

Blurring the Borders with Giving: The Impact of HNWI on Diaspora Giving

Host: Ted Hart

Guest: Alex Dixon – The Aspen Institute

Announcer: Welcome to the *CAF America Radio Network*, a production of the Charities Aid Foundation of America. As the leader in global giving, CAF America offers more than 20 years of experience and expertise to corporations, foundations, and individuals who wish to give internationally, and with enhanced due diligence in the United States. Through its industry-leading grants management programs and philanthropic advisory services, CAF America helps donors amplify their impact.

This show is dedicated to these donors and the charities they support. CAF America is uniquely positioned to serve as the bridge between these important partners and transforms vision into meaningful action. Guests on the *CAF America Radio Network* are leaders in their field who share tips for success and stories that inspire. Our host is Ted Hart, the CEO of the Charities Aid Foundation of America. This is a live call-in show. Add your voice by calling 914-338-0855. After the show, you can find all of our podcasts at cafamerica.org.

Don't forget to dial 914-338-0855. Now, welcome the host of the *CAF America Radio Network*, Ted Hart.

Ted: Welcome to this latest edition of the *CAF America Radio Network*. Thank you for joining us today. Our topic today is, blurring the borders with giving, the impact of high net-worth individuals on diaspora giving. I'm thrilled to have one of this country's leading experts in this area, Alex Dixon, who currently serves as the director of the Aspen Institute's Diaspora Investment Alliance.

He most recently, before this position, served as senior advisor to USAID, where he assisted missions and private investors with investment structuring and negotiations related to Power Africa. Prior to this position, he was vice president for Africa at the Small Enterprise Assistance Funds, which is a global private equity firm that specializes in small business investing through its 19 offices around the world.

Earlier in his career, I think, very impressively, he was managing director of the Enterprise Development Fund for Africa Development Foundation, ADF. Very rich ties to the development community. One of this country's leading experts, as I said. Welcome, here, to the *CAF America Radio Network*, Alex Dixon.

Alex: Thank you very much, Ted.

Ted: Alex, we've got a very important topic today and to have you on this show to help us, and help our listeners understand and learn more about this emerging and growing area of fundraising and giving around the world. That is the notion of diaspora giving. Let's back this up a little bit because diaspora giving, itself, has been a very rich tradition of the expat and diaspora community in the United States for a very long time but it's changing in a way that can be even more meaningful to the goals of various diaspora communities.

Let's start off with just helping our listeners who may not be aware of, what is a diaspora?

Alex: Sure. Diaspora is a general term that's used basically to connote and related to those people of a particular country or outside of those countries. It was most commonly associated with the Jewish diaspora but the term has basically caught on and is used commonly to refer to diaspora populations that are outside their host countries. It could be the Indian diaspora, the Colombian diaspora, the Kenyan diaspora. That's just the community that's outside their country of origin.

Ted: Would it be fair to say that diaspora communities in the United States have a rich tradition of supporting various causes, programs, and charities outside of the US?

Alex: It's most definitely so. I think they are often the first line of support for the community that's local to the US. Then, they're also seen as another first line of support, most immediately, to their family members back home. I think those lines have been extended over the last 10 years where we've seen, even on the economic front, a lot of the Indian diaspora have been drivers for the development of the Indian IT sector and economy.

We all know about the call-centers and all that growth that has taken place. A lot of that was driven by diaspora and entrepreneurs who saw the opportunity and that basically had an understanding of the US market, and they had an understanding of the opportunity back home. I think diaspora are definitely seen, on the philanthropic side, as a huge source of giving, and even on the economic development side, as a potential source. I think that we just read the other day that Prime Minister Modi, in the UK, had over 50,000 Indian diaspora to come out in the UK just to hear him speak.

The population is growing in size, bounds, and importance, and it's a steady source in that many international organizations, sometimes, have programmatic shifts where the diaspora focuses constantly on the country, given their historical ties.

Ted: Yes. It's a natural first line, as you said because these are expats who are here, in the United States. Many of them have become very successful in various businesses or line of activities that they may be involved with, yet maintain, not only a connection back to their homeland but a deep appreciation and understanding of the needs in their homeland.

Moving on to the topic that you are now the director of the Aspen Institute's Diaspora Investment Alliance, how does this notion of diaspora and investment come together in the initiatives that you're involved with now?

