

Migration, Diaspora and Development in West Africa

Emmanuel Akyeampong (Harvard University)

IDRC Conference on International Remittances, Poverty and Inequality: The West African Case." Abidjan, December 18-19, 2012

Introduction

In an important article published in *African Affairs* in 2003, Douglas Rimmer, a development economist with over half a century's experience in West Africa, expressed his reservations about economic policies pursued by African governments and their international developmental partners. He reviewed the situation in Africa. After hundreds of billions of dollars in aid from rich country governments and international development organizations, African living standards in 2000 were barely above the levels on independence. Rimmer argued that the problem in Africa was that demand capital was low. He opined that it is innovation and not imitation that drives economic development, thus investment inputs may not necessarily bring growth. He pointed to the phenomenon of graduate unemployment in Africa, where educated labor exceeds the available employment opportunities. As against foreign investment, Rimmer argued for free trade and emigration as better options for Africa's development. Educated Africans would move to countries of economic opportunity and through remittances shore up economic conditions in their countries of origin. With the immigration policies in place in Europe and North America, Rimmer doubted western support for massive emigration from Africa as an economic strategy. The relevance of international migration and remittances for African economies have been noted for the past two decades, though few countries have developed coherent policies relating to international migration and development.

West Africa began to hemorrhage its top civil servants and academic elite in the 1970s and 1980s, when sharp economic decline set in after the hopeful 1960s. The slump in commodity prices in the 1980s was severe enough to undercut the Ivorian miracle, and two decades of impressive growth in Côte d'Ivoire came to a grinding halt. Oil exporting countries like Nigeria and Cameroon were able to stave off economic malaise for a while, but oil squeezed out manufacturing and even Nigeria's strong cocoa industry as Nigeria became solely dependent on oil exports. Economic decline combined with the frequent coups of the 1970s and 1980s to create an unstable political economy, a context that was

unattractive to West Africa's professional class. Rado (1986) has commented on how the UN and English-speaking countries in the West benefitted from the brain drain of the Ghanaian professional class. Ghanaian academics trooped en masse to man the expanding tertiary educational system in Nigeria. Nigeria's expulsion of illegal aliens in 1983 affected an estimated 900,000 to 1.2 million Ghanaians, and the military government of the Provisional National Defence Council was overwhelmed with the economic and health needs of this huge returning population (Brydon, 1985). It showed how much emigration had taken place below the radar of Ghanaian governments. Kinship networks, strained by economic decline, drought and food shortages in 1983 proved unable to assimilate returning kinsmen and women. From available research and anecdotal evidence, a significant proportion of the returnees had found their way out of Ghana within a matter of months, emphasizing how important international migration had become to individual and family strategies of economic survival. In 2000 it is estimated that between 30 and 50% of science and technology professionals from the developing world now live in the industrialized countries (Merz, Chen and Geithner, 2007: 12).

International remittances caught the attention of African governments from the 1990s. By the mid-1990s, the amounts were significant enough to include the Ghanaian "diaspora" within the political community, and politicians in the Fourth Republic traveled to Europe and North America on political campaigns for financial support.¹ Ghana Statistical Service issued its first specialized publication in 1995 on international migration and its potential for human capital formation and capital accumulation. In 2003 Ghanaian remittances reached US\$1.9 billion, displacing cocoa and gold as the country's leading source of foreign exchange.² Nigeria in 2006 reported US\$4.2 billion in remittances, a 30% increase from 2005 (Oroczo and Mills, 2007). It is believed that remittances into Ghana, Ivory Coast and Nigeria at least equal or have overtaken Foreign Direct Investment and far exceed official development assistance, and have become an

¹ Diasporas originate in forced or involuntary migrations and are often disconnected from the homeland. The recent dispersions and the new immigrant communities that have emerged globally are more appropriately "transnational communities." But the common use of "diaspora" for these communities have gained currency, and in this regard the definition by Merz, Chen and Geithner (2007: 2) would be appropriate: "By diaspora we refer broadly to communities of individuals residing and working outside their country of origin. These individuals often maintain social, financial, and cultural connections to their country of origin usually mediated through family and friends In the homeland.

