SCHOOL OF ECONOMICS AND MANAGEMENT

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Diaspora Bonds Revisited: Review of the Potential and Feasibility of a Ghanaian Diaspora Bond

by

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Abstract

This paper explores the potential and feasibility of a Ghanaian diaspora bond. The paper uses a mixed-method approach combining qualitative interviews with key incumbents in the diaspora finance sector with quantitative data from two surveys on diaspora bonds from the Commonwealth (2018) and Mensah (2019). Furthermore, the paper reviews the existing body of literature on diaspora bonds and other forms of diaspora finance in Ghana, as well as in other nations and regions where their experiences can be used to benchmark the potential of similar strategies for Ghana. The paper aims to shed light on the conditions necessary for successfully issuing diaspora bonds in Ghana and the associated challenges. Thereby providing evidence-based suggestions for policymakers and decision-makers in various industries on efficiently leveraging the Ghanaian diaspora's financial assets for economic prosperity.

Keywords: Diaspora Finance, Economic Development, Remittances, Sub-Saharan Africa, Ghana, Banking, SME, LMIC, Payments, Diaspora Bonds, Developing Economies, West Africa

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1. Introduction

As recent as 2019, Ghana was the world's fastest-growing economy (IMF, 2019) and was considered by the World Bank (2021b) as Africa's rising star in terms of economic performance. On the back of a flourishing export sector, primarily fueled by gold, oil, and cocoa exports, the economy doubled between 2018 and 2019, and the budget deficit was reduced to below five percent (IMF, 2019). Four years, a pandemic, and an ongoing war in Europe later, the picture is drastically different (IMF, 2023a). In late 2022 year-on-year inflation reached a new 21-year high in Ghana, clocking in at roughly 42%, and the budget deficit approached double digits (IMF, 2023a; World Bank, 2022). The deteriorating economic conditions since 2019 have sent shockwaves across the Ghanaian financial system and markets. The local currency (Cedi) dropped roughly 50% in value between January 2021 and January 2022 (IMF, 2023a), and insolvency issues have spread like wildfire among Ghana's Small to Medium Sized Enterprises (SMEs) as consumers have been priced out of the market (World Bank, 2023). As made clear by recent discussions between the International Monetary Fund (IMF) and Ghana's government, Ghana now finds itself in a position where it requires an injection of capital to get the economy back on its feet (IMF, 2023b; Inveen & Akorlie, 2022). Whereas these talks have resulted in a preliminary agreement of the IMF lending Ghana an estimated US$3bn. for debt restructuring, Ghana still faces significant debts to service in the long run (IMF, 2023a). In light of this, the past couple of years have seen some research, most notably by the Commonwealth (2018), conducted on the potential of Ghana to raise capital from its diaspora. The findings of this research indicate that Ghana has a relatively high potential for raising capital from its diaspora. This study seeks to expand the field by critically reviewing the potential for Ghana to raise funds from its diaspora to fuel economic development and increase financial stability.

1.1 Problematization

The recent downturn in Ghana's economy has resulted in a severe decline in investor confidence and a subsequent reluctance to invest in the country (IMF, 2023a). The financial system's credibility has been significantly eroded, culminating in Ghana's exclusion from international capital markets in late 2022 due to concerns about its ability to service its debts (IMF, 2023a). This event occurred after a nine-year period in which Ghana successfully sold Eurobonds. The decision was made to impose up to 30% losses on international bondholders to comply with the IMF's loan conditions and secure funding (Dontoh & Dzawu, 2022). As a result, investors with holdings in the country have liquidated large parts of their portfolio, primarily in the local currency, the cedi, which has led to a sharp depreciation in its value (Dontoh & Dzawu, 2022; IMF, 2023a). In light of these developments, in addition to leaning on the IMF to restore confidence in the Ghanaian financial system, Ghana ought to consider alternative funding sources to finance infrastructure investments and stimulate economic growth. One alternative source of finance could be found in Ghana's diaspora (Ketkar & Ratha, 2010).

Capital origination from a country's diaspora is aptly referred to as 'diaspora finance' (Faal, 2019). As such, it is considered an umbrella term for various financial mechanisms and, in this study, includes both formal and informal transactions. Unarguably the most well-known and commonly used one is remittances, which refers to cash and goods transfers from migrants to friends and family living in the migrant's country of origin (Demirguc-Kunt et al., 2011; Gupta et al., 2009; Aikins & White, 2011,). However, recent research by Commonwealth (2018) and Mensah (2019) explores a, for Ghana, considerably more novel mechanism for attracting capital from the diaspora, namely, diaspora bonds.

A diaspora bond is, in simple terms, a bond issued by either a government or a corporation specifically to raise capital from members of a specific country's diaspora (Commonwealth, 2018; Mensah, 2019; Ketkar & Ratha, 2007). The foundational idea of a diaspora bond is that it taps into the sentiment and attachment that a diaspora may have towards its origin country, theoretically allowing the issuer to raise capital below prevailing interest rates. This makes diaspora bonds particularly useful when access to capital through traditional capital markets, and the ability to meet principal payments, is limited (Commonwealth, 2018; Faal, 2019; Ketkar & Ratha, 2010).

However, despite the promising findings of Commonwealth (2018) and Mensah (2019), more research is required as few countries have successfully issued diaspora bonds (Ketkar & Ratha, 2007).

1.2 Aim of the Study

This study seeks to explore the potential for Ghana to leverage the financial resources of its diaspora population to stimulate economic development through the issuance of diaspora bonds. The primary objective of this research is to assess the feasibility and potential impact of utilizing diaspora bonds as a means of capitalizing on the financial resources of Ghana's diaspora, ultimately advancing the country's economic growth and development. The study expands on the existing body of research by conducting probing semi-structured interviews with industry experts from different parts of the diaspora finance ecosystem that challenges the findings of Commonwealth (2018) and Mensah (2019).

The study consults the following research questions (RQs) to guide the work:

Primary RQ: What is the potential and feasibility of Ghana in raising funds from its diaspora through diaspora bonds?

Sub-RQ: What are the key factors influencing the success or failure of a diaspora bond program in Ghana?

2. Context

2.1 Diaspora Finance

If the global migrant population was considered a collective population, it would comprise the fifth largest country in the world in terms of population, larger than the likes of Pakistan and Brazil. Some 272 million people make up this group of individuals who, for various reasons, have left their country of origin (IOM, 2020). These migrants represent diasporas that tend to have sentiment and attachment to their country of origin (Commonwealth, 2018; Mensah, 2019; Akkoyunlu & Stern, 2018). As a result, diasporas are acknowledged to represent wells of financial resources that origin countries can tap into for support in economic development, also known as diaspora finance (Commonwealth, 2018; Kalantaryan & McMahon, 2021).

The dominant form of diaspora finance flowing to LMICs, and to Ghana specifically, is remittances. The recorded inflow of remittances to LMICs amounted to US$626 billion in 2022 but is believed by many to be significantly greater. According to Azizi (2019), The World Bank (2006), and Freund and Spatafora (2005), the unrecorded amount of remittances to LMICs is roughly 50% greater than the recorded remittances which would put the total remittance volume flowing to LMICs in 2022 at US$1.565 trillion. The mammoth scale of remittance transactions underlines the significance of the diasporas' ability to impact economic conditions in LMICs which is widely recognized by researchers, policymakers, and multilateral organizations (Githaiga, 2020; Gupta et al., 2009; Freund & Spatafora, 2005).

The United Nations includes remittances from diasporas in their Sustainable Development Goals program under goal number 17 as a critical enabler of economic growth in LMICs (United Nations, 2021). However, it is also widely acknowledged that remittances represent only a portion of the full potential in raising capital from diasporas and that other financial mechanisms, such as diaspora bonds, could stimulate a greater inflow of funds (Terrazas, 2010; Gevorkyan, 2021; Aikins & White, 2011).

2.2 Diaspora Bonds

Diaspora bonds possess the core characteristics of a traditional bond, namely, a debt instrument issued to raise capital through investors who, in return, are awarded interest payments (Ketkar & Ratha, 2007). Where diaspora bonds differ from traditional bonds, and the factors that necessitate their existence are the conditions on which funds are raised. Diaspora bonds, generally issued by LMICs, are often associated with a higher level of risk than bonds issued by high-income countries (HICs) (Chander, 2001). Furthermore, the maturity date of diaspora bonds tends to be longer, and they generally offer lower interest rates. As a result, diaspora bonds are less attractive to the average investor (Chander, 2001; Ketkar & Ratha, 2007).

The higher risk associated with diaspora bonds is closely related to why some LMICs resort to issuing diaspora bonds in the first place. Many LMICs struggle with high budget deficits, and whereas HICs, with relative ease, can offset a budget deficit with a virtually endless supply of stable tax revenue, mere tax revenue is generally not a sustainable path for LMICs due to less economic power and activity (Akkoyunlu & Stern, 2018). Other measures a country running a budget deficit could take, such as foreign borrowing, domestic borrowing, increasing the money supply, and foreign reserves, are generally not an option for LMICs for several reasons (Akkoyunlu & Stern, 2018). Domestic borrowing is unlikely to be a solution due to a lack of capital in the domestic economy; increasing the money supply will bring with it adverse inflationary side effects, and foreign reserves are generally low, and using them to support budget deficits would cause instability in the exchange rate (Akkoyunlu & Stern, 2018). That leaves LMICs with the option of foreign borrowing. However, this path is also riddled with challenges.

LMICs are, by and large, deemed risky debtors in the international debt markets due to poor track records on repayments, making potential creditors hesitant to provide loans (Mensah, 2019; Ketkar & Ratha, 2007). For diaspora members with ties to the issuing country, including patriotic sentiment and commitments to the local currency, and a higher level of knowledge of country-specific conditions, the less-than-ideal conditions may be acceptable to promote growth in the origin country (Agunias & Newland, 2012; Lewis, 1999; Ketkar & Ratha, 2007).

2.3 A Look at Successful Diaspora Bond Issuances: Review of India and Israel

Few are the countries that have achieved success with issuing diaspora bonds. India and Israel are the two most famous examples of those who have (Ketkar & Ratha, 2007). As of 2020, Israel had raised an estimated US$44bn. and India an estimated US$11bn. (Gevorkyan, 2021; Ketkar & Ratha, 2007). Israel on an annual schedule leading back to 1951 and India on three occasions from 1991 and onwards (Ketkar & Ratha, 2010; Gevorkyan, 2021). Noteworthy of the Indian and Israeli experiences is that they have successfully issued diaspora bonds despite having vastly different strategies and motivations. There is seemingly no shared story to be told and no general rule of thumb regarding the setup and structure of a successful diaspora bond program (Ketkar & Ratha, 2010).

