

Sierra Leone Diaspora Investment & Trade Study

EXECUTIVE SUMMARY

The recent regional Ebola outbreak has had a devastating impact on the Sierra Leonean economy and wreaked havoc not only in public health but in all sectors. Advances in mining, agriculture, energy and tourism have all but ground to a halt. The 2014 growth projections of 11.3 percent were never realized, instead economic growth fell to 7.1 percent by year-end. Recent estimates further show that there is a considerable risk that recent economic progress and related gains in social and economic well-being stand to be reversed, due in large part to investor aversion as well as the closure of iron ore mining in early 2015, which could potentially lead to a severe economic contraction of up to 23.5 percent if iron ore mining does not resume within the year. This contrasts sharply with the pre-Ebola forecast of +8.9 percent real GDP growth. In this scenario, GDP in 2015 would be \$ 1.4 billion lower than the pre-Ebola forecast. This is particularly devastating considering that the pre-Ebola poverty rate in Sierra Leone was 52.9% (2011 estimate).

The World Bank Group has mobilized over US\$1.62 billion in financing for Ebola response and recovery efforts to support the countries hardest hit by Ebola. Some of the funding has been used to support foreign and local health care workers, ensuring the continued supply of essential goods and services and to finance medium and long-term projects. This study of the Sierra Leonean diaspora examines potential diaspora investor's perspectives and identifies investment models that can possibly mobilize diaspora capital, skills, and knowledge to contribute to Sierra Leone's post-Ebola economic recovery.

The Sierra Leonean diaspora is comprised of historic and recent emigrants and their descendants, primarily residing in proximal African countries (Guinea, Liberia, Nigeria), Europe (UK, Germany, Netherlands), and North America (Canada, the United States). Over 52.5% of tertiary-educated Sierra Leoneans live abroad. This number includes the 42.4% and 48.9% of all physicians and nurses born in Sierra Leone.¹ Several diaspora organizations have been founded abroad to mobilize the diaspora for cultural, professional, humanitarian and other purposes.

We employed a mixed-method study (interviews, focus groups, and a survey) to examine current and potential diaspora investment in Sierra Leone. The study investigated the following research questions:

1. What is the demographic profile of the mobilized Sierra Leonean diaspora community in Canada, the United Kingdom, and the United States?



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2. How is the mobilized Sierra Leonean diaspora community currently engaging in the development of their country of origin through tourism, remittances, philanthropy, volunteerism and business investment?
3. How interested is the mobilized Sierra Leonean diaspora community in investing human and financial capital in volunteerism, charity and business investment in Sierra Leone and in what particular types of programs, products and services?, and
4. What are the diaspora-perceived obstacles to investment in Sierra Leone?

In-depth interviews and focus groups were conducted with over 100 Sierra Leonean diasporans in Atlanta, London, Toronto, and Washington DC in March–April 2015. An online survey was launched on Sierra Leone’s Independence Day on April 27, 2015, and remained open for one month. The survey was distributed to the membership of over 20 different diaspora organizations, via snowball sample to the social networks of over 100 diaspora volunteers, and through social media. A total of 610 respondents completed the survey. Study respondents are currently residing in the United States (69%), the United Kingdom (18%), Canada (7%) and other countries (6%). Almost half (42%) of the survey respondents are female.

Study findings suggest that

1. Feelings of pride and frustration are prevalent in the mobilized Sierra Leonean diaspora community. The need to build trust—within the diaspora community, between the diaspora and the government and people of Sierra Leone, and within any potential program, product or service that seeks to target the diaspora for investment in Sierra Leone—also is a common theme in diaspora conversations.
2. The mobilized diaspora possess substantial and diverse human capital, robust middle-class income levels, and some limited available wealth for investment.
3. Substantial gaps exist between current levels of diaspora investment (volunteerism, entrepreneurship, and portfolio investment) and diaspora investment interest. The mobilized diaspora is particularly interested in making investments in the education, healthcare, and agriculture sectors as well as in other sectors associated with the country’s general infrastructure and business-enabling environment. Most Sierra Leonean diaspora investors are motivated by a combination of emotional and financial investment concerns.
4. Diaspora capital currently is impeded by numerous perceived obstacles to investment, particularly issues related to government policy/practice, weak infrastructure, and some local human capital challenges. The top-five greatest diaspora-perceived obstacles to investment in Sierra Leone (in order of importance) are difficulties in obtaining energy, lack of a strong telecommunications infrastructure, difficulties in identifying suppliers, the lack of skilled mechanics, and the lack of a strong physical infrastructure.
5. Several differences in investment attitudes, behavior and perceived obstacles exist among segments of the diaspora according to country-of-residence, generation, and gender.

