



FINAFRIQUE RESEARCH

WHAT TOOLS ARE NEEDED FOR AN ECONOMICALLY “USEFUL” DIASPORA IN AFRICA'S EMERGENCE?

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ABBREVIATION

AFFORD	African Foundation for Development
BAD	African Development Bank
BOAD	West African Development Bank
CEEAC	Economic Community of Central African States (Angola, Burundi, Cameroon, Centrafrique, République du Congo, République Démocratique du Congo, Gabon, Equatoriale Guinea, Rwanda, Sao Tomé-et-Principe et Tchad)
CEMAC	Economic and Monetary Community of Central Africa (Cameroun, Centrafrique, Congo, Gabon, Guinée Équatoriale et Tchad)
EADG	Ethio-American Doctors Group
FCFA	Franc CFA (Local currency of the zones CEMAC et UEMOA)
HDI	human development index
KfW	Kreditanstalt für Wiederaufbau (Banque de Développement Allemande)
KPI's	Key Indicator Performance
OPCVM	Organization for Collective Investment in Transferable Securities
OSAA	Office of the Special Adviser on Africa
GDP	Gross domestic product
GNI	Gross national income
SADC	Southern African Development Community
SICAV	Investment Company with Variable Capital
UA	African Union
UEMOA	West African Economic and Monetary Union (Bénin, Burkina Faso, Côte d'Ivoire, Guinée Bissau, Mali, Niger, Togo)
USAID	United States Agency for International Development



FOREWORD

The HDI, human development indicator, is a measure of the level of development constructed by the United Nations Development Program. (PNUD).

It aims to measure the level of development of countries, without simply relying on their economic weight measured by GDP or their standard of living traditionally measured by GDP per capita. It therefore integrates more qualitative data.

It is an indicator that synthesizes (it is called a composite or synthetic indicator) three sets of data:

- ▲ Life expectancy at birth (which provides an indication of the health status of the country's population and therefore of the well-being of the population),
- ▲ **Le The level of education measured by two indicators:** the average length of schooling and the expected length of schooling, based on the idea that acquiring knowledge facilitates individuals' life choices and freedom.
- ▲ The real GNI (i.e., adjusted for inflation) per capita, calculated in purchasing power parity (i.e., in an amount ensuring the same purchasing power in all countries); the GNI per capita provides an indication of the average standard of living in the country since it takes into account all the income that individuals can use to consume and meet their needs.
- ▲ The HDI is presented as a unitless number between 0 and 1. The closer the HDI is to 1, the higher the country's level of development. The calculation of the HDI allows for the establishment of an annual ranking of countries. (Source : www.webclass.fr).

Primary needs

This refers to basic needs and security needs. It therefore includes all initiatives aimed at improving agriculture, food security, access to drinking water, and living conditions.

The education of training

This refers to everything that provides individuals with the foundation of knowledge and learning that enables them to flourish individually and collectively through the development of skills in all forms. It therefore extends to projects that guarantee access to knowledge, art, and culture.

The level and lifestyle

It is naturally about goods and services allowing the human being to live better, i.e. more freely, more easily. The projects on this land include transport, ICTs, urban infrastructure, energy, automates, etc.

In all these areas, a good number of projects have been initiated, according to the plans of each country. To achieve the expected results, it seems essential for these countries and even for the continent to be able to rely on a diaspora that is more involved, in a more pronounced way.

Indeed, the African diaspora is regularly at work toward the black continent, thru various initiatives and to varying degrees.

In the area of *primary needs*, for example, it acts by providing care equipment and materials, financial support to relatives, investments in agriculture, and various community and humanitarian initiatives.

With regard to actions relating to education and training, one can cite numerous donations of materials, supplies, computer tools and events regularly organized for the promotion of local cultures.



In terms of *living standards*, we have noted the involvement of the diaspora in real estate projects, business start-ups, technology transfer, and the importation of machinery and vehicles.

Although they exist, diaspora initiatives remain difficult to quantify because they are often individual in nature.

It is therefore important to find and implement solutions that can bring them multiplicity, speed, and scope. This undoubtedly requires a lot of consultation and coordination with the local sphere. We must succeed in moving away from the logic of mistrust on one side and defiance on the other, which are powerful obstacles to fruitful collaboration.

The process of Africa's emergence needs, and must be catalyzed by the contributions of everyone, including the diaspora, for the benefit of the continent. The means of this catalysis are certainly numerous and varied.

In this study, we aimed to propose solutions likely to support the success of these emergence projects, focusing on three major axes of African diaspora involvement.

it is a matter of:

- 1_ A return to the continent of the entrepreneurial diaspora,
- 2_ A more sustainable transfer of skills through a one-stop shop for recruitment and guidance,
- 3_ Better mobilization of savings to finance large-scale projects in Africa.

The idea is to use innovative tools to create a real dynamic that would transform current practices in order to increase the chances of truly inclusive growth



INTRODUCTION

Since the beginning of the 21st century, many African countries have embarked on economic programs described as “emerging” because they are inspired by the development process observed in the BRICS¹ countries.

These different plans, which have had varying degrees of success in their implementation, all share a common goal:

CREATE A DYNAMIC THAT IMPROVE THE WELL-BEING OF POPULATIONS THROUGH INCLUSIVE GROWTH ;
THAT IS ECONOMIC GROWTH DRIVEN BY LOCAL PRODUCTION.

Given that most African countries are members of subregional groups bound by economic cooperation agreements, would it not be useful to shift these emergence programs toward a more global vision? How can we gradually limit the wealth and value created by major projects, particularly infrastructure projects, from flowing back to Western countries through the multinationals that carry them out? How can we better mobilize all the driving forces in these territories from north to south of the African continent so that everyone can contribute to meeting this necessary challenge facing Africa?

