



Documentation of Diaspora Business Engagement

Somali Regional State of Ethiopia
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1. Introduction

DRCs office in Ethiopia, through a grant from the EU Trust Fund, has included a component on diaspora investment and support to local business with a view to strengthen self-employment and job creation for refugees and host populations in the Somali Regional State of Ethiopia.

Initially DRC identified four distinct models used by the diaspora to engage in the region: partnerships between diaspora investors / diaspora entrepreneurs while still overseas; diaspora remittances for start-up support; Single diaspora investor and partnerships between Diaspora and foreign investors.

While each of the models do create jobs in the region, it is mainly engagement model 1 (partnership between diaspora investors) and engagement model 2 (remittances for investment) that are the most used by diaspora for engagement in the region. This assessment therefore focuses on these two models and aims to detail the dynamics, motivations and challenges of the two diaspora business engagement models.

1.1. Objectives of the assessment

The objectives of this assessment document existing practices around diaspora business engagement. More specifically the assessment focused on elaborating the details, dynamics, motivations and challenges of first two diaspora business engagement models.

1.2. Assessment Methods

The assessment employed a cross-sectional descriptive study design to understand and describe the two diaspora business engagement models in the Somali Regional State. Given the nature of the assessment, a qualitative approach was used to document the two engagement models - the diaspora business partnership and remittances for productive purposes (mainly for business investments).

The primary data was collected using key informant

interviews and observation. Considering the current global health situation, key informant interviews were carried out through a mix of telephone, and other virtual platforms with selected key informants from different groups of interest using appropriate interview guides.

45 key informant interviews were conducted under three categories:

- Key informant interviews with 15 diaspora business partners in Somali Regional State and with 10 diaspora partners in abroad in order to describe the diaspora business engagement model 1, i.e., partnerships between diaspora investors / diaspora entrepreneurs in overseas.
- Key informant interviews with 10 senders of remittances that was used for productive purposes (5 who have sent to relatives in the camps and 5 who have sent to the host community) as well as 10 recipients of remittances engaged in productive activities (5 in the refugee camps and 5 in other locations in Somali Regional State) in order collect data that was used to describe the diaspora business engagement model 2, i.e., Diaspora remittances for start-up support. Observation of the business types was also used to complement the data obtained through KIIs.

Purposive sampling and snow ball sampling techniques were employed in order to select the required number of key informants to be involved in the assessment from the different group of informants. The collected data was analyzed using qualitative data analysis method. It was organized into themes, and analyzed using thematic analysis and narratives.



2. Findings: Model 1: Investments based on Diaspora Partnerships

2.1. Details and Dynamics

Type of Investment

The types of investment in which the diaspora investors, who were interviewed as part of this study, engaged in include agriculture mainly crop and fodder production, milk processing etc; manufacturing industries such as steel/iron sheet factories; construction emphasizing on real estate development and rental of construction materials; and the service sector mainly on education, hotel and cafeteria services.

Origin Countries

The diaspora who have invested in Somali Region tend to come from different countries. The countries of origin mentioned by the interviewees included UK, Canada, Sweden, USA, Denmark, German, Norway and South Africa.

Year of Business Start-up

The diaspora businesses that were covered in this study were reported to have been started between 2012- 2020, with most of them being recently started from 2018 onwards. The main reason stated for this trend is the governmental change in the region in 2018, which opened up space for the diaspora to come and invest in the region. However, some of the diaspora business partners indicated that they were motivated by the efforts of previous administration to mobilise diaspora and their resources. These efforts started in 2012 when the Somali region diaspora coordination offices was established.

2.2. Motives for Investment

The motives for Diaspora investors to engage in investment within the Somali Region in different sectors emanated from their personal observations and assessments by the Diaspora members themselves as well as from information obtained from regional government authorities and people in the region (including the diaspora who invested) about the investment opportunities in the region. In this regard, most of the interviewees reported that they were mo-

tivated by the practical problems or challenges that they have observed in the region including unemployment, lack of better schools, shortage of fodder supply, gaps in housing provision, gaps in supply of construction equipment and materials, lack of leisure places etc. The desire to contribute towards the solution of such problems has necessitated most of the investors to come and invest in the region. In fact, they would also accrue benefits in the form of profit from their investments while simultaneously playing their part to solve the identified gaps.

For instance, a diaspora investor engaged in the education sector noted the following: *'I made assessment on areas of investment in the region and I found unemployment is high, people are sitting all the day and having tea and discussion about politics and nothing else, and there were no best qualified schools in Jijjiga city' (KII 3)*. In the same fashion, another diaspora investor engaged in education and technology innovation has also mentioned similar reasons as he said:

'I came to Ethiopia in 2015 G.C and I have observed the need of the people/the country. Then I have contacted the education ministry in a federal level at Addis Ababa. Then I made an observation on areas for investment particularly in the Somali region, Jijjiga city and Dire Dawa city administration. Since I'm from this area I have observed the need of the people and the community and I know education is not for a high revenue return investment but since people in this area (our people) has fallen behind and there is no development progress without education, I choose to invest in this area' (KII 9).

Another diaspora investor engaged in steel and plastic recycling factory added *'we planned to invest in areas that can create employment opportunities for the unemployed and save the environment, and we found the recycling of plastics and iron sheet factory as potential areas of investment' (KII 5)*.

It can, thus, be deduced from the aforementioned excerpts of key informant interviews that most of them were inspired by the situation on the ground within

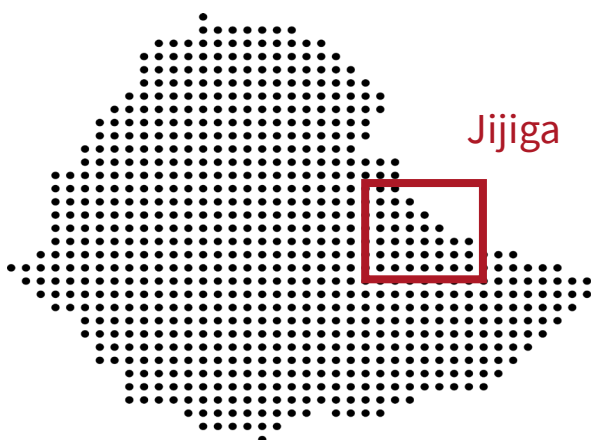
the region as they look for investing in certain areas to benefit both themselves and the community.

Some other diaspora investors reported that they were motivated by the awareness raising campaigns of the former regional government through the regional Television and also through the outreach activities that they carried out. Some of the diaspora investors interviewed indicated that they were attracted by the awareness campaigns and opportunities that the government offered to the diaspora investors in the region.

Finally, the recent change of the regional government has also served as one of the motivating factors for diaspora investment in the region. To this end, a diaspora investor engaged in Real State sector also noted how he and his business partner came to invest in the region as follows:

We have known each other in the USA. We decided both to invest in the East Africa and while we were doing the assessment, the regional administration changed, then we decided to assess the Somali region. That change encouraged us and we found this opportunity to invest (KII 12).

