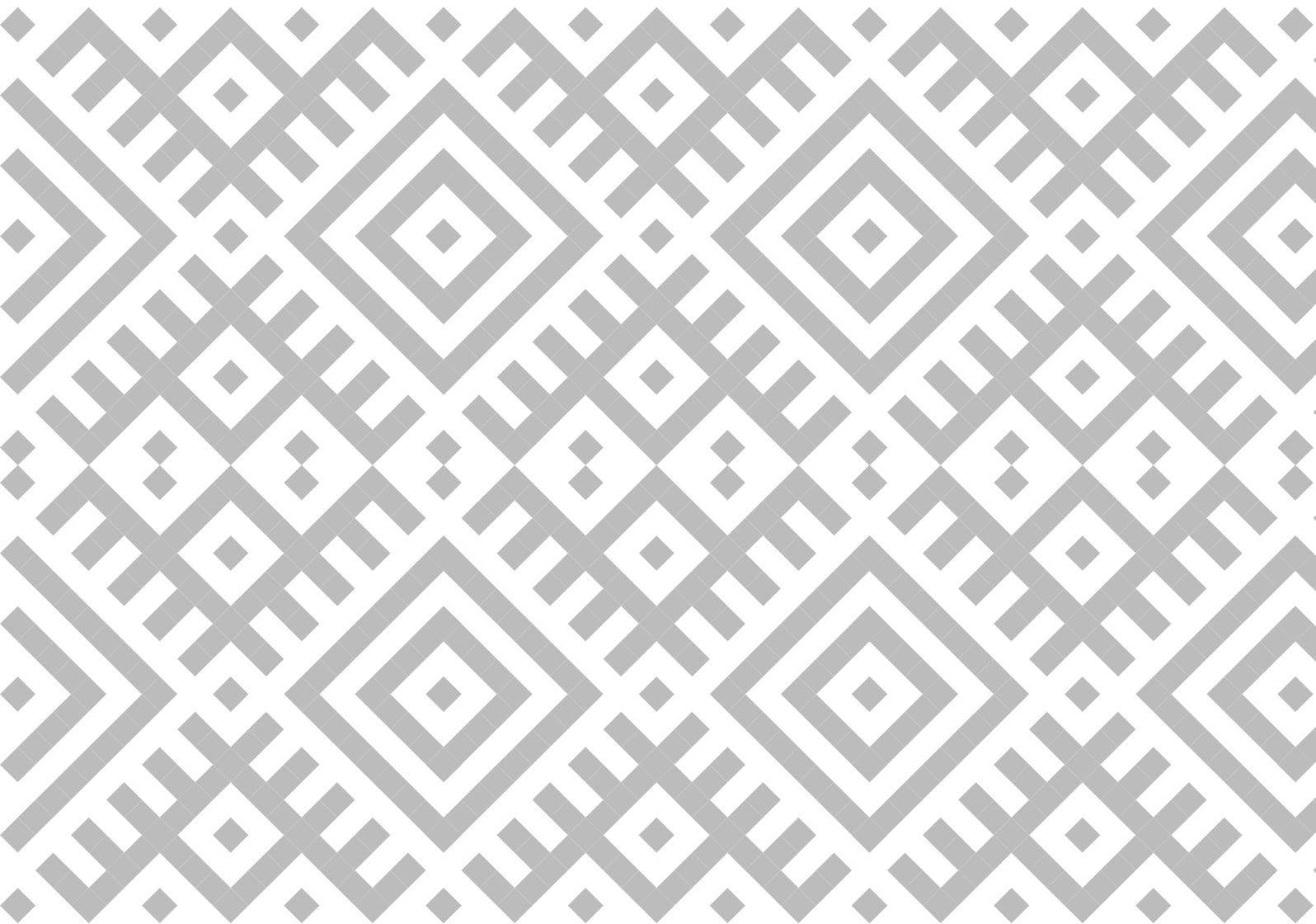


# TOOLKIT

FOR  
UNDERSTANDING  
DIASPORA  
INVESTMENT  
IN AFRICA

DIASPORA INVESTMENT VEHICLES & TOOLS TO SUPPORT DIASPORA INVESTMENT



# CH4

## DIASPORA INVESTMENT CHANNEL PROFILES

This chapter provides the user with an overview of the main channels that can be used to raise financial investments from the diaspora. Instruments are divided into:

1. Government instruments
2. Private investment channels

5. Diaspora savings accounts
6. Diaspora loans and mortgages
7. Diaspora managed funds – retail
8. Diaspora managed funds – HNIs

Figure 3 provides an overview of the different investment channels and how they link to each other. The main channels covered in this Toolkit are:

**Government instruments:**

1. Sovereign / government bonds
2. Public pension schemes for diaspora

**Private investment channels:**

3. Diaspora corporate bonds
4. Online collective investment portals

Where trust is low in the public sector to deliver, then private instruments may be better equipped to attract diaspora investment back to the COO. Often there is a benefit to the government, either directly through using private platforms to channel investment into public securities or indirectly where goals may be aligned – such as finance sector deepening through an increased savings base, more developed stock, and corporate bond markets. For each investment channel key considerations, costs, benefits and recommendations are outlined with case studies to illustrate them in Appendix 3.

