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Development from Abroad? Transnational Remittance and the Institutionalization of Diaspora Engagement in Africa

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A Dissertation submitted to The Graduate School at the University of Missouri – St. Louis in partial fulfillment of the requirements for the degree
Doctor of Philosophy in Political Science
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ABSTRACT

This dissertation investigates the impacts of transnational remittances and the institutionalization of diaspora engagement on development in Africa. Remittances to Africa are now around $50 billion annually and larger than inflows of foreign aid and investment. African governments continue to realize the potential contributions of their diasporas to development through not only remittances but through skills, expertise-sharing, and coordination of efforts. In 2000, four African countries had national-level institutions nominally dedicated to the diaspora and its potential to effect development: now 36 of the 54 governments have such an institution. An assessment of the political economy of remittances and governmental diaspora institutions reveals structural challenges to leveraging the contributions and skills of the diaspora for development. Through longitudinal instrumental variables regression analysis, data from between 1990 and 2010 from 43 African countries are used to test the hypotheses that (1) as the ratio of remittances to gross national income increases to a critical value, African states will experience higher growth rates in human development, after reaching a critical value, African states will experience lower growth rates in human development; and (2) African states with a national-level formal institution of the diaspora will experience higher growth rates in human development than those without such an institution. The results show that smaller amounts of remittance are positively associated with development and that larger amounts are negatively so. Overreliance on remittances exposes a dearth of opportunities within a state's

borders and the costs to production and development of losing too many citizens to outmigration. Though the analysis finds no statistically significant difference between development in countries with and without national level diaspora institutions, research reveals a common set of challenges for these budding organizations: inadequate data, intergovernmental coordination, and resources. Diasporic Africans stand to impact development on the continent now more than ever. For development, African governments now must balance the challenges of leveraging the skills and expertise of growing diasporas on one hand, and on the other, managing migration by increasing institutional capacities so that citizens can thrive and want to stay.

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ABBREVIATIONS

ADPC	African Diaspora Policy Centre
AML – CFT	Anti-Money Laundering and Combating Financing of Terrorism
AU	African Union
BBC	British Broadcasting Corporation
BRICS	Brazil, Russia, India, China, South Africa
CIDO	Civil Society and Diaspora Organization (African Union)
ECOWAS	Economic Community of West African States
FDI	Foreign Direct Investment
FH	Freedom House
FPE	Free Primary Education
FSI	Failed States Index
GDP	Gross Domestic Product
GNI	Gross National Income
GNPppp	Gross National Product purchasing power parity
HDI	Human Development Index
HTA	Home Town Associations
ICMPD	International Centre for Migration Policy Development
IFAD	International Fund for Agricultural Development
IGO	International Governmental Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
KYC	Know Your Customer
LDC	Least Developed Country
MENA	Middle East – North Africa
MPI	Migration Policy Institute
MTO	Money Transfer Operator
NELM	New Economics of Labor Migration
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
UN	United Nations
UNDP	United Nations Development Program
UN-OHRLLS	United Nations Office of the High Representative for Least Developed, Landlocked Developing and Small Island Developing States
USAID	United States Agency for International Development

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CHAPTER ONE

AN INTRODUCTION

Processes of globalization over the last few decades – those of increasing international interdependence and transnational integration – have thus far arguably done little to equilibrate opportunities between the global North on one hand and Africa and the rest of the "developing" world on the other. These processes, however, have lowered transaction costs – including those of travel, technology, and communication – associated with leaving one's country of origin in search of better opportunities elsewhere. By 2010, international migrants numbered over 213 million, more than the entire population of Brazil, the world's fifth most populous state (Migration Policy Institute (MPI) 2012). Through formal channels alone, those migrants sent almost $300 billion back home (World Bank 2011). Though neither the notion of migration nor the idea of emigrants sending money home is new or unique to our times, unprecedented numbers of transnational migrants and volumes of remittances at the start of the twenty-first century call attention to a growing cadre of transnational political, economic, and social actors. Particularly, growing numbers of diasporic actors have caught the eye of home governments. Large numbers of developing states have begun to, at least rhetorically, formally institutionalize engagement with their respective diasporas in the name of development. In Africa, since 2000, the number of states with ministries or other national-level offices of the diaspora has grown from four to over 30.

My research considers these two, perhaps related, phenomena – growing transnational remittances and the formal institutionalization of diaspora engagement – as potential sources of "development from abroad" in Africa. Specifically, I address questions about different levels of remittance: is any amount of remittance beneficial for development? And, if so, how much may be too much, suggesting genuine losses in potential progress and productivity at home due to the depletion of human capital associated with migration? I also investigate the recent growth of national ministries and other offices nominally dedicated to the diaspora and consider their structures and functions, including why governments are compelled to create such institutions and whether and how they facilitate diasporic involvement in development processes at home.

REMITTANCES, DIASPORA ENGAGEMENT, AND DEVELOPMENT

Theoretical and empirical work on the development impacts of remittances has been, until recent decades, mostly couched in a larger body of literature on migration and development. Many, like De Haas (2010) and Gamlen (2010), characterize trends in this larger literature as alternating periods of optimism and pessimism depending upon concurrent prevailing paradigms in development theory or circumstances in the international political economy. Both interpretations are viable. For instance, functionalist and modernization (optimist) theories of development in general in the 1950s and 1960s looked optimistically toward migration and its impacts on development. On the other hand, after the oil crises of the 1970s, retracting economies and surplus labor – hence decreased demand for

labor (migration) – caused the industrialized nations to turn a pessimistic eye toward migration-engendered development in the global South. Accordingly, in each era if migration is viewed as "good" or "bad" for development, remittances are as well.

Theoretical approaches

In the decades immediately following WWII, economic development was the goal of many strategies and topped the agendas of the new International Bank of Reconstruction and Development (IBRD or World Bank) and the International Monetary Fund (IMF). Neoclassical or orthodox economic approaches to development prevailed and theorized that migration for the sake of development – transfers of value, balanced growth – was an appropriate option for many in developing countries and regions (Harris and Todaro 1970; Ranis and Fei 1961). Economists created formal models applicable to international migration as well as rural-urban migration. Implicit in these models was the eventual and permanent return of migrant workers, bringing with them capital as well as experience and education, all of which they could apply at home for development. On the microeconomic level, individuals in poor areas would rationalize decisions to migrate based on expectations of increased income (Massey et al. 1993: 433-5).

Historical-structuralists (see Frank 1966) and dependency theorists (see Cardoso and Faletto 1979) responded to neoclassical theories of migration and development with the argument that the institutionalization of capitalism in the international political economy had left many states in the global South in perpetual

underdevelopment and subordinate to the industrialized North. Seemingly unending demands for labor in developed states discouraged searches for alternate employment at home and disincentivized innovation in the local and national economies of the developing world (Cobbe 1982). Reichert (1981) called this the "migrant syndrome", in which there stood no end in sight to the depletion of labor supplies and the attenuation of real development opportunities for citizens of underdeveloped states. Preoccupation with "brain-drain" of highly-skilled/educated citizens would surpass but not eclipse worries over losses in labor in the coming decades, and remittances could not possibly compensate for the losses in productivity and increases to prosperity that would have come without emigration (Bhagwati and Rodriguez 1975; Carrington 1999).

In the 1980s and 1990s, newer approaches surfaced, namely the New Economics of Labor Migration (NELM) and interdisciplinary transnational approaches. The NELM shifts the unit of analysis from the individual to the household and conceptualizes migration and migration decisionmaking as diversification of risk strategies for households in rural areas or poor countries. Further, remittances can be a safety net and incoming capital to invest in additional or more efficient production (Massey et al. 1993; Taylor 1999). Transnational approaches view migration as a process involving individuals, households, extended families, and communities at home as well as in intermediary and destination locales. While they concentrate on the movements of people, goods, and ideas across borders, proponents of transnational perspectives also focus on the people and places, and socioeconomic and political institutions found within transnational

networks (Basch et al. 2008; Glick Schiller 2009). Migration and remittances can help or hurt development processes at home, but also have economic, psychological, and sociocultural impacts on destinations and people. Transnational perspectives, and to a lesser extent those of NELM, try to reconcile agency, structure, and context in migration-development debates, which should be the goal of empirical work on the development impacts of migration and remittances.

Recent Empirical Studies of Remittance

Empirical research on transnational remittances has grown considerably over the last two decades, due most likely to the increasing quantities of cash crossing borders. Many studies are at the household level, fewer consider the relationship between remittances and development on the national level, and all of these (save a few) operationalize development narrowly as economic. Many studies fail to address endogeneity questions of remittance: were those (households, nations) that receive remittances already better off before migration? Finally, quantitative studies tend to use invalid measurements for remittances, grouping together traditional workers' remittances with migrants' transfers and employees' compensation (explained below). Failing to attend to these concerns calls many results into question.

Specific studies have shown that rural households receiving remittances are more likely to escape poverty than those who do not receive them (Sander and Maimbo 2008). Others have supported the idea that spillover effects can increase opportunities beyond remittance-receiving households by increasing demand and

creating jobs (Bardouille 2008; Chimhowu et al. 2005). Rarer studies conceptualizing development in social terms have found that remittance-receiving households had higher birth weights and that children averaged more schooling than in non-recipient households (International Organization for Migration (IOM) 2006; Ratha 2009). Macroeconomic research, on the other hand, tends to show negative relationships between remittances and development. Many empirical studies assert that rising levels of remittances may stymie overall economic growth (Barajas et al 2009; Chami et al. 2008; Singh, Haacker, and Lee 2009).

THE GROWTH OF GOVERNMENT INSTITUTIONS OF THE DIASPORA

Remittances are not the only offering expatriates bring to the development table. Growing numbers of developing countries are attempting to positively engage their diasporas for development through the skills and networks diasporans have acquired and built. Strategies for diaspora engagement are numerous. As stated above, the institutionalization of diaspora engagement on the part of governments is gaining popularity, especially in Africa. Just over five percent of African countries had a national-level ministry or other agency a decade ago, and now over 60 percent of African states have some type of diaspora engagement organization. Studies of diaspora-engaging government institutions are scant, which is understandable since most of them are very new.

The groundbreaking "Institutionalizing Diaspora Engagement within Migrant-Origin Governments" by Aguinas (2009) researched 45 such institutions in 30 developing countries and overall found ambitions unmatched by capacities.

Structurally, many institutions are found at the subministry level as a vice ministry or directorate of the diaspora, though a number of developing countries have full ministries of the diaspora. Other institutional arrangements are varied and include the Office of the Diaspora within the Office of the President as in Sierra Leone and the National Council on Mexicans Abroad (1-15).

Aguinas (2009) cites some of the same challenges to the effectiveness of these institutions in general that other smaller-scale studies have found. Changes of government, lack of coordination, and lack of reliable data on emigrants, diaspora locales, and remittance volumes are common obstacles (African Diaspora Policy Centre (ADPC) 2011; Plaza 2009). Some administrations virtually ignore diaspora affairs offices established by previous presidents as in Nigeria in the 2000s. Many governmental bureaucracies have multiple ministries, agencies, and offices at least tangentially connected to expatriates and the diaspora and newly created bureaucratic units only conflate already disorganized efforts. More empirical research is needed on these nascent organizations and their effectiveness.

DEVELOPMENT FROM ABROAD FOR AFRICA?

Is it possible to cultivate "development from abroad" for Africa? Results from previous studies discussed above are conflicting and consensus has yet to be reached on this question. My research contributes to narrowing several lacunae in the knowledge about the relationships between both transnational remittances and the institutionalization of diaspora engagement with development processes at home. I supplement the existing body of research in at least three ways: through my

geographic focus and scope, holistic conceptualization of development, and methodological approach. In this section I address each of these aspects in turn.

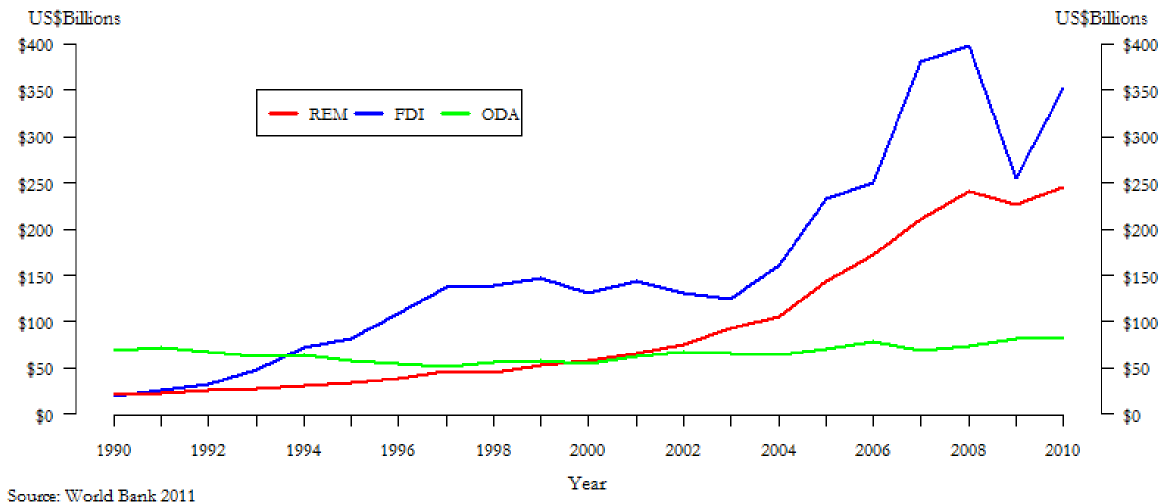
REMITTANCES TO AFRICA VIS-À-VIS OTHER DEVELOPING REGIONS

As noted above, most of the research on the development impacts of transnational remittances and diaspora engagement focuses on the developing regions other than Africa. It is important to study the impacts of remittances and diaspora engagement in the developing world as a whole, yet just as important to study their differing impacts across developing regions more equitably. Remittances, in particular, as a form of transnational capital constitute different portions of all transnational flows and therefore vary in significance dependent upon region.

First, to understand their significance in the developing world, it is useful to compare remittances to other transnational capital flows, namely official development assistance (ODA, or aid, hereafter) and foreign direct investment (FDI). Global remittances now far exceed global flows of aid. Figure 1.1 considers the three flows of transnational capital to the developing world. To these countries, FDI surpassed ODA flows in the early 1990s, and remittance did the same later in the decade. In 2010, while FDI accounted for 52 percent of inward-bound capital to the developing world, remittances made up 36 percent. Annual formal remittance flows – at $250 billion – were almost three times those of aid and comprised over two-thirds of the value of FDI. Furthermore, Figure 1.1 shows that the global recession of 2008 saw a 36 percent drop in FDI to developing countries from 2008

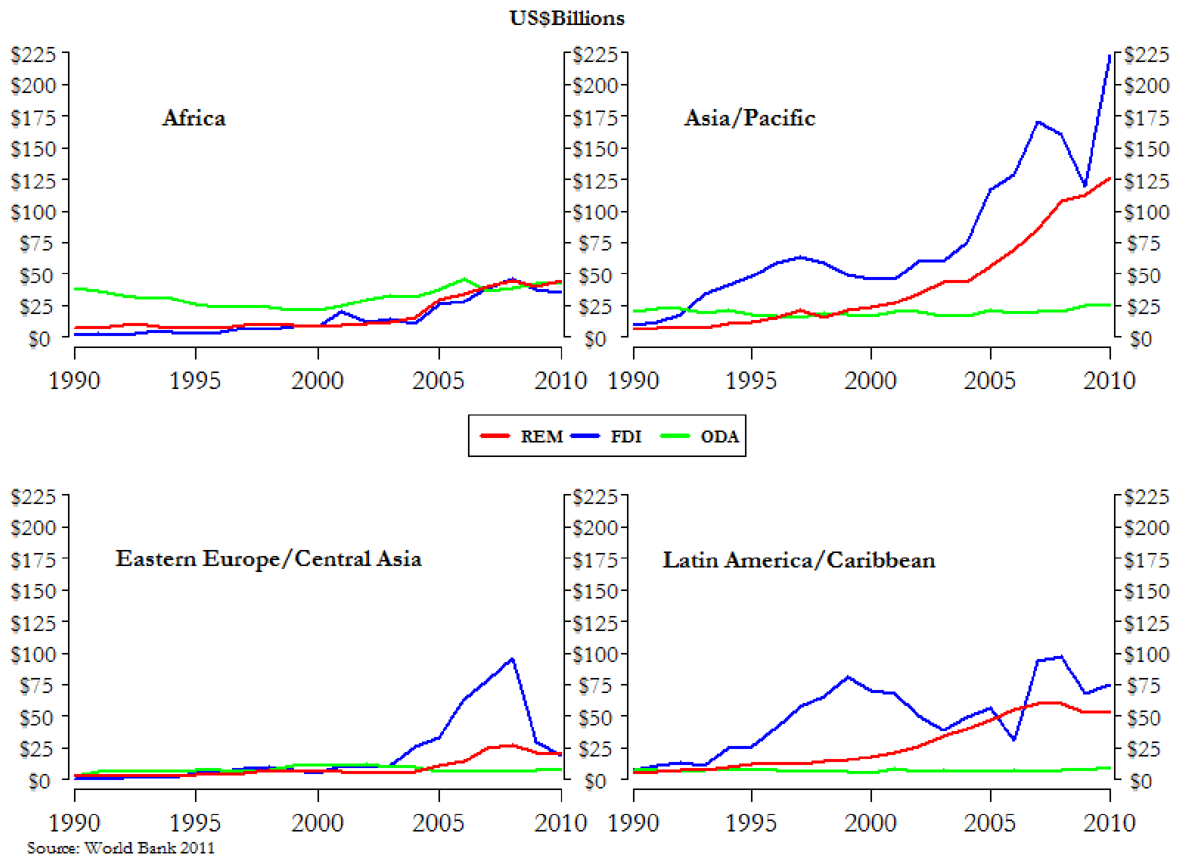
to 2009, while remittances only decreased by 5.5 percent, suggesting that remittances are more reliable and robust to exogenous or global economic shocks than are flows of directly business-related investments.

FIGURE 1.1 TRANSNATIONAL CAPITAL FLOWS TO THE DEVELOPING WORLD[1]



To understand the idiosyncrasies of remittances across developing regions, Figure 1.2 compares flows of transnational capital among these regions and highlights the differences in its composition. Africa is distinctive in two ways. First, it is the last of these developing regions to garner more remittances than aid, with the former surpassing the latter in 2007. To Asia/Pacific, Eastern Europe/Central Asia, and Latin America/Caribbean respectively, remittances surpassed aid flows in 1999, 2005, and 1994. Second, of the four developing regions represented, in Africa the three flows are the most equal, that is to say remittances, aid, and FDI make up roughly a third of total flows. In 2010, remittances were actually the largest of the three at 36 percent, followed closely by FDI at 35 percent.

FIGURE 1.2 TRANSNATIONAL CAPITAL FLOWS BY DEVELOPING REGION[2]



On par with the two other major forms of transnational inflows, remittances to Africa may well prove to be more vital for development than other developing regions. More research needs to focus on the role of remittances in development processes in Africa. My research addresses this need by focusing on Africa and including all countries for which data are available: 43 or four-fifths of countries on the continent.

A HOLISTIC CONCEPTUALIZATION OF DEVELOPMENT

As pointed out above, studies of the remittance impacts on development usually choose to operationalize development as wholly economic, while markedly

fewer studies consider social aspects of development, namely education and health as development. Only a handful of studies consider more than one of these three aspects, and then do so separately. Development herein is characterized not only by increases in incomes or economic productivity, but also by increasing access to social institutions, such as those of education and health. The conceptualization of *development* I use throughout highlights growing discursive trends that recognize the necessity but not sufficiency of an economic component in the development of states (Anand and Ravallion 1993; Sen 1999; Stiglitz 2002). Increases in gross domestic product (GDP), for example, do not predictably translate to increased political power, more education, or a higher degree of social inclusion for many or most of a nation's people. Development herein is defined as an historical process of change working toward the betterment of a nation's people through not only increases in income, but through increased access to social services and institutions as well, such as those of education and health (Sen 1999; Lindley 2010).

To complement the existing literature, my research posits as the outcome a modified version of the Human Development Index (HDI), developed by the United Nations Development Program (UNDP). As discussed in detail in Chapter Four, for the quantitative analysis I calculate an index of gross national per capita production purchasing power parity (GNPppp), expected years of schooling for children, and life expectancy at birth. I do not attempt to take credit for the creation of such an index; I only point out that this strategy is superior to those in the existing body of literature that consider only one aspect of development or consider more than one separately. Around 80 percent of transnational remittances are spent on immediate

needs: food, housing, school fees, and access to healthcare (Bardouille 2008: 13). Similarly, many programs involving diaspora-government coordination have as their objective to build or provide access to schools or healthcare facilities. Accordingly, as a minimum, studies of the impacts of transnational expatriate contributions to development at home should all therefore conceive of development as increases in education and healthcare access as well as increases in incomes.

METHODOLOGICAL APPROACH

The methodological approaches I utilize to analyze the relationships between (1) transnational remittances and development, and (2) formal institutionalization of diaspora engagement and development augment the existing literature in at least four ways. These include: more accurate measurement of remittances, accounting for their potential endogeneity, using a deviation-from-fit measure for development, and quantitatively modeling the association between formal government diaspora institutions and development.

First and following Basch et al. (2008), I understand those expatriates who maintain ties with their home countries as "transmigrants" and define this term as those who emigrate and "develop and maintain multiple relationships—familial, economic, social, organizational, religious, and political—that span borders" (263). This specification – rather than emigrant, immigrant, or migrant – conveys the more or less perpetual series of interactions among those who leave home and those who remain.[3] The maintenance of economic networks and relationships across borders is most often performed through *transnational remittances*, defined as money sent

home to family and friends by transmigrants. Though only these monies are what most would conventionally consider as remittances, almost every study of remittance groups these with two more quantities: "migrants' transfers" and "employees' compensation".

This specification is erroneous in most contexts. The three categories are outlined by the IMF as part of annual balance-of-payments information. Migrants' transfers represent the value of assets and capital transferred to a country by its immigrants upon setting up residence, and therefore should not be counted as conventional remittances. One particularly exemplary case cited by the IMF itself is that of Bill Gates, a US citizen who in 2007 changed his residency – and thus transferred $56 billion in assets – to Barbados (Chami et al. 2008: 4). In this extreme case, classifying this migrant transfer as remittance would have greatly distorted the true amount of remittances to Barbados.

"Employees' compensation" in this context specifies salaries paid to non-resident citizens by resident businesses and thus – like migrants' transfers – do not constitute conventional remittances (Chami et al. 2008: 5). Salaries are incomes, not formal transfers between non-residents and residents, and should not be confused with remittances. Portions of these incomes formally transferred back home to family and friends will be recorded as workers' remittances, the more conventional category, and accordingly then, should be included in analyses. Again, while most studies of the impacts of remittances combine all three amounts – workers' remittances, migrants' transfers, and employees' compensation – as "remittances",

my analysis which only considers the conventional category, stands to test the true impacts of transnational remittances on development.

Second, I control for the potential endogeneity of transnational remittances by using instrumental variables techniques; many previous studies have failed to do so. Transnational remittances may be endogenous to development, and specifically to measures of human development. In other words, citizens in countries with higher rates of education, life expectancy, and income are more likely to have and to take advantage of opportunities to emigrate than citizens of lesser developed countries. More educated and healthier expatriates are more likely to obtain higher-paying employment as well. Instrumental variables techniques discussed more in Chapter Four are a plausible strategy for removing the endogenous portion of suspect variables through an additional stage of estimation.

Third, through one more stage of estimation I calculate a deviation-from-fit measure as the dependent variable with the aim of comparing countries' strides in development to their development peers. As fully explained in Chapter Four, the deviation-from-fit strategy starts with a growth equation for the modified HDI: regressing changes in the index on starting levels and saving the residual values for each country-year. These residuals measure excesses or shortcomings of countries relative to other countries at similar starting points at a given time. This not only allows for better comparisons and assessments, but also accounts for the reality that more developed countries have less ground to cover in reaching development aspirations than do less developed countries. Most analyses of remittance impacts

posit as their outcome either the level of development or the change in development and therefore do not account for initial levels or relative changes. My analysis more accurately isolates the effects of remittances – and additionally, the effects of formal governmental institutions of the diaspora.

Fourth, employing a longitudinal multinational quantitative approach to the effects of these emergent diaspora institutions as my analysis does is unique. Due mostly to the relative recentness of such institutions, most studies involving them are descriptive. Extant research considers one institution or program, or searches for descriptive commonalities and differences in their structures and/or functions. By including the absence or presence of formal government institutions of the diaspora in a large-scale longitudinal quantitative analysis, combined with the operationalization of development discussed above, my research stands to measure associations between strides in development and the presence of these institutions, as compared to countries' development peers without any such institution.

SIGNIFICANCE OF THIS RESEARCH

In addition to filling gaps in the existing literature on the impacts of remittances and the institutionalization of diaspora engagement, this research presents useful information for policymakers. National, regional, and local policymakers, IGOs, non-governmental organizations (NGOs), and diasporic members and groups can find use for this research. Obtaining results that support (or refute) the hypotheses herein will contribute to a better understanding of the impacts of remittances and diaspora engagement for African development.

First, there exists a lack of data on the existence of formal institutions of the diaspora at the national-level across Africa. Since these institutions have grown in number from four to over 30 just over the last decade, many development actors can benefit from the dissemination of these data. Policymakers in destination countries who seek to include resident diaspora groups in development efforts back home, such as programs at US Agency for International Development (USAID) (Newland 2010), can coordinate efforts with these emergent institutions and increase ownership of development projects. Policymakers in the new diaspora institutions can learn from and share strategies with their counterparts in other African states. Other actors such as NGOs could also use this knowledge to connect and facilitate relations between diaspora ministries or offices and diaspora groups or issue-based groups. Finally, diaspora members and groups who are unaware of the existence of these new government institutions can use this knowledge to connect with their home governments with the aim of development.

Second, through the statistical technique of using the quadratic form of the remittances-to-GNI ratio (explained in detail in Chapter Four) I can help development actors and other academics to move beyond dichotomous characterizations of remittance impacts. Through this approach, I expect to show that small ratios of remittances-to-GNI are positive for development efforts. I also expect to find that larger, inordinate amounts can be detrimental for development, signifying losses in human capital as a reaction to domestic socioeconomic and/or political conditions – or perhaps, to a lesser extent, external ones – which, in many circumstances, small and regular infusions of cash at the household level cannot

mitigate. Though some theorizing (de Haas 2010) has emphasized that remittance impacts are diverse and dependent on actual amounts, most empirical studies argue that remittances are *either* good *or* bad for development, as mentioned above. Empirical evidence like that which I expect to show can help practitioners – policymakers and development IGOs and NGOs – to recognize when too much remittance as a proportion of income can sour development initiatives and suggest ways to counteract this tendency.

Third, by analyzing together the development impacts of transnational remittances and the institutionalization of diaspora engagement, I can create new opportunities for these new government institutions to cooperate with diasporas and influence the effects remittances have at home. In countries with larger-than-average ratios of remittances-to-income, diasporas and diaspora ministries and offices can work together on financial literacy programs and/or individual savings and investment plans for even a small portion of remitted funds. Efforts such as these may help to begin to mitigate the losses in productivity and human capital that come from disproportionate rates of emigration.

Research Questions and Hypotheses

Table 1.A presents the formal statements of the hypotheses I will test to investigate the impacts of transnational remittance and diaspora-engaging government institutions in Africa. The rationale driving the bifurcated hypothesis regarding remittances – that small amounts with respect to income will be positively associated with development growth while larger amounts will be

negatively so – stems from two phenomena: the diversification of risk represented by small amounts of remittance (say, five percent of GNI or below), and the tendency toward dependence on one or another type of transnational capital inflow when it garners a disproportionately large segment of income. First, and as discussed in detail in the next chapter, the New Economics of Labor Migration (NELM) perspective posits that for receiving households remittances can diversify risk, act as a safety net for income fluctuations, and stimulate otherwise impossible investments. Acknowledging the hazard of committing an ecological fallacy (King 1997), I test this theory in the aggregate level and posit that small amounts of remittance with respect to national income can encourage development by augmenting domestic income and investing in human capital (namely education and healthcare).

