AFRICANS IN THE WORLD: ENGINE FOR DEVELOPMENT OR BRAIN DRAIN?
AFRICANS IN THE WORLD: ENGINE FOR DEVELOPMENT OR BRAIN DRAIN?

Building on the findings of the Mo Ibrahim Foundation’s (MIF) 2019 Ibrahim Forum Report on African migrations, this joint research paper, co-authored with the African Foundation for Development (AFFORD) and Welcoming Diasporas, complements the migration discussion with that on the African diaspora. While 2019 was declared by Ghana as the ‘Year of Return’ of African diaspora, the economy of many countries on the continent is and has been heavily reliant on diaspora contributions from all over the world – remittances and beyond. The paper intends to shed light on the challenges of measuring the diaspora, and on the composition of African diaspora, while assessing its contribution to the development of the continent and its impact on destination countries. The paper then reviews current initiatives supporting the diaspora and aiming at retaining Africa’s human capital on the continent, including the recent Africa Continental Free Trade Agreement (AfCFTA).

Africa’s sixth region, but still far from being accurately measured*

The diaspora is a product of migration, however there is no commonly agreed definition of diaspora, with the World Bank counting at least 271 definitions worldwide.1 While issues of origin, descent and continuing memory are a common denominator, the main differences are about whether a diaspora includes only the first/second generation or goes back to the sixth/seventh (or further, in the case of the transatlantic slave trade), or whether an active engagement with the country of origin is a requirement to be considered part of a diaspora. The African Union (AU) considers the African diaspora as the ‘sixth (economic) region of Africa’, comprising 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”. Certainly, beyond what might be termed legal definitions of diaspora (e.g. in terms of rights, citizenship), another important criterion is whether people self-identify as such.

A commonly agreed methodology for assessing the magnitude of a diaspora is also lacking, and this is a challenge for all countries, from the United Kingdom (UK) to Kenya to Peru. For instance, not all countries include diaspora-related questions in their census, or they are not specific enough.2 While often a useful proxy for counting diaspora, data on migration also suffer from the limitations related to differing definitions and methodology, and do not include numbers after the first generation.

The majority of African migrants did not leave the continent

According to migration data stocks, as of 2017, 36.3 million migrants had left African countries, representing 0.5% of the world’s population and 2.9% of Africa’s total population in 2017. In the same year the number of international migrants was 258.0 million, 3.4% of the world’s population. African migrants in 2017 contributed to 14.1% of the world’s total migrant population, much less than Asia’s and Europe’s shares (41.0% and 23.7%, respectively). As of 2017, 53.4% of African migrants had not left the
Africa is today’s youngest continent, and the world region where the youth population is expected to continue growing the most. Between 2019 and 2100, Africa’s youth population is expected to increase from 447.1 million to 1.3 billion people – an expected growth of +181.4%. Meanwhile the youth population of Europe is expected to shrink by -21.4% and in Asia by -27.7%. As a result, by 2100, Africa’s youth population will be twice the expected total population of Europe (653.3 million) and by then nearly half of the world’s youth are expected to be from Africa (46.3%).

Contemporary African migrations are primarily composed of young, educated women and men, representing a substantial human capital resource. Education levels tend to be higher for people who take concrete steps to migrate. According to survey data from Afrobarometer, more than half of those who prepare their departure have completed secondary or tertiary education.

High levels of unemployment are among the drivers of youth migration. Almost 16 million young Africans were facing unemployment in 2019, with 54.5% of young people being jobless in South Africa, the country with the second largest GDP on the continent. The average match between education and the skills needed by businesses is worse in Africa than in the rest of the world, and hardly any (1.1%) 15-24 year olds in sub-Saharan Africa participate in vocational programmes.

Africa’s human capital flight is high, and is searching for better prospects*

Africa is today’s youngest continent, and the world region where the youth population is expected to continue growing the most. Between 2019 and 2100, Africa’s youth population is expected to increase from 447.1 million to 1.3 billion people – an expected growth of +181.4%. Meanwhile the youth population of Europe is expected to shrink by -21.4% and in Asia by -27.7%. As a result, by 2100, Africa’s youth population will be twice the expected total population of Europe (653.3 million) and by then nearly half of the world’s youth are expected to be from Africa (46.3%).

Contemporary African migrations are primarily composed of young, educated women and men, representing a substantial human capital resource. Education levels tend to be higher for people who take concrete steps to migrate. According to survey data from Afrobarometer, more than half of those who prepare their departure have completed secondary or tertiary education.