This study aims to contribute to this in its own way by reframing the debate on the African diaspora's participation in the continent's renaissance. Fully endorsing the vision of the African Union (AU), which considers the African diaspora to be Africa's “sixth region,” at FinAfrique we have chosen to offer tools that could impact the involvement of this diaspora in the service of African emergence.

Indeed, we are convinced of the need to limit the brain drain that hinders the chances of true inclusive growth in Africa, as it could be done in the BRICS or in Western countries. That is why our proposals concern the workforce necessary for the successful implementation of large-scale projects in Africa, the mobilization of savings gleaned from the countries of installation and the essential return of experienced entrepreneurs from the diaspora. The main objective being to strengthen, on the continent, a necessary dynamic for the creation of jobs and wealth that would be shared differently by all.

Moreover, access to emergence should result in a reversal of migratory flows from Africa, in a context where Western leaders, like the recent breakthroughs of nationalist movements during elections, maintain the idea of a withdrawal into oneself.

It is therefore a question of creating the conditions for a harmonious return for those who have left and a more comfortable anchorage for those who live there. But one must remain cautious because, beyond the material - obvious - conditions on which action is needed, there are important psychological projects.

To guide our thinking, we will outline a number of economic, financial, and entrepreneurial levers that could increase this contribution.

¹ English acronym for the five largest emerging economies in the world.

The name BRIC, which appeared in 2001 in reference to four countries (Brazil, Russia, India, and China), became BRICS in 2011 with the integration of South Africa.



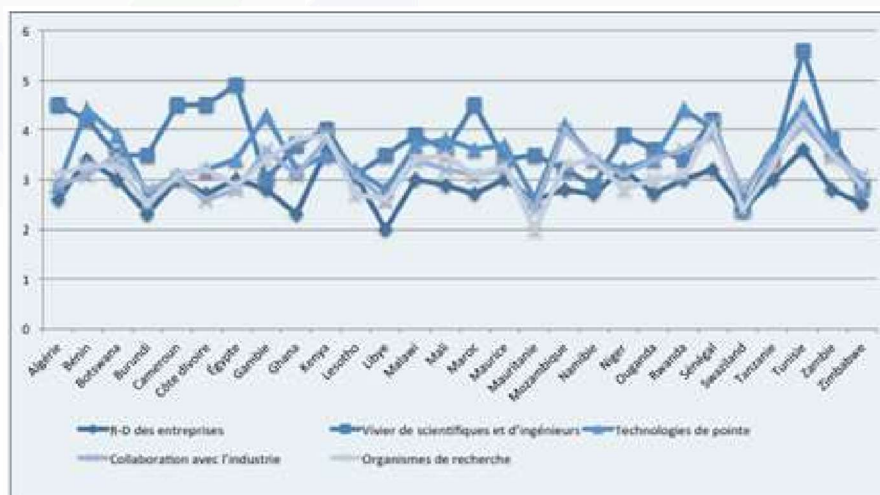
A GUARANTEE AND START UP FUND TO ENCOURAGE ENTREPRENEURIAL RETURN

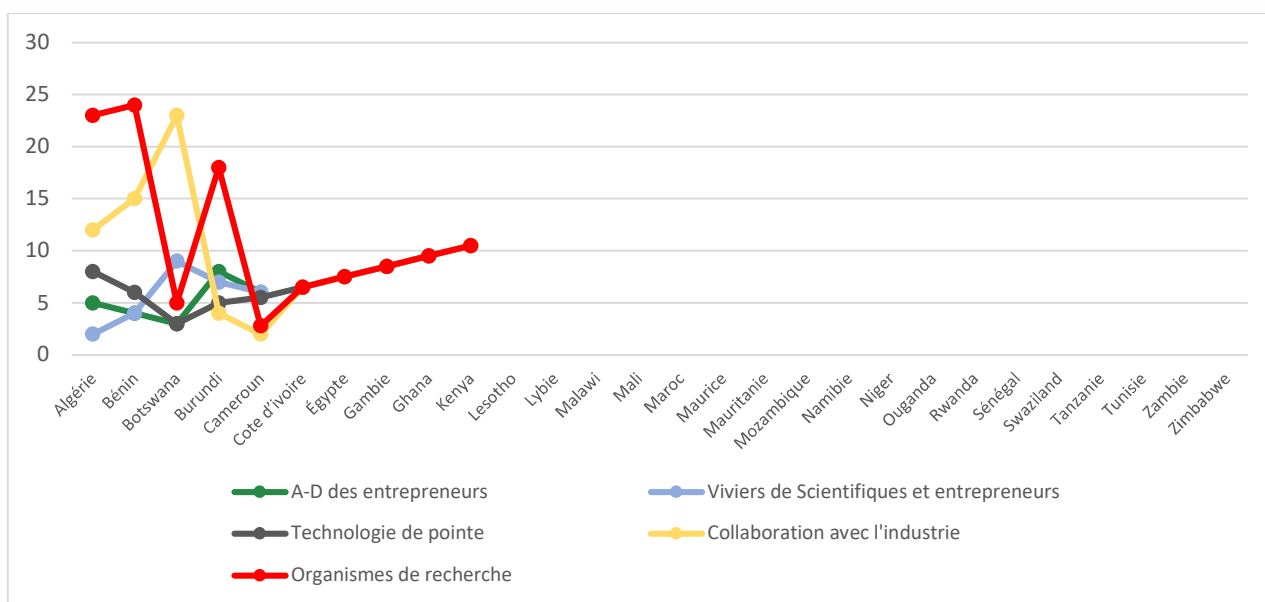
The issue of bank financing, common to all sectors of activity, has for many years been very accentuated for the enterprising African diaspora who wishes to return to the continent in order to continue their activities. In addition to these funding difficulties, there are others related to the business environment and social protection mechanisms. In such a context, the desire of entrepreneurs from the diaspora to return and contribute to the economic and social development of their countries of origin runs up against a lack of support on both sides - in the country of installation as well as in the country of return.