TABLE 1.A RESEARCH QUESTIONS AND HYPOTHESES

Research Question	Hypothesis
(**1**). How do transnational remittances impact processes of development in Africa?	(**1a**). As the ratio of remittances to gross national income increases to a critical value, African states from 1990 – 2010 will experience higher growth rates in human development.
	(**1b**). After reaching a critical value, as the ratio of remittances to gross national income increases, African states from 1990 – 2010 will experience lower growth rates in human development.
(**2**). Do African states with formal institutions of the diaspora see greater strides in development than those with no such institutions?	(**2**). African states with a national-level formal institution of the diaspora will experience higher growth rates in human development.

To the second point, however, disproportionately large amounts of remittance may have the opposite impact. In this respect, remittances and foreign aid have common characteristics. Much of the aid literature addresses the propensity for developing countries to become dependent on foreign aid for day-to-day operations and survival (see for example, Goldsmith 2001; Grant and Nijman 1998; Moyo 2009). Developing countries relying too heavily on remittances could find themselves dependent upon these flows as well, and changes or interruptions in remittance patterns (including foreign exchange fluctuations) could negatively impact growth and sustainability in human development, especially when paired with internal and external shocks to non-diversified domestic economies as is often the case in the developing world.

Furthermore, the presence of steady and plentiful remittance flows can have direct and indirect political effects. Developing country governments may be tempted to shirk responsibilities for social programs and to relax fiscal discipline by consuming or borrowing beyond their means, eventually sidelining their long-term development goals (Akokpari 2006; Chami et al. 2008). Moreover, when expatriate family members remit the means for meeting basic needs and subsequently engender more complacent citizenries, authoritarian regimes may endure longer than otherwise (Ahmed 2012). Having been more or less relieved of their Weberian patrimonial duties to provide social protections and services – by a few hundred dollars sent by each of a few hundred-thousand expats each month – dictatorial rulers and their small coalitions can enjoy and enlarge their piece of the pie at the expense of the country's development. To account for the possibly duplicitous

nature of remittance impacts as amounts grow, I hypothesize a curvilinear relationship and operationalize remittances in the quadratic form for the quantitative analysis.

For Hypothesis 2 in Table 1.1, I posit a positive relationship between the presence of a national-level diaspora-engaging governmental institution and human development. Since these institutions in Africa (and elsewhere) are diverse in structure and most are relatively new – less than five or ten years old – finding a measurable difference in development growth between countries with such an institution and those without may be optimistic. However, I argue that governments who attempt to engage their diasporas for development by erecting a (or an at least rhetorically) dedicated ministry or agency stand to cultivate a more positive rapport – over, of course, varying amounts of time – with their diaspora than governments lacking a dedicated institution.

RESEARCH DESIGN

The research design I will utilize to test the hypotheses is mainly quantitative in its approach. I will employ a two-stage instrumental variables cross-sectional time-series regression technique. This covers 43 African countries over five five-year periods, from 1990 through 2010. The first stage regression uses instrumental variables to control for the endogeneity of remittance flows by regressing the measured ratio of remittance-to-GNI level of each country-year on the exogenous regressor that captures global remittance trends, the median ratio for all other remittance-receiving countries in Africa for the given year. The second stage utilizes

the development deviation-from-fit measure as the dependent variable, which measures a country's successes or shortcomings in development against its development peers. The predicted values for the ratios of remittances-to-GNI from the second stage and their quadratic forms are regressors in this stage, as well as the binary variable for the presence of a formal governmental diaspora institution and control variables.

The lion's share of the data comes from international governmental organizations (IGOs): the World Bank, the UNDP, MPI, and the IMF. Variables from these sources include the dependent variables used to construct the development index; remittances, exports, aid, and income data; and HIV prevalence and migration data. In addition, through various governmental and other sources I have compiled data for national-level governmental institutions of the diaspora.

To augment the findings from the quantitative analysis, I also collect primary data from informal interviews in Addis Ababa, Ethiopia, primarily with members of the diaspora who were visiting and/or investing in the city by building hotels and other businesses. After several attempts to schedule interviews with civil servants at the Directorate General of Diaspora Affairs in the Ministry of Foreign Affairs in Addis Ababa, I was only able to briefly speak with a few workers about their diaspora programs and obtain standard information given to diasporic members who make inquiries to the Directorate. While traveling to multiple countries' diaspora ministries and offices and spending more time there would have been optimal, resource constraints and the scope of this project only permitted a brief

stay in one destination. The data I was able to procure gave me additional context and a better understanding of government-diaspora relations in Ethiopia.

LOOKING AHEAD

In the face of increasing international migration which is likely to continue, rising levels of transnational remittances on par with other primary financial flows stand to greatly impact development in Africa in the twenty-first century. Concurrently, growing numbers of diaspora ministries and other national-level offices gain potential to become key development actors. Systematic analyses of the impacts of transnational remittances and the institutionalization of diaspora engagement in Africa are needed to fill gaps in an existing literature that favors other regions and tends to use flawed operationalizations of what constitutes a remittance. My research and analysis helps to fill these voids and has implications for policymakers, senders and receivers of remittances, and diaspora groups.

The next chapter provides a survey of the existing relevant literature on migration and development, transnational remittances and their impacts, and the process of diaspora engagement. Chapter Three focuses on the key independent variables in this study. I provide overviews of the growth and nature of transnational remittances and the institutionalization of diaspora engagement in Africa. Chapter Four begins by describing development in Africa in terms of incomes, education, and health. I then present the control variables, explain the methodological techniques that I employ, and end with the results of the analyses.

Chapter Five summarizes, discusses the implications of this study, and posits potential avenues of further research.

NOTES: CHAPTER ONE

[1] Graphs include developing countries from each region as specified by The World Bank as non-high-income countries (World Bank 2011). For Africa, each of the 53 countries was classified as developing for the period of 1990 – 2010, save Equatorial Guinea. Equatorial Guinea is included in the calculations for the graph to provide the most complete coverage as possible for Africa. Furthermore, while ODA data is reported for every year shown for Equatorial Guinea, remittance data are unavailable, and FDI data are available only from 1990 – 1996.
[2] Same as above.
[3] Though I employ *transmigrant* in references to remitters in the context of my own research, to avoid anachronisms and with the aim of accurate representation I use the alternatives *migrant, immigrant, and emigrant* purposefully in describing the work of others and when appropriate in context

CHAPTER TWO

MIGRATION, REMITTANCES, AND DEVELOPMENT

The impacts of remittances and migration on development have been debated by policymakers and scholars since the 1950s. More recently, these debates have included a focus on the role of diasporic communities on the social, economic, and political development of home countries. The institutionalization of previously informal engagement between diasporas and home governments for development has led to the establishment of national level ministries and other offices, especially in Africa. This has highlighted the importance of earlier theoretical debates of whether remittances (and migration) were "helpful" or "harmful" for development in home countries.[1] This chapter is divided into four sections. The first considers the discourse on migration and development, highlighting the role of remittances as well as the ebbs and flows of optimism and pessimism that have generally characterized the literature over the last few decades. I then narrow the focus and survey the more recent theoretical and empirical discourse on transnational remittances and development before exploring the newly emerging literature on processes of diaspora engagement and their institutionalization. The fourth section is a summary of the emergence of more complex approaches to migration, remittances, and development in an increasingly globalized economy, characterized by increased transnational linkages between diasporas and home governments.

MIGRATION: "GOOD" OR "BAD" FOR DEVELOPMENT?

The larger body of theoretical and empirical work has historically alternated between a dominantly optimistic view of the relationship between migration and development and a pessimistic one (de Haas 2010). Unsurprisingly, if from a certain perspective migration is seen as positive for development, remittances are as well, and diasporas, expatriates, guest-workers, or temporary migrants (however characterized) then become "agents of development" of one type or another for home countries. Pessimistic views of the migration-development connection highlight the overall losses from migration borne by sending regions – for instance brain-drain and brawn-drain and exploitation of immigrant workers – that cannot be mitigated with infusions of capital in the form of remittances and generally deemphasize networks that connect diasporans to their home countries.

NEOCLASSICAL APPROACHES

In the decades immediately following World War II when international economic "development" topped the foreign policy agendas of many states and was a primary mandate for the emergent Bretton-Woods regime, views of the relationship between migration and development were mostly optimistic. The prevailing theories and analyses during the 1950s and 1960s – orthodox or neoclassical economics approaches – for the most part posited a formulaic template explicitly or implicitly based on the Heckscher-Ohlin model of international markets and trade. The model (Ohlin 1933) focuses on the factors of production – land, labor, and capital – and posits that equilibrium can be realized in the international

economy through the movement and relocation of labor and capital. Labor-rich and capital-scarce economies should export labor while capital-rich and labor-scarce economies should export (or invest) capital elsewhere. Balanced growth in the international economy is achieved through these movements.

Applying these tenets in a (mostly) domestic context, early neoclassical economists (Harris and Todaro 1970; Ranis and Fei 1961; Sjaastad 1962; Todaro 1969) created equilibrium models to address underdevelopment and unemployment problems in rural areas through labor migration to urban, industrialized areas. Inherent in these arguments was the return of migrants, bringing with them not only capital but the experiential and educational fruits of their labors, all of which they could then utilize in economic development processes at home. In this circular view of migration, the theoretical result is more balanced growth between urban and rural sectors domestically and industrialized and developing countries internationally. This balance will materialize through a convergence in global wages, wherein migration out of labor-rich, capital-poor countries drives up wages while decreasing wages in destination (labor-poor, capital-rich) countries. Moreover, at the microeconomic level, neoclassical economists theorized and modeled decisions to migrate through cost benefit analyses acutely focused on the expected returns of labor at home versus those in alternative destinations, which tended to favor perceptions of the increased benefits of migration (Massey et al. 1993: 433-5).

RESPONSES TO NEOCLASSICAL APPROACHES

HISTORICAL-STRUCTURALIST APPROACHES

By the late 1960s and beyond, it was becoming clear that global inequality was rising, not declining. Rooted in critical Marxist traditions of class-based explanations of domination and subordination, historical-structuralist approaches began to gain momentum in theoretical debates and empirical discourse. Significantly, A.G. Frank's "The Development of Underdevelopment" (1966) and Cardoso and Faletto's work on dependency theory (1979) criticized neoclassical development theory in general, beyond the issue of migration. In Frank's assessment, perpetual circumstances of underdevelopment had been established in the global South alongside the institutionalization of capitalism in the international political economy, a process and system controlled by the industrialized and industrializing global North. For Frank, "underdevelopment" or economic "backwardness" was not a state of nature but an inherent result of capitalist endeavor through which metropoles exploited and expropriated resources from Southern satellites. Similarly, states in the global South or "periphery" became subservient and dependent upon northern, capitalist states in the "core" for Cardoso and Faletto and other proponents of dependency theory. This body of literature, chiefly the work of economists in or from Latin America, Asia, and sub-Saharan Africa, signified a turn toward pessimistic views of migration-engendered development.

Concurrent and later empirical analyses focused more acutely on migration and its impacts on development in source countries reflected this pessimism and refuted the orthodox theories. In a case study of Basotho migrant workers in South Africa, Cobbe (1982) draws two conclusions supporting dependency theory assertions at the regional level. First, the historic trend of seemingly perpetual labor demand in South Africa for Lesotho's males continually minimized the necessity to search for or create alternative means of employment at home in Lesotho (849). Second, the exposure of inordinate numbers of Basotho workers to the standards-of-living in South Africa –five times those of Lesotho – diminished demand for goods produced at home and altered consumption patterns that came to favor imported products (850). Cobbe claims that, coupled with the historical lack of demand for domestic employment, the decline in demand for domestically produced goods stymied Lesotho's development for decades at least. This conclusion also supports what Reichert (1981) termed the "migrant syndrome," asserting that migration robs sending regions of their labor and capital, and attenuates and disincentivizes local production of any sort (Massey et al. 1993; Taylor 1999). Though not always explicitly, these arguments suggest that migrant workers and their families would spend the lion's share of capital sent or brought home – remittances – on imported goods and therefore have negligible or negative development impacts.

To briefly cite two more examples, a 1966 study by the Organization of Economic Development (OECD) "stressed that the acquisition of training and experience by migrants in Europe is both difficult and rare…it is virtually impossible to synchronize the demand for skills in regions of origin to the kinds of training

received by immigrants in host countries" (Penninx 1982: 783). In his own review of empirical studies of Turkish migration in the 1960s and 1970s, Penninx found three common themes: that most migrants were not unemployed at the point of migration; that workers from rural or domestic underdeveloped regions were less likely to migrate; and that migrants' education levels were higher than average in Turkey (1982: 793). All these findings refuted the neoclassical views that returning migrants would bring home a wealth of appropriate training or engender balanced growth and development.

An important distinction to make is that while neoclassical approaches posit a unidirectional argument, migration as a "cause" for development, historical-structuralists view a two-way street: underdevelopment as the "cause" of migration, a self-reinforcing mechanism that also perpetuates underdevelopment (Faist 2009). Neoclassicists saw what migrants brought back: experience, education, and capital. Historical-structuralists shifted focus to what the migrants took: labor and education and remittances could not solve the underdevelopment conundrum reinforced by the migration of labor and the educated masses, brawn-drain and brain-drain respectively. These phenomena further entrench sending regions into patterns of underdevelopment while increasing productivity in destination regions. While neoclassicists argued that returning migrants would invest their capital in increased productivity at home, critics emphasized that remittances are mainly spent on consumption and rarely invested, therefore not contributing to development. Furthermore and notwithstanding their uses, remittances cannot compensate for the losses in productivity and prosperity due to increasing

migration for historical-structuralists (De Hass 2006: 566; Goss and Lindquist 1995).

In particular, the issue of brain-drain from poor countries continues to receive much attention in the migration discourse. The primary implication of brain-drain is that investments in education cannot support growth or any development returns for developing countries if many of its highly educated citizens leave (Carrington 1999). The ones left behind are likely to be worse off by these departures than before (Bhagwati and Rodriguez 1975). By 1998, an estimated one-third of the populations with tertiary education from Africa, the Caribbean, and Central America had emigrated to OECD countries (Ratha 2005: 38). Surveying 1000 expatriate Zimbabweans in the UK and South Africa, Bloch (2005) found that 82 percent were university graduates and 38 percent of all those sampled in the UK were active in healthcare or social work (6-7).

Beine et al. (2008) examine the effect of brain-drain in 120 developing countries and find a positive or "brain gain" effect overall. The authors then pursue a closer examination through a different quantitative approach that employs counterfactuals to measure the country-specific impacts based on the level of human capital formation at home along with the skill levels of migrants. In the case of some developing countries – those possessing relatively low levels of human capital coupled with low-skilled emigration patterns – a small positive effect (in terms of human capital gains at home) is visible. However, slightly more countries in the sample lose more high-skilled citizens to emigration, and in these cases the

effect is negative, supporting the authors' brain-drain hypothesis when examining countries separately. Many small sub-Saharan African and Central American countries are particularly vulnerable in this respect. Predictably, China, Brazil, and India – most likely the three largest economies in the sample of developing countries – are among those gaining human capital from emigration. These three cases, the authors point out, tip the scales when examining the countries all at once and inform the conclusion that the developing world experiences a net small but positive gain from emigration.

Other authors have argued for brain gain in that increased demand abroad for skilled workers stimulates domestic demand for education in developing countries toward the goal of emigration. Due to policy environments and situational circumstances that limit or prevent eventual emigration, not all those who seek and receive education will emigrate, thus raising human capital via education rates at home (Docquier and Marfouk 2006; Katz and Rapoport 2005; Stark et al. 1998). At least two assumptions are inherent in these arguments: first that brain gain is more likely under strict policy barriers around emigration, and second that educational institutions are equipped to handle the increased demand (Gibson and Mckensie 2011: 119). To the first point, these types of policies are themselves likely to work against development efforts and may be symptomatic of larger restrictive policy environments. To the second point, developing countries, especially the poorest of them, tend to lack the infrastructure to meet current demands on education. All of these studies and the observations gleaned from them point to the importance of

incorporating context into discussions of brain-drain or gain and all the effects of migration more broadly.

NEW ECONOMICS OF LABOR MIGRATION

Though issues like brain-drain, brought to light by historical-structuralists, persist in theory and practice through today, by the 1980s economists were salvaging what they could from the earlier orthodox approaches and pushing forward with a new optimism. In 1985, Stark and Bloom synthesized much of the recent economic thinking toward migration and development under the label of the "New Economics of Labor Migration" (NELM). Unlike the dependency and other historical-structuralist arguments, NELM was and remains less a critique and more a sophistication of the neoclassical approach. At least one author, Abreu (2010), has recently all but labeled NELM a neoclassical wolf in sheep's clothing. Other authors such as Massey et al. (1993) drop the "labor" from the moniker and call the bundle of approaches the "New Economics of Migration," most likely to highlight its differences from the more narrowly labor-focused neoclassical variant and to emphasize its relative breadth of considerations. Notwithstanding these disagreements, the introduction of NELM and its increased popularity through the 1990s marked a return to optimism for many in the migration and development discourse.

The fundamental difference between the NELM approach and its neoclassical antecedent is the unit of analysis. Neoclassical migration theories focused on the individual and individual decisionmaking processes, and the NELM posits that the

decision to migrate or not consciously involves a small group: the family, household, or farm, or any small group in more or less close quarters composed of would-be migrant(s) and non-migrants as the situation dictates.[2] For Stark and Bloom, changing the unit of analysis from the individual to the household "shifts the [very] focus of migration theory" from an assertion of individual independence to one of mutual interdependence within the household (1985: 174).

While one could argue that the expected return of migrants under neoclassical prescriptions also constitutes mutual interdependence, involving entire households in migration decisionmaking processes does so explicitly and removes the often false sense of liminality or impermanence from decisions to migrate. The notion of mutual independence is an important one, especially in terms of the nature of remittances for the NELM approach. In this view, decisions to migrate and potential remittances, unlike those professed by orthodox theories, go beyond increasing incomes to loosen constraints on production and investment borne from the relative absence of public and/or private insurance or safety nets in developing regions compared to developed ones. Remittances not only increase incomes but also: diversify risks if for instance crops fail at home or act as unemployment insurance in case non-migrant household members lose jobs; and can provide capital to start new projects in the absence of reliable and affordable credit markets (Massey et al. 1993: 436-438; Taylor 1999: 64).

These observations point to a similarity between NELM and seemingly opposing historical-structuralist arguments: the circularity of the migration-

development relationship that neoclassical approaches missed. Historical-structuralists see underdevelopment as the impetus for migration and then migration itself affecting development at home. Proponents of NELM posit that the constraints to prosperity found in poorer areas help to make migration an option in the decisionmaking process, which also considers the expected impacts on well-being and development from the act of migration. One of the most important differences between the two approaches lies, of course, in the quality of the resultant impacts on development. Historical-structuralists and dependency theorists claim that non-migrants will be worse off due to local and societal losses in labor and skill, a discrepancy for which remittances cannot compensate. According to NELM, the household diversification of risk along with remittances will increase well-being and help to move along processes of development at home.

TRANSNATIONAL APPROACHES

Like the two previous schools-of-thought, transnational approaches also see migration and decisions whether to do so as a perpetual process. More exactly, transnational perspectives focus on the constant movements of people – along with goods and services and ideas – across borders and the networks they build, maintain, and expand. Many refer to these networks created through the relationships transmigrants maintain as "transnational communities." Glick Schiller (2003) calls these networks "transnational social fields" and characterizes them as multi-dimensional and multi-sited. Transnational social fields are found in the interstices of states of origin and destination. They are a network of networks,

encompassing public and private organizations such as churches, schools, interest groups, government agencies and banking systems that connect those who leave with those who stay behind. Proponents of transnational approaches to migration and development claim that conceptualizing social relations in this way permits scholars to transcend earlier, more static connotations of societies bounded by the nation-state, all the while not forgetting the diversity and important roles of public policies that constrain transnational action (Basch et al. 2008; Glick Schiller 2009).

Focused on the "betwixt and between" transnational approaches profess neither the eminent return of migrant workers à la neoclassicists, nor the inexistent or extremely low probability of emigrants' return found in the dependency and NELM theories. Rather, the perspective of transnationalism emphasizes the more or less frequent transactions and communications occurring between those who leave and those who stay behind, as well as temporary returns and visits (Faist 2009: 43). It also stresses the role of transnational organizations, especially hometown associations (HTAs), in maintaining relationships for transmigrants across locales. These associations raise money for national and local projects, inform transmigrants of sociopolitical developments, and reinforce ties with community at home.

Enduring institutions and ever-expanding linkages found in transnational communities or "social fields" also help explain the persistence of remittances from transmigrants who may never return home. Hometown associations and transmigrant communities at-large exert social pressures to remit. In her research on Somalis in London, Lindley's respondents reported expected repercussions for

not remitting, not only from home, but from other Somali-Londoners with whom they live, work, or spend time (2010: 128-132). Though proponents of transnational perspectives are neither necessarily pessimistic nor optimistic toward the relationship between migration, remittances, and development, they tend to lean toward optimism. Many have argued, as in the Somali-London case, that remittances are a lifeline to otherwise dire straits, or that technological advances continue to make migration easier – economically and psychologically – and more beneficial for both transmigrants and non-migrants (De Haas 2010: 247). Most agree that the impacts of social and economic remittances depend upon the social, economic, and political environments in which they are given and received.

Recently, some transnationalists have envisaged remittances as an extension of the ubiquitous neoliberal strategies that are continuously transferring responsibilities from governments to citizens and private enterprise (Glick Schiller 2009; Phillips 2009). Neoliberal strategies invite citizens from developing regions into the global economy as migrant labor through state-based incentives to migrate such as training programs or the growing trend to legalize dual citizenship. Remittances from workers then relieve pressure on governments to provide for their citizens while the same neoliberal agendas of states and regions increasingly privatize social services such as healthcare and education (Phillips 2009: 240-245). For Glick Schiller, "remittance flows within a neo-liberal context highlight locational disparities that are no longer addressed by state policies that would aim to even out regional disparities" and therefore remittances can exacerbate (at least) geographic inequalities in many contexts (24). In this view, the same ideology promoted by

global power structures surfaces in different forms in different locales for transmigrants – and receives diverse responses including remittances, activism, movement, and adaptation.

EVALUATING APPROACHES TO MIGRATION AND DEVELOPMENT THEORY

It is this attention to context that underlines most contemporary assessments of the utility of various strands of migration and development theory. Hein de Haas (2010) concludes that the oscillation of prevailing optimism and pessimism regarding migration and its effects on development since the 1950s is primarily a reflection of paradigm shifts in more general social and development theory: from functionalists and modernization theorists (optimists) to structuralists, neo-Marxists, and dependency theorists (pessimists). The more recent NELM and transnational approaches may have at first signified a shift back to optimism but are really attempts to bring together agency (from neoclassical arguments) and structure (from dependency theories).

Alan Gamlen (2010) offers a parallel explanation that whether current theorizing surrounding the relationship between migration and development is dominated by optimism or pessimism is a direct result of the environment of the international political economy. In times of migration "booms" – i.e., the era of economic expansion (in industrialized countries) in the 1960s and 1970s when demand for migrant labor remained high – the discourse leaned toward a positive view of migration and development as a way to achieve balanced growth. As a reaction to migration "bust" cycles like those after the oil crisis of the 1970s, the

discourse tended to favor an inverse relationship between migration and development (2010). The explanations from de Haas and Gamlen are synthesized by the assertions from Phillips and Glick Schiller above that theories of migration and development are only as useful as they are aware of contemporarily prevailing ideologies of global political economy and the ideas and forces of regional, local, and transnational political economies. These insights guide my review and assessment of current empirical research on remittances and development, to which I now turn.

TRANSNATIONAL REMITTANCES AND THEIR DEVELOPMENT IMPACTS

Most studies of remittance and development are performed at the household or community level through interviews and/or surveys. These address one community or many communities either nationally or cross-nationally. Other studies are case studies of the efforts to make remittances effective for development on the part of particular governments or hometown associations (HTAs).[3] A smaller number of studies are cross-national and focus on the national level impacts of remittances. Most of these implicitly follow the assumptions of NELM and point to a rhetorical set of 'sound' macroeconomic policies and practices including the expansion of financial infrastructures and diaspora engagement efforts (on the part of governments) that are often elusive in developing nations, yet a necessary component in facilitating development through remittances (Bardouille et al. 2008; Maimbo and Ratha 2005). Still, all of these studies (save very few) operationalize development narrowly, as either economic (increases in household or national incomes), or social (access to education or healthcare). In this section I briefly

review previous studies of the development impacts of remittance in order to situate my objectives to help fill the gaps in the larger body of research.

Studies of remittance focused on social development outcomes generally employ surveys or interviews and conclude that remittances have a positive impact. As part of a larger research agenda, analysts from the International Organization for Migration (IOM) (2006) found that children from remittance-receiving households in Mexico averaged between 0.7 and 1.6 more years of schooling than those in households without the benefit of remittances. In Zimbabwe, households receiving remittances were also found to have higher education levels than those without remittances (Sander and Maimbo 2008: 63). Other studies have found that children in remittance-receiving households have lower dropout rates and that these households spend more on children's tuition than non-receivers. Survey data from Sri Lanka showed that those households receiving remittance had higher birth weights than those not receiving remittances, which suggests that mothers in the former had better access to healthcare (Ratha 2009: 30). A recurrent problem with these studies and others like them is that most are cross-sectional, and those that are longitudinal are so for a relatively short time, such as a year or two. They fail to account for true longitudinal trends and preexisting circumstances and do not address questions of endogeneity and reverse causation such as "were remittance-receiving households *already* better off – with more access to education and healthcare – before the point of emigration?"

Similar to studies concentrated on social development outcomes, research on remittances and economic development outcomes at the household and community levels tend to find a positive relationship. Sander and Maimbo (2008) administered surveys throughout Burkina Faso and found that transnational remittances have lowered rural households in poverty by seven percent and urban household rates by three percent. Many studies at the community level point to the spillover effects of more cash in local economies. This can increase local demand for goods and services, and can lead to more jobs for non-remittance-receiving members of a community (Bardouille 2008; Chimhowu et al 2005). In Egypt, remittances have spurred the creation of non-agricultural small businesses, the services of which are available to the greater community (IOM 2006: 53). In one rare study that operationalized development as both social (as children's educational attainment) *and* as economic (as poverty reduction), Acosta et al. (2007) found that both conceptualizations are positively influenced by remittances. Through household surveys of communities nested across 11 Latin American countries, the authors found a modest lowering of poverty rates due to remittances along with increased educational attainment for children (conditional on parent education rates). Though studies using economic outcomes as development are more often longitudinal, they – like those with social outcomes above – narrowly conceptualize development as one-dimensional, and have a predominant geographic focus in Latin America or Southeast Asia, where remittances in the aggregate are greater than those to other developing regions, namely Africa.

Studies focused on the potential macroeconomic impacts of remittance – not development *per se* – highlight the benefits of increased foreign exchange for governments in developing nations. More foreign exchange can lower the relative cost of development-related and other vital imports. Of course the political will needs to be in place since, "whether or not the foreign exchange will actually be spent on imports essential for development is, of course, a key issue" (IOM 2006: 54). Increased foreign exchange reserves can also buoy balance of payments accounts and service external debt, which in turn can increase access to international capital markets (Ratha 2009: 30). Securitization of future flows of remittance can also make international capital more accessible. Several South American nations including El Salvador, Brazil, and Peru have used securitized future flows as collateral to raise capital internationally. Using securitized future flows in this way is also generally less expensive than borrowing on sovereign credit (IOM 2006: 55).

Extant macroeconomic research more acutely focused on development as an outcome tends to show negative effects of increased remittances in developing countries. In an empirical study for the International Monetary Fund (IMF), Singh, Haacker, and Lee (2009) found a negative relationship between growth in remittances (as a ratio to GDP) and GDP growth in 36 sub-Saharan states from 2000 – 2005. Chami et al. (2008) point out that at the national level, there is a potential for governments to become reliant on remittances. This may cause them to relax fiscal policy discipline and start consuming or borrowing beyond their means, especially in developing countries with low tax revenues and little room for error.

Remittances may also cause governments to lose sight of long-term economic development plans. Furthermore, continued remittance dependence might result in a failure of economies to diversify (Akokpari 2006).