According to Ketkar & Ratha (2010) and Gevorkyan (2021), Israel has essentially offered a smorgasbord of diaspora bonds for various infrastructure projects such as telecommunications, energy, and transportation, thus accommodating the interests of a diverse group of diaspora members. In contrast, India has pursued a much narrower focus of using diaspora bonds only to alleviate pressure on their balance of payments and to raise capital during periods when access to capital on the international capital markets has been scarce. Additionally, Israel has offered vastly more flexible terms on which capital has been raised, offering fixed and floating rates and access for non-diaspora members to invest. In contrast, India has only offered fixed rates and access to diaspora members (Ketkar & Ratha, 2010). Moreover, Israel has chosen to back up their diaspora bonds by registering with the U.S. Securities and Exchange Commission (SEC), whereas India has decided against involving foreign jurisdictions, such as the SEC, despite losing out on access to the U.S. retail investor base. On the flip side, India has been able to avoid rigorous documentation and the risk of having to resolve potential disputes under U.S. law (Ketkar & Ratha, 2010; Gevorkyan, 2021).

Last but not least, the interest rates offered for the respective countries' diaspora bonds have differed significantly. Israel has historically been able to raise capital far below the prevailing market price. In contrast, India has issued its diaspora bonds relatively close to U.S. interest rates at the time of issuance (Ketkar & Ratha, 2010). However, in the case of Israel, there now appears to be a declining willingness to accept below-market returns on the capital invested, or what is colloquially referred to as a patriotic discount in the context of diaspora bonds (Ketkar & Ratha, 2010). The term patriotic discount refers to the assumed altruistic characteristics in diaspora members motivating them to relinquish the higher returns readily available in more fairly priced financial instruments to benefit the origin country's development (Gevorkyan, 2021; Ketkar & Ratha, 2010). According to Ketkar and Ratha (2010), however, the younger generations buying Israeli diaspora bonds appear to be more concerned with the returns on their capital than the older generations, which may force a change in the Israeli strategy. The cause of this development remains ambiguous. Possible explanations could be a diluted sense of attachment in the younger generations to the origin country or a perceived saturation of the need for providing capital at charitable rates to stimulate infrastructure development after seven decades of such activity.

2.4 Ghana and Diaspora Financing

According to the World Bank (2011), Okonjo-Iweala and Ratha (2011), and the Commonwealth (2018), Ghana is an LMIC that is especially well-positioned to successfully leverage diaspora bonds to activate diaspora members due to having a large diaspora of relatively wealthy members. Furthermore, the Commonwealth (2018) finds that Ghana has a close-knit relationship with its diaspora in terms of financial support. The currently dominating form of diaspora finance in Ghana is remittances (Commonwealth, 2018; Ratha, 2022; Githaiga, 2020). However, according to Gupta et al. (2009), only a small portion is put towards productive investments, highlighting the need for other financial instruments through which diaspora finance can more easily be channeled toward investments. Furthermore, According to Terrazas (2010), diasporas hold considerable financial assets extending beyond that of their incomes in properties, savings, and investments. Thus, remittances represent only a part of the financial power of diasporas.

In 2007, Ghana made an isolated attempt to issue a diaspora bond, the Ghana Jubilee Bond (Aikins & White, 2011; Faal, 2019). However, according to Faal (2019), the bond was essentially a failure, with only a 40% subscription rate. The bond was only directed towards diaspora members who were Ghanaian citizens, thus excluding many potential investors affiliated with Ghana. Of the roughly US$19 million raised, only 6% was provided by Ghanaian diaspora members, and the remaining 94% was raised from domestic investors (Faal, 2019).

In addition to the Ghana Jubilee Bond, Faal (2019) provides another example of how Ghana has worked to provide more structured diaspora financing alternatives, more specifically, loans backed up by future remittances as collateral. Under the supervision of the African Development Bank, the international finance and trade institution Afreximbank issued a US$40 million loan to a Ghanaian bank guaranteed by future remittances, demonstrating the possibility of leveraging diaspora financing to drive economic development in Ghana.

In terms of initiatives aimed at stimulating economic collaboration with the diaspora, Ghana has two entities dedicated to diaspora-related issues, including diaspora finance, called the Ghana Investment Promotion Centre (GIPC) and the Diaspora Affairs Office (DAO). Part of the GIPC's mission statement is to act as the center of gravity on all efforts relating to leveraging the financial resources of the Ghanaian diaspora. By doing so, the GIPC aims to connect the Ghanaian government and the Ghanaian diaspora (GIPC, 2023). The DAO's objective regarding the diaspora shares many similarities with the GIPC; however, their scope is somewhat broader. In addition to exploring and identifying pathways through which the diaspora can contribute financially to the development of Ghana, the DAO also exist to harness the human capital residing in the diaspora (DAO, 2018). However, the available information on ongoing projects of both the GIPC and the DAO is minimal, making it difficult to gauge their effectiveness and impact.

In a survey by the Commonwealth (2018) in which they interviewed diaspora members of Ghana in the United Kingdom, over 90% of respondents stated that they transfer funds to friends and family in Ghana. What is more interesting, however, is the finding of a notable 'investment gap' in channels through which the diaspora can contribute to Ghana's economic development (Commonwealth, 2018). In other words, the Ghanaian diaspora wants to provide capital but feels that the available channels are inadequate.

2.5 Hypotheses

Against this backdrop, the research presented in this paper is based on the following hypotheses:

Hypothesis 1: The Ghanaian diaspora's level of trust and confidence in the Ghanaian government significantly impacts their willingness to provide capital.

Hypothesis 2: Successfully issuing a diaspora bond under Ghana's current circumstances will be difficult.

3. Literature Review

3.1 Theoretical Overview

Researchers and policymakers widely acknowledge the instrumental role of diaspora finance in the LMICs' economies (Allen, 2021; Tah, 2019; International Finance Corporation, 2018; Faal, 2019). Various theories can be applied to understand why diasporas wish to transfer funds to their origin countries. Among the most prominent theoretical frameworks used to explain the psychology behind diaspora financing from the perspective of diaspora members are altruism and the Modern Portfolio Theory (Chander, 2001; Joseph et al., 2018).

3.1.1 Altruism

According to Akkoyunlu and Stern (2018), Chander (2001), and Gevorkyan (2021), altruism lies at the heart of diaspora finance and the underlying mechanisms that drive it. Altruism is, according to Kerr et al. (2004), generally defined as "behavior that benefits others at a personal cost to the behaving individual (p. 135). In the context of diaspora finance, such a definition would suggest that diaspora members would assist financially in the development and prosperity of their origin countries, even in the face of opportunity costs related to omitting higher returns in traditional investments. Evidence of such instances certainly exists.

In his seminal paper on the broader implications of diaspora financing, Chander (2001) accredits altruism as the most likely factor stimulating diaspora members' willingness and desire to provide capital to the origin country. Chander (2001) refers to one instance in particular as a clear indication of altruism being the primary catalyst for diaspora financing, namely, the fact that during the Gulf War, purchases of Israeli diaspora bonds did not, as one would expect, decline, but instead increased despite deteriorating macroeconomic conditions. Furthermore, Chander (2001) also highlights the below-market returns associated with Israeli diaspora bonds over several decades as further proof of a strong sense of altruism being at play. Akkoyunlu and Stern (2018) follow the same line of argumentation, stating that the very fact that diaspora members are willing to purchase bonds on suboptimal terms proves that not solely financial ambitions are at play.

Whereas one could question the generalizability of Chander's (2001) findings since his arguments are made almost purely based on the Israeli experience, which is not surprising given the fact that no other country can demonstrate as far-reaching and comprehensive data on diaspora bonds, there are proxies which could be considered to provide further validity to his arguments. One such example is the origin of foreign direct investment (FDI) flowing into China. According to GCIM (2005), over 45% of FDI flows into China can be traced back to diaspora members. Although the two examples are not directly comparable, the composition of Chinese FDI inflows shows a trend confirmative with the picture presented by Chander (2001). Further support is presented by Morse and Shive (2006), who find that in populations with a strong sense of patriotism, a so-called home bias can play a significant role in investment decisions, leading to portfolio compositions not coherent with rational economic behavior. In other words, assets are, to an extent, chosen not on the basis of their projected returns but rather on nationality.

3.1.2 Modern Portfolio Theory

Another theory that can be used to explain diasporas' willingness to invest in their origin countries, as suggested by Githaiga (2020) and Leblang (2010), is the Modern Portfolio Theory (MPT) presented by Markowitz (1952) in his field-defining paper "Portfolio Selection." In essence, Markowitz's MPT asserts that investors should structure their portfolios to maximize returns in relation to the risk taken by diversification of industries and asset classes (Markowitz, 1952).

Applying the MPT to diaspora finance would suggest that diaspora members invest in their origin countries to diversify their portfolios and spread financial risk between the host country and their origin countries. Such a relationship is supported by Amuedo-Dorantes and Pozo (2010), who argues that altruism receives too much credit when discussing what incentivizes diaspora members to invest in their origin countries. According to Amuedo-Dorantes and Pozo (2010), diaspora members are more concerned with their financial welfare than what is generally communicated in the literature, citing diversification of assets and preparations for a possible future return to the origin country as key investment drivers.

Following a similar line of reasoning are Ketka & Ratha (2010), who argues that the diaspora's enthusiasm for investing in their origin countries, for example, through diaspora bonds, is also driven by a higher level of knowledge of local conditions and ability to abstain hard currency and instead absorb local currency. Indeed, the occurrence of difficulties for LMICs to honor debt servicing in hard currency has been cited as a significant hurdle for LMICs' acquisition of capital in the international markets (Ketka & Ratha, 2010; Faal, 2019).

3.2 Revitalized Interest in Diaspora Bonds

Numerous publications utilizing diverse research methods have demonstrated the positive effects of diaspora finance at both micro and macro levels (Allen, 2021; Tah, 2019). However, while remittances have been the focal point of most research on leveraging the financial power of diasporas, it is acknowledged that they represent only part of the potential economic support (Terrazas, 2010; Akkoyunlu & Stern, 2018). Consequently, until recently, the literature on diaspora bonds has been relatively scarce (Akkoyunlu & Stern, 2018; Mensah, 2019). A revitalized interest in diaspora bonds has emerged due to a greater understanding of the relationship between migration and development (Mensah, 2019; Faal, 2019; Gevorkyan, 2021).

Gevorkyan (2021) states that much of the resurgence of interest in diaspora bonds stems from technological evolution. It is argued that technological advancements have increased mobility, enabled a more close-knit relationship between the diaspora and the origin country, and made funds transfers easier, thus creating conditions conducive to expanding diaspora finance (Gevorkyan, 2021). Other scholars, including Gelb et al. (2021), Ketkar & Ratha (2007), and Mensah (2019), assert that the uptick in interest from both researchers and policymakers into diaspora bonds should be viewed from a lens of a greater understanding of the relationship between migration and development.

A recent report by Faal (2019), in which the African Union hired him to establish a framework for the newly established African Diaspora Finance Corporation (ADFC), highlights this development of increased interest in how diasporas can be tapped for financial support. Whereas the African Union's outspoken ambition to establish an organization for coordinating and facilitating diaspora investments traces as far back as 2003, it is only recently that meaningful steps have been taken to realize the ambition through the ADFC (Faal, 2019). Faal (2019) states that the ADFC, a multilateral organization, has been established to "invite and encourage the full participation of the African Diaspora as an important part of our continent in the building of the African UnionTM" (Faal, 2019, p. 15). Moreover, it is stated that the ADFC will address the ambiguity relating to the potential, interest, and factual conditions in the marketplace of African diaspora bonds, thus increasing their attractiveness to the broader diaspora (Faal, 2019).

