



Regional Programme on Remittances and Diaspora Investment for Rural Development

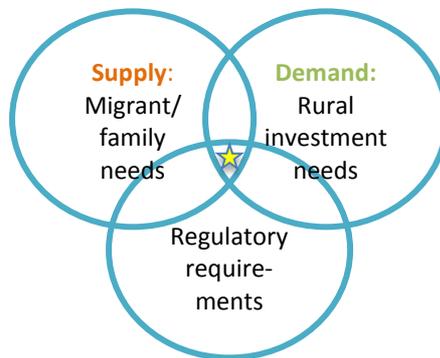
— Framework for a Migrant Investment Fund Feasibility Study —

Overall goals for the investment fund component (tentative):

1. Create an innovative, financially inclusive investment instrument that leverages the impact of international and/or domestic remittances for the development of rural communities
2. Develop a prototype that can be scaled up to become a national migrant investment mechanism

To achieve these goals, the feasibility study seeks to find the intersection between:

- Supply of funds: the investment needs of migrants/migrant family members
- Demand for funds: investment gaps that can be filled through the fund
- Regulation: requirements for both fund structure and distribution under current regulation



Supply side analysis: what kind of product are migrants/family members willing and able to invest in?

- Segmentation of migrant/migrant families (by income, time abroad or other relevant characteristics)
- For each segment:
 - Understand their hopes/dreams/goals to be achieved through migration
 - Understand their current household financial behavior (savings, remittances)
 - Understand their perception of “investment” – what it means to them, past experiences, etc.
 - Understand their risk appetite
 - Estimate the amount of investable funds available, desired rate of return, expected term of investment (years)

Demand side analysis: what will the fund invest in and what is its investment strategy?

- Identify unmet capital needs in rural areas and why these gaps exist (what types of enterprises/sectors need financing, how much do they need, and why they cannot currently obtain it)
- Determine what type of financing (senior debt, subordinated debt, credit, equity, preferred shares, etc.) can overcome these gaps
- Estimate the level of risk inherent in each type of financing and each type of enterprise/sector
- Determine the mechanism for allocating fund resources to each type of enterprise/sector

Regulation analysis: what structure and delivery channels can be mobilized given current regulations? (the project will take the current regulatory environment as given; it will not make recommendations that require a change in regulations since regulatory reform will likely take a considerable amount of time to achieve)

- Available fund structures (mutual fund, unit investment trust, endowment fund, revolving fund, sinking fund, etc.)
- Requirements for managing each type of fund (board, fund management, pricing, size, audit, licensing, tax, etc.)

Outline of feasibility study report (the analysis part is a repeat of what is above)

1. Executive summary
2. Research methodology
3. Analysis
 - 3.1. Supply side analysis: what kind of product are migrants/family members willing and able to invest in?
 - 3.1.1. Segmentation of migrant/migrant families (by income, time abroad or other relevant characteristics). For each segment:
 - 3.1.1.1. Understand their hopes/dreams/goals to be achieved through migration
 - 3.1.1.2. Understand their current household financial behavior (savings, remittances)
 - 3.1.1.3. Understand their perception of “investment” – what it means to them, past experiences, etc.
 - 3.1.1.4. Understand their risk appetite
 - 3.1.1.5. Estimate the amount of investable funds available, desired rate of return, expected term of investment (years)
 - 3.2. Demand side analysis: what will the fund invest in and what is its investment strategy?
 - 3.2.1. Identify unmet capital needs in rural areas and why these gaps exist (what types of enterprises/sectors need financing, how much do they need, and why they cannot currently obtain it)
 - 3.2.2. Determine what type of financing (senior debt, subordinated debt, credit, equity, preferred shares, etc.) can overcome these gaps
 - 3.2.3. Estimate the level of risk inherent in each type of financing and each type of enterprise/sector
 - 3.2.4. Determine the mechanism for allocating fund resources to each type of enterprise/sector
 - 3.3. Regulation analysis: what structure and delivery channels can be mobilized given current regulations?
 - 3.3.1. Available fund structures (mutual fund, unit investment trust, endowment fund, revolving fund, sinking fund, etc.)
 - 3.3.2. Requirements for managing each type of fund (board, fund management, pricing, size, audit, licensing, tax, etc.)
 4. Options for investment products
 - 4.1. Objective
 - 4.1.1. What the fund offers to migrants/migrant families
 - 4.1.2. What the fund offers to the originator/seller
 - 4.1.3. What the fund offers to the macro/local economy
 - 4.2. Fund structure
 - 4.2.1. Object of investment
 - 4.2.2. Investing instrument (the asset underlying the fund)
 - 4.2.3. Disbursement and collection methodology (how funds are provided to investees and how payments are collected)
 - 4.2.4. Sales distribution channels
 - 4.3. Legal Structure
 - 4.4. Governance (functional) structure
 - 4.4.1. Board of directors/trustees
 - 4.4.2. Fund management
 - 4.4.3. Audit
 - 4.5. Financial issues
 - 4.5.1. Funding requirement (size)
 - 4.5.2. Pricing
 - 4.5.3. Investment period
 - 4.5.4. Operating costs
 - 4.5.5. Tax issues
 - 4.5.6. Financial projections
 - 4.5.7. Expected return

