Diaspora for Development in Africa

Sonia Plaza and Dilip Ratha, Editors
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OVERVIEW

Harnessing Diaspora Resources for Africa

Sonia Plaza and Dilip Ratha

African countries, including those in North Africa and Sub-Saharan Africa, have over 30 million international migrants. The size of the African diaspora, including unrecorded migrants and second- and third-generation migrants, is significantly larger. Migrant remittances to Africa exceeded US$40 billion in 2010, providing a lifeline to the poor in many African countries. The potential contribution of the diaspora to the continent’s development goes much beyond personal remittances. Those contributions range from collective remittances that assist in philanthropic activities to knowledge exchange, increased trade links, and better access to foreign capital markets. It is estimated that the African diasporas save US$53 billion annually, most of which is currently invested outside Africa and which could potentially be mobilized for Africa via instruments such as diaspora bonds.

This book is an attempt to understand various ways—investments, trade links, skill and technology transfer—in which diaspora resources (other than remittances) can potentially be mobilized for the development of Africa.

This volume is the outcome of the International Conference on Diaspora and Development, held at the World Bank headquarters in Washington, DC on July 13–14, 2009, as part of the 2008–11 Africa Migration Project. All the chapters in this volume were originally papers presented at
the conference. The papers served as background material for a joint regional report of the African Development Bank and the World Bank entitled “Leveraging Migration for Africa: Remittances, Skills, and Investments” (released in March 2011). Collectively, these chapters provide the unique perspective of African and other countries on initiatives to maximize the benefits of diaspora engagement and their contributions.

The four sections of this overview will discuss the following areas:

- Where the African diaspora is located
- Benefits of the diaspora, such as remittances, trade, various kinds of investment (including foreign direct investment, investment by households, investments in capital markets, investment funds, and diaspora bonds), collective remittances, and the transfer of technology facilitated by diasporas
- Policies that African and destination countries should consider to increase the diasporas’ contribution to development
- Conclusions.

**Locating the African Diaspora**

Estimating the size of the African diaspora is difficult due to incomplete data and to differences in defining both migrants and diasporas (see box 1). In this overview, we use the narrow but convenient definition of diaspora as “foreign-born population.” According to the *Migration and Remittances Factbook 2011*, the stock of international emigrants from African nations totaled 30.6 million in 2010 (World Bank 2011).

**African Diasporas Within Africa**

Countries within Africa are the main destinations for Sub-Saharan African migrants. For other African migrants (including those from North Africa), destination countries outside Africa are equally important. According to the *Migration and Remittances Factbook 2011*, African diasporas living in Africa accounted for over 14 million people, or nearly half of all African diasporas. For example, large numbers of immigrants from Burundi and the Democratic Republic of Congo
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. State Department defines diasporas as those migrant groups who 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, though not necessarily a commitment to do so
- A diasporic consciousness and associated identity expressed in diaspora community media, creation of diaspora associations or organizations, and online participation (Department telegraph 86401, State Department).

This 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.”

Estimating the size of a diaspora is complicated by several factors such as 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 Organisation for Economic Co-operation and Development (OECD) countries, 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 compared with a classification based on place of birth. Temporary immigrants may be considered

(continued next page)
as part of a diaspora but may not be captured in immigration statistics. Origin
countries also use different definitions of diasporas. For example, India
uses three categories: nonresident Indian, person of Indian origin, and over­
seas citizenship of India.

As mentioned, in this overview we use a narrow but convenient definition
of the diaspora as "foreign-born population." Such data capture only first­
generation migrants, thus excluding children and grandchildren who may
have ties to the origin country. Yet, the conclusions of this overview should
hold, irrespective of the definition of diaspora.

Source: See African Union 2005.
Note: a. The African Union considers its diaspora as the sixth regional economic community, see "Statement at the
African Union Consultation with the African Diaspora in the U.S.: Building Bridges across the Atlantic";

continue moving to Tanzania; Somalis are still living in Kenya; and
many migrants from Lesotho, Mozambique, and Zimbabwe are living in South Africa.

Traditional migration configurations in West Africa have changed in
recent years. For example, Côte d'Ivoire and Nigeria were traditionally
key destinations. But the disruption in Côte d'Ivoire and the economic
crisis in Nigeria have diminished the number of immigrants into these
countries, although these countries still have large stocks of immigrants.
Ghana has been one of the major host countries in the subregion. Senegal
has been both a receiving and sending country (ECA 2006). Kenya con­
tinues to be the main destination in East Africa, although about 84 per­
cent of Burundian emigrants are in Tanzania and 79 percent of Rwandan
emigrants are in Uganda. South Africa is also a major pole of attraction
not only for African immigrants in southern Africa but for immigrants
from other parts of Africa (for example, the Democratic Republic of Congo
and Somalia), and for immigrants from China, India, and European coun­
tries. South Africa is also a sending country; Germany, the Netherlands,
the United Kingdom, and the United States are important destinations for
South Africans.
African Diasporas Outside Africa

Former colonies continue to send significant numbers of emigrants to what used to be the mother country. But the importance of colonial ties has weakened over time as new destinations for African migrants have emerged. Italy, Qatar, Spain, and the United Arab Emirates have become new countries of destination for some African emigrants. Meanwhile, the African diaspora in the United States is relatively small. Nigerians are the largest group, followed by Ethiopians and Egyptians (see figure 1). In Canada, the top 12 source countries (South Africa, Egypt, Morocco, Algeria, Kenya, Somalia, Tanzania, Ghana, Ethiopia, Uganda, Nigeria, and the Democratic Republic of Congo) make up 75 percent of African migrant stock (Crush 2010a).

Benefiting from Diasporas

Several authors have written about how migrants contribute to the economic development of their countries of origin through transferring resources other than remittances. Much of the literature on diaspora contributions focuses on skilled migrants and how trade, technology, and

FIGURE 1
Top Sources of African Immigrants in the United States, 2010

capital formation are facilitated by those with higher degrees of education. But both low-skilled and high-skilled diaspora members make contributions to their homeland. A growing body of research suggests that skilled diasporas and country networks abroad are an important reservoir of knowledge. Other studies highlight the contributions of all migrants, including low-skilled diasporas.

Research by others has analyzed how members of the African diaspora contribute to their countries of origin. In chapter 1, "Diasporas of the South: Situating the African Diaspora in Africa," Jonathan Crush points out that internationally and within Africa itself, the African diaspora is generally seen as living outside the continent. Diaspora engagement strategies for development are therefore targeted at Africans living in Europe and North America. At the same time, the growing interest in South-South migration shows that these migration movements are extremely significant and have major development impacts on countries of origin and destination. This chapter argues that the concept of diaspora development needs to be redefined to include migrants who move to other countries within Africa. A consideration of the South African case shows that the African diaspora within the country has more significant development engagement and impacts than the South African diaspora abroad.

According to the author, definitions of the African diaspora tend to focus on the development contributions of the highly skilled, educated, and networked members of diasporas in the North. However, African diasporas within Africa contribute to the development of origin and destination countries. Their contribution to countries of destination is often downplayed or minimized; migrants are rarely seen as a development resource in African countries of destination. More often they are viewed as a threat to the interests of citizens, as takers of jobs, bringers of crime, consumers of scarce resources, and drainers of wealth.

Different types of diasporas have different potentials and propensities for involvement in development activities that benefit their countries of origin. An important point to underscore is that the African migration to South Africa has undoubtedly mitigated some of the negative impacts of the South African brain drain. The contribution of the diaspora in South Africa to the development of their countries of origin is also important. Further research is needed to understand the potential contributions of diaspora engagement to South African development and how the contributions
of both diasporas can be maximized for the development of receiving and sending countries.