The elevated interest and keenness in leveraging diasporas from the perspective of African policymakers are further cemented in the section "Urgency for Practical Action" (Faal, 2019, p. 21), where three crucial areas of concern based on various African Union summit meetings and declarations regarding diaspora finance over the past decade are highlighted. In essence, the concerns revolve around the necessity of deeper financial integration with diasporas. The first concern is the ongoing failure to capture readily available resources for growth and development on the continent, referring to the untapped financial resources in the African diasporas. The second concern is that over the course of the past two decades of inaction, uncoordinated diaspora finance inflows in the form of remittances have increased, meaning that the need for "timely and appropriate institutional action" (Faal, 2019, p. 21) has only increased over the period. The third concern is the essentiality of a coordinated "continental development framework" (Faal, 2019, p. 21) to harness potential synergies.

3.3 The Key to Succeeding with Diaspora Bonds

Based on the existing body of literature, whether or not a best practice exists for diaspora bond issuance is unclear. As seen in the context section of this study, the strategy and structure of diaspora bonds in the two countries that have garnered the most success with diaspora bond issuance, India and Israel, are vastly different. As such, there would appear to exist more than one set of keys to unlocking the full potential of diaspora bonds. However, an aspect that is continuously highlighted throughout the literature, as seen in Faal (2019), Ketkar and Ratha (2010), ICMPD (2010), Gevorkyan (2021), and Ratha (2004), is transparency.

Ketkar and Ratha (2010) state that patriotism in diaspora members provides the necessary prerequisites for raising capital from diasporas; however, without a high level of transparency throughout the entire lifecycle of a diaspora bond, efforts are bound to fall short of their full potential. Ketkar and Ratha (2010) exemplify this by stating that whereas earmarking funds for particular projects, such as road construction and similar infrastructure projects, constitutes an essential base, transparency is also required relating to the progress and results of projects.

Faal (2019) also places significant weight on transparency, stating that the ADFC will guarantee that funds are not used for unethical purposes by explicitly listing the possible projects for which funds raised via diaspora bonds will be used. Apart from removing fears of capital being funneled towards dishonest endeavors, it will also grant diaspora members the option of choosing specific projects into which to inject their capital. Furthermore, Faal (2019) declares that the ADFC will provide traceable insights on project progress and the impact of projects through a publicly available dashboard, thus keeping diasporas in the loop throughout the entire term of their commitment.

Gevorkyan (2021) follows a line of argumentation very similar to that of Ketkar and Ratha (2010) and Faal (2019), but to a degree, expands on their positions by introducing the factor of religious, moral, and cultural considerations. Whereas such factors are likely self-resolving to a great degree when a country issues a diaspora bond specifically targeting its diaspora due to presumably sharing the same values, it may still be relevant to consider. This is because non-first-generation diaspora members may possess a different cultural and moral perspective influenced by the country they were born in. Furthermore, in countries with notable regional differences present, an all-encompassing moral, religious, and cultural framework may not even exist, warranting a more tailored approach (Kaasa et al., 2014).

4. Method

4.1 Research Design

To explore the potential of diaspora bonds as a means to foster economic development in Ghana, this study uses an exploratory case study approach, contrasting qualitative semi-structured interviews with quantitative data from two different surveys to capture as complete a picture as possible of the potential of diaspora bonds in Ghana. According to Rossman and Wilson (1984, 1991), as cited in Miles and Huberman (1994), combining both quantitative and qualitative data provides greater detail into the subject of research and the possibility of discovering new lines of thinking on behalf of unexpected findings. Furthermore, Miles & Huberman (1994) assert that by applying a qualitative approach, research can "get beyond initial conceptions and to generate or revise conceptual frameworks" (p. 1). As such, the rationale behind using the mixed-method approach in this study is threefold:

1. The qualitative data from the semi-structured interviews offers in-depth insights from individuals with a wealth of knowledge and expertise in the field of diaspora finance, including, but not limited to, the prerequisites for a successful issuance, the potential challenges facing an issuance, and the long-term prospect of stimulating diaspora investment in Ghana.

2. The quantitative survey data from Commonwealth (2018) provides a cross-section perspective of Ghanaian diaspora members' sentiment toward diaspora bonds and other forms of diaspora finance, such as the industries in which they would prefer to invest, the term length and ticket sizes of a diaspora bond, as well as their willingness to reinvest and their motivation for investing in Ghana.

3. The quantitative survey data from Mensah (2019) provides insight into how a selection of Ghanaian financial institutions view the prospect of Ghanaian diaspora bonds, their opinion on the macroeconomic conditions of Ghana, and the stability of the Ghanaian financial system.

By combining these three data points, drawing on both primary and secondary sources, this study includes the perspectives of many essential stakeholders who would participate in a Ghanaian diaspora bond issuance. It unlocks a deep understanding of the potential challenges and opportunities related and evaluates their practicality and effectiveness. Furthermore, by including quantitative data from previous research, this study challenges and expands on the existing body of literature on diaspora bonds in Ghana in a manner not explored in previous research.

4.2 Data Collection and Material

The choice of acquiring primary qualitative data through semi-structured interviews was made due to no data being readily available in any previously published study and the need for answers to questions specific to this study. Thus, conducting semi-structured interviews was essential to attaining new knowledge on the research problem that could not be obtained from secondary sources. The purposeful sampling technique was used concerning the qualitative data collection. Purposeful sampling involves deliberately selecting participants with the desired characteristics or experiences related to the research question (Patton, 2015). Therefore, by selecting industry experts for the interviews, the collection of relevant and insightful data from participants who were well-informed about the topic of interest was ensured.

The choice to employ secondary quantitative data was driven by practical considerations. Given this study's limited time and resources, it was deemed unfeasible to collect primary quantitative data from a representative sample of Ghana's diaspora members and financial institutions on their thoughts and opinions on diaspora bonds. As such, using the two already published surveys by Commonwealth (2018) and Mensah (2019) was deemed appropriate as they provide a comprehensive and reliable representation of Ghana's diaspora and financial institutions' views on diaspora bonds.

4.2.1 Qualitative Data: Semi-Structured Expert Interviews

The qualitative data collection process began with a thorough research and mapping of various organizations and corporations within the diaspora finance ecosystem, using the purposeful sampling technique to identify key experts to interview. This involved shortlisting the most promising entities, including banks, MTOs, and policy advisory firms, and identifying key individuals within each entity to contact. To initiate contact, a request to connect was sent via

LinkedIn, along with a brief project description. Once contact was established and interest in participation confirmed, the interview subjects were provided with the interview questions and invited to share their thoughts and opinions on the interview structure. This allowed for any potential issues with the nature of the interview questions and structure to be addressed proactively while also providing a degree of peer reviewing.

In addition to the purposeful sampling technique, two instances of snowball sampling occurred. Snowball sampling is a technique typically used actively by the researcher where interview subjects are encouraged to provide other potential interview subjects to include in the study (Goodman, 1961). However, the snowball sampling in this study occurred organically during the process when some interview subjects suggested other interview subjects whom they thought would be suitable for the research. Overall, the data collection process was conducted thoroughly and systematically, ensuring that a diverse range of perspectives and insights were captured from experts within the diaspora finance ecosystem.

In total, 15 individuals from various sectors of the diaspora finance ecosystem were carefully selected and contacted, resulting in six detailed and insightful interviews providing invaluable information and insights on the prospect of Ghanaian diaspora bonds. The interviewed individuals comprise a group of experienced and influential high-level actors from within the diaspora finance ecosystem, including an executive in the banking sector in Ghana (BE), the founder and Managing Director (CMD) of a world-leading consultancy firm specializing in diaspora finance, a country-manager (CCM) at the aforementioned consultancy firm, a World Bank associate (WBA), and an executive from one of Europe's leading MTOs (MTOE).

BE works for one of Ghana's largest banks and specializes in remittances, but also oversees all issues related to diaspora finance for the bank. As such, BE has a deep understanding of both the Ghanaian financial system and the Ghanaian diaspora. CMD operates a consultancy firm that has drafted and delivered projects and policies helping developing countries raise tens of billions (USD) from their diasporas and hosted several hundred heads of state at various summits and events. Consequently, CMD is one of the world's leading experts on diaspora finance. CCM, who works for CMD's firm, oversees the projects and commitments that CMD's firm has in Western

Africa. WBA is part of the World Bank's team researching diaspora-related issues, focusing on Western Africa. MTOE is in charge of expanding the business of the MTO in Western Africa and is therefore highly attuned to the needs and wants, in terms of financial solutions, of the diasporas of the region.

The selection process for the individuals who were contacted for the project was guided by a set of conditions to ensure that the interviews would provide the most valuable information and insights on the prospect of Ghanaian diaspora bonds:

- *Condition 1*
  Each interview subject was required to hold an active professional role within the diaspora finance ecosystem, such as banking, governance, policymaking, services, or research.

- *Condition 2*
  Each interview subject was required to have a connection to Ghana, either by citizenship, as a member of the diaspora, or work experience with the country in order to ensure an understanding of Ghana-specific cultural, social, and economic factors.

- *Condition 3*
  Each interview subject was required to have professional experience with some form of diaspora finance mechanisms, such as remittances and diaspora bonds, to ensure informed commentary on the potential advantages and obstacles of implementing diaspora bonds in Ghana.

In addition to sending out the questionnaire beforehand, allowing the interview subjects to raise potential concerns proactively, all interview subjects were also asked to provide their consent to being recorded. The interviews were conducted online via Google Hangouts and Microsoft Teams between the 17 of March, 2023, and the 28th of April, 2023. All interviews were recorded and transcribed with *Meetgeek.io* and had a duration of between 45 and 60 minutes.

4.2.2 Quantitative Data: Commonwealth Survey

The quantitative data from the Commonwealth (2018) survey, covering the opinions and sentiments of the Ghanaian diaspora members towards a Ghanaian diaspora bond and other forms of diaspora finance mechanisms, represents virtually the only publicly available source of such data currently, which was uncovered after a rigorous search effort. The survey consists of 32 questions, out of which 30 questions are close-ended, and two are open-ended, and was sent out to 452 diaspora members residing in the United Kingdom. Respondents constitute a highly heterogeneous group of different ages, socioeconomic statuses, occupations, and education levels.

4.2.3 Quantitative Data; Mensah Survey

Upon concluding the semi-structured interviews that include a broad spectrum of incumbents and subjects and locating the Commonwealth (2018) survey covering the diaspora members, it was determined that a data source focusing specifically on the financial aspects of Ghanaian diaspora finance would provide additional depth to the analysis of the study. Following a significant search, the Mensah (2019) survey was identified and included, covering the standpoint of 12 Ghanaian financial institutions on the potential and challenges concerning Ghanaian diaspora finance.

