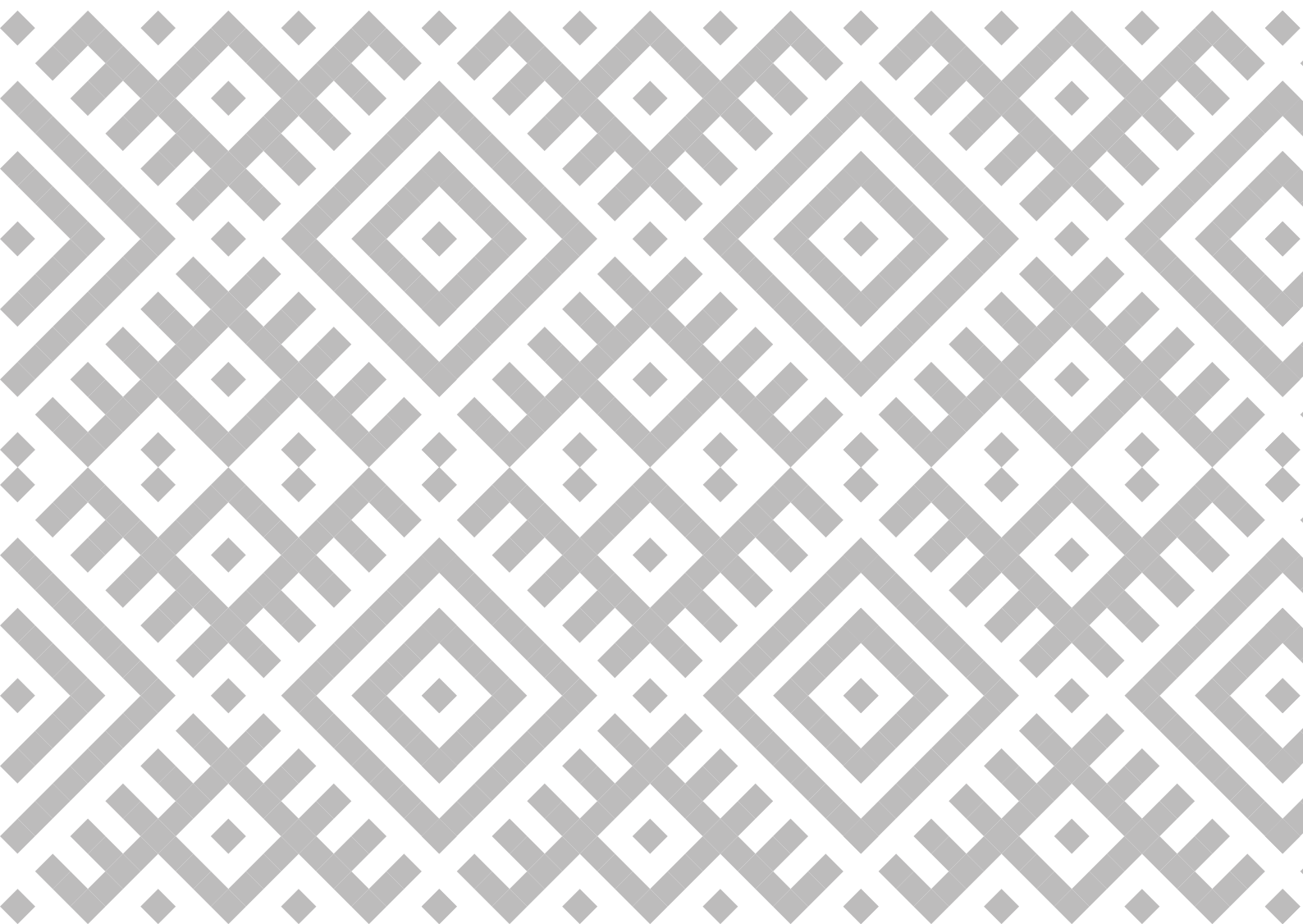


TOOLKIT

FOR
UNDERSTANDING
DIASPORA
INVESTMENT
IN AFRICA

DIASPORA INVESTMENT ASSESSMENT USE AND ANALYSIS



CH3

DIASPORA INVESTMENT ASSESSMENT TEMPLATE USE AND ANALYSIS

The Diaspora Investment Assessment Template provides governments and other users with a systematic, structured approach to understanding the 'readiness' of their diaspora for investing back home.

