Diaspora: The Next Growth Frontier, & Cytonn Weekly Report #36

Cytonn Weekly

Executive Summary

Fixed Income: Subscriptions on Treasury bills increased to 249.0% compared to an average of 119.7% over the last three months leading to a downward trend in yields with 91-day, 182-day and 364-day papers coming in at 8.1%, 10.9% and 11.1% from 8.3%, 11.1% and 11.5%, respectively. The government is planning to launch a mobile-phone traded bond dubbed ?M-Akiba Bond? with a minimum investable amount of Kshs 3,000;

Equities: During the week, the market registered mixed performance with NASI and NSE 25 declining by 1.9% and 1.2%, respectively, while NSE 20 edged up 0.6%. Liberty Holdings released their H1'2016 results posting a 15.4% decline in core earnings per share to Kshs 0.7 from Kshs 0.8 in H1'2015;

Private Equity: Financial Services sector continued to witness increased private equity activity in Africa driven by fundraising activities as Development Partners International invested USD 100.0 mn in Atlantic Business International, while African Capital Alliance managed to fund raise USD 570.0 mn;

Real Estate: Murang?a County Government offers real estate developers tax holidays in a bid to boost real estate development in the county;

Focus of the week: We examine the progress made so far in supporting the needs of the Diaspora and recommend ways to increase Diaspora participation and contribution towards Kenya?s economic growth.

Company Update

- Rose Kimotho has joined the Board of Directors of Cytonn Investments Management Limited. Ms. Kimotho is the Managing Director and Founder of Three Stones Limited, the company that operates 3 Stones TV and the first free-to-air digital television channel broadcasting in Kikuyu-language. Prior to launching Three Stones Ltd., Rose founded and was the Managing Director of Regional Reach Limited, a company that launched Kameme FM in 1999 and K24 television channel in 2007. She has also previously worked for Nairobi Times, Ogilvy & Mather and McCann-Erickson (K) Ltd. Having served on various boards, Rose Kimotho brings to the Board over 20 years? experience in media, communication and advertising. She has served as Chairperson of the Marketing Society of Kenya, the Media Owners Association and former Chief Trade Judge at Nairobi International Show. For more information, see her profile on this link: The Board at Cytonn
- Our annual 6-week US Diaspora Road Show continues, where we are meeting and interacting with investors across several states. Join the team for a presentation and Q&A session on available

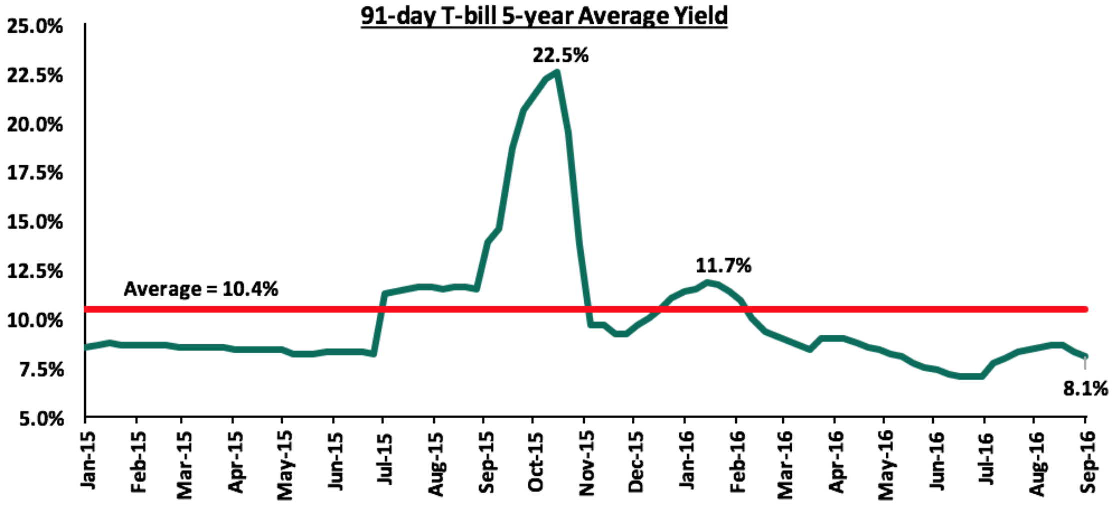
investment opportunities in Kenya for the Diaspora community. Find out where we will be next here and register: The US Diaspora Road Show

