African countries have large diaspora groups living in and outside Africa. The potential contribution of the diaspora to the continent’s development goes far beyond the personal remittances discussed in chapter 2. These contributions range from collective remittances that fund philanthropic activities to knowledge exchange, increased trade links, and better access to foreign capital markets (for example, through diaspora bonds). This chapter reviews the evidence on how the African diaspora contributes to the economic development of countries of origin and offers recommendations on how African governments can support these efforts.

Several important findings emerge from this chapter:

- **Efforts to understand the size and characteristics of the diaspora should be a high priority for developing countries interested in harnessing diaspora resources.** Lack of adequate data impairs efforts to increase the contributions diasporas can make to origin countries. The size of the African diaspora is larger than the official estimate of 30.6 million migrants. Many migrants are not counted in national surveys, especially within Africa, and many descendants of migrants still have emotional ties to the country of their ancestors. Case studies indicate that networks of diaspora families and friends send funds for development purposes, such as constructing schools, providing supplies to schools or hospitals, supporting orphans, and supporting small-scale projects, but little is known about the scale or impact of such activities.

- **Diasporas facilitate cross-border trade, investment, and access to advanced technology and skills.** Diaspora networks play an important role in cross-border exchanges of market information about trade and regulations. Diaspora members may also invest directly in origin countries...
or provide their expertise to assist investments by multinational firms. Compared with other foreign investors, members of diasporas may accept lower interest rates on loans to home countries, because they have emotional ties to home countries, because better access to information may allow them to discount the risk premium relative to other foreign investors, and because they may have local currency liabilities that make them less worried than other investors about the potential for currency devaluation or the forced conversion of assets denominated in foreign currencies to local currencies. Diaspora bonds targeted to nationals residing abroad can open opportunities for investment and facilitate investment in their home countries.

- **Diasporas may also provide origin countries access to advanced technology and scarce skills.** The role of the diaspora in technology transfer is well documented in many countries, particularly China and India. In contrast, the evidence for African countries is limited.

- **Harnessing diaspora contributions to trade, investment, and technology requires a supportive business climate.** Diaspora members may be more willing than other investors to take risks in their own country. Investment by them nevertheless requires a conducive business environment, including property rights, security, elimination of red tape, and good infrastructure. Providing voting rights and dual citizenship to migrants can help maintain their ties to origin countries. Dual citizenship can also encourage trade and investment, by enabling migrants to avoid constraints on business activities faced by foreigners. The devotion of more staff in embassies to diaspora issues and adequate training of these staff would facilitate better services and enhance linkages. Better coordination among different departments within embassies and governments would increase efficiency in building relationships with diasporas and their networks.

The chapter is organized as follows. The first section presents a short overview of where the African diaspora is located. The second section discusses how countries benefit from diasporas, though trade, finance, and the transfer of technology. The third section recommends policies that African countries and destination countries could consider to increase the diasporas’ contribution to development.

**LOCATING THE AFRICAN DIASPORA**

Estimating the size of the African diaspora is difficult, because of incomplete data and differences in the definitions of migrants and the diaspora
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This chapter uses a narrow but convenient definition of the diaspora as “people born in another country.” This definition captures only first-generation migrants; it excludes children and grandchildren, who may have ties to the origin country. The chapter’s conclusions should hold, however, irrespective of the definition of the diaspora.

As noted in chapter 1, official data estimate the stock of international emigrants from African countries at 30.6 million in 2010. Of these migrants, more than 14 million African migrants live within Africa. For example, large numbers of immigrants from Burundi and the Democratic Republic of Congo live in Tanzania; Somalis are still living in Kenya; and Lesotho, Mozambique, and Zimbabwe have many migrants in South Africa.

A large number of African migrants are also living in high-income OECD countries. France, Saudi Arabia, the United States, and the United

**Box 4.1  Defining Diasporas**

A diaspora can be defined as people who have migrated and their descendents who maintain a connection to their homeland. The U.S. Department of State defines diasporas as migrant groups that share the following features:

- dispersion, whether voluntary or involuntary, across sociocultural boundaries and at least one political border
- a collective memory and myth about the homeland
- a commitment to keeping the homeland alive through symbolic and direct action
- the presence of the issue of return, although not necessarily a commitment to do so
- a consciousness and associated identity, expressed in diaspora community media, the creation of diaspora associations or organizations, and online participation (U.S. Department of State 2010).

This definition is different from the definition used by the African Union, which defines the African diaspora as “consisting of people of African origin living outside the continent, irrespective of their citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union” (African Union 2005, p. 6).

Estimating the size of a diaspora is complicated by several factors, including place of birth, time of emigration, citizenship, and questions of identity (Ionescu 2006). For example, estimates of U.S.-based diasporas are constructed using the “place of birth for the foreign-born population” available from the U.S. census. Most European countries in the Organisation for Economic Co-operation and Development (OECD), Japan, and the Republic of Korea classify immigrants based on the ethnicity of the parent, which results in higher estimates of the stock of immigrants than does classification based on place of birth. Temporary immigrants may be considered as part of a diaspora but may not be captured in immigration statistics. Origin countries also use different definitions of diasporas. India, for example, uses three categories: nonresident Indian (NRI), person of Indian origin (PIO), and overseas citizenship of India (OCI).
Kingdom are major destination countries for African migrants (see figure 1.1 in chapter 1). Historical colonial ties continue to be a major factor affecting the patterns of migration from Africa, although Italy, Qatar, Spain, and the United Arab Emirates have become new countries of destination for some African emigrants.

The African diaspora in the United States is relatively small. Nigerians are the largest group, followed by Ethiopians and Egyptians (figure 4.1). In Canada the top 12 source countries (Algeria, the Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Kenya, Morocco, Nigeria, Somalia, South Africa, Tanzania, and Uganda) make up 75 percent of the African migrant stock (Crush 2010).

**BENEFITING FROM DIASPORAS**

Much of the literature on diaspora contributions focuses on skilled migrants and how trade, technology, and capital formation are facilitated by migrants with advanced degrees. But both low-skilled and high-skilled migrants make contributions to their homeland. A growing body of research suggests that skilled migrants and country networks abroad are important reservoirs of knowledge (Pack and Page 1994; Khadria 1999; Meyer and Brown 1999; Saxenian 2002a, 2004, 2006; Barré and others 2003; Kuznetsov 2006; Westcott 2006; Wickramesakara 2009). Other
studies highlight the contributions of all migrants, including low-skilled diaspora (Orozco 2003, 2006a, 2006b; Lowell and Genova 2004; Lucas 2004; Portes, Escobar, and Radford 2007; Crush 2011). Other studies analyze how members of the African diaspora contribute to their countries of origin (Chikezie 2000; Mohamoud 2003, 2010; Mohan and Zack-Williams 2002; Bakewell 2008). This section describes the contributions of the diaspora, including Africans living within and outside Africa, without distinguishing between skilled and unskilled emigrants.

**TRADE**

Migration can affect trade through two channels. First, immigrants have a preference for their native country’s goods (supporting “nostalgic trade” in ethnic products) (Light, Zhou, and Kim 2002), partially offsetting the loss of these sales associated with migration (if emigrants had stayed at home, they presumably would have demanded the same products) (Gould 1990, 1994). The effect is difficult to estimate, because migrants presumably have more income than they would have had in the origin country but relocation to the destination country reduces the efficiency with which home country goods are supplied (by adding transport costs, for example).

Second—and more important—migrants can increase the availability of market information essential for trade by helping origin-country exporters find buyers, understand the market, and comply with government requirements and market standards. Migrants facilitate bilateral trade and investment between host and source countries by helping overcome information asymmetries and other market imperfections (Gould 1994; Rauch and Trindade 2003). Transnational networks can help producers of consumer goods find appropriate distributors and assemblers find the right component suppliers. Sharing the same language or a similar cultural background eases communication and facilitates better understanding of transport documents, procedures, and regulations.

The literature emphasizes the role of ethnic networks in overcoming inadequate information about international trading opportunities, which drives down trade costs (see Rauch 2001 for a review of business networks). Gould (1994) and Rauch and Casella (1998) find that ethnic networks promote bilateral trade by providing market information and by supplying matching and referral services. Empirical studies of Australia, Canada, Spain, the United Kingdom, the United States, and the OECD countries generally find that immigration increases bilateral trade flows. But these effects differ by type of good (for example, differentiated goods
versus more uniform commodities) and the skill level of the migrants. Estimates of the size of these effects vary widely, and it is difficult for the models used to account for endogeneity. Studies for the United States (Gould 1994; Dunlevy and Hutchinson 1999; Rauch 1999; Dunlevy 2004; Herander and Saavedra 2005; Bandyopadhyay, Coughlin, and Wall 2008) and Canada (Head and Reis 1998) find a positive relationship between trade flows and migration, although export and import elasticities vary across countries and products.

