora bonds issued immediately after the sanctions imposed on the country following its nuclear bomb test (Shimeles, 2010, p. 05).

Diaspora bonds take two forms, as illustrated in the following table:

Table (1): Forms of Diaspora Bonds

Temporary Diaspora Bonds	Periodic Diaspora Bonds
Issued on an exceptional basis and aimed at crisis resolution	Issued annually and targeted toward development
Small or no national discount rate at issuance	Considerable national discount rate
Registration with the Securities and Exchange Commission is not necessary.	Registered with the Securities and Exchange Commission.
Bonds with variable interest rates and non-negotiable terms	Bonds with fixed interest rates and non-negotiable terms.
Maturity of 5 years with fast redemption	Maturities ranging between 1-20 years
Distributed in collaboration with the issuing state institution and international banks	Direct distribution through a dedicated institution in the issuing country
Restricted to national expatriates	Open to both national and international expatriates.

Source: Prepared by the researchers based on (Ado, 2020, p. 05).

The motivations behind issuing or purchasing diaspora bonds are as follows:

- For governments: For governments of developing countries that suffer from liquidity shortages and have no access to external financing, diaspora bonds offer a favorable way to tap into the savings of diaspora members who are emotionally connected to their homeland. It is even believed that the symbolic appeal to second- and third-generation immigrants can be strong, and the amount of resources that can be mobilized is presumed to be significant (Asian Development Bank, 2016, p. 05). Additionally, as many migrants become successful entrepreneurs in their countries of residence, it is increasingly recognized that they are capable of playing a significant role in sending or enabling the movement of foreign investments repatriated to their respective nations. Foreign investment by migrants and diaspora actors may indeed lead to increased capital and technology in the source countries, creating jobs, generating foreign exchange earnings, and contributing to economic growth and poverty reduction (United Nations, 2016, p. 02).
- For members of the diaspora community: The primary motivations for diaspora investment are nationalism and the strong emotional ties that migrants, especially the first generation, feel towards their homeland. There is a widely held belief that the diaspora is willing to accept a lower return in order to help their home country progress (Asian Development Bank, 2016, p. 05).

Equity investment: In the private sector of the nation in which they are domiciled, equity investment is the act of a member of the diaspora investing. The classification of this investment as a direct investment or a portfolio investment is contingent upon the extent of the investor's control and influence, as follows (Larisa, Cancel, Clifford, Russell, & Aikins, 2022, p. 08):

Direct diaspora investment: This phenomenon arises when a diaspora investor acquires a direct ownership interest in a firm located in their country of origin, often gaining a certain degree of authority or sway over the firm (typically a minimum of 10% of the equity, with some direct management of the company and possibly a mentoring role).

Portfolio investment:

Diaspora portfolio investments refer to the method by which a Investor from the diaspora acquires a minority stake in a company's ownership in the nation where they reside, however, it does not have a direct impact on daily tasks and routines. Common investing options often include the purchase of stocks or mutual funds.

Other forms: In addition to the above, other forms of diaspora investments can be added, including:

- Diaspora mutual funds: Mutual funds for the diaspora are expertly overseen pooled investment vehicles that let private investors to mitigate risk by acquiring shares in a variety of financial products, usually consisting of monetary market funds, government bonds, debt securities issued by corporations, and stocks.
- Cross-border loans: These loans are of a small amount and are offered by banks or lending institutions that allow migrants to apply for loans and repay them in their home countries while residing abroad. This is for expanding businesses, improving housing, purchasing homes, and covering educational expenses. Mortgage financing has achieved the highest level of success, and cross-border loans facilitate the extension of credit to relatives in the home country while taking advantage of the credit history built in the place of residence and exercising complete authority over the loan.

- Securitizing remittance flows: Expatriates might accidentally help to increasing the assets of local banks in their home countries by securitizing remittance flows. Securitizing remittance flows is a relatively modern financial innovation that allows creditworthy borrowers with standard remittance receipts for eligibility to get overseas loans with advantageous interest rates (Terrazas, 2010, pp. 14-19).
- Philanthropy: Diaspora philanthropy is a significant means of providing financial support for development. However, it is not in accordance with the concept of financial investment, as migrant contributors do not expect or receive a financial return or profit. It refers to a kind of progress in which recipients get both immediate and lasting social and economic advantages (Faal, 2019).

