Connecting to Diaspora Communities Through Web Portals: Opportunities and Limitations

Q & A Session

October 23, 2012

Eric-Vincent Guichard
Homestings

Molly Mattessich
VEGA Alliance

Sponsor
United States Agency for International Development
Male: Thank you so much. I guess we're going to ask a few questions ______ the African audience. As we have seen, the two websites are very different in the approach in the philosophy and the attitude and the activity of the websites are very, very different.

I'm going to ask the first question to Molly. I am interested in what type of traffic do you have on the website? How do you advertise the website? How do you inform the diaspora about the services which are available on the website and what is the response? What is the traffic on the website?

Once there is traffic how does it transform into connection on the ground because in order to be effective, there needs to be ______ of these ideas on the ground. So how many of these ideas are really implemented? How many connections beyond the traffic on the website really take place after the website?

Female: That's a great question. First of all, we advertise the website in a lot of different ways. I mentioned that we utilize our Peace Corps connections, which was all part of the hypothesis to really connect with the diasporas. Using Peace Corps connections on the ground as well as when Peace Corps volunteers have returned from service, they maintain some of those connections. They're working and they have relationships in a lot of different diaspora communities. So that's one way.

We've really been utilizing a lot of online channels; LinkedIn, Facebook, Twitter to connect with diaspora online, as well as getting the pushes in media so that people are finding out about the site.

We know that it's not necessarily going to reach everybody in Africa, for example, who doesn't have internet access, but we think we've done a really good job reaching the people who do have internet access in their villages and again, reaching the diaspora.

In terms of the ideas that are being implemented on the ground, I mentioned the chicken story. I actually found out about that from a tweet. I happened to see someone say, the Cameroonian say, "I just invested in an idea that I found on @ideasforafrica."

I saw this tweet and I immediately called him and said, "Hey, did you find that idea on our site? What's happening? How did you find it? What's the story here?" I think that that's happening a lot more than gets tweeted about or gets written about or reported on.

So in terms of numbers of ideas that are being implemented on the ground, I don't have a hard and fast number, but I can only imagine that it is happening. I've had people e-mail me and say, "I found someone who's
interested in this topic and I never knew that someone else would be interested in it, but I found them on Africa Rural Connect." So the connections are happening on the site.

In terms of traffic, I would say according to our analytics, a couple hundred people a day come to the site and are interacting on it. A lot of them are return visitors. It's probably about 50/50 returning and new visitors on the site. So, again, a lot is happening there without us even necessarily knowing.

**Female:** Hi. I'm Nina Romandeli. I had a question for Molly. First of all, thank you both. I enjoyed very much this discussion.

With respect to the projects, do you have a mechanism in place to do due diligence on them, to review them and to actually keep metrics on them?

**Female:** Sure, thank you. The question was about checking in on the projects and keeping metrics on the projects. We do reach out to the people who have won the contests. So we've had about 50 winners of contests of first, second and third prize since we've started the website.

I didn't mention they win cash prizes to help implement the ideas. So, the ideas for which we have given investments, we do check in on via e-mail, Skype, phone just to see where people are. It's been three years. So a lot of the projects have scaled. You can actually read the stories on the website for the projects for which we've invested in. We've followed up. They've submitted photos to us. They've contributed stories to us. So we are following up with them.

Again, the ideas that didn't win the contest and that are happening offline, the investments and the projects being implemented offline we don't necessarily know about, but we're doing our best to find them.

**Female:** We have a question from the webinar. We have about 40 people joining us online. People from El Salvador, Mexico, Germany. So it's a really great international crowd that we have here. We've had a lively discussion and Marcus, who's joining us from Germany from the Keel Institute for the World Economy asks this question for Éric. Molly, you can certainly answer. "Who are the people investing on Homestrings and how long have they been abroad? Why did they leave?" Some information about the demographics.