Alex: For us, what we've done is we've taken a critical look at diaspora communities and we've tried to move the conversation beyond the traditional remittance flows, which diaspora is the most associated for. I think there's been a lot of research done, over the last 10 years, about the amount of remittances, over \$400 billion, depending on the year, and how that dwarfs the official development assistance that's given by the major countries around the world.

What we've tried to do is look at that from a different angle of saying that remittances are family-support mechanisms and transaction capital that diaspora have, but we've tried to take a more broad approach and actually look at the wealth that the diaspora have created. And as you pointed out, in your comment, that a lot of diaspora do have substantial wealth that they've accumulated here, and even on a modest level, they basically have accumulated wealth in the US.

What we've done is try to take a look at that wealth and try to figure out, how is it held? And then, how can we create channels for them to channel some of that money back to their country of origin? Because that tends to be the sticking point in the bigger pot of wealth that can be tapped. Just to give you an example of the concentration of wealth, once you look at it, we looked at the Indian diaspora and it was identified that there were 67,000 Indian millionaires in the US with a combined net-worth of \$200 billion.

Even when we par that down and say, "Okay, maybe their financial assets are probably only around 82 billion", that's a huge number. That's just for one diaspora group and one segment of the diaspora group, the ultra-high-net-worth.

You see the power of the collective wealth that the community holds and how that, potentially, has the ability to transform when you compare the collective wealth against some endowments of the major foundations, which may top a couple of billion dollars, but they don't get anywhere close to \$82 billion. You can see the importance or the potential importance that the diaspora can have if you look at it from a collective standpoint, on the wealth front.

Ted: In doing that kind of research across communities, what have you learned are some of the common themes of the communities and their interest in philanthropy, back in their homeland?

Alex: I think what we've learned, most of all, is that the diaspora are more interested in the philanthropy than the investing side. Their primary goal and their primary thing that they want to do is see some type of positive social change happen in the communities where they come from. Across the board, it was indicated to us that they look at the social impact, primarily, in making a decision, and the investment second.

It was that lens that we were given by them, we started looking at different ways that we can enhance their philanthropy and their giving. That's one of the things that we've done and of the things we're trying to do, is launch specialized, donor-advised funds-- and where we call them 'diaspora-advised funds', where the diaspora can enhance their philanthropic giving and target it back to NGOs in the countries of origin because we think that's a vital interest of the community. When you look at the sectors that they're interested in, it models exactly the sectors that, traditionally, people are interested in.

From health, education, water, and sanitation. There's not a huge deviation from their level of interest. Probably the only difference that we've seen, is that we've seen the first generation diaspora primarily have an interest in giving back to the exact communities where they've come

from, so it's a little bit more regional. When we look at their children or second-generation diaspora, they tend to take more of a country approach. They have a much broader scope and more are focused on a sector.

Ted: I think that's probably not surprising, is the interest various families may grow beyond the initial departure from that country and entrance into the United States. What kind of impact do you think a program like the Diaspora Investment Alliance can have?

Alex: I think the impact that we can have is that we are looking to have a ground-up solution. Many times, I think within the sector, a lot of times, solutions come up and then, they're sold to the diaspora. What we've done, and what we're seeking to do, is get a solution that fits and meets the need of the diaspora so that we can ensure the community buys into it. More importantly than that, we're basically helping them advance the goals that they see and they've set for themselves. I think the biggest impact that we're going to have is that we can have a solution that's community-driven.

One that is then sure to be supported and sustainable because as I alluded to earlier, the diaspora interest level in the country of origin doesn't change. I think we can have a huge impact by actually giving the diaspora a voice and giving them a mechanism to direct change in seeing where their funds can actually go. Then, that would basically fit into the broader kaleidoscope of international giving, where a lot of, I think, foundations and organizations can actually see where the diaspora is targeting as far as sectors and areas of the country.

That might present an opportunity to basically work with those organizations or to basically shift their programming out where, maybe, it may not be needed given the diaspora's interest and support of a particular region. I think there's a lot that can be done and a lot of insight that, also, can be achieved by having the diaspora there, but more importantly-- again, and I hark back on this, is the sustainable interest of the diaspora that I think is really key in that they have a lifetime focused on their country of origin, where sometimes, it could be the focus of a lot of international organizations may change based upon a humanitarian response or other factors that play in.