High levels of unemployment are among the drivers of youth migration. Almost 16 million young Africans were facing unemployment in 2019, with 54.5% of young people being jobless in South Africa, the country with the second largest GDP on the continent. The average match between education and the skills needed by businesses is worse in Africa than in the rest of the world, and hardly any (1.1%) 15-24 year olds in sub-Saharan Africa participate in vocational programmes.

Africa is today’s youngest continent, and the world region where the youth population is expected to continue growing the most. Between 2019 and 2100, Africa’s youth population is expected to increase from 447.1 million to 1.3 billion people – an expected growth of +181.4%. Meanwhile the youth population of Europe is expected to shrink by -21.4% and in Asia by -27.7%. As a result, by 2100, Africa’s youth population will be twice the expected total population of Europe (653.3 million) and by then nearly half of the world’s youth are expected to be from Africa (46.3%).

Contemporary African migrations are primarily composed of young, educated women and men, representing a substantial human capital resource. Education levels tend to be higher for people who take concrete steps to migrate. According to survey data from Afrobarometer, more than half of those who prepare their departure have completed secondary or tertiary education.

High levels of unemployment are among the drivers of youth migration. Almost 16 million young Africans were facing unemployment in 2019, with 54.5% of young people being jobless in South Africa, the country with the second largest GDP on the continent. The average match between education and the skills needed by businesses is worse in Africa than in the rest of the world, and hardly any (1.1%) 15-24 year olds in sub-Saharan Africa participate in vocational programmes.
Money but not only: diaspora for Africa’s development

Remittances: equal to national budgets and more than ODA flows

There is strong evidence that remittances are a major engine for development in Africa. Formal remittances to Africa, which keep growing, are higher than all other non-trade financial flows:

According to the World Bank, formal remittances to Africa reached $82.8 billion in 2018. Of these, about 70% were received by Egypt, Nigeria and Morocco. In Nigeria, the amount officially remitted through financial systems in 2018 ($25.08 billion) slightly exceeded the entire federal budget for that year ($25.06 billion) and was seven times the total ODA to Nigeria, $3.3 billion. According to World Bank estimates for 2019, in five countries formal remittances account for over 10% of GDP: Cabo Verde, Comoros, Gambia, Lesotho and Liberia. In addition to formal channels, unregistered ways are used to send money to Africa. Altogether, formal, informal and in-kind remittances to Africa are estimated to be as high as $200 billion.

According to the World Bank, formal remittances to Africa reached $82.8 billion in 2018. Of these, about 70% were received by Egypt, Nigeria and Morocco. In Nigeria, the amount officially remitted through financial systems in 2018 ($25.08 billion) slightly exceeded the entire federal budget for that year ($25.06 billion) and was seven times the total ODA to Nigeria, $3.3 billion. According to World Bank estimates for 2019, in five countries formal remittances account for over 10% of GDP: Cabo Verde, Comoros, Gambia, Lesotho and Liberia. In addition to formal channels, unregistered ways are used to send money to Africa. Altogether, formal, informal and in-kind remittances to Africa are estimated to be as high as $200 billion.

The loss of transaction costs: highest in Africa

By 2030, Sustainable Development Goals (SDGs) Target 10.7 (10.C) aims to “reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%”. According to the World Bank, remittance costs for Africa are the highest in the world, 9% compared to the global average of 7%. South Africa has the highest transaction costs, 18%. The two cheapest intra-African remittance corridors of about 3.5% are Senegal-Mali and Côte d’Ivoire-Mali. The cheapest international corridors of about 4% are France-Cameroon and France-Comoros.
Diaspora Direct Investment: SMEs, family businesses and informal sector

Among the positive elements of migration, the most committed investors in Africa are from the diaspora. Diaspora investors and entrepreneurs may have better local market information or be better able to navigate cultural, language and legal barriers to doing business in countries of origin. They are also likely to have a different perception of investment risk in such countries and may be prepared to wait longer to see a return on their investment (‘patient capital’).

Diaspora Direct Investment (DDI) relates to direct investments whereby the investor has origins or heritage in the country of investment, irrespective of their nationality. Informal DDI, like informal remittances, include investments to unincorporated businesses, often family small and medium-sized enterprises (SMEs). According to the World Bank and the International Fund for Agricultural Development (IFAD), these account for 20-30% of received remittances, typically into the informal sector. Similar to remittances, individual DDIs may be small, but the aggregate is likely to be very high. Unlike FDI flows which are officially monitored by a range of multilateral institutions, there is a dearth of reliable data on DDI flows to Africa.