The Assessment Template is a user-friendly Excel workbook that should be worked through systematically. The Assessment Template draws on data collated in Chapter 2 to generate the Diaspora Investment Readiness Index (DIRI). The Assessment Template also links to the main vehicles available for diaspora investment (see more information in Chapter 4) and sheds light on which channels are most suitable for a specific country. Where the DIRI Template suggests a certain investment vehicle is not suitable in the current climate, a series of tools and recommendations to overcome weaknesses is presented to the user (see Chapter 5).

It is important to stress that the Diaspora Investment Assessment Template is a tool to guide analysis and should be considered and analysed as part of a broader assessment of diaspora investment and local market conditions, as outlined in Chapter 2.

DIASPORA INVESTMENT READINESS INDEX (DIRI)

The DIRI framework comprises indicators from the three Pillars: (I) the government's diaspora engagement strategy, (II) financial environment, and (III) the diaspora's investment

readiness. It is a tool to guide users to understand their areas of weakness and strength with respect to potential diaspora investment. Figure 2 shows how the DIRI is constructed.

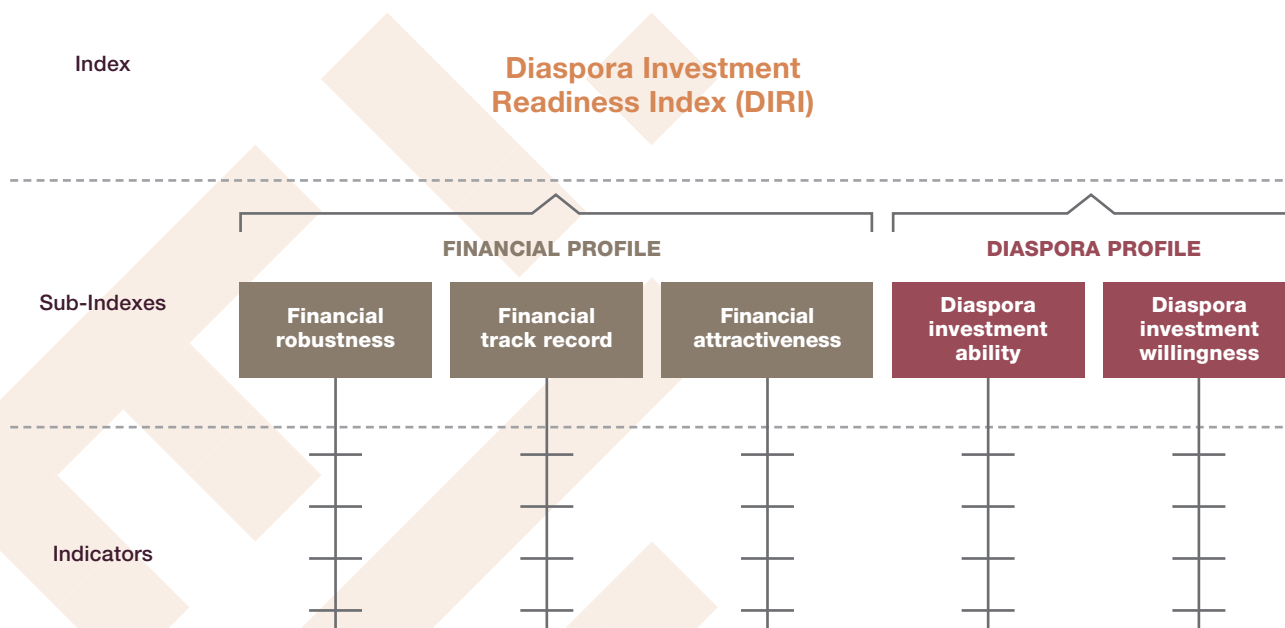
The DIRI has been built using a standard bottom-up approach based on core indicators that proxy for five sub-indexes. Sub-indexes are averaged to give the DIRI index. Indicators are either hard or soft (survey) data and are weighted in terms of their relative importance to each sub-index. Indicators (both hard and soft) have been selected carefully to proxy concisely and accurately for the sub-indexes, avoiding duplication and using internationally available databases wherever possible.

The DIRI captures the financial attractiveness of the investment proposition (risk and reward) and overlays the diaspora's appetite and willingness to invest. The country's level of diaspora engagement is captured because it affects the diaspora's willingness to invest. The standardised format of DIRI means that it is possible to compare diaspora readiness for investment, both across countries and over time.