Some governmental agencies and private firms in Africa are tapping their diasporas to provide market information (see annex table 4A.1). Activities include the establishment of diaspora trade councils and participation in trade missions and business networks. The embassies of Ethiopia, Kenya, and Uganda in Washington, DC, and in London support business and trade forums to attract diaspora investors and try to match suppliers with exporters. Some case studies of activities in Sub-Saharan Africa have been conducted (Riddle 2006), but there has not been a proper assessment of whether these contacts generate additional exports.

Countries appear to trade more with countries from which they have received immigrants. Figure 4.2 shows a positive relationship between the size of migrant populations living in OECD countries and the level of bilateral merchandise trade between OECD countries and all African countries.
trading partners for which data are available. This relationship could, of course, reflect other variables that affect trade flows between the OECD and Africa.3

**DIRECT INVESTMENT**

Diasporas can increase investment flows between sending and receiving countries, because they possess important information that can help identify investment opportunities and facilitate compliance with regulatory requirements. Language skills and similar cultural backgrounds can greatly contribute to the profitability of investment in unfamiliar countries.4 Diasporas may use the information they have regarding their countries to invest directly. Alternatively, investors can improve their profitability by tapping the expertise of a diaspora member. A major barrier for a multinational or a foreign firm setting up a production facility in another country is uncertainty and lack of information regarding the new market. For this reason, professionals and managers from Taiwan, China are very much sought after by multinationals for their operations in China.

Members of a diaspora may be more willing than other investors to take on risks in their origin country, because they are better placed to evaluate investment opportunities and possess contacts to facilitate this process (Lucas 2001). Emotion, sense of duty, social networks, the strength of diaspora organizations, and visits to the origin country may also be important determinants of diaspora investment (Nielsen and Riddle 2007).

Some studies find a significant relationship between migrants, particularly skilled ones, and investment inflows to origin countries. Kluger and Rapoport (2005); Javorcik and others (2006); Docquier and Lodigiani (2007); Murat, Pistoresi, and Rinaldi (2008); and Leblang (2011) find that migration facilitates foreign direct investment.

Some government agencies in Africa are attempting to improve their contacts with diasporas to generate investment opportunities for origin-country firms. Ethiopia, Ghana, Kenya, Nigeria, Rwanda, and other African countries are looking to tap into their diasporas for investments in their homeland countries (see annex table 4A.1). Recognizing the need to create suitable mechanisms to encourage diaspora members to channel remittances toward investment projects in partnering states, the East African Community is developing a proposal to attract diaspora financing.5 Both governments and the private sector have supported business forums to attract diaspora investors. One of the new roles of African investment
promotion agencies in Ethiopia, Ghana (Riddle 2006), Nigeria, and Uganda is to provide accurate information and linkage opportunities to investors, including from diasporas.

Some private firms and African diaspora associations also provide information on investment opportunities and sourcing in their homeland countries. They also facilitate contacts between traders in destination and origin countries.

**INVESTMENTS BY HOUSEHOLDS**

Many migrants transfer funds to households in origin countries for the purpose of investment (see table 2.3 in chapter 2). Data from household surveys reveal that households receiving international remittances from OECD countries have been making productive investments in land purchases, building houses, businesses, improving the farm, agricultural equipment and other investments (36 percent in Burkina Faso, 55 percent in Kenya, 57 percent in Nigeria, 15 percent in Senegal, and 20 percent in Uganda; figure 4.3). Households receiving transfers from other African

![Figure 4.3 Investments in Business and Housing Funded by Remittances from within and outside Africa](image)

Source: Authors, based on results of Africa Migration Project Household surveys in Burkina Faso, Kenya, Nigeria, Senegal, and Uganda in second half of 2009, Plaza, Navarrete, and Ratha 2011.

Note: “Other investments” includes purchases of land, livestock, and agricultural equipment and investment in agriculture.
countries are also investing a significant share of remittances in business activities, housing, and other investments in Kenya (47 percent), Nigeria (40 percent), Uganda (19 percent) and Burkina Faso (19 percent).

Osili (2004) uses a data set from Nigeria to analyze migrants’ housing investments in their communities of origin. She finds that older migrants are more likely to invest in housing in their hometown and to devote a larger share of household income to housing investments. She concludes that “housing investments may be the first stage of a broader investment relationship between migrants and their countries of origin” (p. 844). Survey data indicate similar patterns of investment by households receiving transfers from abroad in Latin America (de Haas 2005), with the difference that Latin American migrants and their family members invest in agriculture and other private enterprises as well. The evidence for Africa from household surveys for investment in agriculture equipment is somewhat limited.

African migrants in other African countries set up small-scale businesses, such as restaurants and beauty salons. They also invest in housing. The African diaspora has invested in service sector activities, such as import/export companies, telecommunications, and tourism and transport companies (examples include Databank, in Ghana; Geometric Power Limited, in Nigeria; Teylium, in Senegal; and Celtel, in Sudan).

Some governments have eased restrictions on foreign land ownership to attract investments from diasporas. Credit Financier de Cameroon offers housing loans to migrants to attract investment in real estate. The Ethiopian government allowed holders of yellow cards (the identification card for the Ethiopian diaspora) to lease land parcels at low rates for the construction of residences in Addis Ababa (see annex table 4A.1). Because of the high demand for land, in 2008 the city of Addis Ababa officially suspended allocation of residential land for the diaspora. The Rwanda Diaspora General Directorate allows groups of 15 or more people to acquire land in Kigali for the purpose of house construction, provided the project is approved by the Kigali City Council based on the Kigali Master Plan.

There is some evidence that returning migrants use savings accumulated while abroad to invest in small businesses when they return (King 1986; Gitmez 1988; Murillo Castaño 1988; Massey and others 1987; Ahmed 2000; Murphy 2000; McCormick and Wahba 2003). Based on surveys conducted in 2006, Gubert and Nordman (2011) find that one-third of returnees to Algeria, Morocco, and Tunisia invested in businesses. They do not find a correlation between migration duration and entrepreneurship. The results of a survey of 302 returnees conducted in
2001 indicate that more than half of Ghanaian and 23 percent of Ivorian returnees reported returning with more than $5,000 in savings (Black and Castaldo 2009). Both studies indicate that many return migrants invest in business activity and that work experience and the maintenance of communication with friends and family while abroad facilitates the opening a business upon return. Cassini (2005) concludes that the most successful Ghana-based businesses of Ghanaian migrants were owned by migrants who visited home frequently and developed social networks.

**INVESTMENTS IN CAPITAL MARKETS**

Diaspora members can act as catalysts for the development of financial and capital markets in their countries of origin by diversifying the investor base (many countries’ capital markets are dominated by investments from government and large companies), introducing new financial products, and providing a reliable source of funding. Diaspora connections with markets in destination and origin countries are important. This subsection presents some estimates of the savings of the African diaspora and describes two vehicles—diaspora bonds and diaspora investment funds—for encouraging diaspora investments in Africa.

**Wealth and savings of the African diaspora in host countries**

Ketkar and Dora (2009) use the New Immigration Survey data on the United States to understand the wealth and asset diversification behavior of recent immigrants from Asia, Sub-Saharan Africa, Latin America, and the Middle East and North Africa. They find that the region of origin is not a significant determinant of savings levels once length of stay, educational attainment, and number of children are taken into account. African immigrants in the United States tend to have lower levels of savings than immigrants from Asia and Latin America, largely because they have been in the country for a shorter period of time and have lower levels of education.

Ratha and Mohapatra (2011) estimate the annual savings of the African diaspora to be about $52 billion. About $30 billion of this amount—equivalent to 3.2 percent of Sub-Saharan Africa’s GDP—is saved by African migrants in Sub-Saharan African (table 4.1). These estimates are based on assumptions that members of the African diaspora with tertiary education earn the average income of their host countries, that migrants without tertiary education earn a third of the average household incomes
of the host countries, and that both skilled and unskilled migrants have the same personal savings rates as in their home countries. Not surprisingly, savings are higher for countries that have more migrants in high-income OECD countries. Most of these savings are invested in the host countries of the diaspora. It is plausible that a fraction of these savings could be attracted as investment in Africa if African countries designed proper instruments and incentives.

