

# Nigerians Abroad Contribution to Foreign Direct Investment in Nigeria

**BEST OF NIGERIA**

28<sup>th</sup> October 2005

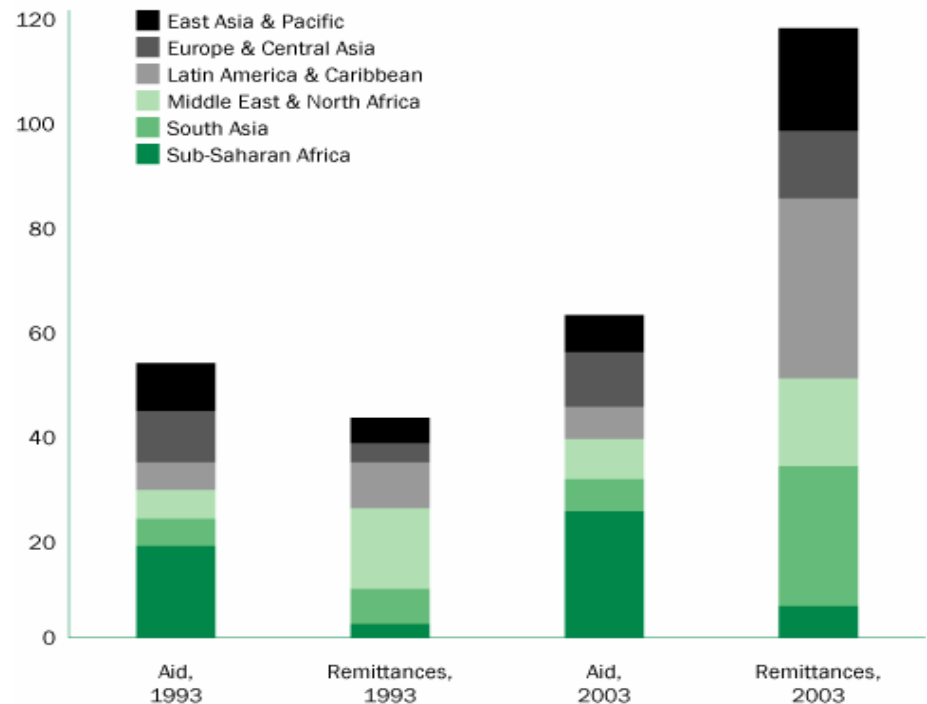
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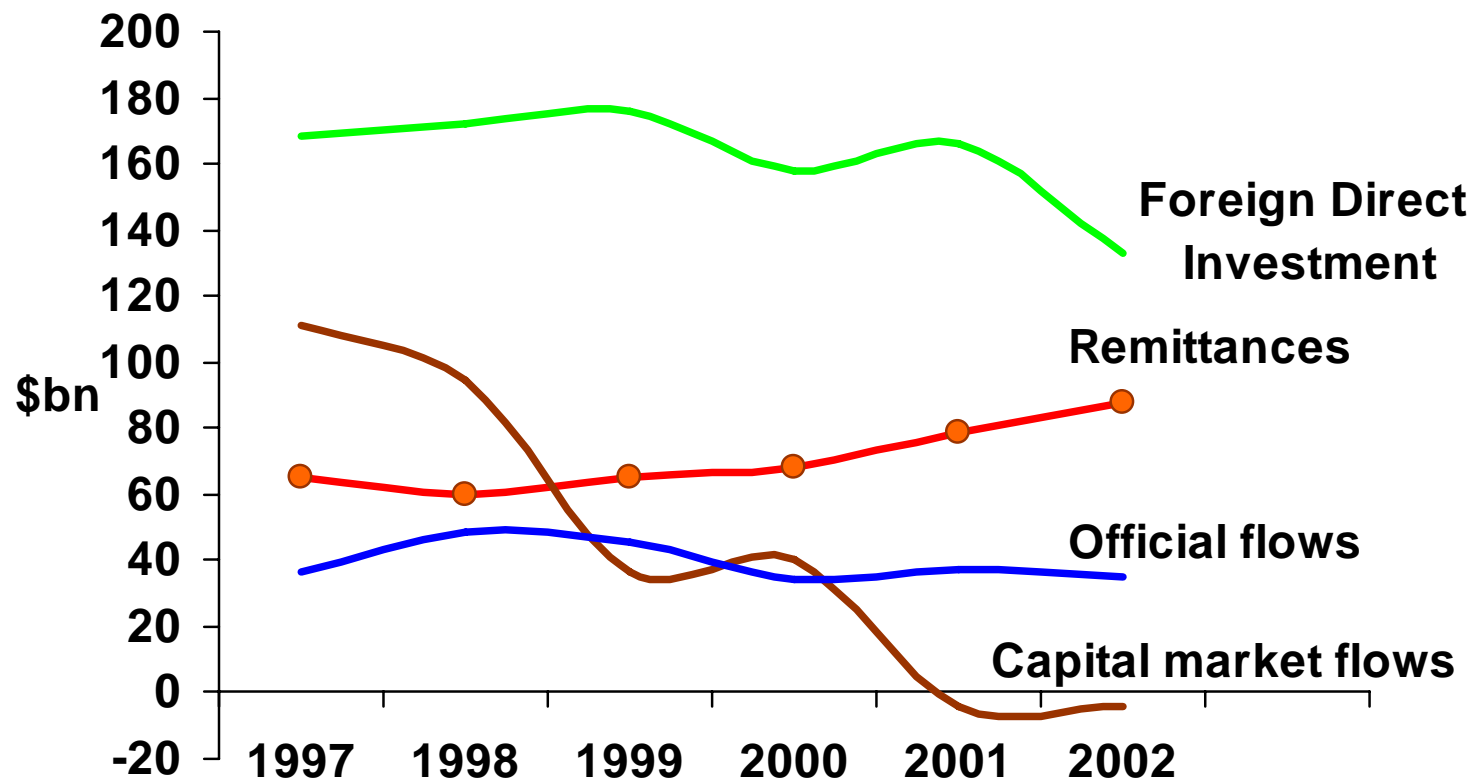
# The growing phenomenon

