



# The Caribbean Diaspora: A source for venture investment?

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Authors: This note has been authored by Qahir Dhanani and Mina J. Lee. The content is based on a study conducted by the authors from March to June 2013. The note was prepared as part of the Entrepreneurship Program for Innovation in the Caribbean (EPIC). EPIC is a 7-year program funded by the Government of Canada and implemented by infoDev, a unit focused on Innovation, Technology and Entrepreneurship within the World Bank. To learn more about EPIC, please visit: <http://www.infodev.org/>

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# The Caribbean Diaspora: A source for venture investment?

The Caribbean region is unique for many reasons. Perhaps most striking among these is the demographic fact that for every resident in the region there is an individual living in the diaspora abroad. This one-to-one ratio of nationals to diaspora members presents a tremendous opportunity for cross-border engagement among a people who share common cultures and histories.

As part of the Entrepreneurship Program for Innovation in the Caribbean (EPIC), infoDev and the World Bank conducted a study to assess the business and investment interests of the diaspora. EPIC aims to support high-potential, growth-oriented early stage companies for the purposes of job creation and economic development. These enterprises require an ecosystem of resources from mentorship to networks to financing. While there are numerous seed stage financing models available, the Program is focused on leveraging business angel investors<sup>1</sup> from the diaspora who can bring mentorship-based-capital to address the financing gap which entrepreneurs face. The goal of the study is therefore to inform the development of an early stage innovation financing facility targeted at connecting diaspora investors with startup entrepreneurs.

Engaging over 850 self-identified members of the Caribbean diaspora, the study brings together knowledge and data gathered from 634 respondents, with over 31 countries of origin, to a widely circulated online survey<sup>2</sup>, inputs from over 200 face-to-face focus group sessions with business leaders, opinion leaders, and high net-worth individuals, and insights from individual interviews with 20 accredited angel investors.

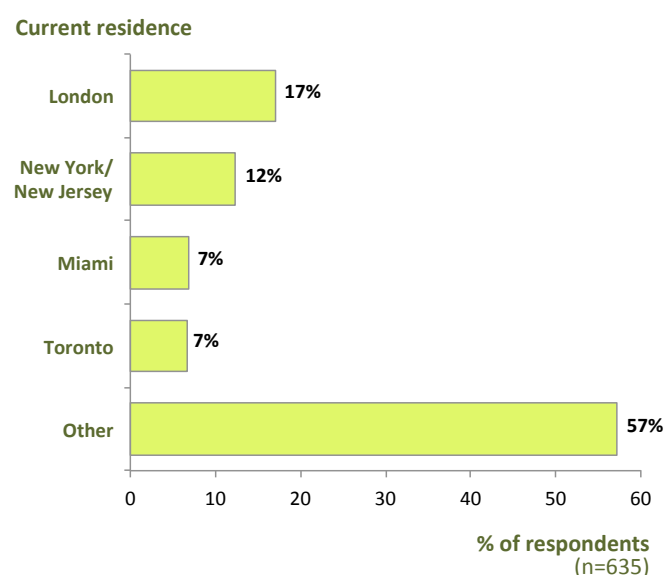
This note provides a brief summary of the findings from the study focusing on three questions of particular interest. First, what is the profile of the diaspora? Second, how willing are they to engage with the Caribbean? And third, what is their financial

ability to make investments in high-potential, growth-oriented startups in the Caribbean?

## Profile of the diaspora

Diaspora members from each country in the Caribbean participated in the study. Half of the diaspora respondents are based in the four metropolises of London, New York, Toronto and Miami, with the remaining spread out over a

**Figure 1: Respondents from Four Major Diaspora Centers**



Source: infoDev Caribbean Diaspora Survey, April-May 2013

multitude of cities (See Figure 1). Respondents are normally distributed by age and balanced by gender.

