CONCEPT NOTE

Development Without Borders: Leveraging the African Diaspora for Inclusive Growth and Sustainable Development in Africa.

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G-COP Policy Dialogue

Hosted by the African Development Institute, African Development Bank Group under the auspices of the Global Community of Practice (G-CoP) Policy Dialogue Series

01 DECEMBER 2022; TIME 12.00 – 17.00 HOURS GMT (WESTERN HEMISPHERE)
02 DECEMBER 2022; TIME 08.00 – 13.00 HOURS GMT (EASTERN HEMISPHERE)

1. INTRODUCTION

For decades, Africa's development has continued to lag in comparison with other continents. The lag is partly attributed to the continent's low human and economic capital development, particularly, the exodus of Skilled professionals from the continent. The African Union's estimation that about the emigration of approximately 70,000 skilled professionals from Africa every year[i]. This is among the highest immigration rates of skilled professionals in the world. Since 1990, the total number of African migrants living outside of the region, including skilled professionals, more than doubled to about 20 million by 2020 (annexe 1), with the growth in Europe most pronounced. Most of the African-born migrants living outside the region were residing in Europe (11 million), Asia (nearly 5 million), and North America (around 3 million)[ii]. In 2020, Egypt, Morocco, South Sudan, Sudan, and Algeria were the top emigrant African countries. The United Nations Commission for Trade and Development estimates that each migrating African professional represents a loss of $184,000.00 to Africa.

Africa has the world's youngest population, with about 60% of Africa's population under the age of 25 years[iii]. All the 'world's top 10 youngest countries by median age are in Africa, with Niger in first place with a median age of 15.1 years[iv]. By 2030, it is predicted that the number of youths (15-24 years) in Africa will have increased by 42% [iii]. An estimated 10-12 million young Africans join the labor force each year, but the continent can create only about 3.1 million jobs annually, leaving many young people unemployed[v]. With limited economic opportunities, many young Africans continue to migrate to Europe, America, Asia, and Oceania in search of better economic opportunities. Security issues, rippling effects of incomplete governance such as inadequate policy incentives, , lack of infrastructure, corruption, and adverse effects of climate change and conflicts are additional push factors for the high migration rate from Africa, contributing to the massive brain drain. On the other hand, migration has boosted capital flows, particularly in remittances, the promotion of trade and investment, and enhancing knowledge and technology transfers. The continent, however, is not yielding the full benefits of its Diaspora to drive sustainable and inclusive development.

Large-scale skilled emigration continues to take a toll on the continent, whose human capital is already scarce**.** The rising brain drain is significantly depleting skilled human resources from critical sectors in the economies of many African countries, thereby negatively affecting the capacity of the countries for research, innovation, production, and growth[vi]. The impact of brain drain is particularly pervasive in public service delivery in the health sector due to significant shortages of physicians or other health workers. The World Health Organisation records, the African average physician-to-patient ratio for 26 African countries for which data was available, from 2012 to 2016 as 0.45 physicians per 1,000 people. Meanwhile, in 2015, the number of African-trained International Medical Graduates (IMGs) practising in the US alone reached 13,584 – a 27.1% increase from 2005. This is equivalent to about one African-educated physician migrating to the US per day over the last decade. In 2015, 86% of all African-educated physicians working in the US were trained in Egypt, Ghana, Nigeria, and South Africa[vii]. As observed by the African Development Bank Global Community of Practice health experts, this further impacts the continent's ability to build resilient and inclusive health systems.

In addition, Africa loses billions of dollars in the cost of training professionals who then migrate to seek better opportunities elsewhere**.** For instance, it costs each African country between $21,000 and $59,000 to train a medical doctor. Yet, destination countries do not pay for the cost of training the doctors they recruit. As a result, Africa loses around $2 billion annually [vii] through brain drain in the health sector alone[1]. The loss of Doctors and Nurses is more extreme. For example, the emigration of Doctors from Mozambique currently stands at 75% of all trained physicians, Angola (70%), Malawi (59%), Zambia (57%), and Zimbabwe (51%)[viii]. Many Doctors and Nurses cite better health infrastructure and other policy incentives as the pull factors that draw them out of Africa. But in each of them is a palpable desire to be able to contribute to the continent of their birth and ancestral origins.

