



## **Homestrings Diaspora Bond Programme**

November 2016

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# Channeling Diaspora Capital

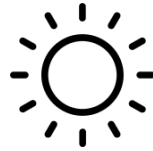
The issue for Sovereigns

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## The **Challenges**

- Sourcing and channeling diaspora capital effectively
- Fueling growth in the productive sector
- Supplementing Foreign Direct Investment or Development Finance
- Engaging the diaspora
- Addressing high net worth diaspora vs. migrant worker participation
- Accommodating regulatory issues



## The **Homestrings** solution

Our *Diaspora Bond Programme* can direct diaspora capital towards fueling growth in the productive sector whilst engaging the global diaspora community



### **Our toolkit of diaspora products includes:**

- Diaspora sovereign bonds
- Tailored diaspora corporate bonds
- Migrant Endowment Savings Accounts (MESAs)
- Remittance-backed bonds



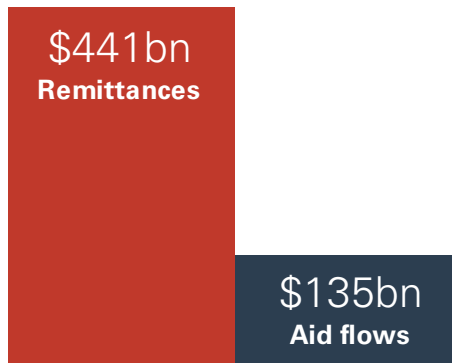
### **And are implemented through our:**

- Web platform
- Network of institutional clients and banking relationships
- Upcoming mobile app

# Diaspora remittances

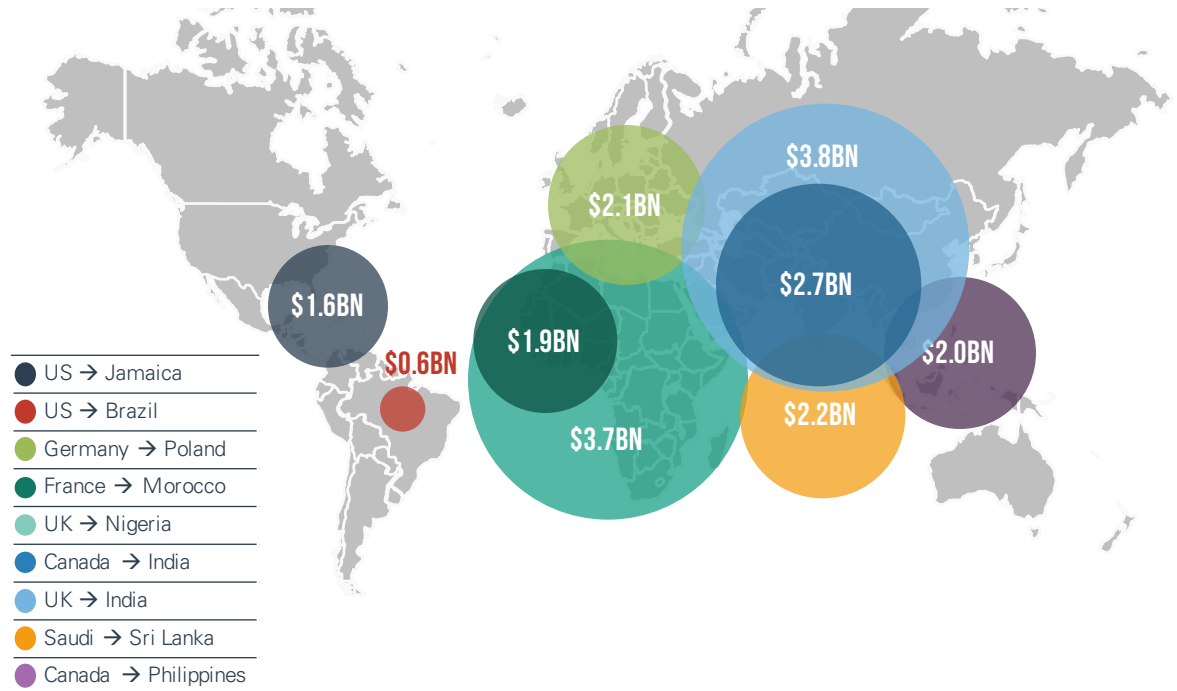
Huge sums of capital are flowing to Emerging Markets through key corridors