² Fiona Ledger, "Africa's hidden aid," *BBC Focus on Africa* (July-Sept. 2004)

important source of foreign exchange. From World Bank statistics, remittances to Africa reached US\$20 billion in 2007 (Devarjan and Shetty, 2010).

There is another important recent statistic where Africa's economies are concerned. In the last decade or so, 6 of the world's fastest growing economies have been in Africa: Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda. In 8 of the past 10 years Africa has grown faster than Asia (Zachary, 2012). Some point to the commodity boom that has been triggered by demand from China and India for Africa's oil and mineral exports, but robust growth in Africa has even been reported in agricultural countries such as Ethiopia, which grew at 7.5% in 2011. A growth in Africa's technical and managerial expertise has been noted in the past decade as well, and World Bank officials have pointed to competent policies put in place that minimized the impact of the 2007-8 global financial crises on Africa (Devarjan and Shetty, 2010). Foreign Direct Investment in Africa grew steadily from US\$36b in 2006 to \$53b in 2007, and \$88b in 2008 despite global financial crises, and leading financial houses even in the United States are reviewing their estimation of Africa. The past decade has also witnessed a brain gain for Africa, as many highly educated African professionals and entrepreneurs have returned to their home countries or other African countries. Yet very few African countries have coherent policies linking international migration, reverse migration, remittances and economic development. What I want to do in the rest of this paper is to reflect on diasporas and development, to discuss the key issues that have emerged in this area of study, especially relating to countries such as Mexico, the Philippines, India and China for whom international migration and remittances have been key, and to draw on these insights to interrogate the potential of the recent African dispersions in Africa's economic growth and development. The literature is inconclusive on whether remittances in Africa generally aid wealth creation or poverty reduction. I will draw on the Ghanaian data from this collaborative IDRC project to engage this question, noting in particular gendered dimensions such as the role of women in providing household subsistence and their increasing prominence as migrants in their own right.

Diaspora and Development: Defining Issues

Whereas the focus on diaspora in Africa has been on remittances, diaspora flows and exchanges include commercial investment and philanthropy, as well as intangible aspects such as knowledge, contacts and values. A key question at the center of the recent global diasporas is whether global equity can be an inevitable consequence of diaspora transfers or whether these flows could rather aggravate inequity? What has been the connection between the large and historic Asian diasporas and the recent impressive economic growth in China and India? It is worth noting that China and India are at the top of remittance receiving countries in the world: according to the World Bank-IMF estimates for formal flows India received US\$21.7 billion in 2004 and China US\$21.3 billion. Aside from migrant remittances, it is widely known that the overseas Chinese communities who had developed successful business opportunities in regions like Southeast Asia were also effective in establishing massive new investments in mainland China, after the People's Republic of China launched its economic reforms in the late 1970s (De Ferranti and Ody, 2007; Gungwu, 1993). On a comparatively smaller scale, the expertise of expatriate Indians has also been credited as central to the recent development of India's software industry.

The ineffectiveness of many states in developing countries to promote equitable development has made diaspora interventions welcome, though the state cannot be allowed to take a backseat in this regard. Diaspora contributions for social and public purposes may have a pro-equity bias. The Indian state has been particularly encouraging of diaspora giving, especially in the areas of high technology, medical and higher education. Special tax exemptions exist for organizations involved in the delivery of public services connected to education and health or in sectors considered to be of national or regional importance. One hundred percent deductions under the Income Tax Act are possible for certain projects specified by the government and for scientific, social science or statistical research institutions (Sidel, 2007). Such initiatives though contributing to growth in the receiving country can still be anti-equity. Instances where diaspora elites work in tandem with wealthy philanthropists or investors at home can generate results that are beneficial to elite groups in the home country and diaspora but work against equity at home. In the Indian and Chinese diasporas, substantial effort and investment have gone into the building of major diaspora-funded medical institutions and

business schools recently, such as the Indian School of Business in Hyderabad. These institutions of higher learning or highly specialized medical institutions cater to the interests of a few elite groups at home and abroad, and though a plus to the nation's economy do not necessarily contribute to equity, and such initiatives may indeed weaken the government's pro-equity measures (Sidel 2007).

