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***CHECK AGAINST DELIVERY***

Migration and Development – Exploring the Development  
Potential of Migration in Africa

Keynote speech

by

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Honourable Minister of the Royal Danish Ministry of Development Cooperation;

Prof Holger Bernt Hansen, Chair of the Danish Council for International Development  
Cooperation  
Distinguished Ladies and Gentlemen

Good morning.

I would like to thank the Minister and the Danish Council for Development Cooperation for the honor and privilege of addressing this august gathering on two intersecting and inter-related subjects of concern to policy makers in Africa: Migration and development. In the current climate of the search for additional resources to scale up and accelerate growth and development in Africa to achieve the Millennium Development Goals (MDGs), the migration and remittances derived from it, has come to the fore in practically most policy debates. The reasons are clear. Migration of skilled manpower, especially of doctors, engineers, teachers, including university professors presents a challenge to efforts to meet the MDGs and to advance African development in general. But offsetting this, some argue, are the remittance incomes that countries are receiving from migrants not only in Europe but also in other African and developing countries.

Denmark has been a good friend of Africa and of the Economic Commission for Africa (ECA). You have supported ECA in the past very generously with extra-budgetary resources, thus helping us pursue our mandate to promote the economic and social development of Africa.

Denmark has for many years been among the countries giving the most aid to poor countries. It is among the few countries that have reached the target of 0.7% ODA/GNI agreed by the international community. The new Danish Africa Strategy "***Denmark in Africa – A Continent on its way***" issued by the Ministry of Foreign Affairs stipulates that around 60% of Danish bilateral aid will go to sub-Saharan Africa. We are encouraged by your government's decision to set up an Africa Commission to help you and other stakeholders in Africa's development chart a new way, more effective and productive way, to promote development in Africa. We are grateful for your government's increased attention to Africa's development needs and applaud the emphasis in the new strategy on African regional integration. We believe, as you do, that regional integration offers the best hope of development for Africa, especially for its 15 landlocked and thirty-three least developed countries (LDCs). ECA stands ready to assist you in every way possible in the implementation of the new Danish Africa Strategy and to support the work of the Africa Commission.

Mr. Minister, your Government's decision to make additional resources available for Africa reflects, in my view, an increase in your degree of confidence in the ability of African countries to put this additional resource to good use. This confidence is not misplaced. As evidence from several sources including work done by us at ECA show, African economies are now much better managed than before. As a result, economic growth has been consistent at more than 5% across a large swathe of countries on our continent. Progress is being made on meeting the targets of the MDGs although much

remains to be done. Governance – though still a challenge – is being tackled with renewed vigour in all of our countries.

*“Exploring the Development Potential of Migration in Africa”*, the theme of our meeting this morning is an important one. It is important for many reasons among which is the potential of migration to mobilize, through remittances, additional resources for growth and development in Africa. These are issues at the centre of much of what we do at the Economic Commission for Africa, the regional arm of the United Nations in Africa, which I lead. In September 2006, we presented a report entitled *“International Migration and Development: Implications for Africa”* to the High-Level Dialogue on International Migration and Development, in New York. Earlier in 2000 we and the International Development Research Centre (IDRC), Canada, and International Organization for Migration (IOM) had carried out a study on **Brain Drain and Capacity Building in Africa**. We continue to explore the impact of migration on development through our work in support of regional integration in Africa. It is our view that the free movement of people in our sub-regions and across the continent will promote growth and development and help to accelerate the region’s efforts to reach the targets of the MDGs by the target date.

Ladies and Gentlemen:

The large numbers of illegal Africa migrants arriving at the shores of countries of southern Europe or stranded in the Libyan Desert on their way to Europe or found as stowaways on ships and air planes have fueled a growing concern in Europe about migration. Many countries are tightening their borders to keep away illegal migrants or launching advertisements to encourage would-be illegal migrants to stay at home.

However, all these obscure an equally important movement of people through legal, organized migration. And they equally obscure the contribution of these migrants – legal and illegal – to our global responsibility to promote development, reduce poverty and improve the human condition in some of the poorest parts of our world. My discussion in this address will make no distinction between legal and illegal migration.

The process of people leaving their homes and countries in search of new opportunities to better their life is not new. Africa has been an active participant in this. The current high rate of emigration out of Africa of skilled people in recent times is driven by a confluence of factors notably:

- Poor economic opportunities and political instability in African countries;
- The labor market for skilled professional personnel is becoming globalized, driven to a great extent by the emergence of a knowledge-based economy in the industrialized countries where the demand for knowledge workers has increased.
- The supply of skilled workers (e.g. health personnel) in many African countries has grown at a much faster rate than the supply of knowledge-intensive jobs.
- Foreign studies have become an important variable in the employability of job seekers.

- Many universities in the North have research exchange programs which have facilitated international mobility among highly skilled people.
- Multinational corporations and NGOs draw more than ever on personnel with high qualifications from around the world to enhance and ensure competitiveness.

But emigration is not limited to skilled professionals. Indeed, one of the troubling characteristics of recent emigration for receiving countries is the increase in low-skill, low wage workers, many of who find themselves in the bottom rungs of the economic and social ladders in the receiving countries.