To sum up, the motives of the diaspora investors were to contribute to and benefit from the development of the region by engaging in areas where there is serious gap to be filled in. Gains to their pockets as well as to their hearts were the two main factors that motivate diaspora engagements according to the IOM (2018). The findings of this assessment reveal that diaspora groups are motivated by the available opportunities for business investments in the region as well as the desire to contribute back to their homeland and support developments in their homeland.



2.3. Selection of the business and source of information for decision

The diaspora investors selected the business sectors for their investment on the basis of their prior knowledge and experience in the sector, observation and assessments made on the ground and in rare cases on the basis of the information obtained from relevant government offices about the areas and opportunities for investment in the region. In most cases, there were no organized information that they could obtain from the government offices even if some of the interviewed informants seek it. A diaspora investor indicated that “the regional diaspora office mainly supports the process of obtaining the yellow card. They don’t have organized information as to where to invest and what each investment requires”. Due to this, majority of diaspora investors indicated that they relied on their past experiences and visits to the region to observe and assess.

Regarding the sources of information, the diaspora investors used data from different sources for making decisions about their respective investments. These sources include personal assessments, information obtained from relevant government offices, NGO reports, and market assessment or feasibility studies.

For instance, a diaspora investor engaged in fodder production mentioned the sources of information used for decision making as follows:

I heard about the fast and deep rooted drought in the region from the NGOs working in the county starting from 2000 onwards. I personally assessed about the place in which fodder is brought from and transported to and the cost incurred to bring it into the region. Then I decided to invest my money in fodder production areas (KII 1)

Regional governments missions to mobilise the diaspora were also potential source investment related information for the diaspora groups. They used to share the available opportunities and supports that the regional government is willing to extend to the diaspora investors. Another diaspora investor, on the other hand, elaborated how he and his colleagues have obtained information about the investment opportunities in the region from the regional govern-

ment through outreach programme. He said the following:

The then time SRS president named Abdirashid Dulane come to us and we met him at London. Six people along with the president came to UK with him and he discussed with us and we got information about the region from him for the first time. They convinced us saying land will be given to us and the regional government will also welcome us. So I got the information from him about the situation at home. In fact, we also got general information from the ambassador of Ethiopia named Kebede (KII 6).

Other diaspora investors have elaborated how they managed to obtain information from different government and private sector offices. However, this information was not organized and complete. Every sector informs you what you are supposed to do in their respective offices. However, the complete information that helps you to get your documents from different offices was not available with any of the entities visited. A diaspora investor described the source of information used for decision making as follows:

We visited the diaspora and investment bureau. They shared certain information related to the yellow card and other documents from the office. But then we needed someone to help us with the construction sector and all its processes. So we had to go to a private consultancy called Big Vision Consultancy and they helped us with the design of our construction and the documents needed for it. That helped us (KII 12).

Though the diaspora investors depend on information obtained from the different sources for decision making, they complained about the lack of organized information to be used as an input for investment decisions. To this end, diaspora investors relied on separate, and sometimes conflicting, information that they get from each entity visited. No information was accessible on their online platforms. Even when many of the diaspora groups came to the region, no complete information was available with the line bureaus.

One of the interviewed diaspora investors explained his grievances about the gap in information provision as he said ‘The government does not give us enough information *about available opportunities. For example, I have been here for 5 months and still did not get enough information from the government*’ (KII 4).

It can, hence, be said that though the diaspora investors seek information from different sources for making evidence-based decision about their investment, the lack of organized data and information appears to be a big constraint. As a result, they tend to rely on their own personal assessments and/or market assessment/feasibility studies to make various investment decisions.

There is, hence, a need for the provision of an organized information about the areas of investment, existing opportunities and challenges, as well as the procedures of investment in the region. This was expected to be delivered by the relevant government offices to those who are interested to invest in the region so that they can make evidence-based decisions about the type and nature of their respective investments.

Decisions about the investment

In most cases, the partner/s based in the region took responsibility for running the business and major decisions are taken in consultation with the partner/s abroad. As they are the ones facing the real situation on the ground, they tend to propose solutions for any challenges that they faced in the process of starting and running their businesses and the partner/s abroad often agree on the proposed solutions on the basis of discussions.

2.4. Business Skills and Start-Up Capital

Business skills in the area of investment

Many of the Diaspora investors mentioned that they have some sort of knowledge and skills in the area of their investment, which they acquire before their investment. Some of them, on the other hand, had just the business idea and the capital for investment. Accordingly, they tried to hire the required professionals and run their business. In this regard, some investors have complained about the challenge of obtaining employees having the right set of skills for different positions.

Amount and Source of initial Capital

The amount of initial capital of the Diaspora businesses covered in the assessment ranged from \$20,000 to \$1 million. In fact, the initial capital of majority of the investments was below \$1 million.

The business start-up capital for almost all of the Diaspora investments was raised through savings by the partners involved in the businesses. No one of the diaspora investors have reported to have obtained credit/loan from any financial institutions. Most of them had savings in place and did not want to ask for credits. This was mainly because of the lack of interest free credit services but also a huge collateral requirement by the financial institutions. The lack of information regarding where and how to access credits was also mentioned as one of the bottlenecks for obtaining credit services for investment.

Reflections from the diaspora investors are discussed hereunder. One of the diaspora investors put his reflection as *'I did not visit any bank for credit. The bank credit services were not Muslim friendly in nature so didn't use their credit services'* (KII 3). The point has been further elaborated by another diaspora investor when he said:

We used savings. We didn't request credit from anyone. The main reason for this was that we wanted to start with our own capital but in the future, we will consider the credit from banks. But we don't also have any information related to these credits and how they are offered. The other problem is that they all are not interest free and as Muslims we should take a care of that (KII 17).

Despite the aforementioned challenges, few of the investors still try to obtain credit services from financial institutions. In this regard, the diaspora investors mentioned reaching out to the development bank,

Somali Microfinance institution and Oromia Bank. The main logic behind these banks were related to their Islamic fiancé and banking services. However, the requirements were not yet clear for the diaspora and these processes were only at their early stages.

It can, hence, be deducted that most of the diaspora investors rely on the contribution made by the partners involved from their respective savings to start businesses. The utilization of access to credit services by the diaspora investors seems to be limited for religious and cultural reasons, as the banks/financial institutions failed to provide interest free credit services. Though most banks in the country have introduced interest free services, it seems that the practice of offering interest free credit services is still at its infancy. Besides this, the lack of organized information about the available credit services appear to hamper the accessibility of credit services to the diaspora investors.

2.5. Internal Collaboration Model among Partners

The business partnerships among the Diaspora were formed on the basis of knowing each other, which served as a source of trust among themselves. The number of people involved in the diaspora partnerships for investment ranged from two to nine persons, with most involving only two or three members.