Mixed investments: real estate, philanthropy, portfolio

There is a wide array of mixed investments, for example into real estate or through philanthropy and portfolio investments. Despite overlapping to a certain extent with DDI, some of these activities go beyond the scope of generating productive investment. For all these, the main challenge in Africa is the lack of data. While the World Bank has previously undertaken household surveys to estimate remittances spent on real estate to assess DDI in Africa, there is no measure or monitor for diaspora portfolio or social economy investments.

- Real estate is often the biggest investment that individuals in the diaspora make in their countries of origin or heritage that can be used as leverage and guarantee for local bank loans to invest in other businesses.
- Collective remittances are used by the diaspora, such as those generated by hometown or alumni associations for philanthropy and scale impact investments in social economy. These include business angel networks to invest in diverse businesses and financial products.
- Diaspora Portfolio Investments (DPI) such as Diaspora Bonds and Mutual Funds are emergent products targeting investment appetites from the diaspora not linked to a specific country. The value of African Eurobonds in 2017 was $92 billion, a small fraction of global Foreign Portfolio Investment (FPI): $60 trillion.

Intellectual, social, political: other forms of capital

In addition, diaspora and migrants deploy intellectual, social, and political capital as well as volunteerism in support of development, in countries of origin, transit, and destination. These can include technical expertise and entrepreneurial know-how which may be applied to development opportunities in their country of origin as well as to other forms of investment. Diaspora investment is not limited to specific countries of origin or heritage but encompasses other African nations and the wider continent.
Founded in 1994, the African Foundation for Development (AFFORD) responds to the disjuncture between mainstream international development and diaspora action with a recognition that the African diaspora play a very significant role in their countries’ socio-economic transformation. Its current priority projects focus on diaspora contributions to job creation and African enterprise development.

The AFFORD Diaspora Finance (ADF) Programme, funded by Comic Relief/UKAid through the Common Ground Initiative (CGI), the Swiss Agency for Development and Cooperation (SDC), Pharo Foundation and Noel Buxton Trust, is driven by the goal of creating sustainable employment through increased and structured diaspora investment and the removal of barriers, for example to SME growth, job creation and diaspora investment. It includes projects such as: AFFORD Business Club (ABC) which offers business support in the UK and Benin, Rwanda, Nigeria, Sierra Leone, and Zimbabwe to diaspora entrepreneurs; the RemitPlus™ Rwanda Diaspora Bond (RRDB) which will fund affordable housing; and Diaspora Experience, a diaspora philanthropy platform.

Additionally, AFFORD conducts activities such as policy actions to optimise volume of remittances through transaction cost reduction and remittance match-fund schemes, including the production of an annual DDI Index, Remittance Corridor Factsheets, research on country investment fact sheets on “how to do business in...” and high profile campaigns on diaspora enterprise heroes.

On behalf of the ADEPT Platform, in 2016 AFFORD co-organised the 5th Diaspora Development Dialogue (DDDS), held in Nairobi in partnership with the Kenyan government and the Africa Institute for Remittances (AIR) on ‘Optimising Actual, Virtual, and Circular and Diaspora Returns’. This resulted in the publication of the Nairobi Action Plan on Remittances, with steps...
Higher levels of consumption and a larger tax base

Migration also contributes to destination countries’ development through consumption, with migrants spending approximately 85.0% of their incomes in their destination country. Also, migrants typically pay significantly more taxes than they receive in benefits, in part because they are usually educated elsewhere and go back to their origin country before retirement.

A positive impact on structural transformation and GDP

By allowing the reallocation of resources from lower to higher productivity activities between and within sectors, migrations foster economic structural transformation and generate a potential contribution to GDP per capita in Africa that is expected to reach $3,200 in 2030. The estimated contribution of migrations to GDP is at 19.0% in Côte d’Ivoire, 13.0% in Rwanda and 9.0% in South Africa.

Higher levels of consumption and a larger tax base

Migration also contributes to destination countries’ development through consumption, with migrants spending approximately 85.0% of their incomes in their destination country. Also, migrants typically pay significantly more taxes than they receive in benefits, in part because they are usually educated elsewhere and go back to their origin country before retirement.

No evident strain on poverty levels and public services

There is no evidence that higher migration flows result in higher poverty levels: there is no significant distinction in poverty levels between countries receiving large and small shares of migrants. Government expenditure on education is on average higher in destination countries than in origin countries. However, the performance of education services does not seem to be linked to the number of migrants hosted: the correlation between the total migrant stock in African destination countries and their performance in the Ibrahim Index of African Governance

---

**Dual benefits: the impact of diaspora on destination countries***

- **Filling labour gaps**
  Migration often addresses labour gaps in destination countries or fills occupations neglected by locals. In Rwanda, the policy to attract migration from East African Community (EAC) partner states has increased its labour supply in sectors with shortages, while contributing to the development of education, engineering, finance, hospitality and financial services through the exchange of skills.

