Introduction

The purpose of this chapter is to examine African diaspora investment through the lenses of two cases and to offer governments’ insights for further strategy formulation to unleash the diaspora's potential by turning remittances into investments. Plaza and Ratha (2012) define diaspora as people who have migrated to a foreign country but still maintain a connection to their motherland. Statistics on Africans living outside their countries (regardless of educational attainment) vary, but some sources estimated that the new African diaspora consisted of more than 30 million people by 2009; the majority of these migrants live on the continent of Africa (IFAD 2009). Population census figures in 2013 showed that a total of 34 million emigrants live outside their country of origin (COO). This figure, as noted by World Bank (2016) and United Nations (2016), represents 2.5% of the total African population and is set to
increase. Top ten emigration countries as noted by World Bank (2016) are Somalia, Burkina Faso, Sudan, the Democratic Republic of Congo, Nigeria, Côte d’Ivoire, South Africa, South Sudan and Zimbabwe. The major recipients of African immigrants are high-income Organisation of Economic Cooperation and Development (OECD) countries (26.1%), high-income non-OECD countries (5.0%), intra-regional (65.6%) and other developing countries (2.9%) (World Bank 2016).

Diaspora Direct Investment (DDI) refers to direct investments from firms linked to diasporas in productive activities in the home country of such diasporas (Plaza and Ratha 2012). Diaspora members can foster those investments in two ways. First, diasporas who are top executives of firms abroad can use their managerial experience and technical know-how to persuade their respective companies to invest in their COO. Second, diasporas who are managers or owners of firms whose parent companies are in their countries of destination work with start-ups in their COO to help them develop and finance commercially viable projects. In other words, diasporas drive part of foreign direct investment (FDI), particularly investments that rely on a multinational social network made up of migrants and migrant mechanisms operating between host and home countries.

DDI, as noted by Orozco (2007), is a part of a larger transnational superstructure contributing to the integration of societies into the global economy through an interconnectedness of donations, small and large investments, trade, tourism and unilateral transfers. Countries with mature diaspora networks also seek to encourage domestic companies to expand abroad through the diasporas. A boost in investments through DDI becomes an alternative for countries that are lacking sufficient investments through ‘traditional’ FDI (Rodriguez-Montemayor 2012). This is the case in Africa, where FDI has been steadily declining due to a combination of cultural barriers and inappropriate policies (Rodriguez-Montemayor 2012). United Nations Conference for Trade and Development (UNCTAD) (2011) noted that for developing countries remittances are large relative to other financial flows. UNCTAD (2011) noted that between 2000 and 2009, remittance flows became as large as FDI flows to developing countries, amounted to an average of about one-third of export earnings, more than twice the private capital
flows, almost 10 times official capital flows, and more than 12 times official transfers.

Empirical evidence in this regard shows that the inflow of remittances by the migrant workers and professionals from a developing country helps in increasing the investment activities in the recipient country. UNCTAD (2011) revealed that nearly 30% of remittances in Ghana are used for the purposes of investment and construction of houses. Although the results are different for literate and illiterate migrants, the general conclusion derived was that two factors—namely, time spent working abroad and total amount of money saved abroad—have positive and significant effect on the likelihood of migrants becoming entrepreneurs on their return to the home country (UNCTAD 2011).

The chapter discusses diaspora investment from a theoretical perspective and analyses trends in diaspora investments in Africa with two case studies of diaspora investments in Africa. Through the analysis of the selected cases, the coverage in this chapter showcases local best practices in engaging the diaspora in the continent’s development effort. Finally, we offer policy recommendations in the concluding remarks.

### Trends of Diaspora Investments in Africa

African migrants, in recent years, have become a major source of official development assistance (ODA). The World Bank (2016) noted that net bilateral ODA from members of its Development Assistance Committee (DAC) donors to sub-Saharan Africa (SSA) 2013 totalled $46.77 billion. In the same period, FDI to Africa was in the region of $36.54 billion (World Bank 2016). In the same year, SSA recorded inward remittances amounting to $33.2 billion (see Table 3.1).

