West Africa continues its transformation. This 7th edition provides an update on the latest political, economic, and social developments in the region, and in select countries. The thematic paper and country notes analyse the contribution of Diasporas to regional development. Since 2006, remittances to West Africa have surpassed ODA in terms of volume received by the region. Although still scattered and fragmented, these funds could potentially finance development, provided that recipient countries support investment by the Diaspora, and encourage members to launch socio-economic projects in their countries of origin. The paper demonstrates the role migrants play in West African economies and analyses the main obstacles to the optimisation of their contribution to development. It presents the instruments available to governments in the region to enhance the resources and skills of their Diaspora and makes recommendations to achieve this.
Economic developments

The latest growth estimates for the region were unveiled in late May, on the occasion of the publication of the 2015 edition of the African Economic Outlook. Despite the impact of the Ebola crisis, the macroeconomic outlook remains encouraging for the region. West Africa has managed to maintain a growth rate of 6% in 2014, more than two points above the continental average. As a result of the Ebola crisis and the drop in oil prices, growth is expected to marginally slow down to 5% in 2015 before rebounding to 6.1% in 2016, making West Africa the second most dynamic sub-region after East Africa.

On July 6 in Brussels, in the presence of West African regional organizations, the European Union approved a new funding program for the region under the 11th European Development Fund (EDF). With 1.15 billion Euros for the period ending in 2020—almost double the 595 million euros allocated in the last programming period (2008-2013)—the program focuses on three areas of cooperation. These are peace, security, and regional stability, including support to ECOWAS for security issues related to migration; economic integration and trade, including a component to strengthen the

Political developments

Several elections at various levels have characterized the political context of the region. In Togo, the presidential elections of May 25 were won by the Union for the Republic (UNIR, ruling party), allowing the incumbent President Faure Gnassingbé to obtain a third term. His victory, though contested by the opposition, was smooth and deemed transparent by election observation missions. The legislative elections in Mali and local elections in Benin, both in June, were peaceful but were characterized by a low turnout. Three other presidential elections will take place in the coming months in Burkina Faso, Côte d’Ivoire, and Guinea.

Security issues remain a concern in several countries in the region. In Nigeria unfortunately, Boko Haram has multiplied deadly attacks since the inauguration of President Muhammadu Buhari, who had pronounced the fight against the insurgency a top priority of his mandate. On his initiative, on June 11 in Abuja, Nigeria organized a meeting with its partners Benin, Chad, Cameroon and Niger. The above countries agreed to create a joint multinational intervention Force (MNJTF) against Boko Haram. This regional force, which will be composed of 8,700 soldiers and police, is expected to be operational starting July or early August 2015.

In Mali, the central government and Northern separatist groups have reached a peace agreement, negotiated for several months under the mediation of Algeria. The Algiers agreement, which was initialled by the government in March, was finally signed on June 20 by the Coalition des mouvements de l’Azawad (CMA). The implementation schedule for the agreement is still being defined. The parties have said they would give priority to the security of the northern regions, where violence still erupts, in order to facilitate the carrying out of emergency humanitarian operations.

Upcoming elections in West Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of election</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burkina Faso</td>
<td>Presidential and legislative</td>
<td>October 11, 2015</td>
</tr>
<tr>
<td>Guinea</td>
<td>General and presidential</td>
<td>October 11, 2015</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Presidential</td>
<td>October 25, 2015</td>
</tr>
<tr>
<td>Niger</td>
<td>Parliamentary</td>
<td>2015</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Parliamentary</td>
<td>December 16, 2015</td>
</tr>
</tbody>
</table>
private sector and support regional infrastructure. Other areas included are sustainable development of natural resources and biodiversity; and strengthening food security and nutrition and adaptation to climate change.

Remittances are an important source of funding for the countries of the region, accounting for an average of 3.6% of GDP. Nigeria, which received more than 22 billion US dollars in remittances in 2014, is among the top five recipient countries in the world, and is the first in sub-Saharan Africa. Senegal, where remittances accounted for 11% of GDP in 2014, representing 5.5 times the amount of foreign direct investment, is also an important recipient in the region. These financial flows, however, remain fragmented and their role in the development of the region could be optimized, as shown in the thematic paper of this issue devoted to Diasporas.

Social developments

At the end of June, seven weeks after declaring the end of the Ebola outbreak in its territory, Liberia recorded three new cases in the village of Nedowein, near the capital Monrovia. The country is working to contain the resurgence of the epidemic based on its experience of recent months. In Sierra Leone and Guinea, the pace of the epidemic has slowed, stabilizing at around twenty cases per week since May. In total, the World Health Organization has identified 27,550 cases of Ebola virus disease and recorded 11,235 deaths¹, primarily in these three countries.

The issue of post-Ebola reconstruction was at the heart of the 47th ordinary session of ECOWAS, held in Accra on May 19. At this session member countries reaffirmed support for the reconstruction plan presented by Sierra Leone, Guinea and Liberia, which focuses on the provision of basic services, social protection, infrastructure, and food security. To prevent the return of a new epidemic, countries in the region decided to establish a regional control centre and disease surveillance centre headquartered in Nigeria².

---

COUNTRY NOTES

- BENIN
- CÔTE D’IVOIRE
- GHANA
- GUINEA-BISSAU
- LIBERIA
- NIGERIA
- SENEGAL
- SIERRA LEONE
- TOGO
Overview

The current indicators show relatively moderate growth for the first half of 2015. Small increases were recorded in the food and cement industries while activity in textiles and gas production registered a downward trend.

Despite this mixed development in the industrial sector, growth is projected at 5.6% in 2015, against 5.5% in 2014, due to the expected increase in agricultural production. Cotton production for the 2015-2016 campaign is projected to increase by about 10% compared to 2014-2015. The new government formed in June 2015 will have to ensure efficient organisation of the harvest campaign in addition to the revival of economic activities following the electoral campaign in the first half of 2015.

Diaspora and development

Benin has projected actions by the Diaspora in the strategic development framework of the country to make the Diaspora a committed partner of the government in reducing poverty. The role of the Diaspora in the economy has increased through the increase in remittances and the ever growing number Diaspora members in the leadership of the country.

