Research Report

Leveraging the African Diaspora For Development

African Diaspora POLICY CENTRE

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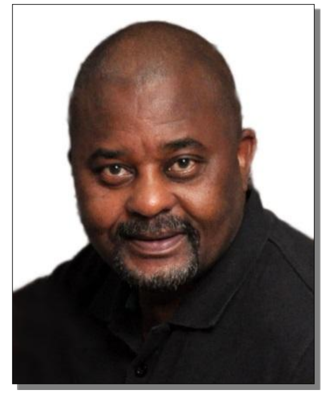

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Abstract

Migration is on the rise on the African continent, and impacts the both positively and negatively. The positive impacts include remittances and diaspora contributions to national development, while negative impacts include brain drain, de-skilling and costs of managing international borders. The past decade had witnessed the intensification of the migration and development debate, with scholars, governments, and development agencies and practitioners increasingly exploring the links between migration and development.

The migration and development discourse is an exercise in maximising the impact of migration positives on national development while simultaneously mitigating the impact of the negative aspects. A nation's diaspora, and all the positives that can flow from its existence are some of the issues that have attracted the attention of academics, practitioners and diasporas. African countries recognize the role that their diasporas can play in national development, and are factoring diaspora issues in their national development frameworks, and establishing national structures dedicated to the management and coordination of diaspora issues.

This paper latches onto the diaspora engagement debate, examines what is known about leveraging the development potential of diasporas for development, identifies challenges in diaspora engagement efforts and raises issues for consideration by policy makers and practitioners in a quest to strengthen diaspora engagement.

I. Introduction

In 2010 more than 30 million Africans (about 3% of the continent's population) were living outside their countries of origin. It is estimated that some 70,000 skilled professionals emigrate from Africa each year, leaving the continent with a huge human capacity gap. As a result of the brain drain, about US$4 billion (35% of official development assistance to Africa), is spent annually to employ about 100,000 expatriates (Africa Capacity Development Brief 2011).

A corollary of the emigration from Africa is the remittance flows to the continent which according to the World Bank amounted to US$17 billion in 2004, and rose to US$61 billion in 2013, which amounted to 19% of Africa's Gross Domestic Product that year[2]. Not only have remittance flows been substantial, they have also been more stable than other financial inflows and more countercyclical, thus, sustaining consumption and investment during recessions. Remittances are also the continent's most significant source of net foreign inflows after foreign direct investment [3] (Africa Capacity Development Brief 2011). Further, a strong flow of remittances can improve the receiving country's creditworthiness, lowering their cost of borrowing money on the international markets.

Literature abounds about the role diasporas can play in development strategies and poverty reduction, minimising the challenges associated with the presence of diasporas in host countries, and maximising the opportunities presented by diasporas (Ionescu 2006).

Concomitant with the recognised potential of diasporas in socio-economic development, there is increasing awareness among host and origin countries of the need to attract the participation of diasporas in national development agendas in countries of origin. Some of the measures that have been initiated include: the creation of databases of diasporas, reaching out to diaspora groups, advocating for dual citizenship, creating incentives for diaspora investments, etc. However, despite these initiatives, there are still some major limitations to the inclusion of diasporas in development policies. For instance, very few national development strategies include diaspora networks as formal partners.

The objective of this paper is to examine what is known about leveraging the development potential of diasporas for development, identify challenges in diaspora engagement efforts and raise issues for consideration by policy makers and practitioners to strengthen diaspora engagement.

2 http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data

3 These figures only account for officially recorded remittances and do not include data from about half of the continent's countries that do not report remittance data regularly. When the inflows to these countries and the unrecorded flows to the rest of Africa through informal channels are added, the size of remittance flows will be substantially higher.

II. Leveraging diasporas for development: Issues to consider

There is a growing consensus that diasporas can have a significant impact in the development of their home countries. The challenge however, is in designing effective strategies through which diasporas can be fully harnessed for national development. Most government schemes have mostly focused on filling the financing gap, while donors have mainly sought to address the human capacity gap.

The recognition of diasporas as drivers of development will invariably lead to an integrated approach to economic development planning, with migration/diasporas being mainstreamed in all development efforts. There is strong evidence suggesting that pro-active government policies that encourage diaspora participation in development in turn lead to strong diaspora participation in development (Mudungwe 2009). Many origin country governments, through recognition of migration as a prime mover of development, have launched official programmes dedicated to mobilising their diasporas for development purposes.