Table 3.1 shows that inward remittances were growing at a steady rate. For example, in 2006 SSA received remittances amounting to

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<tbody>
<tr>
<td>Remittances</td>
<td>23.5</td>
<td>26.1</td>
<td>28.7</td>
<td>27.4</td>
<td>29.7</td>
<td>33.6</td>
<td>34.1</td>
<td>33.2</td>
<td>34.5</td>
<td>34.8</td>
</tr>
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</table>

(Source World Bank 2016)
$23.5 billion. SSA continued to witness upward surge in remittances which reached $34.8 billion in 2015. Although these figures do not disaggregate between consumptive and productive remittances, this upward trend demonstrates the importance of remittances in economic development of the receiving countries in SSA.

Remittances, over the years, were observed to be more stable than other capital inflows (Africa Development Bank 2011). Newland and Patrick (2004) and Africa Development Bank (2011) underscored that household remittances, if significant and supported by appropriate policies and enabling conducive environment, can generate multiplier effects, which may provide the basis for more sustainable poverty reduction. On country-by-country cases, in SSA, Nigeria, the largest recipient of remittances in Africa received about US$20.8 billion in remittances in 2015 (World Bank 2016). Other countries which received notable receipts are Ghana, Tunisia, Kenya, South Africa and Ethiopia with remittances earning amounting to $2 billion, $1.8 billion, $1.6 billion, $1 billion and $0.6 billion, respectively (World Bank 2016). The International Fund for Agricultural Development (IFAD) (2010) reported that Africa is receiving in the region of about $40 billion yearly. The amount of remittances remained flat for the last six years as noted by World Bank (2016). Interestingly, Nigeria received just above 50% of the remittances in 2016, that is, $21 billion.

The foregoing discussion shows that remittances have witnessed tremendous growth since the turn of the new millennium and represent the most significant and stable flow of financial capital to Africa.

Case Studies of Diaspora Investments in Africa: Ethiopia and Tunisia

The Governments of Ethiopia, Nigeria and Tunisia came up with different instruments to maximise diaspora investments. Some of these include the use of direct initiatives such as diaspora bonds and bank accounts to target remittances, as well as indirect instruments, through reforms in the banking and regulatory framework of financial
Ethiopia: Leveraging Remittances Through Diaspora Bonds and Securitisation

Ethiopia is one of the largest and poorest countries in SSA. With a population of 80 million, Ethiopia has about 2 million of its nationals in the Middle East, North America, Australia, other parts of Africa and Europe (Ministry of Foreign Affairs 2013; Kuschminder and Siegel 2010). In order to escape poverty, with the support of the United Nations Industrial Development Organization (UNIDO), Ethiopia has embarked on an Inclusive and Sustainable Industrial Development (ISID) framework. As part of measures aimed at implementing the ISID, the Government of Ethiopia, with the support of development partners, is working on improving the business-enabling environment, access to finance, market linkages and infrastructure development (Africa Development Bank et al. 2017).

With respect to infrastructure development, the Ethiopian Government is mobilising diaspora investments from its diaspora. According to Africa Development Bank (2011), Ethiopia is one of few countries in Africa which issued diaspora bond as a tool of fostering diaspora investment. The Millennium Corporate Bond was issued in 2008 by the state-owned utility, that is, Ethiopian Electric Power Corporation (EEPCO) for the construction of the Grand Ethiopian Renaissance Dam (GERD). In order to raise confidence of the subscribers, the bond was underwritten by National Bank of Ethiopia (NBE). The bond was marketed through networks in countries of the OECD and the Middle East by the Commercial Bank of Ethiopia (CBE) (Government of Ethiopia 2010). This raised the impetus of the bond and helped the Government to reach as many Ethiopians in the diaspora as possible. The interest rates on the bonds varied from 4%, 4.5% and 5%, respectively, for 5, 7 and 10 years bonds (Africa Development Bank 2011). The face value of the bond as noted by
Africa Development Bank (2011) is $100 and the Government required a minimum investment of US$500 dollars or its equivalent in selected convertible currencies. To make the bond attractive, investments in the diaspora bond can be used as collateral for borrowings from local banks in local currency and the interest is tax exempt at the source.