- We are currently carrying out a survey on the hospitality industry in Kenya for a report we are working on that will help us in understanding the consumer?s needs, tastes and preferences. Kindly assist us by filling out this questionnaire: Hospitality Survey
- We are coming up with a quarterly newsletter ? **Sharp Cents**, which seeks to inform the market about different trends in the market. The next quarter?s edition is themed ***?Alternative Investments ? The Next Frontier?***. We invite you to share with us content (700 -1,000 words) in line with the above theme and we shall be awarding the winning article(s) of the quarter. Please send in your articles to communications@cytonn.com by 16th September 2016
- During the week, we released our First Half 2016 Kenya Listed Banks Report. For details on the report, please see the link: Cytonn H1?2016 Banking Report
- To invest in any of our current or upcoming real estate projects, please visit **Cytonn Real Estate**. We continue to see very strong interest in our products, particularly The Alma, which is now 50% sold and has delivered an annualized return of 55% p.a. for investors who bought off-plan. We have 12 investment ready projects, offering attractive development returns and buyer's returns of a minimum of 25% p.a. See further details here: **Summary of investment ready projects**
- The latest development in the market is Taraji Heights, for more information on the development, see: Cytonn Weekly #33
- Cytonn Technologies, the technology affiliate of Cytonn Investments Management Limited, is seeking a dynamic **Business Manager** to formulate and execute its strategy, build and retain client relationships in the technology industry, manage current client accounts to maximize revenue and identify emerging opportunities to bring in new business through a variety of lead generation activities. For more details and application, please visit the link: **Cytonn Technologies Business Manager**
- Our Senior Investment Analyst, Duncan Lumwamu, discussed Coca-Cola and EABL?s new tax burden, and the EAC trade pact stalemate on CNBC Africa. See the Link: Duncan on CNBC
- We continue to beef up the team with several ongoing hires: **Careers at Cytonn**.

Fixed Income

During the week, T-bills were oversubscribed with overall subscription increasing to 249.0%, compared to 202.3% recorded the previous week. Subscription rates increased across all tenors with the 91-day, 182-day, and 364-day papers coming in at 274.3%, 182.0% and 299.1%, from 199.7%, 153.1% and 253.1%, respectively, the previous week. The oversubscription is attributed to investors rushing to lock in the high yields given the expected low-interest rate environment now that the Central Bank of Kenya (CBK) is urging commercial banks to adhere to the signed Banking Act (Amendment) Bill, 2015. From the subscriptions, it appears that investors are not too clear on the direction of interest rates as both the short-term and the long-term T-bills recorded almost same level of subscription. Yields declined across all tenors with the 91, 182 and 364-day papers decreasing to 8.1%, 10.9% and 11.1% from 8.3%, 11.1%, and 11.5%, respectively, the previous week.

The 91-day T-bill is currently trading below its 5-year average of 10.4%. The downward trend for the 91-day paper had reversed over the last 6 weeks and we had seen a 158.2 bps increase. However, following the signing of the Banking Act (Amendment) Bill, 2015 into law, and the expectation of a fall in interest rates, the rates are now on a downward trend.