Ted: You mentioned making a difference and having an impact. Let's talk, a little bit, about CAF America's role, specifically with the Diaspora Investment Alliance. We're very proud to be your chosen partner. Help our listeners understand, what does that partnership mean?

Alex: I think that partnership has meant the world to us and really organizing this effort in allowing us to concentrate on really getting the funds up and the idea out. That CAF America, through its expertise in managing funds and international giving, has given us a trusted and reliable partner that we can go back to the diaspora and say-- because a lot of what they wanted, they wanted to have a trusted intermediary and a trusted party that would ensure them that the money that they do give is used in a compliant factor, in a regulatory-compliant manner, but more importantly, that its disbursed in a very efficient manner, where a lot of funds aren't used for administrative overhead and so, the impact really gets there.

I think that CAF actually provides us that expertise and that solution and that we feel comfortable in going back to the diaspora and presenting CAF as that partner who can execute and help them achieve their goals back in their country of origin. I think CAF's pedigree, internationally, doesn't compare to any other organization that we saw. Even as we look at other groups, one of the big challenges that we foresee and that we've teased with, so far, is that, as we look at the US groups, then we also get interest from the UK diaspora. Then, we also get interest from the Canadian diaspora. CAF, again, has been one of those unique partners, where we can start talking about, how do we expand this effort? And how do we expand this giving to beyond just the US diaspora?

I think CAF is uniquely placed to help us answer those questions. CAF has been a trusted and reliable thought leader, with us, as we started exploring this idea. You and your team have been a big supporter of us over the last 12 months. This is something that we hope to carry out but I think the biggest thing that CAF brings to the table, for us, is the reliability, the credibility and the pedigree of its expertise in the space. That we can ensure the diaspora that we're working with a quality partner.

Ted: Alex, I think a phrase that is way too overused is 'game-changer' but this directive, this direction for diaspora giving that you and the Aspen Institute are creating is truly game-changing. The reason for that is because the current state of the diaspora's ability to give and to support to charities is vastly different from the benefits that they will receive and the opportunities that they will receive by giving through the Diaspora Investment Alliance.

Help our listeners understand what's happening now because we know that the diaspora is giving, is loyal to their countries and wanted to make a difference, versus what they will have in terms of protections and benefits by working through the Diaspora Investment Alliance?

Alex: Sure. The current state of diaspora giving is a one-off affair. A lot of people are giving to existing organizations that they have found or they've been associated with over the years, and many times, they are not receiving the tax benefits of those giving. They've been giving for years and this is just a passion that they have. Then, there's also a segment of the community that wants to give but they don't have enough information on which NGOs they should give to, kind of, who are the credible ones? Who are the not-credible ones?

The diaspora, I think, is uniquely positioned versus the average American in that they actually have knowledge that maybe some malfeasance took place in the NGO sector in their county, before. It probably makes them a little bit more nervous and really, more demanding of having a quality and transparent partner. One of the things that we've seen, as we've started going out trying to approach this problem, is that we know that we need to provide a greater level of information to the diaspora. Our solution is, then, that we're actually going to set up portals in each of the communities that we're looking to work in-- and those initial communities are Kenya, India and the Philippines, that will go out and identify a handful of NGOs to start with.

Those NGOs will be vetted from a compliance standpoint and a mission standpoint that we can present to the diaspora to give them an initial set. It also, then, provides a base for them to,

then, contribute and recommend their own organizations that they're associated with. I think it has the ability to allow the diaspora to grow the list organically, almost with a crowd-funding type of a secondary benefit that this list will grow, over time, to groups that are important to the community and that the community is looking to support, but also provide a level of transparency that they are seeking as far as the information with those organizations, and also provide a window for those organizations to communicate to the diaspora.

This has been tried. We've talked to groups in Kenya and a lot of people have tried to do this. The challenge that it's faced is that a lot of the small second/third-tier organizations that are doing great work on the ground, in the community just don't have the wherewithal to have a US presence, to have a US office and to really talk to the diaspora.

These are the organizations that the diaspora really want to identify and really fund because they know those organizations are out there and they know how important they are. I think it's a good match if we can get this portal and we can get the donor-advised fund functioning with CAF, that we can provide an efficient conduit for them to channel their donations back to these groups.