Migration is thus just one more channel in the transmission of macroeconomic (and to some degree, microeconomic) conditions from one country to another. It helps to moderate the unemployment effects of domestic shocks while increasing the exposure of the host country to shocks originating in other (the sending) countries. It also acts to partially mediate international differences in macro-economic performance and the balance between the demand for and supply of specialized skills (and increasingly non-specialized skills).

Africa has not been left out in this world wide movement of people. Television news and the front pages of major newspapers in Europe are full of stories of thousands of young Africans seeking to enter Europe illegally. But this does not tell the complete story of African migration. The reality is that most of African migration is within Africa. There are over 17 million migrants in Africa although there is a sizable share of total emigration going to Europe and North America. The Nigerian scholar, T. O. Fadayomi, has shown in his work that departing highly skilled workers in one African country in search of better life chances in Europe and North America are more often than not replaced by arriving highly skilled workers from other African countries also in search of better life chances. Some of these migrants are in part driven by war and conflict in their countries and in part by the search for better economic opportunities to emigrate.

But there is concern that migration could have a damaging effect on the origin country because of “brain drain” - “the departure of educated professional people from one country or field for another, usually for better pay or living conditions”. This is an important concern that needs careful attention and dispassionate discussion. It is important because many of the departing professionals were trained at public expense by their home countries. “Brain drain” migrants, it has been argued, take their tax-payer supported educational (human capital) with them, in spite of the implicit contract between them and society that they should remain in their countries to pay (taxes) to support the next generation. It is important because the professionals are departing from countries that sorely need them for their development and are denying these countries of the positive growth externalities of education, training and learning by doing.

But why are highly skilled Africans leaving their countries? The factors behind “brain drain” are not significantly different from the factors driving migration in general. First is the internationalization of the education experience which is minimizing disparities in curricula and improving familiarity and comparability of different national education

systems. The second factor is globalization which requires international experience for some of the best paying jobs. Civil wars, poor governance, and ethnicism are also factors behind the emigration of skilled African personnel from their home countries. An often over-looked factor in these discussions is the new immigration incentives in countries such as Canada, Germany and the USA which emphasize education and skills instead of country preferences. Finally, the gerontocratic nature of African societies where the elderly seldom make way for the young; limited domestic labour mobility; and more and better professional career opportunities overseas are additional factors fueling the emigration of skilled professionals from Africa.

The key question for policy makers is whether or not migration is causing a brain drain in Africa. Who is leaving, who is staying and what is the impact of their departure on growth and development? This question is important because if combined with the adverse impact of the HIV and AIDS epidemic on Africa's skilled labour force, migration could significantly reduce Africa's growth potential.

A 1998 OECD study comparing the skills level of African migrants from selected Africa countries to OECD countries showed most unequivocally that emigration rates are higher for workers with tertiary education in all the countries in the survey. Workers with lower education qualification have lower emigration rate. Although these rates are small relative to Central America and Asia, they still have important implications for Africa. First, it shows that the highly educated are more mobile than those with less education. Second, that the countries on the continent least able to cope with loss of their human capital are most affected. Third, apart from Egypt, countries where there have been conflicts have the highest rates of emigration of highly qualified people and fourth, migrants are better educated than the average person back home.

Hon. Minister:

There has been considerable discussion in policy and research circles of the development impact of migration, especially of skilled workers, in countries with low levels of human capital. These discussions explore how best to attenuate the adverse impact of "brain drain" and have focused on three related concepts: a) "brain exchange" or the exchange of professionals between sending and receiving countries, b) "brain waste" or the under-employment highly skilled migrants in jobs not requiring the application of the skills and experience applied in their former jobs; and c) "brain circulation" or the cycle of moving abroad, then taking a job there after graduating, and later returning home to take advantage of a good opportunity.

Admittedly, for some countries, there have been quantifiable costs associated with the loss of very skilled personnel. This has been manifested in inefficiencies in public administration, poorly staffed universities and schools, inadequate numbers of physicians and other professionals needed for nation building. The lack of positive spillover of star talents in the sending country has reduced the scope for building and reinforcing knowledge capital and reduced the stock of social capital available to those who do not leave.

Concern over these costs has led to calls by some policy makers and activists for measures to stem the “brain drain”. These calls fall under three broad categories: The first category consists of proposals to limit brain drain be limited through the use of exit visas, exit taxes etc – the deployment of policies similar to those used to control capital flight. But this approach assumes that all those wanting to leave are equally good and that their departure will impose a cost on the country. This assumption is not always true - some prospective emigrants are not.

The second category consists of proposals “reverse migration”. Under this proposal, migrants would be encouraged to return voluntarily to their countries of origin. This proposal is in my view flawed for two main reasons. First, its premise is that the kind of employment that *most* migrants find in their host country involves greater skill than they found in their countries of origin and have become more skilled as a consequence. The reality is that many skilled migrants move down the occupational ladder, ending up as taxi drivers and janitors and garbage collectors in host countries where the menial jobs pay considerably more than the skilled jobs in their sending country. The result is de-skilling. Returning de-skilled migrants (“brain waste” migrants) will not significantly contribute to development. It will instead add considerably to the cost of development. Second, assuming that the returning migrants retained the skills that they departed with or even acquired new ones, reverse migration proposals nonetheless assume that the returning migrants will be *fully* able to use their skills in their home country. The reality is that most can’t. The consequence is that many of them either begin to make plans to migrate again or engage in activities beneath their skills in their home country. The point is that migrants with *the highest inclination* to return are usually those who acquired the least skills and are probably the least *professionally* successful. The highly skilled and professionally successful are more likely to change their decisions from temporary stay to permanent migration. The evidence for this is quite strong. According to the US National Science Foundation, the stay rate for non-US nationals who have completed a PhD in the US is over 60%.