Remittances

African migrants sent US$40 billion in remittances to African countries in 2010. Migrant remittances are the most tangible and the least controversial link between migration and development (Ratha 2007). Remittances tend to be relatively stable, and may also behave countercyclically with respect to the economic cycle of the recipient country. Surveys indicate that relatives and friends often send more remittances in response to negative shocks or a general downturn, and more affluent migrants’ portfolio choices are affected by exchange rate movements. Remittances can also serve as an important support for a country’s creditworthiness and can improve access to international capital markets (World Bank 2006).

Remittances play an important role in reducing the incidence and severity of poverty. They help households diversify their sources of income while providing a much needed source of savings and capital for investment. Remittances are also associated with increased household investments in education, entrepreneurship, and health, all of which have a high social return in most circumstances (World Bank 2006).

Trade

There are two channels through which migration can affect trade. First, immigrants have a preference for their native country’s goods and services (supporting “nostalgic trade” in ethnic products) (Light, Zhou, and Kim 2002). The importance of this effect is difficult to evaluate, because if the emigrants had stayed in their country of origin, they presumably would have demanded the same products (Gould 1990, 1994). The effect is further clouded because the migrants likely have more income than they would have had in the origin country, but their relocation to the destination country reduces the efficiency with which the good is supplied (for example, by adding transport costs).

More important, migrants can increase the availability of market information essential for trade by helping origin-country exporters find buyers, improve their knowledge of the market, and comply with government requirements and market standards. Migrants facilitate bilateral trade and
investment between host and source countries because they help to overcome information asymmetries and other market imperfections (Black and others 2004). For example, transnational networks can help producers of consumer goods find appropriate distributors, and assemblers to 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.

Recent literature emphasizes the role of ethnic networks in overcoming inadequate information about international trading opportunities, thus driving down trade costs. 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 covering 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 compared to more uniform commodities) and the skill level of the migrants. Estimates of the size of these effects also vary widely, and it is difficult for the models used to account for endogeneity. Studies for the United States (Bandyopadhyay, Coughlin, and Wall 2008; Dunlevy 2004; Dunlevy and Hutchinson 1999; Gould 1994; Herander and Saavedra 2005; Rauch 1999) and for 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 African countries are tapping their diasporas to provide market information. Activities include the establishment of Diaspora Trade Councils and participation in trade missions and business networks. African embassies (of Ethiopia, Kenya, and Uganda) in London and Washington, DC support business and trade forums to attract diaspora investors and to try to match suppliers with exporters. There are some case studies of activities in Sub-Saharan Africa, but there has not been a proper assessment of whether additional exports are generated through these contacts.

Countries tend to trade more with countries from which they have received immigrants. Using Dolman’s methodology (Dolman 2008), figure 2 shows a positive relationship between the level of bilateral merchandise trade between OECD countries and all African trading partners (for which data are available) and the size of migrant populations living within these OECD countries. This positive relationship
could be due to other variables that affect trade flows between the OECD and Africa.⁶

**Direct Investment**

Members of 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.⁷ 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 foreign firm setting up a production facility in another country is uncertainty and lack of information regarding the new market. For example, professionals and managers from Taiwan are very much sought after by multinationals such as Ciba, Nestle, and Phillips for their operations in China (*Business Asia* 1994). 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).
According to Nielsen and Riddle (2007), emotion, sense of duty, social networks, strength of diaspora organizations, and visits to the origin country are important determinants of diaspora investment.

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

Chapter 2, “Another Link in the Chain: Migrant Networks and International Investment,” by David Leblang, addresses the question of what explains cross-national patterns of international portfolios and foreign direct investment. While current explanations focus on the credibility of a policymaker’s commitment, Leblang emphasizes asymmetries of information between the borrower and lender. The author hypothesizes that migrant networks—connections between migrants residing in investing countries and their home country—decrease information asymmetries and increase cross-national investment. This hypothesis is tested using dyadic cross-sectional data, and the results are robust to a variety of specifications. The analysis concludes by suggesting that countries of emigration provide their expatriate communities with voting rights in order to harness their investment potential.

In Africa, government agencies 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. For example, the East African Community recognizes the need to create a suitable mechanism to encourage diaspora members to channel remittances toward investment projects in partnering states, so they are developing a proposal to attract diaspora financing. Both government and the private sector have supported business forums to attract diaspora investors. One of the new roles of African Investment Promotion Agencies, for example, 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 and 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. Data from household surveys reveal that households receiving international remittances from OECD countries have been making productive investments in agricultural equipment, building a house, business, land purchases, improving the farm, 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; see figure 3). Households receiving transfers from other African countries also are investing in business activities, housing, and other investments in Kenya (47 percent), Nigeria (40 percent), Uganda (19.3 percent) and Burkina Faso (19.0 percent).

Osili (2004, 844) 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 these housing investments. She concludes that “housing investments may be the first stage of a

FIGURE 3
Investments in Business and Housing Funded by Remittances from Within and Outside Africa

Note: Other investments include agricultural equipment, investment in agriculture, land purchases, and livestock purchase.
broader investment relationship between migrants and their countries of origin." 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 from household surveys for Africa of investment in agricultural equipment is somewhat limited.

African migrants in other African countries set up small businesses such as restaurants and beauty salons, or invest in housing. In other cases, the African diaspora has invested in service sector activities such as import/export companies, telecommunications, and tourism and transport companies (for example, Celciel, Sudan; Databank, Ghana; Geometric Power Limited, Nigeria; and Teylium, Senegal).

Some governments have eased restrictions on foreign land ownership to attract investments from diasporas. For example, the Ethiopian government allowed holders of a yellow card (the identification card for the Ethiopian diaspora) to lease land parcels at low rates for the construction of residences in Addis Ababa. Due to the high demand for land, the City of Addis Ababa officially suspended allocation of residential land for the diaspora in 2008. 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. Credit Financier de Cameroon offers a housing loan to migrants to attract investment in real estate.

There is some evidence that returning migrants tend to use savings accumulated while abroad to invest in small businesses (Ahmed 2000; Gitmez 1988; King 1986; Massey and others 1987; McCormick and Wahba 2003; Murillo Castano 1988; Murphy 2000).

In chapter 3, "Return Migration and Small Enterprise Development in the Maghreb," Flore Gubert and Christophe Nordman analyze returnees' entrepreneurial behavior using original surveys conducted among return migrants from Algeria, Morocco, and Tunisia during 2006–07. The authors also present the findings from the surveys, which contain detailed information on the returnees' conditions before migration, the returnees' experience abroad, and the returnees' post-return conditions in the country of origin.

Descriptive analyses of the database show that one-third of returnees did invest in projects and businesses after return, although this share
strongly varies among countries. Algeria stands apart, with both a lower share of returnees being either employers or self-employed and a lower share of returnees being investors. In addition, entrepreneurs among returnees are more likely to be male, younger, and to have medium education levels.

The determinants of becoming an entrepreneur after return are then disentangled using a probit econometric model. The probability of becoming an entrepreneur seems to be higher for returnees with a first experience as employers or self-employed, for those who received vocational training while abroad, and for those who independently and freely chose to return. Surprisingly, there is no clear correlation between migration duration and entrepreneurship, even after controlling for the potential endogeneity of migration duration. Entrepreneurs do not form a homogeneous group, though, and sharp differences emerge when employers and self-employed are considered separately. Overall, returnees show a high ability to create small or medium businesses and to generate jobs. For Africa, the authors find that one-third of returnees to Algeria, Morocco, and Tunisia (based on surveys conducted in 2006) invested in businesses. However, they do not find a correlation between migration duration and entrepreneurship.