In 2014, remittances from the diaspora was *more than x3* greater than external aid flows



Flowing from OECD countries to developing economies and emerging markets

Significant remittance corridors to Emerging Markets, 2014 (\$bn)

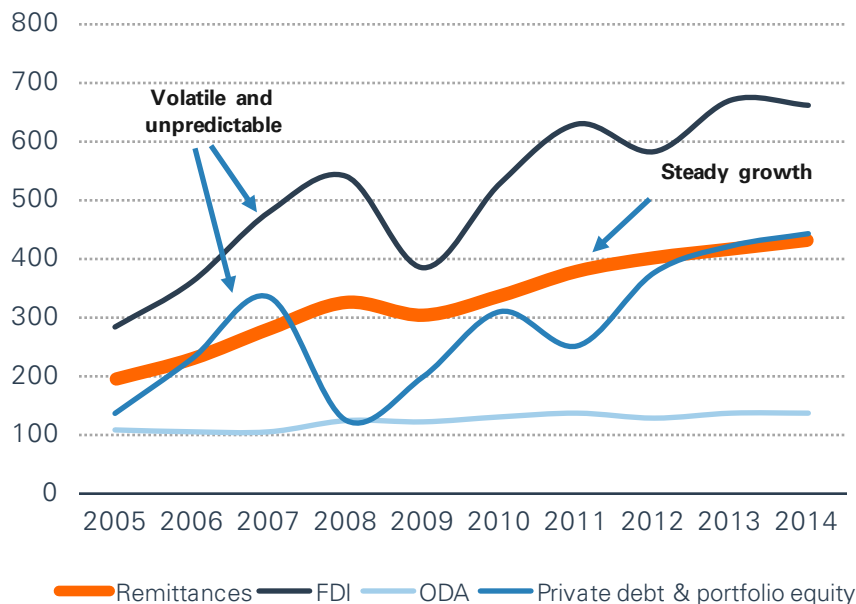


Source: World Bank Global Remittances, Bilateral Matrix (2014)

# Diaspora remittances

A stable and significant source of external finance to developing economies

Remittances vs. Development capital to “developing economies”\* (\$bn)



## The rise of remittances since 1990

**\$441 BILLION**

**\$29 BILLION** ↑

Increase to developing economies

**> 1,400%** Increase

Clearly there is an emerging diaspora sending huge sums of capital home

These flows are far less susceptible to macroeconomic cycles such as FDI and private debt and equity

**But...**

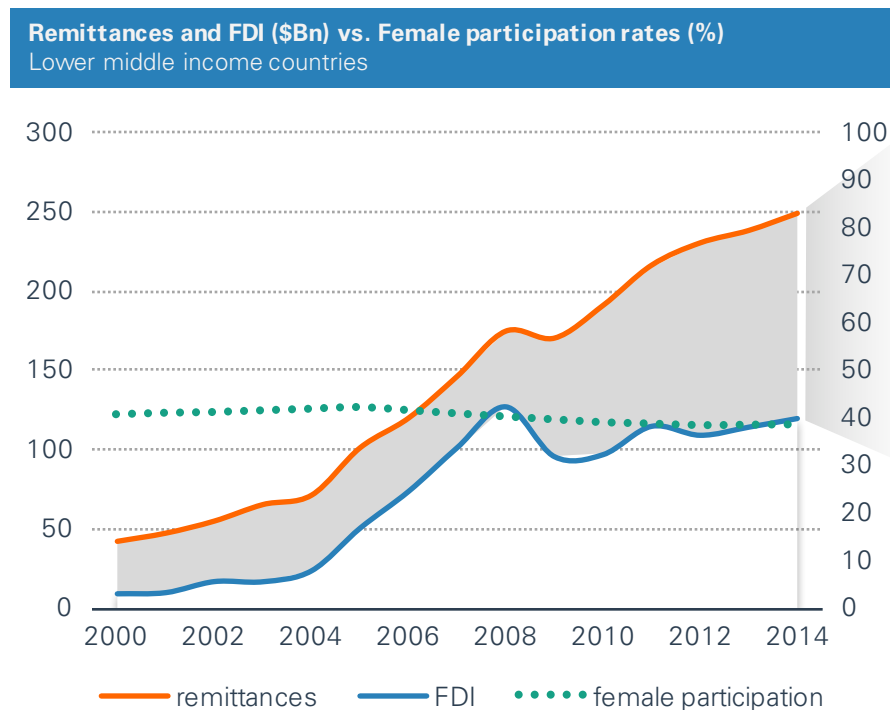
remittances are not fueling the growth of productive sectors in receiving economies.

