



Connecting to Diaspora Communities Through Web Portals: Opportunities and Limitations

Presentation Session

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Male:

Hi. Good morning. My name is Yvon Resplandy. I'm a diaspora advisor at USAID. We're going to talk today about connecting to diaspora community school web proctor.

Everybody knows that diaspora community are very important in the U.S. and worldwide. Everybody knows the numbers. Remittance is in excess of \$350 billion. Philanthropy is around \$39 billion flowing to developing countries. The migrant in the U.S. are, if you count first and second generation, it's in excess of 60 million people.

So the donor community recognize the growing importance of diaspora communities for development. USAID certainly interested in partnering with these diaspora communities.

The problem is to find them because diaspora are very, very diffused. The problem is to identify them, to communicate with them, to connect with them. In this time of technology web proctors are maybe not the panacea, but certainly a tool.

The problem for us as a development agency is to assess how good are the proctors, how effective are the proctors to reach out to the diaspora. So what we going to do today is to talk about two existing proctors. There are plenty.

I'm sure everybody has heard about Kiva, Fonkoze, U.S.A. Giving. Some of you may also have heard about Give to Colombia and I'm sure nobody has heard about Iraq Partnership which was the USAID proctor created in 2005 and didn't go anywhere so it was cancelled, but _____ that time. So people have tried to develop -- it's true. It does exist. People have tried to develop proctors with various degrees of successes.

Today we going to talk about two of those proctors. One is called Homestrings and it was developed by Vincent Guichard who is the CEO, President, Founder of Gravitas Capital and has worked with the World Bank for a number of years and who has been on his own. He's a kind of serial entrepreneur. He has started several companies all targeting at investment. Homestrings, the website that we going to discuss today is focusing on providing opportunities for diaspora to invest in developing countries.

The second website that we will discuss today is called Africa Rural Connect, ARC. It's focusing on philanthropy, mentoring, volunteerism and not so much investment, but _____ human capital rather than financial capital. The second presentation is going to be made by Molly Mattessich who is from the Peace Corps Association, or she was because starting on the first of the month she moved to Vega I believe.

So following this presentation of each website we will discuss about the effectiveness of such a website to reach out to the diaspora and to engage the diaspora in development. So we going to start with Molly.

Female:

Good morning everyone. Is the sound okay? Great. Well I'm delighted to be here this morning to tell you about Africa Rural Connect, which as Yvon mentioned, is a project that I've been working on for about the past four years up until three weeks ago, but my colleagues are sitting here as well and they're excited because this has really been a great project for us.

The premise behind Africa Rural Connect is to find answers to Africa's greatest rural agricultural challenges by listening to the African farmers and those who are closest to them.

It was started by the National Peace Corps Association, which is the nation's leading non-profit organization supporting and championing through a term Peace Corps volunteer community.

I was a Peace Corps volunteer in Mali over ten years ago and got to see firsthand what it was like to live with and collaborate with and learn from rural farmers.

So where are we now. I don't necessarily have to go into detail with this group, but you know that we're falling short of our millennium development goals. We have two billion around the world living on less than \$2.00 a day and despite our best intentions, billions of dollars of development efforts are not making lasting improvements in the lives of the poor.

So the National Peace Corps Association started thinking about this. Last year we celebrated the 50th anniversary of the Peace Corps and we knew that we wanted to provide ways for the return piece for a volunteer community to use their skills and experiences to actually continue making an impact. So Africa Rural Connect was one way that we decided to do that.

A couple of years ago a few of us were discussing what can the National Peace Corps Association do to make a contribution to the food security crisis happening in Africa. Our approach was to think about ways to connect African farmers, the African diaspora and the Peace Corps community together and encourage them to collaborate with each other to formulate agri-business plans.

As Yvon mentioned, as many of you may know, the African diaspora is a wealth of information and they're often very interested in participating in

efforts that benefit their home countries. So we thought let's utilize the relationships that we created as Peace Corps volunteers and beyond the Peace Corps to connect with the African diaspora and to continue connecting with rural farmers.