Figure 3: An Overview of the Different Investment Channels

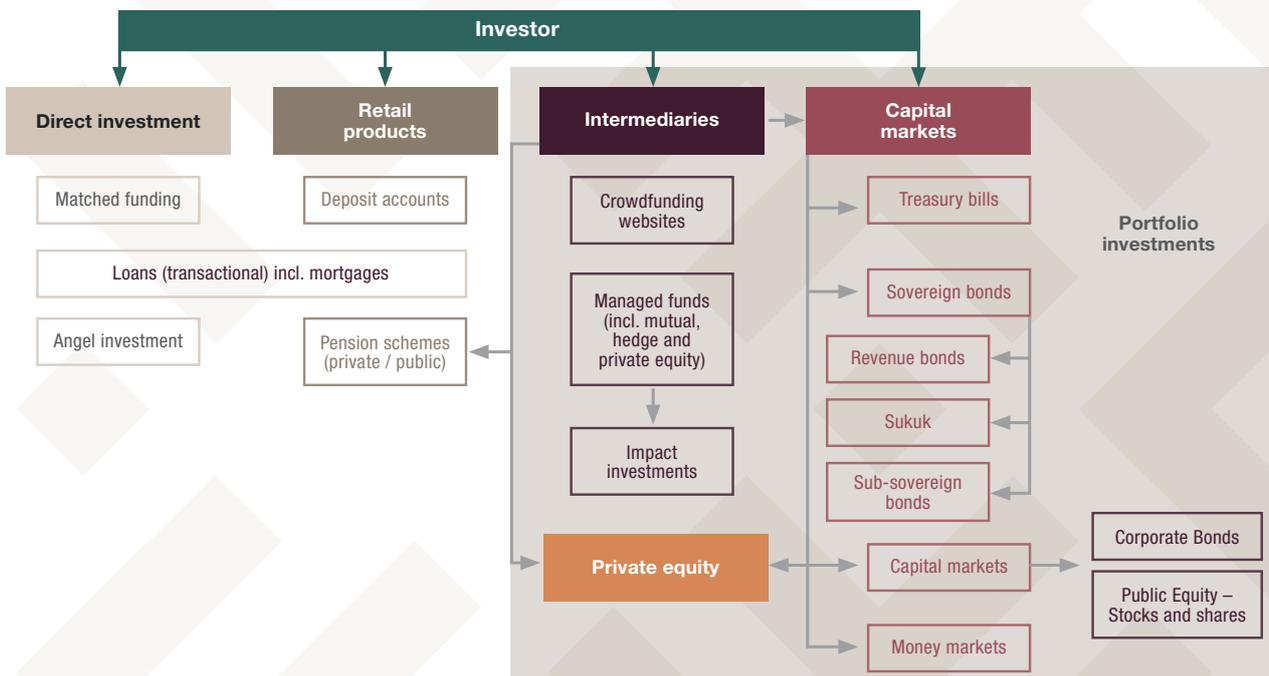


Table 2: Investment Channels Summary

INVESTMENT CHANNEL	ISSUER	CREDITOR	KEY FEATURES	COSTS	BENEFITS
<b>Sovereign/ government bonds</b>	Government	Individuals Institutions Intermediaries	<ul style="list-style-type: none"> <li>The main instrument that a government can use to raise significant sums of money</li> <li>A number of examples implemented, not many have been successful</li> <li>A lot of factors to consider in the design and implementation</li> </ul>	Significant in time, expertise and financially (minimum USD600k in costs). Relatively high risk if not carefully considered and planned	Large sums (>USD100mn) if successful. Able to raise funds for specific needs
<b>Pensions</b>	Government (usually privately managed)	Individuals	<ul style="list-style-type: none"> <li>African public pensions schemes still in their infancy</li> <li>Most schemes will not be attractive to the diaspora</li> <li>As pension reform takes place, diaspora eligibility should be considered</li> <li>Cross-border pension arrangements are a key component of a country's diaspora engagement strategy</li> </ul>	Relatively low; pension reform / cross-border arrangements + marketing	Affordable and reoccurring contributions over-time. Cumulative and fixed. Mainly desirable to returnee migrants (% of diaspora)
<b>Diaspora corporate bonds</b>	Private	Individuals Institutions Intermediaries	<ul style="list-style-type: none"> <li>African corporate bond markets are currently underdeveloped</li> <li>Can be listed on local, regional and foreign stock exchanges</li> <li>Provide opportunities when trust is low in the government</li> <li>Reasonably priced capital for corporates compared with loans from FIs</li> </ul>	Medium – dependent on the arrangement	Medium – for government the benefits are through PPPs and in domestic bond market development. Opportunity to serve as a price discovery function in developing countries where few corporations are publicly traded or well known
<b>Online collective investment portals</b>	Private	Individuals – accreditation or prequalification may be required	<ul style="list-style-type: none"> <li>Tool for marketing specifically to the diaspora and increasing visibility to in-country investment opportunities</li> <li>Particularly interesting due to advances in technology presenting real opportunities for middle-income bracket to manage theory investments through one portal from overseas</li> <li>Opportunity to channel funds into government securities</li> </ul>	Medium – cost of site / due-diligence / marketing and outreach / pipeline of investments	Medium – if successful can be a useful tool for channeling funds into local government securities. Able to target the diaspora specifically and have smaller denomination of coupons
<b>Diaspora savings accounts</b>	Private	Individuals	<ul style="list-style-type: none"> <li>Low hanging fruit</li> <li>Very easy to do and most countries have done</li> <li>Key for diaspora to access other investment products not specifically designed for them</li> </ul>	Relatively low – requires regulatory support and marketing	Medium – indirectly expands the market capitalisation of the country and financial sector deepening
<b>Diaspora loans &amp; mortgages</b>	Private	Individual firms owned or co-owned by diasporans	<ul style="list-style-type: none"> <li>Relatively low hanging fruit</li> <li>Important tools in terms of encouraging foreign direct investment</li> <li>Work with your country's investment promotion agency to market</li> </ul>	Relatively low – requires regulatory support, loan management and marketing	Medium – leverages funds for foreign direct investment and financial sector deepening. One infrastructure and license required for multiple investment opportunities
<b>Diaspora managed funds – retail</b>	Private	Individuals – accreditation or prequalification may be required	<ul style="list-style-type: none"> <li>A number of these emerging</li> <li>Multiple structures that it can take</li> <li>Not many successful examples, most diaspora targeted funds seem to come and go. Only seem to last where there is a really strong coordinated diaspora network</li> </ul>	Medium – depends on the structure. Includes registration, authorization, compliance, administration, fund manager costs all dependent on where the fund is registered. Awareness and visibility of the challenge. With relatively high levels of financial literacy and wealth required	Low/medium – funds can be tailored to a specific region or sector or need. Flexibility in design. Managed by trusted private entity

## Sovereign / Government Bonds

Issuer / debtor:	Government	Creditor:	Individuals / institutions / intermediaries
Benefits:	Large sums (>USD100mn) if successful. Able to raise funds for specific needs	Costs:	Significant in time, expertise and financially (minimum USD600k in costs). Relatively high risk if not carefully considered and planned

- Central government bonds are long-term debt securities issued with maturities of more than one year. Central government bonds are issued with maturities of 2, 5, 10, 20 and 30 years.
- Bond coupons come in different denominations, with a stated rate of interest. Bonds are on sale for a set period of time. They are issued with a stated rate of interest to be paid semi-annually or annually, and are redeemed at par at maturity.
- The government decides how much it wishes to raise through the sale of bonds over a certain period of time.
- The default risk of a sovereign bond is assessed by international debt markets and represented by the yield the bond offers.
- Sovereign bonds can be issued in the home country, the Eurobond market or the foreign sector of another country. They are typically denominated in the home country's currency; however, they are not required to be and can be issued in a few different currencies (see Nigeria and Ethiopian case studies).
- Diaspora bonds are sovereign bonds targeted specifically at the diaspora on the retail market.

### BENEFITS

- Main tool that the government can use to raise funds directly from their diaspora.
- Possible to raise significant sums (>USD100mn)
- Interest offered on debt can be more competitively priced than other sources of finance for the government (Eurobonds).
- Diversify investor base; alternative source of finance.
- Long-term finance – used for infrastructure development or financing current account imbalances.
- Uses the credibility of the government; bonds allow for credibility in the secondary market.
- The Nigerians considered a diaspora bond to be less complicated than a fund in foreign currency and they appreciated that it could be leveraged through the banks.

### COSTS

- A number of costs involved, including bond counsel, bond issuance, credit rating, disclosure counsel, feasibility or fiscal consultant, financial advisors, miscellaneous fees, trustees, underwriters spread. The debt management office should review capacity and secure appropriate technical assistance to prepare for issuing international sovereign bonds.
- Diaspora bonds are a **retail product** – additional costs involved in making available through retail banks.
- Especially costly if marketing overseas in UK and USA as need to register with foreign and securities and exchange commissions (UK Listing Authority and SEC).
- Marketing to diaspora is not easy – will need to consider financial education as well as wealth; how many invest in financial vehicles.
- If the government decided to issue the bond in foreign currency – the government assumes the exchange rate risks. If the bond is issued in local currency then the diaspora member will assume the risk.

## Sovereign / Government Bonds

QUICK CHECKLIST	
How much are you looking to raise? Only worthwhile for large sums.	
Is there real value in specifically targeting the diaspora – does it matter who buys the bond? There will be additional costs involved in making this a retail products and marketing specifically to the diaspora.	
Track record: Have you offered Eurobonds before successfully? (This suggests you have the know-how and can navigate the regulatory requirements and processes.)	
Will you need to register the bond overseas with foreign authorities to market the bond to your diaspora?	
Financial attractiveness: Are the interest rates that you can offer more than the term deposits offered by local financial institutions, but still attractive for you in comparison to other financing sources? Will you be able to offer a lower rate than a Eurobond?	
Financial robustness: What is your credit rating?	
Currency: Would there be appetite for a local currency bond (consider your foreign exchange risks and inflation)? If no, then you should consider a bond in hard currency (USD / EUR / GBP). Consideration should be taken as to what you are investing in – investments that produce hard currency will minimise risk.	
Trust: Is there trust and support for your government from the diaspora to use the funds as stipulated and as the guarantor?	
Are there currency restrictions? Will investors be able to repatriate their funds – return + principle?	
Diaspora willingness: How much do you invest (resources, commitment and time) in diaspora engagement?	
Diaspora ability: How wealthy is the diaspora (segmentation) and what is their financial literacy and appetite for investment vehicles? What proportion have a bank account in your country?	
Consider your diaspora networks / online discussion groups for marketing and awareness and an online portal for purchasing the bond.	