FINANCIAL PROFILE

Research and experience clearly show that for the diaspora to invest back home the investment proposition needs to be attractive and sound. The diaspora member will carefully assess risk against reward, as with any

Figure 2: The Diaspora Investment Readiness Index (DIRI) Composition



investment opportunity. The sub-indexes below reflect this investment decision process:

- 1| **Financial robustness** – reflects the ability of the counterparty to remain in existence despite adverse market events. It is an assessment of the strength of the institutions behind the investment vehicle.
- 2| **Financial track record** – reflects the level of experience of the counterparty with the investment vehicle and its associated performance.
- 3| **Financial attractiveness** – reflects the satisfaction level with the financial compensation offered in proportion to the risk undertaken by the investor.

DIASPORA PROFILE

The Diaspora Profile captures the potential demand from the diaspora to invest back home, both in terms of their financial capacity and know-how and also their willingness based on levels of trust and the relationship between the diaspora member and country of origin.

- 1| **Diaspora investment ability** – reflects the financial capability of the diaspora to invest in their country of origin.
- 2| **Diaspora investment willingness** – reflects the inclination of the diaspora to invest in their country of origin.

TIP: While some literature and specific examples, such as Israel's diaspora bond, suggest that a patriotic discount exists*, this has not been found to be consistently the experience of diaspora investment realities.

More recent experiences suggest that a diasporan is perhaps more likely to consider an investment opportunity in their country-of-origin, or within Africa, compared with non-diasporan foreign investors due to a raised level of familiarity and patriotism; however, they are still aiming to maximise their return on investment. Experts in the field have cautioned that an individual's philanthropic wallet is different and separate from their investment wallet and the two should not be merged or confused.

*Ketkat, S. and Ratha, D. (2010) Diaspora Bonds: Tapping the Diaspora During Difficult Times. *Journal of International Commerce, Economics and Policy*. Washington, DC. 263 pp.

Instructions for Using the Assessment Template Excel Workbook

The user should work systematically through the instructions in the Excel workbook. See tab 'Instructions' for further details.

Note: The user should only manually enter information where cells are highlighted in yellow.

Data Inputting

Using the data collected as outlined in Chapter 2, data should be inputted into the Diaspora Investment Assessment Template. Please only enter data where the cells are in yellow. Data to be inputted includes hard and soft data and in a few places it asks the user to input subjective data using the guidelines provided.

ACTIVITY 3.1: Follow instructions on 'INPUTS' tab in the Diaspora Investment Assessment Template

1. Choose your country from the drop-down menu.
2. **Financial Pillar:** Consider whether the government has defaulted on bonds or is "overstretched". Refer to the 'Notes' in the Template Workbook for guidance on making this subjective judgement.
3. **Diaspora Engagement Pillar:**
 - a. Government investment in the diaspora – score from diaspora engagement assessment (Chapter 2b).
 - b. Existing diaspora investment (US\$) (Chapter 2b).

DIRI USER INPUTS

The mechanics of the model require the user to input a few items of data manually. Notes are provided to guide the user's input.

1. COUNTRY OF INTEREST	
Ghana	

The user should input where fields are yellow.

2. FINANCIAL MARKET RATES		
FTR4	Government default on bonds / overstretched	Yes

3. DIASPORA ENGAGEMENT INDICATORS		
DIW4	Government investment in diaspora (events, scholarships, dedicated programs, etc.) outside country	Relatively high
DIW3	Existing diaspora investment	Intermediate

NOTES
"Overstretched" is somewhat subjective and may be indicated whether the government has had to borrow to seek finance from DFIs for bond repayments or where the national liquidity ratio below 0.5 / 0.5-1 / > 1 in terms of their short-term debt obligations / assets most liquid.
This should be considered by African standards. Please consult the checklist on Diaspora Engagement to consider the government's level of investment in diaspora. As an example: High: significant outreach and communication with diaspora, for example, previous diaspora bonds, summits and forums for diaspora and in host countries, the president travelling to engage with the diaspora, using famous diasporans to mobilise the diaspora.
Score, High >80% of the answers to questions in activity 2a.6 and 2a.9 in Appendix 2 of the Toolkit are 'Yes' 60-79%, Relatively high 40-59%, Intermediate 20-39%, Relatively low Under 20%, Low
This is separate from remittance flows but should include high net worth individuals (HNIs), any previous diaspora bonds raised, diaspora networks organising themselves for collective investment and direct investment (housing, businesses). Also review the survey data to gauge the proportion of the diaspora already investing in their COO and the type of investment (qu11&12).