An overview of Africa Rural Connect. It encourages collaboration, idea sharing and resource sharing among the communities that I just mentioned, those who have lived in or are currently living in Africa.

It focuses on small holder farmers, especially women because we believe that that's where we can make the biggest impacts. Again, it connects small holders, diaspora, Peace Corps volunteers, NGOs and other partner organizations who may be interested in implementing some of the ideas.

We decided to focus the site on reducing post-harvest losses, water shortages, communications challenges and helping people to grow their agri-businesses.

I'm sure you're all thinking crowd sourcing. That's a great idea. Let's just pull a bunch of ideas together. Crowd sourcing is a good idea if all you want to do is get someone to do your work for free, which we don't necessarily want to do. So Africa Rural Connect is not crowd sourcing.

We like to think of it as crowd surfing. It's kind of a win-win situation where everybody who participates can benefit from the site. A lot of the projects on the site are already being implemented. They've been started.

They're just looking for support to continue or to scale and so what Africa Rural Connect does is offers them a way to amplify their efforts, get in front of other partners who may be interested, including members of the African diaspora and scale those ideas. The best ideas are endorsed by the community, rise to the top and it's really a way for everybody to benefit who participates.

On Africa Rural Connect you can search for ideas that are of interest to you, you can offer your own ideas, remix ideas, endorse ideas and pledge for different ideas.

On the site we typically run one to two contests per year, which has been a great way to encourage people to get their friends involved, post ideas and really work towards winning one of the contest prizes.

What we do is offer the community the chance to endorse the best ideas. We take the top ten ideas and then send those to a panel of three judges who then selects a winner. So that gives you a sense of what we do to find

the best ideas, but even if you don't win the contest there's still ways to put your ideas in front of others.

On Africa Rural Connect you can look for ideas that may be of interest to you, as I mentioned. This is the typical browse ideas page. Now we selected the categories of agri-business, communication, post-harvest losses and water resources just as a way to focus this particular website. However, those can be changed. They can be manipulated to pertain to other sectors of development that may be of interest to some individuals or a company. It's just a way for us to help people focus.

You can see on this site, you can see every idea, number of comments that it has on it, its endorsements and the hours that have been pledged to it.

This is what an idea page looks like. You can see the countries where this person suggests that the ideas can be implemented. You can see an approximate budget and also a summary of the ideas.

By popular demand we added to this site a pledge button so that people who are interested in giving either time or money to an idea can pledge that amount and then be in touch with the person through a private messaging feature on the site. So everybody can see who pledges to their idea. No transactions are done on the site itself, but this is just a way to get people communicating and talking to each other.

What really makes Africa Rural Connect is again this remix feature. It's our way of helping people to collaborate with each other. By remixing an idea I mean that you can take an idea that you see working in Ghana and adapt it to a project that's happening in Tanzania or if someone posts an idea that is missing a budget or marketing resources, someone else can take that idea, hit the remix button and add in the budget. An Excel spreadsheet for example. A PDF. They can add photos. So every idea can be added onto, built out and adapted for any type of situation.

There's a timeline so that all of the changes that are made for each idea are saved and nothing is lost. That goes back to the whole crowd surfing idea. Everybody's ideas are important. You can see on this timeline which iteration of the idea is most popular based on the number of endorsements, the number of comments it received, the number of pledges that it received. So essentially nothing is lost and this is a really kind of neat work space that's present for every idea.

I didn't mention that every person who logs into the website has their own personal dashboard. So if you log in you can see a work space where it will tell you which ideas you've added, commented on, remixed so you

can keep track of your own work and your own documents that you've uploaded, et cetera.

So who's participating on Africa Rural Connect? Over 20,000 people have created profiles on the site from over 140 countries around the world. About a third of those individuals designate themselves as members of the African diaspora. About a third are living on the continent in Africa and another third simply designate themselves as entrepreneurs, NGO workers, development workers or academics who are interested in developing ideas for Africa and implementing them on the ground.

Here's just a visual representation of who's connecting on the site.

