



Young Diaspora Entrepreneurs Investing in Africa's Future

AFFORD UK - The African Foundation for Development



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Overview and the Importance of Investing in Africa:

Africa's population is expected to double over the next 30 years. By the end of the 21st century, 47% of the world's youth will be African.¹ Though its population is rapidly increasing, job growth remains an obstacle. Along with unemployment and underemployment, the continent also faces other challenges; lack of investment, poor infrastructure, corruption and regional instability – all of which will likely further influence Africa's youth to seek opportunities elsewhere through irregular migration, further dampening growth prospects. However, Africa's growing population also offers a growing market and huge opportunities. Young professionals of the African diaspora have an opportunity to invest in Africa, whether through expanding their existing businesses to the continent, establishing or investing in growing areas such as property, agriculture etc., or in structured financial products, such as bonds.

According to the African Development Bank Group, approximately 140 million Africans are currently living abroad and a third of them are middle class.² They remit huge amounts to the continent, and are open to structured social impact investment opportunities that will contribute to African development. With the Continental Free Trade Area commencing this year, the prospects for investment look even brighter, with more opportunities to trade and a higher demand for varying sectors. Every gap in the economy, presents an opening for new and innovative ideas, from the diaspora and others that have the potential to advance the continent and its people.

Solving Challenges through Financial Investments:

Along with Africa's increasing population, there are other African challenges that leave the door open for innovative diaspora financial investments.

PoliEngagement, Education and Leadership:

Despite leading the initial activism and uprisings behind the Arab Spring, the lack of structured political participation, meant that African youth benefitted very little from the subsequent political changes in Tunisia, Egypt or Libya. Mengistu MM of the Institute of Governance, Humanities and Social Sciences at Pan African University explains that this lack of structured intervention leads: "most of the younger population to be disorganized, unemployed, and vulnerable to radical ideas."³ Not only is it in the interest of youth individuals to have a political voice, Africa as a continent could greatly benefit from structured youth engagement in which new ideas could arise along with a sense of collective commitment. The diaspora could play a role in encouraging the youth to participate in structured ways through leadership and other programmes.

Case Study

In the United Kingdom's recent general election, June 2017, youth turnout made a huge comeback after several years. Compared to the election of May 2015, the percentage of voters under the age of 35 increased by 12 points to 56%. While the policies on the table likely had an influence on the higher percentage of voters, the results proved just how effective collective action can be. The Labour Party did significantly better than expected, shaking the political order. The Conservatives lost 13 seats, while Labour gained 32, leaving no overall majority party, proving that there exists potential for collective youth to participate making significant impact in Europe and in Africa.

Many studies find that education is the key to encouraging youth to become politically active. Leadership training and activities that inspire community participation in schools could make an impact amongst Africa's youth.

¹ UNDESA | "World Population Prospects - Population Division." *United Nations*. United Nations, n.d. Web. 15 June 2017.

² African Development Bank Group | "The Diaspora Prepared to Invest in Africa." *African Development Bank*. N.p., n.d. Web. 15 June 2017.

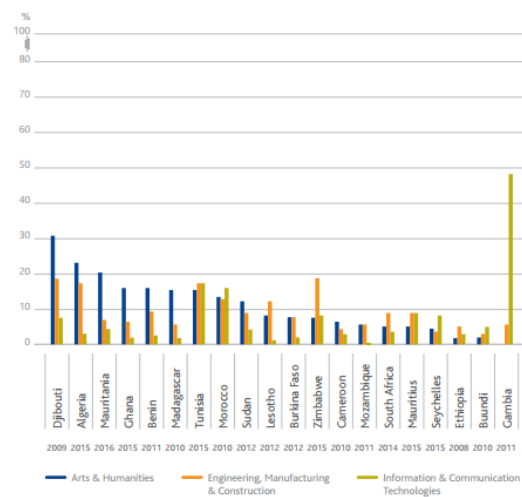
³ MM, Mengistu. "The Quest for Youth Inclusion in the African Politics: Trends, Challenges, and Prospects." *OMICS International*. OMICS International, 25 Mar. 2017. Web. 21 June 2017.