Black and Castaldo (2009) find that more than half of Ghanaian and 23 percent of Ivorian returnees interviewed (in a survey of 302 returnees conducted in 2001) reported returning with more than US$5,000 in savings. Both of these studies suggest that many return migrants invest in business activity and that prior work experience is important for opening a business upon return. Maintaining communication with friends and family while the migrant is away facilitates the establishment of business back home. Cassini (2005) also 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

Member of diasporas can act as catalysts for the development of financial and capital markets in their countries of origin by diversifying the investor base (the capital markets of many countries are dominated by investments from government and large companies), by introducing new financial products, and by providing a reliable source of funding. Diaspora connections
with markets in destination and origin countries are important. The fol-
lowing discussion presents estimates of the savings of the African diaspora
and then describes two vehicles—diaspora bonds and diaspora investment
funds—to encourage diaspora investments in Africa.

**Wealth and Assets of the African Diaspora in Host Countries**

It is difficult to estimate the savings that members of the African diaspora
could devote to investments in countries of origin. Ketkar and Dora (2010)
use New Immigration Survey data from the United States to determine the
wealth and asset diversification behavior of recent immigrants from Asia,
Latin America, the Middle East and North Africa, and Sub-Saharan Africa.
They find that the region of origin is not a significant determinant of sav-
ings levels once length of stay, educational attainment, and number of
children are taken into account. In the United States, migrants from Africa
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 potential annual savings of
the African diaspora to be about US$53 billion (table 1), of which
US$30.5 billion (approximately 3.2 percent of GDP) is attributable to the
diaspora of Sub-Saharan African countries. These estimates are based on
the assumptions that members of the African diaspora with a college
degree earn the average income of their host countries, the migrants with-
out tertiary education earn a third of the average household incomes of
the host countries, and both skilled and unskilled migrants have the same
personal savings rates as in their home countries. Understandably, savings
are higher for the countries that have more migrants in the high-income
OECD countries. These savings are currently mostly invested in the host
countries of the diaspora. It is plausible that a fraction of these savings
could be attracted as investment into Africa if proper instruments and
incentives (for example, diaspora bonds, as discussed below) can be
designed by African countries.

**Diaspora Bonds**

In chapter 4, "Diaspora Bonds: Tapping the Diaspora during Difficult
Times," Suhas Ketkar and Dilip Ratha contribute to the literature on how
the access of diaspora members to information, and their relatively
TABLE 1
The Potential for Diaspora Savings in African Countries, 2009

<table>
<thead>
<tr>
<th>Emigrant stock (millions)</th>
<th>Potential migrants' savings (US$ billions)</th>
<th>Potential migrants' savings (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>0.6</td>
<td>105</td>
</tr>
<tr>
<td>3.7</td>
<td>0.6</td>
<td>32</td>
</tr>
<tr>
<td>1.2</td>
<td>0.2</td>
<td>30</td>
</tr>
<tr>
<td>0.9</td>
<td>0.3</td>
<td>15</td>
</tr>
<tr>
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<tr>
<td>0.7</td>
<td>0.2</td>
<td>51</td>
</tr>
<tr>
<td>0.8</td>
<td>0.2</td>
<td>75</td>
</tr>
<tr>
<td>0.6</td>
<td>0.1</td>
<td>65</td>
</tr>
<tr>
<td>0.5</td>
<td>0.1</td>
<td>61</td>
</tr>
<tr>
<td>0.8</td>
<td>0.1</td>
<td>10</td>
</tr>
<tr>
<td>1.3</td>
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<td>0.1</td>
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<tr>
<td>0.7</td>
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<tr>
<td>30.5</td>
<td>52.7</td>
<td>36</td>
</tr>
<tr>
<td>North Africa</td>
<td>0.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>21.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: Rafiee and Mubapara 2014

Note: — = not available

smaller concern over currency devaluation (where they hold local currency liabilities), can make them an attractive target for the so-called diaspora bonds issued by public or private sector entities. Chapter 4 discusses the rationale and potential for issuing diaspora bonds as instruments for raising external development finance, mostly drawing on the experiences of India and Israel. The Government of Israel has nurtured this asset class since 1951 by offering a flexible menu of investment options to keep members of the Jewish diaspora engaged. Indian authorities, in contrast, have used this instrument opportunistically to raise financing during times when they had difficulty accessing international capital markets (for example, in the aftermath of their nuclear testing in 1998).
Factors that facilitate the issuance of diaspora bonds include having a sizable and wealthy diaspora abroad and a strong and transparent legal system for contract enforcement at home. Absence of civil strife is a plus. In addition, earmarking proceeds from diaspora bonds for specific projects should also help improve their marketability (Okonjo-Iweala and Ratha 2011). While not a prerequisite, the presence of national banks and other institutions in destination countries would facilitate the marketing of bonds to the diaspora. Clarity is needed on regulations in the host countries that allow diaspora members to invest or that constrain them from investing in these bonds. A pertinent question in this context is: should these bonds be nonnegotiable or should there be efforts to develop a secondary market for these bonds? An argument can be made for the latter on the grounds that tradability in the secondary market would improve the liquidity and pricing of these bonds.

**Diaspora Investment Funds**

There is a shortfall of private equity capital in developing countries, especially in Sub-Saharan Africa. Ratha, Mohapatra, and Plaza (2009) report that portfolio equity flows to Sub-Saharan Africa have gone mainly to South Africa. Foreign investors appear to be averse to investing in Africa because of lack of information, severe risk perception, and the small size of the market (which makes stocks relatively illiquid assets). 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. Such funds can take the form of regional funds, mutual funds, and private equity to be invested in African companies and pension funds. These investment funds are equity investments, unlike diaspora bonds discussed above. However, persuading diaspora investors to invest in African diaspora funds may require strengthening investor protections to ensure proper management of the funds. Some of the same mechanisms for building diaspora investors' confidence proposed by Aydagul, Ketkar, and Ratha (2010) apply to the investment funds:

- Management of funds by a state agency
- Management of funds by a private company
- Management of funds by a combination of a private company with the participation of members of the diaspora.
Collective Remittances

The African diaspora has begun to contribute financial and nonfinancial resources to its homeland countries, although large-scale investments have not yet emerged. Organizations have been created in Europe, the United States, and some African countries, based on religion, ethnicity, or geographic ties. These groups include hometown associations (HTAs), ethnic associations, alumni associations, religious associations, professional associations, nongovernmental organizations, investment groups, national development groups, welfare and refugee groups, and Internet-based virtual organizations.

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. Data are not collected on contributions sent by formal migrant associations, and there is no information on collective remittances by undocumented immigrants. HTAs and other voluntary associations of migrants from the same geographic area have provided substantial funds to some African communities—often as much or more than the municipal budget for public works, particularly in towns with small populations (Orozco 2003).

The number of associations appears to be correlated with the size of the diaspora in each country. There are some twinning projects, in which, for example, Burundians in a town in France partner with a town in Burundi (Turner and Mossin 2008). Diaspora organizations are also active in African countries, for example, Somalis in Kenya, Zimbabweans in South Africa, and various groups in Côte d’Ivoire. Zimbabwe’s associations contributed food, fuel, and medicines to their origin country during the economic crisis through the Global Zimbabwe Forum.