Sound migration (and diaspora) policies need to draw on relevant, timely and reliable information if they are to achieve evidence-based approaches (Zaken 2008). The first step in the process of engaging diasporas is to identify them and where they reside (IOM 2007). Nevertheless, in most cases, governments do not have comprehensive information about their nationals abroad. In this regard the establishment of national databases of diasporas (through censuses and research) is necessary. This should include information on a broad range of diaspora characteristics, such as size, location, qualifications and their status (Zaken 2008).

Data collection processes should recognise that diasporas are not homogenous entities, but comprise diverse categories of people who differ in terms of skills and qualifications, social, political, and religious persuasions, their reasons for migrating, as well as their intentions and ability to stay in the host country or return home. In light of this diversity, there is a need to avoid generalisations when approaching diasporas while tailoring strategies for their involvement in national development strategies (IOM 2007).

The lack of collaboration among different governmental bodies can often be a cause for confusion and haphazard planning and implementation of migration/diaspora policies. Most of the countries that have been successful in attracting diaspora participation are characterised by the existence of viable and effective institutions dedicated to engaging with diasporas (Okele et al 2009). Such institutions should seek to encourage the involvement of all key stakeholders, including civil society organisations, diaspora organisations, the private sector, financial intermediaries and the donor community in its activities. It should be adequately staffed, funded and have the support of government in carrying out its mandate.

Examples of countries in Africa that have established diaspora focused organisations include Mali, which established the Department for Overseas Malians within the Ministry of Foreign Affairs in 1991, to provide an institutional link with its diaspora (Ionescu 2006).

Political stability and democratic institutions are needed to make the most of the diaspora policy option, while macro and micro socio-economic factors in the origin country will influence the success of diaspora policies. Various studies have identified a number of reasons for migration policy failure, and these include poor infrastructure, underdeveloped markets, corruption and poor investment climate. In contrast, low airfare, transportation and communication costs, as well as building effective infrastructure in origin countries, offer strong incentives for diasporas to remain connected. Technical arrangements targeted at diasporas can be insufficient to attract these stakeholders if the macro-economic and political environments are unfavourable. The fear of corruption and the structural economic obstacles appear to be among the main limitations to making pro-diaspora measures effective (Ionescu 2006).

Collaboration with diasporas based on realistic objectives and timeframes

Within the diaspora engagement framework, there is need to establish positive communication between governments and diasporas in order to provide different stakeholders with a dynamic and interactive platform to re-engage and reconnect with each other. Successful countries have organised action-oriented dialogues between government officials in the origin country and diasporas. These dialogues have enabled stakeholders to explore opportunities for diasporas to contribute to the development of their respective countries of origin through various partnerships with governments, academic institutions and the private sector in diverse strategic areas (MIDA 2007). Through this cooperation and dialogue, some governments have managed to create specific institutions in charge of working with diasporas, design websites to reach out to diasporas and introduce specific incentives to attract their contributions to the origin country. Examples of dialogue events that have been organized include: dialogue with the diasporas for the rebuilding of the health sector in the Democratic Republic of Congo; engagement of Zimbabwe diasporas in South Africa through workshops; and business and development dialogue for Tanzanians in the diaspora; homecoming summits for Ghanaians returning to Ghana for vacation.

Most countries with diaspora success stories have used different media and modern technologies to network and continuously interact with diasporas on investment, policy, job opportunities and legal issues. Examples from abound. For instance, in Ghana and Nigeria, internet is proving to be an excellent tool for connecting people outside and inside the countries, maintaining links among members of diasporas, between migrants and their friends and relatives in the countries of origin, between migrant associations, research centres and universities in the countries of origin, as well as between diasporas and government (Ionescu 2006). The Government of Zimbabwe, with the support of the International Organization for Migration (IOM), has developed a Human Capital Website to deal with issues such as short and long-term employment and business opportunities. And South Africa created the South African Network of Skills Abroad (SANSA) and in 2006 featured 2,200 network members worldwide (Mudungwe 2014).

Forming strategic partnerships with diaspora organisations

Numerous origin country governments have launched and implemented official partnership programmes dedicated to mobilising their diasporas for development. Partnerships with hometown associations in particular have played a key role in maximising the development impact of migration on origin countries (Barre *et al* 2003). For example, the Ghanaian diaspora is actively involved in community projects in their origin communities. A recent study reported that approximately 14% of Ghanaian diaspora hometown associations have participated in community infrastructure investment (including road construction and repair, water provision, electricity, etc.) with over 96% supporting health and education activities (USAID 2004).