Now, when you look at this picture I'm sure that you see a family of chickens. What I see is a teenager living in Uganda who posted an idea about wanting an investment so that he could raise this family of chickens. His idea was that if I raise the family of chickens I'll give a couple chickens to my neighbor and then he'll be able to raise some chickens and then give a couple to his neighbor and she'll be able to raise some chickens and so on and so forth.

A member of the African diaspora from Cameroon who also happens to be 20 something was living in Paris at the time and saw this idea on Africa Rural Connect and decided to be in touch with the Ugandan and now they're working together and he's actually invested in the idea. They are building this idea in this village and they're looking to expand it to other villages.

So this idea did not win a prize on the contest. It was simply found through a search that members of the African diaspora was doing. He was looking to invest somewhere on the continent and found an idea in another country not where he was from to invest in.

So what we do on Africa Rural. A lot of what we do is amplify the ideas so that the Cameroonian could find the Ugandan. We have been posting these stories, these ideas all over the news. The media has been actually really interested in the stories coming from Africa Rural Connect and the collaboration that's happening on the site.

We've had stories in the *Washington Post*, several interviews on *Voice of America* and stories in *U.S. News and World Report* just to name a few. So it's part of our effort to amplify those efforts.

One more example of someone who posted on the site and it really made an impact on him. I went to visit Monturo Kuruku who's living just outside of Nairobi because he had won third prize in an idea contest. He

said that winning has completely transformed his organization from a little unknown Nanyuki based charitable organization to a now recognizable name all across the world simply because he shared his idea on Africa Rural Connect.

This irrigation jug is a testament to the partnerships that Monturo was able to create from posting on the site. Now the schoolhouse that's behind this irrigation jug, the kids at the schoolhouse have water year round and they are able to irrigate their garden and eat vegetables year round simply because of how he used the site to be in touch with others and form those partnerships.

So, in closing, I come to agricultural events a lot. I come to USAID. I've talked to people about diaspora and a lot of the same questions continue to come up. I continue to hear them. People ask how can we share documents and plans with other NGOs around the world, for example. I tell them Africa Rural Connect.

They ask how do we connect with the African diaspora and rural farmers. Once again, I tell them Africa Rural Connect.

Finally they ask how do we find ideas to scale and to implement on the ground and I tell them, "Check out Africa Rural Connect." There's a trend here.

All that being said, if you are interested in Africa Rural Connect, if there's a sector or a country in which you think it could be useful, if there's diaspora you're trying to reach or target, I definitely hope that you will be in touch because who knows. Maybe you or your company can help to find and build out the next big idea. Thanks. *[Applause]*

Male:

Thank you. Thank you for having me. Before I start I just want to contextualize Homestrings and how we got to Homestrings by giving you a brief background on who I am and how this idea came about.

My father is from Guinea, Conakry in West Africa. My mother is from Brooklyn, New York. I was born in Brooklyn, but grew up in Guinea and Senegal. Spent 20 years in West Africa and then subsequently came back to the U.S. to finish my education.

As Yvon mentioned, I worked at the World Bank for six years in the finance complex and then subsequently setup a boutique asset management company based in D.C. that manages assets for sovereigns in Africa and in the Caribbean. We do consulting and direct asset management for assets of slightly above a billion dollars.

The Homestrings concept grew specifically out of my personal frustration of waking up every morning, reading the *Wall Street Journal* and the *Financial Times* and looking at all these investment opportunities. This very high performing continent that was breaking records, changing perceptions, forcing the economists to eat their words from ten years ago and figured is there a way for me as an individual, as a professional to participate in this growth story.

By talking to my colleagues, I ultimately figured out that I wasn't the only one with that frustration. It was really a structural impediment to individuals like myself to participate in the African growth story and in the emerging market growth story in general. So Asia and Latin America.

So from that frustration this idea of developing a platform that is easily accessible by diaspora of all ilk to identify opportunities in their home country and also investment opportunities came about.

So what I've done is talk more about the nuts and bolts and if there are any questions about the mechanics of the website, I can go over those in particular.