- **Improved labour productivity**
  A larger share of working-age people enables higher productivity, especially in sectors that experience relatively high migration rates (agriculture, manufacturing, mining, construction and services). High-skilled migrants engaged in skill-intensive sectors can play an important role in fostering innovation, enabling entrepreneurship and stimulating job growth, as well as skills transfers and technology flows.

- **A positive impact on structural transformation and GDP**
  By allowing the reallocation of resources from lower to higher productivity activities between and within sectors, migrations foster economic structural transformation and generate a potential contribution to GDP per capita in Africa that is expected to reach $3,200 in 2030. The estimated contribution of migrations to GDP is at 19.0% in Côte d’Ivoire, 13.0% in Rwanda and 9.0% in South Africa.

- **Higher levels of consumption and a larger tax base**
  Migration also contributes to destination countries’ development through consumption, with migrants spending approximately 85.0% of their incomes in their destination country. Also, migrants typically pay significantly more taxes than they receive in benefits, in part because they are usually educated elsewhere and go back to their origin country before retirement.

- **No evident strain on poverty levels and public services**
  There is no evidence that higher migration flows result in higher poverty levels: there is no significant distinction in poverty levels between countries receiving large and small shares of migrants. Government expenditure on education is on average higher in destination countries than in origin countries. However, the performance of education services does not seem to be linked to the number of migrants hosted: the correlation between the total migrant stock in African destination countries and their performance in the Ibrahim Index of African Governance.
The 2019 Ibrahim Governance Weekend, held in Abidjan, Côte d’Ivoire, was devoted to African migrations and the links between demography, economic prospects and mobility on the continent. In this context, discussions focussed on the role of the diaspora for development, with proposals to enact policies to attract the ‘best and the brightest’ in the diaspora to come back and take part in Africa’s development.

Abdourahmane Cissé, Côte d’Ivoire’s Minister of Oil, Energy, and Renewable Energies, shared his personal experience of being part of the diaspora and coming back to the continent to serve his country. He also encouraged members of the diaspora to consider moving back, as their skills, in his opinion, would make a difference in the continent.

Hailemariam Desalegn, former Prime Minister of Ethiopia, stated that Ethiopia has one of the largest African diaspora communities which play a key role in technology transfer, research and development. He stressed the added value of people going abroad and then moving back to their country of origin, bringing their assets.

African countries are also adopting approaches and initiatives to this end. 400 years after the beginning of the slave trade, in 2019 Ghana launched the ‘Year of Return’, an initiative to encourage Africans in the diaspora to retrace their roots and return to the continent. Ghana was a major hub for the transatlantic slave trade from the 16th to the 19th century. This is not the only initiative taken by the country, as Ghana’s parliament passed a Citizenship Act in 2000.
allowing people of Ghanaian descent with citizenships abroad to take up Ghanaian citizenship. That same year the country enacted the Immigration Act, which provides any person of African descent in the diaspora the right to travel to and from the country without hindrance. Sharaka, a joint project between the government of Morocco with the European Union (EU), the International Organization for Migration (IOM) and civil society organisations aimed at providing information and support to returning Moroccan migrants. The Moroccan government, civil society organisations and the representatives of the Moroccan diaspora co-produced a handbook with recommendations and information tools intended to ease and guide the reintegration of Moroccans living abroad.

---

**Diaspora networks and support are in demand: Welcoming Diasporas**

Welcoming Diasporas is a network of Afro-optimist entrepreneurs and professionals established in Togo and France, believing in the capacity of the African diaspora to contribute and accelerate Africa’s social and economic development. In 2016, Welcoming Diasporas conducted a small sample survey in France to identify how to support members of the diaspora who are considering relocation to Africa. About 203 respondents participated in the study. A key message was the interest of respondents to support the socio-economic development of their home countries, provided they have the right support and network. More than half of them (63.1%) were seeking to set up a social business and 73.3% of respondents were open to investing in another country than their own, breaking from traditional beliefs that diaspora members prefer to invest or establish businesses in their country of origin in case they might someday move back. The survey also explored significant challenges preventing the African diaspora in France from investing financial resources and skills for development in Africa: 93.8% of respondents emphasized their need to get help for legal matters, access to funding sources, human resources, public relations, etc.