### RECOMMENDATIONS

- Diaspora bonds are not a decision to be taken lightly; most countries that have issued them have not been successful in reaching targets.
- They will only be relevant where there is a large diaspora (and ideally where they are fairly concentrated geographically), and/or where there are very strong ties (diaspora engagement) between the diaspora and the country of origin.
- Diaspora bonds involve significant costs / resources compared with domestic or Eurobonds and therefore should only be viewed as targeted for a bond if the diaspora's willingness and ability to invest are high.
- Diaspora bonds, more so than other investment channels, require trust and buy-in from the diaspora in the government to use the funds as stipulated. Even if the bond is for a specific project (such as the Ethiopian Dam) it is still a politicised financial product.
- Diaspora engagement should be strong in order to be able to market to the diaspora and generate significant awareness. The diaspora should be networked and active. Significant sums will be required in marketing and roadshows – this cannot be understated.
- The process – it must be simple, easy to access and should be able to buy remotely online without having to be physically present.
- Infrastructure projects that give hard currency reduce risk if it is a hard currency bond.
- Consider additional incentives:
  - Making the bond pensionable through 401K in the US
  - Tax exemptions
  - Remittance cost reimbursements
  - Transferrable
  - Used as collateral in the country of origin
  - Consider tools outlined in Chapter 5 to increase attractiveness.
- Sukuk diaspora bonds if there is a large Muslim diaspora.

See Appendix 3 for Case Studies on Nigeria and Ethiopia

## Public Pension Schemes for Diaspora

Issuer / debtor:	Government (usually managed privately)	Creditor:	Individuals
Benefits:	Affordable and reoccurring contributions over-time. Cumulative and fixed. Mainly desirable to returnee migrants (% of diaspora)	Costs:	Relatively low; pension reform / cross-border arrangements + marketing

- Diaspora pension schemes can be offered to the diaspora either through the national scheme or by private companies. Please see section on Private Diaspora Funds for diaspora private pension schemes.
- Spending on national pension systems in SSA is low as a share of GDP, amounting to an average of 0.5 percent. The largest schemes are in South Africa, Botswana, Kenya, Nigeria and Namibia. Spending on national pensions in SSA is low primarily due to: (1) the small share of elderly in the total population and (2) and even smaller share of elderly in receipt of a national pension. Labour force coverage of national pension schemes varies significantly across the region, but on average is also fairly low.
- Currently national pension schemes are often dominated by poorly performing pay-as-you-go schemes for public employees. Out of the 44 countries in SSA, 38 countries have mandatory contributory national pension schemes. Out of the 38 countries, 31 are defined benefit (DB) systems financed on a pay-as-you-go (PAYG) basis.
- Public pension schemes can be opened for the diaspora to contribute into through voluntary contributions. Such is the case for the Nigerian diaspora where cross-border pension arrangements are detailed under the Pension Reform Act and in Ghana where in principle the diaspora is eligible to invest into it through the informal class voluntary contributions (see case studies).

### BENEFITS

- A channel for the government to directly raise diaspora finance through an already established channel.
- A well-performing pension system with (1) ample assets available for investments, (2) adequate financial instruments for investment and (3) supportive governance, regulation, and supervision pension funds that can mobilise finance into **government securities** and directly into **infrastructure** development.
- Eligibility for the diaspora should be considered in **pension sector reform**. Eligibility needs to be supported by regulations to support cross-border pension arrangements – including anti-money laundering guidance, tax arrangements and exchange rates and bilateral agreements where appropriate.
- Eligibility should be supported by **awareness schemes** among the diaspora and providing simple to navigate channels for investments in public pension schemes.
- Financial literacy may be higher among diaspora populations – where there may be a higher appreciation for the importance of retirement planning.
- Including the diaspora in public pension schemes may be particularly interesting for **south-south** diaspora investment where the host country does not afford a well-developed pension scheme or eligibility to expatriate workers.

### COSTS

- Costs are relatively low in terms of including the diaspora in pension reform and opening **eligibility**. Bilateral agreements for cross-border pensions and tax treaties may be required.
- Main costs incurred are in **awareness and marketing** among diaspora populations. Supporting **financial education** on the importance of pensions.
- **Low appetite from the diaspora** – trust and performance in public pension schemes across Africa are generally fairly low. Pension schemes may be further tested as demographics change with more elderly populations, lower mortality and high fertility rates. Therefore, appetite from the diaspora to invest in such schemes may continue to be low.

## Public Pension Schemes for Diaspora

QUICK CHECKLIST	
Is the likelihood of your diaspora retiring at home high?	
Do you have a national pension scheme that is open to the private sector?	
What is the existing state of the scheme and its performance and reputation?	
Is it currently in a position to warrant attracting diaspora investment?	
Is the diaspora currently eligible to contribute to the national pension scheme? Under what provision?	
If no, what needs to be done to open the scheme to the diaspora?	
If yes, are the diaspora aware of their eligibility to contribute to the scheme? What could be done to improve awareness?	
Are there incentives in place to encourage the diaspora to invest in the pension scheme?	
Are there currency restrictions? Will investors be able to repatriate their funds – return + principle?	
Is there pension reform planned? If so, will the diaspora be considered in this review?	

See Appendix 3 for case studies on Nigeria and Ethiopia

### RECOMMENDATIONS

- This product will mainly be of interest to diaspora that have a high propensity to return home – due to currency considerations.
- Opening the public pension scheme for the diaspora to contribute to should only be seriously considered if the national pension scheme is performing well and an attractive proposition for the diaspora. For many migrants working formally in developed countries they will be paying into a national pension scheme.
- A privately managed scheme may add credibility, but administration fees should be low.
- As with any investment it will be important to be able to clearly communicate to the diaspora what the benefits, costs and risks associated with the investment are and any incentives that have been put in place for the diaspora and the enrolment process.
- Schemes that permit transfers of pension rights from one country to another will require cross-border arrangements between the countries. Consider whether bilateral cross-border arrangements are required and if so, in place with the main diaspora host countries (see Chapter XXX on diaspora engagement).
- Consider streamlining the process with respect to the remittance costs / payment channels / whether it can be managed online. Also consider how to open a remote account – what identification is needed.
- May be particularly interesting for countries with large diaspora in countries where there is not an attractive or eligible pension scheme (south-south migration).

#### The Diaspora in Pension Reform

- As review and reform of pensions takes place across Africa – the role and eligibility for the diaspora should be included. As confidence and performance builds – appetite will grow.
- Ensure inter-agency cooperation and that the diaspora are considered in and public pension reforms – especially with respect to taxation.
- Guidelines are also necessary to be in place for non-public schemes – they will provide the framework for private companies to operate.

## Diaspora Corporate Bonds

Issuer / debtor:	Private companies	Creditor:	Individuals, institutions, intermediaries
Benefit to government:	Medium – through PPPs and domestic bond market development	Costs to government:	Medium – depends on the arrangement

- A corporate bond is a debt instrument issued by a company seeking a loan to finance its operations. The company is the borrower and investors who buy the bond are the lenders.
- Corporate bonds are usually listed on a local bond market in local currency which is managed by the local stock exchange, but they can also be listed on foreign stock exchanges. The countries with local stock exchanges in Africa are: Botswana, Ghana, Egypt, Kenya, Mauritius, Morocco, Namibia, Nigeria, Swaziland, Tunisia, South Africa and the West African Regional Exchange.
- In Africa corporate bond markets are currently underdeveloped – with most bond markets made up predominantly by sovereign bonds and only a small proportion corporate. As a result there are not many examples of corporate bonds aimed at the diaspora.
- Corporate bonds do not provide government with a direct way to raise funds from their diaspora, however:
  - A government can enter into PPPs with businesses to issue corporate bonds aimed /
- open to their diaspora – this is especially useful where trust in the government is low (see case study on Senegal)
- The government may have an agenda in strengthening the corporate bond market. A more developed corporate bond market will improve the structure of the financial sector, which is often dominated by banks in Africa, and provides as effective way to intermediate capital savers to capital users in a market. A corporate bond market will enable banks, corporates, SMEs and real estate development companies to use the corporate bond market to raise long-term funding for businesses, to finance infrastructure projects, housing projects, etc. Developing the domestic bond markets means being less dependent on dollar-denominated bonds. The government needs to provide the regulatory framework for the diaspora to be able to invest in the local stock markets and may wish to consider incentives to do so, such as tax breaks and ensuring full repatriation of funds.