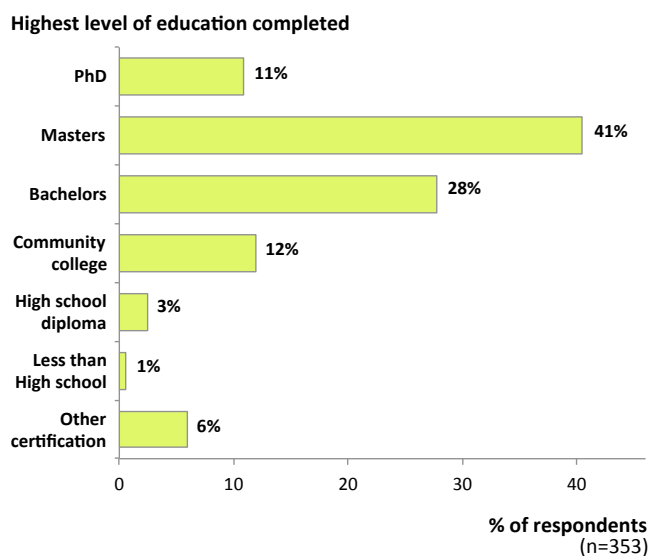
In general, the diaspora is very well educated with 80 percent holding a bachelor's degree or higher (See Figure 2). Over 65 percent of the respondents are currently employed in the private sector with almost 40 percent owning their own businesses. A quarter of diaspora respondents are affluent with either net investable wealth or annual incomes in excess of USD 100,000 (See Figure 3). This income is held primarily in cash savings, real estate

<sup>1</sup> Angel investors are affluent individuals who invest their own capital and time directly into unquoted companies, in which he/she has no family connection, in return for ownership equity.

<sup>2</sup> The structured 40-question online survey was distributed through various diaspora organizations and through social media channels. It was open for a period of 6 weeks. Respondents therefore formed a random sample of diaspora members claiming affiliation with the following 31 countries or territories: Antigua and Barbuda, Aruba, Anguilla, The Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Colombia, Cuba, Curaçao, Dominica, Dominican Republic, Grenada, Guadeloupe and dependencies, Guyana, Haiti, Honduras, Jamaica, Martinique, Montserrat, Puerto Rico, Saint Barthélemy, Saint Kitts and Nevis, Saint Lucia, Saint Martin, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, US Virgin Islands.

holdings, or public equity. A small proportion of respondents (only 8 percent) identified themselves as “accredited investors,” namely having either an annual income of over USD 200,000 during the past two years or at least USD 1 million in investible assets. These affluent and accredited individuals

### Figure 2: 80% of diaspora with higher education degrees



Source: infoDev Caribbean Diaspora Survey, April-May 2013

are of critical importance in making informed investments back home. They tend to have a level of investment sophistication and business acumen that promotes best practices among investees, demands accountability and results, and can have a major contribution to the development of Caribbean economies.

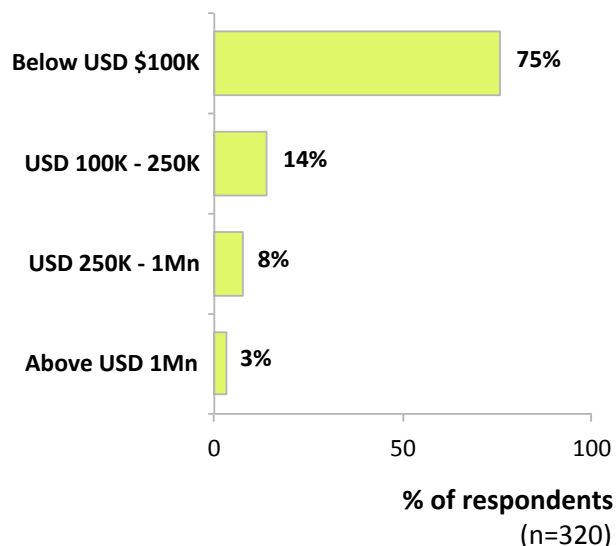
### Engagement back home

Over 85 percent of diaspora members give back to the Caribbean in some way, shape, or form. While the majority send remittances, make donations, buy property or invest in a venture, many others are involved as volunteers or mentors (See Figure 4).