### Table 4.1 Estimated Savings by Migrants from Selected African Countries, 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Emigrant stock (millions)</th>
<th>Estimated savings by migrants</th>
<th>Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt, Arab Rep.</td>
<td>3.7</td>
<td>6.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Morocco</td>
<td>3.0</td>
<td>9.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1.3</td>
<td>1.6</td>
<td>34.4</td>
</tr>
<tr>
<td>Algeria</td>
<td>1.2</td>
<td>4.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>1.2</td>
<td>0.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.0</td>
<td>3.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>1.0</td>
<td>1.3</td>
<td>2.3</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.9</td>
<td>3.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>0.9</td>
<td>1.1</td>
<td>10.5</td>
</tr>
<tr>
<td>Ghana</td>
<td>0.8</td>
<td>2.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Somalia</td>
<td>0.8</td>
<td>1.8</td>
<td>..</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.8</td>
<td>0.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.7</td>
<td>2.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.6</td>
<td>1.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Senegal</td>
<td>0.6</td>
<td>0.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.5</td>
<td>1.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Angola</td>
<td>0.5</td>
<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Liberia</td>
<td>0.4</td>
<td>0.6</td>
<td>66.8</td>
</tr>
<tr>
<td>Cameroon</td>
<td>0.3</td>
<td>0.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Mauritius</td>
<td>0.1</td>
<td>0.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Other</td>
<td>10.2</td>
<td>7.1</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30.5</strong></td>
<td><strong>52.7</strong></td>
<td><strong>3.6</strong></td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td><strong>21.8</strong></td>
<td><strong>30.4</strong></td>
<td><strong>3.2</strong></td>
</tr>
<tr>
<td><strong>North Africa</strong></td>
<td><strong>8.7</strong></td>
<td><strong>22.3</strong></td>
<td><strong>4.3</strong></td>
</tr>
</tbody>
</table>

*Source: Ratha and Mohapatra 2011.*

*Note: .. = negligible.*
**Diaspora bonds**

A diaspora bond is a retail savings instrument marketed only to members of a diaspora. It can be an effective tool for tapping diaspora wealth (Ketkar and Ratha 2010). By retailing diaspora bonds in small denominations ($100–$1,000), a government or reputable private corporation in a developing country can tap into the wealth of relatively poor migrants. Diaspora bonds can also be sold in larger denominations to institutional and foreign investors. Investment bankers may be needed to structure these bonds and ensure compliance with securities regulations in the United States and other jurisdictions. Diaspora bonds can be sold globally through national and international banks and money transfer companies. They can be marketed through churches, community groups, ethnic newspapers, stores, and hometown associations in countries and cities where large numbers of migrants reside.

In addition to patriotic reasons and the desire to give back, a diaspora investor may be willing to buy diaspora bonds at a lower interest rate than the rate demanded by foreign investors. The cost of retailing diaspora bonds can be high, but it can be absorbed if the interest rate offered is lower than the rate typically paid to pension funds and other institutional investors. The bond can be made even more attractive by offering tax breaks and credit enhancements (first-loss guarantee, relatively senior creditor status).

Migrants are expected to be more loyal than the average investor in times of distress. They likely have better knowledge of their origin country and legal recourse in the event of a default. They are also less likely to worry about the risk of currency devaluation, as they can find ways to spend money back home if the bonds are repaid in local currency terms.

The governments of India and Israel have issued diaspora bonds, raising about $40 billion, often in times of financial crisis.10 In 2009 and 2010, Ethiopia and Nepal issued diaspora bonds, but neither was successful in mobilizing funds.11 One problem was limited marketing and publicity. In Nepal, “foreign employment bonds” were issued mostly to low-skilled migrants in the Gulf Cooperation Council countries rather than to the richer diaspora groups in OECD countries. The interest rates offered on the bonds, which were denominated in local currency, were low relative to the rates on comparable instruments, which were already lower than the rate of inflation.

Like other investors, diaspora investors are concerned about the government’s willingness and ability to service its debt. Factors such as government reputation, the rule of law, and the protection of property rights affect their decision to invest in their home countries. Countries
in which diaspora groups are politically opposed to the government and countries facing governance problems may find it difficult to issue diaspora bonds.

Diaspora bonds have a greater chance of success if the proceeds are earmarked to finance projects in which diaspora members are interested. Such projects could include housing, schools, hospitals, and other community infrastructure projects that benefit the migrants, their families, or their region in the home country. Before launching a bond, therefore, it is advisable that the borrowing government or corporation hold consultations with diaspora groups. To be able to do so, countries need to build a knowledge base about the size, income, and wealth characteristics of diaspora groups in key destination countries. Currently, such information is not easily available.

It is plausible that the issuance of diaspora bonds may reduce the volume of remittances. This does not appear to have been the case for India, where there was additionality of inflows from diaspora bonds rather than substitution of workers’ remittances (Debabrata and Kapur, 2003). After the maturity of the India Resurgent Bonds, a large part of the proceeds were converted to local currency deposits and began to be counted as remittances (World Bank 2005). In the case of Israel as well, diaspora investors have tended to roll over their capital to newer diaspora bonds after the maturity of the diaspora bonds.

Preliminary estimates suggest that Sub-Saharan African countries could potentially raise $5–$10 billion a year by issuing diaspora bonds (Ratha, Mohapatra, and Plaza 2009). Countries that could potentially issue diaspora bonds include Ethiopia, Ghana, Kenya, Liberia, Nigeria, Senegal, Uganda, and Zambia in Sub-Saharan Africa and Egypt, Morocco, and Tunisia in North Africa. These countries have large diasporas abroad, especially in high-income countries.

Ratha and Ketkar (2011) underscore three reasons why there are still very few issuances of diaspora bonds. First, there is limited awareness of this financing vehicle. Developing country policy makers would benefit from technical assistance aimed at improving their understanding of how to structure bond offerings, register them with regulatory agencies such as the U.S. Securities and Exchange Commission, and determine whether such instruments need to be rated by rating agencies. Second, many countries still have little concrete knowledge of the capabilities and resources of their diasporas. Third, in some cases diaspora members may not trust their home country government. In addition, some Sub-Saharan African countries may face difficulties because of the absence of national banks in destination countries.
The donor community and multilateral development banks can facilitate the piloting and mainstreaming of such innovative financing tools (Ratha 2010). Their involvement could include granting or lending seed money for investment banking and credit rating services and providing legal help, financial guarantees, and technical assistance in project design. Potential issuers of diaspora bonds should be reminded of the risks associated with debt denominated in foreign currency. Considerations must be given to prudential risk management before taking on additional debt. Volatility in migrants’ incomes and disruption in relationships with the diaspora can occur quickly in some countries where political risks are high. Large foreign currency inflows after a bond issuance require careful macroeconomic management, especially of the exchange rate in order to avoid Dutch disease.

**Diaspora investment funds**

Developing countries, especially in Sub-Saharan Africa, suffer from a shortfall of private equity capital. Portfolio equity flows to Sub-Saharan Africa have gone mainly to South Africa (Ratha, Mohapatra, and Plaza 2009). Foreign investors appear to be averse to investing in Africa because of lack of information, the perception of high risk, and the small size of the market, which makes stocks relatively illiquid. One way to encourage greater private investment in these markets could be to tap the African diaspora.

Several African investment funds have been proposed to attract investments from wealthy African migrants abroad; examples include the Liberian Diaspora Social Investment Fund, the Rwandan Diaspora Mutual Fund, and the Zambia First Investment Fund. Such funds can take the form of regional funds, mutual funds, or private equity to be invested in African companies and pension funds.\(^{13}\) Persuading diaspora investors to invest in African diaspora funds may require strengthening investor protections to ensure proper management of the funds. Some of the options for building diaspora investors’ confidence proposed by Aydagul, Ketkar, and Ratha (2010) apply to investment funds: management of funds by a state agency, management of funds by a private company,\(^{14}\) and management of funds by a combination of a private company but with participation of members from the diaspora.

**COLLECTIVE REMITTANCES**

The African diaspora has begun to collectively contribute financial and nonfinancial resources to homeland countries, albeit not yet on a large
scale. Organizations have been created in Europe, the United States, and some African countries, based on religion, ethnicity, and geographic ties.\textsuperscript{15} These groups include hometown associations, ethnic associations, alumni associations, religious associations, professional associations, nongovernmental organizations, investment groups, national development groups, welfare/refugee groups, and Internet-based virtual organizations. The number of associations appears to be roughly correlated with the size of the diaspora in each country.\textsuperscript{16}

In contrast to similar groups of Asian (particularly Filipino) and Latin American diasporas, little is known about the scope, scale, patterns, and impact of African diaspora associations.\textsuperscript{17} Data are not collected on contributions sent by formal migrant associations, and there is no information on collective remittances by undocumented immigrants.

Hometown associations and other voluntary associations of migrants from the same geographical area have provided substantial funds to some African communities. This financing is often equal to or greater than the municipal budget for public works, particularly in towns with small populations (Orozco 2003). Some twinning projects have also been established. Burundians in a town in France, for example, have partnered with a town in Burundi (Turner and Mossin 2008).