The third set of proposals accepts as given that most emigrants are unlikely to return to their countries of origin and that policies should be devised to harness them as resources for the development of their home countries. Among the policies proposed is “brain circulation” Obviously it is around the high-achieving “stayers” – those Ph.Ds and other professionals who refuse to return to their home countries - that much of the discussion on brain drain is focused. For this group, economic growth, political stability, better opportunities at home are the primary factors that will bring them back, not return migration programs. But in the context of the increasing importance of remittance flows as an additional source of development financing, this proposal is beginning to apply to all emigrants.

This has driven the debate in recent years in the development community on the potential benefits of emigration to origin countries. Much of the discussion has focused on the importance of remittances by migrants to their countries of origin. There has also been

discussion of the potential beneficial impact of emigration on human capital accumulation in sending countries. Let me briefly touch on each of these.

Remittances<sup>1</sup>, that fraction of their savings that migrants send to family, relatives and friends in their countries of origin, has emerged as a major source of external finance for African countries in recent times. Many analysts have, armed with the evidence, argued that remittance flows to developing countries are higher and more stable than official development assistance (ODA), and that remittances offset the harm done by emigration. Others argue otherwise.

Before discussing the potential development impact of remittances in Africa, it will be helpful first of all to get a sense of the magnitude of remittance flows to the region. The World Bank, the OECD and the United Nations have been tracking remittance flows for some time. Recent data in the World Bank Migration Factbook shows a continuous upward trend in remittance flows to developing countries. For Africa, the data show that remittance flows has increased from about US\$5 billion in 2002 to about US\$11 billion in 2007. However, this pales in comparison when compared to other regions. Latin America and South Asia are by far the largest recipients of remittance flows with Europe and Central Asia coming third. While the volume of remittance flows to Africa is small compared to other developing regions, the percentage change in flows between 2002 and 2007, at 116% is quite impressive and suggests an increasing role for remittance flows as an additional source of development finance for the region.

However, the calculation of remittance flows to developing regions in per capita terms reveals a somewhat different picture. Although Latin America and the Caribbean still leads, the Middle East and North Africa region emerges second. South Asia which is second in terms of volume comes third while sub-Saharan Africa is fourth. This suggests that relative to other developing regions, sub-Saharan Africa is the least dependent on remittance flows as a source of external financing. The low per capita remittance income underscores the need to scale up other sources of financing Africa's development.

The developmental impact of remittances in Africa will be more felt if the bulk of it went to the most resource constrained countries of the continent. In rank order, Egypt, Morocco, Nigeria, Algeria, Tunisia, Kenya, and Sudan are the leading recipients of remittance income. Nigeria leads Africa South of the Sahara with US\$3.3 billion in estimated remittance income in 2007. The evidence thus shows that the largest recipients of remittance income in Africa are countries generally known to have a skilled work force or reasonably competitive higher education institutions. Egypt, Morocco and Tunisia have large established émigré communities in Europe and North America, have been largely stable politically, have good education institutions and are very close to Europe and the Gulf countries. The war in Sudan and the general political instability in the 1980s probably contributed to large scale emigration of qualified Sudanese. For Nigeria, the explanation probably lies in the economic and political instability that characterized Nigeria in the 1980s and 1990s resulted in considerable emigration of

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<sup>1</sup> All data used in the discussion of remittance flows are from the Migration and Remittances Factbook (2007) by the World Bank. Tables and graphs supporting the arguments in this address are annexed

skilled workers. Nigeria also has a growing second generation “emigrants”, children of prior emigrants who are returning to the countries where they were born (and have citizenship) but who retain strong ties with their family and relatives in Nigeria. All of these trends are finding reflection in increased remittance income to these countries.

But volume alone does not tell the complete story. When remittance flows to Africa are calculated in per capita terms or as a share of GDP a different picture emerges; the composition of the leading recipients of remittance income changes. Remittances as share of GDP are highest in Lesotho at 24.5% followed by The Gambia (12.5%) and Cape Verde (12%). Egypt, the leading recipient in absolute numbers does not make the top 10 list. Indeed, the picture changes even further when remittances are calculated in per capita terms. Cape Verde<sup>2</sup>, Morocco, Mauritius, Swaziland and Egypt lead in per capita receipts. In sum, the evidence shows that Africa’s small economies are most dependent on remittance flows.

But does remittance income contribute to development? This has been a key question in the development discourse. Some have argued that remittances do not contribute to development; that the income is consumed. However, there is evidence that remittances have a strong, statistically significant developmental impact: on poverty reduction, consumption smoothing, investment and entrepreneurship; and technology transfer.