Remittances received have registered an upward trend over the past two decades except during the period of the global financial crisis of 2008-2009. Remittances from emigrants, which account for about 3% of GDP, came mostly from France, Nigeria, Gabon, Niger and Côte d’Ivoire.

The participation of the Diaspora in development also takes other forms, including support for social projects, strengthening education and health infrastructure, and the creation of small and medium enterprises. All these activities must be better coordinated and articulated as part of the country’s strategic development priorities. To this end, in 2014 the government developed a pact of trusted partnership aimed at developing effective mechanisms for structuring and coordinating the participation of the Diaspora in development financing. In this context, actions include a census of the Beninese Diaspora members and their categorization by socio-professional group, creating a virtual portal of information on the evolution of the Diaspora in order to benefit the country and the launch of the project “Maison de la Diaspora” to be the center of exchange and information on investment opportunities and incentives for the promotion of the Benin brand abroad.
Overview

Economic growth in 2015 is forecast at 7.9%. It is sustained by the momentum of previous years (8.3% in 2014) including revenue growth, improved fiscal management, and the continued implementation of the various policies of the National Development Plan (2012-2015). It is expected to remain steady for the years 2016 and 2017.

The seventh review of Côte d'Ivoire’s economic and financial program, conducted by the IMF in April 2015, under the Extended Credit Facilitates (FEC) agreement, reported a stable macroeconomic environment, and solid program execution. It also foresees moderate inflation, below the 3% WAEMU norm.

The disarmament and demobilization reintegration (DDR) of former Ivorian combatants officially ended on June 30, 2015. The DDR, which took place over three years and aimed at reintegration of ex-combatants into the economic and social fabric in order to strengthen social cohesion and reduce the sense of insecurity that pervades among the Ivorian population. According to the demobilization authorities (ADDR), this operation has allowed the disarmament and reintegration and effective reintegration of 57,791 ex-combatants representing 90% of the ex-combatants identified in the database. It has also aided the decline in the security index, which moved from 3.2 in 2012 to 1.8 in 2015.

Diaspora and development

As part of its goal to become an emerging economy by 2020, the government hopes to draw upon the Ivorian Diaspora, representing 1.24 million people (5% of the total population), who generate annually about 180 billion FCFA in financial flows and are responsible for 10 billion FCFA of direct investment. This contribution, however, is hindered by a weak institutional framework that has difficulties coordinating the various initiatives, combined with the reluctance of members in the face of lack of clarity and losses incurred during land and real estate transactions (about 1.3 billion in losses).

Through structural and organisational reforms, the government seeks to establish a relationship of trust between the state and the Diaspora in order to enhance the latter's innovative and productive strength. As part of the various Diaspora for Growth forums, the Government has decided to create other mechanisms and external representations such as the appointment of a Diaspora member to the Economic and Social Council, and the creation of a private investment fund for the Diaspora.
Overview

Ghana continues to suffer persistent macroeconomic imbalance that has slowed down the country's GDP growth from a peak of 14% in 2011 to only 4.0% in 2014. Medium term growth prospects remains at risk due to a combination of factors, among which rapid depreciation of the domestic currency, uncontrolled inflation, the extensive power outages and falling global prices of gold and oil. Compounding the macroeconomic problem is the experienced widened fiscal deficit, occasioned by excessive public expenditures, attributed to wages and debt service obligations. Public debts level has continued to rise to 67.1% of GDP by end-December 2014. Nevertheless, stabilization reform measures underway with support of a three year Extended Credit Facility (2015 – 2017) with the International Monetary Fund (IMF), focus on addressing the macroeconomic imbalances related to fiscal, monetary, and debt sustainability.

Diaspora and development

Ghanaians in Diaspora continue to play a significant development role through remittances to the country. While the exact number of migrants cannot be ascertained, nonetheless, according to a recent study by Migration Policy Institute (May 2015), in 2012 approximately 150,000 Ghanaian emigrants in the United States remitted about USD 33.1 million, followed by those living in the United Kingdom (82,000) with total remittance of USD 24.97 million. Ghana’s Diaspora in Nigeria ranks third with remittance of USD 21.2 million, though accounting for the largest number of migrants (176,000). Studies indicate that migrant workers remit money largely to support their families and friends for household consumption, as well as social contributions, leading to increasing of the per capita income of beneficiary households. Overall, inflows by Ghanaians in Diaspora has been on the rise from US$1 million in the 1980s to around USD 150 million in 2011, but experienced a downward flow in recent years to USD 126 million in 2014. The quoted figures, though substantial, are believed to be underestimated as significant amounts are remitted through informal channels. Diaspora inflows are however, constrained by the cost of transfer. According to the World Bank study (April 2015), the cost of the official transfers depends on the country of origin of the transfer and could range from 1.94% to 42.66% of the transfer amount.

In Ghana, the increasing levels of remittances over the years has been partly attributed to the liberation of the financial sector in the late 1980’s, and associated reforms, which improved the monitoring of transfers and led to the licensing of money transfer agents. To improve the recording and monitoring of Diaspora remittances the Bank of Ghana intends to establish a National Remittances Credit Registry with the Ministry of Finance.
Overview

Early July, the IMF board approved a USD 23.9 million Extended Credit Facility arrangement. This came as positive conclusions emanated from an IMF article IV mission under which the results of the November 2014 Rapid Credit Facility was assessed. Highlights of encouraging results are efforts made to curb fuel subsidies, improve tax compliance, and operationalize a treasury committee. On the back of these results, the government enjoyed higher revenues compared to the previous year.

While some encouraging steps have been taken in the area of public financial management (PFM), some large gaps remain. To this end, the government signed a first budget support at the end of May, which integrates a series of PFM reforms. This support will be backed by AfDB and World Bank sponsored institutional support as well as technical assistance from the EU.