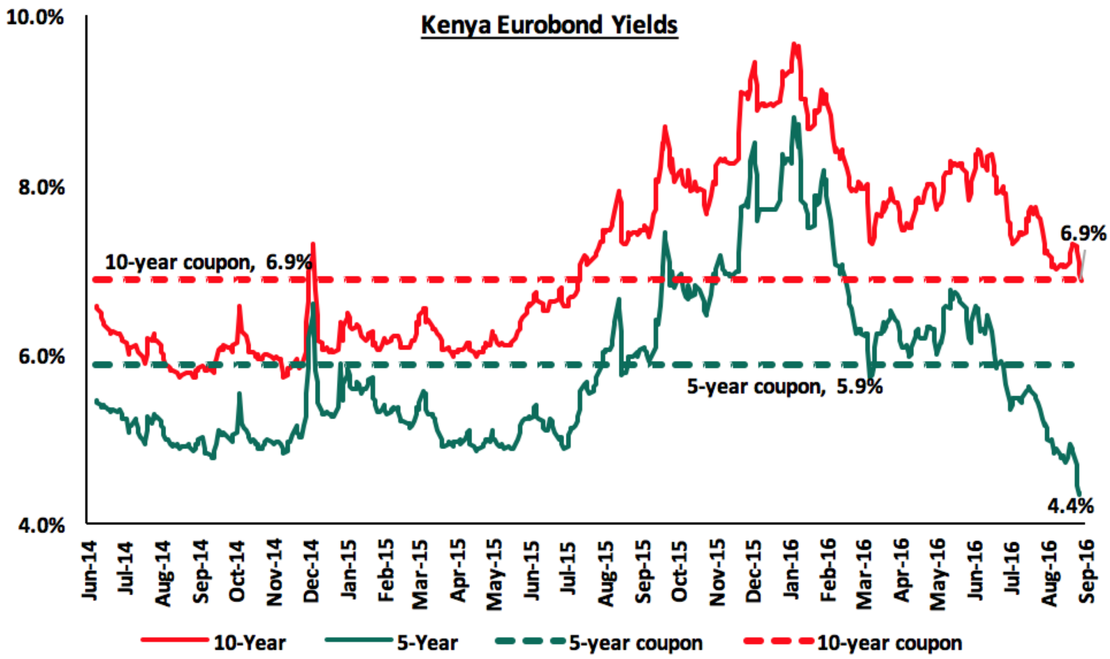


The Central Bank Weekly report revealed that the interbank rate declined by 140 bps to 4.0% from 5.4% the previous week, despite liquidity injections being matched by liquidity withdrawals. As highlighted in our **Cytonn Weekly Report #28** the interbank rate is often determined by the liquidity distributions within the banking sector as opposed to the net liquidity position in the interbank market. Reverse repo purchases during the week stood at Kshs 10.0 bn, an indication that some banks still cannot access liquidity from the their peers, and as such resolve to get the same from the CBK. The reverse repo rate is expensive at 10.5% compared to the interbank rate of 5.4%, a clear indication that the said banks still have liquidity pressures and therefore have to pay a premium.

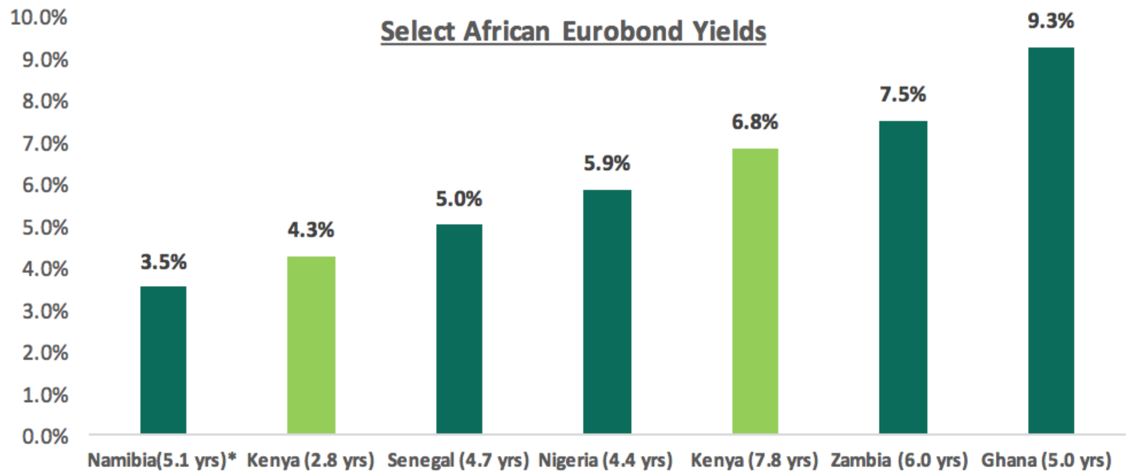
Below is a summary of the money market activity during the week:

all values in Kshs bn, unless stated otherwise			
Weekly Liquidity Position - Kenya			
Liquidity Injection		**Liquidity Reduction**	
Term Auction Deposit Maturities	0.0	T-bond sales	0.0
Government Payments	19.6	Transfer from Banks - Taxes	13.6
T-bond Redemptions	0.0	T-bill (Primary issues)	20.7
T-bill Redemptions	12.9	Term Auction Deposit	0.0
T-bond Interest	0.0	Reverse Repo Maturities	16.3
Reverse Repo Purchases	10.1	Repos	0.0
Repos Maturities	8.0		
Total Liquidity Injection	**50.6**	**Total Liquidity Withdrawal**	**50.6**
		Net Liquidity Position	**0.0**

According to Bloomberg, yields on the 5-year and 10-year Eurobonds decreased by 0.5% and 0.4% week on week to 4.4% and 6.9% from 4.9% and 7.3%, respectively the previous week. This is a correction following last week?s increase due to investors reacting negatively after the signing of The Banking Act (Amendment) Bill, 2015. Since the mid ? January 2016 peak, yields on Kenyan Eurobond have declined by 4.4% and 2.8% respectively on account of improving macroeconomic conditions. This is an indication that Kenya remains an attractive investment destination.



Ghana has raised USD 750.0 mn through its 5th Eurobond at a yield of 9.3%, with a weighted average tenor of 5 years, recording more than 5.0x subscription level, indicating the high appetite for Frontier markets securities. This comes exactly one month after the Ghana?s Ministry of Finance postponed the auction due to unfavourable market conditions. The Eurobond yields came in at the same level with the current yield on the secondary market for the Ghana?s Eurobond issued in 2013, which currently has a tenor to maturity of 7years, highlighting that investors in the global markets are demanding premiums to invest in Frontier markets securities. This explains why Kenya also recently postponed any external borrowing programme to Q4?2016 citing high cost of borrowing in the global markets. The chart below shows 5 year Eurobonds issued by African countries and their yields:



Source: Bloomberg

The Kenya Shilling was stable against the dollar at Kshs 101.3, on account of foreign inflows from the horticulture industry that were matched by dollar demand from retail importers and international market traders. On a year to date basis, the shilling has appreciated by 1.0% against the dollar. Despite the expected pressure due to both local and international uncertainties, we expect the shilling to remain stable since Central Bank can utilize the foreign exchange reserves, which currently stands at 5.2 months of import cover, to support the currency in case of adverse forex market movement.