GERD will be the largest hydroelectric power plant in Africa (10th in the world) with over 6000 megawatts (MW) capacity when completed by 2037 (Tesfaye 2016). The dam will increase Ethiopian installed power generation capacity by 200% (Tesfaye 2016). With a potential capacity of 45,000 MW hydropower potential, Ethiopia will become a major power exporter (Africa Development Bank 2011). In the medium term, Ethiopia could generate US$1 billion foreign currency from power export and reduce the countries’ dependence on imported petroleum (GERD 2016).

In addition to potential export earnings, reliable and affordable electricity will help Ethiopia to achieve its ambitious strategy of industrialisation which it recently embarked. Moreover, the dam construction process builds local capacity through learning by doing, knowledge spillover and the transfer of technology. A case in point is the role of the Metal and Engineering Corporation (MEtEC), which is the main contractor on divisions of the electromechanical and hydraulic steel structure.

The construction of the dam has already created employment opportunities for over 10,000 people and at its peak will employ 15,000 (Tesfaye 2016). The resource mobilisation process, as noted by Tesfaye (2016), has encouraged the culture of saving which has seen the country realise saving at the rate of 22%, up from 9.5% in the last five years. Beyond the benefits of industrialisation, job creation and foreign exchange generation and 74 million metric cubes of water, the project will create a man-made lake double the size of Lake Tana, unlocking huge potential for agro-fishery development and tourism (Tesfaye 2016).

The diaspora bond interestingly drew significant subscriptions from stakeholders outside the diaspora (see Table 3.2). The diaspora purchased shares amounting to US$30 million (GERD 2016).
To date, US$425 million has been raised with employees, businesses, farmers and government of Ethiopia being major subscribers (see Table 3.2). So far, the diaspora contributed on 7% of the total revenue raised from the bond. Although significant efforts have been made in mobilising funds for the dam construction, the amount raised is far short of the amount required. The GERD, as noted by Tesfaye (2016), requires a staggering $5 billion to complete.

Of serious concern is the fact that the diaspora who were largely targeted by the bond did not fully subscribed to it. This is quite worrying considering the fact that average income of the 2 million Ethiopian diaspora is $14,000. If the Ethiopian diasporas were able to remit home $3.7 billion they could significantly subscribe to the bond (NBE 2014). This means that there is scope for the Ethiopian government to mobilise more investments from the diaspora. However, in order to increase investments from the diaspora, Tesfaye (2016) noted that the Ethiopian government must pay attention to the following:

- Remedy the drought of confidence and trust between Government of Ethiopia and some sections of the diaspora community. In order to address this anomaly, the government should remove potential barriers and obstacles and create further opportunities for the diaspora to participate in economic development by mapping out and profiling the diaspora population, building sustainable partnerships, facilitating the involvement of the diaspora in Ethiopia (Tesfaye 2016).

<table>
<thead>
<tr>
<th>Socio-economic category</th>
<th>Bond purchase (USD million)</th>
<th>%</th>
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<tbody>
<tr>
<td>Employees</td>
<td>200</td>
<td>47</td>
</tr>
<tr>
<td>Businesses</td>
<td>80</td>
<td>19</td>
</tr>
<tr>
<td>Farmers</td>
<td>40</td>
<td>9</td>
</tr>
<tr>
<td>Diaspora</td>
<td>30</td>
<td>7</td>
</tr>
<tr>
<td>Other sources</td>
<td>75</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>425</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.2  Bond purchase and donations (as at April 2016) (Source GERD 2016)
Further, the Government of Ethiopia should develop actionable strategies and strengthen institutions with a view of creating an enabling business environment (Tesfaye 2016). If these measures are put in place, this will help in consolidating the diaspora’s sense of attachment to their home country.