✓ ACTIVITY 3.2: Complete hard data indicators

✓ ACTIVITY 3.3: Complete soft data in 'Survey Inputs' tab

See **'DATA'** tab – check data is complete. Input data from the checklist in Chapter 2b and follow instructions where data may be missing.

See **'SURVEY INPUTS'** tab – complete data using the methodology outlined in Chapter 2c.

Country	Level of financial education / financial literacy	Estimated % of the diaspora with investable wealth	Estimated investable wealth (snapshot)	Diaspora bank accounts in home country (%)	Likelihood of diaspora retiring in home country	Financial obligations in home country	Likelihood of re-investing initial investment in COO	Diaspora trust in government	Average ROI wanted from diaspora % (survey results)
Ghana	Relatively low	41%-60%	USD2,001<x<USD5,000	20%<x<40%	Relatively high	Relatively high	Relatively high	Low	7%
Nigeria	Intermediate	21%-40%	≤USD2,000	≤20%	Relatively high	Relatively high	Relatively high	Relatively high	7%
Senegal	Intermediate	0%-30%	≤USD2,000	20%<x<40%	Intermediate	Intermediate	Intermediate	Relatively high	8%
Kenya	High	21%-40%	USD2,001<x<USD5,000	>80%	Intermediate	Intermediate	Intermediate	Relatively high	6%
Mali	Low	0%-30%	<USD500 p.a.	26%<x>49%					
Morocco	Intermediate	31%-60%	USD500>x<USD2,000 p.a.	50%<x>74%					
Namibia	Low	0%-30%	USD500>x<USD2,000 p.a.	50%<x>74%					
Rwanda	Intermediate	31%-60%	USD500>x<USD2,000 p.a.	50%<x>74%					
Sierra Leone	Low	61%-100%	<USD500 p.a.	26%<x>49%					
South Africa	High	61%-80%	USD5,001<x<USD10,000	>80%					
Tanzania	Intermediate	31%-60%	USD2,001>x<USD5,000 p.a.	>75%					
Benin	Low	31%-60%	<USD500 p.a.	<25%					
Democratic Republic of the Congo	Low	31%-60%	<USD500 p.a.	<25%					
Congo	Low	31%-60%	<USD500 p.a.	<25%					
Ethiopia	Intermediate	31%-60%	USD2,001>x<USD5,000 p.a.	26%<x>49%					

DIRI LISTS, THRESHOLDS AND DECISION RULES

The DIRI Index and sub-indexes are compiled by assigning relative scores to each of the indicators. The decision rules and thresholds are outlined below and should be reviewed by the user. Alterations made in this sheet will automatically update the DIRI throughout the workbook.

EASE OF DOING BUSINESS (/185)	
Range	Score
0	5
37	4
74	3
111	2
148	1

RULE: Score: 5=highest; 1=lowest

N.B. rated out of the whole world, not only Africa.

From 110th position, your country is considered as a difficult place to do business in.

WEF COMPETITIVENESS (/137)	
Range	Score
0	5
27	4
54	3
81	2
108	1

World dataset divided into equal quintiles. N.B. rated out of the whole world, not only Africa.

CREDIT RATING SCORE	
Range	Score
0	5
20	4
50	3
65	2
85	1

: in default / substantial risks
 : highly speculative / speculative/ non-investment grade
 : lower medium grade
 : upper medium grade
 : high grade / prime

Thresholds

The DIRI Index and sub-indexes are compiled by assigning relative scores to each of the indicators. The decision rules and thresholds are outlined in the **'THRESHOLDS'** tab and should be reviewed (not changed) by the user.

All hard and soft data are assigned a score between 1 and 5 (1=low and 5=high). Alterations made in this sheet will automatically update the DIRI throughout the workbook. The rationale and methodology behind the thresholds for the scoring are provided in the **'THRESHOLDS'** tab.