With losses of specialised skills, governments are forced to further increase expenditure on education and training to compensate for those who have left. Significant brain drain further weakens African institutions and democratic governance, affecting the formulation and implementation of the right policies to promote economic development. The influx of irregular migrants also creates significant challenges in receiving countries. For instance, they lead to political, economic, or social tensions because of the competition for jobs and resources, among others, as currently evidenced in Europe.

African countries are finding it difficult to stop the brain drain, which is likely to continue in short to medium term**.** At the same time, repatriation strategies or restrictive migration policies are proving ineffective, as the root causes of emigration remain unaddressed. In some cases, conditions that have led to migration have further deteriorated. These issues raise questions about how governments can turn the migration challenge in the continent into a benefit. How can the power of the African Diaspora be leveraged for Africa's inclusive and sustainable development? Can the Diaspora be a vehicle for transferring the much-needed human, economic, social, and technological transfer in their home countries, thereby contributing to sustainable economic development?

To explore the policy issues and questions on the potential role of the African Diaspora in promoting inclusive growth and sustainable development in Africa, the African Development Institute is hosting a policy dialogue under the Global Community of Practice (G-CoP) policy dialogue series themed ***"Development Without Borders: Leveraging the African Diaspora for Inclusive and Sustainable Development in Africa*.** The policy dialogue is scheduled for **01 December 2022,** from **12:00 – 17:00 hours (GMT**) for delegates from the Western hemisphere and **02 December 2022,** from **08:00 – 13:00 hours (GMT**) for delegates from the eastern hemisphere.

2. THE DIASPORA AND SUSTAINABLE DEVELOPMENT IN AFRICA

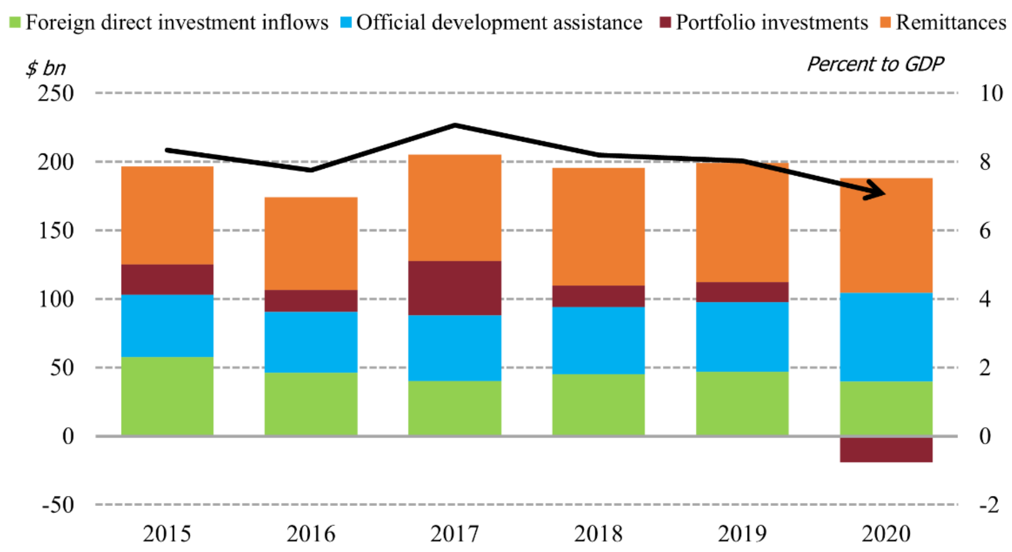
2.1 Remittances: Securitisation of remittances and diaspora bonds in Africa

Remittance flows represent an important source of external inflows in Africa. In recent years, remittances have surpassed other financial flows, including Overseas Development Assistance (ODA), Foreign Direct Investments (FDI), and Portfolio investments, to become the largest consistent sources of external inflows in Africa (Figure 1). The African continent recorded a significant increase in net remittances from $37 billion in 2010 to $87 billion in 2019. Despite the decline of 3.9% to $83.6 billion in 2020 due to the Covid-19 pandemic[ix], remittances increased to

[1] On the other hand, the United Nations Conference on Trade and Development (UNCTAD) estimated that for each developing country, professionals aged between 25 and 35 years, 184,000 US Dollars in training cost is saved by developed countries; and considering that the 27 members of the Organization for Economic Cooperation and Development (OECD) countries have a workforce of approximately 3 million professionals educated in developing countries, this could result in a huge 552 billion US Dollars savings for the OECD (Idahosa Osaretin and Akpomera Eddy**,** (2012)

$95.6 billion in 2021[x]. The fall is due mainly to economic growth rebounded in many source countries.