SOURCE: World Bank Migration & Remittances Factbook 2016. NOTES: \* “developing economies” as defined by World Bank

# Fueling the engines of growth

Remittances do not yet affect material change in the receiving countries

Remittances have become more important than FDI, in emerging markets, with over \$250Bn sent home to “lower middle income” countries, in 2014



## However...

These remittances are not yet fueling growth in productive sectors e.g. female participation and enfranchisement has remained flat

SOURCE: World Bank Migration & Remittances Factbook 2016.

# The Opportunity

*“Invest back home and make a difference”*

Eric Guichard started Homestrings in 2012 to solve a basic problem:  
Facilitate Diaspora investment back in to  
Africa, by identifying robust opportunities

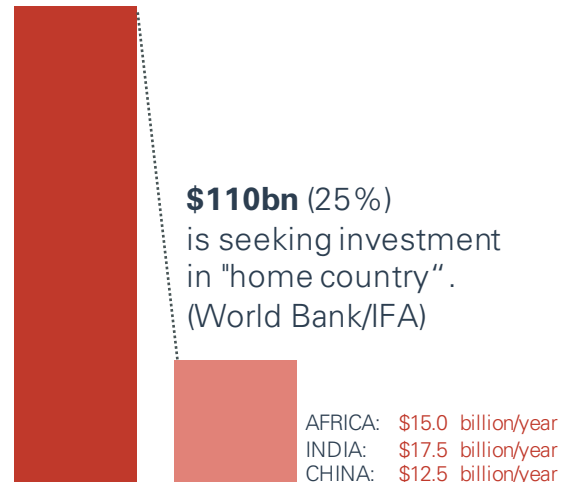


**The \$140bn global  
market opportunity**

**230 million**

Expatriates

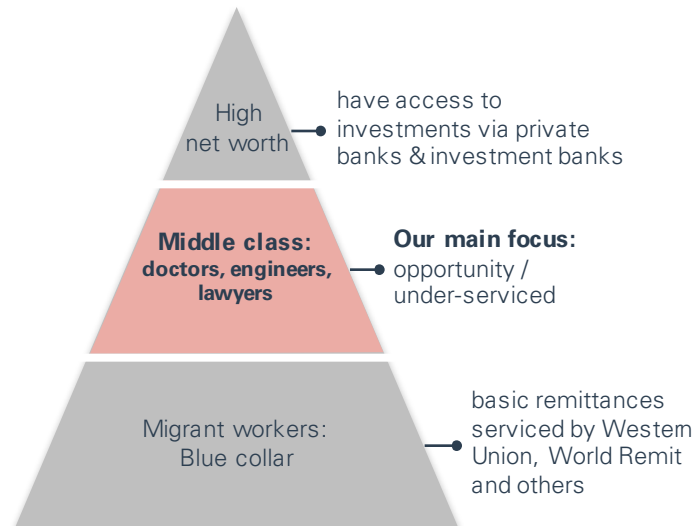
**\$441bn** is repatriated annually  
by expats back home, globally



**\$110bn** (25%)  
is seeking investment  
in "home country".  
(World Bank/IFA)

AFRICA: \$15.0 billion/year  
INDIA: \$17.5 billion/year  
CHINA: \$12.5 billion/year

## Target market



USAID study  
confirms that over  
**80%**  
of expatriates use  
the web to search  
for investment  
opportunities in  
their home country.

# Diaspora Bonds

The Homestrings solution for effective diaspora investment

“

(Diaspora bonds are...)  
A debt instrument issued by a country – or potentially, a sub-sovereign entity or even a private corporation – to raise financing from its overseas diaspora.

Dilip Ratha  
Manager of Migration & Remittances,  
World Bank



A bond, either bearer or registered, finances sovereign states or impact-orientated projects in **emerging or frontier markets**

Diaspora bonds typically have a coupon of at least

**3% P.A.**

and offers a reliable source of revenue. However Israel, the pioneer and leading distributor, often issues discounted-to-maturity bonds with zero-coupons

Sovereign diaspora bonds are usually issued either to raise foreign exchange and balance of payment funding for the state or to finance particular infrastructure projects



HOMESTRINGS

DFIs



Through Homestrings' collaboration with DFIs, there can be a shift towards diaspora bonds being used by impact enterprises and supported with DFI guarantees or credit enhancements

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# Diaspora Bonds

What purpose do Diaspora Bonds serve in emerging markets?