Recognising the importance of trust, perceptions and images

Governments that have succeeded in attaining cooperation from their diasporas have avoided negative perceptions and politics that can hinder diaspora engagement. Successes have been enhanced by avoiding sensitive issues that could create divisions, and instead focusing on practical areas of collaboration directly related to development and humanitarian assistance. However, it is important to note that symbolic inclusion through dialogue, and technical arrangements might not be sufficient to build trust and collaboration. These should to be backed up by real inclusion through partnerships and bestowing diasporas with rights in various spheres.

Relating incentives targeting diaspora contributions with diaspora rights

Bestowing dual citizenship, voting and property rights, pension and social security benefit transfers, savings schemes, lowering of remittance transfers, tax incentives for diaspora investors, etc are examples of incentives that can facilitate diaspora engagement. Ghana has used favourable policies and legal frameworks designed to attract diasporas. Notable legislation include: the Foreign Exchange Act (2006) which addressed most of the obstacles curtailing investments; the Citizenship Act (2006) which makes it possible for dual citizenship; the 2006 Representation of the People's Amendment Law, extending voting rights to Ghanaians abroad. .Other countries in Africa have incentivised diasporas through other means. In Ethiopia, diasporas who wish to make an investment in the country are offered the opportunity to open an account that is tax exempt for between two to eight years. Similarly, special travel documents allowing visa-free entry into the country are issued to foreign citizens of Ethiopian origin and their spouses (Mudungwe 2014).

Gender-specific responses

There is growing evidence of increases in the feminisation of migration, with female migrants increasingly migrating on their own as heads of households. Women and men migrants can also have different expectations. Therefore, incentives targeting male diasporas may not necessarily work for female diasporas; hence the need to acknowledge and formulate migration/diaspora policies that take cognisance of the realities, needs and expectations of both male and females diasporas.

Collaboration between origin and host countries

Managing migration for development is beyond the capacity of any single country. Bilateral, regional and multilateral partnerships between governments can significantly contribute to alleviate many migration and development concerns, and strengthen the positive impact of the movement of people (IOM 2007). One of the instances of mutually beneficial cooperation in this area is the conclusion of bilateral or multilateral agreements between host and origin diaspora engagement. Such agreements could include averting double taxation of income (in some cases with origin countries benefiting from income taxes levied on their diasporas in the host country). Host countries can also support diaspora engagement initiatives targeting origin countries by building the capacity of diaspora associations to organise and engage with their origin governments. Origin countries can also negotiate with host countries such that as part of technical assistance from host to origin countries suitably qualified diasporas (from the origin country) be hired as part of foreign aid, instead of engaging foreign experts (from the host country).

III. Leveraging the human resources of diasporas

Temporary and permanent returns

IOM has implemented several temporary return programmers for diaspora professionals in efforts to mitigate the shortage of human resources in affected sectors. For example, between 2008 and 2011, the IOM facilitated the voluntary temporary return of 50 Zimbabwean health professionals working abroad to teach at universities and work in rural hospitals (Mudungwe 2009). The initiative harnessed the experience and skills of Zimbabwean health professionals in the diaspora in the delivery of health care back home and training local health personnel (through knowledge and skills transfer to locally based professionals), thereby helping to mitigate the effects of the brain drain in the health sector and universities.

Similar the IOM initiative, the United Nations Development Programme (UNDP) has implemented the Transfer of Knowledge through Expatriate Nationals (TOKTEN) programme in a number of African countries, which have provided opportunities for highly-skilled and qualified diasporas to make contributions to their origin countries through short-term consultancies. Under the programme the average cost of a TOKTEN consultant amounted to about a quarter of the cost of a standard international expert consultant. In this regard the programme placed 5,000 volunteers on assignments in 49 developing countries (Africa Capacity Development Brief 2011).

Countries could also encourage their qualified diasporas (especially those in sectors that are in dire need of qualified and experienced personnel) to return permanently. Such an initiative entails enhancing the conditions for permanent return, that is, addressing the push factors that led to emigration in the first place.

VI. Leveraging the financial resources of diasporas

The financial contributions of diasporas can be non-commercial (private transfers: direct remittances to family or collective remittances to community groups to support development projects) or philanthropic contributions to specific projects. They can also be commercial/financial investment in commercial enterprises.

Diasporas can play a critical role in accelerating technology exchange and foreign direct investment, as in the case of China, India and Israel where diasporas took on the role of pioneer investors at a time when major capital markets regarded these economies as too risky. For diaspora investors, there is a non-financial intrinsic motivation for early-stage participation, and in general, due to their knowledge of the origin country they have access to risk mitigation mechanisms that are not available to other mainstream investors. Further, due to their broader knowledge of other economies and markets, they serve as an entry point into new markets/products at home (Kuznetsov 2006).