Most diaspora giving or philanthropy is modest in scale, though there are some countries that have explored diasporic philanthropy to good effect, such as Mexico. Through its "Three-for-One" policy, the Mexican state matches the giving of diasporic communities for hometown development, creating an incentive for hometown associations abroad to invest in their communities and providing the state with reliable development partner committed to local communities. The Philippine government in 2005-6 went on roadshows in various American and European cities under an initiative called "My Country, My Home." They showcased several opportunities for Filipino abroad to invest at home under the label "hometown development" (Sidel, 2007). In one major pro-equity initiative, the US-based Ayala Foundation has mobilized funds from the Filipino community in the US with support from the government of the Philippines in a project called Gearing Up Literacy and Access for Students (GILAS), which seeks to put computer labs with internet access in all the 5,789 public high schools in the Philippines (Sidel, 2000). In Africa Mali, before its recent political collapse, and Burundi both match funds remitted by the diaspora for local development projects (Okome, 2007; Baruah, 2006). The Ghanaian government seemed to have taken a page from these examples. It is currently putting together a migration policy under the leadership of a National Migration Unit. In mid-2012 it organized a homecoming conference, but not with individual potential investors such as the homecoming summit organized by the Kufuor government in 2001. The government targeted hometown associations from five countries in Europe and North America. The Ghanaian government with its eye to local or hometown development is targeting these hometown associations hoping to facilitate their individual investments in Ghana as well as their philanthropic giving to community projects. Aware that the bulk of remittances through the money transfer institutions such as Western Union, MoneyGram and Vigo among others come in the form of modest amounts to relatives to supplement household income, the government is trying to

get members of hometown associations, discouraged by the common incidence of embezzlement of monies for projects, to consider the government as a partner in personal and community investment. This would protect members of hometown associations from the misuse of funds sent for real estate and business projects, bring in larger remittances central to the national supply of foreign exchange, and direct community development in meaningful ways.³

Under both National Democratic Congress (NDC) and New Patriotic Party (NPP) governments in the past two decades, Ghana has explored myriad strategies aimed at connecting the diaspora more firmly to its developmental agenda. It was perhaps the first West African country to pass dual citizenship laws in the 1990s in an amendment to its 1992 Constitution. It was among the first under the NPP administration of 2001-8 to create a Ministry for Diaspora Affairs appending this to Tourism. At the beginning of the Kufuor regime it began putting together the infrastructure for what it called a “skills bank.” Ghanaians overseas were encouraged to register through online databases with their various embassies and list their areas of expertise and the times of the year they could be available to work for the country at cost or *pro bono*. This initiative took cognizance of the fact that there are many skilled professionals, such as scientists, who may find it impossible to pursue their specialized occupations in Ghana if they require special laboratories and other expensive equipment. There is the example of the American Association of Physicians of Indian Origin (AAPI), representing 41,000 Indian doctors in the United States (Sidel, 2004). They are able to pool their quite substantial resources in dialogue with the Indian government about the provision of healthcare. To expect some of these professionals to relocate home may be naïve, but their sense of patriotism, especially first generation migrants, could motivate them to sign on for short tours of duty in areas of strategic importance to the countries of their birth. This connection may even become more important with second generations Africans born in North America or Europe, perhaps with even more higher and specialized education than their parents, but with more diluted ties to the African countries of their parents. This is where dual citizenship could retain the partial loyalty of this new generation. The World Bank has noted the growing financial competence with which some African countries

³ Interview with David Agorsor, head of National Migration Unit, Accra, July 13, 2012.

have dealt with the financial recession of 2007-8, and the growth in technical and managerial expertise in Africa in the past decade or so. Though some evidence exists about a growing tide of returning professional migrants, studies are yet to connect this with the possible growth in Africa's technocratic skills.

