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Enabling African Diaspora and Investment into Africa

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- **African axis – a brief introduction**
 - **African diaspora and investment into Africa**



AFRICAN AXIS – Mission & Objectives

□ Mission

- *harness and mobilise the intellectual and financial resources of professionals of the African diaspora in the Benelux region to:*
 - *contribute to public debate on Africa in Europe*
 - *influence policy making on Africa at the European level*
 - *contribute to the development of the African continent*

□ AFAX BUSINESS CARD

- *CONSTITUTION*
 - *December 1999*
- *PANAFRICAN*
- *MEMBERSHIP*
 - *Socio-economic and professional sectors: Medical and paramedical, consultants, students, entrepreneurs*



AFRICAN AXIS - Activities

□ Build and sustain a diaspora network in the Benelux area

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- *information sharing activities*
 - *monthly email bulletins*
 - *maintenance of a dedicated web site*
 - *Networking activities*
 - *organisation of workshops and conferences*
 - *organisation, on a yearly basis of DiaForum*


□ Engage in advocacy activities

- *organisation of public seminars and events*
- *Scheduling of briefings by key representatives*
- *Publication of AFAX News*



AFRICAN AXIS - Activities

□ Engage in Capacity building activities for Africa

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- *investment, career and consulting opportunities*
 - *assistance in the realisation of investment in and/or knowledge and skills transfer projects*
 - *facilitating the establishment of partnering relationships*



The Diaspora and investment

□ **Diaspora =
Dispersal of pollen
by bees**

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- *The Diaspora is able to disperse*
 - Intellectual: professional, technical, entrepreneurial skills and expertise
 - Social: values and relationships
 - Political: lobbying and advocacy
 - Financial: remittances

Investment = Combination of all 4



Diaspora and investment

□ Own advantages

- *Own advantages it can uniquely exploit (o)*
 - *Networks established with European firms*
 - *shared culture and language*

□ Location advantages

- *location advantages of target country (L)*
 - *Low wages*
 - *Good knowledge of the region*

□ Internalisation advantages

- *Ability to exploit own and location advantages*
 - *Ability to assess the competence and ability of cooperant factors*
 - *Ability to negotiate much more efficiently with local bureaucracy*
 - *Ability to organise and manage local (labour) resources effectively*



Diaspora investment and traditional FDI

- **Motives and patterns of diaspora investments significantly different from that of traditional FDI (not only profit)**
 - Social responsibility
 - Altruism
- **The nature and extent of diaspora investment is different:**
 - More often than not consist of both labour and capital
 - Ability to fully utilise and exploit location advantages in their countries of origin
 - Provide much needed marketing network to locally owned firms
 - Ability to transmit tacit knowledge
- **Diaspora involvement in the economies of their countries of origin usually contributes to growth of human capital and increased flows of FDI.**

the social rate of return to a unit of diaspora investment by the diaspora could be much higher than that in the case of a non-diaspora FDI



Types of diaspora investment

- Traditional FDI investments
 - Resource seeking
 - Asset or capability seeking
 - Market seeking
 - Efficiency seeking

 - Diaspora investment
 - Set up of wholly diaspora owned company in Africa
 - Capital only (with limited technology transfer)

 - Head European-owned firm in Africa
 - Traditional FDI with all operations conducted by the diaspora

 - Provide a link between diaspora owned European firm and African firm
 - Transmission of know-how (marketing and technical) and networking to African firm

 - Facilitate body-shopping work by African firms
 - Labour to capital
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Diaspora investment and brain drain reversal

- A recent conference by UN Economic Commission for Africa (ECA) and partner agencies concluded that a robust brain drain strategy requires 3 components:
 - Retention
 - create the conditions that will deter people from leaving in the first place
 - Retrieval:
 - tap into the knowledge, ideas, resource networks created by the diaspora
 - Reversal:
 - create the enabling conditions and encouraging those who wish to return to do so

Diaspora investment kick-starts the process of brain drain reversal