### BENEFITS

- **Where trust is low** in the government there is an opportunity for the government to enter into a PPP with a corporate to issue a corporate bond aimed at the diaspora.
- Cheaper capital for corporates compared with taking loans from financial institutions, especially when banks aren't lending. Reasonably priced capital in Africa is a challenge for corporates.
- As government debt ratios get worse, local markets are needed for sources of local funding.
- Local currency for corporates – as government bond rates come down – it becomes possible for local companies to borrow in local currency.
- Diaspora less interested in repatriation of principal and returns – so more likely to invest in local currency and more familiar with local companies issuing bonds with more trust in brands.

### COSTS

- Requires a local stock exchange (local or regional) or can list overseas.
- Risky: Interest rate risk, inflation risk, liquidity risk (to be able to sell). No guarantees to the investor compared with risk-free government bonds where returns are guaranteed. Poor levels of due diligence and lack of protection for bond holders. Poor transparency and liquidity, and a multiplicity of legal regimes are holding back foreign investment.
- Risks in terms of yields and currency stability.

## Diaspora Corporate Bonds

QUICK CHECKLIST	
Do you have an established / growing local bond market?	
Is there confidence in the local bond market domestically?	
Are local institutional investors investing?	
Is there a high level of financial literacy among diaspora – diaspora sub-section?	
Do you have trusted local credit ratings that can rate the bonds?	
Are diaspora aware of corporate bonds in your country – are there platforms or brokerage houses that they can use to manage their portfolio of investments online (which investment banks are offering them)?	
How easy is it for the diaspora to invest directly into the local stock exchange? What regulations and incentives could be put in place to make it easier?	

### RECOMMENDATIONS

- Corporate bonds should be considered by the government through PPPs when trust in the government is low and the private company, e.g. a bank, instils trust to manage the bond.
- Corporate bond markets in Africa are generally underdeveloped and appetite for investment has historically been low. However, if trends in other emerging economies are to be followed, then it is likely that Africa's local markets will also develop and the diaspora should be part of this development.
- Corporate bonds are often viewed as risky due to lack of information, liquidity gap, poor due-diligence, high levels of default on payments, and poor transparency – these challenges should be addressed through the development of local credit agencies, strong regulation and judicial system and guarantees (see Chapter 5 on tools for the government and donors).
- Investing in corporate bonds typically requires a certain level of wealth and high level of financial literacy and wealth management. Corporate bonds may only be attractive to a smaller segment of the diaspora – need to understand what proportion of the diaspora has the willingness and appetite for this type of investment and whether it is worthwhile targeting them.
- Platforms and funds that are able to package and sell these instruments specifically for the diaspora at a retail level and in smaller coupons (e.g. see section on collective investment platforms and funds) will be better positioned to sell to the diaspora. Critical that investment can be managed remotely from overseas.

## Online Collective Investment Portals

Issuer / debtor:	Varies – depends on the portfolio managed by the intermediary (fund manager or adviser)	Creditor:	Individuals
Benefit to government:	Medium – if successful can be a useful tool for channelling funds into local government securities	Costs to government:	Medium / high – cost of site / due-diligence / marketing and outreach / pipeline of investments

- Online collective investment portals are a tool for marketing and pooling funds into a range of different investment products. These can include collective investment schemes, securities, private equity, etc.
- Their use of technology and online presence means they can bring the issuer closer to the diaspora, reducing the need to channel everything through financial institutions and the costs involved.
- As use of technology (internet, smart phones and digital cross-border payments) develop, there is an opportunity for these portals to play an important role in providing affordable access to new investment opportunities overseas to a wider segment of the diaspora.
- Given that platforms can accommodate a number and range of investment vehicles it can bring costs down for the issuer, especially regarding marketing and regulatory barriers and costs.
- Depending on the type of collective investment scheme, it may be required for the investor to be accredited / prequalified in the local jurisdiction, meaning that you meet certain criteria (e.g. high net worth standards and understand the risks involved).

### BENEFITS

- Appeal to non-expert investors and sites can be tailored and marketed specifically to diaspora.
- Coupons tend to be offered in low denominations.
- Independence and trust – the portfolio managed independently from the debtors or government by a manager with previous track record.
- Site can offer investments in different countries / regions / sectors / timeframes / risks through one infrastructure.
- These portals provide more control and oversight to the government and transparency – especially regarding who is investing and from where.

### COSTS

- Fees taken by the crowdfunding site and administration costs.
- Registering the site / authorisation / compliance costs.
- Need to consider where is the site registered – in the country of origin or in the host country and the implications in terms of marketing overseas.
- Marketing and awareness should not be underestimated – significant sums are needed to support and generate awareness (e.g. roadshows) and gain traction through the site.
- Guarantees to the site / endorsement to add credibility.

## Diaspora Saving Accounts

Issuer / debtor:	Financial institutions	Creditor:	Individuals
Benefit to government:	Medium – indirectly expands the market capitalisation of the country and financial sector deepening	Costs to government:	Relatively low – requires regulatory support and marketing

- Many financial institutions offer deposit and term deposit accounts to their diaspora.
- Diaspora savings accounts offer relatively low hanging fruit in terms of mobilising diaspora investment. The aim is to attract diaspora savings into longer-term savings accounts; such as fixed term deposit accounts.
- These saving accounts take advantage of the difference in interest rates between developed countries (where a high proportion of diaspora reside) and emerging/developing countries (COOs). Financial institutions offer the diaspora the option to hold funds in foreign currency accounts – EUR / USD / GBP.
- Deposit protection schemes help to build trust and should be communicated to the diaspora.
- The registration process should allow for customers to register remotely (either through an overseas bank branch / correspondent bank / partner remittance service provider /embassies) and to be able to manage their investments online remotely.
- Consider any regulatory guidance on defining diaspora for legal purposes and eligibility for 2nd generation diaspora.
- Along with passports, savings accounts are conduits to success for other investment products that are not aimed specifically at them.

### BENEFITS

- Longer-term savings products through a traditional financial institution are the most familiar type of saving / investment product, especially among groups where financial literacy is not so sophisticated.
- The increase in deposits and savings directly increases the domestic bank assets, allowing banks to expand lending and onward investment. Indirectly also expands the market capitalisation of the country and financial sector deepening.
- Presents an opportunity to capitalise if there is an interest rate discrepancy and attract savings that otherwise may have been saved in the COO.
- Savings accounts and access to deposit accounts are important as they provide access to other investment vehicles in-country – often a prerequisite for the pay-out of funds.
- Attracting savings into financial institutions helps the government meet goals in financial sector deepening, helps to attract foreign exchange (foreign currency accounts) and increases the savings base of the country and the balance sheets of financial institutions.
- Opportunity to attract a large proportion of the diaspora population. This is especially important not only for the funds they bring, but that a bank account in the COO is often a prerequisite for a range of other investment instruments in the COO.
- The ubiquity of smart mobile phones means that diaspora can manage these accounts remotely.

### COSTS

- Low cost for the financial institutions – should consider KYC in opening accounts remotely.
- Relatively low. Requires regulatory support and marketing.
- Appetite will be negatively effected by financial sector instability, lack of credible deposit protection scheme, foreign exchange restrictions, and currency volatility (local currency accounts).