Interviews conducted for this study provide insight into collective remittances from the African diaspora:\textsuperscript{18}

- Networks of families and friends pool resources and support their villages or friends. In some cases they send funds for development purposes, such as constructing a school, providing supplies to schools or hospitals, supporting orphans, or training new migrants arriving in the destination country. In other instances they send funds to support funerals or weddings. These transactions are not documented.
- Diaspora organizations rely on the skills of members, volunteers’ time, donations, and fundraising events for project financing.
- Collective remittances appear to be motivated by migrants’ sense of identity and feeling of solidarity with their home countries, as well as by sociocultural and political bonds and the feeling of being useful and powerful (Guarnizo 2003 reaches similar conclusions).
- The most frequent activity of African diaspora organizations in Denmark (where 123 associations covering 22 African countries and 18 associations with regional coverage were surveyed) is the shipment of used equipment in containers, typically destined for schools, universities, orphanages, or hospitals (41 associations), followed by the sending of collective remittances (27 associations) and educational
campaigns, including campaigns to increase awareness of HIV/AIDS, discourage female circumcision, and advance civil rights. Other projects involve construction or support for schools, orphanages, and activity centers and small-scale projects, such as the construction of wells, implementation of farming or smaller business projects, and provision of microcredit loans. In some cases the money goes to private entities; in other cases it goes to public institutions.\(^\text{19}\) Box 4.2 describes some of the challenges facing African diaspora organizations in Denmark.

It is difficult to gauge the impact of diaspora-financed development projects based on these case studies and surveys. Most of the projects involved are small, and their economic impact has not been evaluated. Many organizations appear to lack the capacity, funds, leadership, and information required to manage projects or understand and navigate procedures in either their origin or their destination country. Such problems are not unique to Africa: Paul and Gammage (2005) find similar findings on El Salvadoran associations in the United States. The interviews conducted for this study underline the difficulties facing development work in Africa: a poor investment climate, inadequate ports and customs facilities, excessive red tape, and lack of trust in governments.

**Box 4.2 A Case Study of African Associations in Denmark**

African migrant associations in Denmark developed following the influx of African migrants in the early 1990s. Government funds, most often from the Danish Association for International Co-operation (Mellemfolkeligt Samvirke) and the Project Advice and Training Centre (PATC), are provided to almost three-quarters of these associations for development activities. Migrant associations can apply for these funds on equal terms with other Danish associations. Both programs require contact with a partner nongovernmental organization in the destination country.

The lack of language skills is the main impediment to these organizations’ activities in Denmark. Other issues include inadequate access to financing and insufficient knowledge of Danish laws and regulations. Measures that would enhance the impact of these organizations include providing access to information about funding opportunities, offering training to key members from associations with few or no members of Danish origin, and encouraging collaboration between Danish and ethno-national associations, which would give such associations access to Danish networks and resources.

*Source: Trans and Vammen 2011.*
Governments in a number of large labor-sending countries have attempted to develop schemes to channel collective remittances into public revenue, investment, or community development. Given the private nature of these transactions, policy interventions have focused either on appropriating some of the flows, largely without success, or on creating incentives to change individual or household behavior. For example, a few governments have offered matching grants for remittances from diaspora groups or hometown associations, in order to attract funding for specific community projects. The best known of these matching schemes is Mexico’s 3-for-1 program, under which the local, state, and federal governments each contribute $1 for every $1 of remittances sent to a community for a designated development project (Page and Plaza 2006). Colombia also provides government funding to match migrant group funds for local projects benefiting vulnerable populations (IOM 2004).

Little evaluation of the impact of these programs has been conducted. Resources have gone primarily to rural areas, where they have increased the supply of essential services (health, education, roads, and electricity) (World Bank 2005). In some cases hometown associations have funded the construction of soccer fields and community halls but have not funded the ongoing maintenance of these facilities. It is difficult to assess whether these investments—and the matching grants—have gone to the highest-priority projects or have been diverted from other regions with a great need of assistance from fiscally constrained governments (World Bank 2005). Proponents of hometown associations argue that their involvement ensures that programs are focused on community needs and that the associations promote increased accountability and transparency of local and national authorities (Page and Plaza 2006).

The potential of hometown associations to serve as conduits for broader development projects is limited by at least three factors. First, they may not have the best information on the needs of the local community, or they may have different priorities. Second, the capacity of hometown associations to scale up or form partnerships is limited by the fact that their members are volunteers and their fundraising ability is weak. Third, hometown associations can become divided, weakening their advocacy potential (Newland and Patrick 2004; Kuznetsov 2006). In the context of Africa, support based on regional ties may exacerbate income disparities, particularly as outmigration is concentrated in a few areas in many African countries. The fact that volunteer initiatives are often driven by individuals, without institutionalized support, could also threaten the sustainability of projects.
TRANSFERS OF TECHNOLOGY AND SKILLS

A diaspora can be an important source and facilitator of research and innovation, technology transfer, and skills development. Japan, the Republic of Korea, and Taiwan, China are examples of economies that have relied on their diasporas as knowledge sources. The governments in these economies promoted the return of foreign-educated students or established networks of knowledge exchange with them (Pack and Page 1994). Other developed labor-sending countries with large, skilled emigrant populations (Australia, Ireland, Israel) have also been able to tap their expatriates and develop mentor-sponsor models in certain sectors.

Diaspora involvement in origin countries’ economies can take several forms (Kuznetsov 2006; Plaza 2008a):

- licensing agreements to facilitate the transfer of technology and know-how between diaspora-owned or -managed firms in origin and destination countries
- direct investment in local firms through joint ventures
- knowledge spillovers (which occur, for example, when diaspora members assume top managerial positions in foreign-owned firms in their country of origin)
- involvement in science or professional networks that promote research in destination countries directed toward the needs of origin countries
- temporary or virtual return, through extended visits or electronic communication in professional fields such as medicine and engineering
- return to permanent employment in the sending country after work experience in the host country.

Diaspora knowledge networks refer to the “skilled personnel who migrate every year from their home countries to join thousands and millions of their countrymen and women residing in countries other than their own” (Mahroum, Eldridge, and Daar 2006, p. 26; see also Kuznetsov 2006 and Meyer and Quattiaus 2006).21

There are three types of diaspora knowledge networks:

- Scientists and research and development (R&D) personnel networks provide knowledge, mentoring expertise, and finance (venture capital).
- Professional and business networks are regional or local networks of skilled diaspora members located in larger cities (Saxenian 2002b).22 Relevant associations provide technical assistance and organize conferences, investment forums to match investors with counterparts at home, and recruitment fairs. African examples include the Ghanaian
Doctors and Dentists Association United Kingdom (GDDA–UK) and the Association of Kenyan Professionals in Atlanta (AKPA).

- Global knowledge networks are transnational networks linking global regions with origin countries (see Plaza 2008a for a description of Chile Global).

Several African countries are attempting to organize their diasporas in order to gain more benefits from their nationals abroad. Diaspora members sometimes maintain residences in both their origin country and their destination country or return to their origin countries every year to support specific activities. These movements and exchanges of knowledge and skills benefit the origin countries (Easterly and Nyarko 2008). Increasing these benefits will require efforts to survey diasporas' human resources, create active networks, and develop specific activities and programs, such as those of small pilot initiatives that invite diaspora members to teach courses at African universities.23

AN EMERGING POLICY AGENDA TO MAXIMIZE THE BENEFITS OF DIASPORAS

Both sending and receiving countries are beginning to implement policies to boost flows of financial resources, information, and technology from the diaspora. Several developing countries (including the Philippines, India, China, and several African countries) have set up agencies and initiatives to engage with their diasporas.

Such efforts and initiatives have met with little success in Armenia, Colombia, Mexico, Moldova, Peru, and South Africa. Some initiatives—such as Conectandonos al Futuro, in El Salvador, Red Caldas, in Colombia, and Red Científica Peruana, in Peru—lost momentum and faded away (Dickinson 2003; Chaparro, Jaramillo, and Quintero 1994). The South African Network of Skills Abroad (SANSA) has experienced a reduction in the number of new members since its inception in 1998 (Marks 2004). Several high-income countries (including Australia, Ireland, Israel, and the United Kingdom) have implemented initiatives to strengthen engagement with their diasporas (Kingslye, Sand, and White 2009; Finch, Andrew, and Latorre 2010).

DUAL/MULTIPLE CITIZENSHIP

Holding dual (or multiple) citizenship can improve both a diaspora’s connection with its origin country and its integration into the destination
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Dual citizenship provides an important link between diasporas and their home countries (Ionescu 2006). Citizenship and residency rights are important determinants of a diaspora’s participation in trade, investment, and technology transfer with its origin country (Cheran 2004) and make it easier to travel to and own land in the origin country.