To obtain a better understanding of the contributions of diaspora associations, country studies should be conducted in host countries. Chapter 5, “African Diaspora Associations in Denmark: A Study of Their Development Activities and Potentials,” by Lars Ove Trans and Ida Marie Vammen, discusses the experience of African diaspora associations in Denmark. Since the early 1990s, an increasing number of African migrants have gone to Denmark, where they have formed a large number of migrant associations. The chapter presents selected findings from a comprehensive survey of African diaspora associations in Denmark and focuses specifically on their transnational engagement in development activities in their countries of origin.
The survey, which included 123 associations in 22 countries and three pan-regions in Africa, and 18 associations with regional coverage, shows that while most of these associations carry out a range of activities connected with the migrants' current life and situation in Denmark, 57 percent of the associations have also been involved in development activities in their native countries. However, the intensity and scale of the development activities vary considerably among the associations, which are divided into four prototypes based on their shared characteristics and capacity for undertaking projects.

The study also reveals that almost three-quarters of these associations have received some kind of financial support and aid from external sources to carry out their projects, and that although the Danish funding framework enables many associations to become involved in development activities, it also poses a number of obstacles for associations that want to undertake larger projects. These challenges are addressed in the policy recommendations in the final part of the chapter, where emphasis is put on alternative application procedures, capacity building, and further collaboration between Danish nongovernmental organizations and African diaspora associations. Nevertheless, it is also necessary to take into account that migrants often tend to focus only on their particular home regions and that the projects initiated by the migrants might sometimes seem to reflect more their own wishes and aspirations than the most pressing needs of the local population.

Interviews conducted for this book provide the following additional information on collective remittances from the African diaspora:

- Networks of families and friends pool resources and support their villages or friends. In some cases, they send funds for development purposes such as for constructing a school, providing supplies to schools or hospitals, supporting orphans, and training new migrants arriving in the destination country. In other instances, they send funds to support funerals or weddings. These transactions are not documented.
- These organizations rely on the skills of members, volunteers' time, donations, and fund-raising events for project financing.
- Collective remittances appear to be motivated by the migrants' sense of identity and feeling of solidarity with their home countries, and by sociocultural and political bonds or the feeling of being useful and powerful (similar conclusions are reached by Guarnizo [2003]).
According to the survey cited by the authors of chapter 5, the most frequent activity of African diaspora organizations in Denmark 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 such as increasing awareness of HIV/AIDS, the prevention of female circumcision, and the advancement of civil rights. Other projects involve construction of or support for schools, orphanages, or 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 and, in other cases, to public institutions.

It is difficult to properly gauge the impact of diaspora-financed development projects based on these case studies and surveys. Most of the projects involved are small and have not been evaluated in terms of their economic impacts. Many organizations appear to lack the capacity, funds, leadership, and information required to manage effective projects and to understand and navigate both their origin and destination countries' procedures. Such problems are not unique to Africa. For example, these findings are similar to the conclusions of Paul and Gammage (2004) on Salvadoran associations in the United States. The interviews also 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.

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 flow, 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 HTAs 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 all contribute US$1 for every US$1 of remittances sent to a community for a designated development project. Colombia, according to the International Organization for Migration in Bogotá, also provides government
funding to match migrant group funds for local projects benefiting vulnerable populations.

Little evaluation of the impact of these programs has been done. Resources have gone primarily to rural areas, where they have increased the supply of essential services (health, education, roads, and electricity). In certain cases, HTAs fund the construction of soccer fields and community halls but do not fund 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). Meanwhile, proponents argue that HTA 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).

Three limitations on the potential for HTAs to serve as conduits for broader development projects also apply to HTA initiatives in Africa:

- They may not have the best information on the needs of the local community, or they may have different priorities
- The capacity of HTAs to scale up or form partnerships is limited by the fact that their members are volunteers and their fundraising ability is finite
- They can become divided and weaken their own advocacy potential (Newland and Patrick 2004; World Bank 2006).

In the context of Africa, support based on regional ties may exacerbate income disparities, particularly since, in many African countries, outmigration is concentrated in a few areas. Finally, volunteer initiatives are often driven by individuals, and a lack of institutionalized support could 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, 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
countries with large, skilled emigrant populations have also been able to tap their expatriates and develop some form of mentor-sponsor model in certain sectors or industries.

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 as a joint venture
- Knowledge spillovers, as when diaspora members assume top managerial positions in foreign-owned firms within 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.

There has been a shift in the discussion from viewing emigration of skilled people as a loss for a country to viewing skilled migration as an opportunity to get trade and investment projects and new knowledge. Chapter 6, "The Financial Consequences of High-Skilled Emigration: Lessons from African Doctors Abroad," by Michael Clemens, contributes to the literature on analyzing the migration of skilled people as an opportunity for a country, or what is called the diaspora model. The idea is not to keep skilled people at home but to encourage those nationals abroad to participate in the development of their countries both at home and abroad. The chapter discusses how the departure of skilled professionals from developing countries is frequently suspected of producing a range of losses to their countries of origin.

The chapter also addresses the financial portion of those suspected losses. It uses new data on African physicians in North America to establish the following key facts relevant to the alleged financial loss that their residence abroad imposes on their countries of origin:

- About half of these physicians received their medical degrees outside of their home countries
• Those trained in their home countries typically spent more than five years rendering service in those countries before departing.
• The typical African-trained physician who is a long-term emigrant to North America has remitted at least roughly twice the cost of his or her medical training to people in the home country (including those who remit nothing).

These facts suggest that there should be a reconsideration of the most common policy recommendations to mitigate the financial effects of high-skill emigration. Many of the skilled migrants contribute by sending collective remittances to construct hospitals and by returning for short-term visits to perform surgeries.

The term “diaspora knowledge networks” is often used by social scientists to refer to vast numbers of “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 page 26).22 There are three types of diaspora knowledge networks:23

• Scientists and research and development personnel networks, which provide knowledge, mentoring expertise, and finance (venture capital).
• Professional and business networks, which are regional or local networks of skilled diaspora members located in larger cities (Saxenian 2001). Arora and Gambardella (2004) and Commander and others (2004) describe the role of diasporas in the software industry. Indian professionals helped to promote India as an outsourcing destination, for example. 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 – UK and the Association of Kenyan Professionals in Atlanta, Georgia.
• Global knowledge networks, which are transnational networks linking global regions with diasporas’ origin country.24 Several African countries are attempting to organize their diasporas in order to gain more benefits from nationals abroad. Diaspora members sometimes maintain residences in both their origin and destination country. In other cases, migrants have a primary residence abroad but return to their origin countries yearly to support specific activities. These movements and exchanges of knowledge and skills benefit those who reside in 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. For example, there are some small pilot initiatives that invite diaspora members to teach courses in African universities.

**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 diasporas. Several developing countries (for example, China, India, the Philippines, and several African countries) have set up agencies and initiatives to engage with diasporas. Elsewhere, such efforts and initiatives have met with little success (for example, in Armenia, Colombia, Mexico, Moldova, Peru, and South Africa). Some initiatives have lost momentum and faded away (Chaparro, Jaramillo, and Quintero 1994; Dickinson 2003) (for example, Conectandonos al Futuro, El Salvador; Red Caldas, Colombia; and Red Científica Peruana, Peru). The South African Network of Skills Abroad has also experienced a reduction in the number of new members since its inception in 1998 (Marks 2004).