- ***Poverty reduction***

Remittances are direct person-to-person flows from migrants to families and relatives in their countries of origin and directed to the identified need of the recipient. They augment the income of recipients and affect welfare and poverty through their multiplier effect on the rest of the economy. According to World Bank economists, Adams and Page who have empirically studied this question, on average, a 10% increase in per capita official international remittances will lead to a 3.5% decline in the share of people living in poverty. Ratha and Mohapatra, also of the World Bank report that “remittances may have reduced the share of poor people in the population by 11 percentage points in Uganda, 6 percentage points in Bangladesh, and 5 percentage points in Ghana”. There is also evidence that children in remittance receiving households are much more likely to complete primary and secondary school and that such households have better health outcomes than non-remittance receiving households. In Zambia and Zimbabwe, remittances have helped to improve primary and secondary completion rates. American economist Una Osili of Indiana University/University of Purdue found, in her study of the remittance behaviour of Nigerian emigrants in the USA that remittances are used for house construction and investment in Nigeria and thus increase capital accumulation

- ***Consumption smoothing***

Remittances can also help in consumption smoothing. Ratha of the World Bank reports that remittances tend to rise when there is economic and political hardship in a migrant’s country of origin. This response helps families to smooth consumption. But because it is anti-cyclical, it could also, if the volume is large, contribute to economic stability in the receiving country by compensating for foreign exchange losses. Anecdotal evidence

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<sup>2</sup> Cape Verde is said to have more workers with university degree working overseas than in the country.

suggests that Somalia is thriving because of large – relative to the size of the economy – remittance income.

But remittances can also be pro-cyclical when they respond to improvements in economic conditions in the receiving country if economic growth opens up more opportunities for investment. Emerging evidence suggests that to a large extent, remittance flows to Nigeria and Ethiopia (for example), have risen in recent times as a result of investment opportunities.

- ***Technology transfer***

International migration, along with trade and FDI, is an important channel for the transmission and transfer of knowledge. For African countries, this is through return migration and the temporary migration of students, managers and engineers that often accompanies increased FDI inflows and trade. Contact with the diaspora is also another source of technology transfer. A good recent example in this regard is the “Holland Car”, assembled and sold in Ethiopia by a returning Ethiopian migrant to Holland.) The diaspora can also strengthen trade and investment linkages. According to a 2006 study by Javorick, Ozden Spatareanu, and Negu US outward FDI is strongly correlated with the stock of migrants from the destination country. Finally, the diaspora can promote the exports of differentiated products to Europe and America where large stocks of African migrants can be found. Because of the diaspora, many varieties of African food ingredients are becoming internationally tradable. It is likely that the emerging international trade in African food will be an important contributor to the export earnings of many African countries in the not too distant future.

Remittances also promote the transfer of market-based institutions. A good recent example in this regard is the Ethiopian Commodities Exchange, the setting up of which was conceived and led by an Ethiopian migrant formerly with the International Food Policy Research Institute (IFPRI), Washington, DC.

Remittances can promote the adoption and diffusion of new technologies by making investments more affordable. Credit constraints of receiving households fall. This encourages entrepreneurship and investment. An informal survey of businesses in Addis Ababa shows that remittances are responsible for many of them. In many cases, the source of the remittance is reflected in the name of the business “Denver Café”, “London Café”, “Beirut Restaurant”, etc, etc.

Remittances are said to be behind the drive of many African banks to set up branches in developed countries. For example, some banks have set up branches not only a number of West African countries but also in London and New York with the expressed intention of mobilizing migrant remittances. This is fostering technology transfer in the banking industry as these banks upgrade their systems to comply with conditions in the developed countries. The same process is also observed when some developed country banks set up business in Africa or have correspondent banks in Africa. These banks help their local partners to upgrade their systems.

The large stock of African migrants in Europe and North America is also driving technology transfer in the aviation industry. The desire of these migrants to maintain regular contacts with their home countries is driving an increase in the number of non-African airlines flying to Africa. In some cases, these overseas airlines are establishing code sharing arrangements<sup>3</sup> with domestic African airlines, requiring them in the process to upgrade their systems. Besides, the increased competition from the foreign airlines is also adding pressure on domestic airlines transfer of technology is also applies to the airlines industry. The high number of migrants who wish to maintain a relationship with their countries of origin is resulting in an increase in the number of airlines flying to African countries<sup>4</sup>.

- **Remittances and balance-of-payment**

Remittance income is also having a positive effect on the balance of payments of many of African countries. As we all know, severe balance-of payments difficulties acted as a major constraint on growth in Africa in the 1980s and 1990s. The increased inflow of remittance income, coupled with debt relief and the boom in commodities exports is giving many African countries additional fiscal and policy space to pursue poverty reducing growth strategies.

### **Migration and “brain gain”**

The argument advanced by some economists<sup>5</sup> in the 1990s that international migration results in “brain gain” is increasingly gaining ground. According to this argument, international migration results in “brain gain” because an increase in expected returns generated by the possibility of emigration may prompt a net increase in the rate of human capital accumulation. Put differently, an increase in a person’s probability of migration may accelerate human capital accumulation as long as the return to education in the destination countries is higher than in origin countries. This is in addition to the possible impact of emigration on the completion of university degrees through remittances of children and relatives left behind. Furthermore, emigration may result in educational upgrading of permanent and return migrants.

Diaspora such as the Association of Nigerian Physicians in the Americas (ANPA), the Tigray Development Association, etc, the Association of Nigerians Abroad, the Nigeria Meningitis Appeal Fund (NMAF, Inc) and the South African Network of Skills Abroad. These groups are rich depositories of talent into which African countries can tap.