- In 2001 remittances to developing countries stood at \$72.3 billion, 42% of total Foreign Direct Investment. In 2003 it was estimated to be over \$300 billion. This is the second largest source behind Foreign Direct Investment of external funding for developing countries. It is a more stable source of capital than private capital and is expected to rise.
- Africa accounts for approximately 15% ( \$45 billion of the total global remittance flow).

Aid and remittances (current US\$ billions)



# Diaspora Investors : *Emerging Investors*



*Source: DFID presentation at Africa Diaspora Investment 2005*

*AfricaRecruit Presentation at Best of Nigeria 2005*

## Background- 2

- Nigerians in the Diaspora remitted at least up to \$28 billion dollars within the last 8 years. Experts have argued that the amount being remitted through informal channels is probably 4 times this amount. This amounts to \$112 billion
- AfricaRecruit initial survey (2003) pointed to consumption driven remittances a follow up survey of Nigerian Diaspora survey in 2005 showed that 92% of the remittances is invested
- Remittance account for approximately 5% of Nigeria's GDP. This does not take into account the substantial amount that goes through the informal channels

## Background- 3

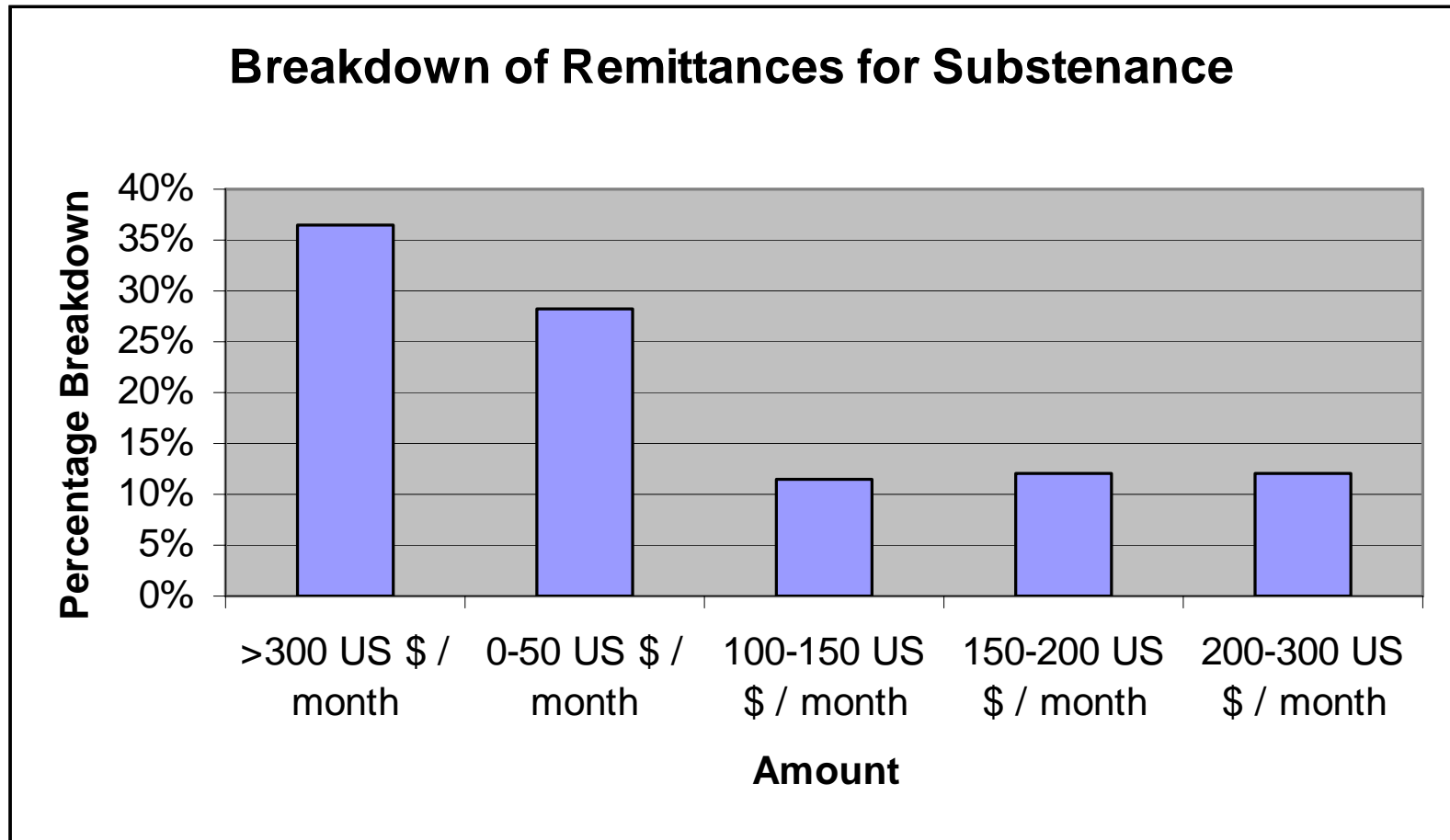
### Reasons for this include:

- High commission
- Poor infrastructures in sending and receiving countries
- Wide differences between official and black rate
- Alternatives- bartering, people transfer
- Control in dispensing to local rate by the receiver
- No integrated services between business and governments