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1

Provide a conduit for remittances to flow back into projects and business that stimulate national growth with positive impact

2

Re-orientate DFI's aid flows to specific high-impact enterprises through guarantees or credit-enhancements, ensuring more effective and broader distribution of funding

3

Offer the 230+ million international migrants, overseas workers and remittance providers with safe, long-term investment instruments, with better returns than banking deposits, often supported with an A-rated guarantee or credit-enhancement

4

Address increasing urgency for OECD to direct remittances back into supporting development to help achieve the targets set by the UN's 2030 Agenda for Sustainable Development

5

Homestrings' Diaspora Bonds aim to bring together migrants' capital with companies and communities in their homelands, hence re-engaging the diaspora with specific businesses or projects

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# Remittances

## Strengths and weaknesses

### STRENGTHS

Diaspora are transferring ideas, behaviours and values back home through remittances

Remittances are the largest source of international financial flow to Africa, which is extremely important because aid flows from OECD are diminishing

Sub-Saharan African remittances in 2014 reached \$35 bn; a 600% increase since 2000

Remittances are ingrained in the diaspora habits and therefore constitute reliable and established flows.

Remittance providers are increasingly seeking patriotic and transparent investment opportunities

### WEAKNESSES

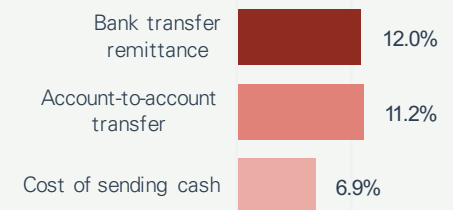
Remittances are a short term fix; a quick and simple solution, appealing to migrants' instinct to support close family and loved ones

Unofficial remittance flows are harder and harder to monitor and have less impact on national growth

Transfer costs: in 2014 the average cost for global remittance transfers of around \$200 reached 8% (12% for Sub-Saharan Africa)

Global authorities scrutinising money movement fees and transaction costs.

In June 2015, the World Bank reported that bank transfer remittance costs were highest on average



# Diaspora Bonds

Strengths and addressing the weaknesses of Remittances

## STRENGTHS

Long-term benefits to **both** the issuers and the bondholders; improved access to capital for Emerging & Frontier Market countries while offering long-term yield and returns to diaspora

Educating diaspora on fixed-income opportunities and the technical aspects of bond financings, increase flow of ideas back home

Creating communities of investors for Emerging & Frontier Markets worldwide, particularly through crowdfunding and internet investment

Diaspora gain access to early opportunities and best-performing fixed income markets

The diaspora bond programme will lower transactional costs and provide a useful competition to the remittance transferors

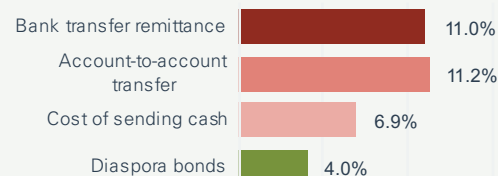
## Addressing the weaknesses of Remittances

Diaspora bonds increase the transfer of value and ideas back to source countries; educating migrants and their families about the benefits of fixed income investing, the yield curves, the important projects at home requiring financing and the utility of bonds as a savings instrument

Diaspora bonds facilitate the exchange of knowledge, of projects that matter, between diaspora and the hometown, providing a sense of involvement beyond simple ethnicity

Crowdfunded bonds will encourage more active internet use by migrant groups and we hope to foster “Diaspora Investment Clubs”

The cost of investing in diaspora bonds is lower through Homestrings because of internet distribution