- 4.5.8. Risk profile (risk/return and sensitivity analysis)
- 4.5.9. Income distribution
- 4.5.10. Life (term) of fund
- 4.6. Other issues relevant to Philippines/Nepal
- 4.7. Associated organizations (government, private sector, NGOs, international organizations)

- 5. Setting up the fund
 - 5.1. Main steps
 - 5.2. Required legal instruments (e.g., articles, by-laws, other licensing requirements)
 - 5.3. Required operational and strategic instruments (e.g., strategic plan, investment strategy, fundraising strategy, operations manual)
 - 5.4. Implementation structure

- 6. Action plan

- 7. Estimated budget for establishing the fund

Annexes

- 1. List of persons interviewed
- 2. List of reference documents



Feasibility study framework

		Inventory of existing funds and other investments targeting migrants	Creation of a new fund targeting migrants	Creation of an alternative investment vehicle for migrants
	Inventory of existing investment options	Sources: <ul style="list-style-type: none"> • OWWA (Overseas Workers Investment Fund) R.A. 7111 • CFO • DBP • Landbank (Joy Cervero) • Coop surety fund concept • Atikha • Unlad Kabayan • Other NGOs? • Philippine Investment Fund Association • Philippine Investment Clearing House • Real estate investment • Multi-level marketing schemes • BPI and BDO • Pag-Ibig and SSS • Investment funds of insurance industry 	n.a.	n.a.
Fund structure	Object of investment <ul style="list-style-type: none"> • What the fund offers to migrants/migrant families • What the fund offers to the originator/seller • What the fund offers to the macro/local economy 	<ul style="list-style-type: none"> • How can migrants access it? • Eligibility requirements? • How do migrants benefit? • Risks involved • Are there gaps/concerns on the part of the migrants about the fund? 	← what are the gaps in the existing funds?	← what is the gap that a new fund cannot fill?
	Investing instrument (the asset underlying the fund)			

	Disbursement and collection methodology (how funds are provided to investees and how payments are collected)			
	Sales distribution channels (who can legally sell the product?)			
	Legal Structure			
Governance (functional) structure	Board of directors/trustees			
	Fund management			
	Audit			
Financial issues	Funding requirement (size of fund and minimum investment amount)			
	Pricing			
	Investment period			
	Operating costs			
	Tax issues			
	Financial projections			
	Expected return (annual percentage return)			
	Risk profile (risk/return and sensitivity analysis)			
	Income distribution (frequency and calculation method)			
Life (term) of fund				
	Other issues relevant to Philippines/Nepal			
	Associated organizations (government, private sector, NGOs, international organizations)	Government agencies, NGOs, private sector and other stakeholders involved in fund facility		
Setting up the fund	Main steps	n.a.		
	Required legal instruments (e.g., articles, by-laws, other licensing requirements)	n.a.		
	Required operational and strategic instruments (e.g., strategic plan, investment strategy, fundraising strategy, operations manual)	n.a.		
	Implementation structure	n.a.		



-----Notes for research (not part of study framework)-----

Types of fund structures:

- Endowment: capital is preserved in perpetuity and only the interest is expended. Endowments are set up when an annual stream of income is required on a recurrent basis and there is sufficient capital to support this.
- Revolving fund: revenues enter and are spent on a continuing basis. Revolving funds are typically set up in cases where regular income is received, accumulates in an account, and is then reinvested or paid out to fund investors.
- Sinking funds: a single amount is received and then expended over time. Sinking funds are usually set up to manage project funding, which is earmarked for a particular area or purpose.