A few previous empirical studies have found that remittances have a positive effect on measures of development. An integral part of modeling the effects of remittances is controlling for their possible endogeneity or reverse causality with the dependent variable. This is generally done with instrumental variable techniques. In practice, acceptable candidates for instrumental variables must be highly correlated with the endogenous variable but not with the dependent variable, and only affect the dependent variable through the endogenous predictor (Wooldridge 2002). The examples here are representative of the instrumenting strategies in the remittance-development literature. Adams and Page (2005) instrumented remittances with distance to the remittance-sending area (the US, OECD Europe, or the Persian Gulf), secondary education rates and a measure of government stability (in the home country) for an unbalanced panel of 71 developing countries from 1980 to 1997. They argued that the instruments are not directly correlated with their dependent variable, poverty. One could plausibly argue, though, that education rates and government stability are related to poverty in developing countries. Their results showed that remittances play a positive role in reducing poverty. Giuliano and Ruiz-Arranz (2005) modeled remittances and income growth using internal lags of both the dependent and endogenous right-hand side variable in a system generalized method of moments estimator (GMM).[4] The authors found that remittances have a positive effect on income growth in

countries with relatively low financial development, but then a negative effect on growth in countries with more developed financial sectors. To reach this conclusion, they used interactions between remittances and a handful of financial depth indicators from the banking sector (i.e., liquid liabilities, deposits, credit provided) on a sample of 73 countries in five-year average panels from 1975 – 2002.

However, most extant empirical research tends to show negative effects of increased remittances on macro-development in developing countries. Using two ratios as instruments, a country's income relative to US income and the country's real interest rate relative to that of the US, Chami, Fullenkamp, and Jahjah (2003) found a negative relationship between remittances and per capita GDP growth in 83 countries from 1970 to 1998. Here, normalizing the instruments by US income and interest rates are truthfully just two variants of a country's income and interest rate and therefore most likely correlated with the dependent variable, income growth. Singh, Haacker, and Lee (2009) found a negative relationship between growth in remittances (as a ratio to GDP) and GDP growth in 36 sub-Saharan states from 2000 – 2005 using fixed effects and internal lags in a GMM estimator to account for the endogeneity of remittances. Finally, employing the ratio of all other remittance-receiving countries' remittances to their total income, Barajas et al. (2009) also found a negative relationship between remittances and per capita GDP growth in a sample of 84 countries in five-year periods from 1970 to 2004. The authors argue that their instrument captures much of the exogenous portion of remittances by focusing on their determinants: for instance, trends in the decisions of whether and how much to remit and the transaction costs associated with doing so. By excluding

each country in question when calculating the value of its respective instrument, the authors contend that they are preserving the exogenous character of the instrument.

With few exceptions, this body of mostly quantitative research tends to simplify development as wholly economic, with the implication that social progress will follow. In addition, most macroeconomic studies of remittances and their impacts fail to separate the three categories of remittances as defined by the Bretton Woods regime and thus (as discussed in Chapter One) conflate employees' compensation and migrant's transfers with workers' remittances, when only the last category describes what most observers would consider remittances in the traditional sense (Barajas et al. 2009: 12-13). Furthermore, save the last few examples and no matter the level of analysis, studies often fall short in addressing the potential endogeneity of the remittance and development question: were some (countries, households) already better off (more developed) – did increased opportunities lead to more emigration which in turn led to more remittances to become spuriously associated with higher levels of development?

As explained in detail in Chapters Three and Four, I address all of these issues in turn. First, I define and operationalize development as social and economic, using education, health, and income indicators. Second, following the IMF (the IGO charged with collecting and classifying data on remittances), I isolate transnational worker's remittances to represent what most people in theory and practice consider as "remittances", and do not include cross-border compensation or one-time

movements of capital and assets. Lastly, I attend to potential endogeneity concerns through instrumental variables techniques, and thus account for the influences of remittance levels stemming from variation in initial levels of development across countries.

THE INSTITUTIONALIZATION OF DIASPORA ENGAGEMENT FOR DEVELOPMENT

No matter the relative level of social and economic prosperity, many developing states realize that maintaining ties with their diasporas holds opportunities beyond remittances. Strategies for diaspora engagement are numerous and many governments are relative newcomers to the process. Government-diaspora relations are as diverse as they are numerous, and it is important to note that not all are positive. Some governments, such as Gabon and Zimbabwe effectively have negative relationships with their respective diasporas. Hopeful challengers of the Parti Democratique Gabonais (PDG) arguably have better relationships with the Gabonese Diaspora than the ruling PDG itself. Opponents often campaigned for funds and political support in Europe to challenge Omar Bongo's six terms and over four decades as president (1967 – 2009) and continue to do so after his death and the subsequent ascendency of his son, Ali Bongo Ondimba, to the presidency (BBC 2009). In Zimbabwe, President Robert Mugabe has been known to "blast those Zimbabweans who migrate for economic reasons and send back remittances to their family members and relatives" rather than remaining at home and working toward development (Bracking and Sachikonye 2009: 214).

For the majority of countries that attempt to establish formal *positive* relations with their diasporas, the act of "institutionalizing" diaspora engagement by installing a national ministry or office dedicated to the diaspora is gaining popularity. In Africa, national bureaucratic units nominally dedicated to diaspora relations range from the "Diaspora Desk" under a Special Assistant to the President to the *Ministère des Sénégalais de l'Extérieur* or Ministry of Senegalese Abroad. Studies on the development impacts of diverse diaspora engagement efforts and institutional performance yield varied results but tend to cite similar challenges: a lack of capacity and coordination, a dearth of reliable data, unfamiliarity with diasporic interests, and domestic politics (African Diaspora Policy Centre (ADPC) 2011; Aguinas 2009; Plaza 2009; Ratha et al. 2011: 173). Below I review existing knowledge on the structures and functions of national-level diaspora ministries, agencies, and offices before returning to the challenges they face in making engagement work for development.

Part of a larger IOM effort, Aguinas (2009) considered 45 diaspora-engaging institutions across 30 developing countries (nine in Africa). Less than five years old, this represents the first systematic cross-country examination of these mostly new institutions. Aguinas found that most institutions operated at the national level as ministries, subministries, or special offices or committees. Most of these institutions are new and Aguinas points out high degrees of diversity in many aspects of their structures and functions: place within the government hierarchy, relative power, influence, resources, and effectiveness of each. Of the ministries some are dedicated to the diaspora as their sole mandate: for example, the Ministry of Diaspora

(Armenia) or the Ministry of Haitians Living Abroad. Others are hybrid or shared ministries such as Somalia's Ministry for Diaspora and Community Affairs. The subministry level organizations are generally a vice ministry or directorate such as the Ethiopian Expatriate Affairs Directorate General in the Ministry of Foreign Affairs. Other national offices and committees include the Interministerial Committee for Chilean Communities Abroad and the Office of the Diaspora serving Sierra Leone's Office of the President (Aguinas 2009: 1-10).

With a few notable exceptions, large-scale diaspora engagement programs and the further institutionalization of these efforts are a relatively new phenomenon. Most of the institutions in Aguinas' report were created in the 2000s or the late 1990s. This makes judging their effectiveness difficult. A handful of countries offer evidence of earlier success at diaspora engagement, with or without an official government body nominally dedicated to the task. Israel since 1951 and India since 1991 have had successful diaspora bond programs. Israel created the Development Corporation for Israel as a parastatal in 1951 with the sole charge of issuing its bonds, while India processes bonds through its central bank. Thus far, Israel and India have garnered at least $25 billion and $10 billion respectively (Ketkar and Ratha 2010). Through its Overseas Chinese Affairs Office of the State Council and other government bodies, China began to forge strong ties with its diaspora members following reforms in 1978 and now receives a substantial portion – estimated at almost 50 percent – of its foreign direct investment from expatriate communities (Bardouille 2008: 17).

Like the Overseas Chinese Affairs Office, nascent organizations for diaspora engagement in other countries seldom act alone; they often operate within networks of other, more established ministries or offices, including consulates and embassies. Ghana's Ministry of Tourism and Diaspora Relations, for example, works with the Ministries of Foreign Affairs, Women and Children's Affairs, and Health and Education as well as the Ghana Statistical Service and the National Population Council (ADPC 2011: 7-8). These and more agencies have had success engaging the Ghanaian Diaspora in the US, the UK, and various continental European nations by encouraging not only more remittances through formal channels but also the finance of infrastructural education and health projects such as the building of middle schools and the maintenance of health clinics (Addison 2004).

While most diaspora-engaging government offices seek to engage diasporans in development back home, some concentrate more acutely on the welfare of their expatriates abroad. The Ministry for Expatriate Welfare and Overseas Employment of Bangladesh and Egypt's Ministry of Manpower and Emigration are two examples. These ministries focus on helping emigrants to secure work abroad (Aguinas 2009). Subministries, like the Department for Relations with Romanians Abroad under the Ministry of Foreign Affairs, tend to focus on the objectives of the mother agency. Of the 45 agencies Aguinas reviewed, she found no diaspora-engaging bodies directly under an agency directly responsible for development planning (2009: 8).

For these reasons and more, the effectiveness of emergent diaspora engagement institutions across the developing world depend on their individual

mandates, their location in the bureaucracy, and the capacity of other government bodies as well as that of the government overall. These observations point to the challenges cited in extant reviews of the performance of such agencies. Comparing diaspora engagement agencies in Ghana, Nigeria, and Senegal, the ADPC recently found three common obstacles, the first of which being a lack of consistency that comes with regime alternation. For example, Ghana's Ministry of Tourism and Diaspora Relations lost the "and Diaspora Relations" from its name recently when a new administration took over. Though the actual mandate of the ministry did not change, this was a symbolic loss for Ghanaian government-diaspora relations. In Nigeria, President Obasanjo's promotion of diaspora engagement crystallized into Nigerians in Diaspora Organization (NIDO) under the Ministry of Foreign Affairs in 2000. The new administration since 2009 "has not paid any particular attention to diaspora issues" (ADPC 2011: 10-14, quote from 14). Ratha et al. (2011) also find several diaspora engagement efforts abandoned through changes of government and failures to maintain programs over time in other cases (173).

The second challenge the ADPC encountered was a lack of coordination – and thus, the absence of a centralized, clearly articulated strategy – among the various government agencies involved with the diaspora. Redundancies and "turf wars" abound in Senegal among many agencies – and unlike Nigeria or Ghana – Senegal has a ministry fully dedicated to diaspora relations (ADPC 2011: 15). Plaza (2009) also cites a lack of coordination between consulates and mainland government bodies in the arena of diaspora engagement.

A third obstacle is that no government has complete data on the locations of its diaspora (Plaza 2009). The ADPC report also found a paucity of data on the magnitude and geography of migration as well as remittances; the data that were available were sometimes contradictory in all three cases. Finally, in the comprehensive report from Aguinas (2009), the author agrees that poor planning and coordination often stymie the effectiveness of new government agencies of the diaspora and offers more reasons: poor funding and a general lack of resources, and unfamiliarity with diaspora interests and abilities. More research is needed on these emergent institutions and their effectiveness at stimulating development through facilitating diaspora engagement.

SUMMARY

Earlier debates on the impacts of remittances and migration on development alternated between predominantly positive and negative assessments. In the new millennium, a more complex discourse embedded in global economic, social, and political transformations has emerged. This new discourse goes beyond previous dichotomies and identifies the complex and diverse impacts of transnational remittances in Africa and the developing world. Previous ebbs and flows of ideas surrounding migration and its impacts on development in origin states and areas reflected not only paradigm shifts in development theory, but conditions and events in the international political economy as well. Orthodox economic theories saw migration as an at least partial answer to the development quagmire in which many states were embroiled in the 1950s and 1960s. Dependency theorists and historical-

structuralists saw the spread and eventual primacy of capitalism in the international political economy as the straw that broke the proverbial camel's back in chronically underdeveloped countries. Trapped in subordinate roles, the migration of citizens or their potential remittances cannot help buoy ships that were perpetually sinking. Indeed, for dependency theorists, migration depletes scarce resources – labor and capital – and can further entrench origin countries and regions into underdevelopment.

Proponents of the NELM see things somewhat differently. Households, not individuals, make decisions about migration based on diversification of risks and opportunities. In developing countries with unreliable credit markets and insurance provisions – if any – migration of one or more household members while others stay behind can be a survival strategy, or even one for prosperity. Remittances can be used as insurance, but also as investment capital, to improve or diversify production in households. Transnational approaches see remittances, transmigrants, and others at "home" (whether it be families or communities) as part of larger transnational networks. Advances in technology have arguably made migration and the construction of transnational spaces easier, both economically and psychologically. Remittances can help meet subsistence needs or even larger aspirations but are neither inherently good nor bad for development in places of origin; rather they are subject to the actors and sociocultural, economic, and political institutions in various locations.

Empirical research on the impacts of transnational remittances on development has exploded in the last two decades due to absolute growth in these flows as well as their relative growth and levels when compared to other transnational flows like aid and FDI. A slight majority of studies of remittances uses the household as unit of analysis and finds that those receiving remittances are generally better off or made better off by remittances. Results from macroeconomic studies tend to point the other direction and conclude remittances are inhibitive for national growth. Most of these studies narrowly define development as solely economic and/or inaccurately measure remittances, and in doing the latter capture amounts that are not remittances in the traditionally accepted sense. Finally, ministries and other government agencies charged with engaging the diaspora in national development efforts are a relatively new phenomenon and come in all shapes and sizes. Perhaps because of their recentness and in spite of their diversity, many face common challenges: namely political inconsistencies, lack of intergovernmental coordination, and a lack of funding and general resources. Listed together, the obstacles for these new governmental diaspora ministries and agencies read like a list of the "usual suspects" that plague most (development) efforts in underdeveloped countries.

So what are the development impacts of transnational remittances and the institutionalization of diaspora engagement in Africa? Does "development from abroad" exist and if so can it occur in the face of the challenges seemingly inherent to many African governments? In the next chapter I describe the growth of transnational remittances to the continent over the last few decades at many levels

of analysis. I also investigate the recent trend of institutionalizing diaspora engagement for development and the establishment of ministries and other agencies.

NOTES: CHAPTER TWO

[1] As discussed throughout the chapter, for decades much theoretical work considered migration (and remittances) as either "good" for development, i.e., emigrants would return home with more resources, or "bad" for development, i.e., emigrants either would not return (brain and brawn-drain) or return with new skills and preferences unmatched by conditions in the home country. More recently, debates have included more emphasis on the diverse and context-specific causes and impacts of migration and remittances.
[2] Hereafter I will use only household – as does much of the literature – to identify the unit of analysis in the NELM for brevity and consistency.
[3] Hometown associations are collective organizations of immigrants usually from a localized area (i.e. towns, cities, regions) in the home country who raise money and other forms of support, as well as awareness of sociopolitical issues back home. They work with host and home country governments, other citizens groups, and nongovernmental organizations toward their goal of bettering the social, economic, and political conditions in the home country.
[4] The GMM estimator from Arellano and Bover (1995) is generally accepted in the econometric literature as a valid instrumental technique, so long as the data exist for the adequate order and number of lags.

CHAPTER THREE

REMITTANCES AND DIASPORA INSTITUTIONS IN AFRICA

Often, citizens see more opportunities to improve their lives and enlarge their capabilities – and those of family members – in neighboring countries or those farther away. Indeed, the perception of increased opportunities is (an at least implicit) motivation of emigration in all the theoretical frameworks in the migration-development literature discussed in the previous chapter.[1] Rates of international migration are rising, and this phenomenon undoubtedly influences (and is influenced by) development at home.

In this chapter, I review the current state of migration, remittances, and governmental diaspora institutions in Africa. The next section describes rates of migration and remittance across the continent, including discussions of the political economy of remittances: informal v. formal channels of remittance, the distribution of money transfer operators (MTOs), and issues of precision and accuracy in measuring and comparing remittances. Section three considers the proliferation of diaspora ministries and agencies in Africa, their missions, accomplishments, and challenges; the last section provides a summary.

MIGRATION AND REMITTANCES

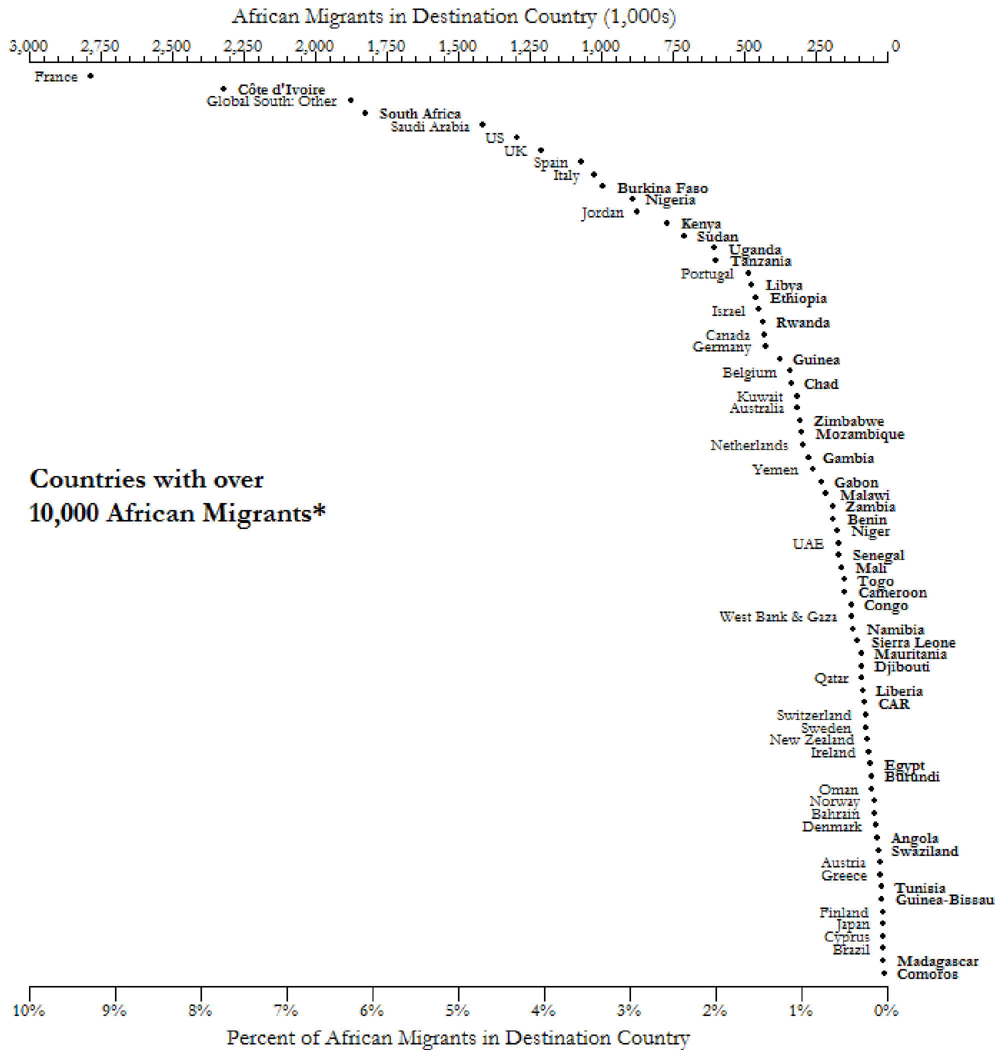
The latest estimates for countries' international migrant stocks are from the World Bank and were calculated for 2010 (World Bank 2013a). Compilers note the

challenges to collecting data on international migrants – different classifications of residents and citizens and different collection practices across countries, and of course the issue of illegal or undocumented migration. They admit that "any comparison of migrant stocks will be less than perfect. There is little choice but to collect the data that individual countries themselves compile in its rawest form, despite the heterogeneity that exists, and record it" (Parsons et al. 2005: 11). The data come from a variety of country sources like censuses and population registers along with original surveys and secondary sources from international institutions like the OECD, the UN, and the International Labor Organization. They are then checked against the latest migrant stocks reported by the UN Population Division (Ratha and Shaw 2007).

The estimates indicate that around 30 million Africans (3 percent) reside in a country other than that of their origin. Many if not most Africans who emigrate remain in Africa (Tables A3.A-E in the appendix show the top five emigration destinations for each country). Two-thirds of sub-Saharan emigrants stay south of the Sahara and most of those remain in the respective sub-region (Ratha et al 2011: 1-2). Seventy-three countries have over 10,000 emigrants of African origin and 40 of these countries are in Africa. Figure 3.1 shows the top destination countries for African emigrants. The second largest destination is Côte d'Ivoire, with over 2 million African emigrants, mostly from neighboring Burkina Faso, Mali, and Guinea.[2] South Africa is home to almost 2 million emigrant Africans and Burkina Faso and Nigeria each have around 1 million. Outside of Africa, with almost 10 percent of Africa's emigrants, France is the top destination country for Africans. Saudi Arabia,

the US, and the UK also have relatively large stocks of African emigrants, representing around five percent of emigrating Africans each. These transplanted Africans significantly impact both the development trends in their host countries where they provide labor and skills and in their home countries to which they send remittance.

FIGURE 3.1 MIGRATION DESTINATION COUNTRIES, 2010 ESTIMATES



*Note: African destinations to the right of estimated value, Non-African destinations to the left of value.
Source: World Bank 2013a

It is significant that in 2010 the 30 million African emigrants sent almost $47 billion home in remittances through formal services and institutions. The average quantity for individual remittance transactions to African recipients was about $100 sent monthly. Of this amount, an estimated 80 percent is spent on basic needs for the family: for food, housing, education, and healthcare (Bardouille 2008: 13). Measuring exact inflows of remittances remains virtually impossible due partly to differences in categorizing and reporting methods across countries. More importantly, though, the difficulty in obtaining precise figures of remittance is due to the frequent resort to informal channels by emigrants relying on familial, communal, and/or regional networks.

Informal versus Formal Remittance in Africa

Informal money transfer networks have a long history in Africa, Asia, and the Middle East, and many channels employed today are part of or modeled after the centuries-old institutions of *hawala* and *hundi*. Meaning 'transfer' in Arabic, the former describes the (mostly) Middle Eastern practice of physically carrying cash or other objects of value between places, usually across borders. The latter, *hundi*, has a similar connotation on the South Asian subcontinent. These systems can include informal bank drafts of transfer, for which cash need not be immediately or directly transported but rather dispensed through informal accounts of debts and credits among families or extra-familial networks (Sander and Maimbo 2008: 65-66). Four major conditions contribute to the persistence of informal channels in Africa. First, relatively few financial institutions are allowed to handle remittances as officially

licensed money transfer operators (MTOs). Second, formal channels are often cost-prohibitive due at least partly to a lack of competition and third, mistrust and instability of governmental and formal economic institutions – though perhaps improving – are common. Lastly, many Africans are "unbanked": the proportion of those who do not use banks is higher than in any other region.

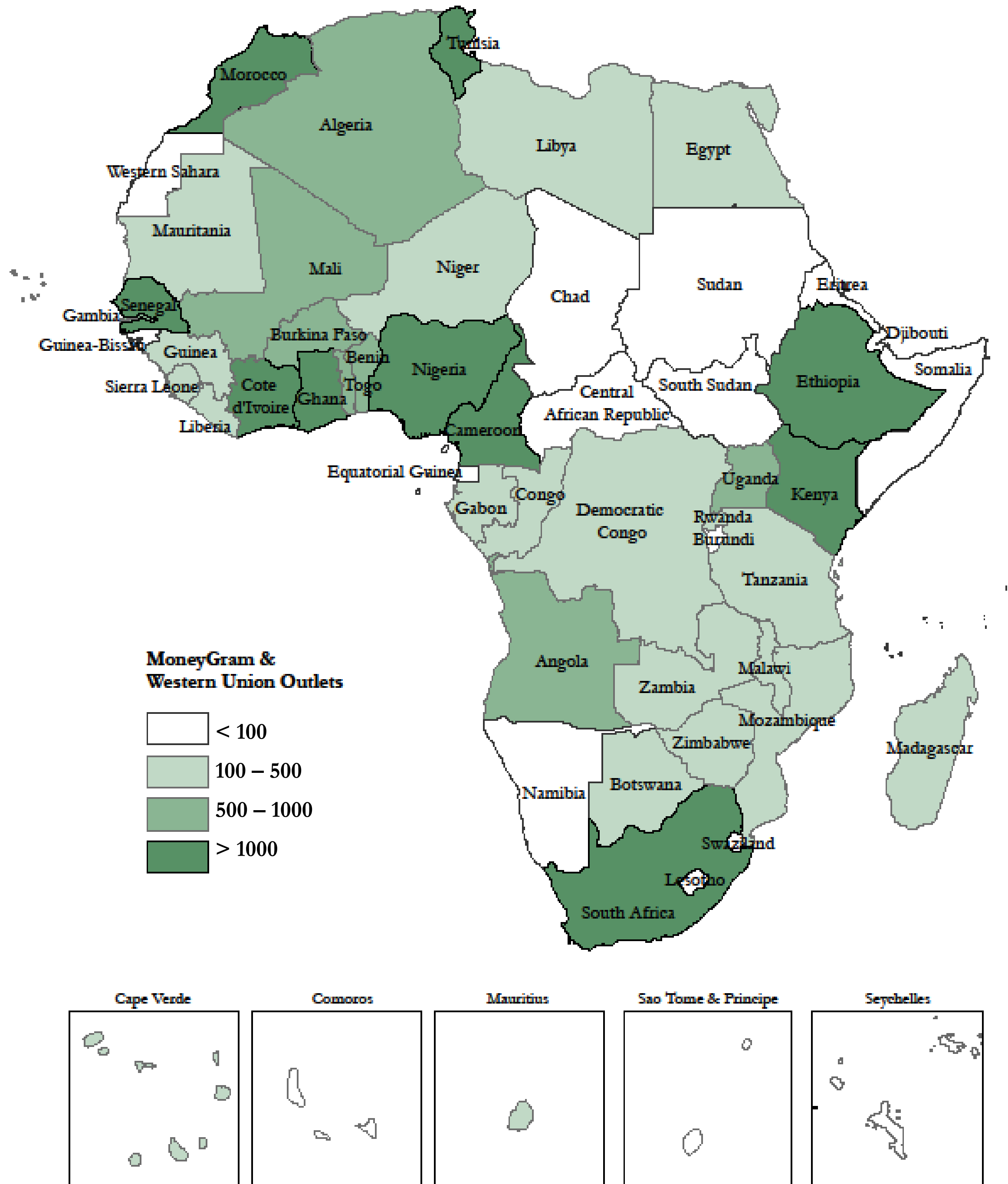
The post 9-11 period introduced a major barrier-to-entry into the remittance market in Africa when the Bretton Woods Institutions declared stringent international financial regulations toward anti-money laundering and combating the financing of terrorism (AML-CFT), also referred to as 'know-your-customer' (KYC) rules. These rules involve the uniform documentation for transnational capital in the wake of the September 11 attacks on the US. Although relatively effective at curbing money-laundering and identifying possible terrorist-financing schemes, they also hinder legitimate workers' use of formal institutions to send money internationally to families back home (IMF 2005). These rules are often cost-prohibitive when smaller MTOs and micro-finance institutions need to procure licenses for international transfers. Ironically, the KYC rules play a role in the perpetuation of informally transmitted remittance, though anti-terrorist financing and anti-money-laundering are their chief raisons-d'être.

Some African MTOs have persevered through the changes in international finance regulation and others have begun or expanded service more recently. Dahabshil started in Somalia over 40 years ago and is now headquartered in United Arab Emirates, with outlets in 150 countries including those in the horn of Africa

and over 220 outlets in Somalia (Dahabshil 2013). For inter-African transfers, Ecobank, based in Lome, Togo, has over 750 locations in 32 African countries[3] and France (Ecobank 2013). Safaricom in Kenya has partnered with Western Union through its M-Pesa program to extend the successful domestic mobile phone banking and money transfer services internationally to 45 countries including the US and Canada, most countries in Europe and the Arabian Peninsula, and 13 African countries.[4] In 2009, Nigeria's Virtual Terminal Network (VTN) began a similar partnership with Western Union to offer mobile transfers (Safaricom 2013; VTN 2013).