Origin countries that allow for dual citizenship benefit, because their migrants are more willing to adopt the host country’s citizenship, which can improve their earnings and thus their ability to send remittances to and invest in the origin country. Immigrants from some countries that adopted the policy of allowing dual citizenship during the 1990s and 2000s (Brazil, Colombia, Costa Rica, the Dominican Republic, and Ecuador) experienced a rise in earnings in the United States (Mazzolari 2007), because citizenship allowed them to acquire legal status and gain access to better jobs. Immigrants from countries that were granted dual citizenship during the 1990s experienced a 3.6 percentage point increase in the probability of full-time work relative to other Latin American immigrant groups. Destination countries can also benefit by providing dual citizenship, which can help foster the assimilation of immigrants.

Origin countries have increased their acceptance of dual citizenship. For example, 10 Latin America countries (Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Mexico, Panama, Peru, and Uruguay) passed new laws on dual nationality or citizenship in the 1990s and 2000s (Jones-Correa 2001). In some countries, such as Kenya, the policy was adopted under pressure from diaspora groups. Other countries, including most of the former Soviet republics, oppose dual citizenship status.

About half of the African countries on which information is available allow dual citizenship (table 4.2). Interest has increased in providing dual citizenship to the children or grandchildren of migrants, in order to encourage their ties to origin countries. The potential gains for origin countries are limited, however, because many destination countries do not permit dual citizenship.

Chiswick (1978) was the first to show a positive impact of naturalization on earnings. More recent studies show that the integration of migrants in destination countries amplifies their involvement in the development of their countries of origin (de Haas 2006). Studies of Canada and the United States seem to support the existence of a citizenship premium; European studies show mixed results (Bevelander and Pendakur 2009). According to Cheran (2004), citizenship or residency...
Table 4.2  African Countries Permitting and Prohibiting Dual Citizenship for Adults

<table>
<thead>
<tr>
<th>Country</th>
<th>Dual citizenship</th>
<th>Country</th>
<th>Dual citizenship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>X</td>
<td>Libya</td>
<td>X</td>
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<tr>
<td>Angola</td>
<td>X</td>
<td>Madagascar</td>
<td>X</td>
</tr>
<tr>
<td>Benin</td>
<td>X</td>
<td>Malawi</td>
<td>X</td>
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<tr>
<td>Botswana</td>
<td></td>
<td>Mali</td>
<td>X</td>
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<tr>
<td>Burkina Faso</td>
<td>X</td>
<td>Mauritania</td>
<td>X</td>
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<tr>
<td>Burundi</td>
<td>X</td>
<td>Mauritius</td>
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<tr>
<td>Cameroon</td>
<td></td>
<td>Morocco</td>
<td>X</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>X</td>
<td>Mozambique</td>
<td>X</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>X</td>
<td>Namibia</td>
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<tr>
<td>Chad</td>
<td>—</td>
<td>Niger</td>
<td>X</td>
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<tr>
<td>Comoros</td>
<td>—</td>
<td>Nigeria</td>
<td>X</td>
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<tr>
<td>Congo, Rep.</td>
<td>X</td>
<td>São Tomé and Principe</td>
<td>—</td>
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<tr>
<td>Côte d’Ivoire</td>
<td>X</td>
<td>Senegal</td>
<td>X</td>
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<td>Djibouti</td>
<td>X</td>
<td>Seychelles</td>
<td>X</td>
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<tr>
<td>Egypt, Arab Rep.</td>
<td>X</td>
<td>Sierra Leone</td>
<td>X</td>
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<tr>
<td>Equatorial Guinea</td>
<td>X</td>
<td>Somalia</td>
<td>X</td>
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<td>Eritrea</td>
<td>X</td>
<td>South Africa</td>
<td>X</td>
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<tr>
<td>Ethiopia</td>
<td>X</td>
<td>Sudan</td>
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<tr>
<td>Gabon</td>
<td>X</td>
<td>Swaziland</td>
<td>X</td>
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<tr>
<td>Gambia, The</td>
<td>X</td>
<td>Tanzania</td>
<td>X (in process)</td>
</tr>
<tr>
<td>Ghana</td>
<td>X</td>
<td>Togo</td>
<td></td>
</tr>
<tr>
<td>Guinea</td>
<td>X</td>
<td>Tunisia</td>
<td>X</td>
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<tr>
<td>Guinea-Bissau</td>
<td>—</td>
<td>Uganda</td>
<td>X</td>
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<tr>
<td>Kenya</td>
<td>X</td>
<td>Zambia</td>
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<td>Lesotho</td>
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<td>Zimbabwe</td>
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<td>Liberia</td>
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rights are important in determining immigrants’ participation in trade, investment, and knowledge transfer.

Some origin countries do not allow dual citizenship but offer identification card schemes in destination countries. In some countries these cards grant visa rights to migrants. Ethiopia, India, and Mexico offer special
identification cards that entitle migrants to specific rights. In 2002, the Ethiopian government enacted a law permitting Ethiopian migrants with foreign citizenship to be treated as nationals if they hold a “person of Ethiopian origin” identification card, known locally as a yellow card. The yellow card entitles its holder to most of the rights and privileges of an Ethiopian citizen, such as entry into Ethiopia without a visa, the right to own residential property, and the right to live and work in the country without additional permits. Yellow card holders may not vote or be elected to political office, and they cannot be employed in national defense, security, or foreign affairs (Federal Negarit Gazeta 2002). India issues a Person of Indian Origin (PIO) card, which allows for entry without a visa during the period of its validity. Mexico issues a **matrícula consular** to Mexicans living in the United States; this document not only serves as an identity card, it is also accepted by many states as a valid document for issuance of a driver’s license and by many banks for opening accounts (World Bank 2005).

**VOTING RIGHTS**

Origin countries can strengthen their ties to the diaspora by allowing citizens who reside abroad to vote without returning (box 4.3). Some countries give nationals abroad voting rights, and some reserve a specific number of seats in parliament for diaspora representatives.

Some African countries that confer voting rights on their diasporas require advanced registration or allow voting in person only. In other

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**Box 4.3 Educating the Rwandan Diaspora about Elections in Rwanda**

Interviews with diaspora groups and individuals indicate that granting voting rights to the diaspora is an important means of encouraging greater engagement with origin countries. Rwanda provides a useful example of an effort to engage the diaspora by reaching out and encouraging voting by foreign citizens. In August 2010, Rwandans living abroad participated in presidential elections for the first time since the civil war. In preparation for the elections, a delegation of the National Electoral Commission (NEC) visited Belgium, Burundi, Denmark, France, Germany, Kenya, Norway, Sweden, Switzerland, and Uganda to inform emigrants about the electoral process. Of the 17,824 registered voters in the diaspora, 14,242 (78 percent) cast valid votes.

countries, voting by mail is possible. Migrants who permanently live abroad can register with an embassy or consulate in the country of their permanent residence and vote there, but the costs of registration may be high. For example, South Africa approved voting rights for South Africans living abroad in 2009, but only about 16,000 voters (out of the estimated 1.2 million South African citizens in the diaspora) who had been registered well in advance were able to participate in the 2009 elections. Members of the Nigerian diaspora asked the Independent National Electoral Commission (INEC) to register Nigerians abroad so they could participate in the 2011 elections. The extent of participation also depends on whether voting is required (as it is in Peru) or voluntary (as it is in most countries).

**DESTINATION COUNTRIES’ SUPPORT FOR DIASPORAS**

Some destination countries are devoting resources to helping diasporas promote the development of their countries of origin. Canada, France, Germany, Italy, Spain, the United States, and the European Union, among other governments and institutions, are becoming more interested in working with the diasporas residing in their countries. Some of their initiatives are at the initial stage of implementation. Other programs, such as those promoting return, have been unsuccessful.

One area of focus has been the reduction in fees for transferring remittances (see chapter 2). There are few well-defined programs that facilitate diaspora trade, investment, and technology operations apart from small grants or matching grant initiatives (for example, the Development Marketplace for the African Diaspora in Europe, the African Development Marketplace, and the Joint Migration and Development Initiative). There is little information on initiatives and few external evaluations of their effectiveness (de Haas 2006). The United States has focused on engaging with diaspora communities as a core element of its foreign policy, with an emphasis on the role diasporas can play in their origin countries (an example is the role Haitian-Americans played in providing relief to Haiti following the earthquake). The U.S. Department of State and the U.S. Agency for International Development (USAID) have sponsored a new initiative called the Diaspora Networks Alliance (DNA). Canada, France, the Netherlands, and the European Commission have funded development projects implemented by diaspora groups. The Netherlands has awarded grants to projects aimed at building the capacity of migrant organizations. In 2007, France added cofunding of diaspora projects to its menu for codevelopment. At the 25th Annual Africa-France Summit,
participating heads of state decided “to place the African diasporas living in France at the center of the migration and development strategies, promoting their involvement in the economic and social development of their country of origin by means of codevelopment programs, encouraging migrant business projects and mobilizing their savings for social and productive investment.”