Several high-income countries (for example, Australia, Ireland, Israel, and the United Kingdom) have implemented initiatives to strengthen engagement with their diasporas (Finch, Andrew, and Latorre 2010; Kingsley, Sand, and White 2009). In addition, the governments of high-income countries (for example, France, Italy, the Netherlands, Spain, the United Kingdom, and the United States) are working with developing-country diaspora groups not only to promote the development of origin countries, but also to further the destination country's foreign policy objectives. Often such initiatives (for example, the French codevelopment policy or the European mobility partnership agreements) aim to “better manage migration flows, and in particular to fight illegal migration.”

**Dual or Multiple Citizenship**

Holding dual or multiple citizenship provides an important link between diasporas and their home countries (Ionescu 2006). It can also improve
both a diaspora’s connection with its origin country and its integration into the destination country. 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 and own land. Origin countries that allow dual citizenship also benefit because their migrants are then more willing to adopt the host country’s citizenship, which can improve their earnings and thus their ability to send remittances and invest in the origin country.

Immigrants from some countries that allowed dual citizenship during the 1990s and 2000s (Brazil, Colombia, Costa Rica, the Dominican Republic, and Ecuador) have experienced a rise in earnings in the United States (Mazzolari 2007), because they acquired legal status and can have access to better jobs. Mazzolari’s findings indicate that 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. They also experienced relative earnings gains and relied less on welfare (Mazzolari 2007). Destination countries can also benefit by providing dual citizenship, which can help foster the assimilation of their immigrants.

Origin countries have increased their acceptance of dual citizenship. For example, 10 Latin American countries—Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Mexico, Panama, Peru, and Uruguay—passed new laws in the 1990s and 2000s on dual nationality or citizenship (Jones-Correa 2001). In some cases, the acceptance of such laws was under pressure from diaspora groups (for example, India and Kenya). Some countries, however, have historically been opposed to dual citizenship status (for example, most of the former Soviet republics). About half of the African countries with available information allow for dual citizenship (see table 2). Interest has also increased in providing dual citizenship to the children or grandchildren of migrants, in order to encourage their ties to origin countries. But the potential gains for origin countries are limited because dual citizenship is not permitted in many destination countries.

Chiswick (1978) was the first to show a positive impact of naturalization on earnings. 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 for Canada and the United States seem to support the existence of a citizenship premium for both countries, while European studies show mixed results (Bevelander and Pendakur
TABLE 2

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>
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<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>X</td>
<td></td>
<td>Libya</td>
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<tr>
<td>Angola</td>
<td>X</td>
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<td>Madagascar</td>
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<td>Benin</td>
<td>X</td>
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<td>Malawi</td>
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<td>Botswana</td>
<td>X</td>
<td></td>
<td>Mali</td>
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<tr>
<td>Burkina Faso</td>
<td>X</td>
<td></td>
<td>Mauritania</td>
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<tr>
<td>Burundi</td>
<td>X</td>
<td></td>
<td>Mauritius</td>
</tr>
<tr>
<td>Cameroon</td>
<td>X</td>
<td></td>
<td>Mayotte</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>X</td>
<td></td>
<td>Morocco</td>
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<tr>
<td>Central African Republic</td>
<td>X</td>
<td></td>
<td>Mozambique</td>
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<tr>
<td>Chad</td>
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<td></td>
<td>Namibia</td>
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<tr>
<td>Comoros</td>
<td></td>
<td></td>
<td>Niger</td>
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<tr>
<td>Congo, Rep. of</td>
<td>X</td>
<td></td>
<td>Rwanda</td>
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<tr>
<td>Djibouti</td>
<td>X</td>
<td></td>
<td>S&amp;le Tornel and Princeps</td>
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<tr>
<td>Egypt</td>
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<td>Seychelles</td>
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<td>Equatorial Guinea</td>
<td>X</td>
<td></td>
<td>Sierra Leone</td>
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<td>Eritrea</td>
<td>X</td>
<td></td>
<td>Somalia</td>
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<tr>
<td>Ethiopia</td>
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<td>South Africa</td>
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<tr>
<td>Gabon</td>
<td>X</td>
<td></td>
<td>Sudan</td>
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<tr>
<td>Gambia</td>
<td>X</td>
<td></td>
<td>Swaziland</td>
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<tr>
<td>Ghana</td>
<td>X</td>
<td></td>
<td>Tanzania</td>
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<tr>
<td>Guinea</td>
<td></td>
<td></td>
<td>Uganda</td>
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<tr>
<td>Guinea-Bissau</td>
<td></td>
<td></td>
<td>Tanzania</td>
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<tr>
<td>Kenya</td>
<td>X</td>
<td></td>
<td>Uganda</td>
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<tr>
<td>Lesotho</td>
<td>X</td>
<td></td>
<td>Zambia (in draft constitution)</td>
</tr>
<tr>
<td>Liberia</td>
<td>X</td>
<td></td>
<td>Zimbabwe</td>
</tr>
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2009). According to Cheran (2004), the status of diaspora members is relevant, and citizenship or residency rights are important in determining their participation in trade, investment, and knowledge transfer.

Some origin countries do not allow dual citizenship but offer identification card schemes in destination countries. In certain cases, these cards grant visa rights to diasporas. For example, Ethiopia, India, and Mexico offer special identification cards that entitle migrants to specific rights.
country of origin by means of codevelopment programs, encouraging migrant business projects and mobilizing their savings for social and productive investment.35

Incentives to Return Offered by Migrant-Receiving Countries

Since the 1970s, some European countries (Germany since 1972, the Netherlands since 1975, France since 1977, and Spain since 2008)36 have encouraged return migration by providing money to immigrants and financing projects to employ returnees (Constant and Massey 2002). But few migrants have participated, and most projects have not been successful.

For example, most projects undertaken by the French Development Program of Local Migration (Programme Developpement Local Migration) to employ Malian and Senegalese returnees could not be sustained over the long term (Lacroix 2003). The assumption that migrants would return home permanently and establish new firms has not proved correct, either. Several of developed countries’ policies have been too tightly conditioned on the migrant’s permanent return or have assumed that all the migrants are entrepreneurs. The new focus is more on the mobility of the migrants, which implies virtual, short-term, and permanent return, but also gives freedom to diaspora individuals to go home and to return to their host country without losing their legal status or their citizenship.

In the late 1990s, there was a change in this approach to encouraging the return of not only the unskilled, but also the skilled, diaspora. The approach shifted to encourage circular migration, codevelopment, reintegration of temporary workers in their home countries, and the return of skilled migrants back to Africa. For example, France’s 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.37 In addition, the new mobility partnership agreements also establish circular migration schemes for professional education and expert missions by members of the diaspora.

In chapter 7, “France’s Codevelopment Program: Financial and Fiscal Incentives to Promote Diaspora Entrepreneurship and Transfers,” Marion Panizon analyzes France’s codevelopment policy. Starting out as a cofunding scheme, France would financially match the diaspora’s financial
transfers to their countries of origin with development aid. In so doing, codevelopment seeks to associate a migrant-receiving country with migrants' transnational engagements.

The chapter describes the evolution of codevelopment policies and the involvement of the diaspora, and identifies five phases:

- Assisting with the integration of migrants
- Encouraging migrants to leave
- Providing aid with the goal of reducing migratory pressures
- Cofinancing diaspora contributions to public goods in countries of origin
- Promoting savings and tax breaks for investment in home countries.

Thus, a particular focus of this chapter is on understanding what motivated France to incentivize migrants to increase their savings by encouraging the use of banks, how the provision of tax breaks on migrants' revenues (defiscalization) contributes to source-country development, and what their effects on migratory flows are.