4.3 Data Limitations

4.3.1 Limitations: Qualitative Data

Despite the rigorous effort made to ensure a broad and multifaceted group of interview subjects, there are perspectives not included in this study that would have provided an even deeper discussion which is explored further below. Furthermore, there is the issue of potential biases in the research. According to Pannucci and G. Wilkins (2010), research bias is defined as any action that precludes an impartial account of a question. As such, bias can be introduced into the research in many different ways, for instance, by omitting data or asking leading questions (Pannucci & G. Wilkins, 2010). In constructing the interview process conducted in this study, two forms of bias were given special consideration; interviewer and response bias. The steps taken to mitigate them are explained in detail below. However, despite the actions taken to limit any bias, eliminating it is virtually impossible (Pannucci & Wilkins, 2010).

Non-included Perspectives

The primary not-included perspective in this study is that of the Ghanaian government. Attempts were made to recruit a representative from within Ghana's government to participate in the interviews; however, no suitable candidate responded or was willing to participate. The lack of a representative from the Ghanaian government limits the length to which this study can comment on Ghana’s official stance on the matter. However, the issue is mitigated to an extent by consulting official memos published by the Ghanaian government where possible.

Interviewer Bias

In order to limit the occurrence of interviewer bias, explained by Salazar (1990) as the risk of preconceptions and opinions held by the interviewer influencing the interview subjects’ answers, the interviews were conducted using a semi-structured format. Under a semi-structured format, pre-determined open-ended questions are used as the basis of discussion, from which follow-up questions may emerge organically based on the information disclosed by the interview subject (Adeoye-Olatunde & Olenik, 2021). Moreover, all follow-up questions were formulated as open-ended to avoid leading the interview subject during the discussion.

Response Bias

Since most interview subjects in this study have a vested interest in the diaspora finance ecosystem, there is a risk of response bias. According to Furnham (1985), response bias is an umbrella term for various biases relating to an inaccurate account of information from a respondent. As such, many interviewee actions can be considered to represent response bias. Furnham (1985) presents several examples of response bias, such as when an interview subject answers a question in an exaggeratedly positive or negative way. Furnham (1985) refers to such instances as “faking-good” and “faking-bad” (p. 1). For the purpose of this study and the critical assessment of the interview subjects’ answers, faking-good and faking-bad are considered to occur when an interview subject wishes to promote a particular agenda. As stated above, most of the interview subjects who participated in the semi-structured interviews have a vested interest in the diaspora finance ecosystem and may thus be inclined to answer questions in a skewed way to promote their own interests. To manage this risk, the interview transcripts have been carefully coded and compared to hopefully weave out surprising inconsistencies between interview subjects. Even so, there is a risk that several interview subjects may wish to promote a similar agenda which would make it difficult to capture.

4.3.2 Limitations: Quantitative Data

Due to the relative novelty of the subject of Ghanaian diaspora financing, little data is available. This applies to both the opinions and preferences of Ghana's diaspora in terms of providing capital to support economic growth in the country and the perspectives of industry incumbents. Consequently, the secondary quantitative data against which the expert interviews conducted in this study are contrasted is thinner than ideal. Furthermore, several attempts were made to contact the authors of the two surveys but to no avail. As a result, this study could not access the raw data, which would have made more in-depth analysis and conclusions possible.

Limitations: Commonwealth (2018)

Regarding the data on diaspora members from Commonwealth (2018), all individuals included in the survey live in the United Kingdom, which may introduce biases specific to the Ghanaian diaspora community residing there. As such, it is probable that the data is not representative of the Ghanaian diaspora as a whole. This issue is taken into account in the discussion and conclusion, highlighting when results should be considered indicative but not exhaustive of the Ghanaian diaspora's preferences.

Limitations: Mensah (2019)

Concerning the data on Ghanaian financial institutions retrieved from Mensah (2019), the primary limitation is found in the fact that the seniority of the respondents within their respective institutions is not explicitly stated. Consequently, it is unclear to what extent the results represent the different institutions' official standpoints. That being said, Mensah (2019) facilitates some degree of control in terms of how well-informed the respondents are on diaspora financing issues at each respective institution by asking them to define several key concepts in the survey.

4.4 Data Analysis

4.4.1 Data Analysis: Qualitative Data

The thematic content analysis (TCA) framework was employed to synthesize the results of the semi-structured interviews and create a baseline. According to Anderson (2007, p. 1), TCA is the "most foundational of qualitative analytic procedures" and argues that it serves as the base for most other frameworks for interpreting qualitative data. Fundamentally, TCA facilitates the identification and unraveling of salient and recurring themes in qualitative data, primarily interview transcripts, although application to other data sources is possible (Anderson, 2007). Moreover, Anderson (2007) highlights that while conducting TCA, the researcher's own interpretation of themes in the data is minimized as the data is approached without preconceptions. Themes and ideas are drawn directly from the interview subjects' words, thus limiting researcher bias, and ensuring that the research findings reflect the interviewees' perspectives. To conduct the TCA, the Nvivo platform was used, where the interview transcripts were thoroughly read to decode the overarching themes, then re-read with the identified themes as a guide, and ultimately coded accordingly. This process allowed the data to be analyzed structured and systematically, ensuring the findings were reliable and valid.

Following the identification of the main themes in the interview transcripts using the TCA, the Miles and Huberman (1994) framework of qualitative data analysis was consulted to guide the work on displaying the results beyond the medium of text. Moreover, Miles and Huberman (1994) argue that qualitative research, when presented solely by text, is generally weak as researchers risk oversimplifying and jumping to conclusions while also making it challenging to navigate the research.

Miles and Huberman (1994) also state that considerations and decisions on displaying qualitative data must be considered part of its analysis, referring to it as one of the four pillars of qualitative data analysis (see Figure 1.1). It is argued that in determining how to present the results of qualitative data, the researcher is also conducting a form of data reduction with each choice of what goes in what rows and columns representing analytic activity (Miles & Huberman, 1994). As such, Miles and Huberman's (1994) framework lends itself not only to improved data selection and a more efficient way of communicating results.

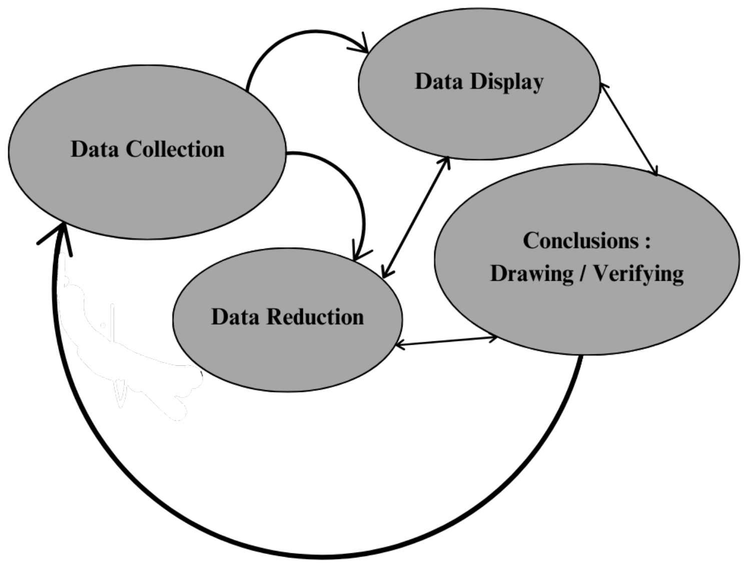

Figure 1. Components of Data Analysis: Interactive Model (Miles & Huberman, 1994, p. 12).

4.4.2 Data Analysis: Quantitative Data

Whereas this study does not include any specific quantitative analysis, it is pertinent to briefly clarify how the quantitative data will be utilized. The quantitative data from Commonwealth (2018) and Mensah (2019) serve two purposes: (1) to provide a starting point for the open-ended interview questions, thus making a direct comparison between the quantitative and qualitative data possible, and (2) to provide a framework for contextualizing the qualitative findings. As previously noted, the survey conducted by Commonwealth (2018) provides quantitative data on the preferences of Ghana's diaspora members regarding diaspora bonds, whereas Mensah (2019) provides similar insights but from the perspective of Ghanaian financial institutions.

5. Results

This section will outline the results of the data used, with particular attention given to the semi-structured expert interviews. Whereas the quantitative data from Commonwealth (2018) and Mensah (2019) will be displayed, limited attention is paid here as the results of the two sources are readily available. Instead, they are paid closer attention in the discussion where they are contrasted to the qualitative data. As such, this section provides an empirical foundation for the discussion of this study.

5.1 Results of the Semi-Structured Interviews

As previously noted, the semi-structured interviews conducted in this study include a variety of stakeholders within the Ghanaian diaspora ecosystem, each with their own unique perspective on the subject of diaspora bonds, both in general terms and in the context of Ghana. As such, the data gathered from the interviews is highly dense and diverse. Despite this, and the interview subjects' heterogenous angles of approach to the topic, several themes and factors argued to be critical and essential were identified using TCA. The overarching and recurring themes identified that all participants based the majority of their argumentation on were; (1) awareness, (2) transparency, and (3) accountability.

Based on this, the results of the interviews are divided into five sections, with each of the first three corresponding to one of the identified overarching themes, the fourth to general prerequisites necessary to accommodate diaspora bonds, and the fifth and final to the future outlook on, and the feasibility, of a Ghanaian diaspora bond. Whereas separating the different themes makes the section easier to navigate, they do occasionally blend. However, this is only natural as the themes are closely connected. For example, it is virtually impossible to discuss accountability without touching upon transparency for the simple reason that without knowing what is going on, it becomes impossible to identify and address any deviations from the expected outcome and thus exact accountability. Similarly, upon reviewing the interview subjects' answers, it is evident that accountability is also closely related to awareness in the sense that demonstrating accountability becomes a powerful catalyst for awareness. Even so, the themes are isolated to the extent that they can be accommodated without interfering with the context of the findings.

As a final remark, before diving into the results of the interviews, it is pertinent to briefly disclose how the interview subjects are labeled and why. Throughout the interview results, the interview subjects are referred to as "IS" followed by a number between one and five. Although all interview subjects are described in detail in the method section and given individual labels there, they are labeled as "IS" here to guarantee anonymity in regard to their responses.

5.1.1 Semi-Structured Interview Results: Transparency

The subject of transparency is brought up frequently throughout the interview transcripts in relation to both foundational overall prerequisites and specific factors conducive to successful diaspora bond issuance in Ghana. Throughout the interview transcripts, it is clear that transparency is inseparable from the concept of trust. In other words, increasing transparency is synonymous with increasing trust. Moreover, it is argued that transparency in Ghana is scarce in supply and that both domestic and diaspora investors approach Ghanaian investment opportunities with caution.