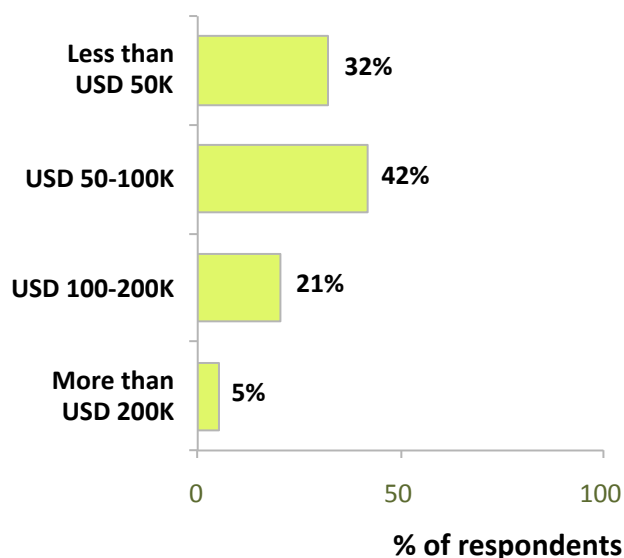
A large number of diaspora members are active in their high-school alumni associations, a source of deep affiliation and nostalgia. Visiting family and friends in the Caribbean is another key source of engagement, where almost 60 percent of diaspora make the trip home at least once a year and 24 percent travel home more than twice a year. Against a backdrop of already significant engagement

### Figure 3: A quarter are affluent

What is your net investable wealth?



What is your annual income?



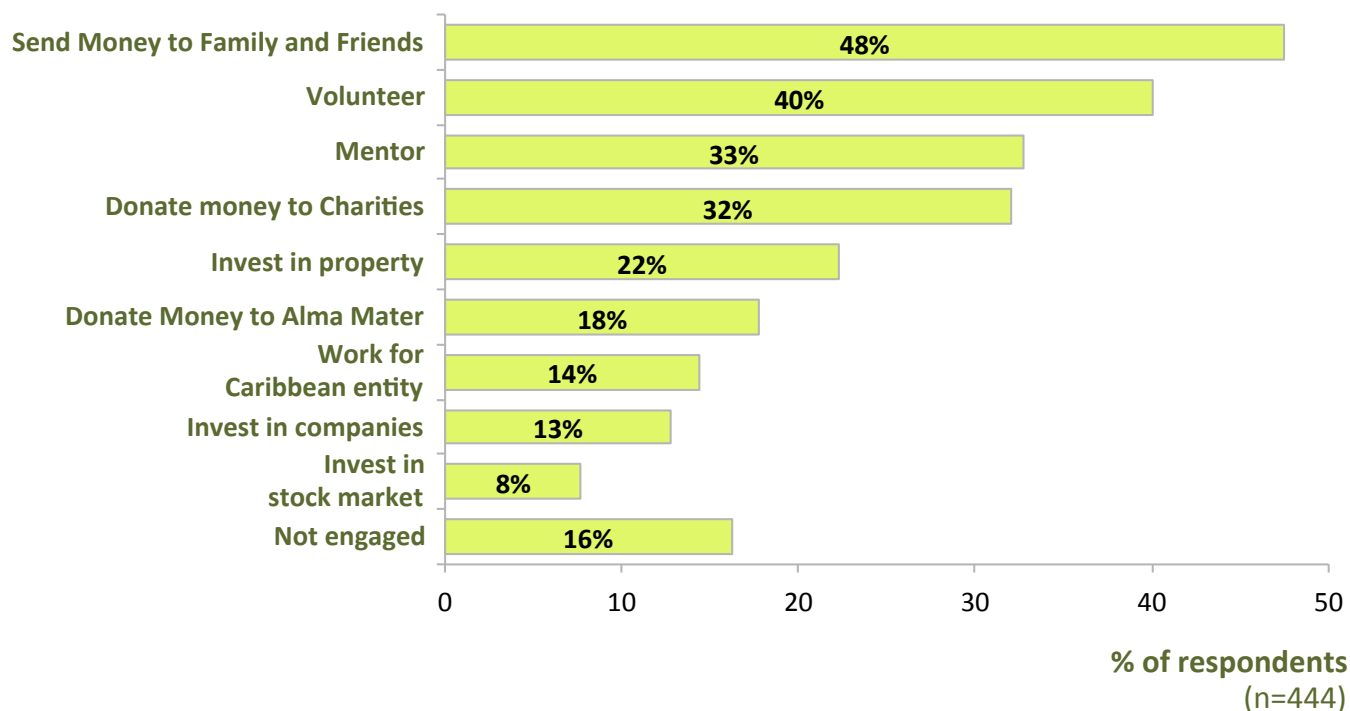
Source: infoDev Caribbean Diaspora Survey, April-May 2013

back home, when asked whether they would like to be “more connected” to their home country, 90 percent of the diaspora responded positively. This demonstrates a very strong, but latent opportunity for increasing the level of engagement from the diaspora in a meaningful way.