What I want to talk about specifically is obviously the opportunities, but also limitations because there are limitations specifically in what we're trying to achieve, which is to get people to invest. There is a transactional component to it and more importantly, there is a financial element to it which is of a different dynamic than simply social networking.

So just to go over the facts and as Yvon mentioned at the opening, these have now become conventional wisdom. They weren't about six months ago, but there are about 450 billion -- well, depending on who you speak to, between 350 billion and 450 billion in remittance flows. These are official remittance flows that can be traced. There are obviously some unofficial flows that we can't account for. My good friend, Dillard Brafa at the World Bank will tell you that.

So these flow from the west to the emerging markets. Of those flows about \$40 billion is accounted for Africa. That's a very significant number. One, because of the nature of those flows. They are counter-cyclical, that's one. Number two, they grow at a much significantly higher rate than the average GDP growth in the west.

More importantly, the World Bank has been able to pin down that up to 25 percent of these flows specifically to Africa is actually looking for investment opportunity. So the conventional wisdom was that the bulk of these flows were basically sustenance financing, school fees, medicines. The reality now, according to the World Bank and I'm glad that they've

joined the mainstream, is that a significant component of these assets of these flows is actually looking for investment. Those investments could be writ large. So SME investments and the like.

Now as a matter of perspective, \$10 billion a year compared to the bank's entire portfolio of \$10 billion and China's reported investment in Africa of \$9 billion is quite significant. That in and of itself is a significant impetus to find a way to channel portions of these assets into the productive sector. That is a challenge that a little small company like Homestrings is actually trying to achieve. Obviously not alone, but we're trying to galvanize the discussion in that direction.

So one of the key elements to our hypothesis and subsequent business plan is based on work done by USAID in conjunction with George Washington University and Western Union in terms of identifying what motivated U.S. based Africans are looking at in terms of investments. What are their motivations. What are their interests. What you find is that in terms of asset classes, it is fairly broad and also very, very high.

So it ranges from obviously personal real estate investments for future retirement to more active investment seeking returns and into more conventional investments, such as listed equities, bonds and mutual funds. You'll see that the numbers are fairly interesting.

Now the chart in of itself is interesting, but for us what was even more interesting was the contrast between this, which is their investment interests and the second chart, which is their actual investment activity, i.e., what they're able to achieve.

Simply just set aside the numbers, simply looking at the shape of the chart between what they're trying to achieve and what they're able to achieve definitely identifies a structural impediment, i.e., there is something there that prevents them to do exactly what they want to do.

So we set out to figure out what that was. There are a number of reasons. One, obviously there is something I'll talk about in a little bit more depth, the regulatory regime in each country in which the diaspora live, but more importantly the infrastructure. The infrastructure to access investment opportunities is also a key impediment. That's one of the major issues that we set out to resolve.

So, one of the key findings in terms of what motivates the diaspora specifically in the case of Africa on which we based the design of the Homestrings platform was one contrary to conventional wisdom, there is an interest in financial return. Yes, there is obviously the desire and the need to support families back home, but with respect to the investment

motivation, financial return is number one. That is fairly consistent. I just came back from China and Vietnam and the diaspora there is also looking for investment return.

Number two, clearly the emotional element which I talked about. Number three, which was surprising to us, the social status. So the recognition for having contributed to investment back home is an interesting element which we hadn't anticipated, but for which we're catering for on Homestrings.

Last but not least is the voice mechanism, the ability to be heard by policy makers both here and back home. In that particular case, we've left that to the social media aspect.

The other key finding that we thought was very interesting, which also motivated the context in which we would provide our proposition was how frequently are African diaspora in touch with their relatives and how do they get their information and more importantly, what tools do they use.

What's important to us in that chart is the last bar is that they actually use the web. Close to 80 percent of the respondents to this study say that they use the web to identify investment opportunities and to also stay in touch with their relatives. That to us meant that whatever we were to offer had to be a web-based proposition.

So, what are the implications. As I mentioned before, social networking is an easy thing to do because it doesn't require more than a person's time and interest. Once you move into the realm of financial commitments, then you really have to meet certain standards that diaspora expect.