Figure 1: Financial inflows to African countries as Percentage of GDP 2015-2020



Source: AfDB Statistics and Staff calculations

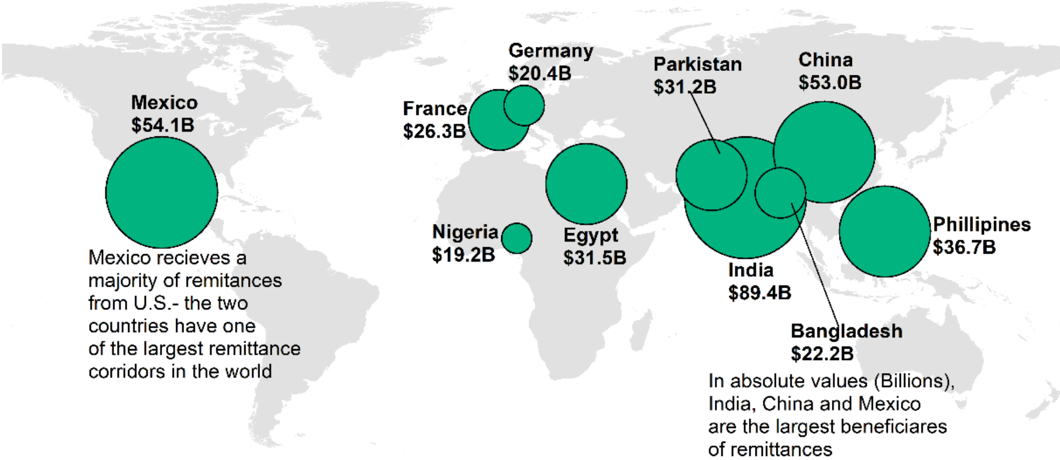
Two African countries, including Egypt and Nigeria, were among the top ten remittance recipients by amounts globally, having received $31.5bn and $19.2bn in remittances, respectively, in 2021 (figure 2(a)). Other top recipients of remittances in 2021 include India ($89.4 bn), Mexico ($54.1bn), China ($53.0 bn), Pakistan ($31.2bn), Philippines ($36.7bn), Bangladesh ($22.2 bn), France ($26.3bn) and Germany ($20.4bn) (figure 2a).

The countries most reliant on remittances vary significantly both globally and in Africa. The top countries globally with the highest remittances as a share of GDP included Lebanon (53.8%) and Tonga (43.9%) (figure 4(b)). Tonga's remittances inflows of $220 million contribute to about 44% of its total GDP. Five African countries were among the countries with the highest remittances as a share of GDP, over 20%, in 2021, including the Gambia (27.0%) and South Sudan (23.9%), Somalia (23.5%), Lesotho (22.8%) and Western Sahara (19.9%) in the top 5th, 9th, 11th, 12th, and 14th positions respectively, globally (figure 2 b, c)). The Gambia remittances of $545 million contributed to almost a third of its total GDP. Other African countries with high remittances as a share of GDP included Comoros (18.8%), Carbo Verde (16.0%), Guinea Bissau (11%) and Liberia and Senegal, each with about 10% of remittances as a share of GDP (Figure 2(d)).

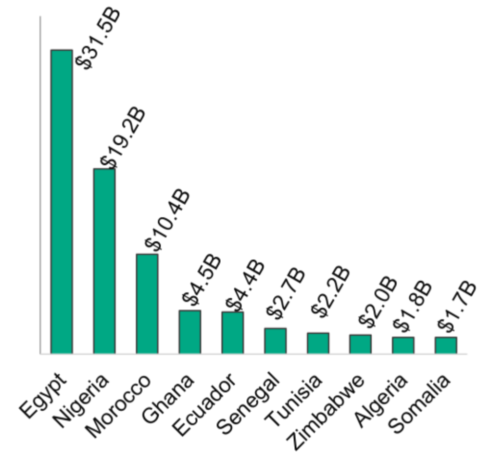
Remittances provide a stable income source and eases consumption and other immediate livelihood needs, especially during crises. They may also behave countercyclically with respect to the economic cycle of the recipient country.