Basis of internal collaboration

Most of the partnerships among the Diaspora are guided by written agreements or by laws provid-



ing the details about the role and responsibilities of members, the profit-sharing arrangement, dispute or conflict resolution among others. Though many of the diaspora investors are tied together through familial or clan affiliations, they reported to have signed written agreements in order to guide their businesses in a manner that minimizes possibilities of dispute or conflict among the members. Few diaspora investors, on other hand, have reported to have only verbal agreements as they trust each other much due to close family networks.

While businesses based on clan and/or familial ties are characterized with a high level of trust among the partners due to their shared affiliations, the diaspora investors indicated that business agreements are always better than leaving the affiliations to lead the business. This helps the partners to share not only the benefits but also risks that can come at any point in their partnership.

Advantages and disadvantages of family and clan-based businesses

Many of the business partnerships among the diaspora were not formed along familial or clan networks. Despite the clan ties between and among the diaspora, only few of them established their businesses based on such networks. The diaspora investors were asked about the advantages and disadvantages of family/clan based business partnerships and their responses are given below. One of the diaspora investors has described the pros and cons of family/clan based business partnership as follows:

Family or clan based businesses are not ideal. In terms of trust, people know each other and they can trust each other easily. But it fails most of the time because there are no strict rules and regulations that can be implemented. There is always conflict associated with the fact that you are a family member. If the business fails, you cannot hold any one responsible because he is a brother or family member so you just leave it like that. I happened to me twice and now my partnership is based on formal agreement with the partner (KII 9).

While there are positive sides of family/clan-based partnerships including the trust among the family/clan members which sometimes plays a role in solving business problems, there are number of disadvantages that the informants mentioned. A diaspora investor described the disadvantages shortly as *'when there are some social/ clan ties people might*

break agreements expecting the social ties will prevent any consequence of rule breaking' (KII 22).

As a result, the diaspora investors have raised the importance of contract agreements in order to minimize the risks associated with family/clan-based business partnerships. In this regard, one of the diaspora investors forwarded his reflection as below:

I think non-familial/clan-based partnership is better because family/social tie based partnerships do not involve mostly a written contractual agreement and later on there will be disputes and that will damage the business. A clear and written contractual agreement is important in establishing and running business (KII 21).

To sum up, family/clan-based partnerships have the advantage of building trust among the business partners. But it has also its own risks when conflicts arise between partners as it goes against the enforcement of principles of accountability and rule of law. This would be so because of the precedence that the community attaches for the maintenance of familial networks over the retribution of losses incurred to a business.

Dispute handling mechanisms

Most of the diaspora investors have reported that disagreements or disputes are managed in line with the provisions of the signed written agreement. As indicated by one diaspora investor, 'in our business agreements and by-laws, we clearly indicate what happens in cases of dispute or conflicts. This is signed by the partners and it guides us throughout the process'. Even though, in some cases, negotiation through family or clan networks is mentioned as one of the mechanisms used to settle disputes/agreements whenever they arise, this doesn't necessarily used to replace the legal procedures of managing disputes if there is a business agreement in place.

Diaspora investors interviewed strongly suggested business agreements between the partners even if the partners share clan/or familial ties. One diaspora investor mentioned that he had the experience of partnering with close relative. *'Our business failed because he did not shoulder his responsibility as needed. But the worst part of the story came when we had to share the risk and he was not willing. Our families had to mediate us and my relationship with him, since then, is not good' (KII 20).*

Profit sharing arrangements and reinvestment

The findings indicate that all of the diaspora investors have mentioned that profits are shared in proportion to the investments made by each of the partners. In addition, most of the businesses reported to have agreed on re-investing the profits to expand their businesses, as most of the businesses have started operation in recent years. Only some long-established businesses have reported to have shared the profits so far. Sharing the profits was based on the share of their initial investments. Most of the diaspora investors interviewed indicated that their shares were almost half and half (50% each). However, there were occasions where the shares varied.

Experience Sharing with other Diaspora Business People

Many of the diaspora investors have mentioned that they share their experiences and information about the investment opportunities in the region to their fellow diaspora members via different platforms including face-to-face interaction, phone conversations, and social media platforms. In fact, many of the diaspora in their hosting countries who want to invest ask information related to the investment opportunities and processes in the region to those who already invested in the region. They raised the presence of high level of enthusiasm among the Somali Diaspora to come and invest in the region and they are helping some to find relevant information in this regard.

2.6. Challenges Faced by the Diaspora Investors

The diaspora investors raised a number of challenges that constrained the start-up and operation of their businesses. In fact, most of those challenges also apply to the investors other than the diaspora as well. However, the diaspora case is different since they have the experiences of different (functioning and better in most cases) systems. The main challenges identified through the assessment include the following:

- **Lack of comprehensive and organized information:** the lack of organized information about the in-

vestment areas, opportunities, and procedures was reported by most of the diaspora investors as a great challenge to the start-up of businesses in the region.

- **Lack of infrastructure and facilities:** poor supply of basic infrastructure and facilities including electricity, water, roads etc were identified to be among the main challenges affecting the attraction and retention of investment in general and diaspora investment in particular.

- **Land provision and protection:** the difficulty of obtaining land for investment was also mentioned by many of the investors as a great problem. Land in Ethiopia is owned by the government and shall not be subject to sale or exchange. However, any private investor or organization has the right to use both urban and rural land on lease or rental bases through legal processes². When investing in priority sectors investors are granted access to land leases of up to 99 years³. Though the land ownership dynamics is different in the Somali Region as the customary land ownership system prevails over the public ownership, the regional government tries to secure land for investment by dealing with its customary owners. The land provision, however, tends to be limited for relatively large scale investments in priority sectors. Despite such a land provision trend, some diaspora investors who participated in this study reported that they faced challenges in obtaining land for their investment.

As a result, some were forced to buy or rent land for their investment at high cost with implications on the profitability of the business. Besides incurring an unwanted cost, reclaiming of the land by those who sold it to the investors was identified as a big problem in this regard. There were a number of occasions where the diaspora were given investment land by the government or bought by themselves, but the land was reclaimed by other people. Yet the government at all levels were reported to be reluctant in solving such issues. As a result, some diaspora investors were forced to leave the land to those who claimed it without getting back the money spent on it. On the other hand, there were also cases where some diaspora investors fail to use the investment land provided to them for the intended purpose within a given period which tends to somehow degrade the trust of the regional government towards diaspora and diaspora investments.

² *Investment Opportunities, Potentials & Incentives @Federal and Regional Level; Prepared by Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) for further information about investment land provision and other incentives.*

³ *Diaspora business engagement in Somali Regional State of Ethiopia, April 2020. Initial assessment report for preparation of a DRC diaspora business programme in Ethiopia.*

- **Bureaucracy and poor service delivery:** poor service delivery attributed to the lack of ethical behaviour and professionalism among officials and employees of different government offices has also been raised as one of the major challenges hampering the diaspora investments. This has resulted in waste of time and energy as well as delay in business start-up and operation.