Kareem who's setting up an internet start-up to enable migrants to fulfill their development potential and address their most pressing needs, asks, "A site like both of yours seems to require considerable start-up funds. If you could talk a little bit about how difficult was it to finance the start-up
phase, are you self-financed or did you receive institutional and financial support before your launch?"

Gesella from the Swiss International Intercorporation, an NGO based in Sweden, Gesella asks, "How is Homestrings different than other investment advisors?"

Male: Great. So the first question and also I wanted to answer your question from our perspective. Who are people who are registering on Homestrings. They are professionals between the ages of 25 -- I think the oldest person we have there is probably 56 who have left on average between 10 and 20 years ago and are working as professionals, i.e., doctors, engineers, lawyers in the UK and soon in the U.S. We also have people who have registered, but we're not allowed to invest in the U.S. until we actually opened up the U.S. platform and then we did that last week.

We capture a lot of data from them. So their average investment portfolio size per annum is about $25,000.00 U.S. The average investment per opportunity ranges between $1,000.00 and $5,000.00. In the case of institutions, that's between $100,000.00 and $250,000.00.

What else is there. So that's basically who we have. It turns out that the same profile -- I went to the Philippines. We're about to launch a pipeline of Filipino investment opportunities there. It turns out that the same targeted investors from the Filipino diaspora have similar profiles out of Canada and particularly in the U.S. as well.

In terms of start-up funds, we lucked out. It is completely self-financed. We basically sold 60 percent of Homestrings equity to Gravitas. Gravitas in return supported Homestrings on a two-year commitment. We are way ahead of that because as I speak now, Homestrings is actually profitable.

How different are we from other financial platforms? I think this is actually going to speak to our U.S. strategy. So in the U.S. what we're doing is we're going to be targeting middle class members of the diaspora. One, because of regulatory reasons, but also because if you look at what is available to the middle class in terms of investment opportunities, it's fairly bland. It's fairly undistinguishable from large investments.

What we're offering are deal based investments that are usually reserved for institutional investors, but now will be available for individuals.

So individuals coming to Homestrings will be able to look at a commercial real estate building being built outside of Nairobi in Tatu City, for example, and know that they can invest a minimum of $1,000.00 to invest
in that particular deal or they'll be able to invest in a bond that finances toll roads in Dakar, the capital of Senegal or they'll be able to invest in a clinic in Nigeria that's going to be serving about 250,000 people.

So, that is the major difference. That allows individuals to take control over their own financial exposure and more importantly, their own impact footprint in their home country, in their home region and on the continent.

Mind you also that the site is not closed to only diaspora. We are actually open to non-diaspora investors who we call interested parties. So we have several of those as well who are on the platform.

To Eve's question, we currently have about, looking at all our social media platform, have about 3,000 members and that's growing, as I mentioned, at about 100 a month.

How do we get our investment opportunities out? So, each deal that is vetted, and again, we have five different steps to vet each deal, each deal that gets it to the Homestrings catalog, there's an e-mail system that's sent out to all of the members letting them know that a new deal has been posted to the catalog, specifically if the deal reflects their preferences.

So if I registered on Homestrings and said I want to see healthcare deals and I happen to as chief investment officer happen to approve a hospital deal in Nigeria, then that person will receive an e-mail saying there's a hospital near Nigeria you may want to take a look at. There's a link. They'll click on the link. They'll go to the fact sheet. They'll register. They'll go to the fact sheet and then on the fact sheet in one place it'll have all the due diligence tools to figure out whether or not they want to invest.

Number two, we also use the same social media mechanism. So Twitter. Whenever we do a deal we announce it on Twitter and we have a link to the deal directly. Whenever we are paying interest, whether we're making an investment on behalf of diaspora, we also tweet that information as well, both on LinkedIn and on Twitter.

We do conferences incessantly. Number two, we also have a media strategy. So we've been covered by the Wall Street Journal, Financial Times International, Herald Tribune and the like.