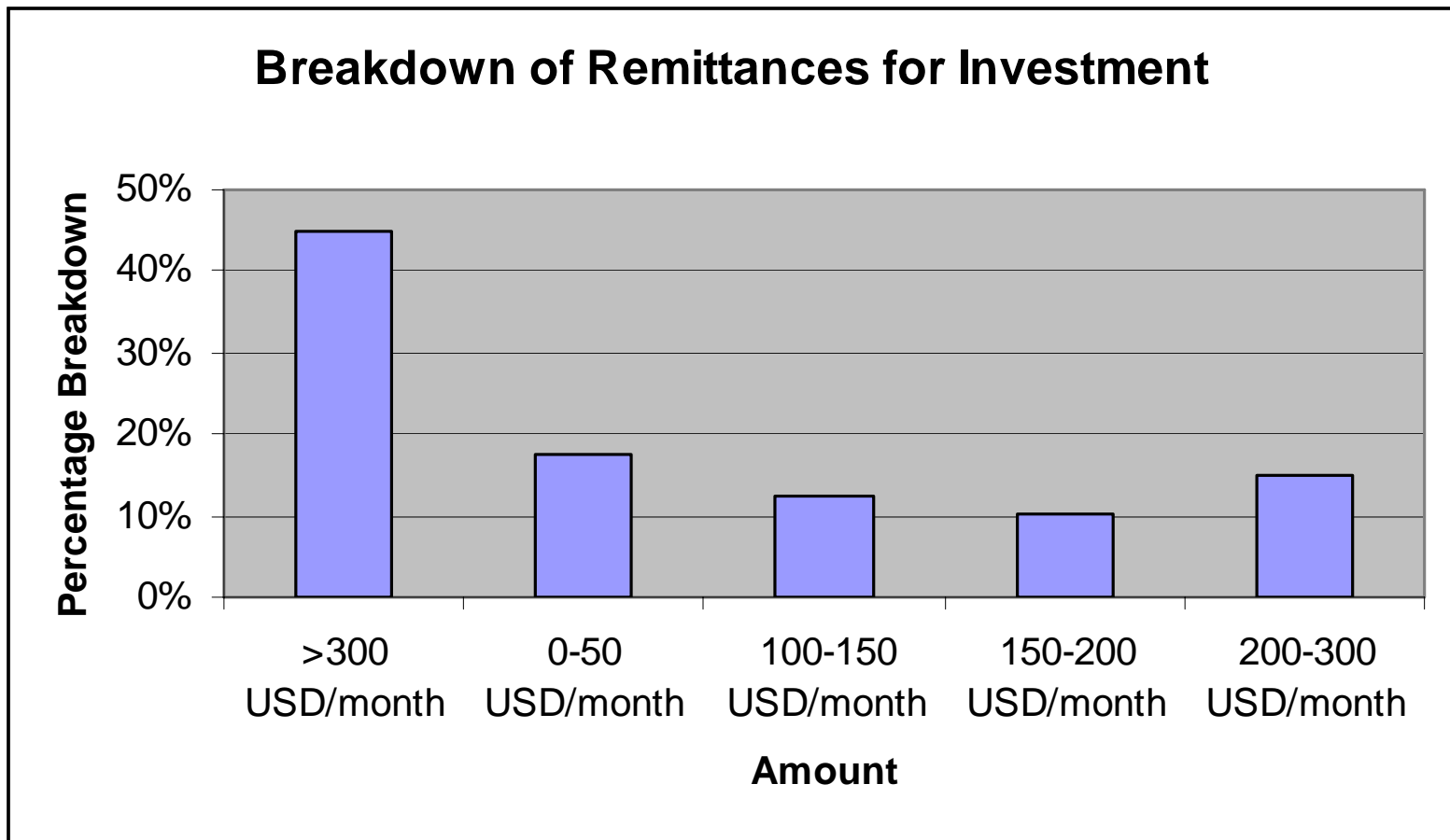
# Nigerian Diaspora Investors

- 61% of those surveyed remit home for sustenance of those that do 41% also remit home for investment purposes
- This cover a diverse range of respondents from self employed to top level executives
- 7% of those surveyed that do not invest for sustenance reasons invest on average more than those that invest for sustenance only
- 40% of this investment currently goes into the capital market with Real Estate another popular investment option