So, there are predisposed, obviously, as the charts show, to making investments, but you have to meet the credibility test, you have to meet the transparency test, you have to have a professional disposition in interacting with them and you obviously have to be customer oriented, i.e., you have to be responsive to their requirements.

This is no different from any other financial services provider in the U.S. for _____, whether it was Vanguard, Fidelity and how they cater to their clients online.

That's extremely important because we didn't want to create any daylight between how western solutions provide services to their clientele and how in this case Africans receive services of similar content.

As I mentioned, again, the challenges are many. Just taking each one individually on the credibility side, clearly there is the regulatory regime, the SEC in the U.S., Security and Exchange Commission in the U.S. that regulates financial activity and transactions, the FSA, Financial Services Authority in the UK, and some of the others have certain requirements and certain rules of conduct and certain qualifications on the side of the investor that limits, if not well thought out, can limit your activity in catering to your target audience and I can get into a little bit more detail about that.

Clearly having professional staff who are qualified, registered representatives of the various regulatory authorities is very important. You have to have a track record. You have to have managed assets before or have had provided investment advice before and carrying that to this proposition.

Then for, and this is extremely important because this is a demarcation line between what we offer and what everybody else offers or might be offering and that is the way you go about structuring the investment opportunities to cater to, one, the risk profile of the investors, two, their desire for returns and then, three, risk mitigation elements.

Then last but not least, peer review. We found that peer review is extremely important. What a person says about a book in Amazon apparently influences a lot more people than the author's own commentary about his book. So we figured that that would be extremely important to have someone from Guinea comment on an aluminum smelter investment, especially if that person is an expert in that field, that will carry significant weight no matter what we say on our fact sheet.

In terms of transparency, again, here the existing propositions in terms of investment suggest that those who are charged with providing the investment opportunity have all the wisdom. This is what I call the Father Knows Best approach.

Our approach was to simply flip that on its head and say we believe that if given all the tools and provided with the opportunity to learn that the members of the diaspora can figure out whether one investment or the other is something that they want to get involved with. So we have focused specifically on providing the same kinds of due diligence tools that institutional investors require to assess an investment. We've provided those to the diaspora.

So it includes for each investment opportunity, the World Bank's country strategy reports, the IMS Article 4, the doing business report from the IFC, our own legal assessment of the deal, our operational assessment of the

transaction and then various other pieces of information that they can use in addition to peer review.

Last but not least, so our infrastructure partners, i.e., who execute the various components of the transaction because this is a transactionally-led platform. So we have a custodian, a separate entity from us. We have legal counsel, separate entity from us. We have an administrator of the platform, separate entity from us. We have a trustee, separate entity from us. Each of them coalescing into a single multi-faceted set of service to the diaspora.

We think that that division of labor provides the kind of stability, the kind of growing concern aspects that our target audience feels comfortable with.

Then there's obviously the professional element, which I talked about a little bit. One, again, our view is that you need to provide institutional level service to individual investor. That means that that's the highest level of quality of service you can provide.

So we are considering each one of our investors as an institutional investor. So they receive the same kind of respect that an institutional investor such as the World Bank, IFC, _____, others would receive when proposals are met. If people don't meet that threshold of quality and consideration, then their proposition basically doesn't make it through the vetting process on the platform.

Number two is being responsive. So we have this rule of trying to respond within 48 hours to any request made on the platform.

Number three, the accreditations. I talked about it a little bit earlier.

Then the structural soundness. This is both on the technology side, i.e. the use of Amazon's backbone, the use of Sales Force and other service platforms come into play here.

Last but not least is the institutional support. So as I mentioned, my background is in institutional asset management. We've been very successful in bringing our institutional clients to take a look at the platform. They have validated this by actually participating in the platform. So we have the diaspora, institutional investors who are participating on the platform. That gives us significant credibility in the eyes of individual investors who also are looking at this platform proposition.

Last but not least, the customer orientation. We're very, very gingerly moving towards a private banking service type. So if you've ever dealt with JP Morgan or with Barclay's, the private banking arm, multi-faceted services, I think we're moving into that space where we're looking at each individual in a very holistic way.