In terms of movements on the site, in terms of data capture, we use Google Analytics and Amazon Analytics to trace how much time people are spending on what parts of the site. Then we use that as a way of further improving the site.
Female: I just have a quick follow-up to that from Scott Allen joining us from Baltimore, Maryland. He asks if there is a minimum investment for U.S. investors. Similar to that, he asks, "Have you considered adding a component for diaspora members to donate to local development projects and not necessarily as investors?"

Male: On the minimum investment, each deal on the platform has a minimum. So the minimum of the minimums is $1,000.00. That's usually anything that has to do with bonds on the platform. A minimum on the equity side I think is about $2,000.00-$2,500.00 if I'm not mistaken.

So we currently have about 30 deals on the platform. We are studying about ten more deals. We have a total capacity at any one time of 100 deals in the catalog. That's where you have diminishing returns.

The second question was do we have a philanthropic component to the platform. At some stage later on we plan to launch a Homestrings foundation where we will donate a portion of our fees or allow individuals to donate to the foundation and we'll list philanthropic projects that we will invest in.

We may not necessarily handle those philanthropic donations ourselves. We may use a third-party platform to do so. I think Global Giving has a fantastic platform. We might use them as a sub on that.

Male: Tim Rosch, USAID Africa Bureau. Want to echo the Global Giving as a nice parallel, philanthropic site, but my questions were one on the SME question. Whether or not you've considered micro-credit lending institutions or loan guarantee kinds of investments as a way of getting to the SMEs.

The second thing I wanted to know about was how you link with national stock markets and fund exchanges, which investing in the Kenya Stock Exchange you can't do, as far as I can tell, from here, whether or not you would be a vehicle by which one could access national stock exchanges.

I presume the emerging market funds, which you can invest in an Africa fund, for example. I think you answered that in that those were bland and indistinct and trust in the fund managers. Is that correct?

Male: Yeah, that is correct. So, quickly from a general to the particular, we do have funds in the platform. So we do have private equity funds. We have Actis, we have SIEF, we have others that are there. I think what we're trying to do is provide as much diversity as possible in terms of access points.
So you may have individuals who want to have a mitigated access to marketplace. People may not want to distinguish between a Nigerian real estate deal and an Ethiopian real estate deal. In that case they can invest in Actis' continental real estate fund. The returns are fairly interesting; 35 percent _______ rate of return. That's not too bad for doing nothing.

On the other hand, we have this very deep belief that people want control and we have the data to prove that. So we will continue to weigh on individual deal offerings and allowing them to construct their own portfolio.

On the SME side, that's an excellent question. So on one hand, it's very easy to provide a loan to an SME, but that's not very helpful because they're not equipped financial to pay the loan. So equity is extremely important. So the question is how do you provide equity to an SME that has a very high rate of failure.

So one of the things we are looking at is the DCA program within USAID and other multi-laterals to see whether we can mitigate the risk. So in the case of DCA, up to 50 percent of investments not to a single company, but to a basket of companies could be a good way of approaching that. We are looking at that.

One solution that I actually like a lot is where we have an internal vetting. So an SME deal comes to the platform in a synopsis format. We pass the synopsis to all the members who have identified SMEs as something that they want to invest in. They vote yay or nay and suggest how much they want to commit to it. Let's say it's a million dollars in aggregate.

So then we turn around and say, "People really like this deal. Who can we go to to actually do the implementation component because we obviously as a web-based platform, it's not part of our mandate. So we would approach a SIEF, for example, and say, "You are an SME specialist."

Or we would approach a Orios or a Nebrage in this case and say, "You are an SME specialist in the private equity space. We have a million dollars here from our members who are interested in this particular proposition. Can you guys match that and can you guys do your thing, which is to help do capacity building, implementation and the rest of it." If that works out well, then we have a deal and everybody's happy and the incentives are aligned and then we are at the water's edge of our mandate, which is what we want to do.