However, there are a number of constraints to increased engagement cited by diaspora (See Figure 5). These range from weak legal frameworks, macroeconomic and political stability, and crime, among others. Addressing these sources of dissuasion should be a priority going forward.

## Figure 4: 84% of diaspora respondents are engaged with the Caribbean community

In what ways do you engage with the Caribbean community "back home"?  
Check all that apply



Source: infoDev Caribbean Diaspora Survey, April-May 2013

For some of these reasons, many focus group participants expressed apprehension at the notion of investing in diaspora bonds, which anonymize their contributions and provide limited visibility on the use of funds. Instead, they much favored opportunities to not only “touch and feel” the investments being made, but to have an active role – preferring to give directly to family and friends, alma maters, and organizations whom they know and trust personally.

Not surprising therefore, is the high level of interest the diaspora expressed in serving as mentors, which require a person-to-person connection (85 percent noted a desire to mentor their compatriots).

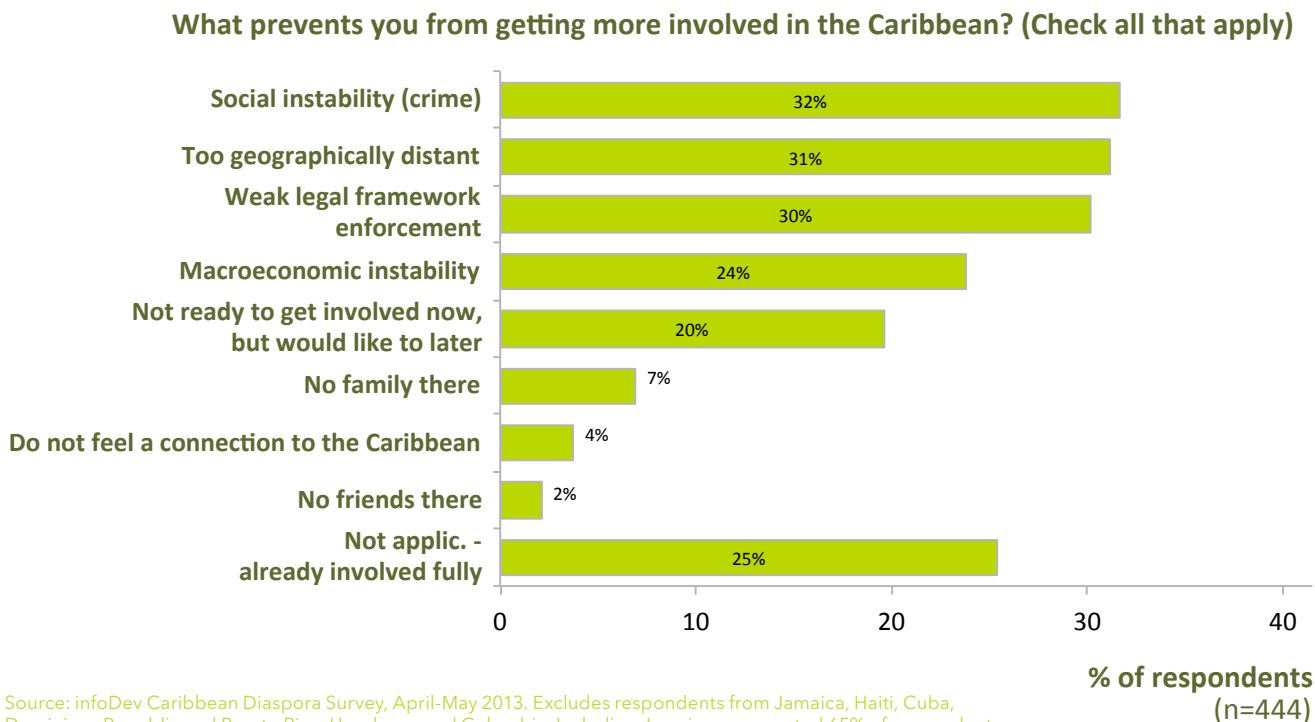
### Investment and financial interests

While mentorship is a very meaningful resource that the diaspora can provide, the most impactful contributions are through their investments in business ventures back home. In fact, 40 percent of diaspora respondents have already invested in a business venture, broadly defined as any company in its early stages.

