

DIASPORA DIVIDEND: ALTERNATIVE PERSPECTIVES ON THE ROLE OF TRADE & INVESTMENT IN POVERTY REDUCTION IN AFRICA

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We examine the possibilities and merits of integrating UK African businesses into the poverty reduction fight within the context of NEPAD, Trade and Investment .

i) The Importance of UK African Businesses

The World Bank estimates that, worldwide, there are about 6 million African Professionals in the Diaspora, each contributing \$186,000 a year (World Bank 2001), meaning a total of approximately \$1.1trillion contribution to the economy of the West per annum. In Britain, the London Development Agency recently estimated that there are 18,000 African & Caribbean businesses in London contributing £5.6billion per year. Going back to the home nations, last year there was \$300billion of Foreign Direct Investment to Africa, of which \$45billion was from Africans in the Diaspora. However, the contribution of this trade to the home nations is limited; the supply of ethnic food and other cultural goods from Africa are far from meeting the demand from the many communities due to severe import restrictions (notably Food importers from Nigeria), capital suppression policies (from African Countries) and lack of access to finance from UK finance institutions.

ii) Engaging African Businesses

In July 2004 the African Union (AU) Summit of Heads of Govts gave a mandate to the African Business Round Table (ABR) / NEPAD Business Group as the umbrella private sector body coordinating the engagement of the African Businesses including Diaspora African Businesses. Recently the African Heads of Govt.(AU) & ABR, in a historical move, both proposed the Diaspora as the Sixth Region (6th Region) in addition to the five regions in continental Africa. A comprehensive engagement program is now being launched in order to address key areas of:

- Representation (Existing Bilateral Chamber of Commerce, Bilateral Associations, Business Networks very nominal)
- Networking(Lack of Strategic Network of Stakeholders involving mainstream Agencies and Business Networks)
- Access to Market(Regional and continental);
- Access to Finance and international funding opportunities;
- Access to Public Procurement
- Regional Economic Integration
- Effective Consultation as(stakeholders/partners, deliverers of products/services, beneficiaries, consultations of public opinion) etc

iii) Towards Trade & Investment Opportunity Act & E.U. Directives

It is most important that the UK Govt, in keeping with its faith in the future of Africa, should consider an African Trade & Investment Opportunity Act and promote a similar E.U. Directive along the lines of the recent United States Extended AGOA (Africa Growth Opportunity Act). AGOA provides, for example, for duty-free export of 6,000 separate goods categories up to the year 2015. UK led - EU legislation, backed by France and Germany, could provide for duty-free export from Africa to the year 2020, at least, with a qualifying range of products including food, cultural and value-added products. In addition; it could aim for the removal of “country of origin” restrictions thus permitting third party country import and strategic continental manufacturing partnerships; releasing resources to pursue an active policy of capacity building and supply chain developments; clearly engaging and enhancing the participation of African Diaspora Businesses and Professionals and finally setting achievable targets matched by available resources. In other words, a comprehensive, preferential trade agreement is feasible and should be implemented. It needs to be said that commercially successful Africa Diaspora Businesses would go a long way to alleviate unemployment, deprivation, poverty, social and economic exclusion currently being experienced by Africans in Europe.

iv) Support for Africa Productive Capacity

In terms of direct benefits back to African nations, We concluded with a statement from the recent World Africa Business Congress in Dakar, Senegal (November 2004) where the ABR, UNDP, UNIDO, World Bank, and various stakeholders agreed that **“Trade without productive capacity is not sustainable”** and reaffirmed support of ABR /NEPAD Business Group for the Africa Productive Capacity Initiative as well as the flexible (programmable) facility which was adopted by African Heads of State(July 2004) as the NEPAD component on sustainable industrial development . Key to achieving this in practice is to clearly identify Financial Windows within Overseas Development Assistance/Oversea Aids and other forms of International and Multilateral funding support for, and increased access to:

- a) Technical Assistance & Productive Capacity Development;
- b) Study Tours, Trade Missions and Exchange
- c) Conferences and Exhibitions
- d) Grants, Loans and Loan Guarantees etc.

The knowledge regarding these instruments is simply not widely circulated in the Diaspora at present, so a greater understanding of the opportunities, access, risks and benefits of such investment is crucial.

v) Links with poverty reduction

Already a substantial volume of remittances are returned to Africa; \$45billion of direct remittances by non-resident Africans in the Diaspora tend to go to extended family support and localised investment that do create multiplier effect and investment diffusion, with clear results and outcomes for poverty reduction. It must be noted that increases in this particular method of funding would have a significant impacts on a wide range of

Millenium development indicators, including but not limited to literacy rates; primary, secondary and tertiary enrolments; infant mortality and life expectancy; low cost housing and urbanisation; Tele-density; PC density and Internet connectivity due to the preponderance of investment in computer training centres, Call - centres and Cyber-cafes.

Given the African Extended Family System, every one of the 6million African Professionals and businesses in the Diaspora would have close links with about 120 people/extended family members at home, thus yielding genuine contact with 750million Africans (covering the entire African population). Raising Diaspora & FDI remittances/investment from US\$300billion to US\$750billion would mean a per capita investment of US\$1,000 hitting the ground and not melting away in the bureaucracy. This level of investment diffusion will guarantee the delivery of Millenium Development Goals by 2015-2020. The possibilities are significant, but knowledge of, and access to , trade and investment opportunities would be required.