In terms of the fund exchanges, yes. So the idea is yes, you can through Homestrings have access to local stock markets, but we've gone even beyond that. We've created and are about to roll out a dividend
reinvestment equity index and ask people to have exposure to the best
performing indices stock markets on the region.

Then also within that index, we've actually carved out exposures for each
country. So you can invest in the best performing in terms of dividend
producers in Kenya, in Nigeria, in Egypt. I think we've constrained South
Africa for obvious reasons in the mix.

So the answer is yes that we're going to be offering that in the next few
months.

Male: Maybe two more question and then we need to wrap up.

Male: Hi. Thank you so much for this panel. My name is Tony Yewell with
Enterprise Works of Relief International. I was curious about -- this might
be more towards you, Molly, but directly connecting to SMEs as in
enabling diaspora communities to buy their goods and services for people
on the ground.

So if you have a business that drills wells by hand with local tools, can
someone in the United States or Canada buy a well for their village back
home as opposed to investing in projects or businesses, actually the old-
fashioned way of just buying a good or service.

Female: I think that's a great idea that could be developed on Africa Rural Connect.

Male: It has been developed by other site. I don't remember the name of
_______ --

Female: There are a few sites that do that --

Male: But it does exist where you can buy services and diaspora member in a
developed country, the U.S., Canada or wherever, can purchase the service
for its family back home. So it does exist.

Male: Do you know the name of the ________?

Male: No, I don't remember offhand.

Female: The key about Africa Rural Connect is you can follow-up and work with
those SMEs to collaborate and make sure okay, after you get the well, then
what do you do next. What do you do six months later. To your question,
following up. People can collaborate and make sure that that can happen.

Male: I would like to have the last question since I have the mic. Oh, you have
the mic, too. Go ahead.
Male:  _____ Eric. My name's Ernesto Glutzman. I'm with ________. I'm one of the developers of Africa Rural Connect. I can solve your SME problem right now.

Female:  Your mic's not on.

Male:  Is it off? Is it on? There we go.

Male:  You may want to repeat the first phrase so people can hear it.

Male:  I think I was pretty loud. I can solve your SME problem right now. Why don't you contact Molly Mattessich and do a competition with the particulars that you're looking for, profitable, SMEs, ready for investment and run a competition, sponsor a competition on ARC and use that as your pre-vetting of your vetting process and think about that. Just an idea.

Male:  That's a good one. I guess I will have the last question. The question is for Eric Guichard. You are ________ investment to diaspora advisor and your investment are extremely diversified. You deal with many different countries and many different economic sector.

So the scale required to conduct due diligence are very, very diverse and the risk are very diverse. What type of expenses do you charge on each deal to provide this due diligence in terms of presentation of the investment.

Male:  That's an excellent question.

Male:  Sorry to ask, but we have to.

Male:  No, it's fine. One of my points was transparency. This may be one of our competitive advantages. We have used an investment proposition pricing model. So we charge one percent to the investors and ten percent performance. So the bulk of our fees come from the performance of the underlying investment over time. So that's in terms of the fee.

So with respect to the due diligence cost, the cost is actually zero. The reason why it's zero is that we have and are continuing to build a network of deal vettors who have been given our parameters, our requirements. When they bring deals to us they are essentially pre-packaged arrangements that meet our requirements.

So what we have to do in terms of due diligence is to make sure that our various parameters have actually been met. These institutions that we
have in our network are very, very respected in the industry and very well known as well.

Male: I would like to thank both of you and also our audience for coming here today and being patient enough to be still here. I would like to mention that this webinar will be on the website.

The presentation will also be on the website and under my colleague website. They are on the website along with all the other diaspora seminar that we do from time to time every two months. Something like that on average we have a seminar. So you can see all the ______ cast and please pass the word to your colleagues. Thank you so much for coming.

[Applause]

[End of Audio]