"There's a big elephant in the room, which is always there… the risk of corruption." (IS4). According to the UNODC (2022), 26.7% of Ghanaian adults paid a bribe to a public official in 2021. Moreover, according to the executive director of the Ghana Integrity Initiative (GII), Linda Ofori-Kwafo, as quoted in Ljubas (2019), Ghana loses approximately US$3 billion yearly due to corrupt activities. Consequently, it is not surprising that the subjects interviewed in this study place significant weight on transparency if Ghana is to succeed with diaspora bond issuance. This is made clear during the interview with IS1, who states: *"I tell people when they come in, you can't trust anybody. Everybody has the capacity [to defraud], you know, that's just kind of the way is here at the moment".*

In addition to both the perceived risk and actual instances of corruption, the general confidence in the Ghanaian financial system has severely deteriorated over the past couple of years on the back of Ghana defaulting on loans and a depreciation in the exchange rate of the cedi, as highlighted in the introduction of this study. IS4 even states that *"no investor with a prudent investment strategy would go near Ghana right now."* Despite these far-reaching and systematic issues with transparency, the interview subjects still consider Ghana's odds of succeeding in raising capital from their diaspora as favorable.

IS5 argues that both the diaspora and the Ghanaian government are motivated to collaborate on the development of Ghana. However, for that to be possible, it needs to be approached as a partnership, or what IS5 more specifically refers to as *"a push-and-pull relationship."* Diaspora members who invest need to be considered partners in the projects they, depending on the nature of the financial instrument they purchase, actively or passively support. All interview subjects stress that investors must be provided continuous updates on the progress, possible issues, and results pertaining to the projects they support. In other words, funds must be managed and used transparently. Such a setup would benefit those who invest and the long-term prospect of raising capital from the diaspora as such documentation would be a potent marketing tool, says IS5.

As a concluding remark on the subject of transparency, it needs to be mentioned that according to IS2, born in Ghana and raised in the diaspora, there exists a cultural aversion towards delivering bad news in Ghana, stating that: *"Culturally, people don't like giving bad news… It is avoided as much as possible".* Whereas this study has not been able to corroborate this statement, it is worth mentioning for future research.

5.1.2 Semi-Structured Interview Results: Accountability

Accountability seen through the lens of the interview subjects' answers reveals that in the context of a Ghanaian diaspora bond and diaspora finance in general, it is as much a matter of resources being used for sound purposes as it is a matter of having regulations in place that ensure the rights of investors. IS1 explains that whereas diasporas might have been on board with providing financial and non-tangible support to their origin countries without much oversight in the past, trusting that resources were used for the greater good, the landscape is changing. IS2 argues that diasporas now demand greater control over what their support will be targeted towards, stating that they want to support specific projects along with greater insight and transparency, allowing them to exact accountability should the need arise.

Furthermore, IS3 suggests that accountability increases in importance the broader the scope of any diaspora finance initiative. In more practical terms, first-generation diaspora members will likely have a stronger sense of affinity and knowledge of local conditions making them less sensitive to risks. IS3, therefore, argues that Ghana should pursue a strategy that initially targets first-generation diaspora members, generate success, and then points towards that success while successively expanding the scope. On a more positive note, IS1 and IS2 assert that Ghana has made significant progress on regulations targeting fraud and consumer protection in recent years. Even so, IS2, who, as previously mentioned, is part of the Ghanaian diaspora, states, " *If the [Ghanaian] government asked me for money today, I'd say no."* IS2 expands by arguing that whereas regulations have been strengthened on paper, seeing them enforced and being able to trust them is a different story.

5.1.3 Semi-Structured Interview Results: Awareness

During the interviews in this study, two types of awareness are mentioned frequently and marked as crucial for Ghana to issue a diaspora bond successfully. The first is understanding the preferences and motivations of the diaspora, thus being aware of their needs and wants. The second is ensuring that the diaspora knows what Ghana has to offer, including recent developments, such as improvements in the financial sector, and the potential benefits of their commitment, both at the individual level and for Ghana. Furthermore, it is argued that the concept of awareness needs to be viewed both as a prerequisite for leveraging the diaspora financially and as an ongoing activity once a diaspora bond structure has been established.

> "When I moved to Ghana, I didn't have a job, I just wanted to move there. I didn't know a Diaspora Affairs Office existed until two years after I moved there. [...] And I've been coming to Ghana my whole life" (Interview Subject 1)

The interviews in this study paint a picture illustrating a lack of communication from the Ghanaian government towards their diaspora, resulting in the diaspora having little awareness of developments in the country. As a result, it is argued that improvements that are made pass by largely unnoticed.

> "I suppose I'm a sort of a diaspora member now [...] [and] I don't really change my opinion of what's happening in the UK. You know, I pick up snippets of information. And it's the same

with the Ghanaians; probably half of the diaspora think the environment is like it was 10 years ago; the regulations are the same, and the problems in the financial system are the same [...] Ghana has introduced a lot of new regulations and really done a good job, I think, in terms of reforming the financial system, and it is continuing, but what they have to do now is communicate those changes [...] you've got to make sure the diaspora understands what the conditions are like now, not what they were like when the people left; because people have a very fixed view." (IS2)

The interview subjects' widespread notion that Ghana's efforts at creating awareness among its diaspora are lacking is a somewhat surprising result as several Ghanaian government-led organizations and institutions, such as the Diaspora Affairs Office and the Ghana Investment Promotion Center, exist for the designated purpose of maintaining Ghana's relationship with its diaspora. However, as acknowledged by several interview subjects, this does not necessarily mean that Ghana is not making progress on diaspora-related issues but rather that Ghana's communication is lackluster. *"In many ways, it's a matter of engagement,"* says IS3, arguing that true awareness can only be achieved by actively engaging with the diaspora. IS2 follows a similar line of thinking: "*You must understand the diaspora, who they are, and what they want."* If not, any efforts to raise awareness are bound not to reach their full potential.

An illuminating example of the close relationship between awareness and engagement is provided by IS1 on Ethiopia and their Renaissance Dam Bond, a diaspora bond issued in 2011 specifically to build a new dam along the Nile (Plaza, 2011). IS1 states that the bond was initially a failure, citing various concerns raised by the diaspora as the cause. However, according to IS1, the Ethiopian government took note of these concerns, addressed them, and reissued the bond, which was then met with greater enthusiasm by the Ethiopian diaspora. IS1 further argues that diaspora bonds need to be considered part of the larger engagement strategy with the Ghanaian diaspora, stating that it should not be considered the end goal but one of many tools used to engage with the diaspora.

Regarding the part of awareness pertaining to the diasporas' knowledge of opportunities and developments in Ghana, the interview subjects agree that more needs to be done. It is argued that, whereas apt organizations and institutions are in place, more resources must be allocated to ramp up the marketing apparatus. This needs to be done strategically, identifying, and incorporating incremental successes in communication as they occur. It is argued that this would enable the Ghanaian government to slowly but steadily increase trust among their diaspora members.

5.1.4 Semi-Structured Interview Results: Prerequisites

Based on the interviews, there is plenty of work ahead if Ghana is to be able to issue a diaspora bond successfully. The challenges the interview subjects argue Ghana needs to address range from improving macroeconomic conditions and restoring confidence in the market to strengthening legislation around consumer protection and also show that such legislation is enforced. The magnitude of these issues is highlighted in rather explicit terms when IS1 is asked what the best action Ghana can take in the coming three years to engage with the diaspora financially and states, *"Not issuing a diaspora bond would be the number one recommendation."* IS1 further argues that Ghana first needs to ensure that the existing available investment channels, such as the stock market, are running smoothly and securely and then leverage that to demonstrate to the diaspora that regulations are functional and enforced.

However, according to several interview subjects, getting sound regulations and the machinery to uphold them in place is not an easy task. Apart from the regulations themselves, you need people who supervise and enforce them, and those people need the necessary skills to do so, and there is a significant shortage of those skills in most central banks and supervisory areas, it is argued.

> "I think people think that you can put the words in place, and we'll trust that everybody will follow and do what they're supposed to do, and we know that just doesn't happen [...], and it's not always because everybody's a criminal. Quite often, it's because the entities don't really understand what they can and are supposed to do" (IS1).

To further demonstrate the significance of the issue, it is argued that even some of the leading financial hubs in the world, such as the United Kingdom, struggle with similar challenges. IS1 states the following:

> "The United Kingdom's Financial Conduct Authority recently issued a 10-page letter to every payment institution in the UK telling them what it expects from them and what they've got to do. And they have recruited 50 new supervisors to actually go out and look at these companies. Previously there were only eight. So, this is like 15 years after the regulations came in in the first place. It's taken them that long to come around to do it, so that's a real, you know, problem with

introducing new regulations. Good, you get a tick in the box, but changing the behavior of the operators takes a lot longer unless you've really got the funds to be able to monitor it." (IS1).

Another critical aspect frequently mentioned throughout the interviews is making the Ghanaian financial system more accessible and flexible for diaspora members. IS2 asserts that without a so-called Ghana Card, much of the financial infrastructure is inaccessible as it is required to open a bank account and provide credit information to Ghanaian banks and pension claims. However, the issue is not the requirement of having a card to access the aforementioned services but rather that the card can only be acquired physically on-site in Ghana. This is argued to be a significant hurdle in expanding and deepening the relationship with the broader diaspora born outside of Ghana that may or may not have visited the country.

Moreover, regarding flexibility, the interview subjects concur that Ghana needs to allow for a high degree of freedom regarding diaspora investors' choice of currency, both when providing and recouping funds. This is especially critical now as the Cedi is suffering from severe volatility. For example, it is argued that investors must be allowed to decide if they want to collect their interest in Cedi or USD. IS5 even refers to flexibility around currency exchange as the most pressing issue for Ghana to address to issue a diaspora bond successfully. IS3 provides a good explanation of why currency flexibility, beyond the obvious opportunity of choosing a currency that the investor feels confident in, is important, namely, the issue of a possible return to Ghana. IS3 states that some diaspora investors may prefer payments in Cedi despite being associated with much higher uncertainty as a way to prepare for a return to Ghana.

Last but not least, regarding flexibility and as previously touched upon, several interview subjects highlight the need to provide a diverse selection of projects and investment opportunities for the diaspora to choose from. For example, IS4 argues that some diaspora members will likely choose assets purely based on their projected financial returns, whereas others are likely to be more concerned with the impact of the asset on Ghanaian societal development. As such, it is argued that the Ghanaian government is wise to present various opportunities catering to investors with different motives.

5.1.5 Semi-Structured Interview Results: Feasibility and Future Outlook

Based on the interviews, it is clear that none of the experts consulted believe a Ghanaian diaspora bond issuance under prevailing conditions is advisable or even feasible. Instead, when synthesizing their answers, they propose something reminiscent of a multi-stage rocket - a step-by-step strategy to propel Ghana to a position from which they can confidently attempt to issue a diaspora bond. This step-by-step approach is visually presented in “Figure 2”.