- The diaspora bond was largely marketed on a patriotic basis which seeks to persuade the Ethiopians in the diaspora to invest in their home country based on moral suasion. However, in addition to making the ‘patriotic case’, it is important to make the ‘business case’ for purchasing the diaspora bond considering the fact that the GERD Bond provides return on investment which is higher than the one offered by London Interbank Offer Rate (LIBOR) or other interest rates offered in Europe and North America. Most importantly, recent rating of Ethiopia by Moody which ranked the economy at B+ shows healthy and credible economy. These factors provide the rationale for the Ethiopian Government to market the diaspora bond to the Ethiopians on a business case patriotism.

**Tunisia: Tunisia’s Diaspora Mobilisation Framework**

Tunisia established the Office of Tunisians Abroad (OTA) under the Ministry of Social Affairs and Solidarity in 1988 through Government Law (Art. 14 Law No. 60-88). The mandate of the office is to manage the major decisions and actions aimed at promoting active participation of Tunisians abroad in national development and for ensuring the welfare of transnational families, both abroad and at home (Africa Development Bank 2011).

Of interest, the OTA facilitates investments, savings, business development and entrepreneurship activities of the Tunisian Diaspora in their COO and provides government with necessary data and other information for policy formulation on services to the migrants and their transnational families (Africa Development Bank 2011).
Box 3.1 Tunisia’s Diaspora Mobilisation Framework

Incentives for the Diaspora: Economic and financial incentives to facilitate diaspora contributions include exemptions from customs duty on imported equipment, rolling stocks are available to Tunisians who have lived abroad on a continual basis for more than two years and who have invested in any activity listed in the investment incentives code upon definitive or provisional return to Tunisia. Each year, OTA organises Development Support Days in collaboration with the country’s provincial regions. Activities include tour of investment projects undertaken by the diaspora, and opportunities for the Tunisian business community and the diaspora to interact as a way of boosting partnerships between entrepreneurs who are resident abroad and counterparts at home.

Remittances: Remittances from Tunisians abroad are among the main sources of foreign currency for Tunisia. These transfers constitute the fourth foreign currency resource and they play an important role in the balance of payments and national reserve currency of Tunisia. Remittances represent 4.8% of GDP, 21.8% of national savings and 43.7% of trade deficit. According to OTA, these remittances totalled about $16.5 billion between 1987 and 2008 of which, 76.6% were in cash and 23.4% were in-kind transfers (such as equipment acquired for economic activities in Tunisia, vehicles and movable goods imported as part of provisional or definitive return, etc.). OTA reported that in 2007, Tunisians abroad sent home $1.716 billion, which amounted to an average of $166 per Tunisian abroad, compared with $125 average for Arab States (UNDP 2009).

Engaging the highly qualified Tunisian diaspora: OTA maintains and regularly updates a database of Tunisian expertise located abroad, and facilitates their connections to home country institutions. The database improves knowledge about diaspora contributions to technical, economic and social development.

Economic impact of diaspora engagement: The economic instruments and incentives instituted by the Government have led to 11,815 ventures with a total investment of about $308 million and employment for about 48,000 people. These ventures have been mainly in the service sector (65%); industry (25%) and agriculture (10%).

Source Republic of Tunisia (2010)

Lessons from the Tunisian case study which African countries should consider adopting are as follows:

- The Tunisian Government established a department which was given a mandate to engage the Tunisian diaspora with a view of facilitating
their investments back home. This institutional set up provided a platform for coordinating diaspora investment in a structured manner which rarely exists in a number of African countries.

- The Tunisian Government provided numerous incentives and reforms which are aimed at creating and enabling environment and the ease of doing business for the diaspora;
- There is continuous engagement between the Government and the diaspora. Platforms such as diaspora day provide opportunity for dialogue between Tunisian Government and its diaspora thereby helping parties to address areas of concern. Unlike in the Ethiopian case, this has helped in building consensus, sense of patriotism and shared vision among the Government and the diaspora.

Global Practices on Engaging the Diaspora: Lessons for Africa

Asian countries which were successful in attracting diaspora investments such as China, India and South Korea premised their strategies on using highly skilled professionals in the diaspora for nation-building, mobilising diaspora investment and entrepreneurship for private sector development and creation of an enabling environment for diaspora investment.