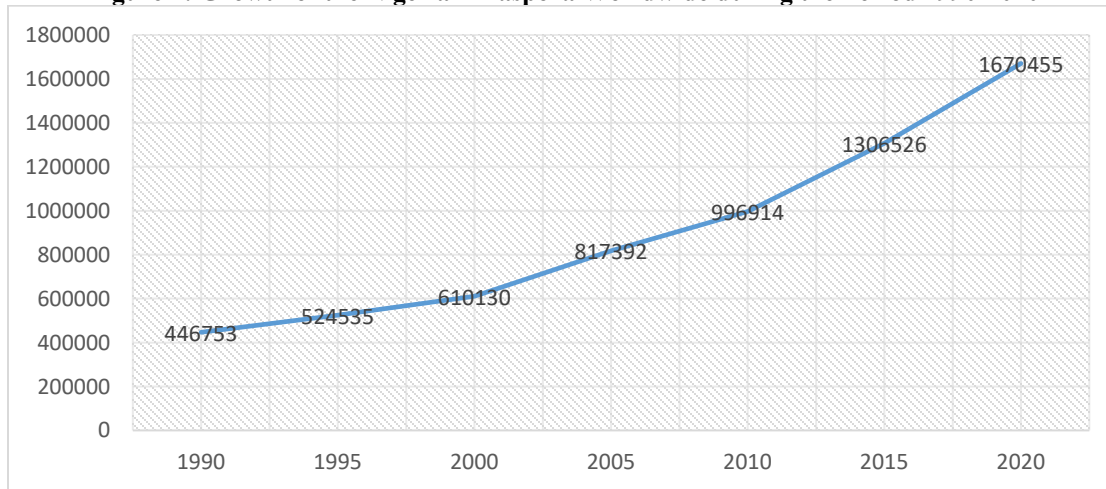
The Nigerian Experience in Relying on Diaspora Financing and the Lessons Learned

Nigeria is situated in the West African area and is a federal republic, adjacent to the north is the Republic of Niger, to the east by the Republic of Chad and republic of Cameroon, bordered by the Republic of Benin to the west, and its southern coast faces the Atlantic Ocean. Nigeria has an area of 923,769 square kilometers, and its population is estimated to be around 200 million people.

Overview of the Nigerian Diaspora

Nigerians reside in almost every country in the world, and the country receives remittances that are beneficial for development from Nigerians in the diaspora. Recognizing the need to enhance the financial, social, cultural, and technological contributions of the diaspora, Nigeria has, over the past two decades, encouraged the establishment of diaspora associations to facilitate easy access to the diaspora in various countries. Nigerian diaspora organizations have been established as part of a global network for all Nigerians living outside Nigeria, enabling focused contributions to development through collective efforts (Global Forum on Migration & Development, 2013, p. 02).

Nigerians are present in several nations throughout the globe; however, the precise magnitude of this exodus is still uncertain. According to the Pew Research Center (2019), the Nigerian diaspora is estimated to consist of a population ranging from two to fifteen million individuals. The International Organization for Migration estimated that around 3.4 million Nigerians live in the United States of America, this group of migrants is among the biggest in the nation. Large numbers of Nigerians also reside in the United Kingdom, South Africa, the United Arab Emirates, and other European and Asian countries (Wapmuk, 2021, p. 91). The following table shows the growth in the global diaspora of Nigerians between 1990 and 2020:

Figure 1: Growth of the Nigerian Diaspora Worldwide during the Period 1990-2020

Source: United Nations Department of Economic and Social Affairs.

The table highlights that the number of the Nigerian diaspora increased from over 446,000 people at the beginning of the 1990s to over 610,000 people at the start of the third millennium. By 2010, the diaspora population had reached 996,914 people, meaning the number of diaspora members doubled over two decades. The latest available data indicated that the figure reached approximately 1.7 million people in 2020.

Several factors have driven Nigerians to migrate, including, but not limited to, slavery, colonial labor policy, and military rule, and post-colonial conflict, such as the Nigerian Civil War from 1967 to 1970, as well as economic hardships resulting from structural adjustment policies and neoliberalism. Additionally, the allure of international colleges and the predicament in the Nigerian education system, marked by periodic labor stoppages and instability, have had a significant role in the formation of an academic diaspora. This diaspora's emergence is based on Nigerians' pursuit of academic excellence abroad. According to the International Organization for Migration, Nigerians are "highly educated, with about 62 percent holding a bachelor's, master's, or doctoral degree" (Wapmuk, 2021, p. 91). The figures also indicate that the United States is home to the biggest Nigerian diaspora community, with about 400,000 people, followed by the United Kingdom with over 200,000 people, as per a report by the Migration Policy Institute (Aja, Nnaji, & Okorie, 2024, p. 183).

