



The Economic Impact of the African Diaspora

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Context

African Diaspora Network (ADN) intentionally engages diasporans and friends of Africa to move beyond remittances toward sustainable investment for the betterment of the African continent. In order to advance this cause, ADN informs, engages, and activates our global community through a series of Impact & Innovation Forums. The first event of the “Beyond Remittances” series began at the United Nations General Assembly 2022 in New York City, with ongoing events planned through 2023 in the United States, England, and Kenya.

The sixth region of Africa, the African diaspora, has a growing impact on the continent's economies. Thousands of Africans—often the most skilled workers—leave their home countries in quest of better opportunities elsewhere. The African Union Commission (AUC) estimates that an average of 70,000 skilled professionals leave Africa every year. While this might be viewed as a setback for their countries of origin, with the right policies, these nations can leverage their diaspora populations to boost their economies. The African diaspora could set an economic growth trajectory with remarkable success. In this case, the focus changes from brain drain to brain circulation, where knowledge and skills are transferred regardless of where the diaspora resides.

The most evident influence of Africans living outside of Africa comes in the form of the personal remittances they send to the continent, which dwarf foreign direct investment and foreign aid (Mitchell, 2022). The International Fund for Agricultural Development (IFAD) reports that migrant workers sent over \$95 billion USD in remittances to and within Africa in 2021, benefiting over 200 million family members, most of whom live in rural areas. Remittances to Nigeria alone were \$23.8 billion (Didia & Tahir, 2021) versus \$2.4 billion in FDI (UNCTDA, 2021) in the same year. Remittances from the African diaspora also increased by 6.2% in 2021 (World Bank Group, 2021). The size of remittances shows how dedicated Africans in the diaspora are to supporting the economic growth of their native continent.

The economic impact of the African diaspora is not only limited to Africa. The diaspora also plays a significant role in the economic expansion of the countries they reside in outside of Africa, such as the United States, where approximately 2 million African immigrants live as of 2018 (Echeverria-Estrada & Batalova, 2022). According to the New American Economy (NAE), African immigrants in the United States made more than

\$133 billion in 2018, with \$98 billion in spending power and \$36 billion in tax payments. More than 201,000 Black immigrants owned and operated their businesses in the same year, according to the same NAE study.

Although remittances have a significant impact on the economies of Africa, they have certain limitations. One of the challenges of remittances is that they are not simply scalable and require sustainable funding. They can also decrease the labor force and foster a culture of dependency, both of which hinder economic expansion (Amuedo-Dorantes, 2014). Additionally, it is very expensive to send money to Africa. According to the Remittance Prices Worldwide (RPW), sub-Saharan Africa continues to be the costliest region to send money to, recorded at 8.72 percent total average cost in the second quarter of 2021 (World Bank Group, 2021). There is an opportunity for African governments to create an enabling ecosystem for financial innovation in order to ease the cost of sending remittances.

Scaling the Impact of the African Diaspora: Moving Beyond Remittances

To maximize the impact of the African diaspora in Africa, we need to securitize remittances and reduce the costs of sending money to the continent. We also need to adopt tax incentives for diasporans remitting funds to their home/preferred countries of residence since Africa remains the costliest region in the world to send money to.

Moreover, due to the limitations of remittances, such as their non-scalability, we must harness public-private partnerships to help diasporans move beyond remittances. We need to align and partner with small businesses on the ground to co-create programs or initiatives. Partnerships to access diaspora savings are also very crucial. According to research mandated by the African Union Commission and the German Agency for International Development, the volume of annual African migrant savings is conservatively estimated to be \$33.7 billion, excluding the millions of multigenerational diasporans (Faal, 2019). Most of these savings are currently invested outside of Africa but could be used to fund projects in the continent through mechanisms like diaspora bonds.

Additionally, African countries and their diaspora need to invest in research and development infrastructure, encourage brain circulation to counter the adverse effects of brain drain, and collaborate with friends and like-minded people and organizations by building partnerships and crowdfunding platforms.

Furthermore, finding more sustainable and effective ways to engage the African diaspora is imperative. Through collaborations, capacity-building, and skill-sharing, it has been demonstrated that involving diasporans can improve the socioeconomic development of their home nations. Therefore, mainstreaming diaspora engagement in policy development in African member states could help facilitate more investments in Africa, especially in legislative measures surrounding investments.

In addition to their well-documented role as remittance senders, diasporans can promote trade and foreign direct investment in Africa. They can also start businesses, support entrepreneurship, and spread new knowledge and skills. However, it is sometimes challenging for potential investors to obtain the information they need regarding investment opportunities on the continent since there is a gap in the information available between them and African nations. Thus, developing a strategy for African digitization to increase information dissemination and creating a viable interaction platform is one way to close this knowledge gap.

Finally, there is a need to facilitate efficient communication and collaboration between the various diaspora organizations by building networks. This way, we can reduce the current information gap between prospective investors and African countries. Diaspora groups have the capacity to provide jobs and revenue through financial investments, networks, and talents. They are considered a means of transferring resources, technology, information, and ideas to their home nations. It is in that spirit that the African Diaspora Network (ADN), since 2010, has energized collaboration among Silicon Valley entrepreneurs, philanthropists, and African diasporans to uplift its local community towards the benefit of Africa and Diasporans. ADN is dedicated to providing virtual and physical forums to accelerate access to resources that foster partnership, knowledge sharing, and advance investment opportunities. However, in order to scale, we need to build an inter-diaspora group network that is committed to the above and beyond our country of origin in order to realize the diaspora’s full potential.

