

Report on the High Level Forum (HLF) on Harnessing Diaspora Resources for Development in Africa, Mauritius, June 14-15, 2012

Executive Summary

This report is a synthesis of the various presentations and discussions of the HLF to depict an outline of the thrust of possible efforts under the GFMD 2012 to support migrants and Diaspora as agents of socio-economic change. The core message is that numerous opportunities abound in harnessing Diaspora resources for transformative development but African countries lack systems / organized arrangements to realize the potentials of this endeavor. There is a need for designs of region-wide and national specific engagement policy frameworks to reap the potential benefits inherent in utilizing Diaspora resources for development.

The way forward regarding efforts under the GFMD 2012 is to consider as an utmost priority the creation and establishment of a **Regional Migrant and Diaspora Engagement Facility**. This facility will support and facilitate the following key undertakings:

- Provision of intellectual leadership and advisory services for the design of Region-wide and National Engagement Policy Frameworks including task priority setting, implementation coordination and integration.
- Gathering of useable Data for Skills mapping, mobility and development with particular focus on (a) intra-Africa migrants, (b) Voluntary Diaspora / recent migrants; and (c) Involuntary and historical Diaspora.
- Legal Provisions and Arrangements in terms of (a) Migrant / Diaspora legitimate rights protection and enfranchisement; and (b) harmonization of national regulatory frameworks, foreign exchange and capital controls to deepen regional economic integration
- Public-Private Partnerships for structuring and launching (a) Regional Investment Fund; (b) Issuance of Regional Bonds for transformative regional infrastructure finance, (c) Regional Schemes for skills circulation and deployment; and (d) Platform for knowledge exchanges on global engagement practices and experiences.

Introduction: Forum Purpose and Objectives

1. This forum was co-organized by the World Bank and the Mauritian Chair of the Global Forum on Migration and Development (GFMD), both in follow-up to the first HLF in 2008 and in support of the GFMD Roundtable Session 1.2 on *Supporting Migrants and Diaspora as Agents of Socioeconomic Change*.

2 The **objectives** of the HLF were to provide a platform for:

- Taking stock of the practical actions African countries have taken to harness the resources of their Diaspora for development since the inaugural HLF in 2008.

- Sharing lessons and insights on the key elements and building blocks of effective and promising Diaspora engagement policies and strategies.
- Considering innovative products and tools offered by governments and the private sector that can facilitate efforts to increase the development benefits of Diaspora resources, particularly remittances and investments.
- Charting a path to intensify efforts and energy towards sustained policy interventions and strategies to harness Diaspora resources for improving development outcomes on the continent.

3. Over 85 officials involving representatives from 25 African countries and organizations; carefully selected presenters and discussants from varied countries including China, Philippines, Israel, Mexico, USA, Canada; industry practitioners and experts from academia, the public and private sectors (ECOBANK, PTA Bank, and private fund managers), bilateral and multilateral donor agencies participated in the forum.

4. The following is a synthesis of the presentations and discussions to depict an outline of the thrust of possible efforts under the GFMD 2012 to support migrant and Diaspora as agents of socio-economic change. The report highlights the core message which emerged, areas of possible opportunities and related challenges, the nature of country undertakings, some important factors underlying the success of certain global practices; and the tools, products and institutional initiatives which could constitute the building blocks of regional and country specific policy frameworks for engaging the Diaspora. As a way forward to harness Diaspora resources effectively for development, it is important to consider the creation and establishment of a Regional Migrant and Diaspora engagement facility to support and facilitate some key undertakings.

Core Message

5. The core message from the HLF is that numerous opportunities abound in harnessing Diaspora resources for development in Africa. Although the pathway to realizing this ideal is fraught with challenges, the potential benefits for the continent are legion in terms of productive mobility of labor, skills development, trade, investments and job creation. However, African countries lack systems / organized arrangements for engaging the Diaspora in transformative development. There is a need for designs of region-wide and country specific comprehensive engagement policy frameworks to enhance the development prospects of Africa with Diaspora resources. Addressing this overarching issue could be the thrust of efforts under the GFMD 2012 to support migrants and Diaspora as agents of socio-economic change.

Opportunities and Challenges

6. Possible areas of opportunities include: Remittances, Investments, Skills Circulation, and Technology Transfers, Philanthropy, Volunteerism and Mentorship; Advocacy and Enfranchisement to promote good governance.

7. In the case of remittances and investments, implementing certain innovative measures could increase flows and the prospects for investments through cross-selling of targeted products and services. These measures would involve seamless banking services dedicated particularly to intra-Africa migrants and Diaspora, financing mechanisms to promote intraregional trade and business, competitive

transfers and cross-cutting measures which target high cost country corridors, and Bank to Bank remittances. The measures would also include rapid transfers with Bank networks, Diaspora Accounts which provide seamless access to exclusive Diaspora cards, internet banking, dedicated account managers, mobile money transfer services, and utilization of micro finance institutions geared at boosting domestic revenues. However, to harness such potential benefits for development purposes, there is the need to harmonize national regulatory arrangements, reduce regional and sub-regional foreign exchange and capital controls and deepen integration of the various national economies.