According to the Treasury Cabinet Secretary, the government is planning to launch a mobile-phone traded bond dubbed ?M-Akiba Bond? which had been postponed in October 2015. The operators for the M-Akiba Bond platform will be: (i) the Nairobi Securities Exchange (NSE), (ii) the Central Depository and Settlement Corporation (CDSC), (iii) the Central Bank of Kenya (CBK), and (iv) a selected mobile service provider. With the minimum investible amount set at Kshs 3,000 and the maximum daily bid amount set at Kshs 140,000, a larger number of investors will be able to participate in investments in government securities, thus putting pressure on banks as investors will prefer government securities whose yields are currently higher than deposit rates offered by banks, and even higher than the cap-introduced deposit rate of 70.0% of the base rate, currently equal to 6.2% assuming the KBRR is the base or 7.4% assuming the CBR is the base. This will also be a cheaper way of the government to fund its budget and shall have access to a broader set of investors.

The M-Akiba Bond platform presents an unprecedented form of competition for retail and SME-focused banks that they will have to counter before the launch or face a decline in their customer deposits as more people prefer to place their money with the government. However, in our **Cytonn Weekly #42, 2015**, we noted several concerns that the government needed to address before floating such a platform;

- With a minimum subscription amount of Kshs 3,000, the offering is targeted at retail investors, however the government has not put in place plans aimed at educating the public on the offering, and
- The lower end of the market is largely made up of net borrowers seeking capital, so it remains to be seen if the attractive government rates will spur savings.

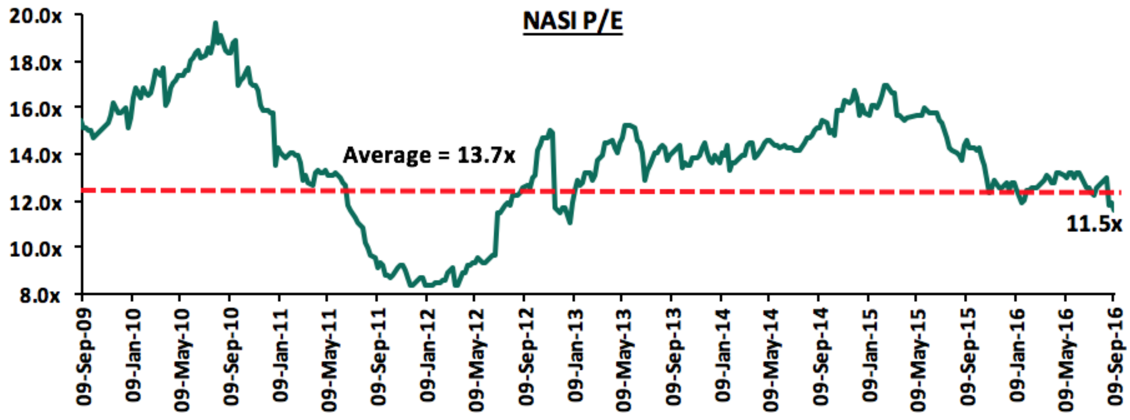
The government is ahead of its domestic borrowing target for this fiscal year, 2016/2017, having borrowed Kshs 98.1 bn for the current fiscal year against a target of Kshs 30.9 bn (assuming a pro-rated borrowing throughout the year of Kshs 229.6 bn budgeted for the full fiscal year). Interest rates, which had reversed trends due to Government borrowing given the new fiscal year, characterized by an uptick in inflation rates and tight liquidity in the money market, are witnessing downward pressure owing to the signing of the Banking Act (Amendment) Bill, 2015. It is due to this that we advise investors to be biased towards short to medium-term papers.