Figure 2: Top Remittance Recipients in 2021

(a): Top Remittance Recipients, by Amount, 2021

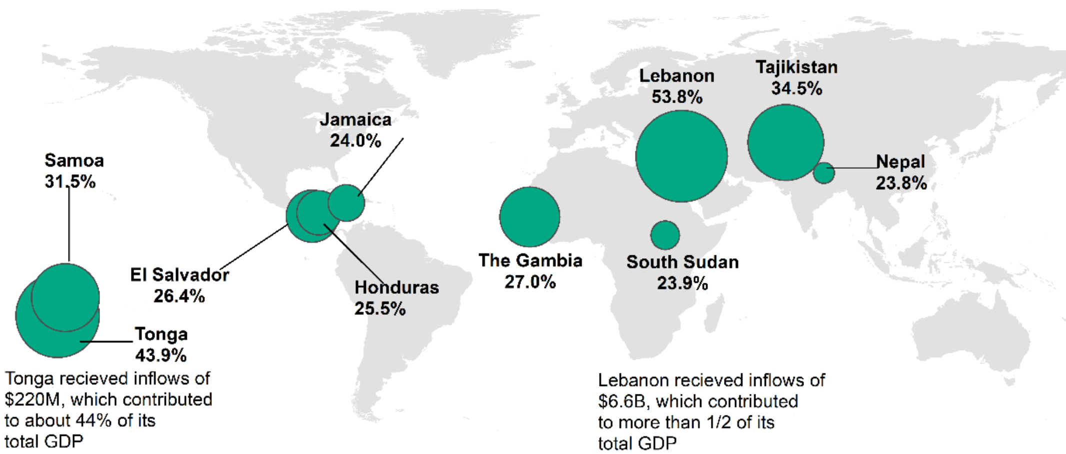


(c) Top Remittance Recipients in Africa , by Amount 2021

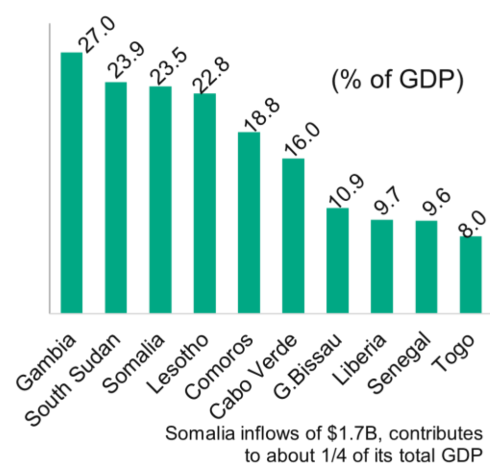


How significant are the remittances; Where do all these billions go?

(b) Top Remittance Recipients, as a % of GDP, 2021



(d) Top Remittance Recipients in Africa, as % of GDP 2021



Source: Knomad, World Bank (May 2022) and Staff calculations

The potential contribution of the Diaspora to the continent's development could go beyond personal remittances. Those contributions could also assist in philanthropic activities to knowledge exchange, increased trade links, and better access to foreign capital markets. Remittances can also serve as an essential support for a country's creditworthiness and can improve access to international capital markets[xi]. Remittances are also associated with increased household investments in education, entrepreneurship, and health, all of which have a high social return in most circumstances.

The Africa Migration Report 2020[xii] estimates that 75 percent of financial remittances received is used for consumption, including subsistence and housing. The remaining 25 percent is used for socioeconomic production, for which about 10 percent covers long-term goals, such as education and health. In comparison, approximately 15 percent is used for savings and investing in housing, small assets, and other income-generating activities. One of the main challenges of remittance flows in Africa has been the high cost of remitting money. The average remittances cost in Sub – Saharan Africa is about 7.8 %, higher than the global average of 6% and South Asia's average of 4.3 percent[xiii]. The high cost is primarily driven by the liquid or "thin" currency markets, limited competition, bank-dominated markets, high perceived risks of remittances such as money laundering, cash-dominated markets, low inflow volumes, and some profit margins. These challenges serve as a disincentive for Diasporas to utilize informal channels to send money to their countries. Estimates suggest that reducing the cost to the 3% goal agreed upon in the Sustainable Development Goals (SDGs) would lead to an additional $4 billion per year in diaspora remittances in Africa. Other challenges include difficulties in accessing formal remittance services, unregulated informal remittance channels, coordination challenges, remittance data gaps, and inadequate mechanisms to harness and manage remittances for productive purposes beyond consumption.