- **Lack of practical interest free credit services:** this has been raised by all the investors as one of the biggest challenges for business start-up and expansion. Though most banks and financial institutions have introduced interest free banking services, the actual provision of interest free credit services for investment tended to be limited thereby hampering the level of diaspora investment in the region. In fact, the lack of information about the existing interest free credit services among the diaspora investors has also played its part in limiting the utilization of such services for diaspora investment. Huge collateral requirements by the banks for offering credit services was also found to constrain the diaspora investors from using available credit services.

- **Shortage of skilled manpower:** the lack of manpower having the right set of knowledge and skills was also one of the challenges reported by the diaspora investors. The employed personnel tend to lack the required knowledge, skills and attitude to discharge their responsibilities as required. This was evident, particularly, in the hotel, restaurant, and agricultural sectors.

- **Lack of market integration:** lack of market for products due to poor market integration was one of the problems encountered by some diaspora businesses. This was related to the agricultural sector for instance. This may be partly attributable to poor market assessment by the diaspora investors themselves, while the effects of Covid-19 related lockdown and restrictions on the local economy might have also played a role. Besides this, the construction sector investors also complained about the competition process of the government construction contracts/bids. While they have the necessary equipment and expertise, the bids are always given to other smaller and less experienced companies. Diaspora investor said that *'In most cases, such companies come to offer sub-contracts to our company since they do not have the heavy machineries required to implement such projects'*(KII 2).

- **Lack of responsiveness:** lack of responsiveness among government officials to the requests of the diaspora investors when they faced with different challenges has also been identified as one of the main challenges faced by the diaspora investors.

- **Lengthy and cumbersome import process:** the process for importing goods from different countries was pointed out to be time taking and cumbersome. The lack of cooperation by the customs offices at different levels was also raised as a further challenge. As a consequence, the diaspora investors were exposed to unnecessary expenditure and delay of business start-up and operation.

- **Lack of clarity in taxation:** some of the diaspora investors have raised of the lack of clear taxation system as one of the challenges. The lack of clarity in taxation leads to abuse by some unethical officials.

- **Lack of supply and price inflation of raw materials:** a number of diaspora investors engaged in the manufacturing sector have raised the gaps in the supply of raw materials as well as inflation in the prices of the same. This tends to affect production efficiency of the companies. The same was for construction sector where the construction materials such as steel and cement prices sky-rocketed. Moreover, these items are not available in the market and this affects their plans in investing back.

- **Security concerns:** While security of the region has improved, many of the interviewed informants have mentioned that they are concerned about the overall security situation in Ethiopia. Many of the diaspora abroad were also the same as they kept asking about the security situation in Ethiopia. Some even specifically pointed the situation in Tigray to cause them re-consider their investments in Ethiopia and in the region.

- **Covid-19 related challenges:** The lockdown and restrictions imposed by governments as part of the Covid-19 prevention measures have affected the running of different businesses, including the diaspora investments. The restriction on movement of people and goods had a serious implication on import and export of raw materials and products.

- **Stereotypes:** Local community's expectations from the diaspora also was raised by the informants as a challenge. The local community and relatives expect

the diaspora members to come with a huge investment and therefore, invest in sectors that demand huge funds. As a result, many diasporas are afraid of what their people will say if they invest in small business sectors. This hinders the diaspora investment in small business sectors.

2.7. Success and Best Practices

Success

Most of the diaspora investors mentioned the realization of their respective business ideas as their success. They also emphasized creating businesses for them-selves, job opportunities and services for their homeland as the main success of their respective stories. In this regard, the reflections of some of the diaspora investors about their success story and best practices are described below.

One of the investors engaged in the education sector expressed the success of his business as follows *'I brought quality education with good facility to the Somali children with good plan and good teachers' (KII 3)*. Likewise a diaspora investor engaged in the provision of cafeteria services explained his success in the following manner:

I am independent and I am creating business in my hometown and offering employment opportunities. Another success story is that I could overcome the stereotype associated with diaspora investments. I invested in small business. It is working and profitable. But my community never expected someone from the diaspora to start such small businesses. So breaking that stereotype is another success for me (KII 11).

Similarly, a diaspora investor engaged in construction and agriculture sectors explained the success of their business as:

We are still new to this business. It was only in 2020 that we started the work. But the fact that I am working in the region now and that we have contributed a lot to solve the gaps in the supply of the construction equipment in this region is a success story for me. When I first came to the region in 2014, such heavy machineries were not available in the region and people used to rent it from Addis Ababa. Now it is in our company and if someone needs such equipment, then he/she doesn't have to go to any place for it (KII 2).

Some other diaspora investors have noted the ac-

ceptance of their company's products by customers and their ability to return back home and contribute to the development of their community as successes. For instance, one of the diaspora investors who invested in steel factory said 'people are now accepting our iron sheet and have good outlook about our products'. The other diaspora investor engaged in Real Estate development, on the other hand, described his success as *'I am proud that I am investing back in my homeland. That is (one) success story. But the business success is yet to come (KII 12)*.

It can, hence, be deduced that the success of many of the diaspora investors was the realizing of their vision and business ideas, thereby contributing to the solution of a number of socio-economic problems in the region.

Best Practices

Though the key informants do not clearly articulate their best practices during the interviews, the following best practices were identified from the interviews made with diaspora investors.

Best Practice 1: Flexibility in business idea

A group of diasporas have formed a partnership to invest in a cow milk processing factory. The absence of milk processing factories in the region motivated them to engage in the business. In the process they came to learn that building the factory and its operationalization would require them time besides the challenges of poor infrastructure and facilities with the main one being lack of pure water supply. The biggest challenge to their project, however, appeared when they came to know that the local people prefer to consume the fresh raw milk than the factory processed milk. The later challenge forced them to reconsider their business idea and consequently they decided to engage in camel ranching and deliver better quality fresh milk to the market. Once they started such a business, getting healthy camels with better milk yield potential in the local market has become a real obstacle as people do not often bring their healthy and better yielding animals to the market. This somehow affected their level of productivity besides the loss incurred from death of some camels.

As a solution, they employed an animal health professional and enhanced the care for their camels. Another astonishing solution taken for the same problem was the introduction of a new partnership requirement where newly joining members are requested to bring a camel of good status as part of their partner-

ship contribution. The investment partnership that has been started with 4 partners contributing 200,000 birr each has now grown into a partnership of 9 people each contributing 300,000 birr. The number of camels has also increased from 20 at the beginning into 70 at present. With just two years in the business now, they are able to integrate themselves into the market and are delivering their camel milk product to the users.

Best Practice 2: Starting small and breaking stereotypes

A Somali diaspora came to the region two years back following the change in regional government and assessed the investment opportunities in the region. He came to identify a number of business areas for investment including cafeteria services. He chose to start with the cafeteria service and invited his fellow diaspora to partner with him in that business. They then selected a strategic location for the planned cafeteria business, bought land and commenced the cafeteria service. The initial capital of the investment was 1.5 million birr. Though small, the business has created employment opportunities for many young men and women in the region and enabled them to make their livings out of it. Besides its profitability and job creation, the small nature of the business also contributed towards breaking stereotypes associated with diaspora investors in the form of expectation of huge investments.

