

Harnessing African Diaspora remittances and skills to drive growth in Africa

By Maureen Kimani-Lucas, CAPafrique, October 2007

Remittances sent back home by Africans in the Diaspora have grown tremendously in the past few years and play a non-negligible role in some countries' economies. For instance, in 2005, the World Bank estimated the following remittance data for some African countries: Morocco \$ 4,589 million (9% of 2005 GDP); Egypt \$ 5,017 million (5% of 2005 GDP); Nigeria \$ 3,329 million (4% of 2005 GDP) and Kenya \$ 524 million (3% of 2005 GDP). These figures only reflect the "official or traceable remittances".

There is little surprise therefore that African governments have taken notice. Subsequently, some governments are taking action to shift this resource from mere "sustenance remittance" to more focused investment contributing to local wealth creation and long term growth for the countries. Two countries that have taken this approach are Kenya and Nigeria and below are brief case studies on the approach taken.

1 COUNTRY CASE STUDIES ON GOVERNMENT EFFORTS

Kenya

In light of the growing remittances and the pick up in the economy, AfricaRecruit and the Kenya High Commission in London organized an investment conference in Dec 2006 targeting Kenyans in the UK and Europe in general. The objectives of the event were to:

- Mobilize Kenyans in the Diaspora to invest back home
- Inform Kenyans of the investment opportunities in Kenya
- Understand challenges facing Kenyans abroad while making investments in Kenya
- Develop strategies to increase Diaspora investment

The current Finance Minister, A. Kimunya, gave the key note address while the various private and public sector delegations outlined the investment opportunities available in their respective domains.

A similar event was held in March 2007 at the Kennesaw State University, USA. The Finance Minister gave the key note address.

Outcome of the Kenya Government Diaspora Events

- A more visible "Director of International jobs and Diaspora" office at Kenya's Ministry of Foreign Affairs
- In July 2007, the Kenyan Ministry of Housing ran a property exhibition event in London with priority treatment (advice, simplified procedures) for Kenyans making investments
- The Kenya Investment Agency proposed to set up a Diaspora investment desk/ contact and to provide timely and accurate information to Kenyans abroad on investment opportunities

Nigeria

NIDO stands for Nigerians in Diaspora Organization (Europe and Americas chapters) and is the brain child of former Nigerian President Obasanjo. In creating the organization, Obasanjo hoped that NIDO would allow the Nigerian government and Nigerians abroad to interact on how the latter could help in nation building.

Some of NIDO's objectives include:

- To promote the spirit of patriotism amongst Nigerians living abroad and encourage their participation in the affairs of Nigeria
- To encourage contacts and networking amongst Nigerians
- To serve as technical advisers, partners and act as catalysts with Nigeria with respect to development of policies, organization and implementation of social and economic programs
- To encourage and assist Nigerians who wish to return to Nigeria permanently, and to dissuade skilled Nigerians from emigrating from Nigeria, thereby helping to stem further brain drain

Events organized by NIDO include conferences with key players in the Nigerian economy to inform members of the investment opportunities.

Other activities to reach out to Nigerians abroad include the Nigeria Stock Exchange Road show. The 2007 show was held in June in the UK and was led by the Stock Exchange Chief Executive.

2 IMPACT OF THE GOVERNMENT INITIATIVES

Kenya

The Kenyan initiative is still new and hence too early to judge.

In Nigeria, earlier initiatives by the government to reach out to Nigerians abroad saw the establishment of businesses such as CAMAC International's Allied Energy Resources Nigeria Limited. CAMAC is an energy services enterprise based in Houston, Texas and owned by Nigerian national Kase Lawal. The company has interests in oil & gas exploration in Nigeria and Colombia; wholesale electricity trading in the USA and transportation in S. Africa.

Nigeria

Nigerian bank UBA has also developed a "Non-Resident Nigerian" banking service and some products on offer include local bank account maintenance, loan facilities e.g. for real estate development, asset management products and private equity facilities. The Private equity product aims at encouraging participation of non-resident Nigerians in local small & medium size enterprises.

3 INDEPENDENT EXAMPLES OF INVESTMENTS BY AFRICANS WHO HAVE LIVED OR STILL LIVE ABROAD

To further strengthen the case as to why governments should make more efforts to harness Diaspora remittances, below are examples of companies founded by Africans who have either lived abroad and have now moved back to Africa or, are still living abroad. The common underlying theme in these examples is the processing and marketing of high quality African products and the fair involvement of the local communities.

Good African coffee company, Uganda (www.goodafrican.com)

Andrew Rugasira, a Ugandan national, founded Rwenzori Tea Company (recently re-branded Good African Coffee Company) in 2003. A Law and Economics graduate from the University of London, Andrew is also the founder of 2 other Ugandan companies: VR Promotions, a corporate promotions & event management company, and Commodity Trading International. The latter processes and markets agricultural produce.

As mentioned on the company website, Andrew is a strong believer of Africa's need for TRADE and not AID. Hence, Good African Coffee Company buys quality African coffees direct from the growers at prices that ensure that they make a profitable return on their labor; and seeks to

transform the stereotypical 'basket case' image of Africa by being an example of integrity, entrepreneurial commitment, product excellence and community transformation.

As part of the value creation process for shareholders, the company invests 50% of net profits in sustainable community projects that include education, healthcare and interventions targeting vulnerable community members.

The highland tea company, Kenya (www.highlandteacompany.com)

The company was incorporated in Kenya in 1991 and is run by the mother and daughter duo, Watiri and Wanja Michuki. The company's aim is to sell Kenya's finest teas on both retail and wholesale level. Wanja launched the US branch of the company after she completed her graduate studies at Columbia Business School in 2002.

The Highland Tea Company is a member of the Specialty Tea Institute, which is a division of the Tea Association of the USA. A complete product line is available on the company website.

Highland Tea is giving back to the community through the "Redefining the heart of Kenya Tea" project, which invites people to sponsor a self powered Freeplay Lifeline radio for poor rural tea farmers in Kenya.

The Freeplay Foundation's award-winning Lifeline radio does not require batteries or electricity to run and will be used to educate poor farmers on better farming methods and HIV/AIDS & Malaria prevention as well as to receive weather reports.

SUMMARY

For the longest time, African emigration has been met, and rightly so, with heavy criticism. From an African perspective, emigration has given rise to brain drain as the better skilled professionals leave the continent in search of better economic opportunities in the West.

In my opinion, while the emigration issue should not be ignored, a positive side of the phenomenon lies in the Diaspora remittances and investments in Africa. Channeled in the right way, these remittances can have a much larger economic impact on the local economies and eventually, possibly play a role in reducing the number of people seeking to emigrate. The governments should therefore encourage the diaspora community to invest in formal projects, individually or in groups, and in sectors that will create jobs locally as well as grow the GDP. The investments can be in monetary form or as consultancy services to impart skills.

Obviously, for the remittances to have such a long term impact on the economy, governments should also work towards improving governance and providing the right investment incentives. In so doing, African governments will be putting Africa on a path to self sustenance and with the Diaspora monetary and intellectual resources playing a contributory role.

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