Of these investments, 57 percent were ventures based in the Caribbean (See Figure 6). This means that 23 percent of all diaspora members have made investments in new ventures within the Caribbean region. This is a remarkable finding as it provides clear evidence that diaspora dollars are already flowing to new ventures in the region and that these come from relatively sophisticated investors.

A closer look at accredited investors shows significant differences in the ability and risk appetite of the diaspora community. Looking at historical behavior, 26 percent of accredited investors, compared to 13 percent of all investors from the diaspora, have made investments of USD 100,000 or more in new business ventures, further demonstrating the quality and desirability of opportunities available in the region. Looking forward, 40 percent of accredited investors as compared to 14 percent of all diaspora investors are willing to invest over USD 100,000 each year for a five year period in startups and high-potential, growth-oriented startups in the Caribbean.

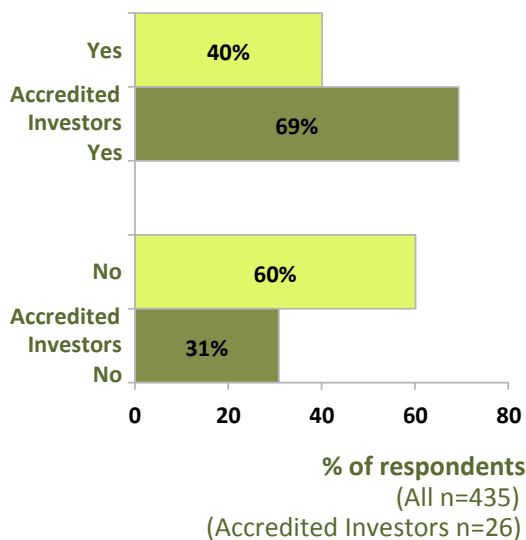
**Figure 5: Social instability and weak legal frameworks cited as largest barriers to increased engagement**



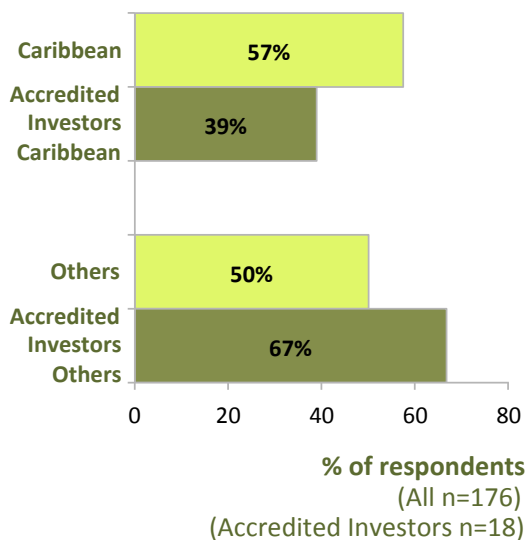
Source: infoDev Caribbean Diaspora Survey, April-May 2013. Excludes respondents from Jamaica, Haiti, Cuba, Dominican Republic and Puerto Rico, Honduras, and Colombia; Including Jamaica represented 65% of respondents which would have increased social instability (crime) as the major barrier by 10%

**Figure 6: Diaspora are already investing in startups, many of which are based in the Caribbean**

Have you previously invested in a start-up or early stage company?