8. In the same vein, Diaspora professional networks are active and available for skills development, strengthening of capacity for service delivery and knowledge transfers in various fields including science, technology and engineering, agriculture, health and education. The numerous Diaspora civic groups involving hometown and linguistic-based associations, faith-based groups, and alumni associations could be orchestrated with mechanisms to facilitate philanthropic and volunteer contributions matched by governments and related public sector facilities to open up job creation opportunities in local communities.

Ad-hoc and narrowly focused country practices

9. Presentations on practices in selected countries – Ghana, Mali, Madagascar, Kenya, and insights from others including, Nigeria, Liberia, Comoros, Cote d’Ivoire, Gambia, Togo, and Eritrea highlighted a revealing trend: many country engagement undertakings are ad-hoc and not based on a coherent policy vision and consultative frameworks with inputs from the Diaspora. In some cases, focus is restricted to a specific line of action.

10. For example, **Mali** has initiated a UNDP-supported Transfer of Knowledge through Expatriate Nationals (TOKTEN) program which created a framework for dialogue on the contributions of Malian expatriates to the economic and social development of the country. As reported, there exists abundant intellectual, scientific and technical capacity among the Malian Diaspora to provide important research and development inputs for implementing solutions to the country myriad problems. However, inadequate and inflexible funding under the TOKTEN initiative restricted the availability of the participating professionals to a few weeks of interactive engagement; and there was minimal or no involvement of private sector institutions in the implementation of the program.

11. Engagement undertakings in **Ghana** have largely been event-specific through periodic home-coming summits geared towards the Africa-American communities. A secretariat created within the Ghana Investment Promotion Council to coordinate potential investments from the Diaspora does not function beyond hosting of promotional and outreach activities once a while in selected countries with heavy concentration of Ghanaians. Accordingly in **Madagascar**, there is lack of institutional partnership with the Diaspora, and the engagement initiatives undertaken are mainly low-level activities which are poorly understood by the government and other development actors. The Government of **Kenya** is working in partnership with the World Bank and others to build the capacity of its directorate of the Diaspora Affairs in the Ministry of Foreign Affairs. Further, an infrastructure bond issued by the Central Bank of Kenya entails a component targeting the Diaspora with features including seemingly attractive coupon interest percentage bi-annual payments in local currency, and the ability to pledge for commercial credit. Much as these disparate actions are encouraging, none of the countries could present evidence of engagement measures entailing comprehensible initiatives covering all facets of available opportunities for effectively harnessing Diaspora resources to improve development outcomes on the continent.

Important factors underlying successful global practices and experiences

12. A key construct of successful global practices is a grounded institutional system which provides the enabling and supportive environment for targeted well-coordinated actions. Highlights of notable practices in China, Philippines, Israel, and Mexico support this cardinal viewpoint.

13. The mainstays of **China** engagement strategy to attract investments from overseas Chinese are:
- Government ability to provide sustained, stable and healthy economic growth serves as the foundation.
 - A panoply of structures involving five overseas Chinese agencies are created at the central and provincial levels to implement government policies geared at inducing contributions from the overseas Chinese.
 - Relevant laws and regulations are enacted and enshrined to ensure that the legitimate rights and interests of overseas Chinese are protected as a prerequisite for attracting investments.
 - Efficient implementation of the overseas Chinese policies including reforms to establish Special Economic Zones and open cities.
 - Effective channels are established for overseas Chinese to participate in the country's democratic political life.

14. In the case of the **Philippines**, strong collaboration between Government (through corresponding embassies and consulates) and networks of Diaspora-based local counterpart NGOs has been the pathway to initiating successful activities to harness Diaspora resources for development. The fortuitous emergence of a legitimate lead Diaspora organization acting as champion and initiator, and the initial focus on mutually agreed actions which provide visible and tangible benefits to the local communities have been the rallying and motivating factor of success. Overall, the strategic transformation of the lead Diaspora organization into the Philippine Development Foundation with matching support by the responsible government institutions at various levels as partners in the implementation of selected activities has been the hallmark of the Philippine Diaspora engagement experience.

15. The **Israeli** strategy has transformed from relations with Diaspora initially controlled by the Government, through the increasing impact of civil society as a locus of Diaspora involvement, and to the current institutional web cross-cutting the public, private and nonprofit sector that governs communication and cooperation with the Diaspora. Government-sponsored or inspired interventions and programs are augmented by initiatives from civil society. Increasingly, Diaspora NGOs serve as an independent channel for the transfer of not only of Diaspora funds to the homeland for social development but also of expertise and enhanced professional practices. In sum, the success factor of the Israeli strategy is a combination of top-down and bottom-up approaches to forging a meaningful and sustained Diaspora-homeland relationship.