According to the available data recorded on the Data Mapping Portal, launched by the Nigerians in Diaspora Commission to collect comprehensive and accurate data on Nigerians in the diaspora, as of the end of the first half of 2021, migrants from 28 countries had registered on the portal. An analysis of the data provided by the commission showed that Nigerians registered in the United Kingdom accounted for 22.5%, followed by the United States with 21.4%, and the United Arab Emirates with 5.4% of the registered expatriates. Other countries include Qatar with 4.8%, Canada with 4.4%, South Africa with 4.0%, Germany with 2.5%, Saudi Arabia with 2.3%, Italy with 2.3%, Ghana with 1.5%, Malaysia with 1.1%, France with 0.9%, Spain with 0.9%, and Uganda with 0.7%.

The study also indicated that Australia has 0.7%, China 0.7%, the Republic of Benin 0.7%, Sierra Leone 0.7%, Turkey 0.7%, Switzerland 0.7%, Russia 0.6%, the Philippines 0.6%, the Republic of Niger 0.6%, Ireland 0.6%, and Ukraine 0.5% (Gift, 2023).

Efforts by Nigeria to Strengthen the Government-Diaspora Relationship

The Nigerian government has been working to encourage the diaspora's contribution to the national economy by establishing several committees at the international level and offering various incentives to the diaspora to enhance their contribution to the Nigerian economy. Under President Olusegun Obasanjo's tenure (1999-2007), Nigerians residing overseas were formally acknowledged as stakeholders and esteemed collaborators in the nation's progress. The president unveiled novel approaches with the objective of repatriating Nigerian professionals and experts who are currently living and working elsewhere. This led to the creation of a global organization encompassing all Nigerian diaspora in 2001, known as the Nigerians in Diaspora Organization (NIDO), with branches established in the United States, Europe, Russia, and Asia (Wapmuk, 2021, p. 91). The Nigerian government recognizes NIDO as an official platform through which Nigerian individuals in the diaspora, their community organizations, and institutional bodies can direct their developmental efforts towards Nigeria. The organization collaborates with Nigerian community/professional organizations as well as public and private enterprises specialize in specialized sectors such as foreign direct investment, stakeholder advocacy, medical missions, and educational assistance, and transfer of skills to Nigeria (NIDO, 2024). Other diaspora organizations have also been established, for example, the Central Association of Nigerians in the United Kingdom (CANUK), the Nigerian People's Forum in the United States, the Nigerian Advancement Organization in the United States, and other similar organizations.

One of the tangible outcomes of the interactions between the government and the diaspora following this decision was the government's 2002 decision to provide Nigerians the ability to acquire foreign citizenship without forfeiting their Nigerian citizenship. Several annual science and technology conferences have also been held between Nigerians at home and abroad. Furthermore, the Nigerian government ratified the legislation enacting the Nigerians in Diaspora Commission in 2017, resulting in the establishment of the Diaspora Commission. The Diaspora Commission actively collaborates with Nigerians living abroad to harness their intellectual and professional abilities as well as their material assets, in order to contribute to the progress of the country. In 2016, the Federal Republic of Nigeria created a preliminary national policy on matters concerning its diaspora. which accepted contributions from Nigerians living abroad. Additionally, in partnership with the International Organization for Migration, in 2015, the government formulated the National Migration Policy, which specifically tackles several aspects of migration, such as ensuring secure labor movement.

Contribution of Nigerian Diaspora Bonds in Financing and Supporting the Local Economy

Records have shown that the flow of remittances to Nigeria ranks second only to crude oil revenues as a means of generating foreign currency, surpassing the level of foreign direct investment and government development support, and portfolio investment flows. For example, in 2018, remittances accounted for 83% of the government's budget, the value is 11 times more than the amount of foreign direct investment and 7 times greater than the net official development aid of \$3.4 billion in 2017 (Aja, Nnaji, & Okorie, 2024, p. 184). According to (KNOMAD, 2024) data, Nigeria ranks among the leading beneficiaries of remittances, alongside India, China, Mexico, the Philippines, Egypt, Bangladesh,

Guatemala, Pakistan, and Ukraine, with remittances amounting to \$19.5 billion in 2023 (KNOMAD, 2024). The following table shows remittances to Nigeria by source:

Table 2: Remittances to Nigeria by Source

Source	Share of Remittances to Nigeria
United States of America	0.3
United Kingdom	0.2
Cameroon	0.12
Italy	0.05
Ghana	0.04
Spain	0.04
Germany	0.03
Benin	0.03
Other countries	0.19