Figure 1. How Do Sierra Leoneans Feel About Being a Member of the Diaspora?



Feelings of Pride and Frustration among the Diaspora

Focus group participants were asked to identify two words that describe how they feel about being a member of the Sierra Leonean diaspora to gain insight into diaspora attitudes about their identity and community. Across all seven focus groups we conducted, 110 unique words were reported by Sierra Leonean diaspora participants. Figure 1 reports this word universe; the font size is proportionate to the number of mentions a given word received. In general, 76% of the words mentioned are associated with a negative psychological state and 24% were associated with a positive psychological state. The two most common words mentioned were “proud” (15%) and “frustrated” (15%). Other commonly cited words included “hopeful,” “responsibility,” “disappointed,” and “optimistic” (each reported by 5% of participants) as well as “disconnected” and “discouraged” (each reported by 2% of participants).

Almost all conversations with Sierra Leonean diasporans in interviews, focus groups, and outreach events mentioned the need to build trust to mobilize the diaspora and encourage them to invest in the country. Three major trust themes emerged in these conversation narratives: the need to enhance trust within the diaspora community across subgroups and geographic distance, the need to continue to build trust between the diaspora and Sierra Leoneans back home, and the need to identify trustworthy and credible actors to create, market, and deliver programs, products and services targeting the diaspora for investment in Sierra Leone.

Human and Financial Capital Potential of the Diaspora

According to our survey results, the mobilized diaspora is predominantly comprised of first and second-generation emigrants, who travel to Sierra Leone often, are educated, earn middle-class incomes, and who possess diverse and high-skill occupational experience and some limited net investable wealth.

A substantial majority (71.9%) of survey respondents are age 40 and older. Three-fourths of the survey respondents are first-generation emigrants from Sierra Leone that have spent a median number of 25 years outside of their country of origin.

Survey respondents travel often to Sierra Leone: Three-fourths of the survey respondents have traveled at least once to Sierra Leone in the past three years. Over one-quarter (29.2%) have traveled at least once a year in the past three years (43% of that group has made five or more visits in that time period). Eighty-three percent of all survey respondents indicate that they intend to live in Sierra Leone in the future.

High levels of education, middle-class incomes, and diverse, highly skilled occupations were reported by survey respondents. Eighty-five percent (85%) have attained a bachelor's or post-graduate degree. The median reported household income is US\$100K. Nineteen percent (19%) of survey respondents are business owners, 14% are doctors, nurses or other healthcare practitioners, 10% work in financial service occupations, 7% are managers, 6% are teachers, 6% are clerical or other administrative staff, and 5% are employed as a researcher/scientist, in government, or in the legal profession. Six percent are students, 5% are retired, and 12% report employment in other occupations.

Only 11% of survey respondents report net investable wealth of over US\$500K. Over half of the survey respondents possess less than US\$50K net investable wealth.

Diaspora Investment Interest Gap

There is a notable—and sizeable—difference between the degree to which the diaspora is *currently* investing their human and financial capital in Sierra Leone and the degree to which *they are interested* in doing so. These gaps between current and potential investment represent opportunities for further leveraging diaspora capital for Sierra Leone's post-Ebola economic recovery.

The mobilized Sierra Leonean diaspora currently spends a substantial amount of time volunteering for Sierra Leone-related projects within their respective countries of residence but volunteer less time in Sierra Leone itself. Over the past three years, more than half of the survey respondents spent an average of 29 days volunteering in their country of residence annually on projects directed at Sierra Leone. During that same period, over half of the respondents have spent at least one day volunteering in Sierra Leone annually.

The level of interest in volunteering for Sierra Leone in general—either for Sierra Leonean projects in the country of residence or for short-term projects (less than three months) taking place in Sierra Leone—was fairly high; each volunteering option received

a mean score ranging between 4.5–5.57 on a seven-point scale (1=not interested at all; 7=extremely interested). The degree of volunteer interest was about the same between volunteer opportunities in countries of residence (mean score 5.57) and those requiring a short-term visit to Sierra Leone, such as volunteering in a non-governmental organization in Sierra Leone (mean score 5.41) and in a Sierra Leonean school (mean score 5.25). Survey respondents also registered interest in volunteering in a village community in Sierra Leone (mean score 4.97) and as a mentor/intern in a for-profit company in Sierra Leone (mean score 4.62). Volunteer opportunities in Sierra Leonean hospital received slightly less support (mean score 3.91).