ADN’s Global Engagement to Advance the Conversation on Beyond Remittances

At ADN, we inform, engage, and activate the African Diaspora, Africans, and friends of Africa. African Diaspora Network fulfills its mission and implements its strategy through our programs and initiatives, such as key knowledge-sharing convenings: African Diaspora Investment Symposium (ADIS) and Impact and Innovation Forums.

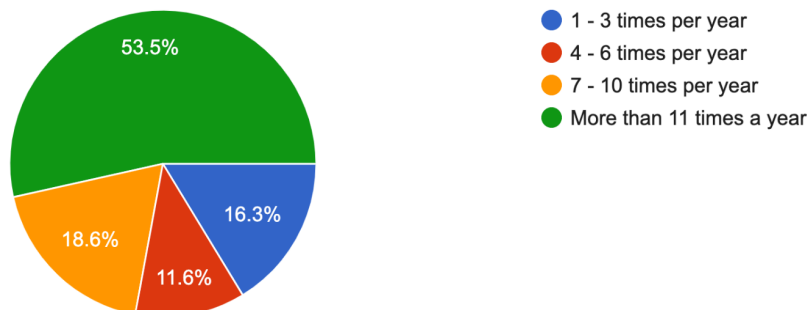
[African Diaspora Investment Symposium \(ADIS\)](#) is the premier Silicon Valley conference that celebrates and fosters the entrepreneurial and innovative spirit of Africans, Africans in the Diaspora, and friends of Africa. The symposium offers a dive deep into some of the hottest investment and development trends on the continent, and an opportunity to network with investors, make meaningful business connections, foster partnerships and create impact.

We recently concluded our eighth annual symposium (ADIS23), where we hosted attendees from over 23 countries worldwide. Among the topics discussed was “Blueprints for Africa: Diaspora Engagement and Beyond Remittances,” where the speakers emphasized the important role that the African diaspora can play to strengthen infrastructure, revitalize markets, and create a healthy atmosphere for communities in the continent. We also conducted a brief study within our network on remittances sent to Africa, which we shared during ADIS23.

Below are some of the key findings from our research:

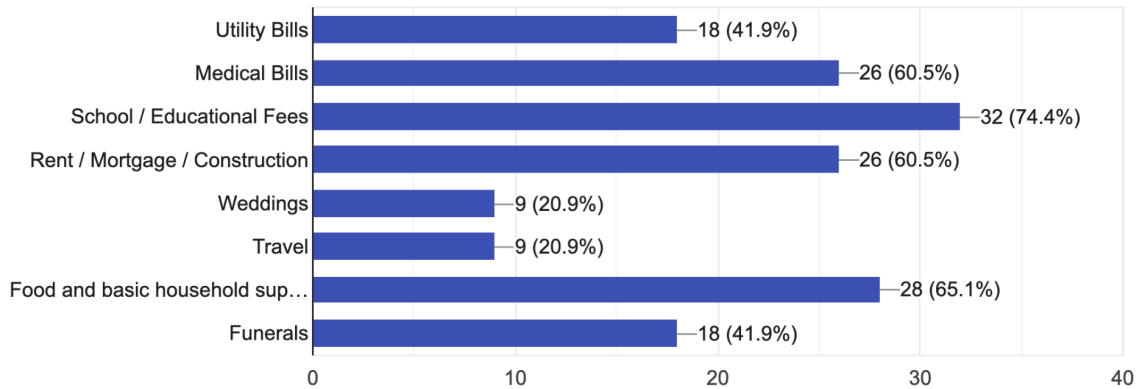
How often do you send money to Africa per year?

43 responses



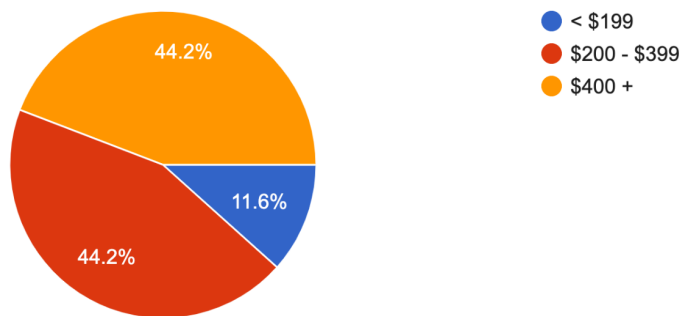
What are your most common reasons for sending money? (Check all that apply)

43 responses



How much do you typically send per remittance transaction?

43 responses



[Impact and Innovation Forums](#) are a year-round speaker series taking place across Silicon Valley, Washington, D.C., New York City, and virtually featuring thought-provoking conversations around strategic and consistent diaspora engagement in Africa’s future. In September 2022, ADN hosted its first hybrid event, the United Nations General Assembly Side Event, with the African Union and UN Economic Commission for Africa, funded by the Gates Foundation and sponsored by KBFUS. We also co-hosted a high-level working lunch with the U.S. Department of State on Beyond Remittances as part of the 2022 U.S.-Africa Leaders Summit in Washington D.C. To continue our work on diaspora engagement and how we can channel diaspora finance to more sustainable investments, we are excited to host a session on *Beyond Remittances* on April 13 as part of the Skoll World Forum 2023 Marmalade Festival in Oxford, England.

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