## Diaspora Loans and Mortgages

Issuer / debtor:	Financial institutions	Creditor:	Individuals
Benefit to government:	Medium – leverages funds for foreign direct investment and financial sector deepening. One infrastructure and licence required for multiple investment opportunities	Costs to government:	Relatively low – requires regulatory support, loan management and marketing

- Cross-border loans that allow non-residents to apply for and service a loan in their COO whilst residing abroad. Loans can be used to service business expansion, health, education and housing. Mortgages tends to be the most successful.
- Loans are made in local currency, so the creditor assumes the currency risk.
- Loans can be secured (backed by collateral) or unsecured (credit card).
- Loans and mortgages offered to the diaspora support direct investment into the country.
- Attracting direct investment from the diaspora is key in diaspora investment strategy – knowledge and expertise, transfer of skills.
- Institutions to support diaspora investment – sectors / specific opportunities / ease of doing business / regulatory environment / diaspora investment policy framework.

### BENEFITS

- Enables creditors to leverage their funds for direct productive investment in their COO. For this reason, not interested in loans for consumption, but only for productive investment.
- Financial deepening as it increases the loan portfolio of the FIs. Income earned by the FIs through interest repayments.

### COSTS

- Relatively low. Requires regulatory support, loan management and marketing.

## Diaspora Managed Funds – Retail

Issuer / debtor:	Varies – depends on the portfolio managed by the intermediary (fund manager or advisor)	Creditor:	Individuals
Benefit to government:	Low/medium – funds can be tailored to a specific/region or sector or need. Flexibility in design. Managed by trusted private entity	Costs to government:	Medium – depends on the structure

- Managed funds are intermediaries that connect portfolio investors to money and capital markets, private equity and/or pensions through pooling funds.
- There are a number of different legal forms and structures that managed funds can take. These include mutual funds, hedge funds, unit trusts and private equity funds. Funds have different structures, areas of focus and interest. Fund managers are generally responsible for the fund administration, the portfolio selection, setting the fees and pay-out terms and marketing.
- Mutual funds** – are corporate entities in which investors buy shares. Each share represents an investor's part ownership in the fund and the income it generates. Mutual funds invest in securities such as stocks, bonds and short-term debt.
- Hedge funds** – private, unregistered investment pools that traditionally have been limited to sophisticated, wealthy investors. Hedge funds are 'partnership'-type entities in which investors get partnership interests. Hedge funds pool money from investors and invest in securities or other types of investments with the goal of getting positive returns.
- Private equity funds** – a private equity fund is a pooled investment vehicle where the adviser pools

together the money invested in the fund by all the investors and uses that money to make investments on behalf of the fund. Unlike mutual funds or hedge funds, however, private equity firms often focus on long-term investment opportunities in assets that take time to sell, with an investment time horizon typically of 10 or more years.

- Unit trusts** – A unit trust operates under a trust system where investors' assets are entrusted to trustees.
- Impact investments (including community investment notes)** – Impact investments are investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market-to-market rate, depending on investors' strategic goals. <https://www.investor.gov/introduction-investing/basics/investment-products/private-equity-funds>.
- Depending on the type of collective investment scheme, it may be required for the investor to be accredited / prequalified in the local jurisdiction meaning that you meet certain criteria (e.g. high net worth standards and understand the risks involved).

### BENEFITS

- Fund can be registered overseas from where it is investing – meaning foreign investments can be marketed and sold to a domestic market.
- Funds could serve as a price discovery function in developing countries where few corporations are publicly traded or well known.
- Regulatory hurdles in the countries of residents of diaspora are not as stringent as they are for bond issuances (in the UK at least).
- Options to make fund an automated part of 401k pensions when registered with US SEC.

### COSTS

- Fees for registration, authorisation, compliance, administration, fund manager costs all required.
- Cost dependent on where the fund is registered.
- Awareness and visibility the challenge. With relatively high levels of financial literacy and wealth required.

# CH5

## TOOLS TO SUPPORT DIASPORA INVESTMENT (GOVERNMENT AND DONOR)

### 5.1 GUIDANCE FOR USING THE DIASPORA INVESTMENT SUPPORT TOOL IN THE DIASPORA INVESTMENT ASSESSMENT TEMPLATE

✓ **ACTIVITY 5.1:** Review the potential tools that could be used to support diaspora investment through specific vehicles and their relative appropriateness within your country context

Manually use the dropdown menu in the 'GOV SUPPORT TOOL' tab to choose the investment vehicle that you are potentially interested in exploring, to understand what tools may be appropriate in alleviating some of the challenges that currently exist.

Take into consideration:

- Government resources
- Donor mapping

Figure 5 shows the tools available to support diaspora investment, then recommendations can be formed.

Figure 4: Government tools

### DIASPORA INVESTMENT SUPPORT - GOVERNMENT TOOLS

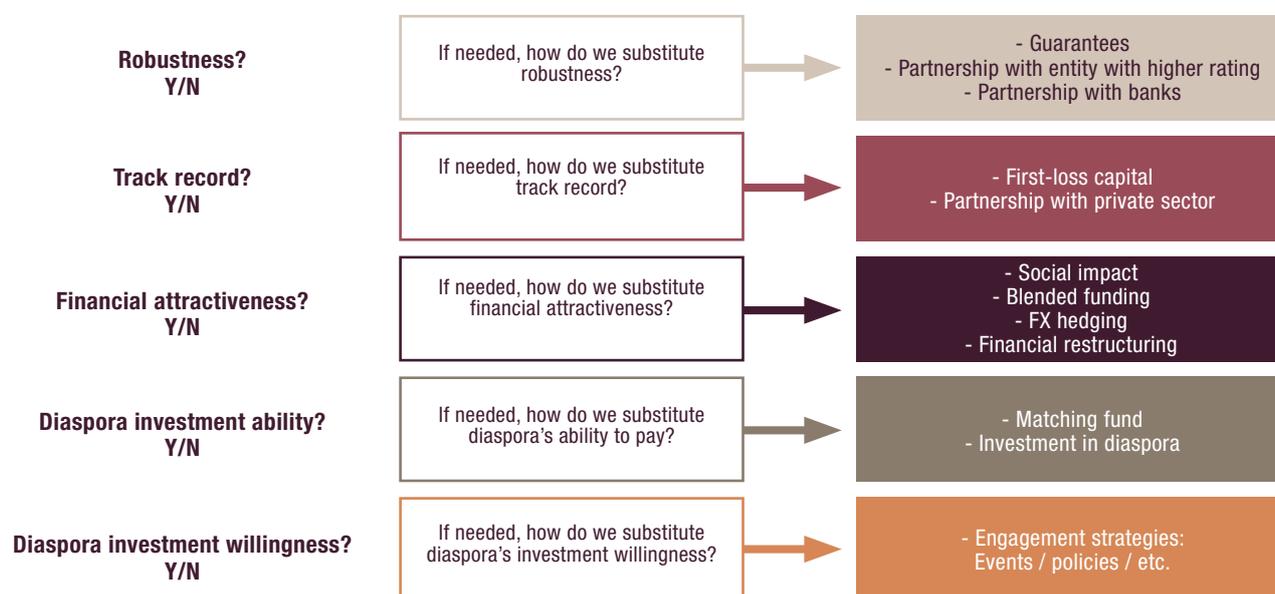
The decision map below is to help a government or DFI to understand what tools are available to them when they are displaying weaknesses in a DIRI sub-index that affects their readiness for diaspora investment through certain channels.

Investment vehicle of interest: **Overall**

Manually use the dropdown menu to choose the investment vehicle.