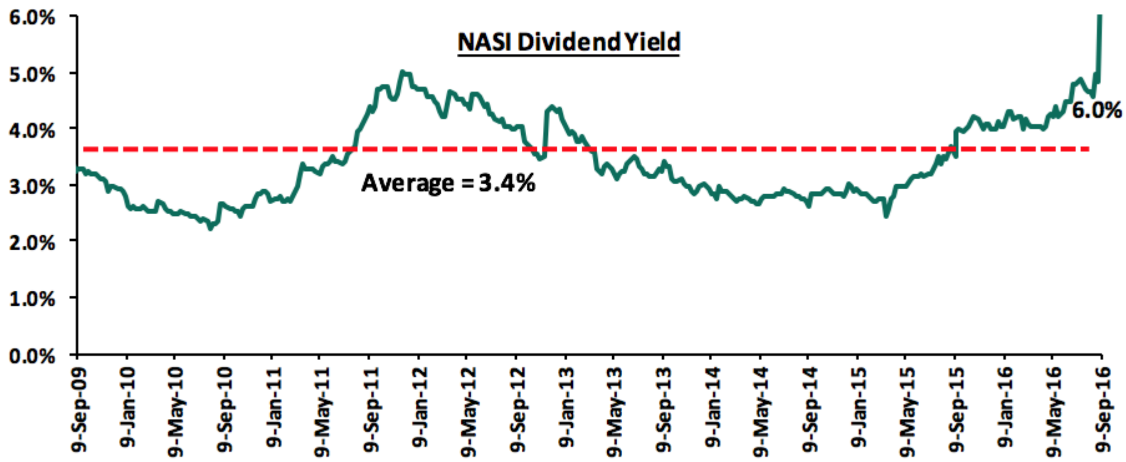
Equities

During the week, the market registered mixed performance with NASI and NSE 25 declining by 1.9% and 1.2%, respectively, while NSE 20 edged up 0.6%, taking their YTD performances to -9.8%, -17.9% and -20.6% for NASI, NSE 25 and NSE 20, respectively. Since the February 2015 peak, the market has lost 41.7% and 25.9% for NSE 20 and NASI, respectively. The week?s performance was driven by declines in select large caps, with Safaricom, EABL and BAT shedding 4.8%, 3.3%, and 1.6%, respectively despite gains in KCB Group and Bamburi which gained 6.6% and 3.8%, respectively.

Equities turnover declined by 36.9% to close the week at Kshs 4.2 bn from Kshs 6.7 bn the previous week. Foreign investors were net buyers with net inflows of USD 2.2 mn, compared to a net outflow of USD 1.2 mn recorded the previous week, with foreign investor participation remaining unchanged w/w at 84.0%. Foreign investor activity during the week was mainly on Safaricom with net inflows of USD 2.8 mn and was the week?s top mover, accounting for 34.7% of the market turnover. We maintain our expectation of strong earnings growth in 2016 compared to 2015, supported by a favourable macroeconomic environment. However, the key risk is the volatility in the banking sector that may depress earnings.

The market is currently trading at a price to earnings ratio of 11.5x, versus a historical average of 13.7x, and a dividend yield of 6.0% versus a historical average of 3.4%. The sharp rise in dividend yield this week was driven by Safaricom?s book closure for the Kshs 0.76 and Kshs 0.68, final and special dividends, respectively on 2nd September, 2016. The charts below indicate the historical PE and dividend yields of the market.





Liberty Holdings released H1?2016 results:

Liberty Holdings released their H1'2016 results posting a 15.4% decline in core earnings per share to Kshs 0.7 from Kshs 0.8 in H1'2015, driven by 19.9% increase in total expenses to Kshs 6.3 bn, which grew faster than the 16.8% growth in total income to Kshs 4.7 bn.

Key highlights for the performance from H1?2015 to H1?2016 include:

- Total revenue grew by 16.8% to Kshs 4.7 bn from Kshs 4.0 bn supported by a 10.1% growth in net earned premiums to Kshs 2.8 bn and a 56.0% increase in investment income to Kshs 1.5 bn from Kshs. 1.0 bn
- Gross written premiums rose by 11.6% to Kshs 4.8 bn from Kshs 4.3 bn on account of moderate uptake of Liberty?s insurance products. Retention ratio decreased to 59.0% from 59.8%
- Investment income rose by 56.0% to Kshs 1.5 bn from Kshs 1.0 bn, as the company took advantage of the high yields in the fixed income market, despite the downturn in the equities market. Investment income currently accounts for 31.3% of the total income, an improvement from 23.8%
- Total expenses grew by 19.9% to Kshs 4.2 bn from Kshs 3.5 bn driven by a 36.9% increase in gross benefits and claims to Kshs 2.1 bn from Kshs 1.5 bn in H1'2015. Excluding claims, operating expenses increased by 13.5% to Kshs 2.1 bn from Kshs 1.9 bn. This led to an increase in the loss ratio to 74.9% from 60.2% in H1'2015
- PBT declined by 4.3% to Kshs 0.49 bn from Kshs 0.51 bn, while PAT declined by 15.4% to Kshs 0.36 bn from Kshs 0.42 bn. The effective tax rate increased to 27.5% from 17.7% in H1?2015

The results came in below our expectations of a 10.0% growth. Faster growth in expenses points to a reduction in efficiency coupled with the increased level of business risk during H1?2016. The outlook for the rest of the year will be influenced by competition in the market place and uncertainty surrounding the impact of change in legislation in the banking sector to the general economy. As we approach the elections, we expect faster growth in political and terrorism covers, which could further drive top line growth. For a more comprehensive analysis, see our Liberty Holdings H1?2016 Earnings Note.