Examples:


- The WEF's CGI and the World Bank's Ease of Doing Business are both assigned scores between 1 and 5, where the higher the rank the lower the score. The thresholds are equal quintiles according to rank position. As such, African countries will be rated according to their position within a global context.

- Thresholds are based on the credit rating scores by Trading Economics. Their methodology is a composite of Standard & Poor, Moody's, Fitch and DBRS's sovereign

debt credit ratings. The Trading Economics credit rating scores the credit worthiness of a country between 100 (riskless) and 0 (likely to default).

DIRI Workbook


The DIRI Workbook provides the data, the scores and the weights for each of the indicators comprising the five sub-indexes. All data is updated automatically in this sheet.

 **ACTIVITY 3.4: Familiarise yourselves with the DIRI Workbook tab and the mechanics of the DIRI**

It is important for the users to familiarise themselves with all the indicators that proxy for the sub-indicators in this tab and make a note of where their particular strengths and weaknesses lie (where scores are high or low).

Weightings

The **'WEIGHTING MATRIX'** tab has the weights assigned to each of the different indicators in each sub-index. All sub-indexes are weighted equally. Weights will automatically feed into the rest of the model. Please see Table 1 on the next page.

 **ACTIVITY 3.5: Review the weights assigned to indicators (especially the 'Overall' weights) to understand their relative importance to one another and contribution to the DIRI**

Weights should not be amended manually in the model.

Weights have been assigned to each indicator through extensive consultation with existing diaspora investment specialists and stakeholders to understand the prerequisites and criteria for specific investment vehicles, given what has, and has not, worked. Weights are, to a certain extent, subjective – but they are the 'intelligence' in the model, incorporating how the different indicators relate to one another in terms of importance.

The DIRI weights are in the 'Overall' column. These weights represent the weights for the government raising funds directly from the diaspora through a non-defined investment channel. The other investment channels have weights assigned as appropriate to the specifics of that investment vehicle.

DIRI Outputs – Analysing and Interpreting Results

The main outputs from the Diaspora Investment Assessment Template are the three tabs:

1. Snapshot
2. DIRI
3. DIRI-IC

These tabs will update automatically once all data has been added. Guidance on how to interpret the results is provided on the tabs.

Chapter 8 provides illustrative examples of how these three outputs are used, in combination with the findings from the data collection process outlined in Chapter 2³.

³ This includes the diaspora engagement exercise (Chapter 2a), the financial profile and investment climate (Chapter 2b) and the diaspora profiling process (Chapter 2c).