Despite the existence of these and other regional MTOs in Africa, two of the oldest companies in the business, Western Union and MoneyGram, control 65 percent of payout locations in Africa. Both companies also seek (and generally obtain) exclusivity agreements with bank and post office partners, essentially barring competition in many African countries and keeping fees associated with remittance high (IFAD 2010). At least partly due to pressure from diaspora groups, governments (including Ethiopia, Ghana, Nigeria, and Rwanda) have recently begun to ban the exclusivity agreements in efforts to increase competition and bring down remittance prices (Ratha et al 2011). However, with over 30,000 and 20,000 outlets in Africa respectively, Western Union and MoneyGram continue to dominate the remittance market.

FIGURE 3.2 WESTERN UNION AND MONEYGRAM OUTLETS, AFRICA 2013



Sources: MoneyGram 2013; Western Union 2013.

Figure 3.2 shows the combined distribution of Western Union and MoneyGram payout locations in Africa by country (Table A3.F in the appendix

shows the estimated number of locations by country)[5]. Unsurprisingly, the number of outlets is highly correlated with the amount of remittances a country receives.[6] In countries with a dearth of Western Union and MoneyGram outlets like Eritrea and Somalia (22 and four outlets respectively), one or a few smaller, regional MTOs generally fill the gap. Transhorn Money Transfer specializes in sending money to Asmara and other Eritrean locales, and as mentioned above, Dahabshil pays out remittances in over 200 Somali locations (Transhorn Money Transfer 2013).

However, most countries have an abundance of Western Union and MoneyGram locations. Of the ten countries with over 1,000 outlets, Morocco and Nigeria (two of the top remittance earners) have over 12,000 and 8,000 payout locations respectively, far more than the other 52 countries. With around 3,000 outlets, Ghana, Ethiopia, and Senegal round out the top five most saturated countries in terms of Western Union and MoneyGram locations.

The near duopolistic market helps to make Africa the most expensive place for remittances in the world. Compared to other regions, Africa endures relatively high costs, from 8 to 12 percent more for receiving remittances (Bardouille 2008: 11). For example, sending $200 from the US to Pakistan or The Philippines currently costs 7 to 8 percent via MoneyGram and Western Union. The same amount from the US to Ghana incurs 11 percent (MoneyGram) and 18 percent (Western Union) charges respectively (World Bank 2011c). Also, intra-African transfers are even more costly than those from outside the continent and can take longer to process. To send the same amount to Zambia from the UK or South Africa costs 15 percent

and 25 percent on average respectively. Furthermore, sending money from South Africa to Lesotho (consequently surrounded by the former) costs on average 12 percent of the amount sent (IFAD 2010).

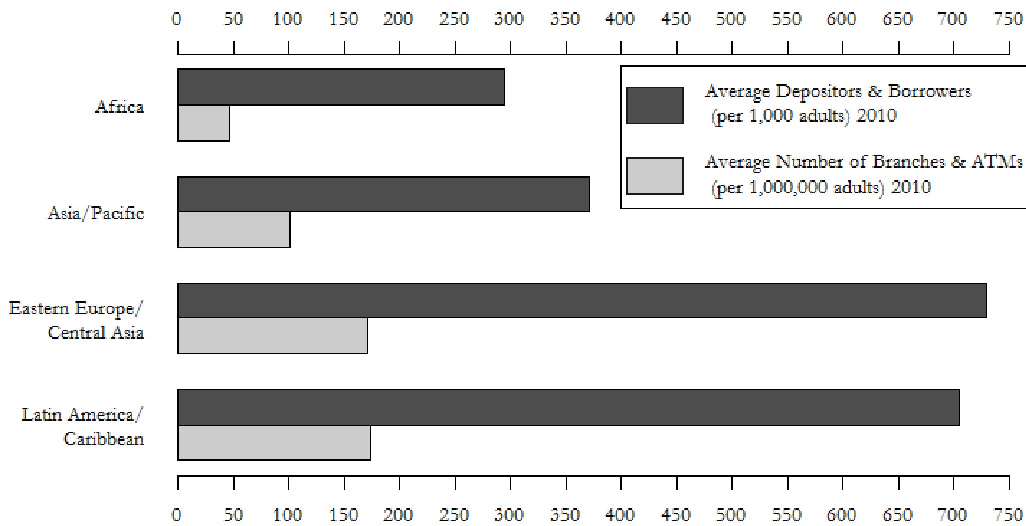
The wait times and high fees associated with remittances are so quotidian and ubiquitous that they have found their way into popular culture. Somali rapper K'naan's 2009 song "15 Minutes Away" is dedicated to "'everybody that's had to wait on a money transfer' and complains, 'it's kind of wack when they charge you like 10 percent on the dollar'" (Terry 2013). In 2009, the G8 adopted the "5X5" objective, aimed at reducing average global remittance costs by five percent (from ten to five percent) in five years (by 2014). The initiative invites governments to adopt policies and practices proven effective in helping to reduce remittance costs such as increasing transparency and enhancing competition (Italian Ministry of Foreign Affairs 2009).[7] Four years later, the global average cost of remittance has decreased, though only by a meager one percent (currently 9.05 percent), suggesting that "5X5" goal may have been overly ambitious (World Bank 2013c). Furthermore, for Africa, remittance prices have increased from 11 to 12 percent since 2011 (Send Money Africa 2013). The impacts of these high costs are well-known: "[b]ringing remittance prices down to 5 percent from the current 12.4 percent average cost would put US$4 billion more in the pockets of Africa's migrants and their families who rely on remittances for survival" (World Bank 2013d). All else equal, this would represent a 10 percent increase in formal remittances to the continent. Undoubtedly, lowering remittance prices in Africa and increasing use of formal

channels will require enhanced competition for Western Union and MoneyGram from other MTOs and the phasing out of exclusivity agreements.

It is not surprising then that informal remittance structures persist, not only in the face of high fees, but also vis-à-vis political instability and/or unreliable national macroeconomic environments and practices. When banks are intermittently or consistently weak, or when remittance is subject to high direct taxation or multiple fee collections, informal institutions can seem a better option for remittance senders and receivers. The outcome is that lack of trust in the public sector is offset with the trust in personal, face-to-face relationships on each end of informal remittance transactions.

In general, banks and financial sectors in Africa have become more stable over the last two decades, which eventually should encourage more citizens to use formal channels for remittances (Honohan and Beck 2007). However, infrastructure remains a challenge, and Africans are the least “banked” population in the world. Figure 3.3 compares commercial bank use and access across the world’s four developing regions using country averages. Almost 30 percent (295 per 1,000) of adults in Africa deposit or borrow from banks, just behind the proportion in the more populous Asia/Pacific region. Africans are less than half as likely to use banks as citizens in Eastern Europe/Central Asia and Latin America.

FIGURE 3.3 BANK USE AND ACCESS: DEVELOPING REGION COMPARISONS



Financial literacy programs can help to encourage more citizens to make use of banks. Studies of financial literacy programs in Eastern Europe and Latin America show that after receiving financial education 80 percent of unbanked people express new interest in using banks (IFAD 2010: 16). Such programs are less pervasive but becoming more popular across Africa, wherein public and/or private actors (i.e., national credit regulators and microfinance associations) provide workshops or air media messages educating the public about financial institutions in countries such as Kenya, South Africa, Tunisia, and Uganda (Beck et al 2011: 106).

While financial literacy programs can be successful at increasing interest in using formal institutions, infrastructure remains a challenge in many African countries. On average, fewer than 50 commercial bank branches and ATMs are available for every 1,000,000 adults (one bank outlet for every 20,000 adults), a figure much lower than the other three developing regions (Figure 3.3). While

mobile banking programs (like Kenya's M-Pesa discussed above) have been successful and could represent an opportunity for African countries to "leap-frog" some infrastructural deficiencies, increasing access to physical branches and ATMs could also encourage more citizens to use banks and expand options for sending and receiving remittance through formal channels.

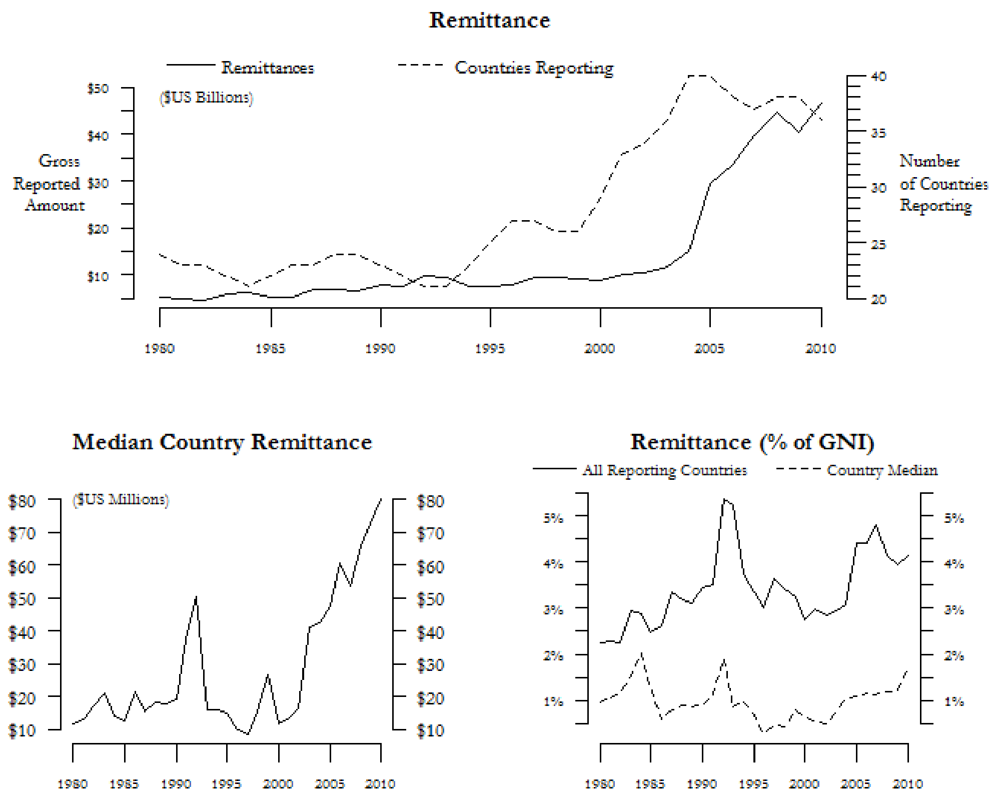
<u>MEASURING FORMAL REMITTANCE FLOWS</u>

Only formal flows of remittance can be measured as a proxy for total remittances; and measuring formal flows is complicated by inconsistent reporting on the part of governments. Remittance reporting is intermittent at best for many African countries, with no clear pattern (based on income, government type, etc.) emerging among those who do report remittances to the IMF and those who do not for a given year or all years. Of 53 countries, any number from 21 to 40 of them reported remittances each year from 1980 through 2010.

The top chart in Figure 3.4 shows remittances in Africa for the last three decades (the solid line), along with the number of countries reporting remittances each year (the dashed line). Plotting both on the same graph allows readers to see the influence of inconsistent reporting on the actual amount reported. To better measure increases in remittances to the continent one should consider the average levels within countries and compare those over time. The bottom left chart in Figure 3.4 does this. Median levels of remittance have increased over time, especially in the last decade when the average grew over fourfold from below $20 million to $80 million.[8] The bottom right chart shows remittances as a percent of income. The

solid line shows the aggregate value for all countries reporting while the dashed line represents the median remittances by country as a percent of income. Both of these measures have also increased since 2000, with the median percentage more than doubling from 0.66 percent to 1.72 percent in one decade, meaning that remittances are garnering a larger portion of African income.

FIGURE 3.4 REMITTANCES AND INCOME, 1980 – 2010

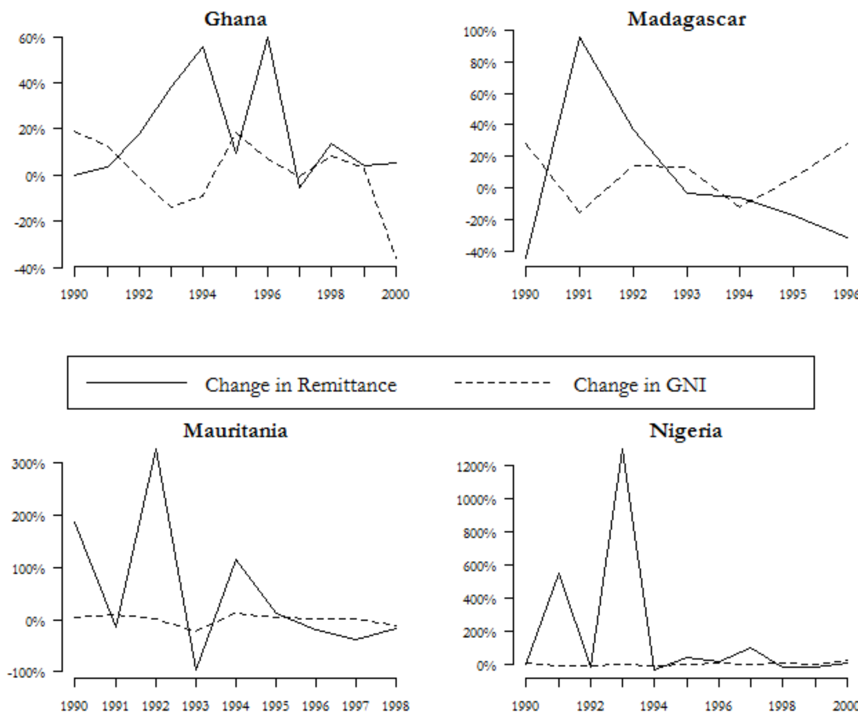


Sources: World Bank 2011; UNData 2011

Also interesting in the bottom two charts (Figure 3.4) are the large spikes in both remittances and remittances as a percent of income in the early 1990s. The lion's share of this short-term rise can be traced back to four countries: Ghana, Madagascar, Mauritania, and Nigeria. Figure 3.5 shows changes to remittances and

to income in the 1990s for all four countries. Flooding, ethnic conflicts in the north, and bureaucratic restructuring during the transition to democracy saw Ghana's income fall by 14 percent in 1993 (Aryeetey, Fosu, and Bawumia 2001). At least partly in response to these processes, remittances rose by 38 and 55 percent in 1993 and 1994 to $10 and $16 million respectively. Interestingly, in 1996, during the country's second democratic elections, remittances rose again by 60 percent to $27.5 million. In Madagascar – aided by a 95 percent increase in remittances, from $4.5 to almost $9 million – pro-democracy strikes and demonstrations in 1991 against the socialist quasi-military government resulted in the dissolution of government by then president, Didier Ratsiraka. A new, democratic constitution would be ratified the following year, but uncertainty during the political transition saw income fall 15 percent (Banks, Miller, and Overstreet 2007: 524-526).

FIGURE 3.5 REMITTANCE SPIKES IN THE 1990S



Sources: World Bank 2011a; UNData 2011

The introduction of a preferential exchange rate in Mauritania in late 1991 saw an increase in remittances in 1992: from just over $1 million to $5 million. The rate was eliminated in 1993 and remittances fell by 95 percent (IMF 1995). The country's first multiparty elections were also held in 1992 (Banks, Miller, and Overstreet 2077: 572). Though Nigeria also held elections in its year of marked increase in remittances, 1993, much of the dramatic spike – from $56 to almost $800 million – is most likely due to sweeping economic reforms in 1993 that freed interest rates and introduced new tax structures. This and the subsequent depreciation of the Nigerian currency made dollars and sterling pounds more valuable inside Nigeria. The exchange rate for Nigerian Naira doubled from under ₦10 per $1 to ₦22 per $1 from 1991 – 1993 and has continued to increase incrementally, much like remittances, ever since (Imimole and Enoma 2011).

TABLE 3.A TOP 10 REMITTANCE RECEIVERS, 2010

By Gross Remittance			By Percent of GNI		
Country	Remittance (millions)	(% GNI)	Country	Remittance (millions)	(% GNI)
Nigeria	$19,651	10.9%	Gambia	$107	11.4%
Egypt	$12,453	5.7%	Senegal	$1,384	11.0%
Morocco	$6,423	6.9%	Nigeria	$19,650	10.9%
Tunisia	$1,725	4.1%	Togo	$301	9.5%
Senegal	$1,384	11.0%	Cape Verde	$130	8.4%
Sudan	$1,291	1.7%	Morocco	$6,423	6.9%
Uganda	$768	4.6%	Egypt	$12,453	5.7%
Kenya	$686	2.1%	Guinea-Bissau	$44	5.4%
Mali	$437	4.8%	Mali	$437	4.8%
Ethiopia	$345	1.3%	Uganda	$768	4.6%

Source: World Bank 2011

Nigeria, with over 360,000 (approximately one-third) of its emigrants in the UK and the US receives the most remittances in Africa (see Table A3.E in the

appendix). As shown in Table 3.A it received almost $20 billion in 2010 (Table A3.G in the appendix contains data for all reporting countries). As of 2006, sixty percent of Nigeria's remittances were sent to Lagos, and 15 percent go to Abuja, leaving only 25 percent received directly in the vast remainder of the country. However, some of these remitted funds are forwarded inland from principal cities via informal channels such as taxi and bus drivers or family members (Hernandez-Coss and Bun 2006: 13). Five other countries received over $1 billion: Egypt, Morocco, Tunisia, Senegal, and Sudan.

The right side of Table 3.C shows the 10 countries with the highest percentages of remittances to income indicating higher degrees of remittance dependence. Cape Verde, Senegal, and Nigeria receive more than 10 percent of gross national income from remittances. Cape Verde and The Gambia are ranked fifth and first and these two countries lose the largest percentages of tertiary-educated citizens in Africa: 67.5 percent (Cape Verde) and 63.3 percent (The Gambia), indicative of brain-drain (World Bank 2011b). Eight other countries lose more than 35 percent of their skilled labor: Mauritius (56 percent), Seychelles (56 percent), Sierra Leone (53 percent), Ghana (47 percent), Mozambique (45 percent), Liberia (45 percent), Kenya (38 percent) and Uganda (36 percent) (Lututala 2012: 6).On average, African countries lose 19 percent of their doctors (IOM 2009). In the US alone, 2009 census results indicated 1.5 million African emigrants who, on average, were more skilled than both other immigrants and non-immigrants. Even though remittances may slightly mitigate the negative impacts of emigration from African countries, the brain-drain "denies, in short, the continent of the human, financial,

economic and political capital needed to advance its development and the contributions of migrants to the development of their countries of origin do not seem to offset the initial consequences of brain-drain" (Lututala 2012: 18).

GOVERNMENTAL INSTITUTIONS OF THE DIASPORA

By and large, members of the diaspora do maintain socioeconomic and political ties with their home countries. Thus it is not surprising that governments have begun to formulate policies to formalize and institutionalize these linkages. Two-thirds of African states have created an office, subministry, shared ministry, or ministry of the diaspora.[9] Following Aguinas (2009) as discussed in Chapter Two, I categorize these institutions by their respective places in the government bureaucracy. Ministries are full ministries in the cabinet nominally dedicated to the diaspora, such as Cape Verde's Ministry of Emigrant Communities or Morocco's Ministry in Charge of Moroccans Living Abroad. Shared Ministries are ministries that have multiple areas of responsibility which include diaspora relations, like Guinea-Bissau's Ministry of Foreign Affairs, International Cooperation, and the Diaspora or Ghana's Ministry of Tourism and Diaspora Relations. Subministries are departments or directorates within a ministry, like Burundi's Directorate of the Diaspora or Nigeria's Nigerians in the Diaspora Organization. All of the subministries in African governments are located in the Ministry of Foreign Affairs or its equivalent. Finally, other offices are those housed outside the cabinet. Currently, there are three such offices: Malawi's Diaspora Affairs Unit and Sierra Leone's Office of the Diaspora, both of which are in the Office of the President, and

Zambia's Diaspora Desk, located in the Office of the Special Assistant to the President, Economic and Development Affairs.

FIGURE 3.4 THE RISE OF GOVERNMENTAL INSTITUTIONS OF THE DIASPORA

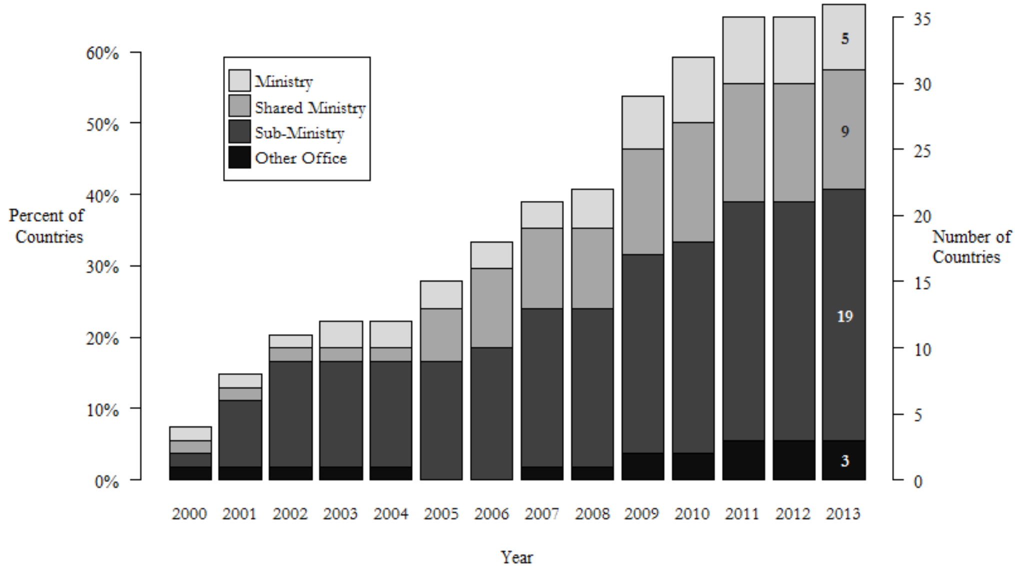


Figure 3.4 highlights the rapid growth of governmental diaspora-engaging institutions in Africa. At the start of 2013, five countries have a full ministry, nine countries have a shared ministry, and the most common type of governmental diaspora institution is the subministry, created by 19 countries. Table A3.H in the appendix shows the full list of governmental diaspora institutions. Some institutions have been reshuffled since their creation. Tunisia created a subministry in the Ministry of Social Affairs in 1988, which was the first on the continent. In 2005, the ministry was redesigned as the Ministry of Social Affairs, Solidarity, and Tunisians Abroad (Tunisian Government 2013). Cape Verde created an Institute of Emigrant Communities in 2001 in the Ministry of Foreign Affairs and replaced it with the full Ministry of Emigrant Communities in 2010 (ICMPD and IOM 2010).[10] The newest (as

of early 2014) is Equatorial Guinea's Directorate of the Diaspora in its Ministry of Foreign Affairs created in the spring of 2013. Table 3.B lists the countries by type of institution.

TABLE 3.B COUNTRIES BY TYPE OF DIASPORA INSTITUTION, 2013

Ministry	Shared Ministry	Subministry	Other Office
Cape Verde	Comoros	Algeria	Malawi
Guinea	Gambia	Angola	Sierra Leone
Mauritania	Ghana	Benin	Zambia
Morocco	Guinea-Bissau	Burkina Faso	
Senegal	Mali	Burundi	
	Niger	Cameroon	
	Sao Tome & Principe	Cote d'Ivoire	
	Somalia	Democratic Congo	
	Tunisia	Equatorial Guinea	
		Eritrea	
		Ethiopia	
		Kenya	
		Mozambique	
		Nigeria	
		Rwanda	
		South Sudan	
		Tanzania	
		Togo	
		Uganda	

The missions of the various institutions are diverse and mostly expressed as broad ambitions for the future. Most of them contain some reference to involving the diaspora in the development or the socioeconomic activities of the country. For instance, Sierra Leone's Office of the Diaspora created in 2007 is meant to harness the potential in the diaspora to address "critical capacity gaps in the government" and the Ministry of Diaspora and Community Relations in Somalia created in 2009 plans to set up departments that focus on financial and human resources in the diaspora for Somalia (Martin 2009: 9).

Ethiopia's Diaspora Engagement Affairs General Directorate has in its mission that it "Encourages the active involvement of the Ethiopians in Diaspora in

socio-economic activities of the country" (Ethiopian Government 2009). While Plaza (2009) cites that governments' lack of data on the size and location of their diasporas is a major challenge for diaspora-engaging institutions, Ethiopia's government holds that a central obstacle for contributions from its diasporans is a "lack of accurate and up to date information about the country's development policies" (Ethiopian Government 2011: 5). Essentially, the lack of reliable data and information exists for all actors, governments and expatriates alike. To address this issue, the General Directorate for Diaspora Engagement Affairs within the Ministry of Foreign Affairs works with its satellite offices, consulates, and other federal ministries to identify and interact with diaspora groups in many countries. The General Directorate has also published the document "Basic Information for Ethiopians in the Diaspora" (2011) available on the Foreign Ministry website or in person at the Ministry in Addis Ababa, regional Ministry offices, and consulates. This document provides information on tax regulations, diaspora ID cards, foreign currency accounts for both individuals and companies with Ethiopian-based banks, investment incentives, available MTOs, and guidelines for the country's second diaspora bond project, the Grand Renaissance Dam Bond, which is marketed toward expatriates as well as citizens at home.

Through conversations with representatives of the Ethiopian Foreign Ministry and its offices in the summer of 2013, it seems they are hopeful that making the basic information available will stimulate personal and commercial investments from expatriates. A common point of pride concerning the Grand Renaissance Dam Project is that it will be 100 percent funded by the Ethiopian

people, at home and abroad. While diaspora groups in North America and Europe hold fundraisers in support of the dam – in 2013, Ethiopians in Vancouver, Canada raised over $100,000 – others refuse to invest in the project citing a corrupt and continually undemocratic regime in Addis Ababa (Derassa and Mbuka 2013; Jemal 2013).

As the example of the Diaspora Affairs General Directorate in Ethiopia and its efforts to involve expatriates in the dam project illustrate, the social construction of a monolithic, united “diaspora” as a force for development at home should not overshadow the reality of diverse needs, skills, and views held by a nation’s expatriates. This observation supports Plaza’s (2009) finding that a lack of knowledge about the diaspora is a major impediment to the success of government diaspora-engaging institutions. The majority of these institutions, having only recently come into existence, lack true capacity to affect change in government-diaspora coordination, and the list of measurable accomplishments is modest. Inconsistencies brought about by regime alterations and a lack of intra-bureaucratic coordination that often creates redundancies further hamper productivity in these nascent institutions (see Chapter Two).

To this end, the African Diaspora Policy Centre (ADPC) based in the Netherlands has recently begun a series of capacity-building workshops for leaders and staff of governmental diaspora institutions in Africa. In 2010 and 2011, representatives from six countries attended the first and second workshops in Accra: Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Rwanda (ADPC 2011). Planning

for more workshops is underway. During the workshops, politicians and bureaucrats were able to network and learn of examples of best practices such as the Diaspora Corporate Bond (National Bank of Ethiopia), the Tax-Relief for Non-resident Indians Scheme, and the Matching Fund from Mexican HTAs supported by the Mexican Government (ADPC 2011: 5). Also at the workshops, participants indicated needs for received direct technical assistance in drafting national strategy papers for migration and development that could be translated into policy. Participants also noted the need for strengthening the capacity of regional bodies such as the Economic Community of West African States (ECOWAS) in terms of managing and documenting migration, and better overall documentation of past and present efforts from African governments to mobilize their diasporas (ADPC 2011). To date, many of these new institutions have been meeting with diaspora groups in major destination countries to assess the capabilities, potential strategies, and needs of the diaspora in prospective partnerships and mutual projects (Kenyan Embassy, Washington DC 2011; Martin 2009: 9). High hopes are expressed for a development-oriented linkage between African governments and their far-flung diasporic communities as well as their productive emigrants on the continent. The institutional fragilities of the new governmental ministries and offices represent difficult but not impossible hurdles for development goals. Strengthening associational linkages between diasporas and home governments represent a new frontier in national (and possibly international) policies for development.

SUMMARY

Over 30 million Africans have emigrated from their countries of origin, moving within and beyond the continent's sub-regions. Average remittances for African countries in 2000 were below $20 million but reached $80 million by 2010. Reported amounts received in 2010 ranged from just over $200,000 in Liberia to almost $20 billion in Nigeria. Remittances are now larger than foreign aid to Africa and represent a large portion of incoming transnational capital, and that is only when measuring formally transferred flows. Lack of trust in public and private banks, along with high costs and urban concentration of licensed MTOs reinforce informal transfers through more traditional and diverse extra-familial hawala networks. Remittances respond not only to exchange rate fluctuations, but to times of high political importance, conflicts, and disasters.