In terms of policy, we find that the strategy of encouraging the use of banks is nationality-neutral compared to the classic diaspora cofunding scheme, which had often relied on a specific diaspora's postcolonial ties to France. In addition, financial service providers can tap into new migrants' clients, offering attractive interest rates and promoting a better use of migrants' savings than if collected by the diaspora.

Increasing participation of financial service providers and providing tax breaks for migrants' savings are codevelopment actions that could be replicated on a more global scale. However, the previous codevelopment funding mechanism (matching funds) turned out to be a mixed success because it was too tightly conditioned on the migrant's voluntary return. The two recent schemes (savings accounts and tax breaks) have not been evaluated yet, although there are only very few new migrant savers since migrants have to prove that they are legal migrants in France.

Temporary labor migration is seen by origin countries as a way for migrants to acquire skills abroad and bring them back home when they return. Examples include France’s new pact with Benin and Senegal’s government-run Retours vers l’agriculture plan, which includes an initiative to reintegrate returning migrants (Retours des immigrés vers l’agriculture, cofunded by the European Union and Spain in the amount of €20 million).
European governments, often in cooperation with the International Organization of Migration, have been implementing assisted voluntary return programs for almost three decades. Chapter 8, “The Migration for Development in Africa Experience and Beyond,” by Ndioro Ndiate, Susanne Melde, and Rougui Ndiaye-Coïc, presents the evolution of the Migration for Development in Africa (MIDA) program implemented by the International Organization of Migration. The program is a capacity-building initiative whose purpose is to promote development goals through the participation and contribution of members of the African diaspora. The author presents examples of MIDA projects on how to use the expertise, knowledge, and skills of diaspora members in their communities of origin. The initial objective of MIDA programs was to encourage permanent return. Since the objective was not achieved, the focus shifted to encouraging short, repeated visits and virtual return. However, there is a lack of impact evaluation of this program.

Governments are realizing the potential role migrants can play in providing lucrative networks with their native countries. In an effort to tap into these unique resources and facilitate remittances, knowledge sharing, and technology transfer, some source countries are creating policies designed to encourage long-term and long-distance linkages between emigrants and their countries of origin. Steps such as these enable immigrants to take part in the economic development of their countries of origin without having to return home. Temporary, virtual, and permanent return programs also offer alternatives to tap into the diaspora. The emphasis is on encouraging connections with their home country through visiting diaspora to share their knowledge. For example, 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.

The United Nations Development Programme’s 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. But a recent evaluation of a TOKTEN program in Sri Lanka indicates that these services have not had a significant impact on the local institutions because the expatriates’ involvement was not sustained (TOKTEN provides two visits at most) (Wanigaratne 2006). Similarly, an evaluation of the
Rwandan TOKTEN program in 2005–07, which involved visits by 47 volunteers to teach and provide technical assistance, emphasized 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 (2009), 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 European Union countries and diasporas’ origin countries. For example, an agreement with Cape Verde focuses on visa and border-control policies, while India has initiated discussions with the European Union focusing on the export of high-skilled professionals (Plaza 2009). But more data and research are required 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 more successful efforts have been in Asia. One example is the Taiwanese (Chinese) government’s Hsinchu Industrial Park initiative, which in 2000 alone attracted more than 5,000 returning scientists (Saxenian 2001, 2006). Thailand has offered generous research funding and monetary incentives for return (Pang, Lansing, and Haines 2002). China has offered attractive salary packages, multiple-entry visas (in case a migrant has lost Chinese citizenship), and access to foreign exchange. Many programs to encourage return have met with only limited success, however, 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).

Less information is available on African policies to encourage return. A study on return migrants in Côte d’Ivoire and Ghana found that policies that favor returnees above those who never left the country are likely to be counterproductive and to cause resentment (Ammassari 2006).
Experience from many of the government initiatives implemented by developing countries in Africa, Asia, and Latin America (for example, Mexico, Pakistan, Peru, and Turkey) have demonstrated that it is difficult to promote return, and particularly permanent return. Some returnees were not able to reenter local labor markets at a level appropriate for their skills and knowledge. For example, a lack of laboratories and equipment make 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 may 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 several plans to incorporate their diaspora communities as partners in development projects. Several African countries (among them Ethiopia, Ghana, Mali, Nigeria, Rwanda, Senegal, Tanzania, and Uganda) have established institutions (at the agency or ministerial level) to interact with the diaspora.

These initiatives have taken various forms, ranging from the creation of dedicated ministries to deal with migrant communities to adding specific functions to the ministry of foreign affairs, ministry of interior, ministry of finance, ministry of trade, ministry of social affairs, ministry of youth, and so on. In addition, some governments have established institutions such as councils or decentralized entities that deal with migrant community issues. However, several of these initiatives have not maintained their momentum or have been discontinued with a change of government.39

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

Chapter 9, “Reinforcing the Contributions of African Diasporas to Development,” by Chukwu-Emeka Chikezie, offers some guidance to African governments seeking to make productive use of the resources of “their” diasporas for developmental gain. The guidance is drawn from the first 10 years of operation of the African Foundation for Development.
African governments would be wise to pay attention to the following four principles when trying to engage the African diaspora to contribute to their home country development:

- Try to be as inclusive as possible, since Africans in the diaspora often have different relationships and connections with their home countries depending on how and why they left their country, issues of identity, and their degree of trust in the government. For that reason, governments engaging with their diasporas must include everyone and not just the politically connected or those belonging to certain groups or elites.

- When governments look for the support of the diaspora, it is advisable to propose activities oriented toward developmental and results-oriented outcomes (enterprise development and job creation, health, education, infrastructure).

- Governments need to "know" and understand their diasporas in order to engage effectively with them.

- Governments need to be strategic in addressing needs, priorities, and strengths while not exacerbating capacity constraints. The objective is to focus diaspora efforts on their country's needs, and the activities supported must be demand driven.

Diasporas not only contribute with remittances sent back home, but they also contribute with other forms of tangible and intangible capital. According to the author, there are five forms of diaspora capital, or what the author calls the "5Cs":

- Intellectual capital
- Financial capital
- Political capital
- Cultural capital
- Social capital.

By also factoring in diaspora motivations, chapter 9 argues that engaging diasporas in development efforts is not a one-way street, and it is vital for governments to pay attention to what is in it for diasporas, as well. A key thrust of this chapter is that tapping into diasporas' resources does not let African governments off the hook in terms of marshalling leadership, good governance, and effective management, or of devising sound policies for development overall.
African governments typically face certain capacity constraints within state structures and institutions, and these constraints frame the development challenges they face. African diaspora groups also face a number of organizational constraints: most operate on a purely voluntary basis, so members must balance family and work obligations; organizations are not necessarily formally constituted as development organizations; and organizations often have multiple agendas.

While the growing interest of African governments in engaging the African diaspora as a development resource is logical, the diaspora is neither the silver bullet of development nor a panacea for all Africa’s ills. Indeed, tapping into the African diaspora’s resources does not reduce the need for home-grown solutions, sound leadership, effective management, and good governance as the absolute cornerstones of development in the 21st century. Rather, if anything, reinforcing the contributions of diasporas to development and taking them to a new level makes new and additional demands on African governments. Chapter 9 offers a number of specific recommendations for African governments and regional bodies such as the African Union and for what African governments can do to engage with their diaspora, given the capacity constraints that hamper most of their efforts.