The mobilized Sierra Leonean diaspora currently contributes substantial sums to charities in Sierra Leone, and many prefer to give to anyone in need in the country rather than targeting their charitable contributions to specific individuals, organizations or groups that they know in Sierra Leone. Over the past three years, survey respondents have given on average US\$5,873 to charities in Sierra Leone. Over half (52%) indicate that they prefer to give to anyone in need in Sierra Leone, while 19% claim a preference for giving to individuals, 18% to organizations, and 11% to groups that they know of in Sierra Leone.

The majority of the mobilized diaspora has not yet made a business investment in Sierra Leone (60%), but large majorities claim that they are interested in making direct and portfolio investments in the country (see Figures 2 and 3). Almost a quarter (23.8%) of respondents has made a real estate purchase for personal use in Sierra Leone compared to the 70.8% that indicate an interest in doing so. A mere 9.3% have purchased real estate for rental or resale purposes in Sierra Leone compared to the 65.2% who are interested in that type of investment in the country. The gaps between current investment activity and interest are notable between those interested in direct investment through entrepreneurship. Less than five percent of survey respondents have established a new

Figure 2. Investment—Interest vs. Current Investment Activity (DDI)

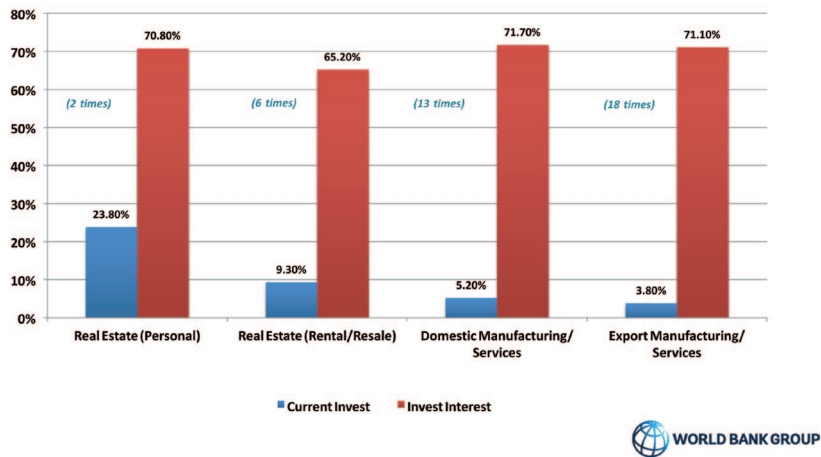
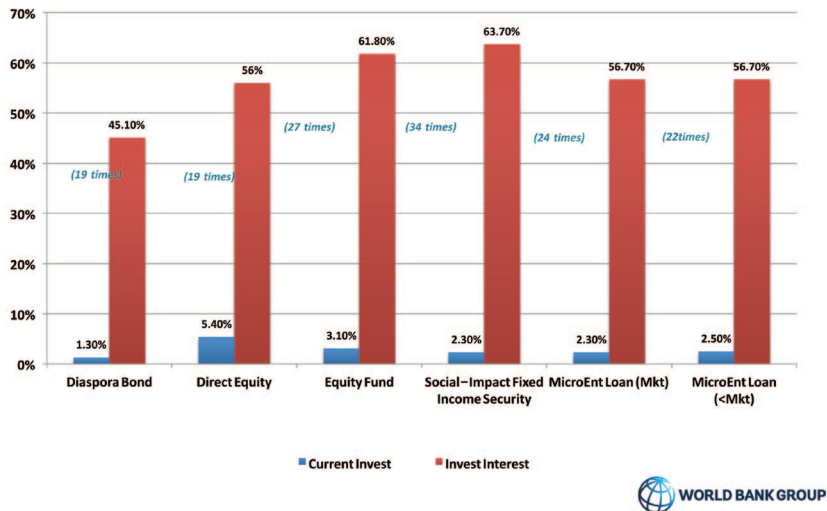


Figure 3. Investment—Interest vs. Current Investment Activity (DPI)



manufacturing or service operation in Sierra Leone for domestic or export sale, but 71% of survey respondents are interested in engaging in this entrepreneurial activity.

The gaps between current levels of diaspora portfolio investment activity and interest are dramatic (see Figure 2). While only 1.3% of survey respondents claim to have invested in a diaspora bond in Sierra Leone, 45.1% indicate interest in doing so. About five percent (5.4%) of survey respondents are currently invested in equity ownership of a Sierra Leonean company, and 3.1% are invested in an equity fund consisting of Sierra Leonean companies, compared to the 56.0% and 61.8% respectively who are interested in these forms of equity investment in Sierra Leone. While a very small proportion claim to have invested in a fixed-income security that lends funds to social-impact small and medium-sized enterprises in Sierra Leone, 63.7% are interested in making that type of investment. Similarly, minute proportions of survey respondents are currently contributing to funds that lend money to microenterprises at Sierra Leonean market (2.3%) or below-market interest rates (2.5%), but over half of survey respondents (56.7%) are interested in contributing to lending funds like these.