There has been very little empirical testing of the brain gain argument but a recent paper on Cape Verde by Batista et al (2007) concludes that “massive emigration in Cape Verde has significantly encouraged the accumulation”. They further conclude that the “main channel through which this effect works does not seem to be neither remittances nor return migration, but through educational gains associated with the possibility of own

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<sup>3</sup> Ethiopian Airlines for example, recently entered into a code sharing arrangement with Lufthansa German Airlines. Kenya Airways has long had a code sharing arrangement with KLM/Northwest.

<sup>4</sup> Delta Airlines recently began to fly from Atlanta, one of the cities with the largest concentration of Africans in the USA, to Lagos, Nigeria.

<sup>5</sup> See for example, Miyagiwa (1991), Mountford (1997).

migration". Their estimates suggest that an increase in the probability of own migration by 1% increases the probability of completing secondary schooling by 1.9%. Anecdotal evidence from many African countries would support the general thrust of their findings. For example, in many countries, enrolment in nursing and paramedical degree programmes has skyrocketed in part because of the high demand for these professions in the West. Insofar as all the graduates of these programmes do not emigrate, migration contributes to the accumulation of human capital, a critical factor for development.

### **Migration and political and social change in origin countries**

Migrants can also serve as agents of change and of governmental restraint. There are many examples in Africa where the actions of migrants have resulted in the moderation of governmental excesses<sup>6</sup>. For example, migrants were critical in drawing and focusing the world's attention on the brutal excesses of the Abacha dictatorship in Nigeria and the apartheid regime in Africa. In that role they served as external agents of restraint on the conduct of the governments. Migrants also serve as external agents of change. In many African countries where pluralistic systems are now in place, returning migrants have played important roles in political party formation and leadership. Through their commentaries in newspapers and on radio, they foster change in many countries.

Ladies and Gentlemen:

It is clear from the preceding that I believe that migration has a strong, positive developmental impact. This is supported by available empirical evidence. But how much longer this would continue depends on the outcome of ongoing political debates in major destination countries on immigration and also on the world economic situation.

We have in recent years seen the emergence of some strong opposition to immigration – both legal and illegal - in many developed countries even as they face large labour shortages in many sectors of their economies. Efforts to build fortresses around some economies could have very severe consequences in sending countries. I sincerely doubt that such measures would curb migration. The solution to illegal immigration in my view is faster rate of economic growth in sending countries. In this regard, African countries must continue, with the help of their development partners, the strong policies that have resulted in the resurgence and persistence of growth in the last 5-7 years. It is in the interest of both sending and receiving countries to deal with this problem dispassionately.

Second, economic uncertainty in developed countries presents a significant risk to remittance flows. The fast depreciation of the US dollar relative to the currencies of receiving countries presents some dangers especially in major migrant destinations where the domestic currency is pegged to the dollar. Not only are the migrants having to cope with inflation but it also means that they may have to send much more than before in order to achieve the same welfare effect in sending countries. This could result in a significant drop in the volume of remittances. The escalation in food and energy prices also presents a danger. Admittedly, it is difficult to say with any degree of certainty what

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<sup>6</sup> It may be worth remembering that returning migrants were the leaders and vanguards of the independence movement in practically all countries in sub-Saharan Africa.

the direction of the impact would be. I do fear, however, that it could result in a significant reduction in the volume of remittances if it hits migrants harder. But it could also result in an increase in the volume of remittance flows to Africa if migrants seek to help their relatives back home cope.

The evidence is clear - migration can be a force for growth and development in Africa if properly managed. The opportunities to enhance the contribution of migration to development are immense. Africa's development partners in Europe should not be alarmed by the growing numbers of African migrants in their communities because many of these people are contributing to advancing the African development agenda – a common call for all.

It is thus important for African countries and their partners to explore channels for increasing the contribution of migration to development. Agreement on Mode 4 of the General Agreement on Trade in Services (GATS) which provides for “liberalization of movement of natural persons for the purpose of supplying services” will be a very supportive action in this regard as it will ensure that migration is organized and legal. Programmes such as guest worker programmes, a “green card scheme” similar to the one just introduced by Germany could also help. Further reductions in the transaction cost of remittances, such as fees, would also be important.

African countries on their part should introduce incentives to encourage higher volumes of remittance flows and the active engagement of their citizens abroad to development. Key in this regard will be a number of economic incentives. Tax incentives can encourage nationals abroad to invest at home. Special facilities for asset accumulation such as the announcement of company initial public offerings on diaspora networks could help increase the mobilization of diaspora savings for development. Similarly, tax-free domestic foreign currency accounts, tax credit for building construction, investment tax credit.

Outreach can be another instrument that African governments can use to mobilize the diaspora for development. In this regard, countries could set up special sections in diplomatic missions abroad to promote investment opportunities in the sending country. African Heads of State and Government visiting countries with large stocks of African migrants should make an effort to reach out to them just like Israeli leaders do when they visit<sup>7</sup>. Finally, African governments should consider granting dual citizenship status to their former nationals who have become naturalized citizens of their host countries<sup>8</sup>. This will help reduce their perceptions of risk and uncertainty and give them a stake in the country's future adopt dual citizenship laws.