Table 1: Indicator Weightings

INDICATOR WEIGHTINGS	Overall	Diaspora government T-bills (Lccy)	Diaspora government bonds (Lccy)	Diaspora government bonds (Fccy)	Diaspora pension schemes	Stocks	Corporate bonds	Crowd funding	Bank savings	Loans and mortgages	Managed funds (retail - incl. mutual funds, pension funds, etc.)	Managed funds (HNI/ private - incl. PE/ hedge fund /implyw/ sukuk/etc.)	Property investment - equity schemes
Financial robustness score													
Ease of Doing Business Index (rank over 185 countries)	25%	25%	25%	25%	15%	30%	30%	30%	10%	30%	25%	25%	30%
WEF Global Competitiveness Index (rank out of 137 countries)	18%	15%	15%	15%	15%	20%	20%	25%	15%	30%	20%	25%	20%
Country risk rating (out of 100)	20%	40%	40%	40%	40%	25%	25%	25%	15%	15%	25%	20%	25%
Government debt level, % GDP	2%	5%	5%	5%	5%	5%	5%	0%	5%	5%	5%	5%	5%
Financial Development Index 2014	15%	5%	5%	5%	5%	5%	5%	5%	20%	10%	5%	5%	5%
Banking stability - Z statistic 2016	0%	5%	5%	5%	5%	5%	5%	5%	15%	5%	10%	10%	5%
Banking stability - ratio NPL	0%	5%	5%	5%	5%	10%	10%	10%	20%	5%	10%	10%	10%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Financial track record score													
Government previous experience issuing bonds locally	20%	30%	30%	20%	20%	15%	15%	20%	20%	20%	10%	15%	20%
Government previous experience of issuing eurobonds (listed overseas)	30%	20%	20%	30%	15%	15%	10%	20%	20%	20%	10%	15%	20%
Government default on bonds / overstretched	40%	40%	40%	40%	40%	10%	20%	20%	20%	20%	25%	25%	20%
Stock market (lyr)	5%	5%	5%	5%	5%	30%	25%	20%	20%	20%	25%	25%	20%
Stock exchange market capitalisation (end 2017 or 2018, USD millions)	0%	0%	0%	0%	0%	15%	25%	10%	0%	0%	20%	20%	0%
Number companies listed on stock exchange	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%
Public pension scheme	5%	5%	5%	5%	20%	5%	5%	10%	20%	20%	10%	0%	20%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Financial attractiveness score													
Interest rate adjusted for inflation (%)	20%	20%	20%	20%	20%	35%	30%	30%	30%	10%	30%	30%	30%
Lending rate adjusted for inflation (%)	0%	0%	0%	0%	0%	0%	10%	0%	0%	35%	10%	10%	10%
USD coupon on eurobond premium over risk-free rate (US Libor)	15%	0%	0%	20%	15%	0%	0%	10%	5%	0%	5%	5%	5%
Coupon on domestic bond adjusted for inflation	15%	20%	20%	10%	10%	10%	10%	10%	5%	5%	15%	15%	15%
Matching from the diaspora survey - is the current average bond rate higher than the expected returns by the diaspora?	15%	20%	20%	50%	15%	25%	25%	20%	20%	5%	15%	15%	15%
Long-term FX volatility (1970-2013)	10%	5%	5%	0%	10%	10%	5%	10%	5%	10%	5%	5%	5%
FX volatility (last 3 years); domestic currency/USD	10%	10%	15%	0%	15%	10%	10%	10%	15%	15%	10%	10%	10%
Depreciation (last 3 years spot) - devaluation assets	15%	10%	20%	0%	15%	10%	10%	10%	20%	20%	10%	10%	10%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Diaspora investment ability score													
Total diaspora population (Formal estimates)	15%	15%	15%	15%	10%	5%	5%	5%	5%	5%	5%	5%	10%
Bilateral formal remittance estimate (USD millions)	10%	10%	10%	10%	10%	0%	0%	15%	15%	15%	0%	0%	15%
Concentration of Diaspora (% of Diaspora in top 3 countries)	10%	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%	10%
Level of financial education / financial literacy	15%	10%	10%	10%	10%	20%	20%	20%	15%	15%	15%	15%	10%
Estimated % of the diaspora with investable wealth	15%	15%	15%	15%	15%	20%	20%	15%	10%	10%	20%	20%	20%
Estimated investable wealth (snapshot)	15%	15%	15%	15%	15%	20%	20%	15%	15%	15%	25%	25%	20%
Estimated investment potential USD millions (migrants + 1st generation)	15%	15%	15%	15%	15%	20%	20%	15%	15%	15%	20%	25%	10%
Diaspora bank accounts in home country (%)	5%	10%	10%	10%	15%	10%	10%	20%	20%	20%	10%	5%	5%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Diaspora investment willingness score													
Dual citizenship	5%	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	10%	10%
Diaspora trust in government	40%	40%	40%	40%	40%	10%	10%	10%	10%	15%	20%	20%	10%
Existing diaspora investment (USD)	10%	10%	10%	10%	10%	40%	40%	15%	5%	10%	25%	25%	20%
Government investment in diaspora (events, scholarships, dedicated programs, etc.) outside country (USD)	20%	20%	20%	20%	10%	10%	10%	40%	25%	15%	10%	10%	15%
Likelihood of diaspora retiring in home country	10%	10%	10%	10%	15%	15%	15%	10%	20%	20%	15%	15%	20%
Financial obligations in home country	5%	10%	10%	10%	10%	15%	15%	10%	20%	15%	10%	10%	15%
Likelihood of re-investing initial investment in COO	5%	5%	5%	5%	10%	5%	5%	10%	10%	10%	10%	10%	10%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

✓ **ACTIVITY 3.6: Review the information in the three tabs (SNAPSHOT, DIRI and DIRI_IC) in relation to the guidance notes provided**

Make notes of the results and interpret their impact for diaspora investment. It will be important to use the data and information gathered in Chapter 2 to contextualise and interpret the results – validating and/or disqualifying the framework's outputs based on the nuances of the country's context.

Snapshot

The 'Diaspora Investment Key Indicators' on the 'SNAPSHOT' tab provide a quick overview of a few indicators from both the Financial Profile (Pillar 1) and the Diaspora Profile (Pillar 2) to give a snapshot understanding of the demand and supply environments and to frame further analysis.