There have been some proposals to take a more harmonized and integrated approach to the diaspora within each regional economic community. For example, there is a proposal for the creation of a regional diaspora office within the East African Community. The Economic Community of West African States has proposed establishing a dedicated financial instrument at a regional level to facilitate business contributions of the diaspora to the region. These proposals are more focused on the diaspora outside Africa. However, there are also some initiatives for establishing an integrated approach to cross-border payment systems, including the transfer of remittances in the Economic Community of West African States and in the Economic and Monetary Community of Central Africa.

Government institutions abroad, especially embassies and consulates, can play a key role in reaching out to the diaspora (Ionescu 2006). However, the survey conducted by Sonia Plaza and Dilip Ratha of embassies in Abu Dhabi; London; Paris; Pretoria; and Washington, DC indicates a need to improve African governments’ capacity and resources to sustain the
activities of the ministries and institutions dealing with their communities abroad (box 2). Steps that could improve the engagement of embassies with diasporas include outreach programs to gain more information, the training of embassy staff in contacting diaspora members and facilitating investment and trade contacts, and the use of embassies as a vehicle for marketing investment and financial mechanisms such as diaspora bonds.

BOX 2

The Role of Embassies in Enabling Diasporas

Authors Sonia Plaza and Dilip Rathe conducted 48 interviews with government officials and diplomats of embassies in London, Paris, Pretoria, and Washington, DC to understand the role embassies are playing in enabling their diasporas to make economic contributions to their countries. The interviews revealed that there are few differences among embassies, whether from developed or developing countries, in this respect, and that most origin countries had only a limited engagement with the diaspora, although some embassies are implementing initiatives to reach their diaspora. Embassies provide consular services (for example, renewal of passports, visas, notary services) to their expatriate community but provide little information on trade and investment opportunities. Some of the difficulties embassies face in reaching their diasporas include:

- Lack of coordination among departments, especially between the embassy and consular offices
- Lack of adequate information on the number of migrants in a diaspora (especially since registration is optional)
- Migrants from politically unstable countries are less likely than those from stable countries to engage with the embassy
- Inadequate staff dedicated to working with the diaspora
- Need for capacity building in order for embassies to be able to reach out to their diasporas and facilitate investment, trade, and skill transfers.

Source: Africa Migration Project embassy surveys in London, Paris, Pretoria, and Washington, DC, conducted in 2009 by Sonia Plaza and Dilip Rathe
African governments are also working through the African Union (AU) on diaspora issues, which has resulted in the following:

- In 2003, at the AU's Executive Council, the AU agreed to actively engage the African diaspora.\(^{40}\)
- In 2005, the AU formally designated the African diaspora as the "sixth region" of the AU's structure.
- In September 2008, the African Union Commission launched the Africa Diaspora Health Initiative to provide a platform by which health experts for the African diaspora can transfer information, skills, and expertise to their counterparts in Africa.
- The AU allocated 20 seats for the African diaspora in the AU Economic, Social and Cultural Council.
- The African Union Commission created the African Citizens Directorate to deal with overarching issues in the relationship between overseas diasporas and homeland governments.

The World Bank is supporting many of the diaspora activities of the AU and African governments. The World Bank's African Diaspora Program (launched in September 2007) partners with the AU, client countries, donors, and African Diaspora Professional Networks and hometown associations to enhance the contributions of African diasporas to development of their home countries.\(^ {41}\)

The AU's approach is to enable the diaspora to organize itself with AU support within the framework provided by executive organs of the AU, the Executive Council, and the Assembly, with the guidance of Member States. Despite these efforts, the mechanisms and the process for diaspora engagement are still being worked out. This is causing some frustration among diaspora communities, which in recent forums have expressed a reluctance to wait for AU directions before organizing themselves.\(^{42}\)

**The Business Environment**

As with 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.
de Haas (2005) emphasizes that bad infrastructure, corruption, red tape, lack of macroeconomic stability, trade barriers, a lack of legal security, and a lack of trust in government institutions affect migrants' decisions to invest in their home countries and to return.

In chapter 10, "Migration and Productive Investment: A Conceptual Framework," Valeria Galletto presents a new theoretical framework for conceptualizing the relationship between migration and productive investment in migrants' communities of origin. Based on a detailed review of the literature and original empirical research, the author argues that investment is contingent on four main proximate factors:

- A minimum amount of money remitted or saved
- A minimum level of local development
- The presence of suitable investment opportunities
- The existence of specific household arrangements.

The framework offered in the paper:

- Explains low and high levels of productive investment in migrants' communities of origin
- Points to the mechanisms that generate those outcomes
- Helps identify the distal causes of productive investment
- Accounts for the disparate findings reported in the literature.

The chapter illustrates the proposed framework by applying it to the analysis of contrasting investment patterns of two migrant communities in western Michoacán, Mexico.

An examination of studies according to their reported level of productive investment (low or high) reveals several clear trends. One of the most important is that migration-driven investments are less likely to occur in communities that have poor public services, substandard infrastructure (lack of passable roads, schools, banks, and so forth), few natural resources (in particular, agricultural land), and a rudimentary economic structure. However, the inverse conditions do not seem to be sufficient for investment to occur; in addition to a minimal infrastructure and rich natural resources (in the case of rural areas), residents tend to invest in their communities of origin when they meet certain individual and household characteristics.

A survey of skilled South African migrants identified crime, the cost of living, taxation, and the quality of public and commercial services as the
main barriers to conducting business (World Bank 2008). Black and Castaldo (2007) report policies, laws, and regulations as the biggest obstacles to establishing a business by diaspora members and return migrants. According to the findings of case studies and interviews with members of the African diaspora, procedures governing business licenses, registrations, and exports and imports remain complicated. Indeed, some diaspora associations reported barriers to even shipping donated goods, citing, for example, cumbersome import procedures for donated books. That said, it is necessary that all merchandise meant for charity purposes fulfill the same inspection, quality-control, and certification processes required for other imports.

Governments can help facilitate diaspora networks through the Internet, professional associations, embassies abroad, and cultural events. Some origin countries are supporting long-term and long-distance linkages between emigrants and their countries of origin (Ghai 2004). In some countries, encouraging the growth of private sector networks may be more effective than direct government involvement in establishing links to the diaspora.

Some African governments are providing incentives to attract investment from the diaspora. For example, as mentioned, Ethiopia grants a yellow card to diaspora members, granting them the same benefits and rights as domestic investors. Additional investment incentives for both foreign investors and the diaspora include income tax exemptions 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 businesses in Ethiopia. Investments at this level include those in 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). Some countries are considering having one window at a government institution for the diaspora in which all the paperwork for the different administrative levels can be handled. This could facilitate diaspora access to investment opportunities at home.

The treatment of potential diaspora investors 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 still could benefit from focusing their scarce resources on providing services to members of the diaspora and on moving beyond consular services to a broader range of support for diaspora investors.

Savings and Social Security Schemes

Governments can also mobilize resources from diasporas by encouraging their participation in social security, housing, and microfinance programs. The Philippines, for example, 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). Migrant workers can access this fund through diplomatic offices abroad (ADB 2004). Bangladesh has created a number of schemes tailored to investors and nonresidents, such as savings accounts in foreign currencies. Some of these initiatives could be implemented in Africa to generate savings.

Conclusions

This volume covers a diverse range of diaspora issues and provides a number of experiences that are relevant for policy makers in both developed and developing countries. The main findings are as follows:

- 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 on the diaspora impairs efforts to improve the contributions the diaspora can make to the origin country. 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 the African continent itself, 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. However, 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
- Better access to information may allow them to lower risk premium compared to other foreign investors
- They may have local currency liabilities that makes 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 provide origin countries access to advanced technology and scarce skills. While the role of the diaspora in technology transfer is well documented in many countries, particularly China and India, the evidence for African countries is limited.