# Breakdown of Flows

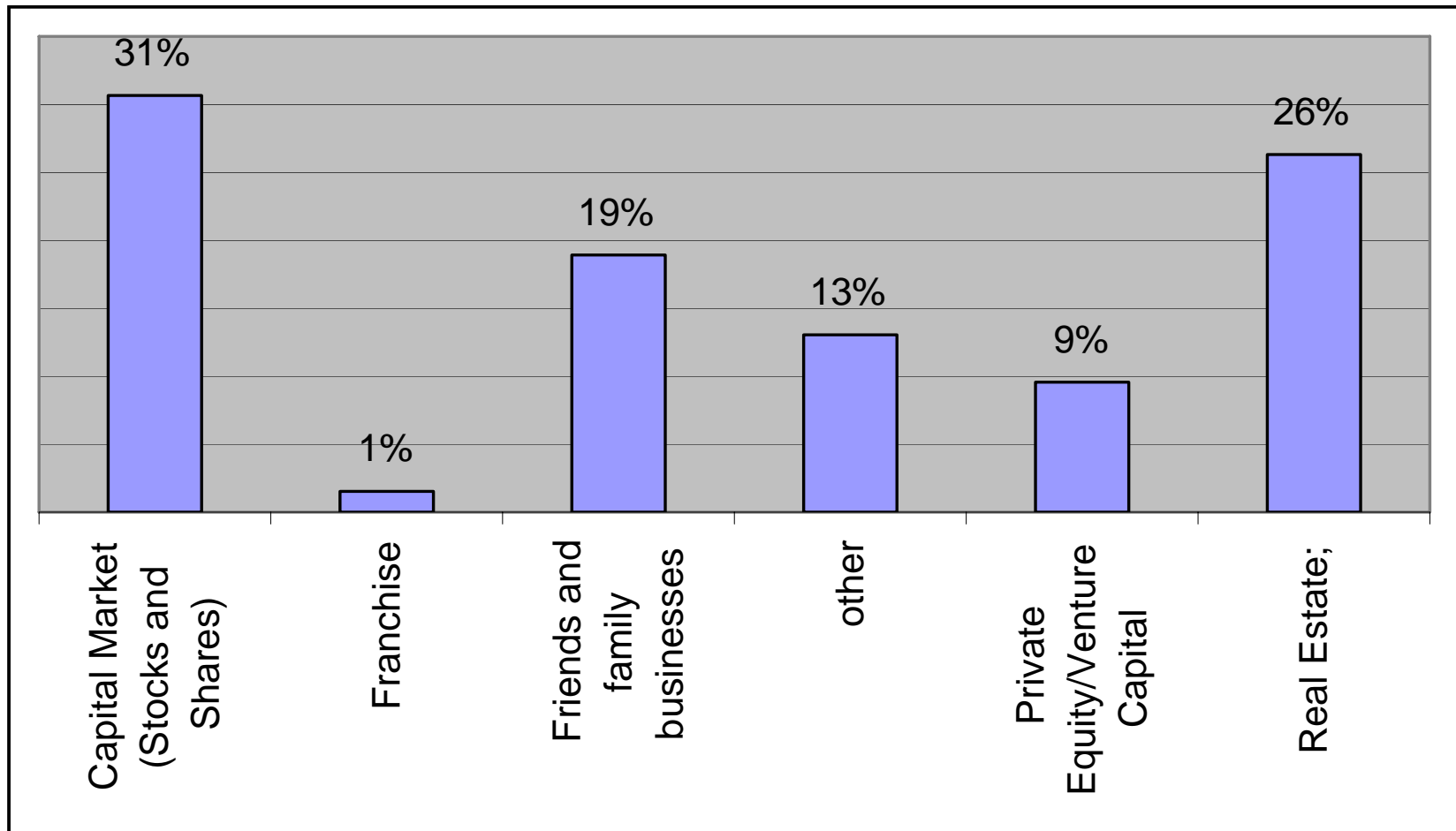


# Breakdown of Flows-2





# Areas of Investment's



# Obstacles

- 93% of the respondents indicated that ICT/Telecomm had improved their ability to invest
- However 45% indicated that still require further information to make an informed decision on investment
- Transparency and due diligence
- Infrastructure such a public amenities
- Suitable options
- Legal framework
- Integration between host and native country
- Sustaining a "winning model"
- Access to finance
- International standards of operation

# Need for Information

## **Benefits to Nigeria's ability to:**

- translate some of the current cash transfer (30%) to formal channels ( increased FDI)
- capture more information, plan and forecasts its FDI
- create policy enhancers, alternatives and incentives to the private sector

## **Benefits to senders the ability to:**

- make more informed choices
- more conveniently transfer e.g. direct debit

## **Benefits to recipients the ability to:**

- Receive on a regular basis and plan ( direct debit)
- Receive more from the money sent
- Consider investment options
- Enable micro finance and credit capacity

# Way Forward

- Increased involvement of Nigerian government, institutions private sector in particular the financial sector to develop policy, create more packages and incentives to encourage formal flows
- Host countries to work with Diaspora communities and private sector MTO
- Nigerian Diaspora greater understanding of the impact of remittances/FDI to Nigeria & Africa as a continent
- Using the remittances as leverages for Nigeria's development
- Incentives to Diaspora Investors similar to those given to foreign investors
- Transparency and accountability

*Thank  
You*

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