2.1.1 Diaspora Remittance Securitisation

The role of remittances in promoting investments can be enhanced by securitising them. Securitisation is a transaction that involves a potential borrower pledging future hard-currency receivables as collateral to a special purpose entity that issues the debt[xiv]. In most of the top global remittance recipient countries, remittances have helped to adjust to external and macroeconomic policy shocks, thereby reducing growth volatilities (Philippines, Mexico, Pakistan, India). In addition, remittances have provided alternative ways of financing investments (China, India, Nigeria, Egypt), raised domestic savings, and improved financial intermediation (Bangladesh, Pakistan, Philippines). Given the stable and predictable flows of remittances to African countries, governments can pledge future remittances as collateral for securing loans from international sources. However, securitisation of remittances is still new in Africa, with few transactions implemented continent-wide. For instance, through the facilitation of the AFREXIM Bank, Ghana borrowed about $40 million for its development bank, with the loan secured with Western Union remittance receivables. Also, in Nigeria, AFREXIM Bank facilitated a loan of $50 million against the flow of remittances through MoneyGram[xv].

2.1.2 Diaspora Bonds

Diaspora bonds are becoming increasingly popular in development financing. Diaspora bonds are debt instruments issued by a homeland sovereign country to raise funds by placing them among its diaspora population instead of borrowing from the international capital market or other lenders. Diaspora bonds hold great potential for raising funds for development. Their cost is generally lower because the investors are motivated more by the patriotic zeal to contribute to their home countries' development than by pure profit-making motives. For instance, in 2017, the Nigerian government successfully issued a diaspora bond to raise $300 million, which was over-subscribed by 130%. Some countries outside Africa, including Israel, Sri Lanka, India, Bangladesh, Pakistan, Lebanon, and the Philippines, have issued multiple rounds of diaspora bonds and successfully raised funds for development. However, a few African countries, including Egypt, Kenya, Ethiopia, and Ghana, have issued diaspora bonds with limited success. Some of the factors for the limited success include the high cost of remittances, the perception of sovereign and foreign currency risk, the capacity to deal with technical or bureaucratic requirements for promoting diaspora bonds abroad, and the financial deepening of the recipient country's economy.

2.2 Diaspora in Trade and Investment Promotion

The Diaspora can potentially play an important role in promoting trade. First, they can increase the availability of essential market information for trade by helping origin-country exporters find buyers, improve their market knowledge, and comply with government requirements and market standards. They can also facilitate bilateral trade and investment between host and origin countries as they can help overcome information asymmetries and other market imperfections and help consumer goods producers find appropriate distributors[xvi]. Furthermore, using the language benefit or a similar cultural background can help ease communication and better understand transport documents, procedures, and regulations.

Diasporans can also invest directly in their home or resident countries, thus helping to promote business development, job creation, competition, innovation, and business networks. Estimates by the World Bank in 2015 suggest that Africa Diaspora hold about $50 billion of investment in their countries of residence [xii]. To harness this window of opportunity, governments must create enabling business environments with suitable policies and regulations. For instance, Ethiopia has offered its diaspora the same benefits and rights as domestic investors through the issuance of yellow cards (the Ethiopian-origin ID cards). In addition, Ethiopia has introduced investment incentives for its diaspora, such as duty exemptions on imported goods and discounted airfares for diaspora development actors and diaspora entrepreneurs [xii]. Other African countries, including Ghana, the Gambia, Morocco, and Senegal, have different incentives than those given to FDIs for diaspora investors, including tax breaks, grants, co-finance, and loan guarantees. Nigeria has established a Diaspora Commission to cater for the needs of the country's diaspora. In addition, the diaspora can also increase investment flows in home countries by promoting investments from countries of residence as they possess important information that can help identify investment opportunities and facilitate compliance with regulatory requirements. Language skills and similar cultural backgrounds also significantly contribute to the profitability of investment in unfamiliar countries. Investors can also improve their profitability by tapping the expertise of a diaspora member. In addition, diasporas 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.