The governments of France, Italy, the Netherlands, Spain, the United States, and the United Kingdom are working with developing country diaspora groups to promote development in origin countries and support their own foreign policy objectives. Such initiatives (for example, the French codevelopment policy or the European mobility partnership agreements) often aim to “better manage migration flows, and in particular to fight illegal migration” (EU 2007).

INCENTIVES FOR RETURN BY HOST COUNTRIES

Since the 1970s, some European countries (France, Germany, the Netherlands, and recently Spain) have encouraged return migration by providing money to immigrants and financing projects to employ returnees in their home countries (Constant and Massey 2002; Panizzon 2011). Few migrants have participated, and most projects have been unsuccessful. The French local development migration program provided assistance, though mostly on a small scale, to projects by Malian and Senegalese returnees in their countries of origin (Lacroix 2003).

In the late 1990s, countries changed their approach by encouraging the return of not only unskilled but also skilled immigrants. The approach encouraged circular migration, codevelopment, reintegration of temporary workers in their home countries, and the return of skilled migrants to Africa. For example, France entered into agreements with migrants’ origin countries to facilitate return (Panizzon 2011). Its pact on concerted migration management with Senegal seeks the voluntary return of medical doctors and other health professionals in France by offering research equipment or the prospect of joint university appointments (French Senate 2007). The new mobility partnership agreements also establish circular migration schemes for professional education and expert missions by members of the diaspora (Plaza 2009).

Temporary labor migration is seen by origin countries as a way for migrants to acquire skills abroad and bring them home upon return. Examples include France’s pact with Benin in 2006 and Senegal’s government-run Retours vers l’agriculture plan in 2007, which includes an initiative to reintegrate returning migrants (Panizzon 2011).
Harnessing the Resources of the Diaspora

European governments, often in cooperation with the International Organization for Migration (IOM), have been implementing assisted voluntary return programs for almost three decades. The majority of these programs target irregular migrants. According to the IOM, about 1.6 million migrants returned to more than 160 countries with the help of these programs. About 32,000 migrants returned under the IOM Assisted Voluntary Return programs in 2009, up from about 23,000 in 2008. In the United Kingdom, there were 4,945 returns in 2009, 4,301 in 2008, and 4,157 in 2007. The costs of assisted voluntary returns are less than the costs of forced returns (Council of Europe 2010). In the United Kingdom, for example, in 2005 compulsory removals cost British taxpayers £11,000 per person, whereas voluntary returns cost £1,000 per person. Factoring in reintegration assistance, voluntary returns cost less than one-third the cost of forced returns (National Audit Office 2005).

The IOM is helping skilled migrants return to Africa, hoping that the returnees’ financial resources and technical skills will further development. The Return of Qualified African Nationals Program attracted more than 2,000 highly skilled persons back to 41 African countries over a 16-year period (1974–90). Support for the return of migrants has expanded to include various forms of contact with origin countries. The IOM’s Migration for Development in Africa (MIDA) program supports a variety of return options, including virtual return (through, for example, teaching courses and leading seminars online); repeated visits; investment; temporary return; and permanent reallocation (Ndiaye 2011).32 The MIDA Great Lakes project involves missions, workshops, and roundtables to facilitate the exchange of knowledge between institutions in Burundi, the Democratic Republic of Congo, and Rwanda with the diaspora in Belgium.33

The United Nations Development Programme’s (UNDP) Transfer of Knowledge through Expatriate Nationals (TOKTEN) projects support three-week to three-month development assignments for expatriates, at much lower costs than hiring professional consultants. A recent evaluation of a TOKTEN program in Sri Lanka indicates that these services have not had a significant impact on local institutions, because expatriate involvement was not sustained (TOTKEN provides two visits at most) (Wanigaratne 2006). An evaluation of the Rwandan TOTKEN program in 2005–07, which involved visits by 47 volunteers to teach and provide technical assistance, noted that an average stay of less than two months and the variety of responsibilities constrained the transfer of knowledge to counterparts in host institutions (Touray 2008).
According to the OECD (2010), diaspora knowledge flows could increase if barriers to short-term and circular mobility were removed. There has been an increase in mobility partnership pacts between EU and origin countries. For example, an agreement with Cape Verde focuses on visa and border control policies. India has initiated discussions with the European Union on the export of high-skilled professionals (Plaza 2009b). More data and research are needed to develop effective policies to encourage circular migration. The Swedish government has appointed an independent parliamentary committee to examine the connection between circular migration and development, with a report to be presented in March 2011 (Swedish Ministry of Justice 2010).

RETURN INITIATIVES BY SENDING COUNTRIES

A number of origin countries have introduced measures to encourage return by skilled migrants. The most successful efforts have been in Asia. China offers attractive salary packages, multiple-entry visas (for migrants who have lost their Chinese citizenship), and access to foreign exchange. The Hsinchu Industrial Park initiative, by the government of Taiwan, China, attracted more than 5,000 returning scientists in 2000 alone (Saxenian 2002b, 2006). Thailand has offered generous research funding and monetary incentives for return (Pang, Lansang, and Haines 2002). Many programs to encourage return have met with only limited success, and studies of return migration suggest “that those who return may be those that have performed relatively poorly when abroad, while those who stay are the best and the brightest” (Lodigiani 2009, p. 21).

Less information is available on African policies to encourage return. A study on return migrants in Côte d’Ivoire and Ghana finds that policies that favor returnees above those who never left the country are likely to be counterproductive and to cause resentment (Ammassari 2006).

Experiences from many of the government initiatives implemented by developing countries in Latin America, Asia, and Africa have demonstrated that it is difficult to promote return, particularly permanent return. Some returnees were not able to reenter local labor markets at a level appropriate for their skills and knowledge. The lack of laboratories and equipment makes it difficult for scientists and researchers to keep up to date on the latest scientific developments worldwide. Some members of the diaspora may return with unrealistic expectations or find it hard to readjust to local norms (OECD 2010).
AFRICAN GOVERNMENTAL INITIATIVES TO ENGAGE THE DIASPORA

African governments are reaching out to the diaspora. Ghana, Nigeria, Senegal, and South Africa have launched plans to incorporate their diaspora communities as partners in development projects. Ethiopia, Ghana, Mali, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and other countries have established institutions (at the agency or ministerial level) to interact with the diaspora (see annex table 4A.1).

These initiatives have taken various forms, ranging from the creation of dedicated ministries to deal with migrant communities to the addition of specific functions to the ministries foreign affairs, interior, finance, trade, social affairs, youth, and so on. Some governments have set up institutions such as councils or decentralized institutions that deal with migrant community issues. Several of these initiatives have not maintained their momentum or have been discontinued with a change of government.34

To date, the interest of African governments in their diasporas has focused largely on migrants living outside Africa, such as in OECD countries. Conferences and investment seminars, either at home or in the capitals of major OECD countries, target the diaspora outside Africa.

There have been some proposals to take a more harmonized and integrated approach to the diaspora within each regional economic community. There is a proposal for the creation of a regional diaspora office within the East African Community (EAC). The Economic Community of West African States (ECOWAS) has proposed establishing a dedicated financial instrument at the regional level to facilitate business contributions of the diaspora. These proposals focus on the diaspora outside Africa. Some other initiatives focus on establishing an integrated approach to cross-border payment systems, including the transfer of remittances within ECOWAS and the Economic and Monetary Community of Central Africa (CEMAC). Government institutions abroad, especially embassies and consulates, can play a key role in reaching out to the diaspora (Ionescu 2006). A survey of embassies in Abu Dhabi, Pretoria, Paris, London, and Washington, DC, indicates the need to improve African governments’ capacity and increase their resources in order to sustain the activities of the ministries and institutions dealing with diaspora communities abroad (box 4.4). Steps that could improve embassies’ engagement with diasporas include creating outreach programs to gain more information on diaspora communities, training embassy staff in contacting diaspora members and facilitating investment and trade contacts, and using embassies as vehicles for marketing investment and financial mechanisms such as diaspora bonds. Governments
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can help facilitate diaspora networks through the Internet, professional associations, embassies, and cultural events. Some origin countries are supporting long-term and long-distance linkages between emigrants and their countries of origin (Ghai 2004).

African governments are also working through the African Union (AU) on diaspora issues. In 2003, the AU executive council agreed to actively engage the African diaspora.35 In 2005, the African Union formally designated the African diaspora as the “sixth region” of the AU’s structure. It allocates 20 seats for the African diaspora in the Economic, Social and Cultural Council of the Africa Union (ECOSOCC).