Below is our equities recommendation table. Key changes from our previous recommendation are:

- We have finalised on our coverage of the Listed Kenya Banking Sector. Please find the report here: H1?2016 Banking Sector Report
- Barclays has moved from a ?Lighten? recommendation, with an upside of 3.6% to an ?Accumulate? recommendation with an upside of 14.8%, following a 9.3% w/w price decline

all prices in Kshs unless stated									
EQUITY RECOMMENDATION									
No.	**Company**	**Price as at 02/09/16**	**Price as at 09/09/16**	**w/w Change**	**YTD Change**	**Target Price***	**Dividend Yield**	**Upside/ (Downside)****	**Recommendation**
1.	KCB Group***	26.5	28.3	6.6%	(35.4%)	42.5	7.5%	57.9%	Buy
2.	ARM	28.0	27.3	(2.7%)	(34.7%)	40.3	0.0%	47.9%	Buy
3.	Bamburi Cement	160.0	166.0	3.8%	(5.1%)	231.7	7.8%	47.4%	Buy
4.	Britam	10.4	10.4	(0.5%)	(20.4%)	14.2	2.4%	39.6%	Buy
5.	Co-op Bank	11.5	11.5	0.4%	(36.1%)	15.2	6.8%	39.0%	Buy
6.	Kenya Re	19.9	19.8	(0.8%)	(6.0%)	26.6	3.6%	38.3%	Buy
7.	Equity Group	26.5	26.3	(0.9%)	(34.4%)	34.2	7.7%	38.0%	Buy
8.	Centum	36.3	43.8	20.7%	(5.9%)	56.7	2.4%	32.0%	Buy
9.	HF Group	16.7	16.4	(1.5%)	(26.3%)	19.8	9.2%	29.9%	Buy
10.	Sanlam Kenya	31.5	33.0	4.8%	(45.0%)	42.7	0.0%	29.4%	Buy
11.	DTBK***	141.0	139.0	(1.4%)	(25.7%)	173.2	1.8%	26.4%	Buy
12.	BAT (K)	830.0	817.0	(1.6%)	4.1%	970.8	6.2%	25.0%	Buy
13.	CIC Insurance	4.1	4.0	(2.5%)	(36.3%)	4.7	2.5%	21.5%	Buy
14.	I&M Holdings	82.5	86.5	4.8%	(13.5%)	101.1	3.9%	20.8%	Buy
15.	Barclays	9.7	8.8	(9.3%)	(35.7%)	9.2	9.7%	14.8%	Accumulate
16.	NIC	27.8	27.8	0.0%	(35.8%)	30.8	3.5%	14.5%	Accumulate
17.	Jubilee Insurance	470.0	460.0	(2.1%)	(5.0%)	486.6	1.8%	7.6%	Hold
18.	CfC Stanbic	78.0	77.0	(1.3%)	(6.7%)	75.5	7.9%	6.0%	Hold
19.	Standard Chartered***	191.0	190.0	(0.5%)	(2.6%)	169.9	6.6%	(4.0%)	Sell
20.	Safaricom	20.0	19.0	(4.8%)	16.6%	16.6	3.6%	(9.0%)	Sell
21.	NBK	7.0	6.4	(8.6%)	(59.4%)	2.7	0.0%	(57.8%)	Sell
Target Price as per Cytonn Analyst estimates									
*****Upside / (Downside) is adjusted for Dividend Yield***									
******Indicates companies in which Cytonn holds shares in***									
Accumulate ? Buying should be restrained and timed to happen when there are momentary dips in stock prices.									
Lighten ? Investor to consider selling, timed to happen when there are price rallies									

We are neutral with a bias to positive on Equities given the higher earnings growth prospects, supported by a favourable macroeconomic environment.

Private Equity

Development Partners International (DPI), an Africa-focused private equity firm focused on financial services, healthcare, education, construction, logistics, telecoms and consumer goods sectors, has invested USD 100.0 mn through its ADP II Fund in Atlantic Business International (ABI). ABI is a subsidiary of Banque Centrale Populaire (BCP) and is the third largest banking entity in the West African Economic and Monetary Union (UEMOA) and the second largest bank in Côte d?Ivoire in terms of deposits. ABI has banking and insurance operations across Côte d?Ivoire, Senegal, Burkina Faso, Benin, Togo, Niger, Mali and Guinea Bissau. The investment will be used to increase capital in ABI?s subsidiaries, fund IT investments, accelerate the group?s retail expansion as well as acquisition opportunities in and outside the UEMOA region which has been an important part of ABI?s growth strategy. The investment deal was driven by the: (i) opportunity to invest alongside a strong sponsor BCP in a leading, growing and profitable banking franchise, with a strong management team that has delivered solid performance, and (ii) strong growth prospects due to a low banking and insurance penetration in the UEMOA region that has been growing rapidly from approximately 8.0% in 2011 to 16.0% in 2015.