Indicators should be viewed, and their implications analysed, in relation to the notes provided and their potential impact on the success of diaspora investment into their country.

1. Market potential – size / concentration
2. Debt levels and currency restrictions
3. Infrastructure in the country

SNAPSHOT: DIASPORA INVESTMENT KEY INDICATORS

COUNTRY:	Ghana
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1. MARKET POTENTIAL			
Indicator	Data	Market potential thresholds	Threshold met?
Country GDP (USD millions)	47,330	25,000	✓
Bilateral formal remittance estimate (USD millions)	2,190	1,000	✓
Total diaspora population (formal estimates)	417,642		
Diaspora concentration (% in top 3 countries)	56%	50%	✓
Diaspora size in top 3 countries	235,309	250,000	✗
Market potential threshold met?			✓

2. DEBT AND CURRENCY RESTRICTIONS	
Government debt level, % GDP	71
Government default on bonds / overstretched	Yes
Inflation	10%
Restricted currencies	Yes

INTERPRETATION NOTES

A number of the diaspora investment vehicles require significant capital to set up. As such, for countries with (1) a low GDP level and/or (2) a relatively small diaspora and/or (3) low remittance volumes, and/or (4) small and dispersed diaspora groups – the more costly investment vehicles are not suitable. Countries that meet the 'Market Potential Thresholds' are able to further assess the complete range of diaspora investment vehicles available.

Decision Rule: If 3 out of 4 'Market Potential Indicators' are satisfied, then Country X has a sufficiently large and concentrated diaspora to potentially consider all types of diaspora investment vehicles.

A high ratio of government debt to GDP (>50%) can be an indicator that the government is over leveraged, especially in countries where the country risk rating is low. When this indicator is high, the government should be mindful of their position in raising more debt through the diaspora.

Whether a government is 'overstretched' in terms of bond issuance is subjective. If a government has defaulted on paying bonds or has taken loans to cover bond repayment debts, it suggests that the government should be careful before considering additional debt through a diaspora bond. Please see Notes attached on the 'Inputs' sheet.

Restricted currencies are those where exchange controls exist and will affect all diaspora investment vehicles that are in local currencies as, without exemptions, the diaspora will face challenges in repatriating their principal investment and profits. As such, in countries with restricted currencies, it is important to assess (a) whether there are exemptions in place for foreign investors (e.g. a foreign investor repatriation policy) and more specifically for diaspora members and (b) to what extent these exemptions are successful in alleviating the associated risks and challenges (e.g. time-lags in repatriating profits and principal).

DIRI

The 'Diaspora Investment Readiness Index' (DIRI) provides African governments with a country score for their diaspora's readiness to invest in a government-issued investment product marketed specifically to the diaspora. The 'DIRI' tab provides the sub-index scores (based on the data and weightings in the DIRI Workbook).

A 'rule of thumb' determines the colour scale:

- **Red:** a score below 2.2
- **Yellow:** a score between 2.2 and 2.5
- **Green:** a score above 2.5

Scores below 2.5 are flagged and may require further attention. Chapter 5 provides tools for the government and/or donors to support diaspora investment in specific areas.

ACTIVITY 3.7: Review DIRI sub-indexes and the relative scores

Revert to the 'DIRI WORKBOOK' tab to review why scores are higher / lower in certain sub-indexes and what is driving the scores. Make notes of where you are being let down by certain indicators and where certain strengths are that could be leveraged. Analyse and examine what the sub-index scores are revealing.

Diaspora Investment Readiness Investment Channel (DIR_IC)

The Diaspora Investment Readiness Investment Channel ('DIR_IC') tab provides the user with an overview of the main investment channels available for raising diaspora finance, with the relative importance of each sub-index for the investment vehicle and the associated sub-index scores.

DIASPORA INVESTMENT READINESS INDEX (DIRI) – GOVERNMENT INSTRUMENTS

The DIRI provides African governments with a country score for their diaspora's readiness to invest in a government-issued investment product marketed specifically to the diaspora. The DIRI is comprised of two pillars; the investment opportunity's financial profile and the Diaspora profile and a total of five sub-indexes. The DIRI's sub-indexes enable the government to take a systematic approach to assessing their areas of strength and weakness in relation to diaspora investment. The DIRI is comparable across countries for benchmarking.