The Enabling Environment

*Shared national vision between government and diaspora:* In as much as the diaspora may be capable and willing to contribute to national development, efforts must be made by government to develop objectives that are charming to the diaspora. South Korea, for instance, as noted by Chun (2010), crafted a shared national vision of industrialisation, underscored it with the slogan we can live well, too, and mobilised its friendly troops (the diaspora) around it. Korea realised in the 1960s in defining its own path for reconstruction, noted that an industrialisation strategy was the most credible avenue to eliminate poverty and create long-term economic prosperity.
The Korean industrialisation strategy was underpinned by its diaspora based in Japan. The Korean incorporated its diaspora as partners of development in the technology complex that would be established in Seoul (Chun 2010).

This measure, in addition to others put in place, helped to transform the Korean economy from a basic economy (where most Africans economies have remained or retrogressed) to one driven by industrial processes. As a result, the Korean economy grew from one that exported fish, plywood and around 1961 to one that exported seagoing vessels, automobiles and wireless communications in 2009; from one that imported minerals, fuels, machinery and electrical equipment valued at about $344 million to one that imported about $323 billion worth of the same categories of raw materials; and from a negative balance of payment of $311 million to a positive figure of $51.1 billion in 2014 (Bank of Korea 2015). This trend has continued which has seen the country exports in 2016 ballooning to $495.5 billion while imports stood at $406.1 billion thereby giving a trade surplus of $89.4 billion (Bank of Korea 2017).

The experience of China also supported the need for a well-articulated and shared a national vision around which to mobilise the diaspora. The Chinese government understood that Chinese diaspora would be vital allies in the reconstruction, modernisation and nation-building. According to Lin (2010), there are over 40 million Chinese in foreign countries, that is, more than 24 million of them live in Southeast Asia (most of them in Singapore, Indonesia, Thailand, Malaysia, Vietnam, the Philippines, among others). In these countries, the Chinese banked on the size of its population as an asset which the country used in strengthening itself in a global world.

Against this background, the Chinese government developed policies aimed at building cohesion and mobilise financial, political and diplomatic forces, with Beijing at its hub, instead of being a global scattering of individual Chinese (Young and Shih 2003). Favourable policies including generous investment incentives were instituted at all levels of Chinese government to attract diaspora capital. The post-1978 economic reforms which saw multiple investment friendly reforms including flexible labour laws, efficient administrative procedures, tax
incentives for investment, and massive investments in physical and social infrastructure implemented (Africa Development Bank 2011; Morrison 2017). In building on the impetus brought about by the reforms, aggressively engaged the diaspora as an integral part of the ‘Chinese Dream’ of economic modernisation, scientific and technological innovation and cultural revival (Liu and Dongen 2016). These reforms were not only attractive to the diaspora but also non-Chinese investors. These measures boosted FDI flows from the diaspora and increased bilateral trade between diaspora host countries and homeland China (Newland and Patrick 2004). Unlike the African dismal experience, the Chinese diaspora was not a global scattering, but a cohesive community of overseas Chinese people worked jointly with it to mobilise financial, political and diplomatic forces.

Unlike China, over the years, India had no comprehensive strategy on diaspora engagement. Evidence shows that there are only sporadic stories, but the government provides some incentives for the diaspora to make contributions, for example, returns on investments (Pujari 2010). However, in 2000 the Government of India tasked a High-Level Committee to analyse the potential development role of Non-Resident Indians for policy considerations. The Committee released its report in January 2002, and recommended a ‘new policy framework for creating a more conducive environment in India to leverage these invaluable human resources’ (Newland and Patrick 2004).

Much of the analysis showed why FDI and other business flows from the Indian diaspora have been low relative to, in particular, the Chinese. ‘Indians abroad generate an annual income equal to 35% of India’s GDP, that is, about $406 billion equivalent of India’s $1.16 trillion in 2008, yet have contributed less than 10% of India’s modest $3.55 billion of FDI.’ Overseas Chinese, by contrast, contributed half of China’s $48 billion FDI flow in 2002 and increased to $64 billion in 2016 (World Bank 2016). India’s lack of a specific strategy to engage the diaspora saw its ability of its expatriates to invest in their country weakened.