*There are clear advantages of Diaspora bonds. E.g.*

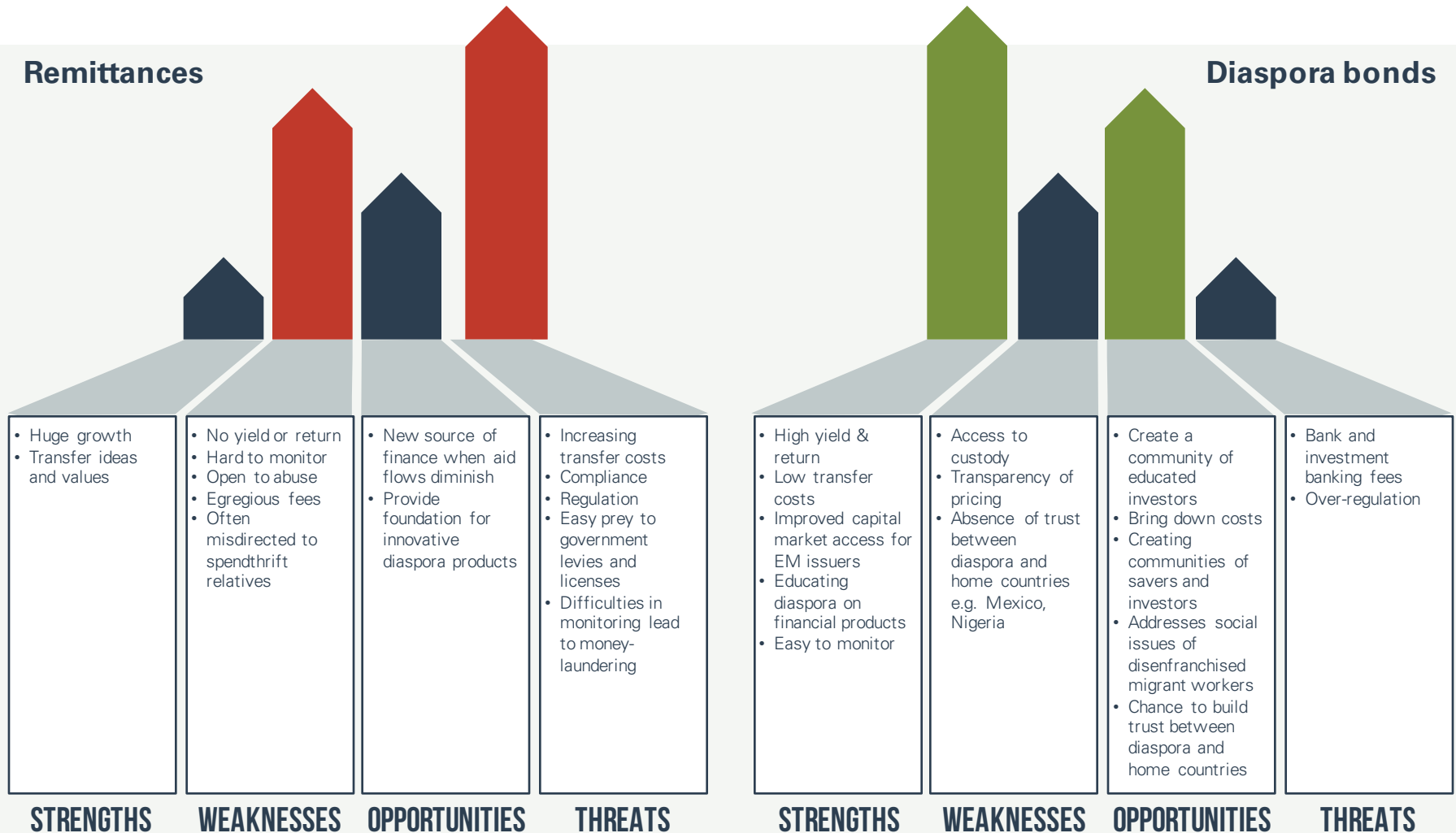
Lower costs and fees

Provision of steady cash-flow of income from interest payments with lower transfer costs

Provision of endowment-style interest and amortization schedule

# SWOT analysis summary

Remittances vs. Diaspora bonds



# Diaspora Bonds success story: Israel

Part I – what has Israel achieved?



“

*Israel Bonds* has raised nearly \$35 billion in loans...play(ing) a significant role in the development of a strong, resilient Israeli economy.