Enabling legal and regulatory policies for remittances and financial inclusion

While remittances play in important role in the economies of countries on the continent, it is noteworthy that intra-Africa remittance corridors have the highest cost of transmitting remittances. It is paramount that countries consider policies that improve the mechanisms for remittances, with a view to lowering transaction costs. Such strategies include:

- Providing enabling legal and regulatory policies for a conducive environment for market competition and efficiency. Competition brings in more players, and ensures adequate and affordable financial services to diasporas and their families in both origin and host countries. There is need to include credit unions and micro-finance institutions (MFIs) in the remittance transfer market. As more banks and credit unions and MFIs become involved and extend their services to diasporas communities and their rural communities of origin, costs will most likely continue to decrease. Diasporas and recipient communities need access to local financial institutions, not only because of the lower remittance costs, but also because of the greater opportunities to initiate or increase their savings and access to other financial services such as housing loans, insurance, etc. Hence, in order to mobilise remittances for savings or investment, a shift is needed from money transfer operators, which serve only a cash transfer function, towards the development and use of financial institutions (e.g. MFIs);

- Exploiting new technologies, promoting financial literacy and inclusion, and improving data collection;

- Ensuring adequate and affordable financial services to diasporas and their families in both origin and host countries. Where the financial sector is missing, weak or mistrusted, people tend to use informal money transfers, while in stronger, liberalised economies, they use the formal sector. Banking the 'unbanked' – that is, reaching out to those who lack ready access to banking services – is a key factor in any effort to bring about a shift from informal to formal financial institutions among remittance senders and receivers;

- Improving mechanisms for remittances (exploiting new technologies, for example mobile phones) and remittance securitisation can greatly enhance the use of formal remittance channels;

- Promoting financial literacy and developing policies and institutions that offer support for the deployment of remittances to productive investments (Gayle 2013).

In order to enhance the development potential of remittances, a remittance-receiving country should have an outreach policy directed at its diaspora as part of its economic strategy. Such a policy would enable sending countries to enhance their links with immigrant communities living abroad. These countries could set up agencies to advise prospective migrants on their rights and obligations, build or enhance already existing networks for investment, international trade and tourism, and invite diaspora groups and hometown associations to participate in fora for dialogue on development.

Leveraging remittances for access to capital markets

Large and stable remittance flows improve a country's creditworthiness and thereby the creditworthiness of financial institutions as well. Banks in many countries have used future remittances as collateral for raising bond financing from international markets, and thus benefiting commercial lending (Gayle *et al* 2013).. Likewise, governments can also issue bonds which can be targeted to specific development projects. The policy implications of this is that countries should institute policies that encourage the flow of remittances through formal channels, and strive to improve data on remittances and make them available to rating agencies and international investors.

Other incentives schemes

Governments can provide direct and indirect incentives that can encourage individual diasporas and/or their associations to channel remittances towards productive investments. These are likely to increase remittance flows if incentive schemes are sound and attractive, and if prior reliable data are gathered on remittance flows and emigration.

The government could set up schemes that offer preferential access to imports of capital goods and raw materials to encourage returning diasporas to set up or expand business firms at home.

The abolition of exchange rate and capital market controls can increase remittance flows through formal channels.

Selling bonds to diasporas under attractive conditions (for example bonds free from exchange rate risk, exemption from international wealth and income tax, and bonds carrying attractive interest) can also be good options.

V. Conclusions

Diaspora-targeted initiatives have been successful in countries across the African continent, including in Ghana and Ethiopia. The major reason behind the successes has been the commitment of governments in origin countries. The successful countries have moved positively to engage and develop favourable policies and legislations, and to establish links and networks with their diasporas. With this in mind, any country wishing to successfully engage with its diaspora, and therefore leverage its development potential, should strengthen its role in bringing together diasporas. It should establish favourable conditions for diaspora-led investments.

It is noteworthy that the best practices presented in this paper are guidelines, and their implementation or adoption should be guided by circumstances in the countries of origin. What was implemented successfully in one country may not yield similar results in another due to socio-economic differences. However, there are some basic building blocks which are common to any successful diaspora initiative: political commitment at the highest level; clear, cohesive and evidence-based policy frameworks that are integrated in national development frameworks; and the involvement of all relevant stakeholders in the diaspora engagement process from the outset.

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