Faced with this situation, which has been decried and unresolved for too long, it becomes crucial to establish a genuine mechanism capable of facilitating access to financing (guarantee funds) but also of supporting the success of the entrepreneurial project and ensuring financial security in case of difficulties encountered in the implementation of the project. This mechanism aims to contribute to job creation thru the promotion and development of small and medium-sized enterprises in African countries.

DIASPORA ENTREPRENEURSHIP AS A TRUE RELAY FOR INCUSIVE GROWTH

In 2016, during a forum on the role of the diaspora in Africa, Mr. Akinwumi A. Adesina, President of the African Development Bank, addressed his audience by explaining that ideas considered simple in more mature ecosystems can become true innovations on the continent, provided they are adapted to the local context and take into account the basic needs of the communities. This means that Africa really needs innovation and creativity to support its economic and social development, as well as the ability to identify important problems in society and find solutions to resolve them





Types of innovation in Africa (Forum économique mondial 2010)

As shown in the graph above, the drivers of innovation are very weak in Africa, even though North African countries are closer to the average level found in Western countries..

From this perspective, entrepreneurship would be the most obvious path toward an explosion of economic growth on the continent. There is nothing like the creation of innovative businesses and startups to improve the daily lives of the population and at the same time create jobs on the continent. This would not only better reduce unemployment but would also make other members of the diaspora realize that in Africa too, it is quite possible to make a difference with a bit of consistency and a touch of creativity.

The factors of insecurity related to diaspora entrepreneurship are of two kinds: those directly related to financing difficulties at all stages of project implementation and those related to support in case of bankruptcy or illness.

A MULTI-COMPARTMENT MECHANISM

Several initiatives have been designed to encourage and stimulate entrepreneurship on the African continent. Some of them target the diaspora, others women, or even young people. Our wish is to strengthen these structures by proposing a mechanism based on three (3) main levers that directly affect entrepreneurs from the diaspora, eager to settle in an African country :

- ▶ **A guaranty fund** : It involve establishing a guaranty system up to a certain amount for bank loans granted to diaspora entrepreneurs who wish to relocate their activities to an African country. But unlike the practices predominantly adopted by guaranty fund in Africa, the of these loans (cost, duration, procedures, etc.) will have been defined in advance within the framework of a partnership agreement.

The guarantee fund would then act as a guarantor in place of the contractor who has validly met the fund’s own selection criteria and not the lending bank.

In return for this guarantee, the fund will hold, during the term of the loan, a minority proportion of the shares of the selected company. As the fund is not intended to maintain its presence in the company’s capital, exit conditions will have been defined upstream.



It would also be imperative for the guarantee fund to be rated in order to benefit from the best loan conditions from financial institutions and investors.

In addition to the relocation of activity to an African country, the fund could also intervene for the resumption or creation of activity towards the same destination.

- ▲ **A seed fund** : The purpose of the seed fund is to support the proper implementation of the project by providing any technical support and/or a business incubator-type support structure.

This financing, which can take the form of a grant, a loan of honor for the diaspora or an investment loan, aims to promote innovation on the continent, with a particular focus on R&D (Research & Development).

- ▲ **A fun to protect solidarity**: It is a fund that is structured on the mutual principle of an insurance and aims to intervene in case of bankruptcy or real difficulty for the success of the project, by paying a monthly allowance to the entrepreneur who has ceased operations during a retraining period to be defined.
- ▲ The role of this fund is not to subsidize individuals who have encountered difficulties due to the consequences of their management actions. On the contrary, the system must be both defensive (compensate entrepreneurs in real difficulty) but also offensive (allow everyone to find professional activity or recreate a new business). That is why the fund will clearly define the conditions for support and will rely on support structures to manage the risks of potential bankruptcies.
- ▲ Thus, the fund will define compensation rules that can strike a fair balance between the necessary replacement of income and the incentive to start a new activity. This involves defining compensation rules that strike the right balance between the necessary replacement of income from activity and the incentive to seek employment.

Financing the scheme

All the device that we propose above, requires the establishment of an associative structure, in the form of a federation of associations, of the diaspora. This will ensure that its members have autonomy in decision-making and operation (which cannot be achieved by arbitrations at the level of political and state authorities) with regard to diaspora communities. It will therefore be up to this structure to set up the management bodies of this multi-compartment system, such as a financial institution.

The financing system we have imagined would be evolutionary, in that it would eventually allow for self-financing of its operations by the structure itself. But, in the meantime, it would rely on a flat commission, around 0.2%, paid by economic operators who derive their income from activities involving the diaspora. This will therefore affect services such as :

- ▲ Money transfers between the African continent and the regions of settlement,
- ▲ The chartering of goods toward Africa,
- ▲ Airline tickets.

Let's take the example of money transfers from the diaspora (outside Africa) to Africa. It could apply reduction costs of up to 0.4%. This reduction would be distributed as follows: a 0.2% reduction for the sender (which would encourage a significant number of people to adhere to the principle) and the remaining 0.2% would be placed directly into the guarantee fund.



This non-mandatory system would therefore rely on the commitment of each economic actor to contribute to this initiative aimed at encouraging entrepreneurial feedback.