Cashew farmgate prices were raised to FCFA 300 per kilo compared to FCFA 250 in 2014, reflecting a 20% increase. In addition to higher farmgate prices, the suspension of the so-called “FUNPI” tax levied in the past years is also expected to contribute positively to farmers’ incomes (ranging from CFA 10/kg to CFA 50/kg, about 80% of this tax was internalized by farmers according to a World Bank study). Export prices are set at USD 1100 per ton, a 10% increase from last year. The government is expecting to export 200,000 tons, or 45% more than in 2014.

Security Sector Reforms Proving Difficult to Implement. A first batch of 500 soldiers were targeted for demobilization early in the second quarter, 2015, but the process is still ongoing. It is also still unclear whether a budget exists for the reforms, and whether the pension scheme per se has been decided (in particular with regards to potential lump-sum payments in addition to a regular pension).

Diaspora in national development

The Bissau-Guinean Diaspora is of great importance to the country, being both politically and economically active. From a political perspective, the Diaspora is officially recognized and allocated two seats in parliament. From an economic perspective, it contributes to the economy mainly through remittances. Remittances are of great economic importance to the country. In 2014, World Bank data estimated remittances inflows of approximately USD 47 million, or the equivalent of 4.3% of GDP. However, their impact is not well documented. Similarly, most remittances are spent for consumption, with little being invested. Interestingly, and unlike other Africa countries, Guinea-Bissau is also a country with relatively large remittances outflows. These are estimated at USD 21 million in 2014, of which more than half go to Senegal, highlighting the close ties between the countries and the importance of the Bissau-Guinean Diaspora in the sub-region.
By Patrick HETTINGER

- The economy is recovering from immediate effects of the Ebola Virus Disease (EVD) crisis, with strong imports and production nearly reaching pre-EVD outbreak levels, but lower activity in the iron ore sector is constraining economic growth.
- Government presented a draft USD 604 million budget for FY2015/16 to the Legislature, a reduction from $629 million in FY2014/15, but includes 52 investment projects totaling USD 100.4 million.
- Inward remittances remain high, at an estimated 23% of GDP in 2014, and continue to provide a substantial source of income and financing for development.

Overview

The Liberian economy is recovering from the immediate effects of the EVD crisis, but lower international demand for iron ore is reducing a key growth driver. Consumption showed some signals of strength in the first quarter of 2015, with nominal imports 21% higher than in the first quarter of 2014. Following a dip in the second half of 2014, cement production, a key indicator for construction activity, was down only 4% in the first quarter compared to a year earlier. Beverage production has also revived after a slump in the second half of 2014, indicating improving activity in the employment-heavy hospitality sector.

Iron ore production and expansion has slowed due to lower international prices, leading Arcelor Mittal to curtail investment plans that would have tripled its production. This has been partially offset by the commencement of commercial gold production by Aureus Mining in June, which should become Liberia’s second leading export. The weaker outlook for key exports underscores the need to improve the business environment to attract investment in non-extractive sectors, increase local entrepreneurship, and improve competition, while counteracting the stigma from the Ebola crisis.

Preliminary results from the Liberia Food Security Assessment carried out during the lean season from May to June 2015 showed that 16% of households are food insecure. The majority of the food insecure households live in Liberia’s structurally underdeveloped southeast, with others in Grand Cape Mount and Bomi counties. This represents a marginal improvement compared to the previous survey carried out during the harvest season of 2012, when 18% of households faced food insecurity. Some 79% of households have an acceptable household consumption score in 2015, an improvement over 66% in 2012 and 59% in 2010.

The Government presented a $604.0 million draft FY2015/16 Budget to the Legislature on June 1. The draft budget is a reduction from $628.8 million projected outturn in FY2014/15. The FY2015/16 budget expects an 8.1% increase in tax revenues and 11.9% increase in non-tax revenues, which will call for continued improved tax administration. The draft investment budget increases from $70.1 million to $100.4 million, covering 52 investment projects, although this could face implementation challenges. This includes $44.3 million for road construction and maintenance and $1.9 million for energy project counterpart funding. Health sector spending is budgeted to increase by 3.5% and education expenditure by 16.7%.

Diaspora and development

Liberia benefits from some of the highest remittance inflows in Africa, at an estimated 23% of GDP in 2014. This is due to the small size of the economy combined with a large emigrant population estimated at some 370,000, almost 9% of the country’s population. About half of remittance inflows are from the United States, while another 30% are split evenly from Guinea and Côte d’Ivoire. This reflects migration patterns, with an estimated 32% of Liberian emigrants in Guinea (numbering 118,000), 25% in Côte d’Ivoire (93,000), and 21% in the United States (79,000).
By Eric Ogunleye

- The macroeconomic challenges facing the Nigerian economy are expected to persist. GDP growth has tapered to below 5% in the first quarter of 2015.
- The many Diaspora Nigerians are contributing to the country’s development through remittances, governance and policy dialogue, technology transfer, supporting public sector investments through Diaspora bond subscription, and special social development outreach programs and interventions.

**Overview**

It appears the macroeconomic challenges facing the economy are far from over. The economy appears to be slowing down with Q1 real GDP growth at 4.0%, falling far short of the 6.2% in the corresponding quarter of 2014. Growth projection for 2015 is estimated at below 5%. Inflation continues to creep upwards from 8.2% in January 2015 to 9% in June 2015. It appears the upward trend would continue as there is no respite for its three main drivers, namely, rising food price as a result of late rainfall, high transport cost resulting from incessant petrol shortage, and weak exchange rate. The country’s fiscal and external current account position continues to decline with foreign reserves falling precipitously from USD34.5 billion in January 5 to USD29 billion by June 25 2015, or a 16% decline.

New Governments have been inaugurated at the national level and for selected States that had gubernatorial elections. One of the key challenges facing these governments at the moment is strained financial position that limits ability to pursue their various policy objectives. No fewer than 22 out of the 36 States are currently unable to pay salaries running over several months, let alone undertake capital investments. States have called on Federal Government to provide financial bailout and repay the costs they incurred in the implementation of Federal Government projects. It is noteworthy that a common solution is being provided through an agreed bailout and commercial debt restructuring deal.

