

MORE THAN JUST SENDING MONEY HOME: ENGAGING THE DIASPORA AS A PRIORITY FOR AFRICA'S DEVELOPMENT

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Africa's recent growth, which has been associated with significant economic, institutional and governance reforms, reflects a continent that is ripe for economic transformation. However, for Africa's economies to successfully transition from their current state of commodity-dominated production to high value-added, job-creating production, the continent must design and implement strategies to harness large amounts of resources efficiently. One such opportunity that is grossly underutilized is the engagement of the large African diaspora. For the most part, the diaspora's contribution to development has been viewed only in terms of remittances that go primarily to support families. However, the African diaspora represents a huge reservoir of human and financial capital and an important bridge between African and developed countries. In 2013, African countries and regional organizations are expected to accelerate their efforts to harness the diaspora to support transformative development. However, to accomplish this task, Africa

needs to be more systematic, structured and strategic in its engagement with its diaspora.

Why is it Important to Harness the Diaspora?

Over the last few years, the African Union and many African countries that were once suspicious of the diaspora have begun to realize the promising role the diaspora can play in development. Many countries are exploring approaches to engagement. Development organizations, such as the World Bank and the African Development Bank (AfDB), as well as foreign governments have highlighted the role that the diaspora can play in the development of the continent (AfDB, 2011; Plaza & Ratha, 2011; Shimeles, 2010).

Estimates show that the "voluntary" African diaspora (Africans who migrated to other countries by choice) is large and has been growing in the last few decades. In fact, the Migration Policy Institute estimates that there are approximately 30.6 million Africans in the diaspora (2012). A major-

ity of them are migrants within Africa (14.5 million), whereas 8.2 million and 2 million Africans, respectively, call Europe and the Americas home (Migration Policy Institute, 2012). In general, members of the voluntary diaspora have more education, significantly higher incomes and larger amounts of money in banks outside Africa than their counterparts in Africa. Many have important skills and experiences that could fill capacity gaps in the continent if appropriate engagement modalities were in place. This group also sends huge amounts of money to their mother countries, estimated at \$40 billion in 2010 (Plaza & Ratha, 2011, p. 7). Because of this potential, African governments need to increase modalities for channeling remittances toward financial development in their countries.

There is also the involuntary diaspora—those with African heritage that did not migrate by choice—such as African-Americans. This group is located primarily in North America and the Caribbean. For the most part, the involuntary diaspora has not been provided opportunities for engagement by African governments. Yet African-Americans are a group that could contribute greatly to the advancement of Africa in many ways, such as through investment in the region and advocacy for Africa with their home governments. For instance, the African-American community in the United States—through the Congressional Black Caucus, the Constituency for Africa, TransAfrica and the Diaspora African Women’s Network—has been instrumental in lobbying for American legislation that benefits African countries. These groups could do more if African governments had better structured engagement and outreach with the diaspora.

Learning from Asia and Other African Countries

African countries can learn lessons from other emerging and developing countries that have successfully engaged their diasporas for economic and social development. For example, in Malaysia, TalentCorp—a partnership between the government, the private sector and the overseas diaspora—works to bring educated and highly skilled Malaysians living and working abroad back to the country.

South Africa has a similar setup as Malaysia. The South Africa Network of Skills Abroad (SANSA) helps connect highly qualified and skilled individuals in the diaspora

with opportunities to advance education, research and development in the country. Similarly, Nigeria has set up the Nigerians in the Diaspora Organization (NIDO) in various countries throughout the world. Rwanda recently started a solidarity fund, in which the diaspora can contribute to the development of their country. While it is too early to assess the success of these African initiatives, there is hope that they will help contribute to the broader development of the region.

Policy Considerations to Better Engage the African Diaspora

Some countries have already begun to harness the potential of the African diaspora for the benefit of the continent. For example, the United States Congress recently proposed legislation (HR 656), the African Investment and Diaspora Act, to support African development. Ghana and Kenya have established units within their respective governments to oversee diaspora affairs. Yet, despite such efforts, engagement with the African diaspora by governments in the region remains largely ad hoc with few success stories. Efforts are still loosely organized, and diaspora members are unable to undertake large-scale collective activities that could better support their home countries.

Build effective and targeted lobbying and advocacy groups

The voluntary diaspora also has the power to put political pressure on its host countries for better policies toward Africa given that many of them hold citizenship in their host countries. However, formal advocacy and lobbying groups need to be put in place for the diaspora to undertake more targeted and effective collective action.

Obtain better demographic information on the African diaspora

Many African countries are not able to give an accurate description of their diaspora, so a good starting place would be a rigorous mapping exercise. Knowing the exact locations, characteristics, professions, incomes, savings, citizenship and length of stay will allow African governments to better understand their diaspora populations and tap into them for the development of their countries.

Utilize diaspora bonds as a tool for development

Since remittances from the diaspora have become an important source of foreign revenue inflow for Africa, African

governments could benefit from a mechanism for aggregating remittances for development. For example, the World Bank has proposed diaspora bonds targeting large-scale infrastructure and energy. Kenya and Ethiopia have already introduced diaspora bonds, but the tool fell below expectations for various reasons (i.e., interest rate volatility, political risk, and lack of trust between government and guarantor). Perhaps repackaging the bonds and learning from the successes of India's and Israel's diaspora bonds would help guide African countries to create bonds that are better utilized for development financing. Part of the lessons to learn include: not limiting the diaspora bonds to the diaspora only; being flexible enough to provide different investment options based on market demands; making bonds tradable in the securities market; and offering a large discount to the diaspora with higher return rates than other bonds.

Expand African banking to include clients in the diaspora

With growing competition in the African banking sector, commercial banks are expanding their business to the diaspora population by sourcing deposits from them and offering them mortgages and other services. For example, 4 out of 43 Kenyan banks offer the Kenyan diaspora bank accounts with lower fees and higher returns. This move allows the diaspora to hold money in local African banks, which gives the banks the ability to mobilize deposits for loans to the private sector for development. More African commercial banks should look for innovative ways to bring down transfer costs and mobilize deposits in order to better engage the diaspora.

Unfortunately, many opportunities for the diaspora to contribute to the development of Africa remain unexploited largely because of the lack of proper coordination and the inability to envision the importance of the diaspora beyond remittances. However, African governments and develop-

ment organizations are now more interested in tapping into the diaspora population, and many initiatives are now working to engage these groups. In 2013 and beyond, it will be critical to continue with such efforts and scale up successes from both African and international experiences. Reaching out and engaging in a meaningful way will require committed leadership by African governments and also the members of the diaspora.

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