- Harnessing diaspora contributions in the area of trade, investment, and technology requires a supportive business climate. Property rights, security, elimination of red tape, and good infrastructure encourage diasporas to invest back home. Diaspora members may be more willing than other investors to take risks in their own country, but such investments require favorable working conditions. Providing voting rights and dual citizenship to migrants can help maintain their ties to origin countries, and dual citizenship can encourage trade and investment by enabling migrants to avoid constraints on business activities faced by foreigners. The devotion of more embassy staff to diaspora issues, and adequate training of these staff, would facilitate better services and enhance linkages. In addition, better coordination among different departments within embassies and governments will increase efficiency in building relationships with diasporas and their networks.
- Finally, more economic and multidisciplinary analysis is required to guide policy. Even with all the solid empirical studies and the evaluations of the impact of migration programs and policies available, many questions remain unanswered.

Notes

1. See, for example, Barre and others (2003); Khadria (1999); Kuznetsov (2006); Meyer and Brown (1999); Pack and Page (1994); Saxenian (2001, 2004, 2006); Westcott (2006); and Wickramasekara (2009).

2. See, for example, Crush (2010b); Lowell and Genova (2004); Lucas (2004); Orozco (2003, 2006a, b); and Portes, Escobar, and Radford (2007).

3. See, for example, Bakewell (2008); Chikezie (2000); Mohan and Zack-Williams (2002); and Mohamoud (2003, 2010).


5. 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 as opposed to substitues. See Bandyopadhyay, Coughlin, and Wall (2008); Bardhan and Guha (2004); Bettin and Turco (2008); Blanes (2005); Blanes and Martin-Montaner (2006); Blanes-Cristobal (2004); Bryant and Law (2004); Co, Euzent, and Martin (2004); Combes, Lafourcade, and Mayer (2003); Dolman (2008); Dunlevy (2003, 2006); Dunlevy and Hutchinson (1999); Foad (2008); Girma and Yu (2002); Gould (1990, 1994); Head and Ries (1998); Helliwell (1997); Herander and Saavedra (2005); Hutchinson and Dunlevy (2001); Light, Zhou, and Kim (2002); Morgenroth and O'Brien (2008); Rauch (2003); Rauch and Trindade (1999, 2002); Wagner, Head, and Ries (2002); and Whit (2008).

6. Countries that are far apart trade much less than countries that are nearby. Colonial ties are important. Landlocked countries trade less.

7. Transnational companies make investments based on their ethnic ties (Aykut and Ratha 2004). For example, some ethnic Korean companies invest in Kazakhstan and some ethnic Chinese companies invest in the East Asia and Pacific Region.


12. This updates the previously available estimates for Sub-Saharan Africa in Ratha, Mohapatra, and Plaza (2009).
13. For example, the Liberian Diaspora Social Investment Fund, the Rwandan Diaspora Mutual Fund, and the Zambia First Investment Fund.

14. Several diaspora investment funds have been created or are in the process of creation and registration, such as the Diaspora Unit Trust Funds Schemes, a collective investment scheme licensed by the Capital Markets Authority of Kenya, under section 12 of Regulations 2001. See http://www.mobilepay.co.ke/tangaza/2016/04/kenyans-abroad-to-benefit-from-the-diaspora-investment-fund/.

15. A private company, PHB Asset Management Limited, a subsidiary of Bank PHB Plc, has been selected to manage the US$200 million diaspora investment fund. This fund was set up by the Nigerians in Diaspora Organisation Europe in 2008. See http://timbuktuchronicles.blogspot.com/2008/03/diaspora-investment-fund.html.

16. For example, the countries with the largest numbers of Ghanaians are the United Kingdom and the United States (about 100,000 migrants each), Germany (34,000), Italy (50,000), and the Netherlands (20,000). Accordingly, there are about 100 Ghanaian associations in the United Kingdom (Van Hear, Picke, and Vertovec 2004), 200 in the United States (Orozco 2007), 21 in Germany, and 70 in the Netherlands.


18. Those interviewed include members of diaspora organisations 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.

19. Research interviews with African diaspora organisations in the United States were also conducted. The interviews covered 10 groups from Ethiopia, Liberia, Mali, Nigeria, and two organisations covering Africa.

20. Trans and Vammen (2008) describe an association that sends regular donations to the Eritrean state to support development projects.

21. Interviews with African diaspora organisations in the United States from Ethiopia, Liberia, Mali, Nigeria, and two with continental coverage indicated that their members volunteer their time and work for the diaspora association's activities after normal work hours. To raise funds, these associations sponsored runners in marathons and organized sales of arts and crafts and other events. Membership fees are small, so they cannot fully cover the associations' activities.

22. See also Kuznetsov (2006) and Meyer and Quattiaus (2006). Meyer and Brown (1999) categorize the involvement of diasporas into three types: (a) student networks, (b) local associations of skilled expatriates, and (c) scientific diaspora networks.

23. For example, associations of Chinese and Indian immigrant scientists and engineers exchange information and collaborate in research and development
projects with scientists in their countries of origin (Saxenian 2002). Financing local sabbatical stays for researchers living abroad and the opportunity to teach short courses or workshops are good measures to promote exchange. African associations under this category include the International Society of African Scientists (Delaware) and the Ethiopian Scientific Society (Washington, DC).

24. See Plaza (2008a, box 1) for a description of Chile Global.

25. For example, 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 faculty teaching in Africa’s universities. The diaspora can contribute by teaching short courses, hosting RISE students at labs abroad, and engaging in collaborative research. The Nelson Mandela Research Center hosts professors from the diaspora to teach in African universities.


27. 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.

28. Becoming a citizen appears to result in increased earnings in the United States (Chiswick 1978), although studies on European citizenship show mixed results (Bevelander and Pendakur 2009).


30. The Person of Indian Origin card also allows a person who holds an Indian passport access to all facilities in the matter of acquisition, holding, transfer, and disposal of immovable properties in India except in matters relating to the acquisition of agricultural or plantation properties. This card does not allow the holder to vote.


32. In preparation for the elections, a delegation of the National Electoral Commission visited various countries (Belgium, Burundi, Denmark, France, Germany, Kenya, Norway, Sweden, Switzerland, and Uganda) to inform emigres about the electoral process. Foreign citizens participated in Rwandan presidential elections in August 2010 for the first time since the civil war. Of the 17,824 registered voters in the diaspora, 14,242 (78 percent) cast valid votes (http://global.factiva.com/redir/default.aspx?sta&ep=AF&an=AFNWS00020100810e68a000n76f1=3005169086cat=afaid=9f00005000ns=53&fn=diaspora&ft=gdOD=V2AUbjNaq6b6yKMcg0fnoY90OdATkhWR19knPBTVmljPNVjs%2fEl5nw%3d%3d%).
33. See the Reintegration of Emigrant Manpower and the Promotion of Local Opportunities for Development (REMPLOD) research project (Van Dijk and others 1978).


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

40. 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).

41. The World Bank's strategy to engage the African diaspora has three pillars: (a) working with the African Union Commission, (b) working with country governments to assist in creating “enabling environments” for diaspora engagement, and (c) working with development partners to support diaspora development projects in Africa. In July 2008, the Bank signed an agreement with the AU.

42. See the report from an AU-UN gathering of the diaspora in New York, October 20–21, 2010; http://kingdomzx.net/forum/topics/report-from-recent-african?xg_source=activity.


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