The eligibility criteria from entrepreneurs from the diapora

The mechanism we propose aims to make a real contribution to the desire to drive inclusive growth in Africa. For this, it supports innovation and competitiveness in African sectors and businesses as a factor for growth and employment. He practices positive discrimination among members of the entrepreneurial diaspora in order to promote projects that are promising and likely to address the issues of each destination country.

These criteria concern both the business project and the project leader himself:

- ▲ History of the company in the country of installation of the contractor,
- ▲ Technical, managerial and financial capacity of the entrepreneur,
- ▲ Legal form of the company and distribution of share capital,
- ▲ Innovative nature and maturity of the project,
- ▲ Potential for the company and the targeted market to develop,
- ▲ Positioning in relation to the competition.



A BENEFICIAL COOPERATION SYSTEM BETWEEN DIAPORA ENTREPRENEURSHIP AND LOCAL ENTREPRENEURSHIP

YOUNG PEOPLE FACING THE EMPLOYEMENT WALL

In 2014, half of the African population was under 20 years old; this same population is increasingly better educated given the education and training policies implemented since the end of the 1990s. Some African countries have a literacy rate of more than 90%, and that of young graduates has tripled in 10 years; 10% of African youth now holds a master's degree or a PhD.

In this same Africa, 60% of the unemployed are under 25 years old². It is in this context that we find ourselves confronted with the informal, which is a palliative solution to the lack of job offers from classic schemes (state and its branches, formal companies). According to the OECD³, Sub-Saharan Africa excluding South Africa has an average tax to GDP ratio of less than 20%, while it is around 23% for Latin America and the Caribbean, and 34% for OECD countries. One can deduce that the importance of the informal sector is significant. The direct consequence of the informal sector as a real source of income for those who work in it is that there is no leverage at this level for the State to raise taxes, particularly to develop its infrastructure, and consequently allow more growth and productivity, thus employability.

In the absence of concrete and immediately applicable solutions with visible results, entrepreneurship has become the panacea, the miracle solution favored by political decision-makers and by the young people themselves. This enthusiasm for entrepreneurship is manifested thru the countless government programs supporting youth entrepreneurship (25% of projects are dedicated to it)⁴, as well as thru the desire of young unemployed individuals to create their own businesses (35% of the unemployed plan to start their own business)⁵. The entrepreneurial culture is very much alive in Africa, as about 80% of Africans consider entrepreneurship a good career opportunity

THE DIGITAL REVOLUTION AS A SOURCE OF HOPE

The continent has the highest proportion of adults in the world starting or managing a new business. This potential is currently expressed through a digital revolution that Africa is in the process of achieving by relying on a reservoir of creativity, innovation and amazing entrepreneurship. The innovations proposed by Africans are often simple ingenious solutions that respond to the concrete problems of the continent, with ideas for "doing more with less".

The first 3D printer made of user electronic components, the W. Afate, was thus created. Drones are used in Rwanda to open up populations or urgently transport medicines to remote areas²³⁴⁵⁶. Cardiopad allows cardiac examinations to be carried out and therefore their follow-up in remote areas, thus avoiding tedious travel costs. Fintechs, such as M-Pesa which allows the Kenyan population to transfer small amounts of money only by phone, or Farm Drive which offers alternative scoring solutions for farmers in order to allow them access to credits, act as banking inclusion tools. LifiLED Côte d'Ivoire brings a beginning of response to the issues of digital and energy white zones. In 2017, LifiLED completed the connection to electricity (photovoltaic panels) and Internet (LED lifi

² ILO 2009 figures cited in the African Economic Outlook 2012.

³ OCDE report 2016 « Statistiques des recettes publiques ».

⁴ Results of a survey among country experts on economic prospects in Africa (2012).

⁵ Data from surveys of Gallup World Poll 2010.

⁶ Thèse de Camille Andrieu HEC Entrepreneurs "Le XXI^e siècle s'invente en Afrique" 2017.



and satellite) of a village of 5000 inhabitants located 400km from Abidjan for the modest sum of 7500 €! The Senegalese start-up Somtou has implemented the first CRM tablet for the informal sector (fishmongers, tailors, shopkeepers...) who can follow the evolution of KPIs and have a real digital management tool for their activities without any letter to fight against the exclusion of illiterates.

All these projects are based on:

- 1_ Technologies at the cutting edge of the state of the art (foreign technological expertise at LifiLED or CardioPad), and
- 2_ Some on funding from external aid (Boost-Africa program for FarmDrive, round table of foreign investors for Somtou), two issues that can be perfectly addressed by the Diaspora.

INTERMEDIATE THE DIFFERENT PARTS

According to Mr. Chikezie, from the African Foundation for Development (AFFORD), a non-profit organization that mobilizes the expertise of the diaspora for philanthropic projects and investments in Africa, the key is to create partnerships that blend the knowledge of the diaspora with that of the local population: "The success stories I've seen combined the diaspora's volunteerism and its ability to think outside the box with a good understanding of the local context and the people on the ground." ».

If we look back at the digital revolution in Africa and the startup boom, it is interesting to observe that it is a sector with high human capital, low productivity, requiring little labor with little impact that remains to be demonstrated on growth. It is also the feeling conveyed by the informal sector in general, which remains artisanal and unstructured.

What is the way to mobilize the African diaspora and direct it towards programs with a more visible impact on the industrialization and food security of the continent?