**Diaspora and development**

Nigeria has one of the highest concentrations of Africans in the Diaspora, fuelled by three waves of emigration and regular emigration motivated by search for ‘greener pastures’. This explains the country’s current dominance in remittances to West Africa, accounting for an average of over 80% of total inflows since 2005. The return to participatory democracy since 1999 has altered the pattern of migration, opening the way for Nigerians in the Diaspora to contribute to national development with successive governments reaching out to them through different platforms.

The contributions of Diaspora Nigerians to development are numerous, prominent among which is through remittances totaling USD 198.4 billion between 1999 and 2014 or around USD 40 billion per annum. Remittances have consistently dwarfed other foreign inflows in recent times. In 2014, for instance, total remittances was about USD 22 billion compared to USD 5.3 billion and USD 4.7 billion for portfolio investment and FDI inflows, respectively. The Diaspora has also contributed significantly to poverty reduction and wealth creation at individual and household levels through SMEs start-up, housing development, and other social spending. Several notable Diaspora Nigerians with technical skills are engaged in governance and policy. Further, the Diaspora continues to support public sector investment by subscribing to the Diaspora Bond aimed at undertaking transformative infrastructure development projects. Finally, the Diaspora engage in special social outreach programs that include free medical missions, scholarship programs, humanitarian emergencies, and special community interventions.

**Real GDP Growth and Inflation Rates in Nigeria**

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP Growth</th>
<th>Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2014</td>
<td>6.21</td>
<td>7.8</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>6.23</td>
<td>8.2</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>5.94</td>
<td>8</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>6.22</td>
<td>8.5</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>3.96</td>
<td>9</td>
</tr>
</tbody>
</table>
Overview

Economic growth was projected at 5.4% in 2015, compared to an estimated 4.7% in 2014. In 2015, growth will be driven by the secondary sector at a rate of 7.3% in 2015, compared to 2.9% in 2014. The primary and tertiary sectors are also holding well, with growth rates of 5.4% and 4.9%, respectively. In terms of public finance, reducing the budget deficit continues with a projection of 4.8% in 2015 compared to 5% in 2014. The ratio of public debt has been projected at an estimated 54.4% in 2015, below the West Africa community standard of 70%. The current account deficit is expected to improve slightly and is projected at 8% in 2015, compared to 8.8% of GDP in 2014.

The IMF Board of Governors approved an Instrument de soutien à la politique économique (ISPE) for Senegal for the period 2015-2017. This third ISPE supports the implementation of a three-year macroeconomic reform program designed to accompany the execution of the ‘Emerging Senegal’ plan.

The President of the Republic reshuffled the Government on June 22, 2015. Among the changes, a new energy minister was appointed. In addition, the former Minister of Local Governance, Development and Spatial Planning and Government spokesperson has been appointed Director of the Office of the Head of State.

Diaspora and development

Senegal has experienced a surge in migrant remittances over the past decade. They have jumped from 340.8 billion FCFA (611 millions USD) in 2005 to 904 billion FCFA (1.719 billion USD) in 2014—an increase of 165%. Migrants’ remittances accounted for about 11% of GDP on average annually over the period 2010-2014, representing 5.5 times the equivalent of FDI (2% of GDP).

Remittances serve primarily to support consumption by the recipients, including for food expenses, health, and education. Thanks to remittances, household net consumption has remained above 70% of GDP, including during the shocks that led to a major drop, as was the case during the 1.7% fall of the GDP in 2011.

Remittances continue to be an effective resistance factor to negative external shocks that potentially affect Senegal’s economy. The use of remittances justifies migrant outflows, that is, they improve migrants’ own living conditions and those of their families.
By Jamal ZAYID

- The Ebola Virus Disease (EVD) outbreak in 2014, combined with the sharp decline in international prices of iron ore in 2014 and into 2015, have adversely affected Sierra Leone’s economy. Real GDP growth is expected to contract by an estimated 13% or even more in 2015.
- Remittances have consistently improved overtime, amounting to 2.4% of GDP in 2014. Remittances have been crucial, given the prevailing socio-economic development challenges in Sierra Leone.

Overview

The Ebola Virus Disease (EVD) outbreak and sharp drop in iron ore prices have dealt a severe blow to Sierra Leone’s economy. The two shocks have depressed economic activities in the country. Following several years of strong economic growth due to the discovery of new mining activity in 2011, economic output is expected to contract by roughly 13% or even more for 2015 according to the latest IMF estimates. Post-Ebola recovery is expected to take time though, especially with respect to rehabilitation of the social and productive sectors.

The contraction in GDP is largely on account of the substantial decline in output of non-iron ore productive sectors, including agriculture, manufacturing and tourism. A 47% decline in iron-ore output in 2015 is attributed to the closedown in mining by the major operator, namely the African Minerals Limited (AML). The decline of iron ore prices and output is expected to persist in the medium term, especially as AML is not expected to resume operation activities until the third or fourth quarter of 2015. The difficulties in the mining sector became apparent when London Mining (LM) went into receivership in October 2014 followed by African Minerals Ltd. (AML) being suspended from the London Stock Exchange in November 2014, as its capital steadily declined below the USD 50 million threshold.

Diaspora and development

Although the trend has been rather unpredictable and volatile, swinging between highs and lows, remittances in Sierra Leone have been increasing over the years, with a peak of USD 104 million in 2014. Remittances have had a pronounced impact and effect on GDP growth, particularly after the conflict. A notable impact of remittances can be observed on final private consumption and construction growth.

The EVD outbreak caused a significant surge in remittances in 2014. Understandably, the Sierra Leonean Diaspora sent in more money to help out their families back home. Diaspora also sent home machinery and vehicles thus contributing to transfer of technology.

The bulk of remittances are intended for private consumption and construction, which are highly correlated. The fact that these transfers are so strongly positively correlated with GDP growth suggests that their variations are pro-cyclical; that is, they follow the evolution of overall political stability, like in the case of direct investment, for example. Indeed, remittances increased sharply right after the end of the civil war, and also after elections in 2007 and 2012.
By Carpophore Ntagungira

- Since 2012, growth has surpassed 5% (5.9 in 2012, 5.6% in 2013, 5.5% in 2014. The estimated 5.7% in 2015 is projected to reach 5.9% in 2016).
- The presidential election of May 25, 2015 re-elected President Faure Gnassingbé for a third five-year term.
- In 2014, Diaspora remittances were estimated at 9.2% of GDP compared to 4.5% of ODA and 2.2% of FDI.