Izzy Tapoohi  
CEO Israel Bonds

Since 1951 Israel has raised more than

**\$35BN**

through diaspora bonds

Israel has been issuing annual bonds targeted towards, but not limited to, diaspora living abroad as a means to reinvest in their home country and community

These are development-oriented borrowings with maturities from 1-10 years, and fixed or floating coupons. SEC registered, non-negotiable, non-volatile

**Israel's Diaspora Bond Programme has been a huge success;**

Contributing to national infrastructure projects such as the National Water Carrier

Helping maintain Israel's credit rating; "the (Israeli) Government has a critical source of external liquidity (in) the Israel Bonds Programme" *Moody's*

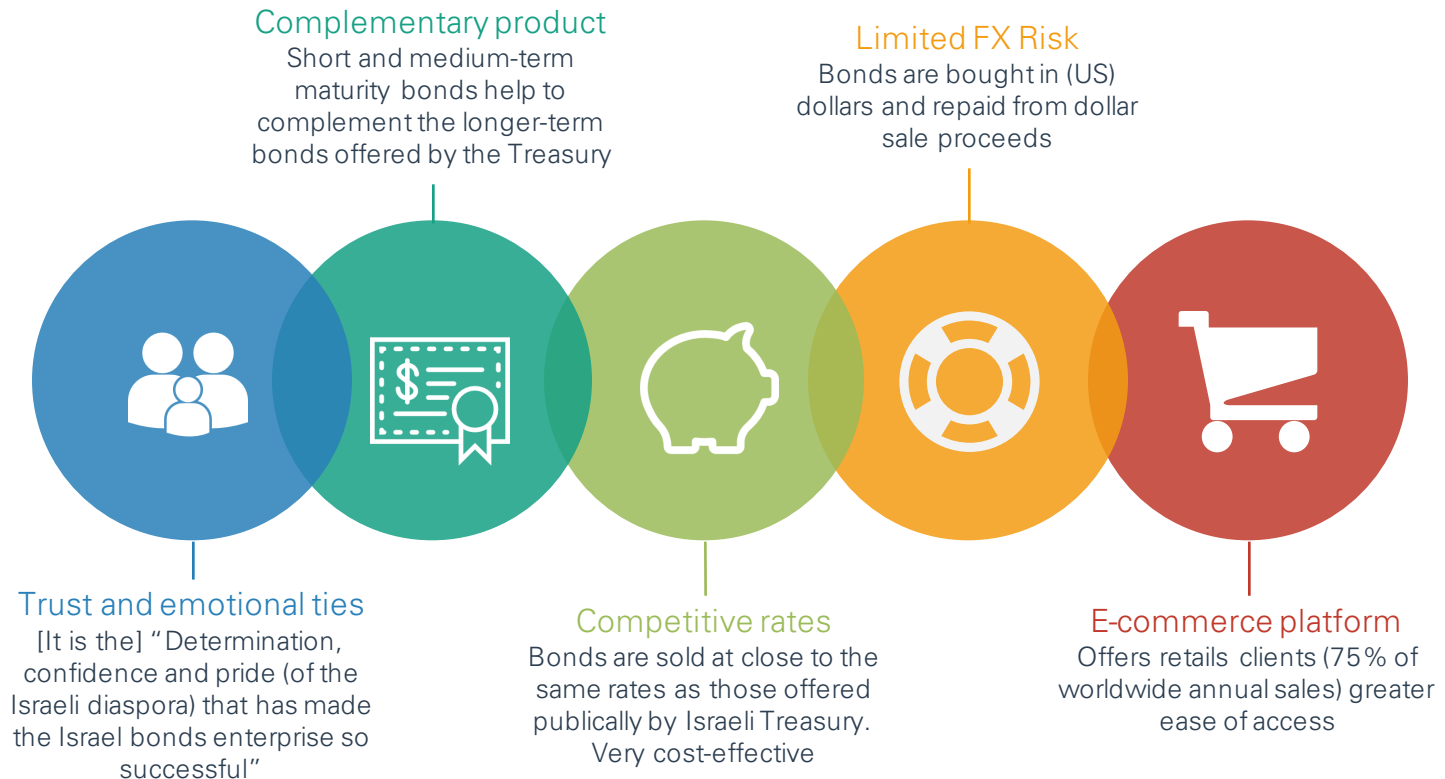
Boosting exports through improvement in port and transport networks

Expanding R&D as Israel is one of world's most vibrant startup hubs

"(Israel bonds) are a way to show faith... in our growth, faith in our development and faith in our future" Reuven Rivlin, President of Israel

# Diaspora Bonds success story: Israel

Part II – what have been their key success factors?