It is therefore necessary to devise a platform for intermediating these various resources with the aim of bringing out the most promising projects for Africa. This program will enable the inclusion of African diasporas in Africa and elsewhere (the Americas, Europe, Asia), with a view to setting up a platform of coaches at the service of talented individuals under the supervision of elders and the benevolence of guides :

- ▲ **The Talents** : the project promoters. They are steeped in the challenges of entrepreneurship in their respective countries and because they live there, have a concern for industrialization. We will be able to find projects that are excellent concepts but with a real need for structuring (business plan, business model, KPIs.), where very well structured projects that require significant funding (financial engineering for industrial projects: manufactures, infrastructures.).
- ▲ **The Coaches** : the successful entrepreneurs and investors of the diaspora (wherever it is). They have succeeded in their respective host countries and want to invest for Africa. They feel the enormous need to pass on to the next generation and have a significant financial surface directly or indirectly.
- ▲ **The Guides** : these are the captains of industries from the countries of talents. They are the local leaders of the economy but participate little in the VSE/SME - Large Group relationship, they will be responsible for opening their groups to local initiatives, if only as data providers, users of the imagined solutions or partners within the framework of a consortium.
- ▲ **The wise** : in this latter group we have the public institutions. They have the data and trends of local entrepreneurship and the participation of the diaspora and will need to implement flexible support



measures for the first category and create incentive policies for the second category, particularly in terms of financing. Also, they will allow the definition of priority sectors to boost productivity.

African entrepreneurs just need to be aware of the latest trends, in terms of technology and scientific character, "market" vision, structuring, promotion and financing of their ideas. These gaps could easily be filled in the context of a step-by-step support throughout the life cycle of a business project (concept, feasibility, development, deployment and marketing). From a global point of view, the programme will provide better knowledge of public policies to be adopted to promote employment, identify market needs and anticipate education and training. From a local point of view, this will allow the creation of a future generation of leaders and at the same time, to recreate links with the diaspora.

What about the financing of such an ecosystem? The impetus could come from the African Union which would set the main orientations and delegate their management to the relevant regional frameworks (WAEMU, ECCAS, SADC...). These regions in turn would rely on the country offices for the implementation of the directives. The financial participation of the AU may be supplemented by, on the one hand, the African Development Banks or Donors (AfDB, BOAD, BDEAC) a global vision of their development policies and on the other hand by sovereign funds dedicated to the Diaspora under local management of each country.



A ONE- STOP SHOP TO OPTIMIZE THE INTRACONTINENTAL TRANSFERT OF SKILLS

Why do we often talk about "the Africas" and not "Africa"?

Probably because of the various issues that persist between different countries and which largely stem from differences in terms of development level. Chad is not as developed as Nigeria, which itself does not have the same level of development as South Africa.

The situation would undoubtedly be better if we could group all these Africas into just one Africa.

One of the solutions would be to find a way to exploit complementarities. Indeed, balancing wealth would mean taking from those who have the most and redistributing it to those who have the least. Which is not feasible within the framework of relations between states, relations that are essentially based on mutual interest. On the other hand, the judicious exploitation of complementarities would allow reaching this win-win equilibrium point.

Let's take an example: perhaps it is possible that one of the economic scourges of a North or South African country, however minor it may be, would be a high unemployment rate among civil engineers? Even tho they were previously trained in good institutions in their country. And on the other hand, one of the main scourges of an African country emerging from a period of conflict and in need of reconstruction would be a lack of high skills in public works? Thus, these two countries, by thinking together, could find a way to mutually create wealth by exchanging their skills and thereby gradually reduce the imbalance that separates them.

But then! Is it so simple? You have to believe that No.

Problems of salary heterogeneities? Maybe Yes. The unemployed African from an emerging economy might prefer to remain unemployed than to migrate to a country on the continent with a less favorable economic climate where he would earn twice as much.

But in this case, the Chinese! What are they doing in Africa? When, for about eight years now, their country has been the world's second largest economy, just behind the United States? Haven't they found more interesting opportunities on the African continent, even though the level of remuneration there is significantly lower than theirs? Braving the barriers of language and customs in the process? And what about the Africans? Haven't they found a way, thanks to them, to carry out major projects using their particular expertise?

The problem may be the lack of genuine regional solidarity. It is true that the African Union brings together all the communities. But would it be just as easy for a Zimbabwean engineer to migrate to Guinea? And vice versa? Not necessarily! Although these two countries are part of the same African regional community, the free movement that would facilitate migration flows is still not in place.

Thus, this lack of skills would not so much come from the brain drain, but perhaps also from a non-optimal allocation of our internal resources.

On the diaspora side, many good initiatives are regularly undertaken by African youth with a view to facilitating exchanges with African institutions, notably through the creation of African student associations. However, the impact is somewhat diluted due to the dispersion of these otherwise highly commendable efforts.

There is a need to move forward in close ranks. That is to say, by uniting into a single group, all these actions of the Diaspora and by aligning them with the economic perspectives of the development plans implemented on the continent.



The concept of a One-Stop Shop aims to create an ecosystem permeable to an efficient and optimal transfer (in the sense that, for each skill, there is an associated need) of skills according on opportunities.

It comes in two forms: A first part that would be structured in the form of an Orientation Guide or, one might say, a Career Guide for all African students who need to decide on a choice of higher education. And a second part that would take the form of an Information Center fed by two streams: One stream representing all the skills (profile by profile) of the African Diaspora and a stream representing all the opportunities (job by job) that African private and public institutions have to offer.

THE ORIENTATION GUIDE

It would involve having clear and precise information on the economic prospects of all Sub-Saharan African countries in the form of a digital portal that is accessible to any student seeking guidance.

Let's take a concrete example: Adama, 18 years old, is in his final year of high school in the Science stream at the Kalaban-Coro High School in Bamako. He is preparing to start higher education abroad. If he is convinced that he will be an Engineer, he nevertheless wonders about the precise scientific direction he should take.