	Score	Threshold met?	What can the government do to substitute for weaknesses in a sub-index?
<b>Financial Profile</b>			
Financial robustness score	1.8	●	(1) Guarantees (2) Partnership with an entity with a higher rating (3) Partnership with banks
Financial track record score	3.4	●	n/a
Financial attractiveness score	2.2	●	(1) Social impact (2) Blended funding (3) FX hedging (4) Financial restructuring
<b>Diaspora Profile</b>			
Diaspora investment ability score	2.4	●	(1) Matching fund (2) Investment in diaspora
Diaspora investment willingness score	2.8	●	n/a

Figure 5: Decision Map on Tools that Can Be Used to Support Diaspora Investment



## 5.2 TOOLS FOR SUPPORTING DIASPORA INVESTMENT (GOVERNMENT AND DONOR)

The results from the DIRI Assessment Template Analysis (DATA) and the review of investment vehicles (see Chapter 4) may identify that there are specific changes to the financial or diaspora profiles and environments that need to be made in order for the recommended approach to be successful.

Depending on the situation there are several support activities that could be applied. This chapter identifies some of these solutions, all of which have been tried before. They are frequently, but not exclusively, provided by donors or development finance institutions.

It should be understood that individual circumstances are unique to each country, so not all of the solutions mentioned here will be appropriate. The potential solutions will need to be assessed by the project team in conjunction with experts in the specific areas.

There are two broad categories of support tools: those to boost the financial profile; and those to help with the diaspora profile.

## Financial Profile

### 1 | Guarantees

Where there is not enough confidence in the domestic financial markets of the country concerned (government or institutions) comfort may be provided to investors through the use of guarantees. These usually are provided for specific investments and are primarily supported by international development finance organisations, such as the IFC (International Finance Corporation – a division of the World Bank), the AfDB, organisations such as KfW (a German government development organisation) and others.

There are also some examples of private sector guarantees. Clearly, these will depend on the financial strength and track record of the institution in question. A good example is Afreximbank, who have provided a number of innovative solutions in this area. In the past they have also provided a remittance securitisation service, which may be a consideration where the country receives a large and predictable volume of remittances through a relatively small number of paying out businesses. Further information on this can be provided on request.

There are many different ways in which guarantees can be provided. Much depends on the local circumstances and also on the objectives of the institution providing the support.

For instance, some organisations are much more suited to providing a first-loss guarantee, where the guarantor is responsible for a certain percentage of the total loss and is the first to pay out. Other organisations are more willing to cover the second or subsequent losses, as long as the first organisation covers the first percentage. The costs and benefits around these options vary in each circumstance and appropriate guidance and expertise need to be sought should this option be pursued.

## 2 | Partnership with an entity with a higher rating

Access to certain financial markets or vehicles is dependent on many factors. Having a sufficient credit rating is one of the key ones. In order to mitigate this risk, it may be possible for the government (or local financial institutions) to partner with DFIs or international investment businesses who have a higher credit rating. This credit rating can be leveraged (at a price) in order for funds to be raised. There are many entities that specialise in this type of financing and further guidance can be sought from experts.

## 3 | Partnership with banks

Similar to (2), there may be scenarios where a partnership with a local, pan-African or international bank may be an option. There can be a variety of skills that banks can bring to a relationship that other parties will truly value. For example, pan-African or international banks may have a higher trust factor with investors than governments or domestic banks. Many investors have historically viewed domestic banks in their country of origin with suspicion due to their performance in previous financial crises or a belief that they are not strong enough.

Banks can also be strong delivery partners for governments and donors. In particular, they can be a venue for storing investors' funds and they can handle the disbursement of funds to the beneficiaries of investment, for example, where funds are raised for SME finance or for specific investment vehicles. They can manage the collection of funds and the payment of dividends, coupons and other reimbursables.

## 4 | Partnership with private sector

The private sector can play a pivotal role in helping to address the environmental challenges around diaspora investment. Obviously, the banks mentioned in (3) will normally have come from the private sector. In addition, the private sector entity may help through having a strong credit rating or potentially through issuing corporate bonds. By working with the private sector in this way the government may be able to raise more funds

in the partnership than can be done by doing it directly.

## 5 | Social impact investors

This category of investors and donors is becoming increasingly influential in Africa. They are normally strong financial organisations, frequently investment funds, who recognise the catalytic roles that their investments can make. By working with other stakeholders (donors, development organisations and governments) they are able to attract funds from other sources, including the diaspora. By definition, these funds are searching to invest in areas that have a social impact. The areas can vary from benefits such as financial inclusion to gender dimensions through to clean energy, water, tackling disease and so on. Not only is there an impact in attracting other funds, but investments of this type can also have a 'halo effect' because they can, in effect, attract funds from other sources just because of their involvement.

## 6 | FX hedging

As mentioned in (1), FX hedging (or securitisation of remittance flows) is an option that has been utilised in a few countries in Africa, namely Egypt, Nigeria and Zimbabwe.

The opportunity arises where there are large and predictable inward flows of remittances that generate foreign currency. They are also helped where there are only one or two major private (or public) sector processors of remittances. In essence, the country is able to raise foreign finance against the fact that there will be a large inward flow of funds in a future time period. When that time period arises the inward flow of remittances is directed to the lender to repay the facility. This is something that Afreximbank has been actively involved in. Owing to the complexity and the specific requirements to make it successful, historically the opportunities to introduce it have been quite limited.

## 7 | Blended finance

Finance can be a complex area and as result it is often hard to define the options that are available. Indeed, one of the frequently used solutions is blended finance. This is a 'smart' way of simply stating that it is a combination of different options. It can cover multiple methods and is frequently also offered by a range of stakeholders. This is often a tool that is used in PPPs. There are numerous examples where the private sector has provided the money and the DFIs have provided insurance policies or guarantees to provide a level of cover to the private sector entity. Blended financing has many different guises and has the strong advantage that it can be used as a solution to most challenges.

## 8 | Financial restructuring

While the previous items all represent specific financing tools that can be used to help improve the investment environment or mitigate the risks, there are more fundamental areas that governments can action to increase their ratings and make their country more attractive. These revolve around reform of their existing financial markets. Actions could include the introduction of new regulations to increase competition, bring greater transparency, reduce red tape and so on. They could also include establishing a stock market, addressing exchange control restrictions and other macro-economic areas. It is important to consider that such solutions should be considered from a market structure viewpoint as well as specific financial vehicles.

### Diaspora Profile

Aside from addressing the financial profile of a country it is also essential that stakeholders, and particularly governments, examine how to improve their profile with the diaspora. This can translate into specific financially driven interaction with diaspora groups as well as other initiatives that leverage their technical abilities.

## 1 | Matched funding

a. A common approach is matching grants schemes, which can address one of the key barriers to diaspora investment, namely the financial risk associated with an unfavourable business environment. Projects are provided with funding on condition that the recipient makes a specified contribution to the same project and may assist in bringing in private investments<sup>4</sup>.

### Two examples will help showcase specific initiatives:

b. In Mexico, a 3+1 scheme was created, meaning that for every dollar raised by the diaspora for a specific project, each of the three levels of government (municipal, state and federal) would match it dollar for dollar. This initiative had the advantage of significantly boosting the contribution of diaspora investors. Funds were used primarily for community projects (schools, street lighting, and so on) that otherwise would not have received funding. The success was due to the ability to interact at a local community level rather than at a national level. This is a factor that stakeholders need to consider.

c. In Somalia, the Diaspora Investment Alliance (DIA) was an initiative led by IFAD and USAID deliberately focused on providing support to the fragile and conflict affected state

(FCAS) of the country where special conditions existed that meant that it was not able to access mainstream international financial markets. In the knowledge that up to 40 percent of Somalia's GDP comes from remittances and that there is an active and supportive diaspora, an initiative was developed that matched the funds that diaspora members invested with funds provided by donors.

Somalis were encouraged to submit business plans that required investment, which were assessed by the programme implementers. These initiatives were then displayed in a variety of media and diaspora members were encouraged to invest.

The initiative was successful as it combined a supportive diaspora, strong entrepreneurs in the home country, capacity building for the entrepreneurs, a strong link between the diaspora and home country, and a fully transparent process. A number of different projects of a range of sizes were selected for investment.

## 2 | Skills transfer

A further common approach is the attraction of highly skilled workers from the diaspora, with the aim of ensuring the transfer of knowledge to those within the country of origin<sup>5</sup>.