Remittances have been a welcome but still largely unknown asset to many African governments. Defined as “private resources earned by migrants and sent predominantly to relatives for private consumption in their home country of origin” (Merz, Chen and Geithner, 2007), the private nature of these transfers makes it difficult to assess their impact within the domestic economy. Nevertheless, remittances have several positive public externalities: they can strengthen a country’s foreign exchange reserves, improve its credit worthiness, enhance access to international capital, and help reduce poverty. In acknowledgment of these positive public externalities government such as Mexico and India have simplified and enhanced financial services and banking to facilitate remittances and to increase access to financial services for the poor. Some states have lessened or ended taxes on philanthropic remittances, reporting requirements and other legal barriers. Philanthropic remittances are yet to gain prominence in Africa and thus attract such enabling policies. Uganda was cited recently as the only African country that makes available treasury bills and bonds to migrants (Okome, 2007). To take the example of Ghana, the nature of remittances as reported to the Bank of Ghana makes a disaggregated understanding of these flows difficult and consequently undercuts targeted policy measures. The Bank of Ghana is able to capture workers’ remittances currently, which is defined by the IMF as workers who have lived abroad for more than a year and who send money home regularly for private purposes. To go beyond this broad category would require end use surveys of the sort IIAS carried out earlier this year. This would then inform the bank’s understanding of the variegated impacts of remittance and how introduce instrumental policies.⁴ In the absence of this, Sidel (2007: 30) recommends that the state “improve the climate for everyone,” providing a favorable policy environment “for domestic and diaspora actors alike.”

⁴ Personal communication from Nii-Sowah Ahulu, Bank of Ghana, December 18, 2012.

A Gendered Reading of Household Use of Remittances in Akuapem South District

As part of its collaborative IDRC-funded project on “International Remittances, Poverty and Inequality in West Africa, the International Institute of Advanced Studies in Ghana pursued an exit survey at money transfer institutions in the district capital of the Akuapem South district of Nsawam in December 2010, followed by a household survey of remittances and consumption patterns from April 2012. Based on the year 2000 population and housing census in the country, the total population of the Akuapem South district was 116,344, made up of 49.3% male and 50.7% female with urban population accounting for 45.7%. On the basis of intercensal population growth of 2.5% between 2000 and 2010 (only provisional figures of the 2010 population and housing census have been released) the district population is expected to reach 149,037. Nsawam is the largest town in the Akuapem South district and the center of administration. According to the 2000 census, Nsawam’s population stood at 29,986 with 2304 houses and 6947 households. The latter figure reflects the multiple households that share a house. The average size of a household is 4.3. An old trading town, Nsawam has a vibrant commercial sector, and its financial or banking institutions serve the surrounding countryside. These include Ghana Commercial Bank, Citizens Rural Bank, Akuapem Rural Bank, and South Akim Rural Bank. With the exception of Ghana Commercial Bank, the other three banks – together with the post office -- also serve as agents for Western Union, while Ghana Commercial Bank is the agent for MoneyGram. The town is well represented in terms of the location of educational and health facilities in the district.

The literature is divided on how remittances impact income inequality: some authors contend that remittances reduce income inequalities; others argue the remittances rather aggravate income inequalities considering that it is the rich rather than the poor that engage in international migration and enjoy the receipt of financial flows. For the African context, research has noted that richer households tend to participate in international migration to non-African destinations, whereas poorer households feature more prominently in intra-continental migration. Though remittances from inter-continental migrants tend to be on average ten times larger than intra-continental remittances and accrue to already better-off

households, intra-African remittances reduce inter-household inequality considering that they flow to poorer households (Wourtese, 2008). In the Ghanaian context, Adams (2006) who compared national, international and inter-continental migration also discovered that international remittances reduce the severity of poverty more than internal remittances because of the differential impact of these two types of remittances on poor households. Households in the poorest decile group receive 22.7 percent of their total household expenditure (income) from international remittances, as opposed to only 13.8 percent of such income from internal remittances. When these “poorest of the poor” households receive international remittances, their income status changes dramatically and this in turn have a large effect on any poverty measure like the squared poverty gap which considers both the number and distance of poor households beneath the poverty line. Our interest is in examining the dynamics of remittances and their use by females, who are more socially vulnerable, and who are overwhelmingly represented in the informal economy.