And at the same time, provide them more transparency because I think it will be a game-changer in that we can unlock a lot of the capital that they sit on by providing them a platform that is both regulatory compliant and also, at the same time, ensures them transparency in as far as they can see how their donations are being used by those organizations.

Ted: You've mentioned concepts like transparency, regulatory compliant, tax deductibility and giving safe to impactful organizations. Where do these concepts come from? Did you hear from the diaspora in terms of concerns that they had about giving in a big way? How did that information, then, help guide the creation of this program?

Alex: Sure. When we first started the project, we went out and did a lot of research. We actually had a number of private dinners, town-hall meetings with different diaspora groups. We sat down and actually presented them different ideas and different discussion points about philanthropic giving, different vehicles, different issues. From those conversations, one of the big things that emerged was this issue of transparency.

What a number of diaspora groups, and individuals that are in those groups, told us, across the board, was that, "Everyone assumes that I'm from Kenya and I know exactly the organizations that you can give to in Kenya, but the reality is, I don't. I've been in the US 20 years and I'm working all the time, so I don't have a viewpoint or a view into the right NGOs to give, and I need information just as well as anybody else." That was consistent throughout the groups. That people assumed that they have information because they're from the country, but a lot of times, they don't have the right information or the information that they're used to, such as looking at Charity Navigator and deciding which US NGO--

A lot of them are accustomed to that type of information. They're looking for that type of transparency. Then, with regards to how efficiently they give, we did a survey and we asked

individuals, "How much would you be willing to give of your portfolio, of your investment returns if you, also, could get the benefit of a tax deduction?" Across the board, that was another overwhelming response, and so, "I would definitely give more. Right now, I'm only giving \$1,000 to this group. I'm giving \$10,000 to this group but if I was actually getting a tax deduction and I could figure out a way to do that, I would actually give more."

I think both of those points came out very clearly to us from the conversations that we had with the diaspora.

Ted: Alex, you have experience with both non-profits and the banking sector. You've mentioned donors who want to give but also, the benefit of charities who would like to have a voice with donors would like to have that diaspora support but don't know how to reach that. How are you creating this eco-system where all of those parties can come together in a safe and effective way?

Alex: What we've done is that we realized that we need to have local partners, so we've been fortunate enough to identify some good local partners on the ground. In Kenya, we have Kenya Commercial Bank. In India, we have Yes Bank. In the Philippines, we have the Commission for Overseas Filipinos. What these organizations are allowing us to do is have existing efforts which are already engaged with the NGO community in the country of origin. What we're thinking to do is to leverage that base.

With Kenya Commercial Bank, they have a foundation that's historically been giving to small organizations in the community. What we're basically looking to do is to leverage their infrastructure that they have to identify organizations they're currently working with, other organizations that could be brought in that could be of interest to the diaspora. Then, also, as I said, the third leg of the stool is then having the diaspora recommend organizations that are important to them that maybe the bank may not know about.

It's critical for us to have a credible partner on the ground, someone else to help us vet and identify these organizations, and we've been able to identify who those partners are.

A lot of times, it makes just good business sense for the partners to engage with the diaspora because both the Yes Bank and Kenya Commercial Bank have diaspora banking products. One of their big challenge is, how do they show their corporate social responsibility to clients outside of the country? This gives them a really efficient way to basically say, "Hey, no matter where you're at, if you're banking with us, we care about the community and we care about the causes that you're connected to. This is how we're basically helping you interface and identify who those NGOs are."

That gives us a huge advantage in that it gives us an interface into the country, and then, into the NGOs, where we're not operating from 3,000 miles away. Again, it gives the diaspora an extra-person-check-down that they're looking for on the transparency side, knowing that these organizations are involved and they're helping facilitate to giving and are, sometimes, even

enhancing the giving by offering matching donations from their own foundation to certain organizations.

Ted: There's a lot more that's coming together in this Diaspora Investment Alliance than any one person might be able to do themselves. It's not just a matter of, "Well, I already give and I know the charities that I want to give to", but that there's a bigger marketplace, out there, and a capacity to join forces with other expats and others in a diaspora that you may associate yourself with, but also, the ability to connect to well-vetted charities in a tax effective way that is going to meet regulatory compliance. It's a fairly complex process that the Diaspora Investment Alliance is seeking to smooth out to allow philanthropists to be philanthropists.