What is it that they're looking for in terms of pension investments, in terms of education financing and the rest. Then proposing a set of investment opportunities that relate to their investments back home. So infrastructure, power, healthcare, toll roads and the like.

Last but not least, tailoring, as I mentioned before, tailoring new products and I can go into the details of that.

So some of the updates. We launched the site officially in August of last year. We began investing in February of this year. We're closing on \$25 million of investments so far and we're targeting about 100 million same time next year. Over the next 3 years we're going to be targeting about 300,000 members of the Homestrings platform and that's specifically for Africa. We intend to roll the same proposition out for Asia and for Latin America over the next five years.

There's this issue of institutional investors versus individual investor. We think that there's a symbiosis between those two. They feed on each other.

In terms of what has been very successful in the platform, infrastructure bonds have been extremely successful. We think in part because there's a natural convergence. One, there's an obvious impacts on the economics of the country. Number two, bonds tend to pay semi-annual coupons. So there's a cash flow encouragement there that they receive every six months. We've listed Kenya's infrastructure bond, some bonds from Nigeria, Ghana and Mozambique.

Then on the public financing side, in order to provide more liquidity we've offered short term instruments offered up by the government of Kodiwa, Congo, Uganda, as well as Nigeria.

We're working on several deals in the healthcare. I can talk about the financing of a clinic in Nigeria. In housing we're working with a Kenyan housing developer to provide both the ability to finance a housing project, but also purchase units for investment purposes via the platform.

In agri-business we're looking at working with a mechanized farm that got a huge contract from one of the fast food companies in the U.S. to distribute fast food in Arica.

In mining, we just recently done a deal in Chad, in Mozambique dealing with and in Zambia, dealing with copper, nickel and oil.

Next step for us is to increase the average registration rates. We're looking at about 100 a month so far and then to grow our book of opportunities. We currently have private equity funds specifically for non-U.S. It's a fairly arcane rule that prevents U.S. based investors from investing in offshore funds. They can invest in funds that invest directly, but not funds that invest in funds. Has something to do with the SEC's distinction between those two.

More diaspora bonds, financing both sovereign programs, but also private programs. So we're working in this case, I can divulge this, we're working with Renaissance Capital that has worked with municipalities in West Africa and in East Africa to develop urbanization plans.

So key in hand that includes roads, commercial real estate, residential real estate, public utilities and the rest. We work with them to structure the financing of each one of those components using intermediate fixed income notes. The demand for that so far has been significant. So we think we're going to be very successful in that.

On housing fronts, again, the ability to invest, as I mentioned before, but also the ability to lend. So we have a proposition with USAID to help us build our lending platform where people can actually lend directly to a project using the aggregation facilities of the platform.

Last but not least, an increasing number of private deals that we are going to be vetting and structuring and listing on the platform.

Just one more limit here. One of the key limitations that we faced in terms of opportunities is how do you invest in one of the most important targeted investments and that's small and medium sized enterprises. For us the challenge there is on the one hand, the failure rate of SMEs specifically for start-ups is significantly high and therefore, the impact on the brand, on the Homestrings brand could be devastating.

So we have three or four approaches that we're looking at and I can go into those if you have any questions.

So in conclusion, significant opportunity to cater to the diaspora via web-based platform. The challenges I mentioned before, one, regulatory. We've resolved that and that's also a moving target, especially in the U.S. and I can go into that.

Number two, the cost of putting in place the infrastructure tools. As a start-up we've invested significantly and then we were only able to do so because we have Gravitas Capital advisors as a main sponsor of the platform.

Number three, some day we're going to be uploading soon our educational tools. We're going to be doing that on the plug-and-play basis. So using existing educational tools and bringing those on board.

Then last but not least, the credibility of the deal pipeline. Who are you working with. Are they sovereigns, multi-laterals. What is the quality of the guarantees if any. What are the prospects of returns and the rest.

So, we've achieved significant success in a very short period of time, but we've also had failures and I'm glad to talk about those as well. Thank you. *[Applause]*