Overview

The average GDP growth of Togo for the 1990-2011 period was below the population growth rate (2.4%). Since then, GDP growth has surpassed 5% (5.9% in 2012, 5.6% in 2013, 5.5% in 2014, and is estimated at 5.7% in 2015 and 5.9% in 2016). Togo has a moderate risk of debt distress with a ratio of 51% of GDP. However, debt management and investment financing remain a concern. In June 2015 the new government has established a ministerial department in charge of budget. This could accelerate negotiations with the IMF for a new program of reforms that since 2013, has not yet been concluded.

The presidential election of May 25, 2015 won by the ruling party "Union pour la République (UNIR)", extended the incumbent President Faure Gnassingbé for a third term. However, his victory, achieved with 58.75% of the vote, was not recognized by the opposition. The various election observer missions assessed that the election was free and transparent. The new government comprises 24 ministers including four women and twelve new entries. The timing for local elections, originally scheduled for 2014, is unknown. Togo remains the only WAEMU country that, for the past 25 years, has not implemented administrative decentralization.

Diaspora and development

Togo has about 1.5 million members of the Diaspora on an estimated population of 7 million people. In 2014, their remittances amounted to US $ 348 million, or 48% of cash tax revenues and 9.2% of GDP.

Remittances are a key element for reducing the deficit of Togo’s balance of payments. Since the 2000s, they began to greatly exceed official development assistance (ODA) and foreign direct investment (FDI). In 2014, Diaspora remittances are estimated at 9.2% of GDP compared to 4.5% for ODA and 2.2% for FDI. Over the past decade, these transfers have experienced an average growth rate of 9% per year.

Comparison of remittances, ODA and FDI (% of GDP)

Source: World Bank
Diasporas and Development in West Africa

By James Wahome and Maxime Weigert

In collaboration with Ismael Mahamoud, Robert Masumbuko and Andre Okou

I Introduction

II Overview

III Obstacles

IV Opportunities

V Recommendations
**Introduction**

More than 30 million Africans currently live outside their country of origin. This Diaspora is probably even larger, since the statistics do not include unregistered migrants or their descendants. Multiple factors motivate these flows, which are largely determined by circumstances in the country of origin. They may include: access to higher education, in the case of students pursuing studies abroad; fleeing from insecurity, especially from countries experiencing conflict, poor governance, or political exclusion; or escaping poverty.

Regardless of the reasons behind these migrations, the individuals involved share a common tendency: they send a portion of the money earned abroad to their country of origin in order to financially support family members. These remittances, which constitute the economic component of the migration phenomenon, have continued to grow over several decades. Since 1980 the amount of remittances in Africa grew at an average annual rate of 7% (Graph 1), and today the volume of remittances surpasses that of official development assistance (ODA) received by the continent. In 2013, remittances exceeded 60 billion USD, while ODA (all donors) amounted to 55 billion USD in the same year, including 45 billion USD for sub-Saharan Africa.

These financial flows play a major role in African economies. At the national level, they contribute to macroeconomic stability of recipient countries, favouring an improved balance of payments. These flows are taken into consideration when assessing sovereign ratings and also in the analysis of debt sustainability, thus contributing to appropriate policy decisions in managing external borrowings. Therefore remittances can significantly improve the outlook for recipient countries, allowing them to access international credit at lower interest rates.

Beyond their macroeconomic impact, remittances play an increasingly complex role in the financing of development and in the battle against poverty on the continent. Traditionally channelled towards household consumption in the home country, these financial flows are beginning to be directed towards investment, development aid and international development, based on a project approach. This trend is the result of the growing wealth and skills of the Diaspora in destination countries, and its willingness to contribute more effectively to the development of respective countries of origin. With this paradigm shift, the transferred funds not only benefit the migrant’s family, but also the village, the community, or the country of origin as a whole. In addition to their financial significance, the transfer of skills, technology, and socio-economic practices also accompanies these remittances.

This thematic paper is devoted to the role of Diasporas in the development of West Africa. Based on the most recent developments, it seeks to analyse how migrant remittances are part of the economic transformation in the region. The first section takes stock of the current situation. The second section highlights the obstacles that restrict the optimal utilization of the Diasporas’ financial and human resources. The third part focuses on the opportunities available for Diasporas and development in West Africa.

---


4 Source: Statistics on International Aid, OECD.
able to the region by better leveraging such resources. Finally, the last section provides recommendations to unleash the full development potential of Diasporas at national and regional levels.

II Overview

West Africa is a major source of migration flows. In 2011 the number of nationals who emigrated to other countries was estimated at 9.1 million people, 2.6% of the region’s total population. The remittances that migrants transfer to their country of origin constitute an important financial resource throughout the region, but their weight varies by country. Apart from the financial aspect, the role of Diasporas and their contribution to development is steadily taking shape throughout the region.

A Economic contribution of West African Diasporas

Remittances from West Africa’s Diaspora amounted to as much as 26 billion USD in 2014 according to the latest International Monetary Fund (IMF) estimates, making West Africa the second recipient region in the continent after North Africa [Graph 2]. Nigeria, which in that same year received more than 80% of the transfers in the region (20.9 billion USD), is by far the largest recipient by volume. However, Liberia and Gambia are the main beneficiaries in terms of share of GDP (26% and 24.5% respectively) [Graph 3].