Alex: Definitely. The process is very complex and intimidating to us. That's why the partnership with CAF has been so important to us, in that it helps basically negate some of the complexities that we've faced and we've identified in CAF with its ability and the services that it has offered, it actually allows us to basically tackle this in a very constructive manner.

Also, on the other side, when we talk to the local country partners such as Kenya Commercial Bank and Yes Bank, they also like to lean on the CAF expertise as well, knowing that they also have an efficient interface and partner in the US that's going to help them tackle this issue, which is complicated far as the giving, but we think with the right team and the right people in place, that we can actually answer some of these tough questions that have been confronting the diaspora, and take some of the complexity out of the equation.

Ted: By themselves, they would not be able to meet the US government regulatory compliance for tax deductibility of gifts to international charities?

Alex: Exactly. A lot of the diaspora, they want to give more but then, they're nervous. They've gotten as far as the OFAC checks-- the KYC checks. They know there's a lot of things that go on and they could see a great organization, but they're nervous about writing a check to that organization. This gives them a way to do so that has the security that they're looking for, and it gives them an opportunity to enhance their giving.

Ted: This is about peace of mind, this is about regulatory compliance and transparency. Secretary of State, John Kerry, highlighted the importance of diaspora community in the launch of Global Diaspora Week. What does that mean to an initiative like this?

Alex: It means a lot that the State Department recognizes that diaspora communities are a vital part, not only of the foreign policy but also just how we engage countries. They are a resource that the US has [sic] far as, how does the community function? How the country may function. They just serve so many different facets that can be important and are important to the foreign policy dialogue.

Also, I think it's starting to spill over into the humanitarian solutions as well, is that a lot of organizations, USAID, and other organizations are just taxed when it comes to-- they can get the resources there, but how do you effectively deploy those resources? That's what the

diaspora have, the network and the knowledge of the local market to basically help do that better.

I think by creating these vehicles and creating these avenues, we're adding another leg to the stool, and not only can they basically help with policy issues, but they can also help on the philanthropy side, where probably their prowess and their potential has not been seen or not been felt by the market at its full force because it's been dissipated, because of a lot of the issues that you've talked about already.

Ted: We only have a couple of minutes left and I want to make sure that our listeners, today, who cover a spectrum of a high net-worth individuals, corporations, foundations, advisors and charities that they support-- How can those who want to give internationally, and give in a tax effective way and may identify with a diaspora, become part of this initiative?

Alex: I think a lot of organizations, companies when they look at the diaspora groups, they want to basically figure out how they can enhance that group or basically, be aligned with their group. We have one of the major oil companies, now, is looking to do a project. They're actually operational in the Near-East. They've come to us and said, "Here's the communities that we want to target and we want to basically link up with this community." It also provides them a safe interface, saying, "Okay, do you have a structure that's regulatory-compliant that we can give through, that we can also, basically, connect with the community?"

Then, I think that provides a whole other [sic] aspect to it, in that it also allows the diaspora to crowd, and corporate donors, and foundations who may want to align themselves to different things that the community is doing, but also, they're looking for the transparency and the regulatory compliance in that solution. I think it's very important. We've seen this in the remittance sector as well, a lot of companies are looking to figure out how they show the diaspora-- even in the remittance market, how they connect and how they care about the things that the community cares about because this is an essential client base.

I think it provides a very unique tool for those looking to engage the diaspora from a strategic standpoint, where the diaspora serve as the primary client base that they could show the diaspora community [crosstalk].

Ted: Alex, just as we're wrapping up here, how would people be able to reach you? I know the websites and things of that sort are still under development, but how would they be able to reach you?

Alex: They can reach us here, at Aspen. Our email is D-I-A-- diaspora@aspeninstitute.org. They can reach me directly at D-I-A--

Ted: It's D-I-A-S-P-O-R-A@aspen.org?

Alex: Insitute.org, yes. Then, they can reach me directly, as well, at alexander.dixon@aspeninst.org.

Ted: Alex Dickson, director of the Aspen Institute's Diaspora Investment Alliance. Thank you for joining us today, here, on the *CAF America Radio Network*.

Alex: Thank you so much.

Announcer: You've been listening to the *CAF America Radio Network*. Tell all your friends and colleagues to check out our production schedule. Sign up for our free newsletter and download our iPad and iPod-friendly podcasts at cafamerica.org. Thanks for listening to the *CAF America Radio Network*.