African Capital Alliance (ACA) has become the first West Africa-focused fund manager to raise over USD 1.0 bn in aggregate capital commitments, since its formation in 1997. The firm announced that it had raised approximately USD 570.0 mn of committed capital for its fourth private equity fund, Capital Alliance Private Equity IV Limited ("CAPE IV"). The fund?s success was driven by: (i) a strong and diverse network of investors across the world that CAPE IV has attracted over its nineteen-year history, (ii) support from leading institutions, including public and corporate pension funds, sovereign wealth funds and development finance institutions, and (iii) deploying of previously raised capital in investments which offer significant resilience and favourable growth prospects that have earned them a strong endorsement from both existing and new investors, such as the fund's initial investments in Beloxxi Industries Limited, a leading Nigerian biscuits manufacturing company, and Continental Reinsurance Limited, the largest private Pan-African re-insurer outside of South Africa. The fund will focus on attractive and diversified pipeline of deals across its target sectors including, Business Services, Energy, Fast Moving Consumer Goods, Financial Services, and Telecommunications, Media & Technology.

Real Estate

In a bid to attract real estate developments in the country, Murang?a County Government announced an incentive pack to developers consisting of:

- Up to a 5-year tax holiday
- A waiver on all legal charges incurred in land acquisition

The above measures they believe will spur growth in not only the real estate in the county but also the county?s agricultural processing plants. In our opinion the above measures though noble will not be sufficient to boost the real estate sector in the county which has witnessed slow growth compared to neighboring counties such as Kiambu. This is because the measures put in place do not address the key challenges facing real estate development in the county which are (i) relatively high land prices with un-serviced acre in Kenol being sold for Kshs 9.0 - 15.0 mn on average yet more urbanized areas such as Ruai a similar land parcel is going for Kshs 3.0 - 4.0 mn (ii) low disposable income among the population as the county has a per capita income of Kshs 9,083.0 per month and (iii) Low urbanization rate at 16.0% against the neighboring Kiambu?s County, which is at 60.0%. The County Government thus needs to boost economic activities and invest in infrastructure in the county to increase the populations? income, which will eventually increase the rate of urbanization.

Our outlook for real estate remains positive and we expect increased infrastructural developments to lead to increased real estate development in the areas being opened up. We also expect county governments to beef up their efforts to attract real estate developments in their respective counties in a bid to solve the housing shortages and market themselves ahead of the 2017 elections.

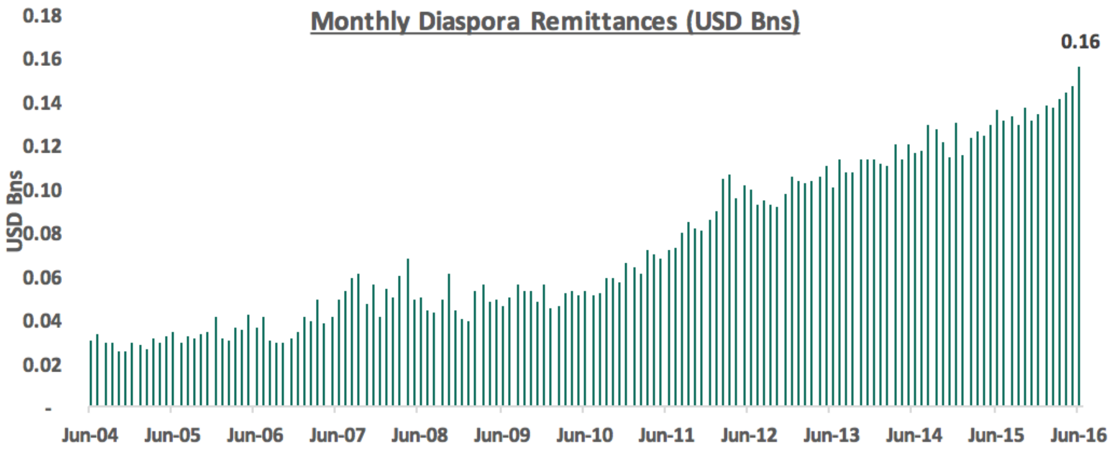
Diaspora: The Next Growth Frontier

In October last year, we had our first diaspora roadshow in the US, where our team visited several states and interacted with East Africans, who are eager to (i) know the opportunities available to them to invest back home, and (ii) find trusted partners with whom they can invest through back home. In two consecutive focus notes, we discussed the diaspora community and examined several learning and delivery points. In our Cytonn Weekly Report #40, 2015 we talked about diaspora contribution to economic growth, highlighting the importance of the diaspora, their location, needs from an investment perspective, challenges when it comes to investment in Kenya, how private sector players can position themselves to be their trusted partner, and the ultimate benefits to the

Kenyan economy. In our Cytonn Weekly Report #41, 2015 we focused on how we can make it easier for the Diaspora to contribute to Kenya?s economic growth.