Source: World Bank, 2023

The table highlights that the United States of America and the United Kingdom alone account for about half of the diaspora remittances, due to the significant concentration of the Nigerian diaspora in these two countries. Meanwhile, Cameroon accounts for 12%, followed by Italy, Ghana, Spain, Germany, and Benin, with shares ranging between 3-5%. The remaining diaspora scattered across various countries around the world shares the rest of the total remittances. As for the experience with diaspora bonds, the borrowing plan for 2011-2012 by Nigeria's Debt Management Office included a proposal to issue diaspora bonds worth \$100 million. On August 28, 2013, the Debt Management Office of the Nigerian government published the terms of reference seeking technical advisers (by March 10, 2014) for the bond issuance. In January 2014, Nigerian President Goodluck Jonathan wrote to the Senate requesting to triple the amount of diaspora bonds from \$100 million to \$300 million due to the growing interest from expatriates since the bond proposal was announced in 2013. Nigeria conducted four years of consultations with Nigerian expatriates and foreign regulators through mobile presentations in the diaspora, coordinating with embassies, missions, and the Senior Special Adviser to the President on Foreign Affairs and Diaspora is responsible for controlling the diaspora groups. (Faal, 2019, p. 72). In 2017, Nigeria, a federal republic, became the first African nation to issue diaspora bonds, which were structured as international bonds (global bonds), jointly listed on capital markets in the United Kingdom and the United States, and subject to the regulation of the Securities and Exchange Commission (SEC) and the Financial Conduct Authority (FCA). They were packaged as a retail instrument and marketed through wealth managers and private banks (Faal, 2019).

The primary objective of issuing these bonds was to finance the budget deficit in Nigeria's 2017 financial allocations. The rationale for issuing these bonds included the following (Debt Management Office, 2022, p. 06):

- Diversifying the investor base in Nigerian securities and sources of financing;
- Providing the Nigerian diaspora with the chance to contribute to the progress of their nation;
- By decreasing the amount of borrowing from the local market, there will be more opportunities for the private sector to borrow.

The following table highlights the main characteristics of the Nigerian diaspora bonds for 2017:

Table 3: Main Characteristics of the Nigerian Diaspora Bonds (2017)

Source	Federal Republic of Nigeria
Issue Date	27-Jun-17
Maturity Date	27-Jun-22
Issue Size	\$300 million
Minimum Subscription	\$2,000 with increments of \$1,000 above that
Yield on Issue	56.25
Registration/Non-Registration	Registered with the Listing Authority in the UK
	Registered with the Securities and Exchange Commission (SEC) (No. 216840)
Primary Listing	London Stock Exchange/New York Stock Exchange
Secondary Listing	Nigerian Stock Exchange and FMDQ Securities Exchange
Governing Law	New York Law

Source: Debt Management Office, 2022, p.04

The Nigerian government used diaspora organizations' databases to send a persistence notice to them with bank contact details. Additionally, the Diaspora Committee conducted a series of promotional campaigns. Those with bank accounts in Nigeria were also able to invest (African Development Bank and Making Finance Work for Africa, 2019, p. 90). The diaspora bond distribution plan included the allocation of bonds to four banks responsible for purchasing the original bond amount of \$300 million. The issuance managers included international lead managers and Nigerian lead managers, enabling them to reach individual investors. The institutional offering transitioned to retail, and the following table highlights the Nigerian diaspora bond distribution plan (2017).

Table 4: Nigerian diaspora bond distribution plan (2017)

Subscriber	Country	Subscription Size
Merrill Lynch, Pierce, Fenner & Smith Incorporated	United States of America	\$112,500,000
The Standard Bank of South Africa Limited	United Kingdom	\$112,500,000
First Bank of Nigeria	Nigeria	\$37,500,000
United Bank for Africa	Nigeria	\$37,500,000
Total		\$300,000,000

Source: Prepared by the researchers based on: (The Federal Republic of Nigeria, 2017).

The issuance was successful, with the bond being oversubscribed, primarily due to the Central Bank's history of never defaulting on bond payments. Although detailed information about the profiles of different investors is not readily available, initial bond applications reached 190%. The subscription rate for the initial Nigerian diaspora bonds attained 130% at the conclusion of the auction. Interest payments to bondholders are made twice a year, on June 27 and December 27 of each year, starting from December 27, 2017. For example, for every original amount of \$1,000 of bonds purchased on June 27, 2017, an interest of \$28.13 is paid on June 27 and December 27 each year until maturity (unless the bonds are sold). Interest is computed using a 360-day year consisting of 12 months, with each month having 30 days (The Federal Republic of Nigeria, 2017). The interest rate offered for the diaspora bonds was lower compared to the Nigerian government's Eurobond issuance—\$2.5 billion in 2018 with an interest rate exceeding 7%, and \$3 billion in

Eurobonds issued in 2017 with interest rates ranging between 6.5% and 7.5% (African Development Bank and Making Finance Work for Africa, 2019, p. 90).