*The Homestrings Diaspora Bond Programme* builds on these key success factors

SOURCE: Israel Bonds CEO, Izzy Tapoohi (2012)

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# The Homestrings toolkit

Tools we introduce to create more options for diaspora

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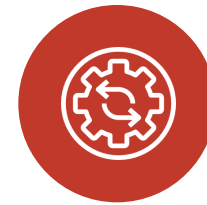
## Homestrings

provides a toolkit of products for channeling diaspora capital effectively in order to drive the engines of growth in recipient countries



### Products:

- Diaspora sovereign bonds
- Tailored Diaspora corporate bonds
- MESAs (Migrant Endowment Savings Account); pilot schemes to be sponsored
- Remittance-backed bonds



### Implemented through:

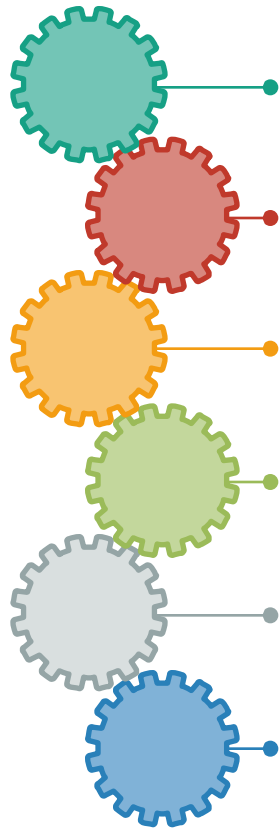
- Web platform
- Mobile app
- Our network of institutional clients and banking relationships

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# The Homestrings Solution

What we provide to global diaspora

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## **Platform**

Homestrings provides a web-based bond programme, providing simple and secure way to invest in “home country”

## **Return**

Diaspora bonds provide a steady cash-flow from interest payments and amortisations with lower transfer costs

## **Impact**

Used to finance critical infrastructure projects such as hospitals, roads, bridges or power generation. Also provides working-class migrants with the tools to create a foundation for savings

## **Community**

Homestrings will develop a wider community of investors for Diaspora Bonds, cross-selling between different groups including HNWIs, professional classes and migrant workers

## **Expertise**

Homestrings is run by a team of driven and experienced finance professionals, with a track record of successful execution across Emerging Markets at some of the top global investment banks

## **Security**

Bond yields are benchmarked off the sovereign issuers’ credit-curve with credit enhancements from A-rated sponsors

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# Homestrings Cluster Analysis

Identifying and engaging diaspora sets

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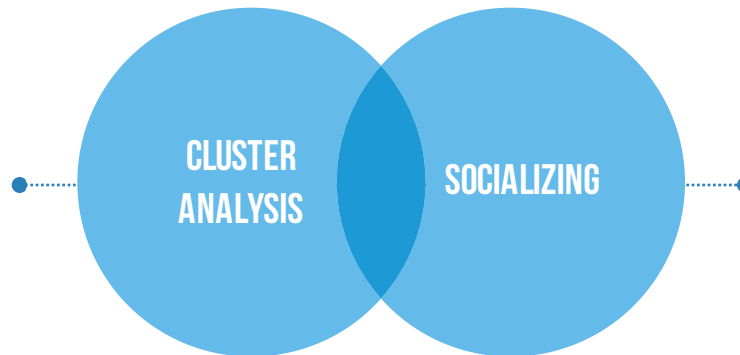
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We have a unique process to analyse and prioritise diaspora datasets

Identify HNWIs and those with disposable incomes

Networking via Development Finance Institutions (DFIs)

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Ability to construct global diaspora databases

Crowdfunding platform

Conferences hosted by Homestrings

Digital marketing

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## Outcomes:

- Creating repeatable sources of diaspora capital
- Identifying subsets within the diaspora who have particular investment interests e.g. education/healthcare/infrastructure

# Homestrings focus areas

Developing our target pipeline



## ***“Diaspora Dollar”* potential**

- Homestrings coin the phrase “Diaspora Dollar” to describe the potential to raise finance for countries with disproportionately large migrant or expat communities
- Identifying the sovereign issuers with the greatest needs while having strong “Diaspora Dollar” potential e.g. Ethiopia, Lebanon, Iran and Armenia
- Africa in general: the African diaspora in North America alone number more than 39 million



## **Partnerships**

- Investment Promotion Agency, Embassies, Chambers of Commerce and other official sector entities e.g. British Council
- Focus on the cultural habits and organizations of diaspora
- Outreach programme through Conferences, webinars and seminars