The flow of funds received by West Africa is part of a regional and global dynamic that can be analysed as a "bilateral corridor" between the transfer originating country and the recipient country. In the region, the main corridors tend to correspond with historical colonization patterns (links with the former colonial power and a shared language) as well as between neighbouring countries. Nigeria is part of more than one key corridor, including with the United States (5.7 billion USD in 2014), the United Kingdom (3.7 billion USD) and Cameroon (2.3 billion USD). After Nigeria, the main corridor between franco-

---

Phone countries is France-Senegal, where 463 million USD flowed in 2014. In 2014, corridors representing more than USD 200 million were, in descending order, Côte d’Ivoire-Mali (347 million USD), Italy-Senegal (304 million USD), United States-Liberia (263 million USD) and Spain-Senegal (215 million USD).

Due to the predominance of Nigeria in total regional flows, such flows for the most part move North-South. The United States, the United Kingdom and France remain the main transfer originating countries to West Africa. Intra-regional transfers still represent a significant share of total volumes, with 4.99 billion USD in 2014. In some countries, they also account for a significant share of total transfers. This is the case in particular in Burkina Faso, where intra-regional transfers are 82% of the total, Niger (69%), Benin (68%) and Côte d’Ivoire (67%). At the intra-regional level, the main corridors in 2014 were Ghana-Nigeria (821 million USD), Côte d’Ivoire-Nigeria (630 million USD), Benin-Nigeria (612 million USD), Niger-Nigeria (289 million USD), Togo-Nigeria (233 million USD) and Senegal-Gambia (188 million USD). With 2.8 billion USD in transfers from West African countries, Nigeria is the main recipient of intra-regional flows. Côte d’Ivoire is itself the country with the largest volume of outgoing intra-regional transfers (1.3 billion USD in 2014). This reveals the importance of internal migration to the region.

<table>
<thead>
<tr>
<th>Recipient country</th>
<th>Country of origin 1</th>
<th>Country of origin 2</th>
<th>Country of origin 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>Nigeria (97)</td>
<td>Gabon (30)</td>
<td>Côte d’Ivoire (23)</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Côte d’Ivoire (105)</td>
<td>Ghana (7)</td>
<td>Italy (2)</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Burkina Faso (183)</td>
<td>France (54)</td>
<td>Liberia (49)</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>Portugal (64)</td>
<td>United States (48)</td>
<td>France (25)</td>
</tr>
<tr>
<td>Gambia</td>
<td>Spain (53)</td>
<td>United Kingdom (31)</td>
<td>United States (30)</td>
</tr>
<tr>
<td>Ghana</td>
<td>United States (34)</td>
<td>Nigeria (23)</td>
<td>United Kingdom (16)</td>
</tr>
<tr>
<td>Guinea</td>
<td>Côte d’Ivoire (20)</td>
<td>France (14)</td>
<td>Sierra Leone (10)</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>Portugal (21)</td>
<td>Senegal (7)</td>
<td>Spain (5)</td>
</tr>
<tr>
<td>Liberia</td>
<td>United States (263)</td>
<td>Guinea (80)</td>
<td>Côte d’Ivoire (79)</td>
</tr>
<tr>
<td>Mali</td>
<td>Côte d’Ivoire (347)</td>
<td>France (141)</td>
<td>Nigeria (121)</td>
</tr>
<tr>
<td>Niger</td>
<td>Nigeria (50)</td>
<td>Benin (32)</td>
<td>Côte d’Ivoire (28)</td>
</tr>
<tr>
<td>Nigeria</td>
<td>United States (5740)</td>
<td>United Kingdom (3735)</td>
<td>Cameroon (2357)</td>
</tr>
<tr>
<td>Senegal</td>
<td>France (463)</td>
<td>Italy (304)</td>
<td>Spain (215)</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Guinea (51)</td>
<td>United States (23)</td>
<td>United Kingdom (8)</td>
</tr>
<tr>
<td>Togo</td>
<td>Ghana (89)</td>
<td>Nigeria (76)</td>
<td>France (36)</td>
</tr>
</tbody>
</table>
B The Diasporas’ contribution to development

Diasporas have gradually become a major source of financing for development in West Africa. Remittances have registered average annual growth of 5% per year since 2005. Since 2006, the amount exceeded that of total ODA received by the fifteen countries in the region—ODA that amounted to 12 billion USD, less than half of the 25.8 billion USD in remittances recorded that year [Graph 4]. For several countries in the region, remittances appear to be more stable than other capital flows. Less volatile than ODA, for example, they have been one of the main factors for the resilience to economic shocks in recent years. This countercyclical dimension is explained by the fact that migrants usually send more money to their families in the event of economic downturn or period of conflict in the country. In Sierra Leone and Liberia, for example, Diaspora remittances were an important source of household income during the conflict years. More recently, these transfers have provided valuable support to families during the epidemic of Ebola virus.

At the micro level, migrant transfers for household consumption contribute to poverty reduction. Several surveys have shown that recipients of remittances in Africa have higher levels of education and are more likely to open bank accounts and to have financial saves compared to those who do not receive money from abroad. In fact, between 10 and 20% of funds transferred by migrants are saved or invested. They also reduce poverty levels: a 10% increase in remittances as share of GDP leads to a decrease of 2.9% in the overall poverty level. Transfers contribute to the diversification of household incomes, which in turn leads to increased spending on education, health and consumption, with a direct impact on the local economy. For example, investment by migrants who develop properties in their country of origin produces a ripple effect on the local real estate industry and related businesses (brick-laying, masonry, carpentry).

Taking note of the growth of remittances, several West African countries and institutions are seeking to implement initiatives to maximize the impact of these financial flows on development. Since 2003, the African Union has

---

designated the Diasporas Africa’s “sixth region” together with the five regional economic communities. Similarly, ECOWAS and WAEMU have recognized the role of migrants in the development of their member countries for several years. In the case of ECOWAS, the promotion of Diaspora has occurred primarily within the context of freedom of movement agreements in the region and of the promotion of intra-regional labour mobility. Freedom of movement is the subject of a regional regulation expressed by means of the Protocol of May 29, 1979 on the free movement of persons, the right of residence and establishment, which has subsequently been supplemented by Protocols A / SP.1 / 7/85 in 1985, A / SP.1 / 7/86 in 1986 and A / SP.2 / 5/90 in 1990. Aiming to gradually establish completely free movement within the region, these protocols have not yet been ratified by all Member States. Permission is granted to citizens of the region to enter, reside and settle in another member country—which is a transfer originating country—for a period of up to 90 days. Member States must provide travel documents, including the ECOWAS passport introduced in 2000. The protocols also define the right of migrant workers to benefit from equal treatment as nationals of the host Member State. However, these provisions are not always applied, since some national laws still in force give preferential treatment to domestic labour or limit the number of economic sectors in which foreigners can invest.