The mobilized diaspora is particularly interested in making investments in the education, healthcare, and agriculture sectors as well as in other sectors associated with the country's general infrastructure and business-enabling environment (e.g., water, information and communications technology, energy, construction and manufacturing). Each of these sectors received a mean level of interest score of a five or greater on a seven-point scale on the survey (1=no interest at all; 7=extremely interested) (see Figure 4). The mining sector received relatively less diaspora enthusiasm for investment (mean score 4.95).

Figure 4. Investment D Current Interest by Sector

Industry	Mean	Std. Deviation
Education	6.11	1.552
Healthcare	5.99	1.709
Agriculture	5.97	1.711
Water	5.95	1.750
Information Technology	5.90	1.623
Energy	5.89	1.745
Construction	5.83	1.605
Manufacturing	5.65	1.825
Mining	4.95	2.112

*Mean of respondents' scores on each criterion. Scores were measured on a scale from 1 to 7 (1= No Interest at All; 7=Extremely Interested).



Diasporans invest in their countries of origin for many different reasons, including emotional, financial, political and social-status motivations.² Survey respondents were presented with a series of questions designed to identify which diaspora motivation dimensions are relatively more salient to the mobilized Sierra Leonean diaspora community (1=strongly disagree; 7=strongly agree). Overall, emotional and financial diaspora investment motivations are the main drivers of diaspora investment interest in the mobilized Sierra Leonean diaspora community (mean of means score of 6.44 and 4.45 respectively), while social-status and political motivations are less salient.

Among the presented potential emotional motivations for diaspora investment, the desire to make a social impact received the greatest level of agreement (6.57), followed by feelings of personal duty (6.46), personal pride (6.39), and personal accomplishment (6.32). Personal financial independence (5.1), profit (4.1), and the desire to improve the personal investment portfolio (3.8) comprised the most important financial investment motivations. Social-status motivations, such as the expectation of gaining respect within the diaspora community (3.62), family expectations (2.63), an expectation of feeling disgraced if investments are not made (2.53), and an expectation to gain social status within the diaspora (1.65) received only moderate-to-weak levels of agreement. Political motivations, such as a belief that diaspora investors are able to influence the policy (2.39), secure greater political protection for family and friends back home (1.71) or acquire better access to government officials (1.42) received very low levels of agreement among survey respondents.

Diaspora-Perceived Obstacles to Investment

The list of diaspora-perceived major obstacles to investment is long and varied. Among the 28 different possible obstacles to diaspora investment in Sierra Leone (e.g., issues related to government, infrastructure, property rights, finance, and human capital) presented on the survey, 23 received a mean score of a 6.0 or greater on a seven-point scale (1=not an obstacle at all; 7=a major obstacle). Of that total, 16 items rated 6.5 or greater.

All eight of the government-related issues included on the survey were rated 6.68 or greater, including export-import procedures (6.82), import delays (6.80), a lack of a one-stop-shop for diaspora investors (6.78), unpredictable monetary policies (6.77), safety and security (6.77), high tax costs (6.74), lack of access to government officials (6.73), and unclear tax policies (6.68).

Each of the six issues related to infrastructure and property rights received a mean score of 6.26 or greater, including difficulty in acquiring access to energy (6.93), lack of strong telecom (6.91) and physical infrastructure (6.83), lack of strong intellectual property right enforcement (6.62), and lack of a strong communications infrastructure (6.53). Difficulties in obtaining land permits (6.36) and acquiring land (6.26) also were perceived to be significant diaspora investment obstacles.

Most financial issues received high mean perceived diaspora-investment obstacle scores, such as the high cost of borrowing money (6.69), high transportation costs (6.49), insurance costs (6.42), difficulty in transferring money outside of Sierra Leone (6.41), and difficulty in transferring money within Sierra Leone (6.25). Difficulty in opening a bank account (4.35) was perceived to be a relatively less significant obstacle to diaspora investment compared to the other issues.