It is important for African countries to continue to maintain strong macro-economic and remittance-friendly policies. Countries that receive large remittance inflows may wish to

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<sup>7</sup> Nigeria is actively pursuing this option through encouraging the setting up of the Nigerians in Diaspora Organization (NIDO)

<sup>8</sup> Ethiopia, Nigeria, and Cape Verde, for example have approved dual citizenship. The Cape Verde diaspora even has representation in the Cape Verde Parliament.

adopt policies to deal with possible adverse macro-economic consequences such as the “Dutch Disease”. They need to continue to keep inflation in check and resist the temptation to impose interest rate ceiling on savings. They may also watch their exchange rate very carefully to prevent undue appreciation of the domestic currency relative to the currency of the major countries from which they receive remittances. In a nutshell, it is the improved management of the economies of sub-Saharan African countries that accounts for the increasing volume of remittance flows to the region.

In the context of banking and financial sector reforms in many countries, African commercial banks engaged in the remittance business could use their access to remittances to leverage resources from international financial institutions. This would require banks to educate both senders and receivers and to reduce the transaction cost of sending and receiving remittance income. Banks could also broker investments opportunities in sending countries to migrants.

Hon. Minister,  
Ladies and Gentlemen:

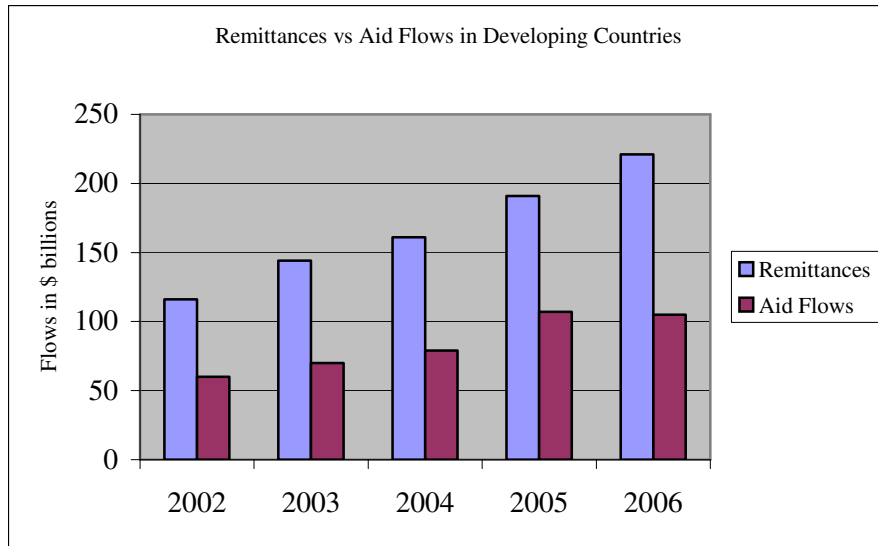
I will conclude this Keynote address by re-affirming a statement in the Danish Africa Strategy - “Migration is basically a positive force in economic development”. Evidence supports this view. China and India are good recent examples where migrants are making a very demonstrable contribution to growth and development. Migrants contribute to the development of their home countries in very many ways. Remittance income as share of GDP, although relatively small, is rising and is thus serving as an additional source for financing Africa’s development. Diaspora remittances are helping to keep children in school, enhancing the nutrition of children, preventing unnecessary deaths, providing shelter, etc, to people who would otherwise not have had them. Migrants are serving as depositories and reservoirs of knowledge and skills critically needed for Africa’s development. The contribution of migrants to Africa’s development will be greatly enhanced through organized migration.

African governments and their development partners can contribute to enhancing the contribution of migration to development by putting places supportive instruments as I have argued above. The Economic Commission has since its founding 50 years ago accompanied African countries in their development journey and we will support them and their development partners as they explore options to enhance the contribution of international migration to the continent’s development.

Thank you for your attention.