Possible elements of Regional and Country Engagement Policy Frameworks

16. Various instruments, tools, products and institutional initiatives discussed could constitute the building blocks of policy frameworks to leverage Diaspora remittances and savings for investments and job creation; institutionalize schemes for utilizing professional networks for skills development; and partnership regimes which would underpin the support systems for the implementation of such plans.

Insights and perspectives provided could serve as useful guide in considering the use of these tools, products and initiatives - Diaspora Bonds, Investment Fund, Remittances Institute and Schemes for attracting skills) - as channels for harnessing Diaspora resources for development.

Diaspora Bonds

17. The debate is mixed. Diaspora bonds can bring risks and returns. The success stories (e.g. India and Israel) may not be easily transposed to Africa. Industry practitioners view Diaspora bonds as potentially wasted investment, as the patrons could lose money resulting from currency fluctuations and default on issuance. Diaspora Bonds are not a magic bullet. The main challenges are to (a) address the risks associated with the issuer, (b) have adequate knowledge of the investor base, (c) define clearly the target investor base; and (d) classify the product in terms of performance, volatility, and diversification.

18. **Burundi** is seen as a first-class structured model of a Diaspora bond that is solidly packaged and tied to development programs. It is based on a **strong Government-Commercial Bank partnership**, with both acting as co-guarantors, and is allocated to two national accounts – the debt service account and the rural development account. Other attempts at Diaspora bonds have been less successful.

19. To succeed, Diaspora bonds need to be based on solid public-private partnerships, reliable banking systems, confidence, security, risk management, investor knowledge, clear product identification, broad and targeted marketing, and sufficient information to make the right connections with the potential investors. It is posited that given the fragmented nature and small size of the various economies, Regional Bonds will be more attractive and viable than national bonds. The key factors of success are the structure and distribution of the bonds. An **African Bond Index** could be set up to benchmark bonds across Africa and track the performance of the bonds market in Africa. Regional bonds could then be issued to reflect the basket of performance indicators.

African Diaspora Investment Fund (ADIF)

20. The concept of mobilizing Diaspora resources into private vehicles for investment to support critical development efforts on the continent is laudable and doable. In terms of quick win, the industry practitioners generally consider a Diaspora investment fund as a more lucrative proposition to investors and with potential impact on development outcomes than a bond. The envisaged engineering of such a fund to provide development equity financing of SMEs, unlock and involve the participation of pension and sovereign wealth funds, create links to multi-donor regional infrastructure financing facility to finance transformative regional infrastructure, and entail risk mitigation and credit guarantee regimes would enhance the feasibility and attractiveness of the initiative as a private-public venture. This projected means of inducing private equity in African development would likely raise the level of management, improve governance, increase scale of operations, help target businesses to compete regionally and globally, and open businesses on the continent for additional investments.

African Institute for Remittances (AIR)

21. The AIR initiative could provide an important pathway to leveraging remittances for development. A major advantage of AIR may be its legitimacy as a continental organ. Industry practitioners suggest the value-added of the Institute should go beyond reduction in the cost of money transfers. Some wonder whether the Institute would hinder rather than facilitate remittances; and if

Banks are not better placed to handle such issues more efficiently instead of creating another entity with the risk of generating more costs. It was posited that given present day technological advancements, the time may have passed for the idea of such an institute to be relevant. And perhaps it may be more beneficial to concentrate on making mobile money transfers accessible to more people as is the case in the Philippines which has evolved to establish and operate a regime of no-fee transfer of money. Other lingering questions relate to the future location of the Institute, its affiliation with the host government (whether autonomous or independent), and the role of other stakeholders including the private sector in the AIR operations.

Schemes for Attracting Skills, Expertise and Talents

22. Diaspora skills could be engaged to augment development efforts in various fields using multiple avenues for short, medium and long term assignments; permanent return, circulation and twinning arrangements, and virtual with innovative use of information communication technologies. In this endeavor, it is important to cultivate a community of practitioners by identifying and working with champions, establishing and communicating extensively with the various stakeholders, and leveraging existing professional and social networks. A demand-driven approach is essential to mobilize and sustain participation given the distinct roles and responsibilities of the various stakeholders. A critical winning factor would be the combined resources and involvement of all major stakeholders including Government, Diaspora, Private Sector and Donors to promote and support a particular engagement endeavor. In this regard, passion, commitment, dedication, coordination, attitudinal changes, high level support and financial resources are some of the ingredients for enhanced engagement of available skills for development.

The way forward pertaining to efforts under GFMD 2012

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