Governments have recognised this, with President Barack Obama launching the Young African Leaders Initiative (YALI) in 2010. There is however scope for diaspora intervention. Immediately after graduating from Stanford in 2004, Young Global Leader of the World Economic Forum, Fred Swaniker, founded the African Leadership Academy (ALA) with the strong belief that Africa’s “missing ingredient is good leadership”. This institution aims to help solve problems such as development through support to young Africans in becoming innovative leaders and entrepreneurs. ALA does this through educational courses and other programmes like their Africa Careers Network which acts as a platform for students to establish relationships, creating more opportunities to establish businesses. The academy also runs a programme called “Build-in-a-Box” in which ALA students are provided the resources needed to share and cascade their knowledge of entrepreneurial skills to other youth in their communities.⁴

Such examples that can inspire diaspora youth entrepreneurs to create avenues to provide products, services and initiatives that both encourage growth within African countries as well as develops impactful social enterprises that respond to challenges on the continent.

Science and Maths

The establishment of business in the fields of math and science could unleash Africa’s potential. Currently, the study of humanities far surpasses the percentage of young Africans studying math and science. “Less than 5% of graduates have specialised in information and communication technologies in Mauritania, Sudan, South Africa, Cameroon, Ethiopia, Algeria, Benin, Ghana, Burkina Faso, Madagascar, Lesotho and Mozambique, whose youth populations collectively account for around one third of African 15 to 24 year-olds.”⁵ With such a demand for infrastructure and medical institutions this industry gap is rather an opportunity for young entrepreneurs and investors to connect and establish themselves with the intent of collaboration, partnership, or combining to build businesses that respond to the needs outlined above. As the number of trained graduates increase we would expect to see a rise in value added jobs, with the increase in income leading to more demand for consumer goods and advanced technologies and appliances.



Case Study

Mo Ibrahim Foundation’s [2017 Report](#) shared Morocco’s recent success in the aeronautic industry as evidence that math and science businesses can prosper in Africa, along with help to establish a growing industry that could offer future employment to African youth. The report focuses on the importance of “tailoring education to industry requirements.”⁶ Seddik Belyamini, a native Moroccan, initiated a plan within the aircraft company, Boeing, that would determine what airplane parts could be produced in his home country. Matis Aerospace Morocco, the company established from Belyamini’s proposal, “achieved 70% productivity growth within two years,” which is more than double the original expectation.⁷ It now supplies wire parts for 5 Boeing aircraft models and has established similar relations with 4 other aircraft makers.

In response to this industry growth, Moroccan education has evolved through the investment in specialized training. Moroccan students who have completed 3 levels of education enter the workforce with a wider range of

⁴ "About Us." ALU. N.p., n.d. Web. 29 June 2017.

⁵ "Africa at a Tipping Point." 2017 Forum Report (2017): n. page 21. Mo Ibrahim Foundation. Web.

⁶ "Africa at a Tipping Point."

⁷ "Africa at a Tipping Point"

areas of study compared to other African nations, creating an ideal setting for tech and other companies to launch. This is evidence that sectors such as education and industry will adapt to one another's advancements, creating a progressive society.

Concepts of economic growth do not have to start on such an expansive level, the key point is to identify what capabilities are available in country and what is needed to build on and maximise the potential. These possibilities are easily and freely located via:

- Government policy papers and strategic future planning papers
- Conferences, talks and roundtables which discuss country plans
- Articles that summarise current economical, political and social indicators and risks
- Country Trade and Industry Departments located in Embassies/High Commissions

Tips & Investment Strategies:

Making Your Money Work:

In many cases the diaspora investment into Africa is a family affair, meeting health emergencies, education fees, or cultural activities (weddings, funerals, etc.). Structured investment products would generate better returns, and is likely to generate long-term national economic impact which would in turn create job growth.



Figure 1 AD3 2016, Financial Inclusion

Bonds: The International Monetary Fund explains that each year the African diaspora saves about 53 billion U.S. Dollars through bonds. Therefore "if one in every 10 members of the African Diaspora could be persuaded to invest \$1,000 in his or her country of origin, Africa could raise \$3 billion a year for development financing for infrastructure, health and other programmes."⁸ Standard Charter Bank, offers [resources](#) that help to "cultivate an understanding of bonds," including the varying types of bonds and credit ratings for new investors.⁹

Case Study:

In 1991 India was suffering from an economic crisis due to fiscal imbalance. In an effort to control inflation and trade deficits, the government introduced diaspora bonds. Now, 26 years later, India is one of the world leading players in bonds. According to the World Bank Group, from 1991 to 2007 "diaspora bonds issued by the government-owned State Bank of India (SBI) raised over \$11 billion," proving how impactful bonds can be.¹⁰ Diaspora bonds offer individuals a sense of patriotism as they contribute to their country, while also investing in their own future.