COUNTRY:	Ghana
Diaspora investment readiness sub-indexes	Score (5 = high and 1 = low)
FINANCIAL PROFILE	
Financial robustness score	● 1.8
Financial track record score	● 3.4
Financial attractiveness score	● 2.2
DIASPORA PROFILE	
Diaspora investment ability score	● 2.4
Diaspora investment willingness score	● 2.8
Ghana:	
Diaspora investment readiness score	12.6
	/25
FOREIGN EXCHANGE CONSIDERATIONS	
Diaspora appetite for local currency score	● 4.0
Foreign exchange risk score	● 2.0

Rule of thumb: If a score is below 2.5 then it is considered 'low' and should be flagged as concerning and requiring further attention.

A low 'foreign exchange score' is a concern when coupled with proxies showing little willingness for the diaspora to relocate back in their country of origin and/or high propensity to repatriate funds. If the diaspora has financial obligations in their country of origin then they are less concerned with receiving returns in local currency, unless inflation is extremely high. This score should be assessed in relation to whether there are currency restrictions and/or whether the government has put in place regulatory frameworks to enable foreign investors and diaspora to repatriate principle and profits (see Snapshot table). These indicators should be reviewed in relation to the survey results – especially qu. 21, 25 and 27).

The ‘DIR_IC’ tab includes both public and private mechanisms for attracting diaspora capital. A number of the investment channels for attracting diaspora finance are set up and managed by the private sector. These may be especially attractive where trust in the government is low. While these are private initiatives there may be opportunities for the government to support them through public-private partnerships (PPPs) or because they satisfy government objectives.

For each of the investment vehicles, different weights have been assigned to the indicators in each of the sub-indexes in Pillar I and Pillar II to reflect the key considerations for a diaspora member to invest in that financial instrument. Weights are based on primary research conducted by the authors (see ‘WEIGHTING MATRIX’ tab for further details). The DIR_IC matrix filters which investment

vehicles are eligible for consideration based on (a) ‘market potential’ indicators and (b) the financial infrastructure in the country.

Based on the results from the DIR_IC Results Table the user should then refer to Chapter 4 ‘Diaspora Investment Channel Profiles’. This chapter provides the user with key considerations, costs, benefits and recommendations for each of the potential investment channels, illustrated with case study examples.

ACTIVITY 3.8: Review and assess the DIR_IC Results Table

Review the country case studies in Chapter 8 to see practical examples of how the assessment is done.

DIR_IC RESULTS TABLE: SCORES

	Government investment vehicles					Stock exchange		Crowd funding	Retail products		Investment funds		
	Overall	Diaspora government T-bills (Lccy)	Diaspora government bonds (Lccy)	Diaspora government bonds (Fccy)	Diaspora public pension schemes	Stocks	Corporate bonds		Bank savings	Loans/ mortgages	Managed funds (retail - incl. mutual funds, pension funds etc.)	Managed funds (HNI/private - incl. PE/hedge fund /Implnv/ etc.)	Property investment - equity schemes
FILTER													
Market potential (at least 3 out of the 4 indicators meet their thresholds)		✓	✓	✓	✓								
Previous bonds (domestic / international / eurobond)		✓	✓	✓									
Stock market						✓	✓						
Pension fund					✓								

PILLAR I: Financial Profile													
Financial robustness score	●	●	●	●	●	●	●	●	●	●	●	●	●
Financial track record score	●	●	●	●	●	●	●	●	●	●	●	●	●
Financial attractiveness score	●	●	●	●	●	●	●	●	●	●	●	●	●
PILLAR II: Diaspora Profile													
Diaspora investment ability score	●	●	●	●	●	●	●	●	●	●	●	●	●
Diaspora investment willingness score	●	●	●	●	●	●	●	●	●	●	●	●	●

Foreign exchange considerations:	Score
Diaspora appetite for local currency score	●
Foreign exchange risk score	●

Rule of thumb: If a score is below 2.5 then it is considered ‘low’ and should be flagged as concerning and requiring further attention.

- An important sub-index when considering this investment channel for raising diaspora investment.
- A sub-index of medium importance when considering this investment vehicle for diaspora investment.
- A sub-index of relatively low importance when considering this particular investment vehicle for diaspora investment.

CONTACT:

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