This Orientation Guide will be able to very concretely inform him about the development projects planned in the medium and long term, in Mali, in other countries of the UEMOA zone, as well as in countries from other zones. Thus, this digital portal will be able to list both the major development projects planned and the professions that will be necessary for their implementation. If he wishes to return to Mali after his studies and there are major road and energy infrastructure projects planned, he could focus his future engineering studies on public works or electrical engineering.

The formatting of this Guide will require the assembly of information from the Ministries of Economy, Planning, Investment, Employers' Associations, Chambers of Commerce and Industry of Sub-Saharan African countries. Normally, all this information should be available within the Agency responsible for Investment matters.

A UNIQUE INFORMATION CENTER

Thru this interface, it is about optimally matching the Skills of the African Diaspora with the Opportunities of African public and private Institutions. This Information Center would be similar in form to the job search sites that can commonly be found on the internet. Moreover, the uniqueness of this interface will be its comprehensive listing of all information. Unique, because it will only take a single click (after registering a job profile or a skills profile) to obtain what we should consider as an anthology of African opportunities or available skills from the Diaspora, depending on whether we position ourselves as a seeker of professional opportunities or a seeker of skills.

Regarding the update of available skills, it will be done directly by the applicants. However, the updating of opportunities will need to be done by those we will call Centralizers. These are people whose full-time job would be to centralize all the opportunities on a daily basis after consulting with all the providing institutions. There will therefore be one for each country in Sub-Saharan Africa.

The economic model of the entire concept will therefore be very simple. A Centralizing employe for each country, who will be hired by their country's administration and advertising space on the digital portal available to sponsors seeking visibility. The cost paid by these sponsors will be used for the update and maintenance of the Single Window.



THE MOBILIZATION OF SAVINGS

Well-established development projects generally improve the lives of citizens and encourage economic growth, but these projects often struggle to be completed due to lack of funding. Several factors can be cited to explain this situation, including growing budget deficits, the absence of incentive tax policies, the weight of the informal sector in these countries, the ineffectiveness of policies to combat impunity and corruption, as well as numerous dysfunctions and the weakness of capital markets.

Faced with these obstacles, African governments increasingly need to seek other solutions by resorting, for example, to domestic borrowing, the printing press, foreign exchange reserves, or external borrowing. However, the lack of capital for domestic borrowing, the risk of inflation associated with money creation, the unavailability of foreign exchange reserves and the impact their use could have on the exchange rate, or even the debt market crisis, severely limit these countries' ability to finance themselves with traditional financial instruments⁷.

This underscores the necessity of resorting to innovative financing methods such as Diaspora bonds, which offer an interesting alternative for the reasons outlined below, and whose success in other regions of the world could be replicated in Africa, provided that the Continent appropriates the mechanism, clearly understands the stakes, manages the related risks, and establishes all the conditions for success.

DIASPORA BONDS : DEFINITION AND HISTORY

Diaspora bonds are debt or debt securities with a maturity of more than one year, negotiable on the financial markets and issued by an institution (state or other) to its diaspora, that is to say its nationals living abroad.

According to an economic note recently published by the African Development Bank (ADB), Diaspora bonds could give a new impetus to the development of Africa. They could indeed, according to the Office of the Special Adviser on Africa (OSSA) which in a 2015 "Policy Report" recommends mobilizing them to finance infrastructure projects in African countries, generate more than 20 billion US dollars in remittances.

The idea of tapping into the wealth of the diaspora through Diaspora bonds is not new. The first Diaspora bonds were issued in the 1930s by Japan and China, followed by Israel in the 1950s which used them to finance development project disputes. Building on their success in Israel, the State Bank of India also resorted to it three times, particularly when its usual sources of financing were not available (balance-of-payments crisis in 1991, Indian nuclear tests in 1998 and again in 2000).

In Africa, Ethiopia was the first country to issue Diaspora bonds as part of the financing for the Renaissance Dam, whose total cost had been estimated at 4.8 billion USD. The country facing a number of obstacles, notably an excessively large external debt and especially the reluctance of international lenders, Ethiopia turned to its diaspora to finance this ambitious project.

If it is true that the "EPCO Millenium Corporate Bonds" issued for the needs of this project did not meet the expected success internationally and that Ethiopia ended up raising more funds domestically for this project, it remains that it inaugurated in Africa a form of financing already successfully practiced in other countries. Since then, several other African countries, including Cape Verde, Kenya, and Ghana, are considering issuing Diaspora bonds.

⁷ www.imf.org



ISSUES

Many Africans living abroad have a deep sense of attachment to their homeland and want to contribute to its development. According to Dr. Girma Tefera, president of the U.S.-based Ethio-American Doctors Group (EADG), diaspora professionals have a real desire to change things in their home country thru their expertise and skills - he said that "the primary motivation for many of my colleagues is to give back to the society of their home country as a whole," said Tefera, speaking of the 171 Ethiopian doctors working in the U.S. who have committed to donating their time and money to EADG's construction of a state-of-the-art hospital in Addis Ababa⁸.

The African diaspora is important. There are nearly 140 million Africans residing outside their country. "About a third of them belong to the middle class," notes Olivier Eweck, director of financial technical services at the ADB, who points out that "the total savings of the diaspora are estimated at 50 billion dollars." Indeed, in 2014, nearly 120 million Africans received 60 billion dollars sent by 30 million Africans from the diaspora. If this amount, higher than public development aid (56 billion dollars in 2014) and foreign direct investments (50 billion dollars for the same year), justifies calling the African diaspora a financial power, this diaspora also abounds with other potentials that are crucial for Africa's development⁹.