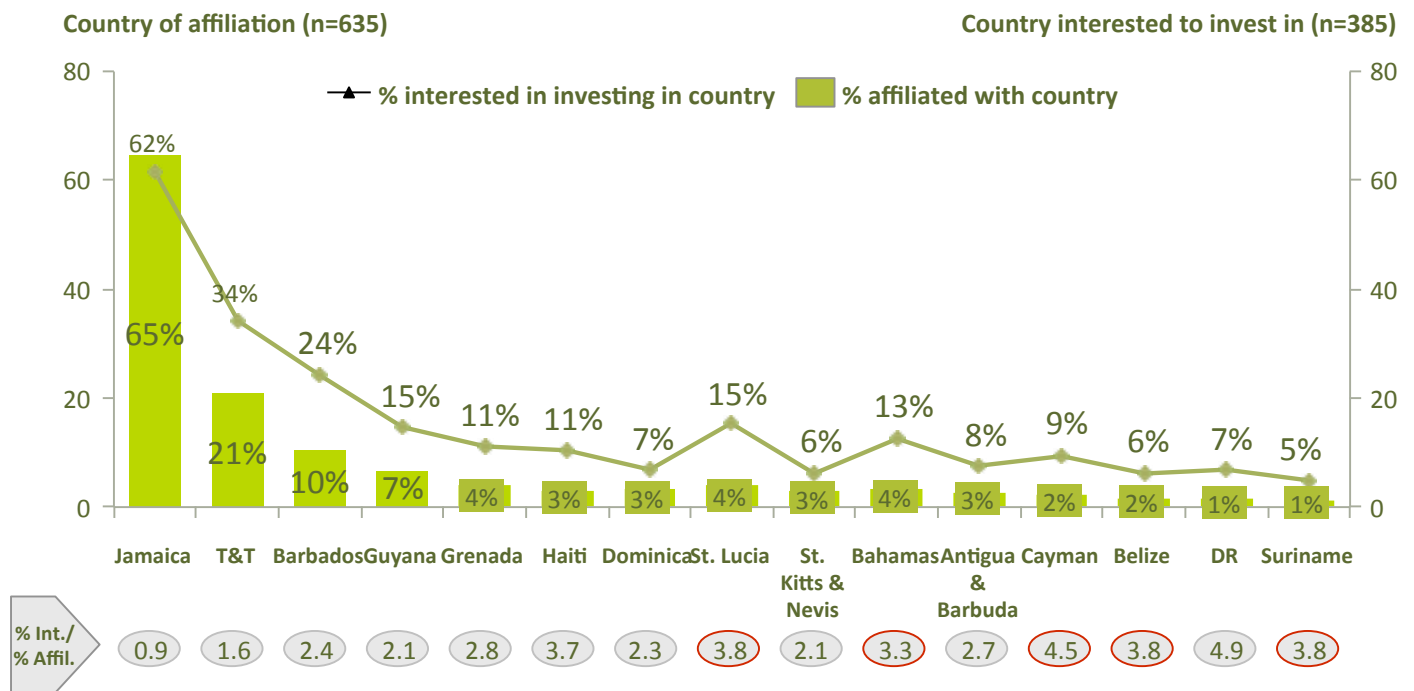
Where was the start-up based? (Select all that apply)