African governments are recognizing the volume of remittances as well as other resources from their diasporas and are beginning to formally institutionalize relations with them (Aguinas 2009). The number of national level governmental institutions of the diaspora has grown from a handful in 2000 to at least 36 in 2013, ranging from offices under the president to fully dedicated ministries. Though the tangible accomplishments of these nascent organizations are relatively few, many have reached out to their diasporas in top destination countries and begun to work with regional organizations to coordinate efforts in engaging diasporas for development.

Can these new governmental diaspora ministries and offices succeed in utilizing the technical, financial, and social resources of their expatriates toward development in home countries? How does the now $40 billion annually in transnational remittance to Africa affect development processes and projects? Does the relocation through migration of, in many cases, a country's best and brightest tend to slow processes of development? To shed light on these questions, the next chapter describes development in Africa, and quantitatively models the relationship between development, remittances, and governmental diaspora institutions over the last two decades.

NOTES: CHAPTER THREE

[1] This of course, is not inclusive of involuntary migrants and one need only point to the millions of Liberian, Somali, and Sudanese refugees of conflict to assert that migration is not always a choice and needs little "motivation" than survival itself.

[2] Côte d'Ivoire was for decades a net immigration country largely due to its thriving cocoa and construction sectors, until a military coup in 1999 and the ensuing political violence and uncertainty. Since 2000, Côte d'Ivoire has been a net emigration country, due mostly to political refugees and others fleeing ethnic conflict. It remains, however, a top destination for emigrants from its neighbors (Arthur 1991; CIA 2013; IOM 2009).

[3] Ecobank serves the following African countries: Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

[4] Countries and territories where M-Pesa has partnered with Western Union to offer mobile transfer services are: American Samoa, Bahrain, Belgium, Benin, Botswana, Burkina Faso, Cameroon, Canada, Cote d'Ivoire, Democratic Republic of Congo, Denmark, Finland, France, Greece, Guam, Hong Kong, Ireland, Italy, Jordan, Kuwait, Lebanon, Malaysia, Mali, Netherlands, Niger, Northern Mariana Islands, Norway, Oman, Pakistan, Qatar, Russia, Rwanda, Saudi Arabia, Senegal, Singapore, Spain, Sweden, Switzerland, Tanzania, Uganda, United Arab Emirates, United Kingdom, United States, Yemen, and Zambia.

[5] I estimated the number of Western Union and MoneyGram locations from the companies' websites and the searchable databases of available payout locations in each country.

[6] The combined number of Western Union and MoneyGram outlets in African countries is correlated with the annual remittance receipts with a Pearson's r of 0.69. A bivariate regression of the number of outlets on remittances produces an R-squared of 0.48 and predicts a five percent increase in the number of outlets from a ten percent increase in remittances.

[7] The official aims of the G8's "5X5" objective are:
"a) fostering market transparency and consumer protection;
b) improving the payment systems infrastructure;
c) reforming the legal and regulatory framework;
d) enhancing market structure and competition;
e) adopting governance and risk management best practices" (Italian Ministry of Foreign Affairs 2009).

[8] For the 24 countries that reported remittances in both 2000 and 2010, the median amount of remittances grew fivefold from $22 million to $113 million during the decade.

[9] All of these data regarding governmental institutions of the diaspora are the result of copious searches of various country sources including constitutions, decrees, and country websites.

[10] The ICMDP is the International Centre for Migration Policy Development (an international organization created in 1993 by Austria and Switzerland (www.icmdp.org) and the IOM is the International Organization for Migration and self-described "principal intergovernmental organization in the field of migration" (www.iom.int).

APPENDIX: CHAPTER THREE

TABLE A3.A CENTRAL AFRICA, TOP FIVE EMIGRATION DESTINATIONS, 2010

Country	Top Destination	Destination 2	Destination 3	Destination 4	Destination 5
Angola	Portugal 46% (245,650)	**Zambia** 18% (93,496)	**Namibia** 13% (67,540)	Other South 4% (22,868)	France 4% (18,906)
Cameroon	France 24% (68,250)	**Chad** 17% (48,547)	**Gabon** 12% (33,876)	US 10% (26,912)	**Nigeria** 9% (25,296)
CAR	**Chad** 69% (88,978)	France 11% (13,945)	Other South 9% (12,113)	**Congo** 8% (10,567)	Netherlands 1% (970)
Chad	**Cameroon** 29% (71,134)	**Sudan** 23% (56,660)	**CAR** 17% (40,683)	**Nigeria** 11% (27,442)	Other South 10% (24,209)
Dem. Congo	**Rwanda** 41% (372,964)	**Uganda** 9% (85,476)	**Congo** 9% (78,458)	Belgium 8% (76,870)	Other South 8% (75,875)
Côte d'Ivoire	**Burkina Faso** 72% (842,931)	Other South 10% (113,393)	**Mali** 7% (77,549)	France 6% (71,334)	Italy 2% (22,276)
Eq. Guinea	**Gabon** 61% (62,711)	Spain 24% (24,829)	Other South 8% (8,298)	**Nigeria** 5% (4,772)	**Congo** 1% (531)
Gabon	France 58% (14,615)	**Mali** 19% (4,748)	Other South 3% (790)	**Congo** 3% (649)	US 2% (600)
São T & P	Portugal 49% (17,612)	**Angola** 32% (11,532)	**Cape Verde** 11% (4,061)	Other South 5% (1,889)	Spain 1% (248)

World Bank Estimates. Percentage is percent of total migrants, number of migrants in parentheses; African destination countries bolded. “Other South” refers to unspecified destinations in Global South.

Source: World Bank 2013a

TABLE A3.B EASTERN AFRICA, TOP FIVE EMIGRATION DESTINATIONS, 2010

Country	Top Destination	Destination 2	Destination 3	Destination 4	Destination 5
Burundi	**Tanzania** 42% (151,313)	**Uganda** 29% (101,826)	**Rwanda** 13% (44,785)	Other South 10% (36,071)	Belgium 1% (4,991)
Comoros	France 70% (26,951)	**Madagascar** 17% (6,692)	**Tanzania** 4% (1,671)	**Egypt** 4% (1,491)	Other South 3% (1,195)
Djibouti	France 48% (6,489)	**Ethiopia** 28% (3,768)	Canada 5% (630)	Other South 4% (527)	**Egypt** 4% (494)
Eritrea	**Sudan** 49% (458,042)	**Ethiopia** 31% (290,383)	Other South 10% (90,688)	Saudi Arabia 4% (40,644)	Italy 2% (14,805)
Ethiopia	**Sudan** 25% (152,094)	US 23% (139,693)	Israel 14% (87,556)	**Djibouti** 6% (34,697)	**Kenya** 5% (30,763)
Kenya	UK 33% (152,999)	**Tanzania** 20% (91,146)	US 19% (85,123)	**Uganda** 9% (41,065)	Canada 6% (26,164)
Madagascar	France 69% (54,841)	**Comoros** 13% (10,401)	Canada 3% (2,363)	Belgium 2% (1,608)	US 2% (1,496)
Malawi	**Zimbabwe** 46% (98,270)	**Tanzania** 10% (21,042)	UK 10% (20,816)	Other South 9% (20,158)	**South Africa** 8% (17,955)
Mauritius	UK 30% (41,632)	France 28% (39,958)	Australia 16% (22,914)	Italy 9% (12,022)	Canada 8% (11,240)
Mozambique	**South Africa** 39% (454,548)	**Malawi** 14% (159,945)	**Zimbabwe** 13% (158,722)	**Tanzania** 12% (142,615)	Other South 10% (113,721)
Rwanda	**Uganda** 47% (123,860)	**Tanzania** 19% (49,536)	**Burundi** 13% (33,540)	Other South 10% (25,060)	Belgium 4% (11,498)
Seychelles	UK 31% (3,848)	Australia 26% (3,153)	Canada 8% (1,030)	Italy 7% (850)	US 7% (841)
Somalia	**Ethiopia** 20% (161,179)	UK 14% (110,326)	US 13% (109,618)	Yemen 10% (79,466)	**Djibouti** 7% (57,246)
Sudan	Saudi Arabia 29% (279,409)	**Uganda** 20% (191,103)	Yemen 13% (126,109)	**Kenya** 8% (73,076)	Other South 6% (56,913)
Tanzania	**Kenya** 29% (92,527)	**Uganda** 23% (71,833)	UK 11% (34,347)	Other South 8% (25,510)	Canada 7% (23,009)
Uganda	**Kenya** 70% (531,218)	Other South 9% (70,733)	UK 7% (54,122)	**Tanzania** 4% (30,110)	US 3% (22,460)
Zambia	**Tanzania** 23% (42,311)	UK 18% (33,306)	**Zimbabwe** 15% (28,274)	**Malawi** 12% (23,192)	Other Source 7% (13,940)
Zimbabwe	**South Africa** 68% (858,993)	UK 9% (115,530)	Other South 9% (114,968)	**Mozambique** 4% (49,280)	Australia 2% (25,963)

World Bank Estimates. Percentage is percent of total migrants, number of migrants in parentheses; African destination countries bolded. “Other South” refers to unspecified destinations in Global South.

Source: World Bank 2013a

TABLE A3.C NORTHERN AFRICA, TOP FIVE EMIGRATION DESTINATIONS, 2010

Country	Top Destination	Destination 2	Destination 3	Destination 4	Destination 5
Algeria	France 75% (913,794)	Spain 5% (63,346)	Israel 4% (47,199)	Canada 3% (37,543)	Italy 2% (29,480)
Egypt	Saudi Arabia 27% (1,005,873)	Jordan 23% (851,803)	**Libya** 11% (397,064)	Kuwait 9% (319,483)	Other South 5% (176,077)
Libya	Israel 26% (28,541)	UK 11% (12,108)	**Chad** 10% (11,105)	US 10% (10,754)	Jordan 7% (8,011)
Morocco	France 28% (840,985)	Spain 26% (778,451)	Italy 16% (475,783)	Israel 8% (245,574)	Belgium 6% (172,682)
Tunisia	France 46% (302,363)	Italy 19% (121,708)	**Libya** 13% (84,585)	Germany 6% (37,049)	Israel 2% (14,789)

World Bank Estimates. Percentage is percent of total migrants, number of migrants in parentheses; African destination countries bolded. “Other South” refers to unspecified destinations in Global South.

Source: World Bank 2013a

TABLE A3.D SOUTHERN AFRICA, TOP FIVE EMIGRATION DESTINATIONS, 2010

Country	Top Destination	Destination 2	Destination 3	Destination 4	Destination 5
Botswana	**South Africa** 66% (41,846)	Other South 10% (6,006)	**Zimbabwe** 7% (4,244)	**Namibia** 4% (2,741)	UK 4% (2,717)
Lesotho	**South Africa** 82% (350,657)	Other South 11% (46,016)	**Mozambique** 7% (28,799)	**Tanzania** 0% (649)	UK 0% (438)
Namibia	**Mozambique** 42% (6,909)	**Tanzania** 11% (1,891)	UK 10% (1,629)	US 7% (1,205)	Other South 7% (1,099)
South Africa	UK 26% (225,856)	**Mozambique** 18% (154,579)	Australia 15% (132,756)	US 9% (81,142)	Canada 5% (47,470)
Swaziland	**South Africa** 85% (135,720)	Other South 11% (16,974)	**Mozambique** 3% (4,118)	UK 1% (1,143)	US 0% (766)

World Bank Estimates. Percentage is percent of total migrants, number of migrants in parentheses; African destination countries bolded. “Other South” refers to unspecified destinations in Global South.

Source: World Bank 2013a

TABLE A3.E WESTERN AFRICA, TOP FIVE EMIGRATION DESTINATIONS, 2010

Country	Top Destination	Destination 2	Destination 3	Destination 4	Destination 5
Benin	**Nigeria**	**Togo**	**Côte d'Ivoire**	Other South	Gabon
	45% (238,561)	14% (74,336)	12% (62,371)	10% (54,669)	6% (32,173)
Burkina Faso	**Côte d'Ivoire**	Other South	**Niger**	**Mali**	Italy
	83% (1,310,892)	11% (167,834)	2% (29,881)	1% (22,365)	1% (11,651)
Cape Verde	Portugal	France	US	**Mozambique**	**Angola**
	33% (63,403)	12% (23,197)	11% (20,855)	11% (20,702)	7% (13,219)
Congo	**Tanzania**	France	**Gabon**	Other South	US
	31% (64,849)	30% (63,423)	7% (14,913)	5% (11,242)	3% (6,150)
Gambia	Spain	US	**Nigeria**	**Senegal**	UK
	28% (18,112)	12% (7,472)	10% (6,509)	9% (5,881)	8% (5,198)
Ghana	**Nigeria**	**Côte d'Ivoire**	US	UK	**Burkina Faso**
	23% (186,015)	13% (111,001)	13% (110,931)	12% (96,795)	6% (50,217)
Guinea	**Côte d'Ivoire**	**Senegal**	**Sierra Leone**	**Gambia**	Other South
	25% (134,171)	15% (80,773)	13% (69,127)	11% (58,625)	10% (51,552)
Guinea-Bissau	Portugal	**Senegal**	**Gambia**	France	Spain
	27% (30,225)	22% (24,155)	18% (20,158)	8% (8,653)	7% (7,462)
Liberia	**Guinea**	**Côte d'Ivoire**	US	Other South	**Sierra Leone**
	44% (189,437)	17% (74,734)	15% (66,652)	9% (37,453)	6% (24,887)
Mali	**Côte d'Ivoire**	**Nigeria**	Other South	**Niger**	France
	43% (440,960)	13% (133,464)	10% (98,799)	7% (69,790)	7% (68,786)
Mauritania	**Senegal**	**Nigeria**	**Côte d'Ivoire**	France	Spain
	25% (29,600)	15% (17,960)	13% (15,604)	12% (14,481)	9% (10,888)
Niger	**Nigeria**	**Côte d'Ivoire**	**Benin**	Other South	**Chad**
	23% (87,529)	22% (84,705)	21% (80,789)	11% (40,831)	10% (38,468)
Nigeria	US	UK	**Chad**	**Cameroon**	Italy
	21% (210,647)	15% (150,918)	11% (114,025)	8% (78,292)	5% (52,845)
Senegal	**Gambia**	France	Italy	**Mauritania**	Spain
	28% (177,306)	14% (91,446)	13% (81,424)	10% (64,557)	8% (51,672)
Sierra Leone	**Guinea**	UK	Other South	US	**Liberia**
	59% (157,067)	9% (22,898)	8% (21,659)	7% (17,549)	5% (12,086)
Togo	**Nigeria**	**Côte d'Ivoire**	**Benin**	Other South	**Burkina Faso**
	31% (115,791)	15% (56,527)	14% (51,302)	9% (33,991)	7% (23,993)

World Bank Estimates. Percentage is percent of total migrants, number of migrants in parentheses; African destination countries bolded. “Other South” refers to unspecified destinations in Global South.

Source: World Bank 2013a

TABLE A3.F WESTERN UNION AND MONEYGRAM OUTLETS, 2013

COUNTRY	WESTERN UNION	MONEYGRAM	TOTAL
ALGERIA	780	88	868
ANGOLA	295	324	619
BENIN	701	147	848
BOTSWANA	111	20	131
BURKINA FASO	550	261	811
BURUNDI	25	5	30
CAMEROON	1054	6	1060
CAPE VERDE	110	35	1008
C.A.R.	37	32	69
CHAD	16	36	52
COMOROS	50	23	73
CONGO	52	63	115
COTE D'IVOIRE	925	423	1348
D.R.C.	180	129	309
DJIBOUTI	16	2	18
EGYPT	199	201	400
EQ. GUINEA	12	0	12
ERITREA	14	8	22
ETHIOPIA	1648	1560	3208
GABON	115	36	151
GAMBIA	437	209	646
GHANA	1825	1579	3404
GUINEA	63	87	150
GUINEA-BISSAU	35	12	47
KENYA	1367	1007	2374
LESOTHO	2	10	12
LIBERIA	108	88	196
LIBYA	321	121	442
MADAGASCAR	195	45	240
MALAWI	124	299	423
MALI	300	363	663
MAURITANIA	128	22	150
MAURITIUS	44	89	133
MOROCCO	7063	5714	12777
MOZAMBIQUE	90	28	118
NAMIBIA	4	25	29
NIGER	80	25	105
NIGERIA	5033	3702	8735
RWANDA	304	105	409
SAO T. & P.	8	4	12
SENEGAL	1600	1300	2900
SEYCHELLES	4	7	11
SIERRA LEONE	97	97	194
SOMALIA	4	0	4
SOUTH AFRICA	639	975	1614
SOUTH SUDAN	25	4	29
SUDAN	59	0	59
SWAZILAND	1	8	9
TANZANIA	303	62	365
TOGO	403	216	619
TUNISIA	1810	525	2335
UGANDA	500	322	822
WESTERN SAHARA	27	40	67
ZAMBIA	261	138	399
ZIMBABWE	268	77	345
TOTALS	**30,422**	**20,704**	**51,989**

Sources: MoneyGram 2013; Western Union 2013.

TABLE A3.G REMITTANCES, 2010 (REPORTING COUNTRIES ONLY)

Country	Remittance	Remittance (% of GNI)
Algeria	$66,000,000	0.0%
Angola	$17,972,037	0.0%
Benin	$127,108,663	2.0%
Botswana	$12,149,366	0.1%
Burkina Faso*	$84,004,980	1.0%
Burundi	$34,498,930	2.3%
Cameroon	$93,622,353	0.4%
Cape Verde	$130,420,622	8.4%
Côte d'Ivoire	$191,594,762	0.8%
Djibouti	$6,577,726	0.5%
Egypt	$12,453,100,000	5.7%
Ethiopia	$345,150,775	1.3%
Gambia	$107,314,553	11.4%
Ghana	$135,852,160	0.4%
Guinea	$44,840,000	1.2%
Guinea-Bissau	$43,910,779	5.4%
Kenya	$685,757,272	2.1%
Lesotho	$6,040,879	0.2%
Liberia	$213,908	0.0%
Malawi	$15,926,805	0.3%
Mali	$437,433,983	4.8%
Morocco	$6,422,542,514	6.9%
Mozambique	$33,415,350	0.4%
Namibia	$6,017,279	0.1%
Niger*	$60,334,238	1.1%
Nigeria	$19,650,650,848	10.9%
Rwanda	$98,207,379	1.8%
Sao Tome & Principe	$6,363,257	3.0%
Senegal	$1,384,122,360	11.0%
Seychelles	$16,488,951	1.8%
Sierra Leone	$41,568,561	2.1%
Sudan	$1,290,912,517	1.7%
Swaziland	$1,871,272	0.0%
Tanzania	$42,794,934	0.2%
Togo	$300,979,035	9.5%
Tunisia	$1,724,814,867	4.1%
Uganda	$768,000,000	4.6%
Zambia	$43,700,000	0.3%

*Value from 2009

Source: World Bank 2011.

TABLE A3.H GOVERNMENTAL INSTITUTIONS OF THE DIASPORA, 2013

Country	Year	Type	Institution Title
Algeria	2002	Subministry	State Secretary of the National Community Living Abroad
Angola	1992	Subministry	The Institute Providing Support to Angolan Communities Abroad
Benin	2009	Subministry	The Subagency of the Directorate for Relations with Beninese Abroad
Burkina Faso	2007	Subministry	High Council of Burkinabe Abroad
Burundi	2009	Subministry	Directorate of the Diaspora
Cameroon	2005	Subministry	Division for Cameroonians Abroad
Cape Verde	2001	Ministry	Min. of Emigrant Communities‡
Comoros	2005	Shared Ministry	Min. of Foreign Relations, Cooperation, and Comorians Abroad
Côte d'Ivoire	2001	Subministry	Department of Ivoirians Abroad
Dem. Congo	2006	Subministry	Directorate of Congolese Nationals Abroad
Eq. Guinea	2013	Subministry	Directorate of the Diaspora
Eritrea	2002	Subministry	Department of Eritreans Abroad‡
Ethiopia	2002	Subministry	General Directorate in charge of Expatriate Affairs
Gambia	2010	Shared Ministry	Min. of Foreign Affairs, Int'l Cooperation, and Gambians Abroad
Ghana	2006	Shared Ministry	Min. of Tourism and Diaspora Relations
Guinea	2009	Ministry	Min. of Guineans Abroad
Guinea-Bissau	2006	Shared Ministry	Min. of Foreign Affairs, International Cooperation, and the Diaspora
Kenya	2007	Subministry	International Jobs and Diaspora Office
Malawi	2011	Other Office	Diaspora Affairs Unit
Mali	2000	Shared Ministry	Min. of Malians Abroad and African Integration
Mauritania	2008	Ministry	State Secretariat of Mauritanians Abroad
Morocco	1990	Ministry	Min. in Charge of Moroccans Living Abroad
Mozambique	2009	Subministry	National Institute for Mozambican Communities Abroad
Niger	2009	Shared Ministry	Min. of Foreign Affairs, Cooperation, African Integration, Nigeriens Abroad
Nigeria	2001	Subministry	Nigerians in the Diaspora Organization
Rwanda	2001	Subministry	Diaspora General Directorate
Sao T & P	2005	Shared Ministry	Min. of Foreign Affairs, Cooperation & Communities
Senegal	2003	Ministry	Min. of Senegalese Abroad
Sierra Leone	2007	Other Office	Office of the Diaspora
Somalia	2009	Shared Ministry	Min. for Diaspora and Community Affairs
South Sudan	2011	Subministry	Liaison Offices and Diaspora
Tanzania	2010	Subministry	Diaspora Engagement and Opportunities Department
Togo	2011	Subministry	Department of Togolese Abroad
Tunisia	1988	Shared Ministry	Min. of Social Affairs, Solidarity and Tunisians Abroad‡
Uganda	2010	Subministry	Diaspora Services Department
Zambia	2009	Other Office	Diaspora Desk

Notes: All subministries are located within countries' foreign affairs ministries; All "other offices" are housed directly or indirectly under the office of the president.
‡ Cape Verde previously established a subministry in 2001, replaced by the full ministry in 2010; The Department of Eritreans Abroad was called the Commission for Eritreans Residing Abroad from 2002 – 2007; Tunisia created the Office of Tunisians Abroad in the Ministry of Social Affairs in 1988, and renamed the Ministry in 2005.
Sources: Various electronic country sources.

CHAPTER FOUR

QUANTITATIVE ANALYSIS

The continent of Africa is home to the largest concentration of developing countries in the world. Of the 49 countries the UN classifies as "least developed", two-thirds (34) of them are located in Africa[1], including the UN's newest member, South Sudan (UN-OHRLLS 2011). The least developed countries (LDCs) are classified as such according to their low incomes but also for a lack of economic stability and diversity as well as a number of other factors: poor education and health rates, and a lack of food and environmental security relative to other countries. In contrast to the 34 LDCs there, other African states have made development strides over the last few decades, including South Africa, Botswana, Ghana, the island nations of the Seychelles and Mauritius, and the five Northern African countries bordering the Mediterranean (Algeria, Egypt, Libya, Morocco, and Tunisia). This chapter examines the impacts of transnational remittances and the institutionalization of diaspora engagement on development in Africa through quantitative analysis.

The following section describes and compares three development indicators across Africa - education, health, and income – both regionally and nationally, and explains the calculation of a development index (much like the Human Development Index (HDI) from the UNDP), for use as the dependent variable. Section Three describes the other variables as well as the methodological approach for the

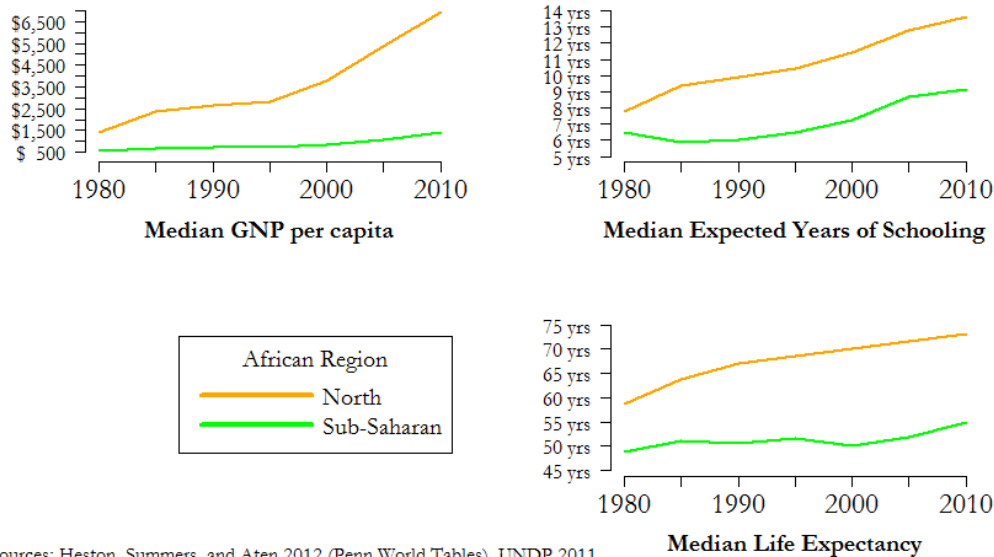
analysis in Section Four. To investigate the connections between both transnational remittances and new governmental institutions of the diaspora with development in Africa, I quantitatively model the relationships using panel regression. Using available data, 43 of the 53 (now 54) countries are in the model that considers development from 1990 through 2010. The final section summarizes.

DEVELOPMENT

It has been conventional for many scholars and international organizations to separate Africa into two main regions: North Africa and sub-Saharan Africa. North African states are generally grouped with the developing states in the Middle East (the MENA region). Generally, the five states of the Afro-Mediterranean surpass the much larger group of 48 (now 49) sub-Saharan states on many development indicators and have for decades. Yet southern states like South Africa and Namibia along with the island states of Mauritius and Seychelles outperform the non-petrol states of Central and West Africa. Figure 4.1 compares the two regions across three common development indicators from 1980 through 2010. As a measure of income, I use gross national product per capita, purchasing power parity (GNPppp) from the Penn World Tables (Heston, Summers, and Aten 2012).[2] With a GNPppp per capita of just under $7000 in 2010, North Africa median income is five times that of sub-Saharan Africa (just under $1400). Indeed, sub-Saharan income for 2010 is roughly equal to that of North Africa 30 years earlier in 1980. The same trend exists with respect to average expected education and longevity. At nine years in 2010, the median expected years of schooling for sub-Saharan children has been growing at

slower rates and is approximately equal to that from 25 years ago in North Africa. Life expectancy in sub-Saharan Africa (55 years in 2010) is among the lowest in the world and has yet to reach 59 years, the median life expectancy in North African in 1980.