## **Longer-term: high-potential products**

Homestrings is analyzing the potential to develop other sources of diaspora dollar financing through instruments like;

- Remittance flow securitisation
- Migrant Endowment Savings Account
- Better understanding of remittance flows and the diaspora’s hunger for more intelligent investing

# Diaspora Dollar






















Identifying the potential for specific markets

Homestrings has a unique ability to grade sovereign issuers with the greatest “diaspora dollar” potential

*“Diaspora dollar”*, a term coined by Homestrings, is the overall investing potential of a set of diaspora (e.g. Lebanese living abroad).

We use both quantitative and qualitative criteria to give an overall “diaspora dollar” grade

**Diaspora Dollar Scores** (Example scores)

Countries	Quantitative			Qualitative			Overall
	Remittances (\$bn)	Diaspora (millions)	Remittance per person	Interest in impact	Interest in return	Financial literacy	Diaspora dollar
	71	13.8	\$5,100				
	28	6	\$4,667				
	7.1	0.8	\$8,754				
	1.6	0.8	\$2,035				
	0.6	0.7	\$801				
	0.2	1.6	\$150				

 Homestrings' target

SOURCE: World Bank.

Notes: \*Countries listed are (in order) India, Philippines, Lebanon, Armenia, Ethiopia and Iran. \*\* Investment size is an average given size of remittances and size of diaspora

# How Homestrings will build a diaspora community

Outreach



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# Summary of Homestrings

Why use Homestrings?

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Homestrings has a 5-year track record and is the *first and only* EM-dedicated crowdfunding platform to digitally distribute diaspora bonds.

We are a London-based, FCA regulated, integrated crowdfunding and investment banking platform.



Provides access to private investment opportunities in Emerging & Frontier markets through its web-based platform.



Deep skills in deal origination and distribution, offered through our web platform and extensive network of existing clients



Average experience of Management team in investment banking, Emerging Markets and Development Finance



Strong background in e-Commerce and lending-platforms. Extensive experience in crowdfunding.



Homestrings is a leader in Emerging & Frontier Market crowdfunding

# Homestrings.com

Accomplishments so far...

## *Proof of concept completed*

2012

**Homestrings** begins operations.

First deal closed: Kenya diaspora infrastructure bond (water, roads and wind farms) \$1m.

2013

Biggest deal closed: \$2m raised for Duet West African Consumer Growth PE tranche.

First deal outside of Africa: Australasia mining fund - \$250K.

Harvard Business case study published.

Enterprise of the Year Award - African Diaspora Awards, London.

2014

Largest investor event: "Invest in Nigeria" in London with 600 registrants.

African Financier of the Year Award - Association of African Owned Enterprises (AAOE) - UK.

Homestrings co-sponsors African Diaspora Investment Symposium in Washington, DC with USAID, Calvert Foundation and DMA: over 500 registrants.

2015

First deal in CEE: Macedonia SME USAID guarantee backed bond: \$250K.

First in-country event: Investing in Ghana (2015) - 200 registrants.

2016

Homestrings retained by Asian Development Bank to advise on diaspora funding in Bangladesh and in Sri Lanka.

Raise new capital and ramp up EM expansion.

Number of members

594

1,193

3,114

4,291

>5,000

### Key milestones and metrics through 2015



>5,000

Registered Members  
(word-of-mouth)



250

Deals proposed



50

Due diligences



35

Deals completed



\$25M

Raised



12

Countries across  
Africa and Eastern  
Europe

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## Summary

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Remittances globally are large and continuing to grow but diaspora need innovative alternative investment instruments.

*Diaspora bonds* offer *significant* advantages as an alternative to straightforward remittances, like lower costs and better returns targeted at high-impact borrowers.



Why Homestrings are the *Number One* choice when considering a partner to arrange a Diaspora Bond:

- ✓ 5 years of experience and demonstrating “Proof of Concept” (see previous slide)
- ✓ Team of fixed income specialists with niche expertise in handling diaspora, issuers’ needs and pricing EM bonds
- ✓ Unique understanding of mechanics of Diaspora Bonds; including knowledge of which sovereign issuers are best suited to issue bonds and what the yield / pricing / tenor should be
- ✓ Homestrings unique culture of identifying appropriate issuers and the investment community