---

**Welcoming Diasporas #AfricallsCallingYou**

To better connect African diaspora to local networks, Welcoming Diasporas launched #AfricallsCallingYou (#AICY), a one-week programme including conferences, artistic performances, job-dating and a social innovation bootcamp during which a cohort of twenty African social entrepreneurs received expert mentoring and access to training to scale-up their business. The programme was first hosted in Paris in 2017, then in Dakar (Senegal) in 2018. Both editions gathered more than 3000 attendees, 100 speakers, 40 mentors, and 30 entrepreneurs. The third and last edition of #AICY was co-organised with Weldiz, the Algerian version of Welcoming Diasporas in Oran (Algeria) in 2019. #AICY has helped entrepreneurs and professionals from the African diaspora to access the right network to better plan their relocation to the continent.
There is immense potential for the continent to make use of Africa’s comparative advantage in terms of labour and migration, considering that the majority of African migrants choose to stay on the continent and 70% of sub-Saharan migrants are within Africa. However, limited or weak frameworks for mobility and recognition of skills, educational and experience qualifications across national borders hinder the ability of African migrants to enter and effectively engage in continental labour markets.

For many businesses in Africa it is often easier to employ a skilled non-African expatriate than a skilled African expatriate. For instance, in the Democratic Republic of the Congo (DRC), the number of different visas required (entry, exit, working establishment) is considered burdensome. In Nigeria, the eligibility criteria for a visa for a skilled worker are considered too demanding, focussing on formal education levels rather than on experience gained through work. Only 22% of African students studying abroad choose an African destination. The high number of African students leaving the continent to study abroad remains key as these students enjoy other opportunities outside Africa, making it a challenge to attract this human capital back to the continent.

The Africa Continental Free Trade Agreement (AfCFTA) is a trade agreement entered into force in 2019 between AU member states, aiming to create a single continental market for goods and services as well as a customs union with free movement of capital and persons. Under the AfCFTA, expanded markets and unobstructed factor movements – labour, goods, services, capital and persons – should promote economic diversification, structural transformation, technological development and facilitate quality job creation.

The AfCFTA has the potential to redress some of the key challenges the continent is facing, provided that adequate investment is allocated to maximise Africa’s biggest resource, its human capital. A single African market will provide a conducive environment for easing some of the continent’s biggest obstacles: mobility and skills recognition. This would create a favourable environment for Africa to reap, at continental level, the dual benefits of migration for both origin and destination countries, as remittances, investment, but also knowledge and trade gains would remain on the continent for a win-win result.
Authors:

Onyekachi Wambu, Executive Director and Paul Asquith, Engagement and Policy Manager, African Foundation for Development (AFFORD)
Email: onyekachi@afford-uk.org; paul@afford-uk.org

Stéphanie Asare, General Secretary and Head of Talent Mobility, Welcoming Diasporas
Email: contact@welcomingdiasporas.com

Camilla Rocca, Head of Research, Mo Ibrahim Foundation
Email: research@moibrahimfoundation.org

3 Faal (2018) ‘Strategic, Business and Operational Framework for an African Diaspora Finance Corporation’, African Union, URL: http://mif.media/rp-aiw-af (This source provides a detailed breakdown of diaspora investment types and forms, dividing these into four main types, namely, Diaspora Philanthropy, Diaspora Remittances, Diaspora Direct Investment (DDI), and Diaspora Portfolio Investment (DPI), mirroring the established distinctions between FDI and FPI).
5 Boys (2019) ‘CBN claims $2.6bn, not $26bn as diaspora remittances’, Vanguard, URL: http://mif.media/rp-aiw-remittance
7 Ratha (2020) ‘Remittances: Funds for the Folks Back Home’, IMF, URL: http://mif.media/rp-aiw-imf (The Lead Economist on Migration and Remittances at the World Bank, Dilip Ratha, has stated that “unrecorded flows through informal channels are believed to be at least 50 percent larger than recorded flows”. SSRC (2009) Topic 4. Formal vs. Informal Remittances’, New York, Social Science Research Council http://mif.media/rp-aiw-ssrc The SSRC reported that informal remittances are estimated to vary from 35% to 250% of formal flows.
9 AFFORD DDI Index (forthcoming) will calculate annual DDI flows.
12 Faal (2018)
13 Plaza, Sonia, Navarrete, Mario and Ratha, Dilip (2011)
22 Welcoming Diasporas (2019), URL: http://welcomingdiasporas.com/
The sections with * at pages 2-3, 7 and 10 are sourced from the Mo Ibrahim Foundation (2019) Ibrahim Forum Report ‘Africa’s youth: Jobs or Migration?’, URL: http://mif.media/fr-2019