<sup>4</sup> Agunias, D. and Newland, K. (2012). *Developing a Road Map for Engaging Diasporas in Development: A Handbook for Policymakers and Practitioners in Home and Host Countries*. IOM and MPI. Geneva. 254 pp.

<sup>5</sup> Williams, N.E. 2018. *Mobilising Diaspora to Promote Homeland Investment: The Progress of Policy in Post-Conflict Economies*. Environment and Planning C: Politics and Space, 36 (7). pp.

# APX3

## DIASPORA INVESTMENT CHANNEL PROFILE CASE STUDIES

### CASE STUDIES: GOVERNMENT BONDS

#### NIGERIA DIASPORA BOND

- In 2017 the Nigerian government raised USD300million with a diaspora bond offering a 5.6% return for a five-year bond. The bond was structured as a retail product and registered in the UK with the UK Listing Authority and in the US on the SEC. The bond was oversubscribed and deemed a success.
- However, even in the Nigerian example, where significant efforts were gone to in order to reach the diaspora, there is no way of knowing whether it was the diaspora that invested or institutional investors. They believe it was bought by HNI and diaspora – but don't know as the banks that sold it will not relay information on the clients.
- The minimum bond subscription – USD2,000 and denominations of USD1,000 thereafter.
- Importantly, the interest rate offered for the Diaspora bond was lower in comparison with Nigerian Government Eurobond issuances: USD2.5 billion 2018 interest >7% and Eurobond 2017 USD3 billion with interest rates between 6.5%-7.5%.
- The Minister of Finance was the main driver behind the diaspora bond as an alternative source of funding from Eurobond. The Central Bank launched a request for proposals for a private financial institution to structure the deal. Stanbic IBTC (a private bank) was awarded the contract and managed the process. There was no surveying of the diaspora – based on the size of the diaspora.
- The Central Bank having never defaulted on previous bonds gave credibility to the issuance. Nigeria was able to borrow on their own name without a foreign institution with guarantees by federal government so there were no risks on default or loss.
- The diaspora bond took 4 years of planning, including a two-year period of diaspora engagement, which supported the release of the bond in Germany, US and UK.
- Total costs for issuing the bond (including underwriter's discount and issuer's share of offering expenses) were USD4.4 million (1.5%). The issuance cost more than offering a Eurobond (foreign currency bond to institutional investors) and longer time to market as there were lots of pre-issuing marketing trips. Nigeria increased the issuance amount of its Diaspora bond (2017) from USD100 million to USD300 million as financially the lower amount did not make sense. The United Nations Development Programme suggests that costs can be up to 4%-5% of the face value of the bond instrument. The costs attributed to the underwriters of Nigeria's recent bond alone are estimated to have been 0.8% of bond value, or USD2.4 million. (Rostomjee, 2018 Ethiopia paper)
- The largest challenge was the regulatory environment in the UK and US as this constrained the retail end market.
- There was a partnership with Bank of America that allowed them to reach retail investors – as an institutional offering passed onto retail.
- The government used databases from the diaspora organisations to send the issuance notice to them with contact details for the banks. The Diaspora Commission also held a series of roadshows.
- Those with bank accounts in Nigeria were able to invest as UBA and First Bank offered to their clients.

## CASE STUDIES: GOVERNMENT BONDS

**GRAND ETHIOPIAN RENAISSANCE DAM (GERD)**

Ethiopia has issued two diaspora bonds in 2008 and 2011.

The Millennium Corporate Bond (2008) was explicitly targeted to the Ethiopian diaspora, but failed to attract significant diaspora investment, due to perceived political risk, high minimum purchase thresholds, uncompetitive fixed-rate instruments and a lack of confidence in the government's ability to guarantee the investment.

The Renaissance Dam Bond has achieved improved results raising funds. Members of the Ethiopian diaspora were asked to contribute to the construction of the dam primarily through buying a special bond issued for that purpose. It offered:

- Foreign currency-denominations (USD, GBP, EUR, ETB).
- Floating rate bonds / underwritten by National Bank of Ethiopia (NBE).
- Much lower minimum subscription.
- Wider eligibility criteria – not restricted to Ethiopian diaspora.

The USD4.7 billion Grand Ethiopian Renaissance Dam is being fully financed from domestic resources and is, as of May 2018, 66% complete. According to the Ministry of Foreign Affairs the Ethiopian diaspora purchased bonds worth over USD4.9 million in 2017 and as of March 2018 USD56 million in total had been sold to the diaspora. The government has been undertaking various activities to further strengthen their engagement with the diaspora.

Critics initially suggest that a lack of uptake from the diaspora was due to:

- Challenges in marketing – the government selling the bond through its embassies (and consular offices) and events organised for this purpose.
- Challenges in purchasing – not being clear as to the terms of the issuance and how to purchase.
- Political environment in Ethiopia.

In 2016, the US Securities and Exchange Commission (SEC) claimed that the bond was unregistered and sold illegally and Ethiopia agreed to refund USD6.5 million to investors in the US. The Electric Power Corporation (EEP) was offering bonds in the US through tv and radio advertisements targeted at the diaspora and through events across the US. Between 2011 and 2014 USD5.8 million was raised from more than 3,100 people.

The government is currently using innovative methods to generate awareness and get the diaspora to support the dam. In 2018 they are selling 500,000 lottery tickets, each costing USD10, to the diaspora to improve their support to the Grand Ethiopian Renaissance Dam.

Ethiopia has also recently launched a non-for-profit 'Ethiopia Diaspora Trust Fund' to raise USD1 per day from the Ethiopian diaspora in philanthropy to support the socio-economic development of the country.

## CASE STUDIES: DIASPORA PENSIONS

### CASE STUDY: NIGERIA

- Nigeria has recently reformed its pension scheme in 2014 – the new pension scheme is contributory, fully funded, privately managed, third-party custody of the funds and assets, and based on individual accounts.
- In 2008 the Nigerian government as part of their Pension Reform Act 2004 released the 'Guidelines for Cross Border Arrangements under the Pension Reform Act'.
- The guidelines are a standard set of rules and procedures for the contributory pension scheme established in Nigeria for foreign nationals and Nigerians resident abroad to participate in the contributory pension scheme. See [https://www.pencom.gov.ng/wp-content/uploads/2017/04/Guideline\\_for\\_Crossborder\\_Arrangement\\_unde\\_-the\\_PRA\\_2004.pdf](https://www.pencom.gov.ng/wp-content/uploads/2017/04/Guideline_for_Crossborder_Arrangement_unde_-the_PRA_2004.pdf).
- The guidelines were created to encourage the participation of Nigerians abroad in the contributory pension scheme and assist them to save in Nigeria towards their old age and subsequent return.

### CASE STUDY: GHANA

- In Ghana the employer pays 13% of your basic salary into your pension and the employee also must pay 5.5% of their salary – some goes to SSNIT and the remaining 5% is managed privately by fund managers.
- There are voluntary contributions which are aimed at the informal sector. The diaspora and the self-employed can voluntarily contribute up to 16.5% of their salary.
- It is currently not clear how well this option is being marketed to the diaspora and whether there is much uptake from the diaspora.
- In 2017 a diaspora pension scheme was launched in Ghana and two trustees have applied for licenses to operationalise these schemes. It involves a voluntary contribution from any part of the world.
- It would be invested in Ghana – instruments invested in can be dollar indexed. This is where the risk is, as the pension pot is converted into Cedis.
- It's not clear what the corporate trustees have done to date.
- They haven't really activated to get people to sign up.
- Two corporate enterprises that are now licensed to manage diaspora pensions Enterprise - they are the largest Daachie.
- Any of the 33 trustees can develop solutions. Repatriating overseas pensions to Ghana.
- The possibility is there But they haven't been able to plug it in here.
- To participate in a pension scheme in Ghana you would have to be under 45 years old – to be able to contribute for the minimum 15 years required.