Business Expansion/Start-Ups: More and more young diaspora entrepreneurs are establishing their businesses in Africa, contributing in making the continent more self-sustaining. With no shortage in human capital and a need for innovative and original ideas, Africa has become the place to be for new and expanding businesses, including Small-Medium Enterprises (SME)s.

⁸ International Monetary Fund | "Finance and Development." *Finance and Development | F&D*. N.p., n.d. Web. 15 June 2017.

⁹ Standard Chartered. "Cultivate an Understanding of Bonds." (n.d.): n. pag. *Wealth Management Education Series*. Standard Chartered. Web.

¹⁰ Ketkar; Ratha "Development Finance via Diaspora Bonds Track Record and Potential." *World Bank Group*. Web. 28 June 2017.

Case Study

David Asare Asiamah, founder of [Agro Mindset](#), is a young Ghanaian who spent time in the UK earning his Masters of Science from the University of Reading in England. He returned to Ghana and in 2009, began to plan a company that would redefine Ghanaian agriculture. His business is now thriving as it reinforces the importance of valuing agriculture's role in developing Ghana. Its "focus is to run highly profitable farm-based enterprises with long term growth potential and showcase this know-how to young aspiring farmers."¹¹

Whether it be companies like Agro Mindset, or small product based businesses, young Africans of the diaspora have the chance to take significant steps as entrepreneurs and investors while helping to make Africa more self-sufficient with growth in various business sectors.

Philanthropy: Each year, billions of pounds in remittances are sent to Africa. The World Bank group projects that in 2017, the Middle East and North Africa will receive 53 billion U.S. dollars in remittances and Sub-Saharan Africa will take in 37.7 billion.¹² However, a small percentage of this money is sent to programmes or charitable organisations like AFFORD that focus on economic growth long-term development solutions. The Africa Philanthropy Network (APN) is an African- based organisation that brings together multiple philanthropic institutions with the belief that a united philanthropic force can better influence the continent's development. APN emphasizes the importance of long-term philanthropic contribution by expressing their belief that Africa can effectively mobilize and harness domestic resources for its own development."¹³

Case Study

The [Tony Elumelu Foundation](#) is a philanthropic organization based in Lagos, Nigeria that is currently carrying out a 10 year entrepreneurship programme. The programme seeks to "add 10 billion dollars in revenue to Africa's economy and establish 1 million jobs."¹⁴ Its goal is to empower individuals through providing resources such as online libraries, mentoring, and marketing skill training. From 2011 to 2014 the foundation carried out an internship program in which students were placed at African companies for 10 weeks where they learned skillsets that matched their host's industry. It specialized in marketing, finance, and policy analysis and was based in 7 cities across Africa. Foundations like the Tony Elumelu Foundation are a great examples of philanthropic originations which wisely and strategically allocate their resources and financial aid.

¹¹ "A Mission Driven Firm Specializing in Agribusiness Ventures." *Agro Mindset Group*. N.p., n.d. Web. 22 June 2017.

¹² "MIGRATION AND REMITTANCES FACTBOOK 2016 THIRD EDITION" *World Bank Group*. Web. 29 June 2017

¹³ "Menu." *Africa Philanthropy Network*. N.p., n.d. Web. 29 June 2017.

¹⁴ "About Us." *The Tony Elumelu Foundation*. N.p., n.d. Web. 27 June 2017.

Investment Recommendations:

- Diaspora youth should proactively identify gaps in Africa looking at how they can address them through business or investment support. Every problem is a business opportunity.
- Research bonds, treasury bills etc. and examine how social impact investments can complement personal wealth and country growth.
- Consider expanding your business to Africa. It is a good way of responding to service or product needs whilst creating jobs. The fastest growing sector in Africa now is in the provision of education.
- Allocate remittances strategically through philanthropic organizations that focus on long term growth through efforts such as capacity, entrepreneurship and leadership training to build the skills of the population.
- Identify the skills, knowledge and/ or abilities you have access to that can provide positive impact within Africa.

Remember:

- 1. Diversify your investments to ensure stability in case certain market falls**
- 2. Look for transparency in companies. You should be able to see financial reports and know of any potential risks.**
- 3. Be aware of possible economic down-turns. Look for consistency in financial growth.**

Investopedia, 2017