Sustainable Finance and Diaspora in Africa: Will opportunities finally match the vision?

By Stella Opoku-Owusu, Deputy Executive Director, AFFORD

An acquaintance working for an international organisation recently remarked quite controversially that for many African leaders the “tendency is to always ask for money, never offering solutions”. With African remittances at $82billion\(^1\) in 2020 far exceeding Overseas Development Aid (ODA) and Foreign Direct Investment (FDI), even amidst a global pandemic, Africa’s most significant stakeholder is its diaspora. It is no wonder that GCM Objectives\(^2\) and \(^3\) focus on diaspora contributions, including innovative ways to leverage diaspora remittances and diaspora finance.

Meanwhile, 18 months into a global pandemic that has devastated communities all over, diminished resources, halted the pace of globalisation, increased self-dependence of low and middle-income countries, and prioritized national economic recovery, the Global Compact for Safe, Orderly and Regular Migration (GCM) is even more relevant today than when it was endorsed by member States in 2018.

International cooperation; sustainable development; a whole-of-society approach – the impact of the pandemic on resources is a timely reminder of these three guiding principles of the GCM\(^4\), and its relevance for the African diaspora sector which is a significant resource for migration and development. Take the World Bank’s confirmation last month that global remittances saw a mere drop of 1.6% in low and middle-income countries – ‘mere’, as opposed to the initial 20% projection of last year. Despite this show of resilience and constancy, diaspora contributions continue to make less than their maximum potential social impact due to a lack of creativity and innovation, boldness, incentivization, coordination, ‘up-scaling’ and replication at national and regional levels.

It is not all doom and gloom. ‘Diaspora engagement policies’ nationally and internationally are now a ‘thing’ where they did not exist before. Despite the challenge of the pandemic, some wins were also realised including increased media stories on the importance of migrant workers and diaspora communities in the West, and some acknowledgement of their contributions\(^5\). For AFFORD itself, following direct representations made to the House of Lords International Relations and Defence Committee (IRDC)\(^6\) and to DFID\(^7\) in the UK in April 2020, about the vital role of remittances in supporting day to day living in times of crisis and emergency, the UK government amended the Health

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\(^1\) Remittance Inflows: [https://www.knomad.org/publication/migration-and-development-brief-33](https://www.knomad.org/publication/migration-and-development-brief-33)

\(^2\) GCM Objective 19: “Create conditions for migrants and diasporas to fully contribute to sustainable development in all countries”

\(^3\) GCM Objective 20: “Promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants”


\(^6\) House of Lords International Relations and Defence Committee

\(^7\) Department for International Development, now known as the Foreign, Commonwealth and Development Office (FCDO)
Protection (Coronavirus, Restrictions) Regulations 2020 to include money transfer organisations as essential service providers. The UK and Switzerland followed this with a Call to Action to keep remittances flowing during the pandemic\(^8\), a campaign supported by stakeholders, including diaspora organisations. These were significant steps in the right direction – steps that we hope will open up more international cooperation around creativity, innovation and bolder steps in making remittances go further and deeper.

While Africa faces a financing gap estimated between $200billion and $1.3trillion to achieve the Sustainable Development Goals – in which the GCM is deeply rooted\(^9\), remittances exceed all other forms of development finance. It is also estimated that formal, informal and in-kind remittances into Africa could be as high as $200billion\(^10\). Yet, its full potential continues to be unrealized.

AFFORD has long campaigned for long-term solutions like the RemitAid\(^{11}\) concept for structured and collective action that transform remittances into a sustainable form of international development finance. Some of these relate to tax relief on remittances, government subsidies on transaction costs, or remittance match-fund schemes. These strategies call for collaborative efforts, bringing to life international cooperation, a whole-of-society approach and sustainable development. AFFORD itself has over the last few years piloted and tested match-fund schemes for job creation in Africa raising £500,000 through diaspora social entrepreneurs in addition to in-kind support and skills transfer.

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9 [https://africasustainability.org/sdgs-the-financing-gap-in-africa/](https://africasustainability.org/sdgs-the-financing-gap-in-africa/)
11 RemitAid\(^{TM}\) is a scheme about remittance tax relief for international development. It seeks to mitigate the structural imperfections and negative impacts of remittances and to reform and improve the structure of the remittances sector through the financial instrument of tax incentives. This shall inter alia, result in the creation of a RemitAid\(^{TM}\) Development Fund to finance the types of productive, equalitarian and poverty reduction schemes which private remittances do not normally fund. [https://www.qmul.ac.uk/geog/media/geography/docs/research/citycentre/remit_aid.pdf](https://www.qmul.ac.uk/geog/media/geography/docs/research/citycentre/remit_aid.pdf)
These concepts deserve serious consideration by African States and serve as an opportunity to practically consider financing measures that are sustainable and increase self-reliability. Member States should also get behind the establishment of the African Union’s African Diaspora Finance Corporation (ADFC), and its Remittance Match Funding (RMF) innovative finance mechanism, and the ADFC Endowment Fund.

The GCM Regional Review in Africa (to be held in July 2021) needs to have sustainable finance as an over-arching theme at the top of its agenda. Two and a half years into the adoption of the GCM, together with a pandemic that has negatively impacted state resources, we want to see member States go beyond the rhetoric of needing finance to leading on creative solutions to sustainable finance through the diaspora. GCM objectives 19 and 20 provide a good starting point for this.

AFFORD has had success in piloting diaspora match-funds for job creation in Africa, generating financial and in-kind resources from the diaspora, is currently in the process of developing a remittance guarantee loan scheme for Benin SMEs and a $10million diaspora impact bond in Rwanda for affordable housing. The diaspora is interested in making an impact and there is incredible potential to maximise this commitment, by engaging the continent’s foremost external contributor, and scaling up ongoing efforts.

For the diaspora sector, formal and informal, it is business as usual in its resilience and constancy. Will African leaders meet the diaspora half way and match this commitment?

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