## CASE STUDIES: CORPORATE BONDS

### SENEGALESE BHS CORPORATE BOND

- BHS is in the process of mobilising CFA20 billion (USD34 million) through a corporate bond aimed at the diaspora to invest in a new city in Senegal (housing project).
- The Senegalese government has been the driver behind the issuance of the corporate bond and is the majority shareholder. BHS brings credibility and trust to the government initiative.
- The BHS corporate bond is invested into four developers. The bond is issued in local currency and registered on the regional stock market; the BVRM.
- There are no currency risks for the diasporas to contend with as the CFA is pegged to the Euro.
- The bond was launched at an event in New York in September 2018 and the bank has a branch in every country that has Senegalese diaspora.
- It remains to be seen whether there is appetite for this investment from the diaspora.

## CASE STUDIES: ONLINE COLLECTIVE INVESTMENT

Other case studies to look at / platform that can be leveraged include:

- Farmcrowdy – providing a platform for peer-2-peer investment in small farms in Nigeria; currently not marketed to the diaspora. Investors are required to have a local bank account. All funds currently oversubscribed. Looking to replicate in other countries in Africa.
- Ovamba – a peer-2-peer technology platform that connects institutional and diasporan lenders to SME businesses and entrepreneurs in Africa. Ovamba Solutions addresses the needs of SMEs by facilitating access to finance through a marketplace lending (p2p) model that allows retail and institutional lenders to bid on / acquire up to 50% of transactions made by regulated African SME lenders – all with full individual transaction level transparency. Ovamba creates an environment where lenders can get a return on the loans they make to African businesses, and African businesses can access capital at better rates and returns offered by traditional banks. Ovamba provides micro, small and medium-sized African businesses with access to short-term trade and growth capital.

### HOMESTRINGS – NOW ‘MOVEMENT CAPITAL’

- Homestrings is a digital crowdfunding platform that facilitates diaspora investments into large-scale ventures, including government-issued infrastructure bonds and real estate projects. This platform provides post-investment administration services. It has two investment tracks: a high net worth track which gives high net worth investors in the diaspora access to a catalogue of private transactions, and a non-qualified track, which provides other investors with access to publicly available investment opportunities.
- Homestrings was the first platform aimed specifically at the diaspora and committed significant resources to awareness, including roadshows with prequalified investors.
- They were unable to secure the size of capital needed to grow this to a global platform – it would require a grant of USD5-10 million over time. Have to have deep pockets when it comes to engagements / marketing, have to have that kind of budget for promotions. It is necessary to build relationships with people as it is a web-based platform.
- Mistakes – thinking that people would be interested in committing investments for 10 years, initially that would be bonds and then that would move to equities.
- All transactions need to be vetted and include own elements of due-diligence.
- Dealing with two sets of regulation – where the diasporan lives and what are their regulators (send country), and then the regulatory constraints of receiving country.
- Exposure: Need to look at the history of the currency and decide whether to invest in that or not.

### COWRYWISE – NIGERIA'S SAVING PLATFORM

- Launched in 2017, CowryWise is a wealth management platform for Africans online and is licenced under the cooperative license to mobilise funds from anyone.
- They have a partnership with Meristone Trustees – one of the largest trusts in Nigeria – they keep their investments to add credibility where they lack track record.
- Currently investing in fixed income investment – government bonds and bills and have been testing commercial papers with well-established companies. Looking to expand more into corporate bonds.
- Minimum term of three months and they can take their funds out after that with an average return of 10% – per annum. Customer base – 7,000 active customers.
- They have seen some interest from the diaspora, but they haven't launched anything yet – need to assess remittances costs and the repatriation of funds. They are talking with remittances companies to see how they could partner to reduce the cost of remittances. They are looking at how to pull funds from overseas bank accounts – this is needed before they can open up this product. They also need to work with the SEC to be able to develop this product line. They may also partner with existing wealth management firms or as an agent to these firms.
- In a few weeks customers will be able to decide which investments they make. Currently it is just fixed income and CowryWise Choose.

## CASE STUDIES: DIASPORA SAVING ACCOUNTS

**KENYAN SACCO & CHAMA MODEL**

- The Savings and Credit Co-operative Societies (SACCO) model is specific to East Africa – but provides a successful example of extending saving, loan and investment practices in-country to the diaspora.
- SACCOs are user-owned financial intermediaries with members who typically share a ‘common bond’ based on geographic area, employer, community, or other affiliation and have equal voting rights.
- Provide a reliable and organised way to invest, access affordable credit, carry out projects, build businesses, or meet personal and family needs in Kenya.
- Licenced by Sacco Societies Regulatory Authority (SASRA) in Kenya.
- 17 Kenyan diaspora SACCOs across the world: UK, Australia, Canada, UAE, Qatar and South Africa.
  - The Kenya USA Diaspora Sacco was registered by the ministry of Cooperatives in 2012. It has over 1,000 members across all 50 states in the United States.
  - Kenya UK Savings and Credit Society (KENUKS), which was established in 2011.
  - KNADS – Diaspora women – 700 members strong and growing – raised over Ksh60 million in a span of less than a year.
- Now offer e-Sacco services – an online system to offer convenience, 24/7 accessibility, choice and resources to manage the account, finances and investment decisions in Kenya.

**Chamas**

- A community driven merry-go-round trusted informal investment platform for small groups – especially women – to advance themselves economically.
- The Kenya Association of Investment Groups (KAIG) has developed a Chama Handbook and there is also online software to help ‘automate’ your chama, making the group investment process more accountable and transparent and available online.

**FIDELITY BANK**

- Account features – online banking, debit, credit cards – can be mailed
- Can open from abroad online – applicant sent a link to apply
- Can email instructions
- Set up standing orders
- Bank Verification Number – biometric, required for all Nigerian accounts BVN centres – US, UK
  - Diaspora Current Account
  - Diaspora Savings
  - Diaspora Target Savings
  - Diaspora Global Edge Investment Account
- Invest in USD
- Yield is as much as 5%
- Easy to repatriate
- Accounts can be opened from abroad
- Applicant sent a link to apply
- Can apply in the year and then complete when you next visit
- Can also send through notarised documents

## DIASPORA LOANS AND MORTGAGES

### GHANA'S ONE DISTRICT, ONE FACTORY (1D1F) INITIATIVE

Private-led industrialisation initiative, backed by the President of Ghana for there to be a least one factory in every one of Ghana's 275 districts.

The diaspora have the opportunity to lead projects or invest in them and technical assistance and support is provided for:

- Business plans
- Land/premises acquisition
- Bank loans

The One District, One Factory secretariat will assist in identifying the bankability of a project and negotiate with banks for loans on behalf of the project.

- Participating banks: Ghana Commercial Bank, Ecobank and Axim Bank
- Loan period: 5 years +
- Equity contribution: Varies – Need to show commitment in any form, up front funds, expenses, in kind
- Interest rate: 14-17% APR – dependent on the project / structure and repayment length
- No repayments for 12-24 months while factory is being set up
- Marketed locally and intentionally through Ghana Investment Promotion Committee, Ghana Export Promotion Centre and Diaspora Affairs Office

### COMMERCIAL BANK OF ETHIOPIA - DIASPORA MORTGAGE LOANS

In October 2018 the Commercial Bank of Ethiopia (CBE) announced the commencement of Mortgage Loans to Ethiopian Diasporas (non-resident Ethiopians and foreign nationals of Ethiopian origin).

The applicant shall raise in foreign currency, equity contribution of at least 20% of the cost of the residential house to be purchased or constructed. The bank shall finance up to 80% of the cost of the house to be purchased or constructed. The loan shall be repaid in USD, GBP and Euro.

- Purpose: Purchase or construct residential house
- Loan period: Maximum of 20 years
- Equity contribution: Minimum of 20% of the house to be purchased or constructed
- Interest rate: Minimum of 8.5% per annum
- It is possible to settle the loan at any point without additional charge



**CONTACT:**

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