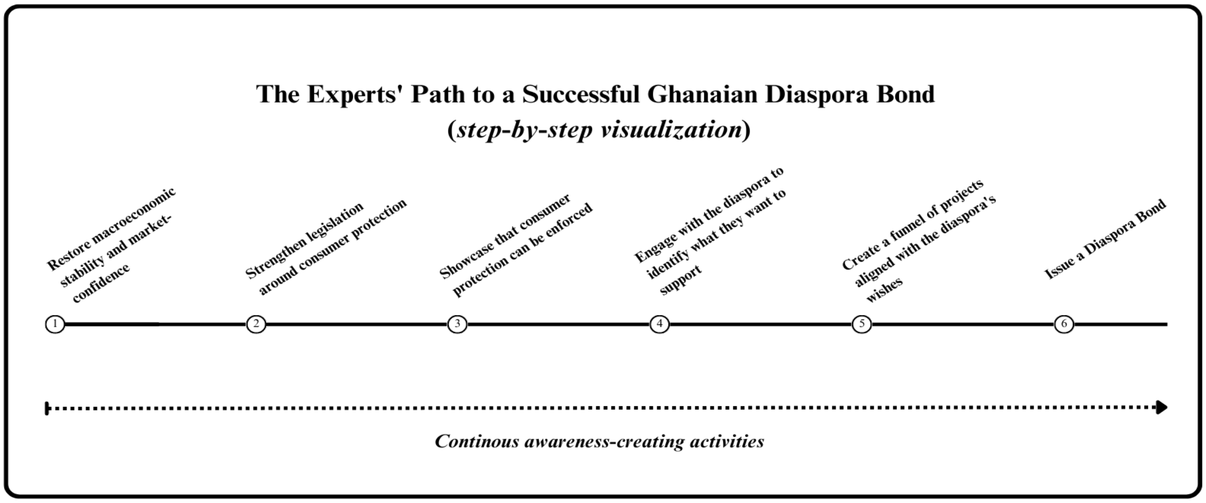

Figure 2. The Experts’ Path to a Successful Ghanaian Diaspora Bond.

5.2 Commonwealth (2018) Results

As highlighted in the method section, the survey in Commonwealth (2018) covers the opinions and preferences of the Ghanaian diaspora in the United Kingdom. This section will outline the most relevant results of the survey in relation to this study, which are presented in various graphs. This includes the respondents' demographics, occupation, income levels, motivations to invest in Ghana, obstacles they perceive to be curbing investments, and the share of the diaspora desiring to invest/save more in Ghana. All of the graphs are based on the total of 452 participants in the study.

5.2.1 Commonwealth (2018) Results: Demographics, occupation, and income levels

Figure 3, displaying the demographic composition, occupation, connection to Ghana, and income levels of the respondents, shows that the vast majority are aged 31 and higher (88%). Furthermore, most respondents are working, with only a few stating to be students or retired. Consequently, most collect yearly salaries, with the majority who answered taking home above 25.000 £ per annum. According to Statista (2022), the median salary for full-time workers in the United Kingdom in 2018 was 29.559 £. As such, most respondents can be assumed to be placed around the middle of the income distribution in the United Kingdom. Furthermore, a large majority (87%) is Ghanaian by birth and presumably has strong ties to the country.

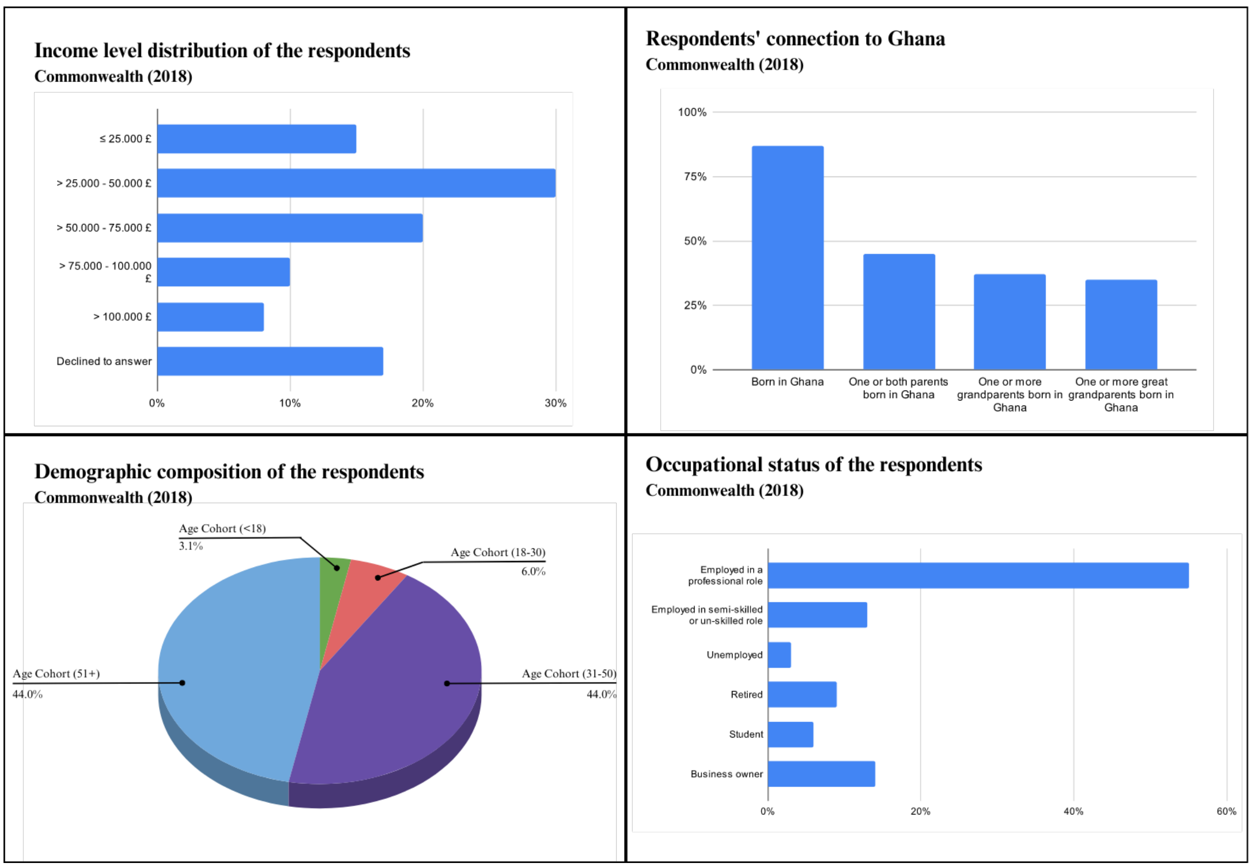

Figure 3. Respondents' Characteristics (Commonwealth, 2018).

5.2.2 Commonwealth (2018) Results: Motivations to invest

Figure 4 displays the respondents' preferred industries to invest in and the percentage of the respondents who want to invest and save more in Ghana. Moreover, Figure 5 shows the motivations of the respondents to invest in Ghana, both that which is driven by economic considerations and that by more altruistic motives. Right off the bat, we see that an overwhelming majority (80%) wishes to invest and save more in Ghana. A mere 4% state that they do not wish to invest or save more in Ghana, and 16% state that they are unsure.

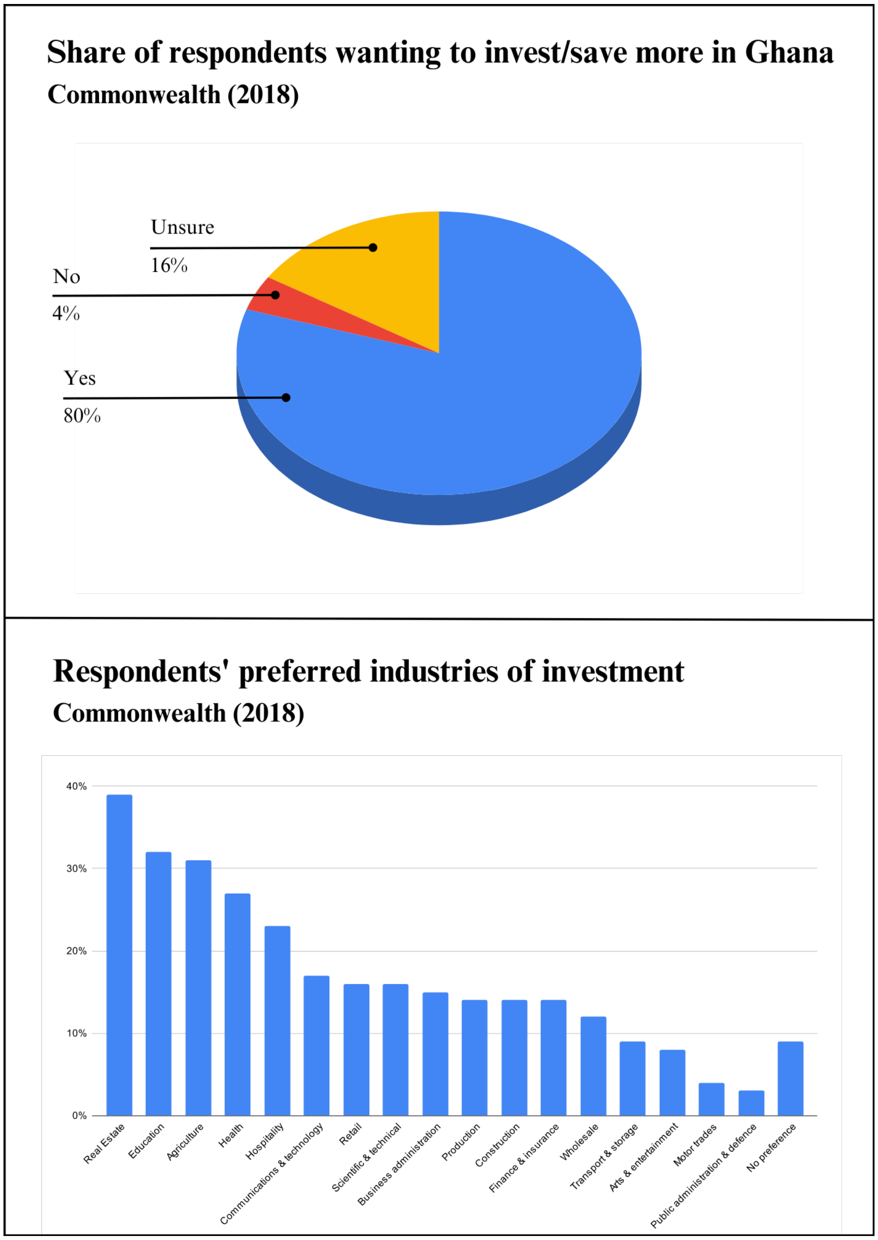

Figure 4. Respondents' Investment Preferences (Commonwealth, 2018).

In terms of what the respondents wish to invest in, real estate (39%), education (32%), and agriculture (31%) are the standout industries of interest. These three industries are not uncommonly associated with long-term investments, suggesting that the respondents are willing to engage in long-term commitments. Also worth noting is that the industry with the lowest level of appeal (public administration and defense) is the only industry with direct connections to the Ghanaian government, suggesting that the respondents lack confidence in the Ghanaian state.