2.3 Research, innovation, knowledge, and technology sharing

Diasporas are increasingly seen as a resource for effective knowledge and technology sharing, including capacity development in countries of origin. Within knowledge transfer, it is recognised that trust and culture are critical elements. Differences in beliefs, values and practices between the transferors and transferees could create barriers to knowledge transfer unless they are identified and harmonised[xvii]. Thus, the Diaspora can play a unique role in knowledge transfer and capacity co-development in their countries of origin, where they are knowledgeable about local contexts and subsequently trusted more quickly by their colleagues. In addition, a growing body of research suggests that skilled diasporas and country networks abroad are an important reservoir of knowledge. They can contribute to capacity development through diaspora organisations in the host state, state-level diaspora engagement policies and programmes, and programmes established by international organisations.

2.4 Brain circulation.

There is a growing view that returning migrants can bring back new, skills, and know-how and connections. Recent studies point to the presence of significant diaspora externalities in the transfer of knowledge and technology and in, the diffusion of democratic values and social and cultural norms and the improvement of political institutions in the countries of origin[xviii] [xix]. The triangular flow of human talent thus could lead to a win-win situation as both the recipient and sending countries concurrently benefit from the same human talent pool. Such a circulation of skills could open new prospects for African countries at a time of inescapable globalisation. The encouragement of "circular mobility", or short-term migration by some countries in the North, enables foreigners to work and specialise in their vocations for a few years before returning to their country of origin, thus encouraging brain circulation, which could promote sustainable development. The migrants who return to their home countries would have acquired financial resources, work experience and specific capacities abroad, which they can deploy to their home economies and become engines of innovation, employment, and economic growth[xx].

3. OBJECTIVES

The G-CoP policy dialogue aims to bring together thought leaders from African Diaspora, certified global experts, global institutions, and African experts to discuss implementable policies, strategies and instruments for harnessing the African diaspora for inclusive growth and sustainable development. The occasion will also provide an opportunity for the Bank to open a channel of direct dialogue with the African diaspora on how better to collaborate to bring lasting solutions to developmental challenges on the continent. Specifically, the dialogue will focus on addressing the following questions:

1. What needs to be done to make remittances work for Africa's development?
2. What could be done by African Governments to better channel remittances toward productive investments, development projects and optimise their development impact? What is the role of diaspora bond issuances in this regard?
3. How do we make diaspora bonds a preferred investment vehicle for African development projects? How can the diaspora be engaged meaningfully for mutually beneficial relationships with their countries of origin beyond simple calls to patriotism?
4. What policies can be put in place to promote trade and investment from diasporans?
5. What policies, strategies and incentives should be put in place to provide opportunities for brain circulation to reverse the negative impacts of migration on African economies?
6. How can Africa tap into its diaspora to enhance talent mobility, knowledge and technology sharing, and remittances linked to developmental projects?
7. What policy incentives are required to appropriately prize investment in human capital formation provided to the highly skilled migrants by the home countries?
8. What strategies and institutional framework should be put in place by African Governments to institutionalise dialogue and engagement with the African Diaspora?
9. What policy solutions should African governments put in place to mainstream diaspora to ease and promote productive and sustainable diaspora investments in Africa? How can the

countries leverage the diaspora as hand holders in creating local companies and creating employment in Africa?

10. What is the role of Multilateral development institutions e.g., the African Development Bank in working with diaspora through trade and investment, financing of development projects and technical transfers to ensure remittances work for Africa's' development?

4. IMPLEMENTATION

The policy dialogue will be hosted under the Global Community of Practice (G-CoP) on policy responses to building back better in post-COVID-19 Africa. The Institute has approach Partner Institutions, including the African Union Commission (AUC), African Union Member States, and leading Diaspora Organisations and Networks in all continents including Europe, North America, Asia, and Australia, Africa, South America, and the Antarctica to collaborate on the dialogue and co-produce policy-relevant knowledge products with tangible implementable solutions. All individual contributions to the dialogue shall be treated under Chatham House Rules.

The dialogue will start with a plenary session on 01 December 2022 featuring keynote speeches by H.E Dr. Akinwumi Adesina, President, African Development Bank Group and H.E Moussa Faki Mahamat, Chairperson of the African Union Commission; followed by a high-level dialogue by global leaders. Subsequently, there will be breakout sessions focusing on key thematic areas including securitisation of remittances, diaspora bonds, trade and investment promotion, capacity building, knowledge and technology sharing, and brain circulation. The critical questions outlined in the concept note will guide the dialogue to identify tangible implementable actions on how to leverage the African Diaspora for Inclusive and Sustainable Development in Africa.