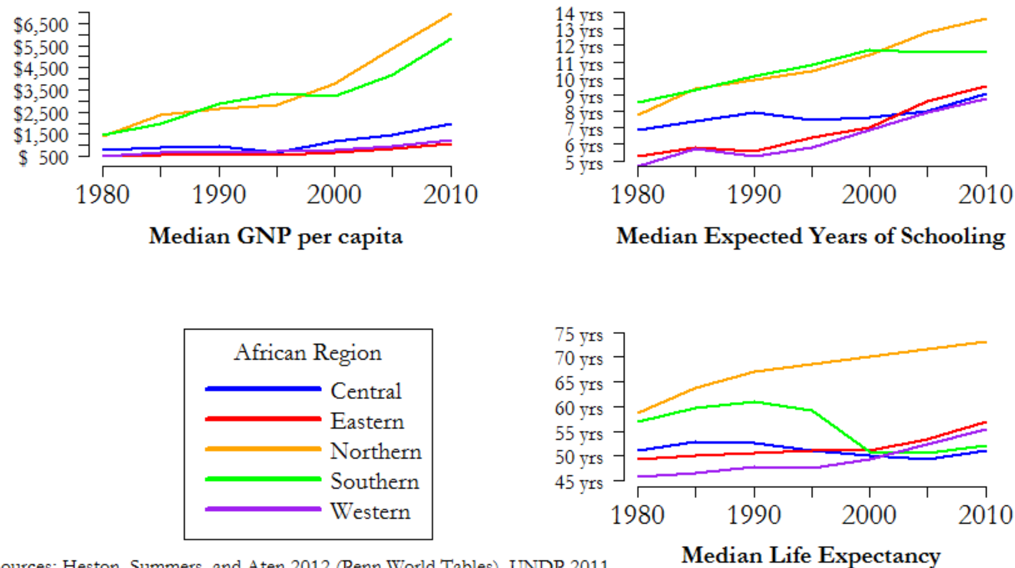
FIGURE 4.1 REGIONAL COMPARISONS: NORTH AND SUB-SAHARAN AFRICA



The differences between Northern Africa and "the rest" are much less stark when the sub-Saharan regions are considered separately as Central, Eastern, Southern, and Western Africa. Figure 4.2 compares Africa's five regions on the same indicators as above. Median Southern African income has paralleled that of Northern Africa for the last 30 years and was slightly higher for most of the 1990s. Contributing mostly to this trend are the diamond industry in Botswana and overall growth in South Africa, one of the five "BRICS" countries commonly identified as the world's most promising emerging economies.[3] Increasing oil revenues in Equatorial Guinea, Gabon, and Angola since the 1990s have slightly set Central African income

apart from the two poorest regions, East and West Africa. However, these two regions, along with North Africa have most steadily grown education rates since the 1990s. North Africans have maintained much longer life expectancies – 10 or more years on average – than most of their southern counterparts. Though Southern African life expectancy paralleled that of Northern Africa before the 1990s, the disproportionate impact of HIV/Aids in Southern Africa – where prevalence rates remain the highest in the world – played a major role in lowering life expectancies throughout the 1990s until around 2005 when they leveled off at 50 years and began to increase. A more coherent analysis of African development is possible when all the regions are surveyed. In focusing on the development impacts of remittances and of institutionalizing diaspora engagement, I include countries from all of Africa's five regions.

FIGURE 4.2 REGIONAL COMPARISON: AFRICA'S FIVE REGIONS[4]



Just as disaggregating sub-Saharan Africa into geo-economic regions illuminates more diversity across the four regions and some similarities to Northern Africa, inspecting the development indicators by country exposes even more diversity and allows further comparison. The first component of the development index is education. Education is a crucial asset in driving development as it increases citizens' capabilities and expands socioeconomic opportunities. Figure 4.3 shows the expected years of schooling by country from 1980 through 2010. For comparison, and to provide examples of countries at various stages of development, I have included three other countries: Brazil, France, and Haiti. The three represent a BRICS country, an OECD country, and an LDC.

As Figure 4.3 indicates, the average expected years of schooling in Africa as a whole increased from six to nine years from 1980 to 2010. Many of the 53 countries included here have made at least modest improvements in children's education rates.[5] By 2010, the countries of North Africa along with Botswana, South Africa, and the small island states of Mauritius and the Seychelles were on par with Brazil and France at well over 10 years of expected schooling. On the other hand, for example, a decade of intermittent civil war in Congo in the 1990s saw expected schooling fall from 13 years in 1980 to eight years in 2000. Still many states, especially in East Africa, have education rates below those in Haiti, the poorest country in the Western Hemisphere.

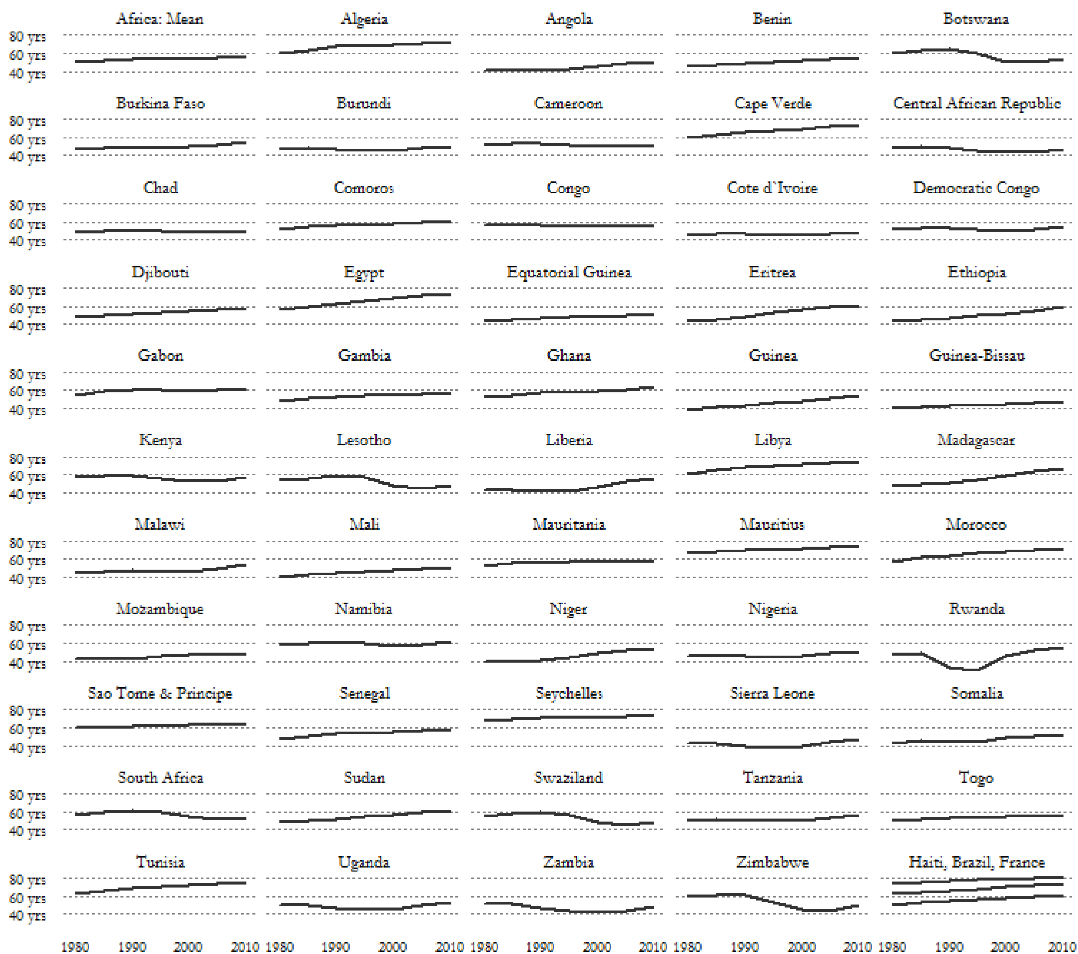
FIGURE 4.3 EXPECTED YEARS OF SCHOOLING FOR CHILDREN, 1980 – 2010

Source: UNDP 2011

The second component of the development index is life expectancy at birth, an indicator of the overall health of a state's citizenry. Like education, good health is important for development in that it expands peoples' capabilities. Higher life expectancies also generally reflect competent public health sectors and citizens' increased knowledge of health risks. Figure 4.4 shows life expectancies by country. Average life expectancy for Africans has grown from 50 years in 1980 to 57 years in 2010 and most individual countries have seen increases of five or more years. In 2010, life expectancies ranged from 47 to 75 years in Sierra Leone and Libya

respectively. Wars and other political violence have held down or decreased life expectancies in, for example, Congo, Liberia, and Rwanda. As noted above, the AIDS crisis beginning in the late 1980s has been one significant factor in decreasing life expectancies, especially in Botswana, Lesotho, Swaziland, and Zimbabwe. In 2010, 17 countries including Chad, Guinea-Bissau, Côte d'Ivoire, and Sierra Leone had life expectancies more than 10 years less than that of Haiti, 62 years. In the same year, eight countries had life expectancies equal to or slightly higher than Brazil at 73 years, including Cape Verde, Morocco, and Tunisia.

FIGURE 4.4 LIFE EXPECTANCY AT BIRTH, 1980 – 2010



Source: UNDP 2011

The final component of the development index is per capita income. Increases to income are important for development in that they expand citizens' capabilities, opportunities, and choices. Table 4.A shows the 10 largest and 10 smallest per capita incomes in Africa (Table A4.B in the chapter's appendix shows the full list of countries and their incomes). Measured in the same international dollar, two states' per capita incomes were lower in 2010 than in 1980: Liberia and Democratic Republic of the Congo. The latter is the poorest country on the continent, and in 2010 its income of $263 was less than one percent of the highest, Seychelles, and just over one percent of the second highest income, Libya.

TABLE 4.A HIGHEST AND LOWEST INCOME COUNTRIES PER CAPITA, 1980 – 2010

	GNPppp pc		Average Annual Growth		
10 Highest-Income	**1980**	**2010**	**1980s**	**1990s**	**2000s**
Seychelles	$6,265	$32,322	8%	5%	5%
Libya	$9,641*	$20,227	-4%	2%	9%
Gabon	$7,130	$13,005	1%	0%	8%
Mauritius	$1,482	$10,515	11%	6%	4%
Botswana	$1,484	$10,285	13%	5%	4%
South Africa	$3,016	$8,730	2%	3%	6%
Equatorial Guinea	$376	$7,165	-2%	32%	17%
Tunisia	$1,825	$7,147	4%	4%	6%
Algeria	$2,694	$6,933	2%	2%	6%
Namibia	$1,984	$5,831	4%	2%	6%
10 Lowest-Income					
Madagascar	$534	$807	1%	1%	2%
Malawi	$369	$791	1%	1%	7%
Eritrea	$602*	$699	n/a	3%	0%
Central African Republic	$329	$674	4%	2%	3%
Niger	$428	$549	0%	0%	2%
Somalia	$311	$487	4%	-2%	3%
Burundi	$253	$452	5%	-2%	3%
Liberia	$656	$404	-6%	10%	0%
Zimbabwe	$195	$359	5%	-1%	3%
Democratic Congo	$302	$263	0%	-5%	5%

*First column data for Libya and Eritrea are from 1985 and 1992 respectively

Source: Heston, Summers, and Aten 2012 (Penn World Tables)

Focusing on the top income countries, revenues from extensive oil reserves drive income upward in Libya, Algeria, Gabon, and Equatorial Guinea while Botswana is the world's largest diamond producer (BBC 2012). The Seychelles relies on tourism for one-quarter of its income and 70 percent of its foreign exchange earnings (World Bank 2012). Tourism, along with an expansive international banking sector, also drives much economic success in Mauritius. Less dependent on one commodity or sector, Tunisia, South Africa, and Namibia (whose economy remains closely linked to South Africa's) have relatively more diversified economies with large manufacturing, retail, and finance sectors (African Economic Outlook 2013). Most of these countries have enjoyed more than adequate growth rates over the last three decades: the economy of the Seychelles is now over five times as large as it was in 1980 and that of Equatorial Guinea, thanks to the expansion of its oil infrastructure and exports throughout the 1990s, is now over 19 times larger than in 1980. However, this accelerated growth has not come without costs: rising inflation, corruption, and inequality (World Bank 2013b; Transparency International 2012). Furthermore, education rates in Equatorial Guinea have fallen since 1990 (Figure 4.3).

Most of the lower income countries on the continent have clearly not experienced sustained economic growth over the last few decades, though many have experienced political instability along with prolonged or episodic violence. This is not to say that higher income countries have been immune from violence and political instability: for example, after a military coup that halted elections in 1991, oil-rich Algeria spent a decade in civil war with 150,000 casualties (Uppsala Conflict

Data Program 2011; BBC 2013). In 2010, Chad ranked twenty-sixth and Sudan eighteenth in income out of the 53 African states and ranked third and second respectively out of 168 states on the Failed States Index (FSI) (Table A4.B; Fund for Peace 2013). The FSI combines social, economic, and political indicators to measure the ability of governments to provide public goods and hold a legitimate monopoly over the use of violence. Higher ranks indicate less ability or inability to do so. In the same year, the first, fourth, and fifth states on the FSI were Somalia, Zimbabwe, and Democratic Congo, three of Africa's poorest countries. Revenues from and foreign investment in oil reserves set Chad and Sudan apart from the lowest income countries economically, yet both of these countries score low on most social indicators, including education and health (Figures 4.3 and 4.4). Examples such as these signify the necessity of measuring development through multiple indicators rather than solely using income.

Accordingly, I construct an index which factors in education, health, and income similar to the HDI used by the UNDP. The UNDP's HDI has three sub-indices. The first of these is the education index, which uses the expected years of schooling for children along with the mean actual years of schooling for adults. The health index uses life expectancy at birth and the income index uses GNIppp per capita. Due to a lack of available data for many African country-years for the mean years of schooling for adults and GNIppp per capita, I use only the expected years of schooling for children to build the education index, and GNPppp per capita for the income index.[6] In the end, for the country-years for which both are available, my index is correlated with actual HDI at 0.972.

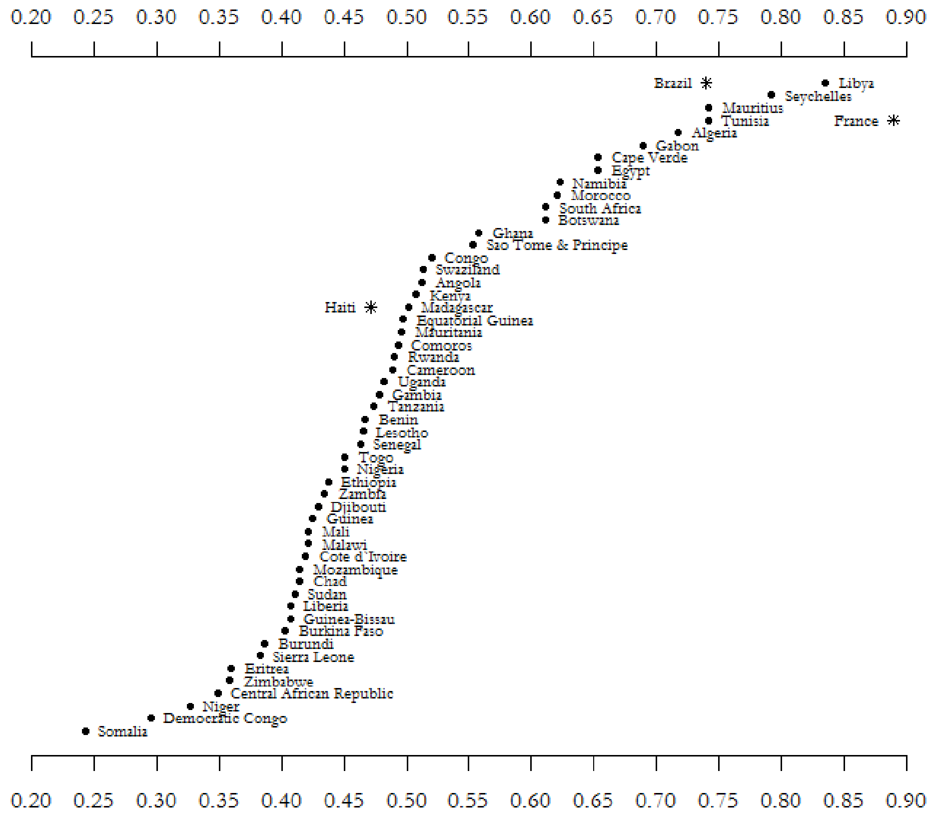
Creating the development index consists of two steps: calculating each sub-index and compiling the final values. The sub-indices are normalized by benchmark minimum and maximum values observed or set by the UNDP for their respective indicators to obtain relative values for each category. For example, the difference in life expectancy for country *i* and the minimum benchmark life expectancy (20 years) is divided by the global range of life expectancy (83.2 years from Japan, 2010 minus the 20 year minimum) to produce the health index (Equation 1). After each sub-index is obtained, they are combined by finding the geometric mean of all three (Equation 2). Following the UNDP when measuring income, the natural logarithm of income is used rather than the actual value (UNDP 2010). The extreme values for each sub-index are shown in Table A4.C.

$$I_{sub} = \frac{x_i - x_{\min}}{x_{\max} - x_{\min}} \qquad \textit{(Equation 1)}$$

$$\text{aHDI} = \sqrt[3]{I_{education} \cdot I_{life} \cdot I_{income}} \qquad \textit{(Equation 2)}$$

Figure 4.5 shows the development rankings of countries in 2010 (Figure A4.1 in the appendix shows all years). Values span practically the entire range of the index from the war-torn societies of Somalia and Democratic Congo to the better-off states of the Seychelles and Libya. Using this index, the four most developed African countries (Libya, Seychelles, Mauritius, and Tunisia) fall between France and Brazil. About half of the countries in Africa fall below Haiti, which is consistent with the HDI from the UNDP.

FIGURE 4.5 DEVELOPMENT INDEX, 2010



Sources: Heston, Summers, and Aten 2012 (Penn World Tables), UNDP 2011

Development in Africa is diverse. What Figure 4.5 and the development index in general show is that national development – in terms of increasing citizens' social and economic capacities and opportunities – is multi-faceted and larger than income alone. While the top 10 to 15 African countries in Figure 4.5 have made development strides across all three indicators – health, education, and income – the remainder continue to struggle to improve on one or more of the key development aspects. For example Madagascar, though vulnerable to environmental shocks and political instability which repeatedly render its economy stagnant and growth fragile, made progress in providing education and health care in the 2000s. In

contrast, Zambia enjoyed 10 percent average annual economic growth throughout the 2000s (Table A4.B), and while expected years of schooling for Zambian children was an admirable eight years in 2010, this figure had not increased in 30 years and remained below the continental average (Figure 4.3). Life expectancy in Zambia – like most Southern African nations – plummeted in the 1990s due to the AIDS crisis and was still below 50 years in 2010 (Figure 4.4). As these two examples suggest – and though economic growth can have a positive impact on education and health rates – increases to income are neither a necessary nor sufficient circumstance for improving the social condition.

DATA AND METHODOLOGY

Rather than to isolate one or another aspect of development, I use the development index as the outcome in the hypotheses herein tests for more holistic development impacts from transnational remittances and government diaspora institutions. As explained in Chapter One, I test two main hypotheses. Hypothesis One states that as the ratio of remittances to gross national income increases to a critical value, states will experience higher growth rates in human development; after the critical value, states will experience lower growth rates in human development. I purposefully employ the quadratic form of remittances (as a ratio to GNI). I expect that small amounts of remittances in relation to income will be healthy for development, while states that receive a more sizeable percentage of income from remittances will be prone to suffering from brain-drain or the loss of relatively large portions of the potential labor force. Thus, any potentially positive

effects of small amounts of remittances with respect to income will be reversed as remittances garner a larger percentage of income. Hypothesis Two holds that states with a national-level formal institution of the diaspora will experience higher growth rates in human development. The second hypothesis posits a positive relationship, holding that if governments at least attempt to engage members of the diaspora they may be inspired to contribute not just with economic but also social and intellectual remittances, or to join hometown associations with other diasporic members.

I model these relationships with a variation of two-stage least squares fixed effects regression of a panel dataset with five waves of five-year averages from 1990 through 2010 on 43 African countries for which data are available for at least two time periods (countries included are listed in the appendix, Table A4.D). There exists the potential for endogeneity and reverse causality between remittances and development, that is to say that more developed countries will receive more remittances since their emigrants are on average more educated and skilled than those from less developed countries. Following a method endorsed by the IMF (Barajas et al. 2009; Chami et al. 2009; Chami et al. 2008), I use instrumental variable techniques to predict remittances for each individual year reported and then use the average of the fitted values as the average remittance in a final regression, employing the ratio of remittances to income in all other (remittance-reporting) African countries as the instrumental variable.[7] To explain, for country *i* in year *t*, I divide the total remittances to all other African countries by the total of GNI to all those countries in year *t*. This gives the ratio of the rest of African

remittance reporting countries to use on the right-hand side of a two-way fixed effects regression from 1985 to 2009. Then I use the average of each five year period fitted values (1985-1989,…, 2005-2009) in the final equation.

The requirements of a valid instrumental variable are (1) that it be highly correlated with the endogenous regressor and (2) that it not be correlated with the dependent variable and only affect the dependent variable through its effects on the endogenous regressor (Wooldridge 2002). Remittance trends to other African countries capture some of the transaction costs for emigrants associated with remitting as well as decisions about whether and how much to remit. By omitting the country in question from the construction of the instrumental variable, the instrument remains exogenous and can only be related to development in that country through its impact on levels of remittance.

I extend the same method for aid (official development assistance) used as a control variable, since aid is also endogenous to development: less developed countries should in theory get more aid and more developed countries less. The rationale for using aid to all other aid-receiving African countries (as a ratio to GNI) is to capture donor behavior and tendencies with respect to fluctuations in total donor budget allotments for African aid in a given year. Again here, aid dollars to other African countries can only impact development in the country in question through their impact on aid to that country (due to donor preferences, etc). The *t*-scores for $REM_{REST\ OF\ AFRICA}$ and $AID_{REST\ OF\ AFRICA}$ in the first-stage regressions are -

10.35 and -24.98 respectively, both of which are adequately large to support their validity (Schmidheiny 2012) (results in appendix, Table A4.E).

Next, for the dependent variable in the final equation, I use a deviation-from-fit measure. Much like income, where one would expect richer countries to grow more slowly or increase less annually than poorer economies, countries whose development index is relatively low have further to grow than those toward the top of the scale. The UNDP often uses deviation-from-fit to measure the progress of developing countries (Gidwitz et al. 2010; Klugman et al. 2011; Molina and Purser 2010). To get the deviation-from-fit, I regress the change in the index on its initial value using the natural logarithms of each in a fixed effects regression. The residuals of this growth model are the differences (like in any regression) of the actual and expected values of the change (dependent variable) given the starting point (results in appendix, Table A4.E). I use the residuals from this equation as a measure of relative development: it is relative to a) its starting point five years ago and b) to other countries starting at similar values. This accounts for the relative gains one would expect and does not punish more developed countries for smaller changes. It also helps avoid multicollinearity issues in the alternative, where including a lagged value of the index on the right-hand side of the final equation is correlated with control variables.

FIGURE 4.6 DEVIATION-FROM-FIT RESULTS

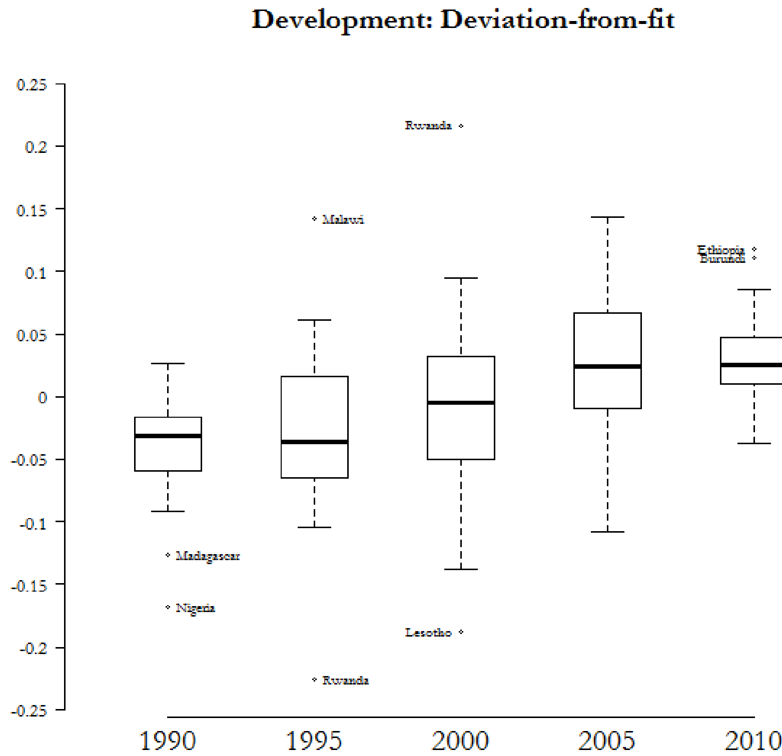


Figure 4.6 shows the distribution of the deviation-from-fit measure by time period in a series of box plots. Box plots are useful to display distributions since they give viewers a sense of the dispersion and identify outlying values. In each of the five box plots in Figure 4.6, the bold horizontal lines inside the boxes represent the median values for each time period, the boxes encompass the first through third quartiles, the whiskers denote relatively extreme values, and individual points identify outliers. For the deviation-from-fit measure of development, while most country-years are centered around zero – indicating relatively small residuals – the outlying values can mostly be traced back to various periods of drastic policy changes or political instability for the countries shown. For instance, after allegedly fraudulent elections and a subsequent military coup in Nigeria in 1983-4, incomes

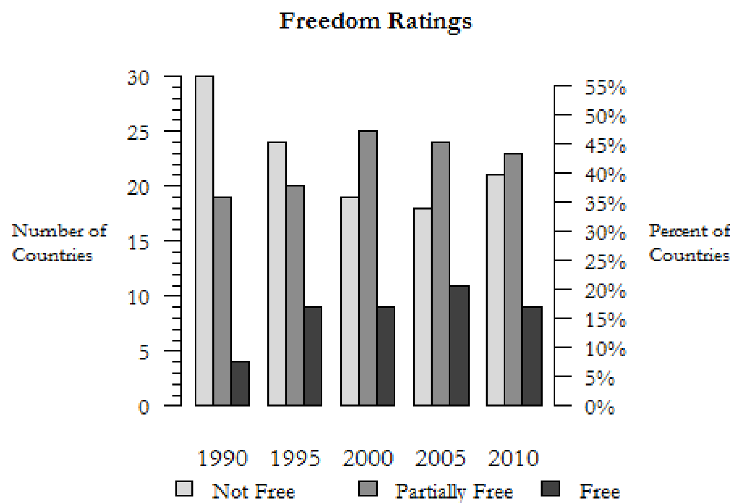
wavered and education rates dropped from an expected 8.5 to 6.5 years of schooling for children, driving down its development index (Banks, Miller, and Overstreet 2007: 679-680). The introduction of free primary education (FPE) in Malawi in 1994 saw an increase of one million pupils in 1995 and more than doubled the expected years of schooling from five to over 10, and Burundi saw similar results after introducing FPE in 2005 (Chimombo 2005; UNDP 2011). The 1994 genocide in Rwanda saw all the components of its development index plummet from 1990 to 1995 and then quickly recuperate by 2000. Government and economic reforms in Ethiopia over the last decade have resulted in increases to all its development index components, most markedly from 2005 to 2010 (World Bank 2013). Finally, HIV prevalence in Lesotho surged upward 71 percent from 1995 to 2000 (from 14 to 25 percent) and life expectancy fell from 57 to 48 years during that period (UNAIDS 2012; UNDP 2011).

Using this deviation-from-fit measure as the dependent variable, the quantitative model contains six control variables that may affect development. Expectations are that two of these, war/violent conflict and HIV prevalence, will have negative impacts on development. Aid, Freedom House rating, the political constraints index, and increasing economic openness will most likely show positive influences.

First, to test the impacts of democratization on development, I use the Freedom House ratings. Freedom House indexes are created from expert surveys for all the world's countries and rates each country as free, partially free, or not free in

terms of political rights and civil liberties (Freedom House 2011). Of the 53 African countries, over half (55 percent) were rated as not free in 1990, while in 2010 less than half (40 percent) received this rating (Figure 4.7). The number of full democracies (rated "free") rose from four (Botswana, The Gambia, Mauritius, and Namibia) to eleven from 1990 to 2005 but then fell to nine by 2010, after Senegal and Lesotho moved from "free" to "partially free". In Senegal, allegedly rigged 2007 presidential elections and President Abdoulaye Wade's subsequent postponement of many municipal and national legislative elections – which 12 parties eventually boycotted – saw its rating drop. In Lesotho, executive, legislative, and municipal election results were heavily disputed between 2006 and 2009. The opposition party supporters' taking of hostages at the Independent Electoral Commission and an assassination attempt of Prime Minister Pakalitha Mosisili led to a lowering of the country's former rating as a "free" democracy (Freedom House 2011).