Source: infoDev Caribbean Diaspora Survey, April-May 2013

**Figure 7: Diaspora investors take a regional view and are not biased to their country of origin**

**Respondents by country of affiliation vs. country they are interested in investing**



Source: infoDev Caribbean Diaspora Survey, April-May 2013

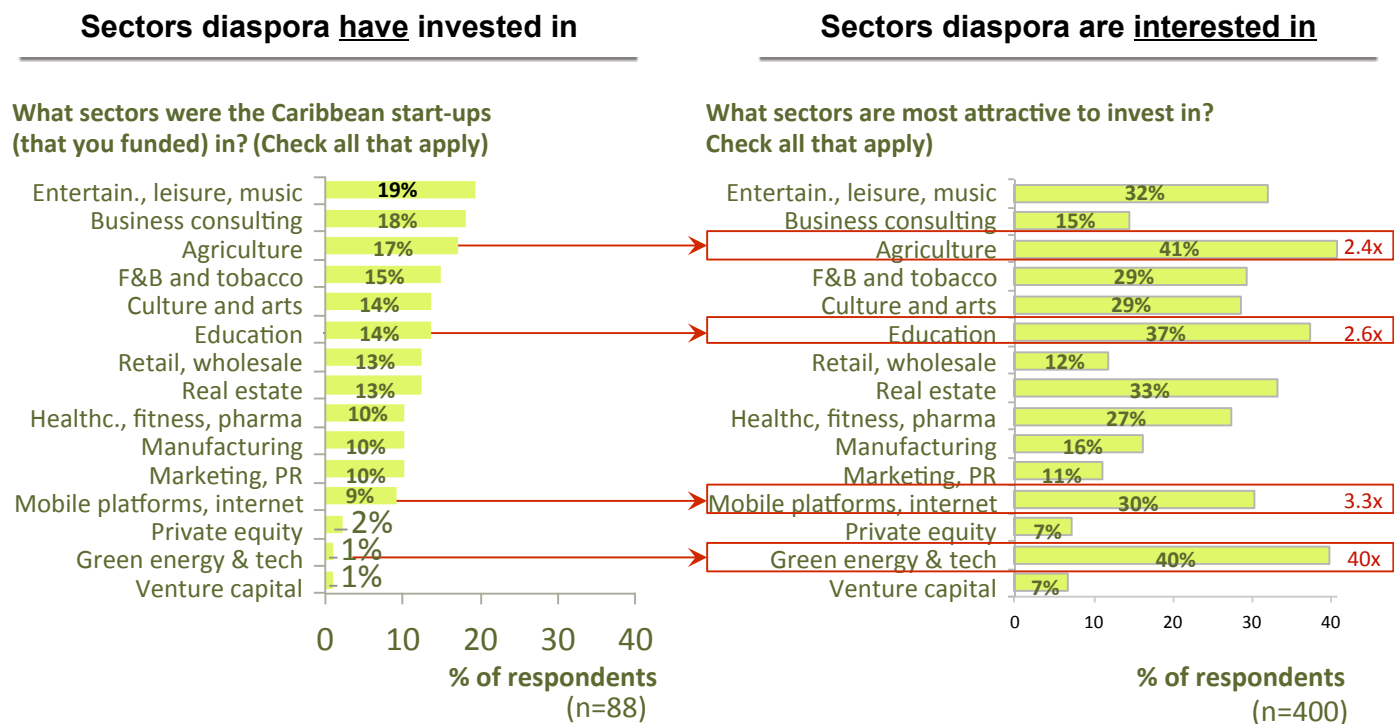
These findings are also perplexing as practically all focus group and interview participants noted awareness of deals as a critical missing link in their attempts to make an investment, suggesting that a platform that showcases interesting business venture opportunities could serve as a critical match-maker for increased investment flows.

At present, these matches are made almost entirely through friends and family (86 percent of investors learned about their investment opportunity through this source); however, such matches limit the diaspora to a narrow universe of potential deals.

This is in stark contrast to the actual desires of the diaspora investor community, who take a regional view for their portfolios. When asked about the countries in which they are interested in making investments, diaspora investors always listed more than one country, providing further evidence that they are seeking to make deals in multiple destinations beyond their country of primary affiliation (See Figure 7).



**Figure 8: Investors interested in a variety of sectors**



Source: infoDev Caribbean Diaspora Survey, April-May 2013

Historically, diaspora investments in startups have been in a number of sectors ranging from entertainment and the arts to consulting and retail to real estate and manufacturing. These interests are also shifting with the times. Looking forward, sectors such as green energy, mobile applications, education and agribusiness are most attractive among diaspora investors (See Figure 8). In the

case of green energy and technology, future investment interest is forty times greater than actual investment history. A need for business incubation services that target entrepreneurs in the green energy and mobile applications sectors is therefore important in meeting the demand and interests of diaspora investors.

# Conclusions

Undoubtedly, the Caribbean region is viewed as a destination with a great sense of opportunity and hope among the diaspora community. The survey has shed light on the Caribbean diaspora's characteristics and investment interests. The diaspora is a sizeable, well educated, and affluent demographic population whose large majority is interested in engaging even more back home. There is investment interest towards both specific Caribbean countries and sectors. This willingness and ability to engage represents a significant untapped potential for Caribbean nations through

reducing the barriers to and improving the avenues for engagement. The diaspora can indeed play an important role in the Caribbean region's development story – but it will require leadership to lower barriers to engagement, facilitate structured opportunities and increase information transparency.



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