Collaborating institutions will convene an in-person meeting of the African Diaspora in their cities on the same date and time of the event. All the physical convenings in the multiple cities and partner institutions in different countries will be livestreamed to the physical convening by the African Development Bank at its headquarters in Abidjan Cote d'Ivoire and by the African Union Commission at its headquarters in Addis Ababa, Ethiopia, respectively.

The outcome of the dialogue will be policy briefs synthesizing key strategic pillars of actions and instruments critical for the Bank's engagement with the African diaspora and policy responses of the Bank's Regional Member Countries to the African Diaspora to accelerate inclusive growth, sustainable development, and Agenda 2063 in Africa.

5. PARTICIPATION

Participation in the G-CoP policy dialogue shall be open to all registered delegates from Africa and globally. In addition, a select group of anchor institutions, global experts and practitioners will receive invitations as discussion leaders /conversation starters and participants in the dialogue. The discussion leaders will provide a short think piece addressing each question before the dialogue and provide 5-minute opening remarks to start the conversation.

The policy dialogue will be hosted in a hybrid form. There will be physical convenings in Abidjan Cote d'Ivoire hosted by the African Development Bank Group, in Addis Ababa hosted by the African Union Commission, and in several cities around the world to be hosted by the Partner Institutions – in the USA, Australia, UK, Japan, etc, all livestreamed to Abidjan to enable unified dialogue on the same day. All participants from the public and private sectors, the academia, civil society, youths, and women are encouraged to register for the event.

To participate in the G-CoP policy dialogue on "*Development Without Borders: Leveraging the African Diaspora for Inclusive and Sustainable Development in Africa.*", please **click here** to register**.** You can also register from your smartphone or tablet by scanning the QR Code

RSVP: By email sent to adigcop@afdb.org
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Senior Director || African Development Institute
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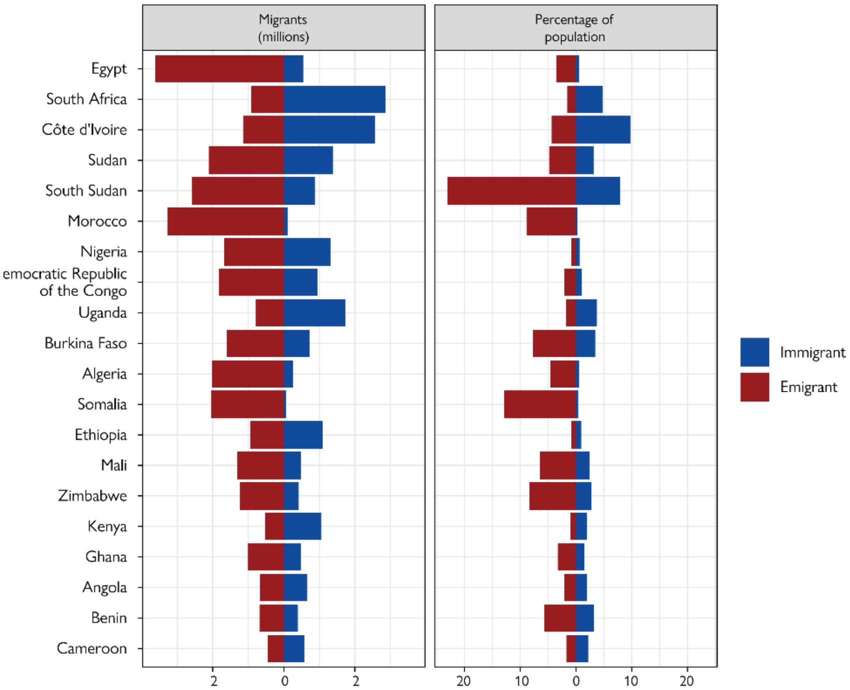
Annexe 1: Top 20 African Migrant countries, 2020



Source: World Migration Report, 2022

(Immigrant" refers to foreign-born migrants residing in the country. "Emigrant" refers to people born in the country who were residing outside their country of birth in 2021)

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