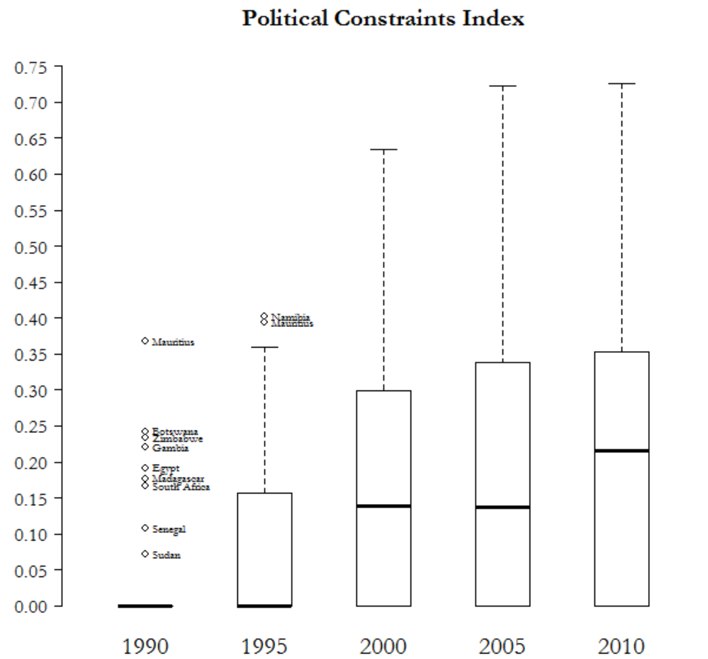
FIGURE 4.7 FREEDOM HOUSE SCORES FOR AFRICAN COUNTRIES



Source: Freedom House 2011

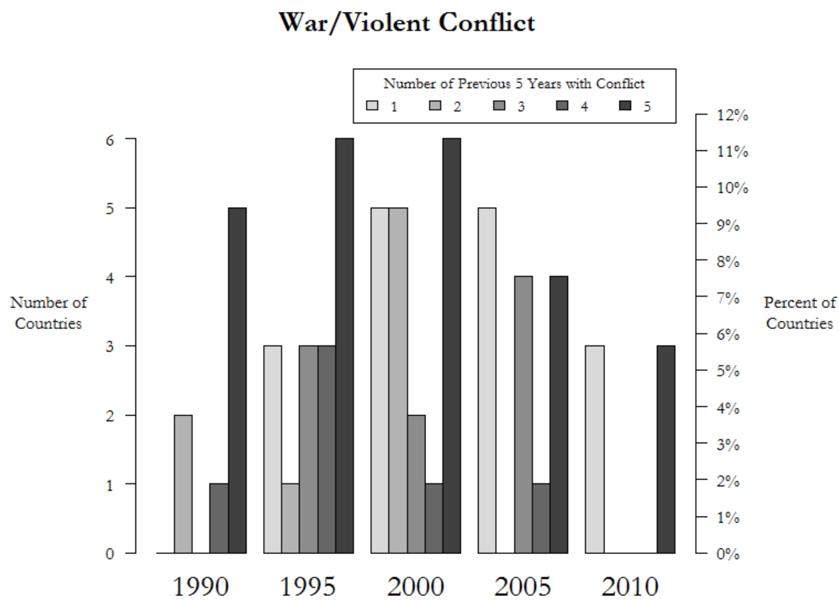
Second, as an indicator of the political economy climate, I use the Political Constraints Index III (Henisz 2013 [2000]). The expectation is that healthier political economies will experience greater development, since more constraints indicate a healthier political economy. This index measures the feasibility of policy change according to the distribution of veto power among branches of government, cross-branch party alignment as well as legislative fractionalization. The index theoretically goes from zero to one with higher values indicating less feasibility of policy change on the part of a single or a few actors. While it measures political checks and balances, economists often use it as a gauge of likelihood of investment in infrastructure or the overall health of the political economy. These scores in Figure 4.8 represent the average score for the five previous years by country. Over the last two decades, the median value of this index in Africa moved from zero to 0.23. For reference, the highest scoring country in 2010 was Belgium (0.71) and the US scored 0.40 in 2010 (Henisz 2013 [2000]).

FIGURE 4.8 POLITICAL CONSTRAINTS IN AFRICAN COUNTRIES



Third, as shown in the previous chapter, war and other types of political violence can halt or reverse development trajectories. I control for war and/or other political violence using the Uppsala Conflict Data Program database (Gleditsch et al. 2002; Themnér and Wallensteen 2012). Figure 4.9 shows the number and percentage of countries that experienced one or more years of violence in the previous five years for each period in the sample. An average of 26 out of 53 countries experienced no conflict each five-year period, while an average of two countries did so all five years of the period. Countries experiencing conflict for more than half of the 21 years in the sample include Algeria, Angola, Burundi, Chad, Democratic Congo, Liberia, Somalia, and Sudan.

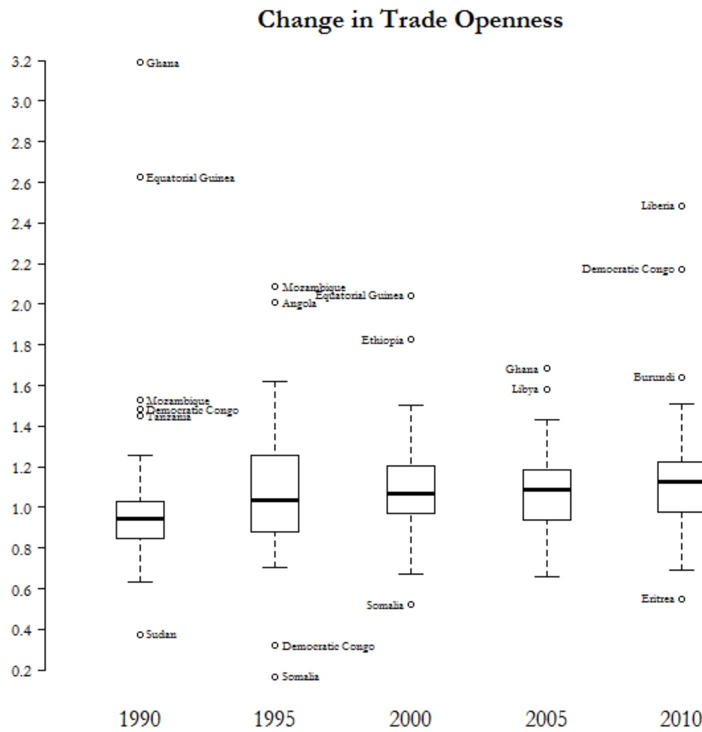
FIGURE 4.9 WAR AND VIOLENCE IN AFRICAN COUNTRIES



Sources: Gleditsch et al. 2002; Themnér & Wallensteen 2012

Fourth, as a measure of economic openness and liberalization, I use the change in trade openness over the previous five years for each period. These data are from the Penn World Tables and the raw measure is the ratio of trade (exports plus imports) to gross domestic product (Heston, Summers, and Aten 2012). Figure 4.10 shows the ratio of this value to the value five years ago. The median change in trade with respect to income gradually increased from below one to almost 1.2 (which would represent a 20 percent increase).

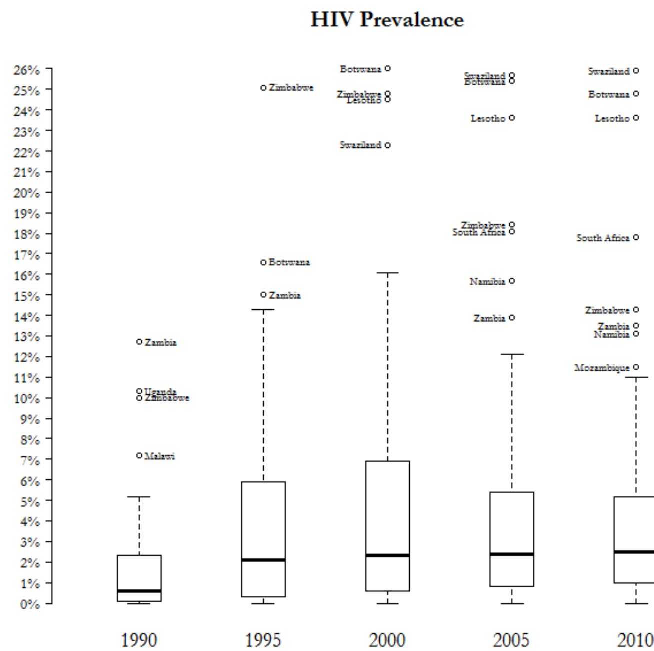
<u>FIGURE 4.10 TRADE OPENNESS IN AFRICAN COUNTRIES</u>



Source: Heston, Summers, and Aten 2012 (Penn World Tables)

The next control variable is HIV prevalence. Figure 4.11 shows the distribution of HIV prevalence for each time period. Data on HIV prevalence first became widely available around 1990, at which time the highest prevalence was found in Zambia at 13 percent of adults. The median value rose from under one percent in 1990 to around 2.5 percent in 2010. All of the outliers for all time periods (save Malawi in 1990) are located in Southern Africa, illustrating the disproportionate impact of AIDS and HIV in the region, still one of the world's regions most devastated by the disease.

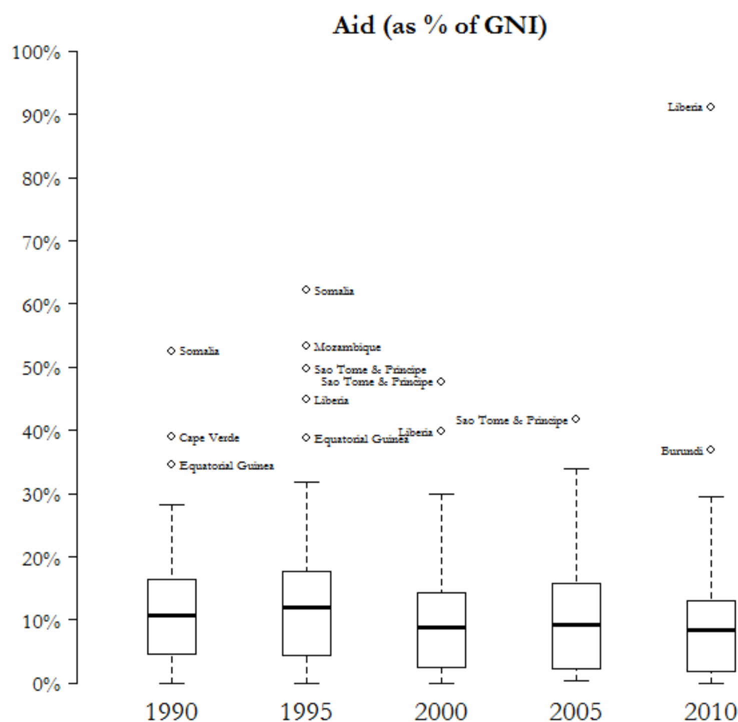
FIGURE 4.11 HIV PREVALENCE IN AFRICAN COUNTRIES



Source: UNAIDS 2012

I use the ratio of aid to income as the final control variable in the analysis. Figure 4.12 shows that the average amount of aid to African countries has remained around 10 percent of income for the last two decades, decreasing slightly in the 21st century. Notable outliers include war-torn Somalia, which received aid amounting to over half of its total income throughout the 1990s, and Liberia, which after the end of its protracted civil war and the adoption of structural adjustment programs in the late 2000s received aid almost equal to the total of its income, above 90 percent.

FIGURE 4.12 OFFICIAL DEVELOPMENT ASSISTANCE (AID) TO AFRICAN COUNTRIES



Sources: World Bank 2011; UNData 2011

Table 4.B shows the model diagnostics that directed me to the best fitting model to use. First, a Hausman test checks for the presence of statistically significant fixed effects (Wooldridge 2002). In the context of the present model, the test looks for time-invariant country-specific idiosyncrasies uncaptured by the variables included in the model. The null hypothesis of no country-specific effects is rejected. As one would expect, the Hausman test results show the presence of statistically significant fixed effects, so these effects should be included in the model.[8] The second and third tests address assumptions about the residuals in longitudinal models. The Breusch-Pagan test has as its null hypothesis homoskedasticity or constant variance of the residuals. If the errors do not have a

constant variance (called heteroskedasticity) the standard errors of the coefficients may be biased downward, which could lead analysts to wrongly assign statistical significance to the coefficients (Wooldridge 2002).[9] For the present model, the Breusch-Pagan test does not reject the null hypothesis so heteroskedasticity is not an issue. However, the Breusch-Godfrey/Wooldridge test for serial correlation in the residuals indicates that they are correlated across time within countries. This means that, for a given country, the best predictor for the value of its residual at time *t* is the value of its residual in the previous time period (time = *t-1*). When this correlation exists across time within countries, coefficient estimates are statistically inefficient (Wooldridge 2002). The null hypothesis for this test posits no serial correlation and here is rejected, and addressed with a variance covariance matrix robust to serial correlation to make the estimates more efficient.

TABLE 4.B MODEL DIAGNOSTICS

Test	H_0	Statistics	Result: H_0
Hausman	Random over Fixed effects	$X^2_{(8)} = 100.17$ $p = 0.000$	Rejected
Breusch-Pagan	Homoskedasticity	$X^2_{(10)} = 14.02$ $p = 0.172$	Not rejected
Breusch-Godfrey/Wooldridge	No Serial Correlation	$X^2_{(2)} = 19.22$ $p = 0.000$	Rejected
LaGrange Multiplier	Significant Time-fixed effects	$F_{(4, 148)} = 0.57$ $p = 0.687$	Not rejected
Pesaran	No Cross-sectional dependence	$Z = 1.35$ $p = 0.177$	Not rejected*

*Pesaran test performed on more balanced sub-sample of data, 25 countries, 4-5 time periods (77% of observations).

Next, the effects of time are significant according to the Lagrange Multiplier test. This is a simple hypothesis test for significant differences across time periods. In the present context, testing the statistical significance of time fixed effects

addresses the question: "were development strides on average between 2005 and 2010, for example, different from those between 1990 and 1995 for African countries?" Many African and Africanist scholars and policymakers would expect differences across the 1990s and 2000s due to changes on the continent and beyond. Though not exhaustive, this list includes: democratization efforts, economic liberalization, and educational reforms domestically; increased participation in regional economic organizations and the quick rise and relatively slower fall (in most regions) of HIV prevalence rates; and international processes of political and economic globalization. Supporting this idea, the null hypothesis of statistically significant time-fixed effects is not rejected in the Lagrange Multiplier test, and time-fixed effects are included in the model.

Finally, the Pesaran test of cross-sectional dependence posits its null hypothesis of no cross-sectional dependence (Wooldridge 2002). The presence of cross-sectional dependence would indicate that the residuals were correlated within time periods across countries, or for example, that significant events between 1995 and 2000 caused residuals across many countries that were significantly lower or higher than for other time periods, i.e., particularly widespread natural disasters or conflicts, or sweeping (and effective) continental or multi-country development policy changes. While the inclusion of time-fixed effects helps to avoid cross-sectional dependence, the null hypothesis of the Pesaran test is not rejected, so it is not necessary to address this issue in the model.[10]

RESULTS AND ANALYSIS

FIGURE 4.13 MODEL RESULTS

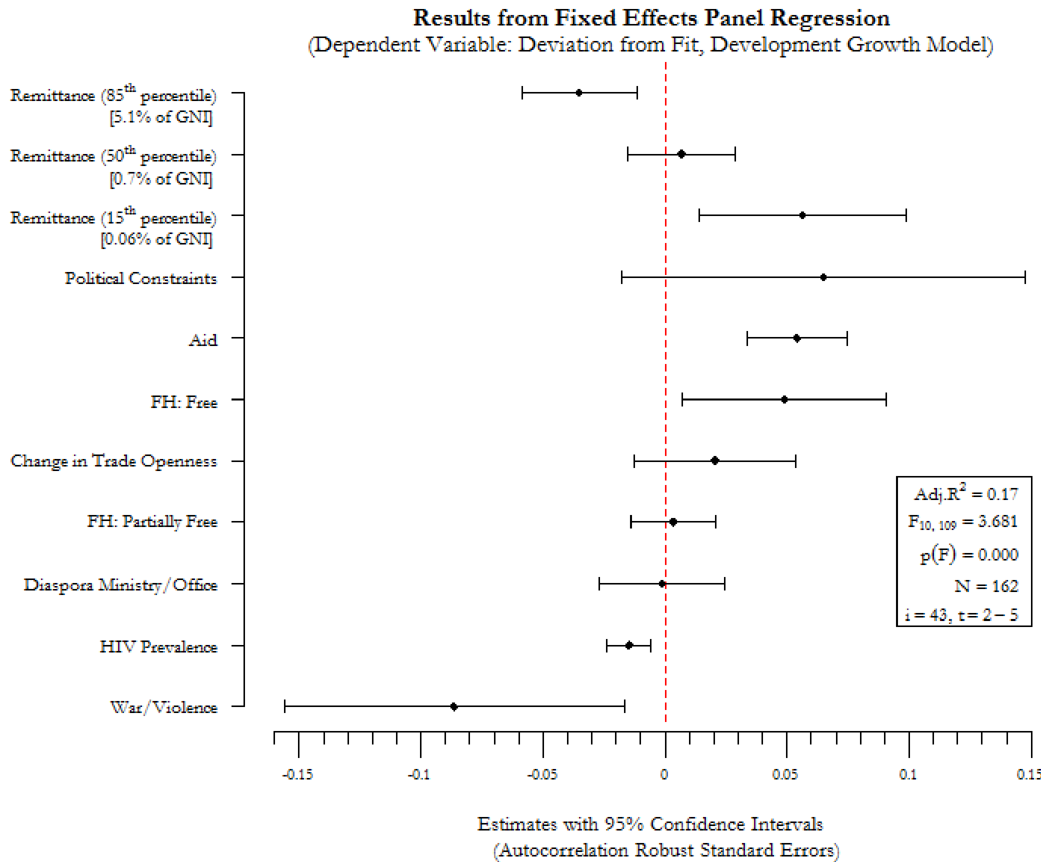


Figure 4.13 shows the results of the second-stage fixed effects panel regression on the deviation-from-fit measure. These results are compared to the results of the non-instrumented model in the appendix (Table A4.F), and the model fit statistics (adjusted R-squared and F-test) are slightly better for the instrumented model supporting the validity of the instruments. The first research hypothesis is supported, in that small amounts of remittance are associated with positive development and larger amounts are negatively so. The second research hypothesis is not supported. No significant development differences are found between

countries with a governmental diaspora institution and those without for the two decades in the model.

In Figure 4.13, the estimated coefficients are shown as points with 95 percent confidence intervals represented by the horizontal lines. Those lines that do not cross zero indicate statistically significant effects in the model. Starting at the bottom one can see that the effects for violent conflict and HIV prevalence are negative and significant as one would expect. Violence is measured as the proportion of the previous five years in which war or conflict took place and this takes values from 0 to 1. The coefficient here of 0.09 reflects the nine percent decrease (since the dependent variable is in log form) in expected development when a country spends all five previous years in conflict rather than having five conflict-free years. This means that countries like Burundi in 2005 or Chad in 1990 or 1995 that experienced conflict for all five previous years could have increased development by almost 10 percent by having a peaceful five years all else equal. Also negative and statistically significant, the coefficient for HIV prevalence is -0.015, meaning that a one percent increase in HIV prevalence predicts a one-and-a-half percent decrease in relative development all else equal. Consider Lesotho, the country that saw the biggest increase in HIV prevalence in the sample: the rate moved from 14.3 percent in 1995 to 24.3 percent in 2000, an increase of 71 percent. All else equal, had the rate of HIV prevalence in the small kingdom not increased at all, the model predicts that Lesotho could have experienced double its observed development progress (71 percent increase times -0.015 yields a -106.5 percent decrease).[11]

The effects of the diaspora ministries, a "partially free" Freedom House rating, and change in trade openness are not significant. However, a "free" rating from Freedom House is positive and significant with a coefficient of 0.05.[12] Since the "not free" rating is the base category for this categorical variable, countries rated "free" have relative development scores (deviations-from-fit) that are five percent higher than countries rated "not free", ceteris paribus. This means that in 2010 nondemocratic countries like Tunisia and Guinea rated "not free" were predicted to develop five percent more each time period had they been democracies, all else equal.

The impacts of aid are also positive and significant, and the coefficient is 0.05. Since both this variable and the dependent variable are measured in log form, this estimate means that a one percent increase in aid (with respect to income) predicts a 0.05 percent increase in relative development all else equal. For example, if Ghana's 2000 aid to income percentage were 10 percent (the average) rather than the observed eight percent, all else equal this difference (a 25 percent increase) would predict a 1.25 percent increase in Ghana's relative development.[13] While a 1.25 percent increase is admittedly slight, the model's positive and statistically significant result for aid does indicate that well-placed aid can be a positive force for development.

Finally, Figure 4.13 shows three values for the coefficient for remittance representing the 15th, 50th, and 85th percentile of observed remittance to income ratios. Since the quadratic form of this variable is in the model, the effect changes

dependent upon its value. These results show that small amounts of remittance are positive and statistically significant, middle-range values are not significant, and values toward the higher end are negative and significant, as further explained below.

FIGURE 4.14 THE IMPACTS OF REMITTANCE

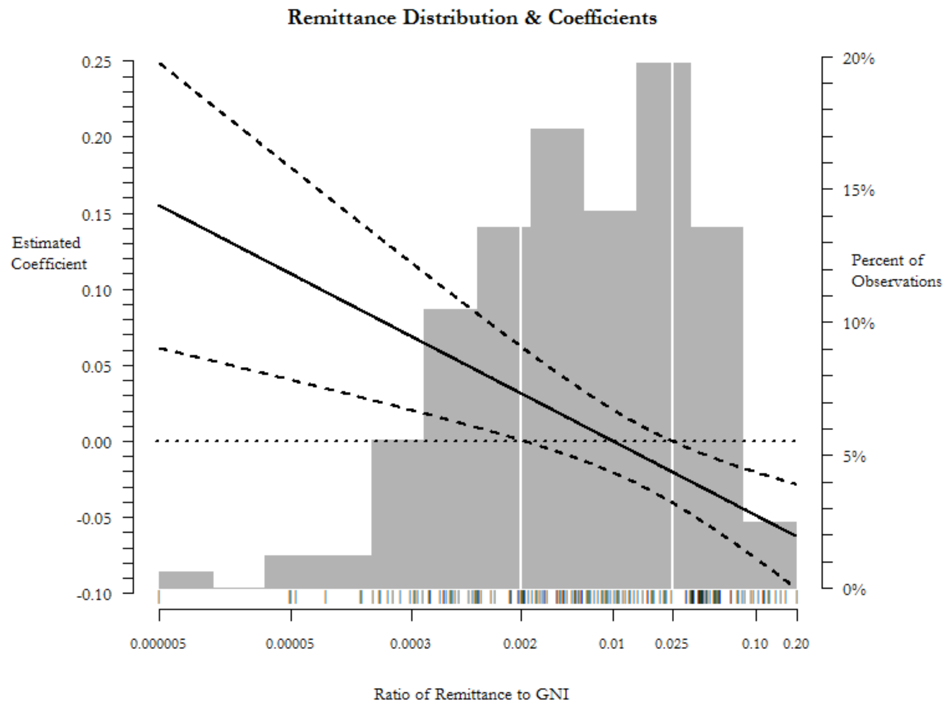


Figure 4.14 shows the distribution of remittances in the shaded histogram. The values for the coefficient of remittances are superimposed along with 95 percent confidence intervals. The estimated coefficients for the level and quadratic forms are -0.096 and -0.010 respectively. To find the exact turning point (when the effect changes from positive to negative), it is necessary to find the first derivative of $-0.096x + -0.010x^2$. This is -4.673 in log form, and the antilog is 0.009. This means that when remittances are 0.9 percent of GNI, their estimated effect on development is zero, as pictured in Figure 4.14. The area inside the white vertical lines represents

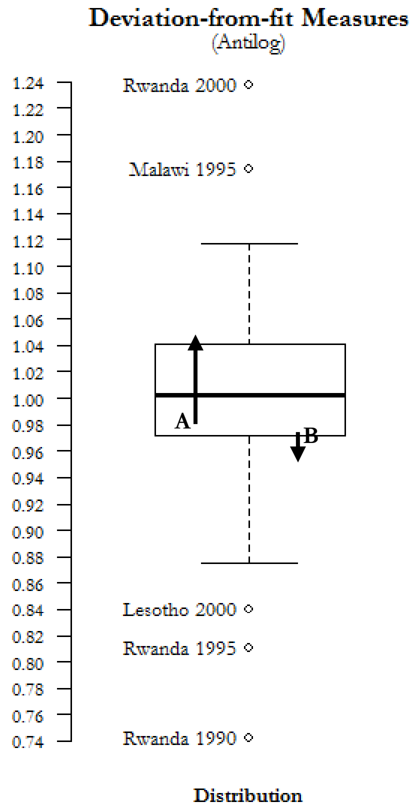
those country-years, 64 percent of the observations, in which remittances fall in the not significant category. To the left, 32 percent of the observations fall in the positive and significant category. Those are countries with remittances less than 0.2 percent of income like Cameroon and Ghana in the 1990s or Gabon throughout the 1990s and 2000s. Here the scale is log but I have used the actual values on the labels, which explains the skew going to the right. The area to the right of the (rightmost) white vertical line, 28 percent of the observations, falls in the negative and significant category. These are country-years with remittances more than 2.5 percent of income such as Benin, Cape Verde, Egypt, and Uganda throughout the study period. Overall, the coefficient ranges from positive 0.155 to negative 0.06.

For illustration, Table 4.C contains a summary of the changes in the ratio of remittances to income for the two significant groups of country-years, and Figure 4.10 shows the distribution in quartiles of the dependent variable. The average change for the lower, positive coefficient group (those countries with remittance to income ratios less than 0.002) was 162 percent, meaning that the ratio of remittances to income grew by more than 100 percent on average for this group.

TABLE 4.C CHANGES IN AVERAGE REMITTANCE (TO INCOME) FOR GROUPS

Group	Min.	1st quartile	Median	3rd quartile	Max.
Remit/GNI < 0.002	-53%	-27%	162%	518%	13760%
Remit/GNI > 0.025	-60%	-21%	-4%	29%	369%

FIGURE 4.15 DISTRIBUTION OF RELATIVE DEVELOPMENT MEASURE



A country with 0.0002 ratio of remittance to income (i.e., Côte d'Ivoire or Madagascar in the 2000s) has a coefficient of 0.07. At this level, the median increase in the ratio of remittance to income of 100 percent would predict a seven percent increase in development performance, and could move a country from the second to the top quartile of development growth all else equal (represented by the arrow marked "A" in Figure 4.15).

For countries on the bottom of Table 4.C, those that had remittance to income ratios greater than 0.025, the average change in the remittance to income ratio was negative four percent, a net decrease. But consider those countries like

Cape Verde, Egypt, and Liberia who all had periods with average remittance to income ratios around 0.15 (or remittances at 15 percent of income). The coefficient for countries with a remittance to income ratio of 0.15 is -0.06. All else equal, if a country with this amount of remittance (0.15 ratio to income) were to increase its ratio to 0.19 (representing a 29 percent increase, or the 75th percentile of the observed data, see Table 4.C), the result would be a 1.6 percent decrease in development growth and could move a country from the second to the bottom quartile of development (represented by the arrow marked "B" in Figure 4.15). While a 1.6 percent decrease may seem minimal it is still a statistically significant change in a country's in development prospects. Small amounts of remittance with respect to income are healthy for developing economies; larger amounts (indicating more emigration and brain drain) hinder development growth.

SUMMARY

In this chapter, I tested two hypotheses concerning these expatriates investigating the impacts of remittances and institutionalized diaspora engagement on development. The results from the quantitative analysis confirm one of the two hypotheses. Smaller amounts of remittances – less than 0.2 percent of income – are associated with positive development growth while larger amounts – greater than 2.5 percent of income – are negatively so. The hypothesis concerning the positive relationship between having a national governmental organization of the diaspora and development growth is not accepted, as the estimated coefficient for that variable is not significantly different from zero. Ancillary findings of interest include

those for democracy and foreign aid. Both are positively and significantly related to development growth: the model predicts that African democracies in the sample would grow five percent more during the five year periods than nondemocracies, all else equal; the predicted increases in development growth as a result of increasing aid (with respect to income) are slight but support the view that well-placed aid can support development. Unsurprisingly, violent conflict and HIV prevalence are both negatively and statistically significantly related to development growth.