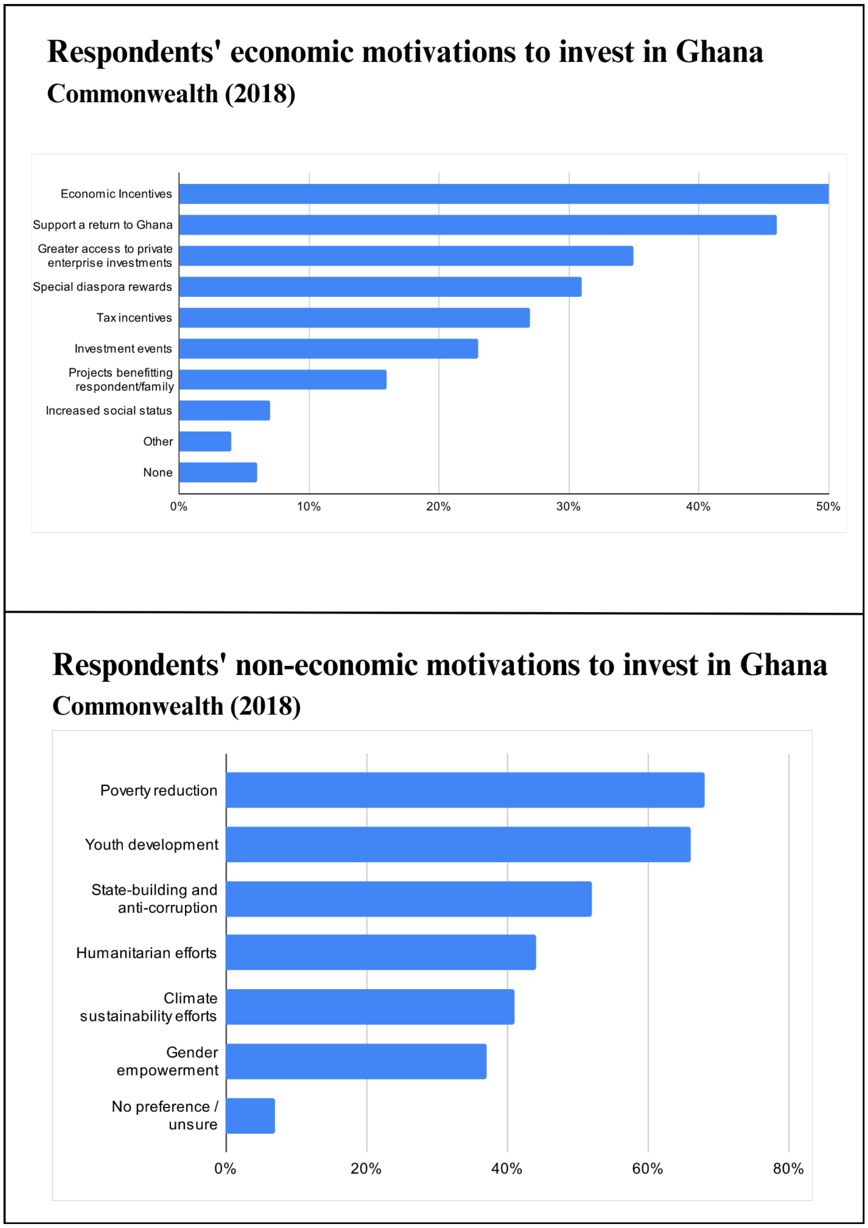

Figure 5. Respondents' Motivations for Investing (Commonwealth, 2018).

Regarding the respondents' motivations to invest, two main categories are present - economic and altruistic motivations, although the two are not mutually exclusive. Furthermore, based on the structure of the Commonwealth (2018) survey, it is not possible to determine which of the two categories is valued the highest. With that said, many of the highest-ranking economic motivations are difficult to marry with altruistic motivations.

5.2.3 Commonwealth (2018) Results: Obstacles Curbing Investment

As shown in "Figure 6", there are a wide variety of factors that the respondents consider as obstacles to investing in Ghana. As evident in the data, respondents rank corruption, legislation, and governance issues as a greater obstacle than economic performance. Given that the survey was carried out in 2018, four years ahead of the economic turmoil of 2022, it is probable that poor economic performance would be ranked higher today. Nevertheless, it is clear that a lack of trust in the Ghanaian state's ability to accommodate investments justly is perceived as a significant obstacle.

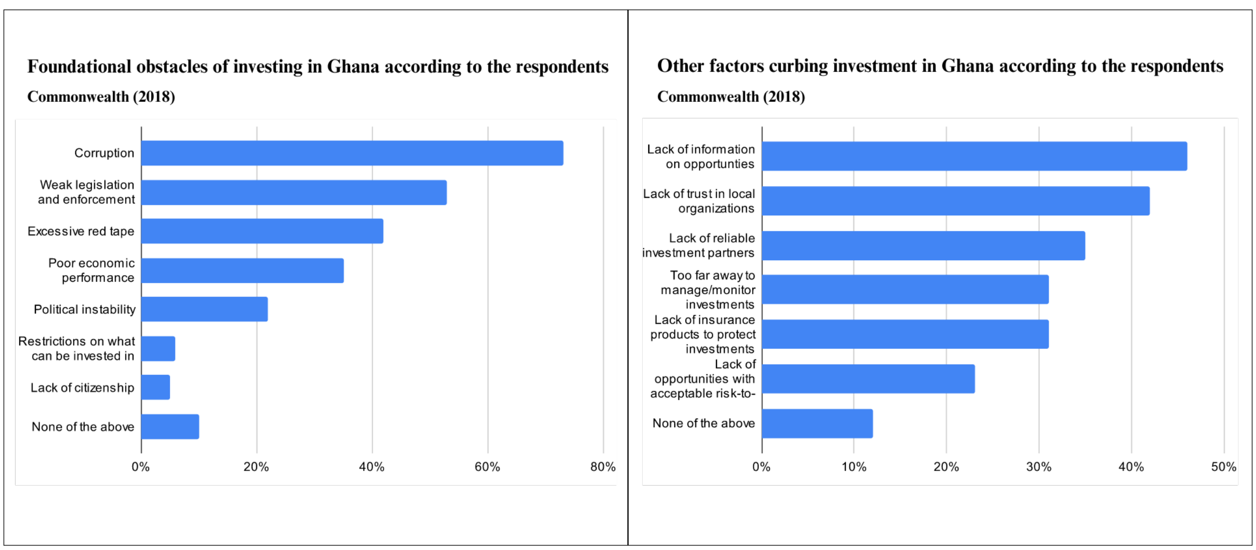

Figure 6. Respondents' Perceived Obstacles in Investing (Commonwealth, 2018).

5.3 Mensah (2019) Results

The survey results in Mensah (2019), which asks a selection of Ghanaian banks and financial institutions about their outlook on the prospect of a Ghanaian diaspora bond, suggest that the necessary prerequisites regarding the diaspora's characteristics are fulfilled. It is argued that the size and income level of the diaspora is conducive to a successful issuance. However, it is also clear that Ghanaian banks and financial institutions believe that the diaspora's confidence in the Ghanaian economy is low.

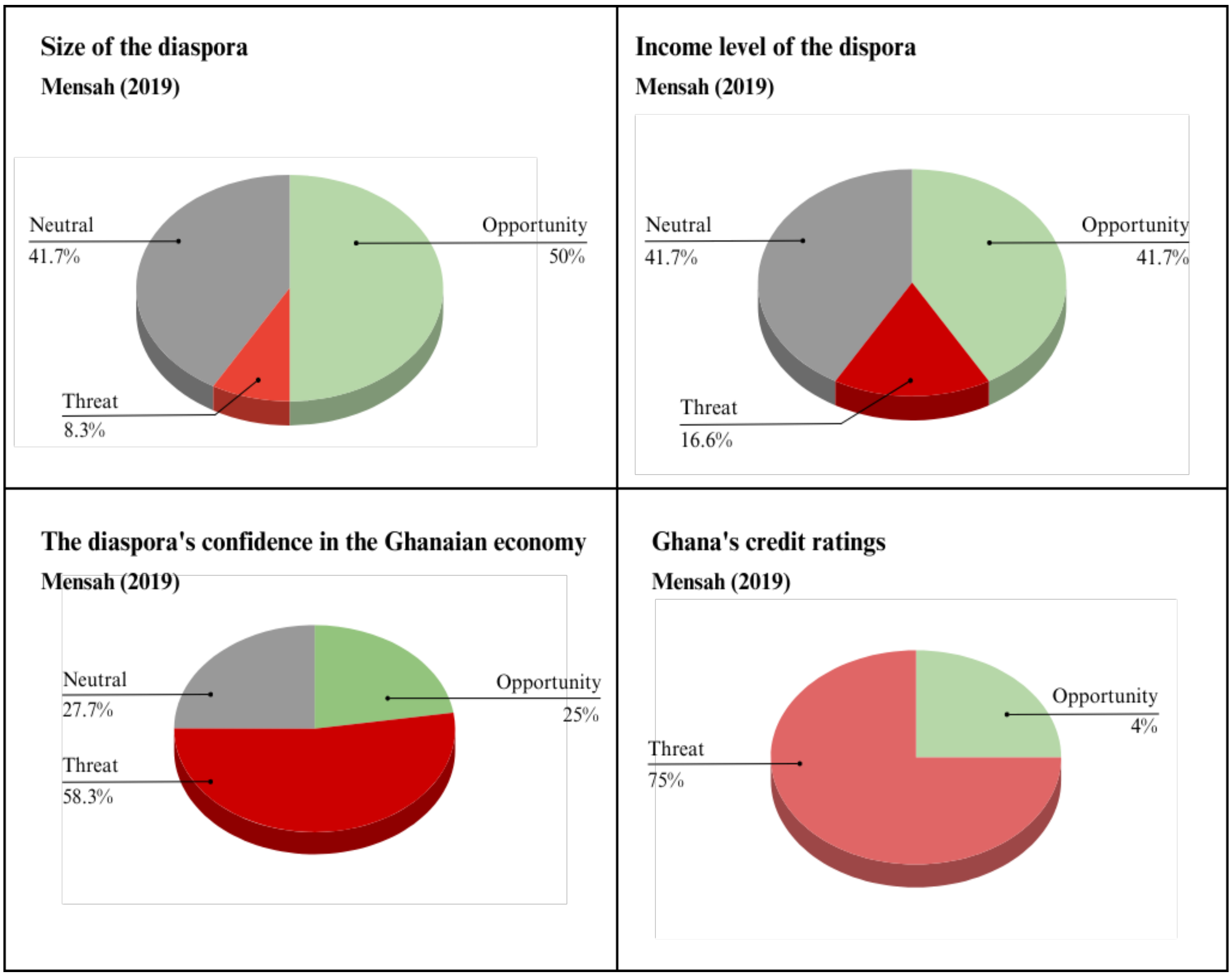

Figure 7. The Financial Institutions' Opinions on the Prospect of a Ghanaian Diaspora Bond (Mensah, 2019).

6. Analysis and Discussion

This section aims to piece together the findings of the semi-structured interviews and the survey data from Commonwealth (2018) and Mensah (2019) and, in doing so, shed light on the research and sub-research question of the study. The discussion uses the theoretical frameworks and previous research presented in the literature review as a backdrop.