Representatives of the Diaspora gradually become important players in the construction of democratic institutions in West Africa. Since the 1990s, almost all West African countries grant, with or without conditions, dual citizenship to members of their Diaspora. They also allow the Diaspora to vote in national elections and to stand for election. Since their voices are recognized, these actors seek to take part in the political process of their country of origin. One high level example is the Franco-Beninese Lionel Zinsou, who became Benin’s prime minister in June 2015. Similarly, members of the Diaspora are consulted regarding the development of economic strategies. In Guinea-Bissau, for example, several meetings were organized with the country’s Diaspora ahead of the donors round table, held in March in Brussels. Finally, most major national political parties can count on the contributions of the Diaspora to finance election campaigns, as evidenced by the case of the 2012 presidential election in Senegal. 

III Obstacles

The West African Diasporas have the capacity and potential to make significant contributions to the economic development of their countries of origin, and by extension to the West Africa region as a whole. However, a number of obstacles hamper their participation in national development.

A The importance of informal transfers

In West Africa, informal transfers of funds by migrants remain important. Approximately 17.3% of transfers received by all WAEMU countries pass through informal channels. The situation varies by country with 42% in Mali, 40.5% in Niger, 25.6% in Burkina Faso, 22.7% in Benin, 22% in Guinea-Bissau, 12.3% in Togo, 10.4% in Senegal, and 9.2% in Côte d’Ivoire. These are mainly intra-regional remittances, which are routed through informal channels. For Burkina Faso, funds coming from other African countries through the informal system represent 85.6% of the total flow received by the country versus a figure of 62.5% in Senegal.1

The appeal for migrants of the informal channel for regional remittances can be explained by economic factors such as the cost of transfers in the formal market and the inaccessibility of financial services, especially in rural areas. The reasons are also cultural. Migrants seek to avoid costs associated with the market transactions of formal transfers. They tend to entrust their money with people they know who run a business (grocery, internet café, restaurant) in their hometown. The funds are physically transferred by phone or email. The correspondent of the business owner gives the money to the beneficiary. The transfer is subject to a commission. No formal rules govern transactions. One’s word and trust are the sole basis for the contract. This type of exchange can breed opportunistic behaviour and the hold-up problem since trust is the main element facilitating the transaction. In the event that it ceases to be honoured, future transactions are no longer made with the untrustworthy agent who develops a bad reputation in the community. This type of social control can limit risks. However, faced with a dilemma between high transfer costs in the formal market and the risk of fraud in the informal one, choices for migrants are limited.

B The excessive cost of transfers

The excessive cost of transfers in formal circuits to Western African countries constitutes an obstacle to the formalization of remittances. These international transfers are generally carried out by specialized financial companies (Western Union, Money Gram, etc.), and are subject to significant financial intermediation costs (operators, exchange rates) and sometimes with delays of several days. In this context, the migrant remittances received in West Africa have some of the highest transaction costs in the world—transfer costs have reached 27.8% of the sums transferred between Ghana and Nigeria.12 This situation tends to favour informal transfers thereby limiting the possibility of tracking remittances and directing them toward investment.

The weak presence of money transfer service points in rural areas contributes to the high costs of these transfers. Through both formal and informal channels, the flow of funds to these underserved areas entails additional costs that reduce the positive impact for recipient families and villages. This unequal access to remittance services perpetuates financial exclusion in rural areas.

C Fragmentation and unpredictable resources

Though significant at the macroeconomic level, remittances from migrants to West Africa are generally fragmented, scattered and unpredictable. The informality of transfers and the predominance of transfers to the family of the migrant do not allow for the concentration of these flows into national development programs or their channelling into productive investment. This scattering limits the possibility of governments to take migrants’ funds into account in development programs and the implementation of policies to optimize these resources. Moreover, the scattering of funds reduces the possibility of integrating remittances into a process of sustainable development, based on a project approach.

D The scarce availability of data on Diasporas

A lack of reliable statistics on Diasporas hinders the development of public policies in their favour. Few West African countries have a reliable database that lists their nationals living abroad. Any existing data are usually incomplete or obsolete. For example, Sierra Leone’s domestic and overseas national investment program based its projections on an estimated 500,000 Sierra Leoneans residing abroad, including 250,000 in the United States, Canada and in Europe. But according to UN data from 2009, the emi-
Migration rate of the country was 2% of 5.7 million inhabitants, or 114,000 persons, of which approximately 40.9% were living in other African countries. Given that illegal migrants are not included in official statistics, their contribution would not be counted among the global funds of remittances. Moreover, it is unlikely that illegal immigrants acquire a high level professional experience allowing them to play a role in capacity building in their country of origin.

IV Opportunities

A Orient migrants toward investment

Considering the importance of remittances in the region, this resource could be directed towards local development projects beyond the migrant’s family unit. Experiences around the world demonstrate that public policies for involving migrants in a country’s development can help increase remittances and channel them towards investment. Broadly speaking, these policies include incentives to invest, with financial and tax regimes specially designed for residents abroad, and programs that capitalise on migrants’ skills and experiences with the objective of a technology transfer towards the country of origin. In this regard, West African countries might find inspiration in the Moroccan example [Box 1].

B Bi-bancarisation

Banks can play an important role in the development and formalization of remittances through linked bank accounts. The objective is to enable citizens living abroad or their descendants, to open a “non-resident” bank account in the country of origin, in order to make interbank transactions between host country and country of origin. This system entails that partnership agreements take place between banks in both host countries and recipient countries, and that West African states introduce legislation encouraging the opening of local accounts by members of the Diaspora. In Senegal, for example, the requirement to be resident in the country and to open all bank accounts in CFAF currencies restricts linked bank accounts for Senegalese living abroad.14 Along with facilitating remittances and the entry of currencies into the country, an expansion of the model in Senegal would also be favourable to bancarisation and financial inclusion.