According to Dilip Ratha and Sonia Plaza, "if we could convince one out of ten members of the diaspora to invest 1,000 dollars in their country of origin, Africa would thus collect 3 billion US dollars per year to finance development" [8]. Gaetan Gatete, president of the Rwandan diaspora network in the United States, believes that Africans living abroad are certainly in search of what they can give, but also of what they can obtain in return - "We are thinking about how to invest our money, to be the commercial link between here and our country of origin," Gatete told IRIN¹⁰.

On this point, Diaspora bonds offer attractive mechanisms. Given that patriotism is the main motivation for acquiring Diaspora bonds, the success of a program, even in times of crisis, is generally not affected by the tensions and crises that some countries may experience¹¹. For example, it was observed, against all odds, during the Six-Day War, that the subscription rates of Israeli Diaspora bonds broke records. Always out of patriotism, it is expected that the diaspora will be content with moderate rates of return on investment.

In addition, the Diaspora bond market could also improve the credit rating of the issuing country if such a source of financing is available at all times. Similarly, when an issuing country faces a real financial crisis, issuing Diaspora bonds can be a good way to boost the national economy.

DIFFICULTIES AND RISKS ASSOCIATED WITH DIASPORA BONDS

However, the issuance of Diaspora bonds comes with a number of risks that states and other issuers must be able to anticipate and manage in advance. Diaspora bonds can indeed have detrimental consequences for issuing countries; the influx of foreign currencies following the issuance of these bonds, and the eventual outflow of these currencies when the bonds mature, require prudent macroeconomic management, particularly regarding exchange rates. Even in cases where Diaspora bonds are issued in local currency, countries must pay particular attention to exchange rate management and debt management. The issuance of Diaspora bonds will therefore be an opportunity to assess the issuer's ability to manage these various risks of exchange rates, default, liquidity, or even inflation.

Moreover, among the countries that host the most migrants are the United States, Japan, the United Kingdom, France, and South Africa, among others. However, the financial regulations of these countries can, in some

⁸ Report IRIN News - Beyond remittances, the diaspora and development.

⁹ 2013 Annual Meetings of the African Development Bank in Marrakech: «Financing Africa's structural change - infrastructure bonds and diaspora bonds».

¹⁰ Report 2011 of the World Bank, *The diaspora for development in Africa*.

¹¹ Development finance via Diaspora bonds, P.16.



cases, be a discouraging factor for African states that would like to issue Diaspora bonds there. The choice of the country in which the issuance of these bonds is carried out is therefore also a determining factor that African states must take into account to assess the relevance of an issuance. In the United States, for example, the reporting requirements imposed by the Securities and Exchange Commission (SEC), with which Diaspora bonds must be registered, could be a hindrance for countries with weak financial institutions. On the other hand, an issuance in a European country, where regulations are generally more flexible than American regulations, could more easily allow African states with a strong diaspora there to raise funds.

Beside the difficulties related to the financial regulations of the host countries, the lack of information and transparency, particularly regarding the use of funds, as well as the low interest rates commonly associated with Diaspora bonds can also reduce the appetite of some investors.

THE CONDITIONS FOR THE SUCCESS OF DIASPORA BONDS

As mentioned above, Diaspora bond issuances have had very mixed results in sub-Saharan Africa, unlike Japan, China, and Israel, which have been able to use them to finance large-scale projects. A meticulous analysis reveals that the success of issuing bonds aimed at the African diaspora therefore requires taking into account a set of essential parameters, including the quality of the issuer, the communication channel, and the taxation of the issue.

The quality of the transmitter

« No money is better spent than what is laid out for domestic satisfaction¹² » Samuel Johnson. It is indeed based on the satisfaction of participating in the economic development of the community that various states decide to issue bond loans aimed at their nationals residing abroad. However, this desire of the diaspora to «give back to their community» is based on the bond of trust that exists between these countries and their diaspora, which is itself forged by good governance, transparency, and political and financial stability¹³.

Thus, African states wishing to mobilize diaspora funds will need, on the one hand, to implement practices ensuring good governance of public institutions, and on the other hand, to adopt a binding legal framework on the transparent execution of commitments made by the State, including within the context of their Diaspora bond issuances. It would indeed be difficult for nationals whose emigration from their country of origin is generally due to unfavorable socio-political and economic circumstances, notably due to poor governance in these countries, to invest there without assurance that these risk factors are now under control.

One of the ways to strengthen the credibility of African states could, for example, involve using partial credit guaranties from international institutions, such as the AfDB, to cover a portion of the subscribed Diaspora bonds. This guaranty would protect the subscribers of these Diaspora bonds against the risk of default¹⁴.

Moreover, without being limited to States, Diaspora bonds could be a great success if they were issued by entities dedicated to specific projects. Far from associating the issuance of Diaspora bonds with a simple lack of liquidity in the state coffers, these bond loans could be more successful among the diaspora if they were part of a policy for the development of local infrastructure, particularly hospital and educational infrastructures, social housing, for the modernization of airports and railway lines and for the development of tourism¹⁵.

¹² James Boswell, « *The Life of Samuel Johnson, LL.D.* », vol.2, p. 710, Horat, Avril 1776.

¹³ AfDB, « *Africa Economic brief: Diaspora bonds, Some Lessons for African Countries* », Vol.3, 13 December 2012, p.8.

¹⁴ *Idem*, p.9.

¹⁵ Sonia Plaza and Dilip Ratha, « *Diaspora for development in Africa: Diaspora Bonds: Tapping the diaspora during difficult times* », p.137, World Bank, 2011.