This week, we examine the state of Diaspora contribution to the economy, highlight the steps that the market has taken to implement the recommendations and finally review the steps that the government has taken and should take to further grow and support the Diaspora communities.

There has been continued growth of Diaspora remittances month-on-month with the largest sources being the US and Europe, accounting for 48.8% and 29.4%, respectively in the last 3 months to June 2016.



Most of the people in the diaspora would like to invest back home but there are a couple of challenges that they face among them:

1. **Products:** lack of structured investment products that are tailor-made to address their needs, and these exist mainly in alternative investment markets like Real Estate and structured products;
2. **Dedicated Partners:** lack of a trusted partner who truly represents their interests, and is an institutional firm providing institutional grade investment solutions and client service;
3. **Investment platforms:** the inability to safely, affordably and conveniently remit funds back to their country for investment.

The private sector players seek to address these challenges by creating solutions that attend to each of them;

i. **Investment Opportunities:** Several players have availed numerous investment opportunities to the Diaspora investors. It is important to note that Diaspora community is already exposed to many products, yet sophisticated ones, but the need to have personalized structured products continues to grow. For instance, Cytonn Diaspora links Kenyans in the Diaspora to trusted investment opportunities in Kenya, in real estate and structured products;

ii. **Partnership:** Through constant engagement, private sector players have in turn build strong partnerships with the Diaspora community, through constant interactions to help understand the needs of the Diaspora. Cytonn has positioned itself to be a partner of choice for the Diaspora community by providing institutional grade investment solutions and client service;

iii. **Platforms:** Several platforms have been developed by the different private sector players. These platforms offer numerous linkages and updates among them; (i) Information dissemination of what is happening back in the respective countries, and (ii) The investment options available to the Diaspora community. Cytonn Diaspora platform brings together Kenyans in the Diaspora wishing to invest back home and companies in Kenya wishing to present opportunities to the diaspora community;

iv. **Reducing the cost of remittance transmission:** While the average cost of sending money to Sub-Saharan Africa is the highest in the world, Kenya stands apart from other remittance destinations due to the high level of financial inclusion and the presence of multiple payment channels that facilitate low cost remittances. Alternative remittance platforms complement traditional banks, leading to an overall decline in the cost of remittances. According to the World Bank, the cost of sending USD 200 to Kenya averaged 7.5% in Q2 2016, comprising a 5% fee and 2.5% exchange rate margin, below the Sub-Saharan Africa average of 9.8%.

Despite what the Kenyan Government is doing to encourage the diaspora to invest back home, like the Ministry of Foreign Affairs is working closely with the Kenya?s diaspora communities, as highlighted in our previous notes, the Kenyan Government can support the diaspora investment initiative by:

a. **Formulation of investment friendly policies ?** The Government should work in close conjunction with banks and other investment firms to allow for favorable accounts for diaspora, which will encourage them to remit more money back to the country. Such accounts should offer preferential rates for those in the diaspora and should ideally be foreign exchange accounts;
b. **Issuing Diaspora Bonds** ? The government should start issuing diaspora bonds to raise funds. As seen in India, Diaspora bonds are proving to be attractive avenues through which Governments can raise capital. The Kenyan government is behind on its global borrowing for budget financing, and also has a worsening foreign exchange reserve, and hence should consider diaspora bonds as an alternative fund raising channel;
c. **Setting up overseas diaspora facilities** ? in order to improve on the relationships and engagement with the diaspora, the Kenyan government should set up overseas facilities abroad for the diaspora. These facilities should serve to promote the Kenyan Culture and educate on the different investment avenues the diaspora can invest back in Kenya;
d. **Establishment of Organizations** ? In order to encourage skill transfer back home, as well as maximize on the intellectual capital of those Kenyans in the diaspora, the government should work to establish centers which allow for consultation on global best practices and institutionalization efforts which have been successful in the developed markets.
e. Support of financial institutions and businesses trying to get the diaspora to invest back home.

For anything to work well, parties from both sides need to see what the effort means to them. The ability for the diaspora to invest back home is key since they are able to get an above average return that they cannot access in the developed markets due to the low GDP growth rates. For the Kenyan economy, great Diaspora engagement helps with the diversification of inflows and increases loyalty towards the country and some of the benefits could be both short-term and long-term in nature; from remittances to skills transfer. Therefore, continuous engagement to properly understand Diaspora needs and tailoring these needs, will enhance the participation of the Diaspora community in the growth of the Kenyan economy.

To participate in the on-going Cytonn Diaspora Roadshow, please visit the link below: Cytonn Diaspora Roadshow.