C "Diaspora bonds"

‘Diaspora’ bonds constitute an effective instrument to transform migrant remittances into investment. These financial products are sovereign obligations for members of the Diaspora who wish to contribute to the development of their country of origin. Successfully experimented with by Israel in 1960 and by India in the 1990s, Diaspora bonds bank on the mobilization of patriotic sentiment among emigrants who are offered an attractive interest rate compared to the international market, or a preferential rate in cases where bond purchase is open to all buyers. This allows the issuing countries to mobilize significant capital projects of national interest, especially with respect to large infrastructure projects. Furthermore, the ability to mobilize

---

Box 1 Policies to attract the Moroccan Diaspora

Morocco has implemented institutional and regulatory frameworks that encourage remittances and seek to direct them towards investment projects.13 Diaspora Moroccans living abroad can open a convertible dirham account in Morocco and enjoy all related benefits. They have the opportunity to invest in Morocco and to obtain on demand—like foreigners—a guarantee on the transfer of the capital invested in foreign currency, and its related returns. To encourage investment, sixteen regional investment centres have been established, whose mission it is to provide support to Moroccans living abroad wishing to invest or establish a business in Morocco. In addition, the MDM Invest fund, established in 2009, is dedicated to co-financing the creation or development of businesses owned by members of the Diaspora. Meanwhile, Morocco is exploring ways to leverage the skills of its citizens living abroad in the service of national development. In 2004 Le Forum international des compétences marocaines was created for this purpose. Subsidized by the state, the forum conducts expert missions and meetings that allow highly skilled Moroccan emigrants to collaborate with local companies and associations.

---


alternative sources of funding allows these countries to improve their credit ratings. Several African countries have already issued Diaspora bonds to finance major projects, such as the Renaissance Dam in Ethiopia, and the model is emerging in West Africa. In 2008, Ghana launched a Diaspora bonds project titled “Golden Jubilee Savings Bond” to finance infrastructure projects in every region of the country. Designed for Ghanaians, including those living abroad, the operation has allowed the state to raise nearly 50 million USD. More recently, Nigeria has announced its intention to prepare a Diaspora bond of 300 million USD.

D Remittances and mobile payments

Operators of mobile payments active at the national level have recently attempted to capture the remittances market at the regional level. In 2013, for example, the Orange Group launched Orange Money International, whose service permitted customers residing in Côte d’Ivoire, Mali and Senegal to make instant international transfers among the three countries. In 2015, the French group developed a partnership with Airtel Money, a leader in Burkina Faso, to extend the service. In 2014, MTN and Airtel had already implemented a similar system between Côte d’Ivoire and Burkina Faso, which form the corridor of the largest migrant remittances system in the WAEMU zone (in 2012, nearly 300 million USD were transferred between the two countries).10

Mobile payments also offer new opportunities for extra-regional remittances. Barclays, for example, has developed a service that allows its customers residing in the United Kingdom to transfer funds from their bank accounts to mobile accounts: “Barclays Hello Money Service” is available in several African countries including Ghana. With this system, the recipient of funds does not require a bank account. Funds are transferred directly from the British bank account to a Ghanaian mobile account. The operation is instantaneous and is carried out by the bank with no other cost than that of the exchange rate,17 significantly reducing both costs and the typical delays for this type of international transaction.

V Recommendations

1. The establishment of a regulatory framework would favour a reduction of transaction costs of remittances. In most countries in the region, current regulations limit the number of operators authorized to carry out operations abroad. Moreover, traditional money transfer companies have often imposed exclusivity provisions to local partner banks, prohibiting the latter to enter contracts with other service providers, such as microfinance institutions, the post office, and mobile financial services operators.18 This situation, which does not comply with the free competition laws in force, limits competition and results in higher costs for consumers. Compliance with competition laws would result in lower costs and promote the flow of informal remittances into formal channels.

2. States in the region should strengthen their attractiveness to members of their Diaspora. Improving the business climate could encourage migrants to increase remittances and further invest in their country of origin’s social or economic projects. Moreover, the countries of the region could use various financial instruments, such as emissions of Diaspora bonds, and implementation of investment programs focused on technology transfer and entrepreneurship, to mobilize citizens living abroad in the development of the nation. These instruments would limit the resource dispersion by concentrating them towards development projects where funds are lacking.

3. To facilitate the flow of remittances, governments in the region should promote the expansion of mobile financial services. Due to regulations, mobile financial service operators are limited in their ability to develop their own remittances circuit. This situation is particularly unfortunate since the solutions developed in the mobile financial services sector are relevant for reducing transaction costs and solving the problem of unavailability of money transfer services points in rural areas. Indeed, mobile payment services points are less costly to implement and tend to be more evenly spread across territory than banks and post office branches for example. Moreover, the rise of mobile payment throughout the region provides an opportunity for operators to develop international money transfer services that would reinforce the dynamics of regional integration.

4. The scarce availability of data on Diasporas emphasizing the need for a better understanding of the role of the Diaspora in development and their motivations to contribute. To understand the phenomenon more in depth, it is critical to

15 See previous issue of the West Africa Monitor.
18 Summary of survey results on transfers of funds by migrant workers in the WAEMU countries, BCEAO, May 2013.
conduct studies that reflect the dynamics at work in the formal and informal channels. The African Development Bank Group (AfDB) has conducted several studies in response to requests from regional member countries seeking to build co-development partnerships with their nationals living abroad. In 2009 the AfDB set up, with the support of France, the "Migration and Development" initiative, whose mission is to support the development of financial services for migrant remittances and their transformation into productive use in the country. In a study published in 2012, Savings without Borders (ESF) proposed several items for reflection, including those related to bi-bancarisation solidarity and mobile financial services. Knowledge of the phenomenon must be accompanied by a reflection on the innovative mechanisms set up to maximize the impact of transfers.

10 Bourenane et al. (2011), op. cit.