2.8. Recommendations

Based on the challenges faced by the diaspora investors in the Somali region, following recommendations were forwarded for both the potential diaspora investors as well as for Danish Refugee Council to enhance the diaspora business engagement in the region.

For diaspora investors

- The diaspora investors should come and assess the available opportunities instead of relying on the information provided by people. Information available for diaspora investors is incomplete and cannot be relied on for investments in the region.

- Local investments are profitable. The business sector in the region has been described as ‘virgin’ or untapped area. Therefore, the diaspora investors need to consider this opportunity. Investments do not necessarily

essarily need to be huge. Small business sectors are profitable as well.

- The diaspora who want to invest in the region shall come with realistic expectations, and set aside extra time and money to ensure a successful process.

- In construction and other sectors, the diaspora should contact with the consultancies working on the same issues. These consultancies sometimes help the diaspora to avoid bureaucracy that takes most the time.

- The diaspora should establish diaspora association in the region to collect – and disseminate best practices among each other and towards potential investors

For Danish Refugee Council (DRC)

- Support the Somali region investment and diaspora bureau in preparing the information packages needed for diaspora investors. Many of the diaspora investors outside the Somali region want to invest in the region, but due to lack of comprehensive information on where to invest and the process of investing particular sector, many happen not to come. Others have been reported to rely on other channels of information which, in most cases, ends up in discouragement when they come to the region for investment. Therefore DRC can help the diaspora to access the information needed for investment through pamphlets, information communication materials and other means.

- Establish online platform where this information is accessible online to everyone. This will reduce the amount of time and cost that goes to the search of information and assessing the viabilities of business investments in the region.

- Support the regional government staff capacities through trainings related to diaspora investment legalities and procedures. This will enhance the service delivery of the bureau.

- Train the diaspora investors through the regional investment and diaspora bureau. In that way, the diaspora investors can be reached out for both business trainings as well as for procedural information they need to know for their investments.

- Support the diaspora through establishment of Ethiopian Somali diaspora association. This will organize the diaspora efforts and give them better voice. This



will also facilitate the trainings and other services given to the diaspora.

Recommendations for Investment and Diaspora Bureau

- The region has developed a Diaspora Engagement Strategy last year through the support of the pilot project run by Jijiga University which is funded by the Cities Alliance and Swiss Agency for Development Cooperation (SDC). The bureau is, hence, expected to implement the strategy in full force in order to enhance the engagement the Somali diaspora in business and other sectors.

- The bureau shall give due emphasis to the attraction of the regional diaspora to come and invest in the region through using various communication channels including arrangement of diaspora dialogue forums at home, visits to reach out the diaspora abroad, and the use of other both face-to-face and virtual channels.

- The bureau shall develop a comprehensive information package about the investment opportunities, procedures and incentives available in the region and make the same to be accessible for the regional diaspora via different platforms.

- Devise mechanisms for reducing the office bureaucracy at various levels and make the office employees responsive to the demands of the diaspora investors by inculcating adherence to the principles of professionalism and work ethics.

- Establish a coordination mechanism where many of the stakeholders can meet and facilitate the diaspora investments. This will help the stakeholders to

come up with a certain standard operating procedure where everyone is clear with their roles in the process of engaging the diaspora. Now the fact that these entities do not cooperate, the diaspora spend a significant amount of time in getting certain documents signed. Regional investment and diaspora bureau can lead the process and DRC will co-chair. However, Bureau of trade and transport, revenue agency, Jijiga city administration, regional branch Ethiopian customs authority, bureaus of health, education, agriculture and livestock, diaspora led associations, banks and private money transfer organizations can be part of the coordination forum.

- Establish a strong grievance handling system to handle the complaints of the diaspora investors as quickly as possible.

- Work with the concerned regional sector bureaus to improve basic infrastructure and facilities for investment such as roads, electricity, water supply etc.

- Create an effective system for investment land provision in close collaboration with the Jijiga city Administration. In this regard, establishment and strengthening of industrial zones and channelling the diaspora and other investments to such areas can help to ease the land provision challenge as well as the supply of basic infrastructure and facilities.

- Liaise with banks and financial institutions in the region and link them with the diaspora investors who want to have access to credit for investment.

- Encourage the diaspora who may want to engage not only in large scale investments but also those interested to invest in small scale businesses as well.

3. Business engagement model 2: Remittances for productive purposes

3.1. Introduction

The main focus for this model was to assess the nature, functions and challenges of the business model in which remittances are used for business investment. We also examine the extent that remittances were used for business investment and recommend certain point to improve the business model. In what follows, detailed discussion of the findings pertinent to this model is presented.

3.2. Nature and Type of Business

The type of businesses that remittance recipients, both refugee and host, engaged in were small scale businesses including retail shops, Bajaj transportation service and cafeteria service. The dominant business was retail shop selling items for daily consumption goods, clothes, electronics and stationary materials. Some were engaged in Bajaj transportation service in Kebribeyah town, while one of the interviewees reported to have a cafeteria in the town providing cafeteria services to customers.

The businesses of the remittance recipients were started between 2011-2021. However, most of the businesses were started from 2017 onwards. On the other hand, the type of businesses invested by the interviewed diaspora groups included supermarkets and shops. This might be attributed to the relatively peaceful environment after the change of government in the region as well as the conducive conditions created for refugee integration by the adoption of CRRF in the country despite the pending secondary legislations to implement CRRF.

Source of the business idea

Most of the remittance recipients reported that they have generated the idea of doing business in their respective selected sectors. After generating the business idea, they sought for support from families and relatives who used to send them remittances. In this regard, one remittance recipient based in refugee

said *'It was my idea and the relatives abroad agreed to support me'* (KII 28). A remittance recipient from the host community also added *'The idea of creating the business was mine but I asked my brother and his wife to support me when I was starting the business.'* (KII 35).

Remittance senders also indicated that, while there are consultations involved in the process, in most cases the business idea comes from the remittance recipients. This is due to the fact that they know about the market situation in their places of residences and therefore they are in a better position to suggest business ideas. As indicated by one of our informants, *'the business idea came from my brother in Jijiga and I strongly encouraged him to support the family through that business'* (KII 40). Moreover, one of the interviewed remittance recipients in the host community mentioned that the business ideas had emanated from consultation with his remittance sending family members. In his own words, he said the following *'Me and my relatives came up with the idea and I was supported by my relatives in the USA.'* (KII 31).

From this, one can argue that while the remittance senders' business suggestions and consultations are considered as important, the business ideas come from the remittance recipients. Most of the remittance recipients both from refugees and host community have come up with the idea of making a business in their own preferred sectors and were supported by their families and relatives living abroad.