The net proceeds from the diaspora bond issuance, after deducting underwriting fees and the issuer's share of offering expenses estimated at \$2 million, amounted to approximately \$295.6 million, as shown in the following table:

Table 5: Net Proceeds from the Subscription of Nigerian Diaspora Bonds (2017)

Statement	Per Bond	Total
Public Offering Price	1	\$300,000,000
Subscription Discount	0.008	\$2,400,000
Revenues Before Issuer's Expenses	0.992	\$297,600,000
Expenses		\$2,000,000
Net Proceeds		\$295,600,000

Source: Prepared by the researchers based on: (The Federal Republic of Nigeria, 2017).

In addition to the net outcome of diaspora bonds, the benefits derived from investing in Nigerian diaspora bonds include the following: (Debt Management Office, 2022, p6)

- With the registration of the prospectus with the U.S. Securities and Exchange Commission and the British Securities Authority, Nigeria has joined the ranks of nations that have implemented the most stringent disclosure requirements for the issuance of securities;
- This initiative contributed to the growth and sustainability of Nigeria's presence in the global securities market, while also attracting foreign direct investment;
- The contribution to foreign reserves resulted in a strengthening of the local currency's value.

Key Challenges Faced by Nigerian Diaspora Bonds

Despite the effectiveness of the Nigerian diaspora alliance experience, there are some challenges worth noting:

- **Regulatory Challenges:** The biggest challenge for the Nigerian diaspora bond experience was the regulatory environment in the United Kingdom and the United States, which restricted the retail market.
- **High Issuance Costs:** The total costs of issuing the bonds (including the underwriter's discount and the issuer's share of the offering expenses) as previously indicated amounted to \$4.4 million (1.5%), making the issuance more expensive than launching Eurobonds.
- **Lengthy Marketing Period:** Diaspora bonds took longer to market as there were many marketing roadshows before the issuance.
- **Difficulty in Reaching the Diaspora:** Significant efforts were made to reach the diaspora, and there is no way to know if it was expatriates who invested or institutional investors.

Lessons Learned from the Nigerian Diaspora Bond Financing Experience

Many lessons can be drawn from the Nigerian experience in issuing diaspora bonds, including the following: (Cyrus, 2018, pp. 3-4).

- Diaspora bonds are intricate financial instruments with several distinct features; they must be meticulously crafted to accommodate the unique circumstances of each nation. Important factors to examine are the general objectives, dates of issue, quantities,

currencies, maturities, provided interest rates, and minimum subscription requirements, etc.;

- Tapping into diaspora savings is a long-term process that takes several years, and its success depends on political, economic, and technical factors, particularly a stable economic environment free from risks related to the repatriation of interest and money is ensured without any exposure to currency concerns;
- Creating effective tools to engage with the diaspora requires a clear understanding of the size, the migrant diaspora encompasses information on the geographic locations, as well as the economic and demographic attributes of the migrants. This includes details such as the migrants' age, gender, skill level, planned destination, degree of savings, financial assets, and commitments in their nation of origin. However, for several African nations have limited access to comprehensive data, both inside their own borders. and restricted in host nations;
- The expenses associated with the preparation, promotion, and distribution of diaspora bonds are substantial, particularly when there is a need to adhere to regulatory requirements in several jurisdictions, it might nullify the advantages of using diaspora savings. As per the United Nations Development Program, the expenses might amount to 4 or 5% of the nominal value of the bond instrument.

Conclusion

Although migration is considered a negative phenomenon by many theorists, it can be harnessed if the appropriate conditions are provided, allowing governments to benefit directly or indirectly from remittances and investments of diaspora funds in various ways. Diaspora bonds are among the significant investments that governments, which have a substantial diaspora population and suffer from savings deficits, can rely on to finance various projects, especially those related to infrastructure. Looking at the Nigerian experience with diaspora bond financing, the Nigerian government successfully used these bonds to obtain the required financing despite the incurred costs, the lengthy marketing period, and the difficulty of obtaining information about the targeted diaspora. This calls for the need to overcome obstacles to diaspora fund transfers while continuing to build a database that includes diaspora information.

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