The communication

The success of the issuance of Diaspora bonds is also based on the possibility offered to investors to have access to information about the issue through the establishment of effective communication channels. Indeed, as with any bond issue, it is important for the success of the issuance of Diaspora bonds that investors have an informed knowledge of the operation to which they are subscribing, notably through an evaluation of the projects that the issuing State seeks to finance by issuing these Diaspora bonds.

Moreover, while it is true that the subscription to Diaspora bonds is mainly motivated by the feeling of patriotism in the diaspora, one should not neglect the appetite of these «atypical» investors who also hope to obtain returns on their investment. However, as indicated above, due to their constant inability to meet their financial commitments towards investors, African states have lost their credibility in the eyes of their diaspora and must therefore offer them a minimum guarantee and assurance regarding the financial profitability of the projects that these bond loans will finance.

This assurance may in particular derive from the financial rating carried out by African or international rating agencies such as Standard & Poor’s, Moody’s, Fitch Ratings or even Bloomfield, whose role would be to assess the risks attached to these bond loans. Indeed, the publication of a positive financial rating would certainly ensure a high subscription rate among investors from the diaspora, because it would both reassure investors about the profitability of projects to be financed and would demonstrate the desire for transparency of the issuing entity which will have submitted to an assessment by a rating agency.

Moreover, a widespread communication of the issuance of these Diaspora bonds can only be effective through specialized banking networks and other institutions established in the target diaspora communities¹⁶ (national banks with international licences, fund transfer companies¹⁷, etc.). Thus, the extensive establishment of these institutions will ensure the possibility for each member of the diaspora to participate in the economic development of their country of origin by subscribing to Diaspora bonds from their various countries of adoption.

Taxation

Last but not least, The success of Diaspora bonds depends largely on their tax attractiveness. Diaspora bonds subject to heavy taxation will meet with little success among diaspora investors¹⁸. In this regard, total or partial tax exemptions on Diaspora bonds should be granted by governments in order to make them more attractive.

For example, the Cameroonian General Tax Code provides for exemption from corporate tax, tax on income from movable capital, or any other levy of the same nature on interest from State bonds and interest from bonds of decentralized territorial communities, without distinction as to the tax residence of the holders. Thus, in the event of the issuance of Diaspora bonds, such a provision protects members of the diaspora from double taxation on the income from their investments, as these would only be subject to the tax legislation of their country of residence¹⁹.

It is also desirable that in the country of residence, Diaspora bonds be subject to a tax regime similar to that of analogous issues made by that country, so as not to discourage the diaspora from making the investment decision.

¹⁶ Sonia Plaza and Dilip Ratha, « *Diaspora for development in Africa: Harnessing Diaspora Resources in Africa* », p.16, World Bank, 2011.

¹⁷ Jean Pierre Chauffour, « *From political to economic awakening in the Arab world: The Path of economic integration* », p.272, World Bank, 2013.

¹⁸ AFDB, « *Africa Economic brief: Diaspora bonds, Some Lessons for African Countries* », Vol.3, 13 December 2012, p.8.

¹⁹ Avis No002/2015/DSX/DG portant Admission à la cote des obligations de l’État du Cameroun « ECMR 5,5% net 2014 - 2019.



The tax attractiveness of Diaspora bonds therefore requires enhanced collaboration between the tax authorities of the country of origin and those of the host country.

Finally, Diaspora bonds should be issued on domestic markets by financial institutions that could use them to diversify their financial products such as UCITS and SICAVs aimed at the diaspora. Obviously, Diaspora bonds will not be able to solve all the financing difficulties of African states seeking alternative solutions. Nevertheless, countries must join with their diaspora and involve them in the development of their countries. Diaspora bonds must indeed be considered as a tool of hope, capable of making every citizen a full-fledged investor and a participant in the development of their country.



CONCLUSION

In sub-Saharan Africa today, Rwanda and Ethiopia serve as good students in their ability to mobilize their diasporas.

In August 2012, the Rwandan government set up the Agaciro fund, a « solidarity fund » whose goal is to free Rwanda from foreign aid and to self-finance its development. Managed by the Ministry of Finance, contributions reached 41 billion Rwandan francs (\$60.4 million) at the beginning of 2017. Although small compared to the amount of foreign aid (30% of the budget), the State relies heavily on this type of mechanism to escape the dependence of bilateral partners.

The Ethiopian Diaspora Directorate, established in 2002, has a website informing members of the diaspora about investment and trade opportunities in Ethiopia, development projects, government policies affecting them and support services available in Ethiopia. Ethiopians born abroad can apply for a « yellow card » which allows them, among other things, to enter Ethiopian territory without a visa, work without a permit and benefit from a public pension scheme. The Ethiopian Ministry of Health has established a diaspora service to work closely with EADG (Ethio-American Doctors Group), the ministry also promotes skills exchanges by bringing in expatriate health professionals, which led to the country’s first emergency response internship program.

In recent years, African governments have been drawing up recovery plans involving major infrastructure overhauls. But isn't the prerequisite for achieving these grand ambitions to engage in firm talks between states in order to establish true regional integration? To move from « the Africas » to “one Africa”? It is becoming imperative to unify the sum of “identity blocs” that characterizes the old continent.

It would be necessary to create the conditions for an emergence, to give more priority to financial flows and intra-continental flows of skills. It is in this sense that this study mainly focused on the necessary tools to be implemented to promote and make effective the involvement of the Diaspora in the emergence of the continent. In other words, to highlight the need to federate financial, intellectual and entrepreneurial complementarities between Africans of the Diaspora and locals.