3.3. Motives for business engagement

The remittance recipients have started their respective businesses for different motives. Among others, they were motivated by the opportunities they saw in their surroundings, enthusiasm for economic independence and self-reliance, curiosity to support the livelihood of themselves and their families, profitability of the sector, as well as consideration of their skills

and existing demand for such type of businesses.

For instance, one remittance recipient based in refugee described his motive as *'I felt there was an opportunity in this business and I wanted to take the opportunity and generate income (KII 27)'*. Another one added *'my main motive behind was the opportunity that I saw in the area. It was profitable and I thought to independently establish of such a business' (KII 28)*. Harnessing of existing business opportunities was, thus, one of the main motives for starting business among the remittance recipients in refugee camps and the host community.

Existing demand (market demand) was also cited by some of the remittance recipients as one of the factors that motivated them to start a business. One of the interviewed remittance recipients said *'I conducted an assessment and there was a need for such project currently. I want to add some stationery and copy machine to the business' (KII 36)*. Some other remittance recipients gave due importance for economic independence as a motive for starting business. While few others considered their skill of doing the particular business before starting it. *To this end, one of the remittance recipients said 'you know girls can do cafeteria works well and that was the skill I had and I wanted to make business with my skill (KII 36)*.

On the other hand, for the diaspora groups the desire to establish alternative source of income for their families in homeland other than relying on remittance was the main motive behind sending remittance for business investments. While remittances did not stop after establishing businesses for their families in home, most of them agreed that remittances should not be the ultimate source of income for the families. As result, the diaspora groups strongly encourage their families to establish businesses that can serve as alternative sources, if not the main sources, of income for the families. For those who were able to cover their day-to-day consumption expenditures from their business, the relatives in the diaspora send remittances irregularly mainly during emergencies, festivals and in times of need.

While the diaspora relative's main motive behind business investments was to establish alternative source of income for their families in home, for remittance recipients, harnessing the existing market demand and opportunities, desire for economic independence and supporting families, profitability of different sectors, as well as the consideration of one's

skill and experiences were among the motives that prompted interviewed remittance recipients to start up different businesses. The diaspora relatives have supported those remittance recipient family members to start a business through consultation and financial support to be used for start-up capital.

3.4. Trainings, experiences and capital

Training and experiences

Training and prior experience about business are crucial factors for success of any business. To this end, the informants were requested about whether they have received any training or had a business-related experience before starting the business activities in which they are engaged in. Accordingly, the findings of the assessment revealed that all except one informant did not take any business-related training before commencing their business. The only remittance recipient who took training had received Business Development Service (BDS) training from an organization named HAVAYOCO.

Unlike the training, however, majority of the remittance recipients reported to have experiences related to their businesses before they started their own private business. Some have worked in a similar business as an employee to others, while some remittance recipients had an experience of working with friends or relatives. The experiences they have acquired in such a process have served as a motivating factor for those remittance recipients to start their own businesses.

Start-up capital

The amount of initial capital used by the remittance recipients ranged from 350\$ to 8000\$. Small businesses such as shops and cafeteria, that dominate the businesses they established, demand small investments. However, Bajaj transport costs relatively higher amounts compared to petty trade such as shops. On the other hand, the diaspora groups interviewed mentioned that they have supported business investments such as super markets, shops and transportation sectors. Except the transport sector (vehicle), the amounts of investments were relatively close to each other.

Most of the remittances for investments were

made once. Since most of the amounts were less than 10, 000, there were no problems in remitting the amount once. It is not possible to remit an amount more than \$10, 000 once. In such scenarios, the diaspora groups remit the amount twice, not once. This is related to the financial regulations of the countries where diaspora live in.

The start-up capital for the businesses were not the amounts remitted only. The relatives in home had some amounts saved through other means. For instance, remittance recipients interviewed both from the host and refugees indicated that they had savings from their previous works. The diaspora remittances and these savings were used as the start-up capital for their businesses. In some cases, their savings were far less than the amounts they received from the diaspora relatives. In other cases, however, these savings represented a significant share of the start-up capital. As indicated by one of the remittance recipients interviewed, *'I have saved 50, 000 ETB and received 50, 000 ETB from my relatives. That was my initial capital for the business' (KII 37).*

However, it is important to mention that these savings were neither made from the remittances nor via credit and saving group membership. They were mostly from other previous businesses that they were engaged in. Remittances, according to the interviewed informants, were mainly used for family or household consumption. The amounts remitted are in most cases only enough to cover the basic needs such as food, clothing, school and health fees for the family members. Even when there are emergencies in the family, additional remittances are requested from the diaspora relatives.

Business profitability was determined by the nature of the business and its location. Apart from the location, the timing of the business establishment was very significant according to the informants. As one informant from Sheder host community puts it, *'I started clothing business in Wajaale during a time that festival was approaching. Since many people buy clothes for their children and for themselves, the business was immediately profitable' (KII 28).*

In other cases, business took sometime to become profitable. In the meantime, refugee assistances through ARRA and remittances from the relatives helped them survive and lead their lives in the camps. Thus, while remittances and refugee assistance served as the household's source

of income, the profitability of the small businesses established depended on the factors including the location, type of business and the location.

3.5. Role of remittances in businesses

While there are no reliable data on the amounts and volume of remittances into the Somali region, no one can deny the fact that remittances serve as a lifeline for a large share of the communities (including refugees) in the region. These remittances, however, are used for household consumption in most cases by refugee and host community members in the region. Moreover, remittances are used for business investments. According to the interviewed informants, both from refugees and host communities, remittances played a lion's share of their investments. A clothing business owner in Sheder indicated that *'It would not be possible for him to start the business without the remittance I received from my brother in the US (KII 28).*

None of the interviewed informants received loans from microfinances and other financial institutions. In fact, no banking service(s) were found in Sheder but only in Kebribayah. Those who had savings used shops and supermarkets to keep their money in Sheder, a process that is purely based on trust. Informants were also not aware of the process of getting loan from the banks in Kebribayah and have never participated in any trainings related to this except HAVAYOCO's BDS as indicated by one informant. Thus, from this, it was clear that remittances played a crucial role in establishing their businesses. Even though some of them had savings from their previous works, it would be difficult for them to start the businesses without remittances from their relatives abroad. The diaspora relatives in abroad, on the other hand, remitted money solely from their savings.

3.6. Success and Best Practices

Success

In this assessment, both for model 1 and 2, businesses interviewed were relatively new (2017 and onwards). For this reason, most of them indicated that the business success was yet to come. Particularly for model 2, their main motive was not a business success rather independence, estab-

lishing alternative source of income for the family and using their skills for productive purposes.

As result, while most of them agree that it was early to talk about business successes, partly due to the business type, motives and starting period, they all indicated that establishing alternative source of income and supporting their families and financial independence as a success stories. One of the interviewed informants said that *'running my own business and supporting my family is the success for me. But it is early to say and speak about the business success'* (KII 28). Informants also indicated that the fact that they were contributing to the service provision for their communities was a success. Bajaj transport and cafeteria services are examples of such services.