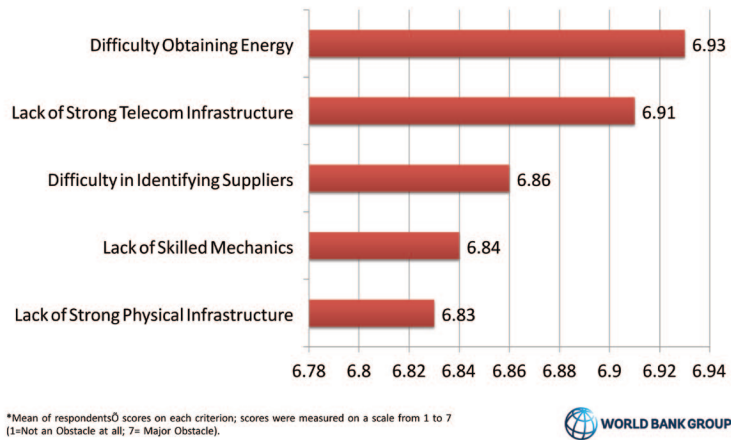
Some human capital concerns were also among the most important diaspora-perceived obstacles to investment, including difficulties in identifying suppliers (6.86), the lack of skilled mechanics, and the primary importance of personal relationships in business (6.84). Unfamiliarity of local human resource practices (4.3), difficulty in hiring skilled workers (3.5), and difficulty in conducting background verifications (2.5) were all perceived to be less salient obstacles to diaspora investment in Sierra Leone.

The top-five greatest diaspora-perceived obstacles to investment in Sierra Leone (in order of importance) are difficulties in obtaining energy, lack of a strong telecommunications infrastructure, difficulties in identifying suppliers, the lack of skilled mechanics, and the lack of a strong physical infrastructure (see Figure 5).

Country-of-Origin, Generation, and Gender Differences in the Diaspora

Several significant differences were noted between subgroups of the Sierra Leonean diaspora in the survey, particularly according to respondent country-of-origin, generation and gender.

Figure 5. Investment—Perceived Barriers (Top 5 Main Barriers)



While there were no significant differences between Canadian and American respondents across the survey, survey respondents from the UK are traveling to Sierra Leone more often; they currently hold more business investments in Sierra Leone, and rate most diaspora-perceived obstacles to investment higher than their North American counterparts.

Interest in volunteerism across all categories is greater among first-generation emigrants. In interviews and focus groups, many second-generation diasporans raised concerns that volunteer experiences may impede job-search activities in competitive labor markets in countries of residence and seemed uncertain how to best leverage volunteer experiences when returning and applying for jobs.

As a group, female diasporans are primarily motivated to invest in Sierra Leone for emotional motivations; financial, social status, and political concerns play less of a role in the decision to invest in Sierra Leone. Female respondents remit and contribute to charities at the same levels as their male counterparts. They also register similar levels of interest across all portfolio investment categories. Yet, they are traveling back to Sierra Leone less often than their male counterparts and are statistically less interested in making real estate investments or starting new businesses in Sierra Leone. These differences are particularly noteworthy given high levels of education, income, and professional work experience among female Sierra Leoneans in the diaspora. In interviews and focus groups, many female diasporans shared stories and personal experiences of sexual harassment and fears of gender-based violence when returning to Sierra Leone, particularly when seeking access to capital or attempting to cut through red tape and bureaucracy.

The Way Forward

These study findings raise several questions that must be addressed if diaspora capital is to be unlocked and leveraged for Sierra Leone's post-Ebola recovery. Specifically,

- The demographics of the mobilized diaspora suggest that there is potential for investment (high levels of education, middle-class incomes, business/technical occupations) but limited capital for investment. ***How can current and potential investors be better reached and coordinated to encourage and increase investment in Sierra Leone?***
- There is potential to encourage diaspora engagement in short-term volunteerism in Sierra Leone, particularly in NGOs, schools, and village communities. What can be done to provide more volunteer opportunities in Sierra Leone in these areas?
- There are significant gaps between current investment in Sierra Leone and interest in doing so. There is strong interest in real estate, direct investment (through entrepreneurship) and portfolio investment through social-impact investments, private equity, and other investment models. ***What should be done to turn investment interest into investment action in Sierra Leone? What investment vehicles need to be created?***
- There are many perceived obstacles to investment in Sierra Leone. ***What can be done to decrease perceived obstacles to investment? Where should the priorities be?***

These issues and more will be discussed on September 30, 2015, at an event at the World Bank, where leaders from the diaspora, international organizations, government, for-profit firms, NGOs, and academia will come together to identify a path forward for diaspora engagement in Sierra Leone's post-Ebola economic recovery.

Endnotes

1. Data from the World Bank's *Migration and Remittances Factbook 2011* (accessed 9/21/2015) <http://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf>.
2. See for example Nielsen, Tjai M. and Liesl Riddle. (2009). "Investing in Peace: The Motivational Dynamics of Diaspora Investment in Post-Conflict Economies," *Journal of Business Ethics*, 89(4), 435–448.