Our exit survey was administered to 219 recipients who collected remittances from the four Western Union and one MoneyGram agencies in Nsawam. With more agencies, Western Union accounted for 163 (74.4%) of remittances received. Remittances came largely from relatives (siblings – about 33%, spouses – 17%, children – 17%) and only 28 per cent reported receiving remittances from non-relatives. Females formed a larger category of recipients (58%) than men (42%). Much of what was received subsidized household expenditure and played important roles in funding education, and building repair or construction. In terms of poverty status of recipients, the exit survey showed that less than 10% claim to be poor as against 47% who claim to be neither poor nor non-poor and 43% being non poor. The effect of remittances on poverty was found to be significantly positive judging from the claim of less than 1% that remittances have not improved their poverty status. Specifically, about 63% of recipients reported that receiving remittances greatly improved their poverty status compared with 29% and 7% who claim that their poverty status has improved moderately and to a limited extent

respectively. Less than 1% claim that their poverty status has not been positively affected by remittances.

The household survey from April 2012, which covered a wider area, enabled us to situate the findings from Nsawam within the larger context of the Akuapem South district. The household survey covered 20 enumeration areas, and we selected 15 households in each giving us a total number of 300 households with 950 household members. The 2000 census gives us an urban population of 49% for the district and a rural population of 51%. One hundred and sixty-seven of our 300 households (55%) were urban, and 136 (45%) were rural.⁵ Of the 300 households, 74 (24.70%) received remittances, while 226 (75.30%) received none. Of the 135 rural households, only 27 (20%) received remittances, compared to 47 (28.60%) out of the 165 urban households. International migration while significant in rural and urban South Akuapem district cannot be described as overwhelming. But this, perhaps, puts more emphasis on the value of remittances in reducing poverty in receiving households, and in increasing income inequality between receiving and non-receiving households. Of the total amount of GH¢122,249 (Ghana cedis or about US\$64,999 at the present rate of US\$1 to GH¢1.9) received through remittances in the 12 months before April 2012, GH¢89,298 accrued to urban households and GH¢32,951 to rural households, confirming the urban bias documented in remittances where the literature is concerned. For both rural and urban households receiving remittances, consumption came first in the ranking of value of remittances expenditure, accounting for GH¢21,270 in rural households (64.55% of expenditure) and GH¢45,572 (51.03%) in urban households, a combined total of GH¢66,842 (54.68%) of all household expenditure. Building projects ranked a distant second (13.54%) in terms of all expenditure, being numerically more significant in the urban areas than the rural ones. What is clear from the combined evidence from the exit survey and household survey is the basic nature of remittances as a subsidy to livelihoods, as seen in the large percentage of expenditure that goes to consumption

⁵ We added three extra households in the survey in case of incorrect returns to ensure that we had our sample of 300 households.

at the household level. From the Ghana Living Standards Survey (GLSS), one can see across the country the large percentage of expenditure that goes to food.

We noted that large category of female recipients of remittances in our exit survey. These may be spouses of mothers left home to manage families. The traditional role of women in providing domestic subsistence may help to explain the prominent use of remittances in consumption. According to the International Labor Organization more women in Africa are migrating, accounting for about 47% of migrants in Africa (Okome, 2007). We have noted how intra-African migrants are often from poorer households, and we may be witnessing a particularly gendered dimension to female migration and remittance patterns aimed at the welfare of economically vulnerable family and female networks.