Best Practices

Best Practice 1: Commitment for realizing a dream

A girl living in Kebribeyah had a dream of having her own business and aspires to be economically independent. To realize her dream, she started to work in a small tea shop and managed to save a certain amount of money (5000 birr). Having saved such an amount she wanted to expand her business and open a cafeteria. That, however, required more investment than what she has saved from her previous economic activity. This forced her to contact her sister living in the USA to support her financially to open the business she is interested in. Her sister agreed to support her and sent her 10,000 birr, which coupled with her saving served as her initial capital.

Fortunately, the girl had received a training on Business Development Service from an organization named HAVAYOCO. This along with her experience in small tea shop gave her the confidence to start the cafeteria business. She is not able to support her family apart from fulfilling her needs.

Best Practice 2: Patience and Struggle for Success

A young boy living in shedder town with a family that survives on a remittance money decided to gradually have his own business and get out of economic dependency. This motive pushes him to serve in a clothes shop located in Tog-Wajaale town for one year without payment till he learns basic marketing skills, and began to be paid for his service afterwards. Having saved some amount of money from his employment, he then started livestock trading at small scale. By doing so, he tried to save money from the profit he made overtime where he saved the

money with shop owners that he trust due to the absence of banks in his town. After doing this business for a while, he then wanted to lead a settled life and change his livestock trading business as it became less reliable in the face frequent drought in the area.

Consequently, he decided to start a clothes shop in Sheder town in consideration its profitability and his prior experience. He discussed his plan with his brother living abroad and sought financial support from him. His brother agreed with his idea and sent him \$3000 which along with his saving of 45,000 birr formed his start-up capital. He is now a married person and have children. He is able to create an employment opportunity for his friend and managed to support his family and parents from the business.

3.7. Challenges

Remittances has not only served a main livelihood source for the interviewed informants but also the main source of business investments. However, there were number of issues that were a challenge to the start and continuation of the businesses established both by refugee and host community members. These challenges include;

- **Lack of experiences related to business:** this was found to be a challenge to the most of the interviewed informants. Most of them have not attended business, entrepreneurship and/or financial trainings to support their understandings related to establishments and continuations of businesses. While few of them had experiences in similar works, majority of them were new to the businesses they were engaged in. As indicated by one of the informants in Kebribeyah refugee camp, *'the start is not always easy. This coupled with our lack of experiences in business planning made the beginning quite tougher than I thought'* (KII 30).

- **Bureaucracies related to business documents:** This was particularly the case for Bajaj transport services and for the small businesses including shops and supermarkets. The process of getting business documents including the licences is not only bureaucratic for the diaspora. It was found to be bureaucratic for the locals as well. The refugee cases were quite different. They were running business without even the formal work permits as pledged in the nine pledges. This was mainly found to be due to the pending

legislations and directives that should guide ARRA's implementation of the work permits and other refugee laws passes in the camps. As result, refugees run businesses informally and this is mainly facilitated by the host community members. The local government do not have a system that can detect and differentiate refugee businesses from the host community.

- **Lack of start-up capital:** Informants also mentioned that start-up capital was a real challenge despite the fact that there are quite large numbers of youths who would like to start businesses. Remittances served as the main start-up capital for the study participants. However, not everyone receives remittances. Even those who received start-up capital support from family and relatives complained the amount they received to be small, hampering them from expanding their business as they wish. According to the informants, start-up capital would have helped the growth of their businesses but also attracted large number of people to start businesses. Related to this was the fact that the loans and support from the microfinance and other government institutions were limited.

- **Limitations related to remittance:** the diaspora relatives who remitted money mentioned challenges related to the remittances. One is related to the variations in exchange rates between the black market and the official exchange rates. This was particularly a challenge to those remittance senders who opted to use the formal channels of remittance instead of the informal or black market channels. Due to this fact, many diaspora senders tend to remit money through informal channels where the recipients are expected to travel to local money transfer institutions located in Tog-Wajaale, Somaliland, to collect their remittance money with better exchange rate. This has a serious implication on the amount of remittance that the country should have received through the formal channels. Another challenge raised in relation to remittances was the limit on the amount that can be remitted by senders once (the limit being \$10, 000). However, this only was a challenge for the business investments that demanded certain level of investment.

- **Nature of diaspora's employments:** Diaspora relatives also mentioned that it was very difficult to them sometimes to send the regular remittances to their families. This is related to the fact that not everyone abroad is employed with good salaries. Some of them struggle to pay their rents and bills to run their own lives. This, partly, was the reason that di-

aspora relatives encouraged their family members to establish businesses and not rely, regularly, on remittances. To this end, the interviewed remittance senders have managed to save certain amount of money to finance the starting of micro and small scale businesses by their families or relatives at home.

3.8. Recommendations

Given the challenges mentioned above, following are some possible recommendations:

- Remittance recipients should use remittances not only for consumption but also to establish alternative source of income. Despite the fact that remitted amounts are only sufficient for household consumption, this can be done by discussing with their diaspora members abroad. The diaspora relatives also welcome the idea of establishing alternative sources of income because they believe that regular remittances should not be a reliable source of income for the households.

- Depending on the amounts of remittances, savings can be made. If the diaspora members are not able to remit a big amount for investment, families receiving amounts bigger than \$500 a month should be able to save at least certain amounts. However, such families need to be targeted for related business and finance trainings.

- DRC need to offer entrepreneurship, business and finance related trainings to selected remittance recipient families. In fact, if possible, the target should be those who receive remittances but not established business yet to see the impact of such interventions in the future. Related to this is business trainings based on market demand for the youth who can receive remittances from their relatives. Basic understanding of such trainings coupled with certain start-up capital can encourage lots of business investments and, therefore, alternative sources of livelihoods for these families.

- To encourage savings from remittances, DRC can offer start-up capital for those who have saved at least 50-60% of the start-up capital from remittances. This will encourage savings from remittances and help DRC play crucial role in the process of shifting from remittances from pure consumption to remittances for business.

- Since bureaucracies related to business documents was a challenge, DRC can involve line agencies/bureaus/offices in the process of selection, training and even start-up capital. Their involvement in the process can help the beneficiaries overcome the bureaucrat-

ic process. This can be done via information sessions that they can offer to the beneficiaries in the process or even the fact that they will facilitate the process for the beneficiaries they trained/shared sessions with.



4. Dynamics of Diaspora Business Engagement

Emergence of some diaspora engaging in different businesses with different partners: the Assessment found that some diaspora investors are involved in multiple partnerships running different types of businesses. The main models found during the data collection were diaspora business partners (one in the west and the other in Ethiopia), Individual diaspora investors, business via diaspora remittances but also diaspora partnership between diasporas who are from different countries in the Horn of Africa region (mainly the Somali settled territories).