The main findings raise as many questions as they answer. Questions answered include whether transnational remittances are associated with development gains or losses. The answer is both. Relatively small amounts of remittance with respect to income can be healthy for development, though many countries – 28 percent of the observations, countries like Benin, Cape Verde, Egypt, and Uganda – received more than 2.5 percent of income in remittances. The results suggest that, ceteris paribus, in these countries *would* have achieved *more* development growth had remittances been a smaller portion of income. Questions raised by these results include those of policy alternatives and best practices for developing governments in Africa in dealing with migration, diasporas, and remittances. Which policy options exist for mitigating the negative impacts of emigration and brain-drain in countries that suffer from disproportionate losses in human capital? How can developing country governments help to leverage remittances for development?

Moreover, how can governments harness the potential of their diasporas for development at home? Can the new national level governmental diaspora ministries and offices create effective and enduring transnational public-private linkages? How can they meet the challenges they face: inconsistencies across regime changes and the lack of capacity, coordination, and data? These questions and others are addressed in the following chapter.

NOTES: CHAPTER FOUR

[1] The 34 LDCs in Africa are: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, and Zambia.
[2] The conversion of actual GNP into purchasing power parities allows direct comparisons across countries and time periods. The choice to use GNP over GDP is a conscious one. While GDP represents the volume of production within a state including foreign companies, GNP represents all income produced by a state's nationals and their businesses, regardless of their location. The deepening of economic globalization and increasing migration support using gross national products rather than gross domestic ones as a more accurate measure of economic productivity. Purchasing power parity data for Africa are most complete in the Penn World Tables, more so than that of the World Bank or International Monetary Fund, hence the choice to use these data.
[3] The BRICS countries are: Brazil, Russia, India, China, and South Africa.
[4] Countries in each regional classification are shown in the appendix, Table A4.A.
[5] South Sudan gained sovereignty in 2011 and is therefore not included here.
[6] The two measures, GNI and GNP are theoretically equivalent, though GNI measures income received (wages and dividends) and GNP measures income produced (sales) (Hirschman 2012). In general, the differences are slight, and the two, for which data are available, are highly correlated for the country-years I use here.
[7] Also following the IMF and common practice when working with income and other monetary variables, I employ the natural logarithm of the ratio of remittances to income. This helps achieve a "more" linear relationship between predictors and results and curbs the influence of outlying values.
[8] Statistically, the actual formal null hypothesis for the Hausman test states that there is no difference between two models: a random effects model and a fixed effects model. When no statistically significant difference is found, the null hypothesis cannot be rejected, and the random effects estimator is more efficient and parsimonious, and thus analysts should choose random over fixed effects. However, analysts should also make theoretically conscious choices between random and fixed effects models. For example, in the present model the Hausman test shows the presence of statistically significant country effects, though most if not all comparative scholars would argue that any group of 43 developing countries face diverse challenges for development and also confront these challenges through myriad strategies. In the absence of 1) perfect or near-perfect information and 2) the ability to operationalize this information into quantitatively measurable data, analysts should generally use fixed effects (Clark and Linzer 2012; Wooldridge 2002).
[9] This condition can be addressed with a heteroskedasticity-robust variance covariance matrix for the coefficients.
[10] Cross-sectional dependence, like heteroskedasticity and serial correlation, can be addressed by calculating a variance covariance matrix for the coefficients robust to the specific diagnostic challenge. In general, calculating robust variance covariance matrices results in larger standard errors for coefficients, making statistical significance more difficult to achieve.
[11] To explain, the coefficient for HIV prevalence is -0.015. This represents a 1.5 percent decrease in development (deviation from fit) expected for a one percent increase in HIV prevalence (after the conversion for the log-level relationship). Thus the observed increase of 71 percent in HIV prevalence for the Basotho from 1995 to 2000 is associated with a 106.5 percent decrease in development gains. This indicates that, all else equal, Lesotho's development gains could have been over 100 percent of those observed, thereby doubling any observed progress. In this particular case, Lesotho had a development deviation from fit of -0.17, meaning that it experienced a shortfall relative to its 1995 development index value, which was 0.47 and approximately equal to the mean value for that time period (see Figure A4.1 in Chapter Four Appendix). Increasing the observed shortfall by 106.5 percent results in 0.181) and would yield a net excess for Lesotho in 2000 of 0.01.

[12] Recall that countries receiving "free" ratings scored relatively high on two indexes: one for political rights and one for civil liberties. Index values are calculated with responses to expert surveys from each country and contain sub-scores including those for freedom in executive and legislative electoral processes, political pluralism and participation, government functioning, associational rights, freedom of expression, religion, and academe (Freedom House 2011).
[13] Increasing Ghana's 2000 aid to income percentage from eight to the average of ten percent of income is an increase of 25 percent (0.10 – 0.8 = 0.2; 0.2/0.8 = 0.25) this increase would predict a 1.25 percent increase in relative development all else equal.

APPENDIX: CHAPTER FOUR

TABLE A4.A REGIONAL CLASSIFICATIONS

Central	Eastern	Northern	Southern	Western
Angola	Burundi	Algeria	Botswana	Benin
Cameroon	Comoros	Egypt	Lesotho	Burkina Faso
Central African	Djibouti	Libya	Namibia	Cape Verde
Chad	Eritrea	Morocco	South Africa	Côte d'Ivoire
Congo	Ethiopia	Tunisia	Swaziland	Gambia
Democratic Congo	Kenya			Ghana
Equatorial Guinea	Madagascar			Guinea
Gabon	Malawi			Guinea-Bissau
Sao Tome & Principe	Mauritius			Liberia
	Mozambique			Mali
	Rwanda			Mauritania
	Seychelles			Niger
	Somalia			Nigeria
	Sudan			Senegal
	Tanzania			Sierra Leone
	Uganda			Togo
	Zambia			
	Zimbabwe			

TABLE A4.B INCOME BY 2010 RANK

		GNPppp pc		Average Annual Growth		
Rank	**Country**	**1980**	**2010**	**1980s**	**1990s**	**2000s**
1	Seychelles	$6,265	$32,322	8%	5%	5%
2	Libya	$9,641*	$20,227	-4%	2%	9%
3	Gabon	$7,130	$13,005	1%	0%	8%
4	Mauritius	$1,482	$10,515	11%	6%	4%
5	Botswana	$1,484	$10,285	13%	5%	4%
6	South Africa	$3,016	$8,730	2%	3%	6%
7	Equatorial Guinea	$376	$7,165	-2%	32%	17%
8	Tunisia	$1,825	$7,147	4%	4%	6%
9	Algeria	$2,694	$6,933	2%	2%	6%
10	Namibia	$1,984	$5,831	4%	2%	6%
11	Angola	$831	$5,314	4%	5%	16%
12	Egypt	$779	$5,161	9%	6%	5%
13	Swaziland	$1,397	$4,047	8%	1%	4%
14	Morocco	$989	$4,032	6%	3%	7%
15	Cape Verde	$474	$3,945	9%	6%	7%
16	Djibouti	$1,500	$2,996	2%	1%	6%
17	Mauritania	$647	$2,558	4%	3%	8%
18	Sudan	$591	$2,328	3%	3%	8%
19	Ghana	$760	$2,251	2%	4%	6%
20	Lesotho	$604	$2,084	6%	2%	6%
21	Cameroon	$803	$2,035	5%	1%	4%
22	Zambia	$556	$2,002	2%	4%	10%
23	Congo	$788	$1,975	4%	5%	6%
24	Sao Tome & Principe	$923	$1,842	1%	1%	6%
25	Senegal	$578	$1,640	5%	2%	4%
26	Chad	$255	$1,626	8%	1%	13%
27	Nigeria	$790	$1,474	-1%	4%	6%
28	Kenya	$529	$1,461	4%	3%	4%
29	Cote d`Ivoire	$707	$1,386	1%	2%	4%
30	Gambia	$551	$1,376	5%	2%	3%
31	Tanzania	$332	$1,313	4%	2%	8%
32	Benin	$463	$1,294	5%	3%	3%
33	Uganda	$265	$1,268	5%	6%	6%
34	Rwanda	$558	$1,216	4%	-1%	8%
35	Burkina Faso	$351	$1,149	4%	3%	6%
36	Mali	$288	$1,100	6%	3%	5%
37	Sierra Leone	$496	$1,033	3%	-3%	9%
38	Comoros	$657	$973	3%	-1%	2%
39	Guinea-Bissau	$450	$905	5%	-1%	4%
40	Guinea	$349	$891	4%	3%	3%
41	Togo	$553	$860	2%	0%	3%
42	Mozambique	$235	$855	1%	4%	9%
43	Ethiopia	$244	$810	3%	2%	8%
44	Madagascar	$534	$807	1%	1%	2%
45	Malawi	$369	$791	1%	1%	7%
46	Eritrea	$602*	$699	n/a	3%	0%
47	Central African Republic	$329	$674	4%	2%	3%
48	Niger	$428	$549	0%	0%	2%
49	Somalia	$311	$487	4%	-2%	3%
50	Burundi	$253	$452	5%	-2%	3%
51	Liberia	$656	$404	-6%	10%	0%
52	Zimbabwe	$195	$359	5%	-1%	3%
53	Democratic Congo	$302	$263	0%	-5%	5%

*First column data for Libya and Eritrea are from 1985 and 1992 respectively

Source: Heston, Summers, and Aten 2012 (Penn World Tables)

TABLE A4.C EXTREME VALUES FOR DEVELOPMENT INDEX

Indicator	Minimum	Maximum
Expected Years of Schooling for Children (years)	0	18 (Australia 2010)
Life Expectancy at Birth (years)	20	83.2 (Japan 2010)
Income (GNP PPP per capita)	$100	$141,204 (Qatar 2010)

Sources: UNDP 2011; Heston, Summers, and Aten 2012

FIGURE A4.1 DEVELOPMENT INDEX, 1980 – 2010

Sources: UNDP 2011; Heston, Summers, and Aten 2012 (Penn World Tables)

TABLE A4.D COUNTRY-YEARS INCLUDED IN MODEL

☐ = INCLUDED ■ = NOT INCLUDED

Country	1990	1995	2000	2005	2010
Algeria	Included	Included	Not included	Not included	Included
Angola	Not included	Not included	Not included	Not included	Not included
Benin	Included	Included	Included	Included	Included
Botswana	Not included	Not included	Included	Included	Included
Burkina Faso	Included	Included	Not included	Included	Included
Burundi	Not included	Not included	Not included	Included	Included
Cameroon	Included	Included	Included	Included	Included
Cape Verde	Included	Included	Included	Included	Included
C.A.R.	Not included	Not included	Not included	Not included	Not included
Chad	Included	Included	Not included	Not included	Not included
Comoros	Included	Included	Included	Not included	Not included
Congo	Not included	Not included	Included	Included	Not included
Côte d'Ivoire	Not included	Not included	Not included	Included	Included
D.R.C.	Not included	Not included	Not included	Not included	Not included
Djibouti	Not included	Included	Included	Included	Included
Egypt	Included	Included	Included	Included	Included
Eq. Guinea	Not included	Not included	Not included	Not included	Not included
Eritrea	Not included	Not included	Not included	Not included	Not included
Ethiopia	Not included	Not included	Included	Included	Included
Gabon	Included	Not included	Included	Included	Included
Gambia	Not included	Not included	Not included	Included	Included
Ghana	Included	Included	Included	Included	Included
Guinea	Included	Included	Included	Included	Included
Guinea-Bissau	Included	Included	Included	Included	Included
Kenya	Not included	Included	Included	Included	Included
Lesotho	Not included	Not included	Included	Included	Included
Liberia	Not included	Not included	Not included	Included	Included
Libya	Not included	Not included	Not included	Not included	Not included
Madagascar	Included	Included	Included	Included	Included
Malawi	Not included	Included	Included	Included	Included
Mali	Included	Included	Included	Included	Included
Mauritania	Included	Included	Included	Not included	Not included
Mauritius	Not included	Not included	Not included	Not included	Not included
Morocco	Included	Included	Included	Included	Included
Mozambique	Not included	Not included	Not included	Included	Included
Namibia	Not included	Included	Included	Included	Included
Niger	Included	Included	Included	Included	Included
Nigeria	Included	Included	Included	Included	Included
Rwanda	Included	Included	Included	Included	Included
Sao T & P	Included	Included	Included	Included	Included
Senegal	Included	Included	Included	Included	Included
Seychelles	Included	Included	Not included	Included	Included
Sierra Leone	Not included	Not included	Included	Included	Included
Somalia	Not included	Not included	Not included	Not included	Not included
South Africa	Not included	Not included	Not included	Not included	Not included
Sudan	Included	Included	Included	Included	Included
Swaziland	Not included	Not included	Not included	Included	Included
Tanzania	Not included	Not included	Not included	Included	Included
Togo	Included	Included	Included	Included	Included
Tunisia	Included	Included	Included	Included	Included
Uganda	Not included	Not included	Included	Included	Included
Zambia	Not included	Not included	Not included	Included	Included
Zimbabwe	Not included	Not included	Not included	Not included	Not included

1990 1995 2000 2005 2010

☐ = INCLUDED ■ = NOT INCLUDED

TABLE A4.E RESULTS FROM INSTRUMENTING AND DEVIATION-FROM-FIT MODELS

Model	DV	IV	Coefficient	R-sq.	F	N
IV.1	$\frac{Remit}{GNI}$ (log)	$\frac{Remit_{ROA}}{GNI_{ROA}}$ (log)	-5.46^{*} (0.53)	0.124	107.05^{*} $p < 0.00$	N = 833 i = 47 t = 2 – 30
IV.2	$\frac{Aid}{GNI}$ (log)	$\frac{Aid_{ROA}}{GNI_{ROA}}$ (log)	-16.97^{*} (0.68)	0.298	623.85^{*} $p < 0.00$	N = 1554 i = 53 t = 17 – 30
DFF	$\frac{HDI}{HDI_{t-1}}$ (log)	HDI_{t-1} (log)	-0.09^{*} (0.02)			
		Constant	-0.09^{*} (0.02)	0.251	14.51^{*} $p < 0.00$	N = 162 i = 43 t = 2 – 5

* $p < 0.05$. Standard errors in parentheses. ROA = "Rest of Africa." Instrumenting models (IV.1 & IV.2) have fixed effects for both countries and years; deviation-from-fit model (DFF) is pooled OLS with significant time-fixed effects (not shown).

TABLE A4.F MODEL COMPARISONS (INSTRUMENTS)

(Dependent Variable = development, deviation-from-

Model	**I**	**II**
Remit	**...**	0.012
	...	(0.014)
$Remit^2$	**...**	0.000
	...	(0.001)
$Remit_{(fitted)}$	**-0.096***	**...**
	(0.026)	...
$Remit_{(fitted)}^2$	**-0.010***	**...**
	(0.003)	...
Aid	**...**	**0.032***
	...	(0.009)
$Aid_{(fitted)}$	**0.054***	**...**
	(0.010)	...
Gov't Diaspora Inst.	-0.001	-0.007
	(0.013)	(0.012)
HIV prevalence	**-0.015***	**-0.013***
	(0.005)	(0.004)
War/Violence	**-0.086***	**-0.072***
	(0.036)	(0.036)
Δ Trade Openness	0.021	0.015
	(0.017)	(0.017)
Political constraints	0.065	0.030
	(0.042)	(0.038)
FH: Partially Free	0.004	-0.004
	(0.009)	(0.010)
FH: Free	**0.049***	0.035
	(0.021)	(0.023)
Adj. R-sq.	0.170	0.146
F(9, 110)	**3.681***	**3.012***
p < F	0.000	0.002
N	162 (i=43, t= 2-5)	

Time-fixed effects significant in both models (not shown).

*$p < 0.05$. Robust standard errors in parentheses.

CHAPTER FIVE

DEVELOPMENT FROM ABROAD?

Remittances from diasporic African communities present opportunities and challenges for economic, social, and political development. At the start of the twenty-first century, members of the diaspora remit around $50 billion to Africa annually – more than one-third of the continent's transnational capital receipts. Despite increasing remittance flows and the emergence of governmental diaspora agencies development goals remain largely unattained: 34 of Africa's 54 states continue to be designated by the UN as least developed countries. Nevertheless there are variations between regions and countries. North African countries have been able to capitalize on their hydrocarbon resources, proximity to Southern Europe, and historical geopolitical importance to increase the pace of development. The small island nations of the Seychelles and Mauritius have exploited their comparative advantages in tourism and financial services. Namibia and South Africa, which ended long costly conflicts in the 1990s, have embarked on stabilizing their political institutions and diversifying economic infrastructures. In the west, the petro-state of Ghana is re-engaging its domestic and diasporic constituents for national development and greater improvement in living conditions for its people.

This dissertation's comparative analysis of remittance inflows and national development growth in 43 African countries revealed ambiguous and complex relationships. Remittances are, at times, negatively related to development and, at

other times, positively so. Put differently, remittances are neither requisites nor absolute deterrents of development. As discussed throughout this dissertation and largely due to the significant increase of monetary remittances, 36 governments have institutionalized efforts to engage diasporas through creating formal national diaspora ministries and/or offices. [1] In addition to sending money home, members of the diaspora provide skills, expertise, and many other services for national development efforts. Diaspora institutions meet with diaspora groups at home and abroad, disseminate economic and policy information, maintain diaspora skills databases, and offer investment incentives for development projects. Below is a summary of findings followed by a brief discussion of these findings for a deeper understanding of the short-term and long-term significance of the role of remittances and diaspora communities in the economic, social, and political development of twenty-first century African countries.

SUMMARY

This research focused on testing two hypotheses. The first hypothesis held that for African states, small amounts of remittances in relation to income would be positively associated with development and that larger amounts would be negatively so. The second hypothesis argued that states with a national diaspora ministry or office would experience more development growth than those without such an institution.

In contrast to conventional assumptions that African economies are dependent on foreign aid, the analysis in Chapter One showed not only did

continental remittance receipts exceed aid in 2007, but that they also surpassed foreign investment in 2010. Transnational capital inflows to Africa, when compared to other developing regions, are unique in that remittances surpass both foreign aid *and* investment only to Africa. By 2010, African countries received an average of $80 million remitted through formal transaction agencies annually. Significantly, these findings demonstrate that diasporic Africans send more money to the continent than international financial institutions or multinational corporations.

Chapter Two reexamined theoretical discourse and debates that until the 1990s oscillated between periods of prevailing optimism or pessimism regarding migration and remittances in promoting development.[2] It highlighted the more recent emergence of an increasingly complex dialogue that significantly shifted focus from individuals to households and enduring transnational linkages.[3] This shift allowed the discourse to move beyond debates of remittances and migration as *either* helpful *or* harmful for development. With growing levels of global and regional remittances, empirical studies of remittance impacts have become more common. The chapter found that while most studies at the household level of analysis concluded that remittances were helpful for receiving families, studies of national level impacts more commonly found remittances inhibitive for development. However, the majority of remittance and development studies operationalized national development narrowly as economic growth, and ignored impacts of remittances on social development, for example education and healthcare. In light of empirical evidence that 80 percent of remittances from the diaspora are spent on food, shelter, health, and education,[4] the emergent school-of-

thought that concluded remittances were detrimental for national development demanded a closer scrutiny. In addition, the review addressed the challenges for new governmental diaspora institutions and found that regime changes and inadequate data, intergovernmental coordination, and lack of resources plague many of the agencies.

Chapter Three analyzed the political economy of remittance in Africa. Data revealed that many of the 30 million Africans who emigrated from their countries remained on the continent, and two of the top five destination countries were Côte d'Ivoire and South Africa.[5] It presented a discussion of the challenges of "brain-drain", the formal and informal mechanisms available to remitters, and the structural limitations in receiving countries. The chapter identified top remittance receivers like Gambia and Cape Verde, with an estimated 10 percent of income in remittances accompanied by the loss over 60 percent of their tertiary-educated populations to outmigration.[6] In addition, the chapter explored underlying social and market conditions that influenced choices between formal and informal remittance channels. It identified three major institutional challenges: the world's fewest banks and ATMs per person, a duopolistic remittance service provider market with the world's highest fees, and restrictive international and national policy environments that inhibit change.[7] The chapter also provided context for the emergence of national level government diaspora institutions – the first in 1988, Office of Tunisians Abroad to the latest, Equatorial Guinea's Directorate of Diaspora Affairs established in 2013. It reviewed their structures, missions, and strategies as well as their focus on building organizational capacity.

Chapter Four quantitatively analyzed the impacts of remittances and governmental diaspora agencies on African nations' development using data from 43 states from 1990 to 2010. It operationalized development as an index of three indicators: education, health, and income. Testing the hypotheses through longitudinal regression analysis exposed a more complex and nuanced relationship between remittance and development than previous studies. The findings of this dissertation indicate that while small amounts of remittances – up to 0.2 percent of income – can help development, larger quantities do the opposite. Controlling for development level in 1990 and other relevant social, economic, and political conditions,[8] nation-states like Botswana and Tanzania that receive around 0.2 percent of income in remittances make larger development strides than either Gambia or Togo where remittances are around 10 percent of income. While the analysis in Chapter Four found that the development differences between countries with and without governmental diaspora ministries/offices were not statistically significant, it significantly showed that all else being equal, democratic African countries (as rated by Freedom House) like Ghana and Mauritius made larger advances toward development than nondemocracies. The findings of this chapter point to even more complex linkages of economic and political development factors with not only the receiving of remittances but the institutional mechanisms that promote or inhibit flows of funds by national political and financial institutions.

DISCUSSION

Now more than ever, Africans in the diaspora possess the potential to shape Africa's development. This dissertation investigated the broad question of whether "development from abroad" is possible for African states through remittances and institutionalized diaspora engagement. The answer is yes *and* no. The impacts of almost $50 billion in remittances received annually are diverse and of course depend on the contexts in which they are exchanged. Beyond sending money to friends and family, members of the diaspora offer skills, services, and technical expertise to their countries of origin that contribute to development. Institutionalizing government relations with these potential agents of development may seem like an obvious step in the right direction.

Increasingly, diasporic communities and their contributions occupy a more central place in national development strategies, yet the short-term and long-term impacts of their remittances remain constrained by structural deficiencies and lack of institutional mechanisms to translate the transacted funds into concrete development factors. The dissertation found no statistically significant difference between the development patterns of states with and without governmental diaspora institutions. Many possible factors exist to explain this finding. First, governments like South Africa successfully engage diasporic communities through numerous extant agencies. For some states, the creation of an institution dedicated to the diaspora would be redundant. Second, national diaspora ministries and offices are young, especially in bureaucratic terms: in 2010 their average age was

less than six years. Many struggle to build capacity in environments characterized by few resources and poor intergovernmental coordination. Third, agencies are varied both in structure and bureaucratic position, and these variations create different opportunities and unique challenges. Fourth, diasporas are diverse. Each government has a unique history of relations with its diaspora, and each diaspora includes a unique combination of supporters and opponents of current administrations as well as different and diverse skills, expertise, and resources.

All of the characteristics above render generalizing about the institutions (as quantitative analysis attempts) more difficult. Yet, this study points to common development objectives of governmental diaspora institutions. Two major goals emerge: (1) to leverage expatriate remittances, skills, and transnational linkages for development, and (2) to diminish the deleterious effects of outmigration such as brain-drain and potential dependence on remittances. Identifying these shared objectives for diaspora agencies in Africa provides new indicators for future studies with which to measure the capacities of governmental diaspora institutions.

African diasporas continue to grow accompanied by various types of governmental diaspora institutions seeking to formulate new strategies to re-invest finances and utilize skills in creative ways. My brief fieldwork in Ethiopia revealed that its Diaspora Directorate has been successful in offering foreign currency accounts with attractive interest rates and selling diaspora bonds, and in receiving investments for development projects from Ethiopian nationals abroad. These strategies have been influenced by similar and successful programs in India.[9]

However, the current trend in Africa to create national-level agencies tasked with engaging the diaspora for development is at its early stages. Though diaspora agencies may become effective in facilitating development in the future, the findings suggest that African nations' development objectives may be better spent on creating jobs and political spaces for civil society engagement that may inhibit outward migration. Development strategies predicated on high levels of emigration are not sustainable options. Inadequate social and economic institutions (i.e., poor school systems, undiversified economic sectors, and a lack of public safety nets), and political instability constrict development and fuel increased diaspora formation. Nevertheless, there exists potential for development if governments are able to formulate proactive policies such as expansion of affordable educational institutions, broadening of employment choices, and increasing transparency, along with the engagement of diasporic communities.

Paradoxically, diasporic earning powers are based on a perpetuation of cycles that drain African countries of their skilled citizens and youth. From a political development perspective, the increasing involvement of the diaspora in the social and economic sphere can serve as a disincentive for governments to the most basic of responsibilities of governance such as protection and provision of basic social services. Diasporic communities' contributions in building schools and medical centers and providing funds for doctors, nurses, and dentists in rural areas should not prevent governments from building necessary institutions and infrastructure in these sectors. Evasion of traditionally public responsibilities could increasingly become an option for governments in countries where diasporas

provide more and more social services. A more judicious coordination of diaspora contributions with long-term national development projects could lead to a solution for both African governments and their citizens at home and abroad.

Indeed, looking toward 2015 and the "euphoria" surrounding the development potential of diasporas along with rising remittances and diaspora involvement since 2000, one may be forgiven for assuming that after a decade-and-a-half development outcomes would be stellar.[10] However, growth in median national remittance receipts from $10 million to $80 million since 2000 has not brought many African countries much closer to meeting development goals. In fact, the dissertation findings showed that African countries with relatively small remittance receipts demonstrated larger development gains than those who received larger remittances (more than 2.5 percent of income). Growing dependence upon remittances prolonged by cycles of outmigration, brain-drain, lack of affordable education, and sluggish economic growth, does not bode well for African development. Empirical findings indicating that countries receiving high levels of remittance develop more slowly than others may only provide partial answers to questions concerning the complex relationship of remittances and national development.

This dissertation's findings highlight a little-noted fact of critical importance to African development: diasporic Africans remit more funds than are invested by MNCs or loaned by international financial institutions. Attention to the role of diasporic communities therefore is timely and worthy of deeper examination.

Viewed in comparative terms, it calls our attention to similarities and differences between Africa's diasporic communities and those of Asia. Furthermore, the acknowledgement of African diasporic communities by national governments points to new arenas of policymaking that intertwine challenges of globalization, democratization, and socioeconomic development. The pursuit of this complex set of policymaking goals also indicates the potential for innovative ways of rebuilding state-society relations.

This dissertation also raises a major question about the role of African governments: what types of governmental policies are needed when remittances constitute the sole safety net for citizens? These de facto forms of social insurance may help to keep citizens complacent but are not without costs. Accessible and equitable financial services are necessary in the age of globalization. Neoliberal thinking might argue that government should stay out of the remittance business. However, creating policies to help reduce barriers-to-entry into remittance markets for MTOs besides Western Union and MoneyGram and to increase access in newer more competitive markets could transform the impacts of remittances. Furthermore, indirectly managing migration through policymaking and capacity-building in social institutions could see more citizens thrive and be more likely to become agents of development at home.

LOOKING FORWARD

African democracies and nondemocracies have created governmental diaspora agencies. With few exceptions, the institutions are new and more research

is needed to identify their challenges, successes, and failures. Specifically, studies of diaspora members and groups both inside and outside of Africa who are working or have worked directly with the new governmental institutions could provide empirical data on diasporic contributions in the first decade-and-a-half of the twenty-first century. Furthermore, case studies of various African diasporic communities and the mechanisms and institutions that transact remittances would shed light on institutional barriers to productive engagement of diasporas in development. Combining case-study approaches with empirically-based research could serve to compile useful guides for best practices for national development projects beyond 2015.

NOTES: CHAPTER FIVE

[1] For details about diaspora ministries and offices, see Table A3.H, page 86.
[2] See especially de Haas 2010 and Gamlen 2010.
[3] See Glick Schiller 2003, 2009 and Massey et al 1993.
[4] See pages 11-12 and Bardouille 2008.
[5] See Figure 3.1 and pages 55-57.
[6] See Table 3.A and pages 69-71.
[7] See pages 58-66.
[8] The control variables included the Political Constraints Index, Freedom House ratings, foreign aid, trade growth, violent conflict, HIV prevalence. For descriptions see pages 99-113.
[9] Fieldwork in Addis Ababa in July 2013. Specific investment opportunities for Ethiopian nationals at the time mostly pertained to the construction of the Grand Renaissance Dam. India has sold over $10 billion in diaspora bonds which has been re-invested into national development projects. For more information, see pages 73-75 and Aguinas 2009.
[10] See Mitchell 2006.

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