Interestingly, India successfully launched and sold US$4.2 billion five-year bond in 1998 and US$5.5 billion India Millennium bond in 2000 with the former being fully subscribed in just two weeks
(Ketkar and Ratha 2007). These bonds were bought based on national patriotism.

Going forward, in subsequent issues, the government recognised that patriotism alone could not bring about the targeted funds; it, therefore, provided incentives such as an interest rate two percentage points higher in dollar terms than the US bond market, option to redeem in US dollars or German marks, bond guarantee by the State Bank of India, and exemption from Indian taxes. Further, India launched these bonds, which were available specifically to Non-Resident Indians, with intensive marketing campaigns in the US and Europe (Pujari 2010).

Using Highly Skilled Professionals in the Diaspora for Nation-Building

South Korea, India and China have shown international best practices in attracting diaspora through the use of explicit instruments for attracting highly skilled professionals in the diaspora to home country institutions. Korea, for example, provided high-quality research environments, remuneration and incentives as in advanced countries (Africa Development Bank 2011).

India also provides some incentives that have contributed to the establishment of subsidiaries of multinationals and of joint ventures between multinationals and Indian firms. According to Africa Development Bank (2011), these were often driven by scientists who emigrated and subsequently returned and started inter alia information engineering and biotechnology businesses.

China also provides a good practice in reversing the brain drain. The Government of recognised the importance of reversing the brain drain, publicly support it and make it an important component of a national strategy of building the country through science and education (Africa Development Bank 2011).

Under these strategies, universities and research laboratories under the Chinese Academy of Sciences compete among themselves to attract good talent. Since early 2000, rewards from China’s market for those who transfer new technology into the country has been a force
behind reversing the brain drain (Zweig 2006). The government established high-tech development zones and returned overseas students’ enterprise parks to accommodate the upsurge of investment by overseas Chinese. Young graduates are encouraged to return to China by offering them preferential treatment in job placement, remuneration and tax incentives (Lin 2010).

The policy supported Chinese to study overseas, promoting return home, maintaining freedom of movement was adopted to encourage Chinese abroad with professional or business ties in both China and overseas to regularly travel back and forth. Overseas Chinese academics and young professionals are enabled to contribute to the homeland from overseas by means of cooperation with China’s research institutes, research visits, joint conferences, special discussion groups, taking up short-term part-time jobs, and so on.

Critical mass and technology parks help to reverse brain drain: Science and technology parks have characterised government infrastructure and incentives to attract highly qualified professionals from the diaspora and investments from diaspora for industrialisation. The basis of the technology park is that creative, highly skilled people work and live best when surrounded by similar people (O’Neil 2003).

Highly educated migrants are often reluctant to return to places where such people are lacking. China-Taiwan’s solution to this challenge was to subsidise the formation of a community of well-educated people at the Hsinchu Science-based Industrial Park. The result was a critical mass of creative, Western-educated people who have been able to significantly transfer knowledge to power China-Taiwan’s industrialisation. This measure, however, succeeded because of an already positive political and economic outlook and real demand for the returnees’ skills (Newland and Patrick 2004). As part of this brain trust, the government established a database, tracked skilled migrants and matched them with job opportunities at home; annual reports on employment needs in China-Taiwan were widely distributed abroad. Scientists, professionals and highly skilled technicians were systematically invited back to China Taiwan to teach and network with Taiwanese counterparts, officials and investors.
Mobilising Diaspora Investment and Entrepreneurship for Private Sector Development

Diaspora source countries can take advantage of their citizens in OECD nations to extend their reach into the international marketplace, using these as intermediaries between the private sector in the host country and as potential partners in their COO. Expatriates with one foot in each country are often revealed to be excellent ambassadors of national interests and valid negotiators between businesses in the two countries. Kugler and Rapoport (2005) showed that labour flows can lead to formation of business networks, and that migration can actually facilitate FDI. Javorcik et al. (2006) have also shown that networks of diaspora can positively affect FDI flows from their country of residence to the COO through information sharing and contract enforcement mechanisms.