In September 2008, the African Union Commission (AUC) launched the Africa Diaspora Health Initiative to provide a platform through which health experts from the diaspora can transfer information, skills, and expertise to their counterparts in Africa. It created the African Citizens Directorate to deal with overarching issues in the relationship between overseas diasporas and homeland governments.

The African Union’s approach is to enable the diaspora to organize itself with AU support within the framework provided by executive organs of the union, the council, and the assembly, with the guidance of

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Box 4.4 The Role of Embassies in Enabling Diasporas

The authors conducted 48 interviews with government officials and diplomats of embassies in Abu Dhabi, Pretoria, Paris, London, and Washington, DC, to understand the role embassies are playing in enabling their diasporas to make economic contributions to their countries. They found few differences across embassies in this respect. Most origin countries have only a limited engagement with the diaspora, although some embassies are implementing initiatives to reach their diaspora. Embassies provide consular services to their expatriate community but little information on trade and investment opportunities.

Some of the difficulties that embassies are facing in reaching their diaspora include the following:

- lack of coordination among departments, especially between the embassy and consular offices
- lack of information on the number of nationals in the diaspora
- reluctance of migrants from politically unstable countries to engage with the embassy
- inadequate staff dedicated to working with the diaspora
- insufficient capacity to reach out to the diaspora and facilitate investment, trade, and skill transfers.

Source: Plaza 2009a.
member states. The mechanisms and the process for diaspora engagement are still being worked out, causing some frustration among diaspora communities, which in recent forums have expressed a reluctance to wait for AU directions before organizing themselves.36

The World Bank is supporting many of the diaspora activities of the AU and African governments.37 Its African Diaspora Program (launched in September 2007) partners with the African Union, client countries, donors, and diaspora professional networks and hometown associations to enhance the contributions of the African diaspora to the development of their home countries.

**Improving the business environment**

Like other potential investors and trading partners, migrants seeking to invest in or trade with African countries are often constrained by the poor business environment. Interview results stress the impediments of excessive red tape and customs delays.

The diaspora requires a conducive business environment, a sound and transparent financial sector, rapid and efficient court systems, and a safe working environment (Page and Plaza 2006). De Haas (2005) emphasizes that bad infrastructure, corruption, red tape, lack of macroeconomic stability, trade barriers, lack of legal security, and lack of trust in government institutions affect migrants’ decisions to invest in their home countries and to return. A survey of skilled South African migrants identifies crime, the cost of living, taxation, and the quality of public and commercial services as the main barriers to conducting business (Kuznetsov 2006). Black and Castaldo (2009) report policies, laws, and regulations as the biggest obstacles facing diaspora members and return migrants in establishing a business. Case studies and interviews with members of the African diaspora indicate that procedures governing business licenses, registrations, and exports and imports remain complicated. Indeed, some diaspora associations report barriers to shipping donated goods, citing, for example, cumbersome import procedures for donated books.38 Some African governments are providing incentives to attract investment from the diaspora. Ethiopia offers investment incentives for both foreign investors and the diaspora that include income tax exemption for two to seven years, 100 percent duty exemption on the import of machinery and equipment for investment projects, and 100 percent customs exemption on spare parts whose value does not exceed 15 percent of the total value of capital goods imported (Federal Negarit Gazeta 2003). Such policies have encouraged many in the Ethiopian diaspora to invest in small busi-
nesses in Ethiopia, including cafes, restaurants, retail shops, and transport services in big cities and small towns that were otherwise restricted to Ethiopian nationals living in the country (Chakco and Gebre 2009).

The treatment of potential investors from the diaspora remains controversial. Some diaspora members have complained that certain countries (for example, Burundi) have more favorable policies for foreign investors than for members of the diaspora. It may be better to provide efficient procedures for all investors, without requiring proof of the investor’s origin and nationality. However, origin countries could still benefit from focusing their scarce resources on providing services to members of the diaspora and to move beyond consular services to a broader range of support for diaspora investors.

**Encouraging participation in savings and social security schemes**

Governments can mobilize resources from diasporas by encouraging their participation in social security, housing, and microfinance programs. Bangladesh has created a number of schemes tailored to investors and nonresidents, such as saving accounts in foreign currency. The Philippines allows its citizens to enroll in or continue their social security coverage while abroad. Workers from the Philippines can also continue contributing to the Pag-IBIG Fund (Home Development Mutual Fund), which Filipinos can access through embassies and consulates abroad (ADB 2004). Some of these initiatives could be implemented in Africa to generate savings.
## ANNEX 4A  EXAMPLES OF AFRICAN GOVERNMENT INSTITUTIONS DEALING WITH DIASPORA COMMUNITIES ABROAD

### Table 4A.1  African Government Institutions Dealing with Diaspora Communities Abroad

<table>
<thead>
<tr>
<th>Country</th>
<th>Diaspora institutions</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Ministry of National Solidarity, Family and the National Community Abroad</td>
<td></td>
</tr>
<tr>
<td>Benin</td>
<td>Ministry for Foreign Affairs, African Integration, the Francophone Community</td>
<td>Contributes to periodic census of Beninese abroad, in coordination with other agencies.</td>
</tr>
<tr>
<td></td>
<td>Beninese Abroad Subagency (Directorate for Relations with Beninese Abroad)</td>
<td></td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>High Council of Expatriate Burkinabé</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ministry of Foreign Affairs and Regional Cooperation</td>
<td></td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Ministry of Emigrant Communities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focal Points for Migration, established in each of Cape Verde’s 22 municipalities</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Ethiopian Investment Agency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ethiopian Expatriate Affairs, Ministry of Foreign Affairs</td>
<td>Ensures the well-being, safety, security, rights, and privileges of Ethiopians abroad.</td>
</tr>
<tr>
<td></td>
<td>Diaspora Coordinating Office, Ministry of Capacity Building, in each of Ethiopia’s nine regional states and in three administrative cities</td>
<td>Disseminates information to the Ethiopian community abroad through media outlets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Conducts research to identify problems faced by the diaspora in order to improve legislation for its increased participation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Keeps diaspora informed of relevant issues.</td>
</tr>
<tr>
<td></td>
<td>Embassies abroad</td>
<td>Support events involving the diaspora. High Commission in London organizes annual events. Ghanaian Embassy in Rome works with Council of Ghana Nationals Associations in Italy.</td>
</tr>
<tr>
<td></td>
<td>Multiministerial commission, including ministries of interior, labor, youth, and foreign affairs and the central bank</td>
<td>Kenyan diaspora proposed creation of a Kenyans Abroad Investment Fund (KAIF) in 2004.</td>
</tr>
<tr>
<td></td>
<td>Diaspora Committee within the Ministry of Planning, Development (moved to Ministry of Foreign Affairs in 2009)</td>
<td>Consultations with diaspora on how best to facilitate their participation in national development (2002–07).</td>
</tr>
<tr>
<td></td>
<td>Diaspora desk within the Ministry of Foreign Affairs (this ministry also has representation in the Kenya Diaspora Association)</td>
<td></td>
</tr>
</tbody>
</table>