Primary RQ: *What is the potential and feasibility of Ghana in raising funds from its diaspora through diaspora bonds?*

Sub-RQ: *What are the key factors influencing the success or failure of a diaspora bond program in Ghana?*

6.1 Perspectives on the Readiness and Motives of the Diaspora to Support a Diaspora Bond

Essentially all data and previous research consulted in this study view the potential of the Ghanaian diaspora to stimulate economic development in Ghana in favorable terms (Commonwealth, 2018; World Bank, 2011; Okonjo-Iweala & Ratha, 2011; Mensah, 2019). It is argued that the Ghanaian diaspora's size, income levels, and patriotic sentiment are conducive to a successful diaspora bond issuance (World Bank, 2011; Commonwealth, 2018; Mensah, 2019). Furthermore, as identified in Commonwealth (2018), most of Ghana's diaspora want to invest and save more in Ghana. As such, it appears the diaspora is ready for a structured and sponsored form of financial contribution to Ghana.

Upon reviewing the Ghanaian diaspora's motivation for contributing to Ghana, it is not possible to confidently decipher whether altruism or economic considerations, such as suggested by the MPT, are the decisive factors. Both the semi-structured interviews and the survey data obtained in Commonwealth (2018) are inconclusive on the subject. When generalized, the experts consulted in the semi-structured interviews argue that there are essentially two groups of diaspora investors; (1) those who consider it an avenue for personal financial gain and (2) those who wish to contribute to the development of Ghana. Now, the two are naturally not mutually exclusive, but it does showcase the difficulties in accrediting the Ghanaian diaspora's proven desire to inject capital into Ghana to a specific theoretical framework. In regards to Commonwealth (2018), things get somewhat more complicated. Whereas Commonwealth (2018) finds that most of the diaspora sending funds to Ghana today does so based on altruistic motives, it is not discerned if this applies to investment decisions as that specific statistic is based on questions relating to remittance transfers and charitable donations, not investments. It is also pertinent to note that whereas both economic and non-economic motives of the diaspora to invest are disclosed, how Commonwealth (2018) inquires about their motives warrants attention. Commonwealth (2018) first asks respondents what industries they would prefer to invest in, then asks if they would also be interested in supporting more humanitarian initiatives such as poverty reduction and youth development. As such, it is not unraveled what form of investment or support is, in fact, deemed most desirable.

Based on this backdrop, it could be argued that both altruism and the MPT hold true when discussing the motives of the Ghanaian diaspora, with the reservation of it depending on whom you ask. With that said, if one adheres to the MPT, and therefore economic considerations, being a significant catalyst of Ghanaian diaspora investments, one would inadvertently argue that there must be value to be extracted which is exclusive to the local Ghanaian market. Ketka and Ratha (2010) and Amuedo-Dorantes (2010) suggest that to be the case, arguing that amassing local currency can often be looked at favorably by diaspora investors.

6.2 Perspectives on Ghana's Readiness for Issuing a Diaspora Bond

Whereas the Ghanaian diaspora is by and large well-equipped and ready for a diaspora bond, the situation with Ghana as a nation is rather different. As mentioned in the results section of this study, one of the leading experts on the subject even argues that not issuing a diaspora bond is the best thing Ghana can do right now in terms of financially engaging with its diaspora. Both the experts consulted in the semi-structured interviews, the financial institutions surveyed in Mensah (2019), and the diaspora members surveyed in Commonwealth (2018) suggest there are systematic issues in need of addressing before a diaspora bond can be successfully issued. These include legislation around consumer protection, anti-corruption efforts, macroeconomic stability, and flexibility around currency exchange. Commonwealth (2018) finds that many diaspora members believe the Ghanaian government has acknowledged these issues but is doing little to address them. It is also argued that the development of policies relating to the diaspora is done without consulting the diaspora, providing little transparency. The experts consulted in the semi-structured interviews corroborate this view, with one even stating that a diaspora policy has been drafted for ten years. However, despite two government-supported organizations working with diaspora-related issues, nothing has been presented.

As such, efforts relating to transparency and awareness can be determined to be lackluster. In essence, the systematic issues disclosed above are argued to, individually and collectively, result in a lack of trust from the Ghanaian diaspora, making issuing a diaspora bond difficult at best but, more likely - not feasible.

6.3 Perspectives on What Needs to be Done for Ghana to Become Ready to Issue a Diaspora Bond

Despite the significant obstacles facing a Ghanaian diaspora bond, it is not deemed a lost cause. The Ghanaian diaspora does represent a viable source of capital according to the experts interviewed in this study, Mensah (2019), Commonwealth (2018), and The World Bank (2011). In other words, the opportunity is there; the challenge is to seize it. Now, the actions necessary to do so are highly complex and require targeted, multifaceted efforts and initiatives relating to Ghanaian governance, many of which warrant a study in their own right. However, several authors and the experts consulted in this study argue that there are 'low-hanging fruits' which can be picked with relative ease to improve the situation and begin restoring the diaspora's trust (Gevorkyan, 2021; Mensah, 2019; Ketka & Ratha, 2010). A highly compelling example of such an opportunity is proposed by IS1, who argues that Ghana could buy a well-established bond, such as a Eurobond, and portion off a share that is sold to the diaspora on the same terms. In other words, use the Eurobond as a proxy for an actual diaspora bond, allowing Ghana to leverage the credibility of an already existing infrastructure and leapfrog a structured diaspora investment scheme. Furthermore, the proceeds from such a setup would then be used for projects and investments in Ghana, with a high degree of transparency further developing the bond between the Ghainain diaspora and

Ghana. This idea follows a similar reasoning to that of Gevorkyan (2021), who argues that developing countries should place diaspora bonds in countries with “investor-friendly jurisdictions” (p. 8), meaning that potential grievances would be dealt with under the legal framework of the country where the bond is placed, rather than the issuer. As such, guaranteeing accountability. Such a structure has been used by Israel, which has consistently placed its bonds under the regulations of the SEC in the U.S. (Ketkar & Ratha, 2010; Gevorkyan, 2021).

7. Conclusion

This study has reviewed the potential and feasibility of a Ghanaian diaspora bond, drawing on both primary and secondary sources to generate as complete a picture as possible. The study was guided both by a set of research questions and the considerations of altruism and the MPT.

Primary RQ: *What is the potential and feasibility of Ghana in raising funds from its diaspora through diaspora bonds?*

Sub-RQ: *What are the key factors influencing the success or failure of a diaspora bond program in Ghana?*

Regarding the primary research question, this study finds that Ghana's potential to raise capital from its diaspora is indeed considerable. There is virtually a consensus among researchers and experts that a Ghanaian diaspora bond would be a good way to engage financially with the diaspora. However, it is not feasible under current macroeconomic conditions and due to a lack of necessary prerequisites ranging from consumer protection and transparency to accountability and honesty. As stated in the introduction, confidence in the Ghanaian financial system has severely eroded over the past few years, and this confidence needs to be restored on multiple fronts. Furthermore, it is argued that Ghana needs to build up towards a diaspora bond issuance, seeing it as part of a broader context.

Regarding the sub-research question, this study finds that the key factors influencing the success or failure of a Ghanaian diaspora bond are transparency, accountability, and awareness. More specifically, transparency on the conditions on which capital is raised and what the capital will be used for in order to foster the diaspora's confidence and willingness to invest. Furthermore, clear lines of communication between the Ghanaian government and the diaspora must be erected, not only as a prerequisite but also as an ongoing activity to continuously assess progress and outcomes, allowing for adjustments to be made if necessary, increasing both transparency and accountability. On the subject of awareness, it is paramount to gain awareness of the Ghanaian diaspora's preferences and goals and be flexible in the face of variations of the aforementioned, as well as marketing opportunities to the diaspora efficiently and engagingly.

Furthermore, this study had two hypotheses:

Hypothesis 1: The Ghanaian diaspora's level of trust and confidence in the Ghanaian government significantly impacts their willingness to provide capital.

Hypothesis 2: Successfully issuing a diaspora bond under Ghana's current circumstances will be difficult.

Based on the research conducted in this study, both "Hypothesis 1" and "Hypothesis 2" can be considered to hold.

7.1 Practical Implications

The practical implications of the findings in this study are many. First and foremost, it shows the need for Ghana to ramp up engagement activities with its diaspora if they are to be able to leverage its resources. Equally important is to allocate more resources to rebuilding confidence in the Ghanaian market in general, including but not limited to stabilizing the macroeconomic environment, strengthening legislation around consumer protection legislation, and cracking down on corruption. As discerned by the experts interviewed in this study, marketing and engagement activities need to occur continuously and permeate all actions taken to slowly but steadily build up confidence and engagement. Furthermore, Ghana is also well-advised to explore more isolated and smaller, in terms of scale, pathways through which diaspora finance can be attracted and build trust and confidence on the back of smaller projects, for example, via portioning off shares of existing bonds and reselling these to the diaspora as suggested by IS1.

7.2 Suggestions for Future Research

As demonstrated in this study, Ghana is not in a position to issue a diaspora bond until a series of foundational issues have been addressed. Some of these issues, particularly the dismal macroeconomic conditions and the occurrence of corruption, are highly complex and warrant rigorous research to fully unravel and address. As such, it is advised that future research into Ghanaian diaspora bonds adopt an approach centered on these subjects, thereby expanding the research field. Furthermore, future research should also aim to expand the field in terms of the preferences and motivations of other Ghanaian diaspora communities. As it stands, there are many perspectives yet to be heard.

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Appendix

Semi-structured Interview Base-Questions

Question 1: What is your opinion on the general efficiency of diaspora bonds in Low to Middle-Income Countries?

Question 2: The preference of Ghana's diaspora on the term of diaspora bonds is not uniform, with some preferring short-term (3 years), some preferring medium-term (4-9 years), and some long-term (10-15 years). Based on your experience, what are the pros and cons of long versus short-term diaspora bonds from the perspective of Ghana's economy?

Question 3: Are there any incentives that would be especially effective in motivating diaspora investors to invest in Ghana?

Question 4: A large share of Ghana's diaspora states that governance issues prevent saving and investing in Ghana. Have you observed any changes or improvements in the regulatory environment recently?

Question 5: A large share of Ghana's diaspora considers financial system issues a barrier to investing in the country. What is your opinion on the strengths and weaknesses of the Ghanaian financial system?

Question 6: A recent study shows that 50% of Ghana's diaspora members in the UK consider regulations of the Securities and Exchange Commission in foreign jurisdictions as a threat to a successful issue. Do you think the threat of multiple jurisdictions is a significant barrier to diaspora bond issuances?

Question 7: In your opinion, are there specific policy interventions that would most effectively address the barriers to diaspora investment in Ghana?

Question 8: A survey covering Ghana's diaspora in the UK found that 69% of diaspora members interested in investing in Ghana would like to reinvest their returns. What can Ghana do to leverage this opportunity?

Question 9: Surveys point toward 80% of Ghana's diaspora wanting to invest more in Ghana's economy. In your opinion, what is the number one best action Ghana's government can take in the coming 3 years to leverage this?