The last model was not founded out by the previous study. The model is based on diaspora's prior knowledge to one another in their hosting countries (west). Then they decide to invest in relatively peaceful and profitable environment. In the past these kinds of investments were common in Nairobi, Hargeisa according to one of the informants interviewed. However, now many diaspora investors want to come to the region due to the relative stability and the potential market in Jijiga. This model, according to our observation, was different from the four models identified initially by the previous assessment.

However, this model can be associated with the fourth model: Diaspora-foreign investor partnership. Most diaspora business models were either of the four models mentioned above: Single diaspora investor; diaspora partners; remittance and regional level diaspora partnership.



5. Appendices

5.1. Appendix 1: Interview guides

Key Informant Interview Guide for Diaspora Investors (living in SRS and abroad)

Introduction

Dear Sir/Madam,

This interview guide is developed in order to collect data about diaspora investments in Somali Regional State and their contribution to job-creation and socio-economic development. It particularly aims at understanding the nature, areas of investment and modus operandi of diaspora partnerships in investment in Somali Region. The results of the study will be used to support and encourage the diaspora investments in the region through creating conducive conditions and provision of tailor-made support. The study is commissioned by Danish Refugee Council (DRC) and being conducted by a team of professionals from Jijiga University. Please be assured that all the information provided in this interview shall be used for the research purpose only and treated with utmost confidentiality. Thus, be open in your responses, you are not obliged to answer any question that you don't want to answer. It only takes around 30 minutes.

Do you agreed to be interviewed? Yes _____ No _____

General Information

Date of Interview |_____|_____|_____|

Name of Interviewee

Name of Interviewer

Interview Questions

Profile of Key Informants

1. Place of Residence: _____
2. Age: _____
3. Sex: _____
4. Occupation: _____

Business engagement model 1

For the business engagement model 1 (partnerships between diaspora investors) the consultant should interview at least 15 partnership representatives present in Somali Regional State, and 10 representatives from the partnerships in the diaspora. As a minimum the following questions should be answered and transcribed:

- Which of the following investment/business models are used by the diaspora to invest in Somali Region? (Multiple answers possible)
 - o Partnerships between diaspora investors / diaspora entrepreneurs while still overseas
 - o Diaspora remittances for start-up support
 - o Single diaspora investor
 - o Partnerships between Diaspora and foreign investors
 - o Other, If other please specify? _____
- You have been selected to this interview in consideration of the business model of your investment i.e., its being an investment based on partnerships between the Diaspora. You are, hence, kindly requested to respond to the upcoming questions in the context of your investment/business.

- What is the investment/business you are engaged in? When did you start it?
- Who are the partners involved?
 - o Relationship
 - o Please also get the contact details for follow up
- How was the partnership initiated (the motives, the preparations, the challenges)?
 - o How long from the initial idea until the business started?
 - o Who was involved, and who took the decisions?
 - o What were the motives among those who took the initiative?
 - o How did they select the business sector for their investment?
 - o What information was used to decide the nature of the business?
 - o Who was the main source of the information?
 - o In hindsight: What information should they have used to take the decision?
 - o In hindsight: Did they have the necessary skills?
 - o How has the capital been raised?
 - Savings
 - Credit
 - o What was the amount of the initial investment? What was the amount contributed by each partner?
 - o Did you borrow money from financial institutions?
 - If yes - from which institutions?
 - If no - why not?
 - o Did you borrow money from relatives?
 - o What were the main challenges during the process of preparation and setting up of the business?
- How was the internal collaboration model between the partners defined?
- How is the internal collaboration between the investors regulated – is it based on written documents, on verbal agreements, or something else?
- What happens if there is disagreement within the partnership?
- How is the profit shared? Is it proportionate to size of individual investments?
- How are decisions taken around re-investment of profits? Any auditing process used?
- Do they exchange experience with other diaspora business people – in Ethiopia, or abroad?
- Do they know of any partnerships that are not based on family and clan?
- What are the advantages of family and clan-based businesses – what are the disadvantages?
- What have been the challenges so far?
- What are your success stories, best practices and lessons learned (if any)?
- Any recommendations towards other diaspora investors?
- Any recommendations for how DRC could support to increase the diaspora engagement?

Introduction

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Do you agreed to be interviewed? Yes _____ No _____

General Information

Date of Interview |_____|_____|_____|

Name of Interviewee

Name of Interviewer

Interview Questions

Business engagement model 2

For the business engagement model 2 (remittances for productive use) the consultant should interview both receivers and senders of remittances, and as a minimum answer the following questions:

- What is the investment/business you are engaged in? When did you start it?
- Who created the idea to use remittances for business? Was it the sender or receiver of remittances?
 - o Please also get the contact details of the sender / receiver
- What were the motives?

Recipients of remittances for productive use (these questions are only for the recipients):

- Did they receive one big amount from diaspora relatives, or did they save the remittance money to accumulate the needed capital. How long a period?
- How did they decide which business to establish? Did the diaspora relative have a role in this? Any other support from diaspora relatives?
- Did they have prior experience running a business?
- What was the size of the initial investment?
- How much came from diaspora and how much came from other sources (which)?
- If they saved the remittances – pls try to find out if the business owner did this by himself / herself, or if they were part of a savings group – or any other way.
- How long did it take before they could live from the business? How did they survive until the business was profitable?
- Any other information they think is important for their success?

- Did they get any training on how to start up and run a business, or other support from an institution or organization?
- If they had not received the money from the diaspora – how could they otherwise have raised the capital (loans from relatives, loans from institutions, grants from organizations)?
- What have been the challenges so far?
- What are your success stories, best practices and lessons learned (if any)?
- Any recommendations towards other recipients of remittances to set up business?
- Any recommendations for how DRC could support a better use of remittances?

Diaspora senders of remittances to relatives who have used the money to establish a business (these questions are only for the senders)

- Did you use to send regular remittances to the relatives who have now set up a business?
- What was the approximate amount you used to send (monthly, or on big occasions such as Ramadan)?
- Do you still send remittances to these relatives after they have established their business?
- Who came up with the idea to support your relatives to set up a business?
- Were you involved in the decision on which kind of business they should establish, or otherwise involved?
- Are you happy with the way your relatives have handled the money?
- What were your main concerns before sending the money?
- How did you address the concerns?
- Do you know if other diaspora has also supported their relatives to set up a business?
- Are there different ways that diaspora use to support relatives to set up a business?
- What are the typical amounts sent by diaspora in support of their relatives to set up business?
- Would you be willing to tell how much you sent to your relative?
- Did you send the full amount in one transfer?
 - o If yes - how did you manage to come up with the amount?
 - Did more people contribute (who)?
 - Were you part of a savings group?
 - Did you borrow the money from relatives or a financial institute?
 - Did you personally save the money?
 - Did your relative in Ethiopia contribute?
 - o If no:
 - How was it organized?

- What have been the challenges so far?
- Any recommendations towards other diaspora who want to support relatives establish a business?
- Any recommendations for how DRC could support other senders of remittances to ensure they are well spent?





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