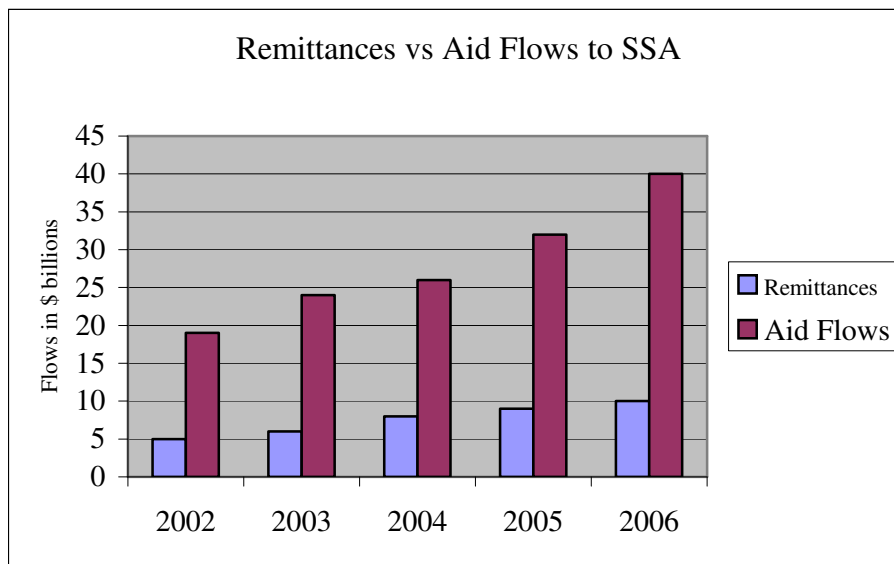
## Annexes

Figure 1: Remittances vs. Aid Flows to Developing Countries



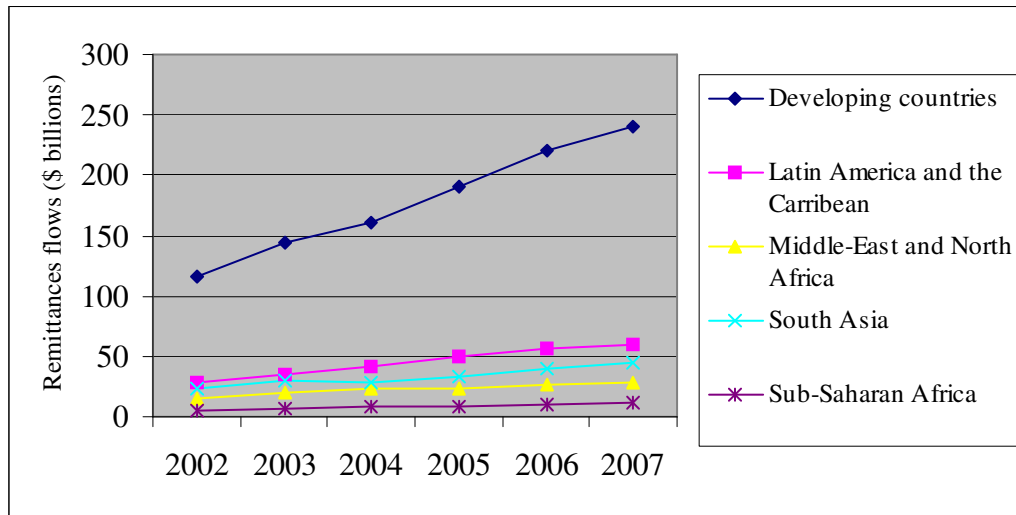
**Source:** Data on remittances from Ratha, D. (2007). Data on aid flows from <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TABLE%202A>

Figure 2: Remittances vs. Aid Flows to SSA



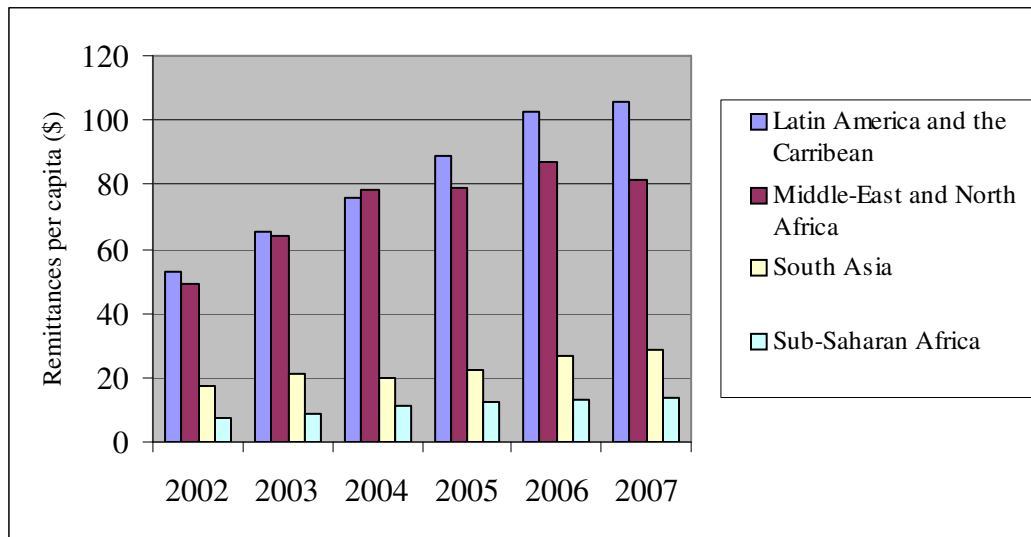
**Source:** Data on remittances from Ratha, D. (2007). Data on aid flows from <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TABLE%202A>

**Figure 3: Trend of Remittances flows to developing countries (\$ billions)**



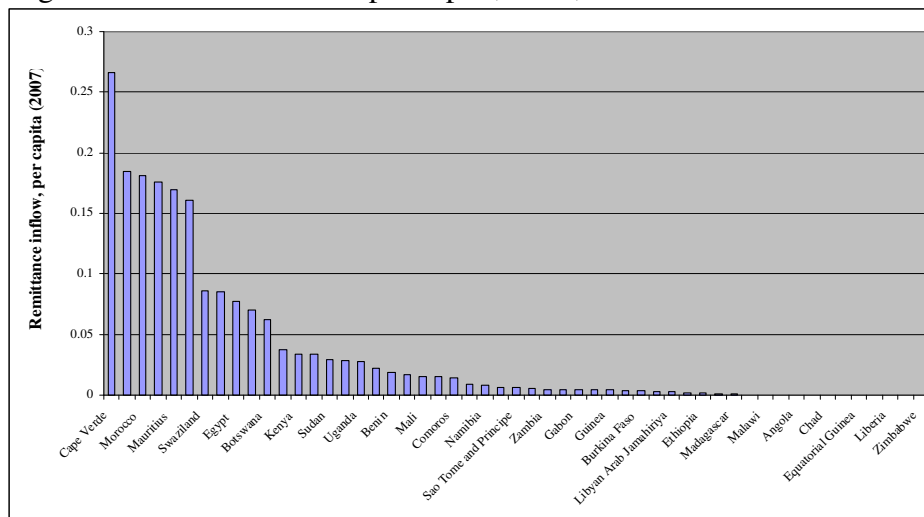
Source: Derived from Ratha, D. S. Mohapatra, K.M. Vijayalakshmi and Z. Xu (2007).