Evidence shows that Indian software industry indicated that 14% of businesses received investment from Indians abroad; in 25% of those cases, they accounted for more than 50% of new investments (Javorcik et al. 2006).

China has also been highly successful in securing investments from overseas Chinese into mainland China: about 70% of China’s FDI in the last two decades has come from overseas Chinese, including Hong Kong and China-Taiwan, whose transfer of labour-intensive industries to Special Economic Zones on the mainland in the 1980s was a defining feature of Deng Xiaoping’s economic reform period (Africa Development Bank 2011).

Securitising and leveraging remittances: Remittances are now factored into sovereign ratings in middle-income countries and debt sustainability analysis in low-income countries, as they have contributed to reducing current account deficits of low-income countries (Ratha et al. 2010). Remittances, therefore, can significantly improve a recipient country’s credit ratings and provide opportunities for governments and financial institutions in receiving countries to access international credit at better interest rates and longer-term financing via securitisation of future remittances.
Countries, such as Brazil, El Salvador, Mexico, Panama and Turkey, have used future flows of migrant workers’ remittance-backed securities to raise external financing. Brazil’s Banco do Brasil, for example, in 2001, issued $300 million worth of bonds with five-year maturity, using as collateral future yen remittances from Brazilian workers in Japan. The terms of these bonds were significantly more generous than those available on sovereign issues: they were rated BBB+ by Standard and Poor’s which was higher than Brazil’s sovereign foreign currency rating of BB at the time.

Securitisation, according to Africa Development Bank (2011), normally involves the financial entity pledging its future remittance receivables to an offshore special purpose vehicle, which in turn issues the debt. Designated correspondent banks are directed to channel remittance flows of the borrowing bank through an offshore collection account managed by a trustee. The collection agent makes principal and interest payments to the investors and sends excess collections to the borrowing bank. Since remittances do not enter the issuer’s home country, the rating agencies believe that the structure mitigates the usual sovereign transfer and convertibility risks. Such transactions also often resort to excess coverage to mitigate the risk of volatility and seasonality in remittances.

**Conclusion**

Undoubtedly, remittances have become a major and stable source of financial flows to Africa since the turn of the new millennium. As shown in the analysis earlier, diaspora remittances is now surpassing the amount of international aid when considering the inflow of capital to Africa. This signifies that remittances and DDI are resources that African governments could significantly support and strategise about. The distribution of remittances has, however, remained skewed towards few countries. The cases of Ethiopia and Tunisia examined in this chapter demonstrate that there is tremendous potential in formalising working relationships with the diaspora who may have greater financial capabilities when efforts are brought together.
At a global scale, remittances coming to Africa are by far lower than regional counterparts. Other regions such as Southeast Asia and South America are drawing far more investment from their diasporas than Africa. In order to unleash diaspora investments, African governments must come up with a number of measures to remedy some of the blockages to diaspora investment flow. For example, there is a critical need to improve the regulatory environment and the ease of doing business. This could help develop trust and reassure investors of certain insurance on their monies in the case of direct investment in government bond scheme such as the Ethiopian example. Blockages to African DDI could be eased through a necessary dialogue as both the diaspora and national governments engage as full partners in a meaningful and sustained way.

The need for African governments to develop a variety investment vehicles aimed at fostering diaspora investments is not arguable from the literature perspective. Major financial institutions such as the African Development Bank, World Bank are unanimous about the need for proactiveness in this area. Frameworks such as inter alia diaspora bonds, revenue bonds and deposits accounts are enjoying a degree of success in other regions that seek to attract diaspora investment and African countries and their diasporas could learn from those. These investment vehicles must be supported by a sound regulatory environment as well as promotional forums in major countries that are recipients of African migrants and benefit from African diaspora labour. The Ethiopian and Tunisian examples are worth further scrutiny and research in order to establish good practice models for the rest of the African continent.

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