*continued*
<table>
<thead>
<tr>
<th>Country</th>
<th>Diaspora institutions</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mali</td>
<td>Ministry of Malians Abroad and African Integration</td>
<td>Distributions a <em>Practical Guide for Malians Abroad</em> (2003). Assists in administration of skill transfer programs, such as the United Nations’ Transfer of Knowledge through Expatriate Nationals (TOKTEN) program.</td>
</tr>
<tr>
<td></td>
<td>Guichet Unique of the Agency for Promotion of Investments (API)</td>
<td>Provides information to Malians considering emigrating.</td>
</tr>
<tr>
<td></td>
<td>High Council of Malians Abroad</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>Ministry Charged with the Moroccan Community Residing Abroad</td>
<td>Provides advice on investment, financial planning, diaspora tax, customs, commerce and transportation, social security, remittances/banking references, and cultural events.</td>
</tr>
<tr>
<td></td>
<td>Ministerial Delegate for the Prime Minister Responsible for Moroccans Resident Abroad</td>
<td>Provides social and legal assistance, including partial funding for the repatriation of the deceased.</td>
</tr>
<tr>
<td></td>
<td>Hassan II Foundation for Moroccans Resident Abroad</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Council of the Moroccan Community Abroad</td>
<td>Monitors public policies regarding emigrant nationals, ensuring the protection of their rights and enhancing their participation in the political, economic, cultural, and social development of Morocco.</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Ministry of Foreign Affairs Unit of the Nigerians in Diaspora Organization (NIDO)</td>
<td>Oversees the interests of Nigerian nationals living abroad.</td>
</tr>
<tr>
<td></td>
<td>National Volunteer Service</td>
<td>Organizes annual diaspora conference.</td>
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<tr>
<td></td>
<td>One Stop Investment Centre (OSIC) of the Nigerian Investment Promotion Commission (NIPC)</td>
<td></td>
</tr>
<tr>
<td>Senegal</td>
<td>Ministry of Senegalese Abroad and Tourism</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senegalese Diaspora Foundation (Fundation des Senegalais de l’extérieur)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guichet Unique of Investment Promotion and Major Works Agency (APIX)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Superior Council of Senegalese Abroad</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Diaspora institutions</td>
<td>Activities</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Ministry of Social Affairs, Solidarity and Tunisians Abroad Subministry; Office for Tunisians Abroad</td>
<td>Provides social workers at consulates to address family issues in the diaspora.</td>
</tr>
<tr>
<td></td>
<td>Guichet Unique of Agency for the Promotion of Industry (API)</td>
<td>Organizes exploratory and study visits and summer camps in Tunisia for diaspora youth.</td>
</tr>
<tr>
<td></td>
<td>Guichet Unique of the Export Promotion Centre (CEPEX)</td>
<td>Registers highly skilled expatriates.</td>
</tr>
<tr>
<td></td>
<td>Guichet Unique of Agricultural Investment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promotion Agency (APIA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional delegations in 17 regions of Tunisia (under the Office of Tunisians)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ministry of Social Affairs, Solidarity and Tunisians Living Abroad</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>Diaspora desk at President’s Office</td>
<td>Encourages and coordinates dialogue with Zambians living abroad.</td>
</tr>
</tbody>
</table>


Note: Table is not exhaustive. It is intended to provide only relevant examples.
NOTES

1. According to Wickramasekara (2009, 6), “The African diasporas can be broadly classified into two categories: (a) Africans in America, the United Kingdom, Brazil/Latin American/Caribbean as a result of involuntary migration and (b) the new African immigrants, mainly in North America and Europe, and to a smaller extent in Australia and Japan, among others, as a result of voluntary migration for education and for employment.” The African Union uses a similar classification.

2. A growing body of research suggests that diasporas and country networks abroad are an important reservoir of knowledge of trade and investment opportunities. This literature emphasizes that trade and migration are complements rather than substitutes. See Gould (1990, 1994); Helliwell (1997); Head and Ries (1998); Dunlevy and Hutchinson (1999); Rauch and Trindade (1999, 2002); Hutchinson and Dunlevy (2001); Girma and Yu (2002); Light, Zhou, and Kim (2002); Wagner, Head, and Ries (2002); Combes, Lafourcade, and Mayer (2003); Dunlevy (2003); Rauch (2003); Bardhan and Guhathakurta (2004); Blanes Cristóbal (2004); Bryant and Law (2004); Co, Euzent, and Martin (2004); Blanes (2005); Herander and Saavedra (2005); Blanes and Martín-Montaner (2006); Dunlevy (2006); Bandyopadhyay, Coughlin, and Wall (2008); Bettin and Lo Turco (2008); Dolman (2008); Foad (2008); and Morgenroth and O’Brien (2008).

3. Countries that are far apart trade much less than countries that are near one another. Colonial ties are important. Landlocked countries trade less than countries with coasts.

4. Transnational companies often make investments based on their ethnic ties (Aykut and Ratha 2003). For example, some ethnic Korean companies invest in Kazakhstan and some ethnic Chinese companies invest in the East Asia and Pacific Region.


9. These estimates—which update the estimates in Ratha, Mohapatra, and Plaza (2009)—are based on the assumptions that members of the African diaspora with tertiary education earn the average income of their host countries, that migrants without tertiary education earn a third of the average household incomes of the host countries, and that both skilled and unskilled migrants have the same personal savings rates as in their home countries.

10. According to Ketkar and Ratha (2009a), the Development Corporation for Israel (DCI) raised more than $25 billion from diaspora bonds. Jewish diaspora investors pay a steep price premium (perhaps better characterized as a large patriotic yield discount) when buying DCI bonds. The State Bank of India raised $11.3 billion through three issues of diaspora bonds, issued after ordinary sources of funding had all but vanished in 1991, following the balance of payments crisis, and in 1998, after the country conducted nuclear tests.

12. Countries outside Africa that can issue diaspora bonds include Bangladesh, Colombia, El Salvador, Haiti, India, Jamaica, Mexico, Nepal, Pakistan, Philippines, Romania, Sri Lanka, and Tajikistan.

13. Several diaspora investment funds have been created or are in the process of being created and registered. One example is the Diaspora Unit Trust Funds Schemes (DUTFS), a collective investment scheme licensed by the Capital Markets Authority of Kenya. See http://www.mobilepay.co.ke/tangaza/2010/04/kenyans-abroad-to-benefit-from-the-diaspora-investment-fund/.


15. Diaspora groups in Africa that have formed organizations include Somalis in Kenya, Zimbabweans in South Africa, and various groups in Côte d’Ivoire. Associations of Zimbabweans in the diaspora contributed fuel, food, and medicines to Zimbabwe during the economic crisis through the Global Zimbabwe Forum.

16. For example, the countries with the largest numbers of Ghanaians are the United States and the United Kingdom (about 100,000 migrants each), Italy (50,000), Germany (34,000), and the Netherlands (20,000). There are about 100 Ghanaian associations in the United Kingdom (Van Hear, Pieke, and Vertovec 2004): 200 in the United States; 21 in Germany; and 70 in the Netherlands.

17. See Alarcon 2002; Goldring 2004; and Orozco and Welle 2006 for a review of Asian and Latin American associations.

18. People interviewed include members of diaspora organizations in Denmark, South Africa, the United Kingdom, and the United States, and embassy officials in France, South Africa, the United Arab Emirates, the United Kingdom, and the United States. In the United States, the interviews covered 10 groups from Ethiopia, Liberia, Mali, and Nigeria and two organizations covering Africa.

19. Trans and Vammen (2011) cite an association that sends regular donations to Eritrea to support development projects.

20. Interviews with African diaspora organizations in the United States indicated that their members volunteer their time and work for the diaspora association’s activities after normal work hours. To raise funds, these associations sponsor runners in marathons and organize arts and crafts fairs and other events. Membership fees are low, so they cannot fully cover the associations’ activities.


22. Arora and Gambardella (2004) and Commander and others (2004) describe the role Indian professionals in the diaspora played in promoting India as an outsourcing destination.

23. Associations of Chinese and Indian scientists and engineers living abroad exchange information and collaborate on research and development projects with scientists in their countries of origin (Saxenian 2002b). Financing local sabbatical stays for researchers living abroad as well providing them with the opportunity to teach short courses or workshops are good measures to promote exchange. African associations that engage in these activities include the International Society of African Scientists (Delaware) and the Ethiopian Scientific Society (Washington, DC). The Carnegie Institute for Advanced Study Regional Initiative in Science and Education (RISE) aims to strengthen higher education
in Sub-Saharan Africa by increasing the number of qualified professors teaching in Africa’s universities. Members of the diaspora can contribute by teaching short courses, hosting RISE students at laboratories abroad, and engaging in collaborative research with researchers in their home countries. The Nelson Mandela Research Center sponsors professors from the diaspora who teach in African universities.

24. A person can acquire citizenship by place of birth (the *jus soli* rule of citizenship), by descent according to blood kinship (*jus sanguinis*), or by naturalization. Most countries apply one or a combination of the three rules. Canada and the United States are the only developed countries that still offer birthright citizenship to tourists and undocumented people.


26. The PIO card also grants holders of Indian passports access to all facilities in acquiring, holding, transferring, and disposing of immovable properties in India, except in matters relating to the acquisition of agricultural/plantation properties. The card does not allow holders to vote.


28. See the REMPLOD research project (Van Dijk and others 1978).


34. A 2003–05 Ghanaian poverty reduction strategy paper that proposed establishing a Non-Resident Ghanaian Fund for poverty projects was never implemented. A 2007 Kenya Diaspora bill, designed to increase benefits from the diaspora, was never passed. Nigeria launched a dialogue with Nigerians abroad to incorporate their views in national development policies.

35. This mandate led to the adoption of a new Article 3: “to invite and encourage the full participation of the African diaspora as an important part of our continent, in the building of the AU (Legwaila 2006).


37. The World Bank’s strategy for engaging the African diaspora involves working with the African Union Commission and country governments to help create enabling environments for diaspora engagement and working with development partners to support diaspora development projects in Africa. In July 2008, the Bank signed an agreement with the African Union.

38. It is necessary that all merchandise meant for charity purposes fulfill the same inspection, quality control, and certification processes required for other imports.
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Harnessing the Resources of the Diaspora