**Figure 4: Remittances flows to developing countries per capita (in US \$)**



**Source:** Data on remittances from Dilip and al. (2007) and data on population from World Development Reports (2004; 2005; 2006; 2007; 2008) and the 2007 World Population Data Sheet.

Figure 5: Remittance flows per capita, 2007, African countries



**Source:** Data from Dilip and al. (2007).

Table 1: Estimated Immigration Rates to OECD Countries, Selected African Countries, 1990

Country	Secondary	Tertiary
Cameroon	0.1 – 0.1	3.2 – 3.4
Egypt	0.8-0.8	5.0 – 5.3
Gambia	0.6	61.4 – 100.0
Ghana	0.7	25.7-34.6
Kenya	0.3	10.0-11.1
Mauritius	0.1	7.2-7.7
Mozambique	0.5	8.6-9.4
Sierra Leone	1.2-1.3	24.3-32.1
South Africa	0.4	7.9-8.5
Uganda	0.6	15.5-18.4

**Source:** Carrington, William and Enrica Metragiache (1998) “How Big Is the Brain Drain”, IMF Working Paper 98/102, pp.21-23

**Table 2: Remittances flows to developing countries in 2007 (\$ millions)**

Inflows	2002	2003	2004	2005	2006	2007 <sup>e</sup>	Change 2006-07	Change 2002-07
<b>Developing countries</b>	<b>116</b>	<b>144</b>	<b>161</b>	<b>191</b>	<b>221</b>	<b>240</b>	<b>8%</b>	<b>107%</b>
<i>East Asia and the Pacific</i>	29	35	39	47	56	58	10%	97%
<i>Europe and Central Asia</i>	14	17	21	29	35	39	10%	175%
<i>Latin America and the Caribbean</i>	28	35	41	49	57	60	6%	115%
<i>Middle-East and North Africa</i>	15	20	23	24	27	28	7%	86%
<i>South Asia</i>	24	30	29	33	40	44	10%	81%
<i>Sub-Saharan and Africa</i>	5	6	8	9	10	11	5%	116%
Low-income countries	32	39	40	46	56	60	9%	88%
Middle-income countries (MICs)	84	105	121	145	166	179	8%	114%
Lower MICs	55	68	76	90	102	112	10%	103%
Upper MICs	29	37	45	55	63	67	6%	136%
High income OECD countries	53	60	67	68	72	74	3%	40%
High income non-OECD countries	1	2	3	4	4	4	1%	298%
<b>World</b>	<b>170</b>	<b>206</b>	<b>231</b>	<b>263</b>	<b>297</b>	<b>318</b>	<b>7%</b>	<b>87%</b>

**Source:** World Bank's World Bank Migration Factbook

Table 3: Estimated Remittance income, African countries, 2007

Country	2007e (mln US\$)	Remittances as share of GDP, 2006 (%)
Malawi	1	0.0%
Sao Tome and Principe	1	0.8%
Mauritania	2	0.1%
Gabon	6	0.1%
Congo, Rep.	11	0.1%
Madagascar	11	0.2%
Comoros	12	3.0%
Tanzania	14	0.1%
Seychelles	15	1.9%
Libya	16	0.0%
Namibia	17	0.3%
Rwanda	21	0.8%
Djibouti	28	3.8%
Guinea-Bissau	29	9.2%
Sierra Leone	38	2.4%
Guinea	42	1.3%
Burkina Faso	50	0.8%
Zambia	58	0.5%
Gambia, The	64	12.5%
Niger	67	1.9%
Mozambique	80	1.1%
Swaziland	98	3.7%
Cameroon	103	0.6%
Ghana	105	0.8%
Botswana	118	1.1%
Cape Verde	143	12.0%
Ethiopia	172	1.3%
Benin	173	3.6%
Cote d'Ivoire	176	0.9%
Mali	192	3.0%
Togo	192	8.7%
Mauritius	215	3.3%
Lesotho	371	24.5%
South Africa	735	0.3%
Uganda	856	8.7%
Senegal	874	7.1%
Sudan	1,157	3.1%
Kenya	1,300	5.3%
Tunisia	1,669	5.0%
Algeria	2,906	2.2%
Nigeria	3,329	2.9%
Morocco	5,700	9.5%
Egypt, Arab Rep.	5,865	5.0%

Source: World Bank (2008)

Table 4: Leading African recipients of remittance income, 2007

Country	Remittance US\$ billions
Egypt	5.865
Morocco	5.700
Nigeria	3.329
Algeria	2.906
Tunisia	1.669
Kenya	1.300
Sudan	1.157

Source: World Bank (2008)

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