

Diaspora entrepreneurs' push and pull institutional factors for investing in Africa



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By

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Key Question

What is the motivation for African diaspora to invest in home countries?

Demystifying the myth about immigrants

- ❑ Migrants contribute about US \$6.7trillion, representing 9% of global GDP
(McKinsey Global Report, 2015)
- ❑ Ceasing immigration to the UK and Germany in 1990 would have shrunk the real GDP in both economies in 2014
 - ↓ £175 billion - UK
 - ↓ £155 billion - Germany

(Goldin et al., 2018)

How many African migrants are out there?

❑ African migrants represent 14.1% of the world's migration

(United Nations, 2017)

❑ 21 million lived in other African countries in 2019

(World Migration Report, 2020)

❑ 19 million lived in other countries in 2019

(World Migration Report, 2020)

Why do Africans migrate?

- ❑ Seeking safe havens in other countries due to natural disasters, armed conflicts, human rights violations, political persecution and other harsh socio-economic reasons (*Jones et al., 2014*)
- ❑ In search of education, employment and better economic opportunities (*Mohan & Zack-Williams, 2002*)

How much is remitted by African migrants?

❑ The flow of remittances to sub Saharan Africa countries

- \$33 billion in 2016
- \$34.1 billion in 2017
- \$35.7 billion in 2018

(World Bank, 2017)

❑ \$42 billion in 2020, an estimated decline by 12.5% due to COVID

- 27.7% reduced flow to Nigeria
- Still gains for Ghana, Kenya, Mozambique and Zambia

(World Bank, 2021)

❑ ‘Brain drain’ has become ‘brain gain’ and ‘brain circulation’

What challenges do African diaspora face in host countries?

- ❑ Migrants often face restrictive policies, hostile labour market conditions, low wages and institutional discrimination which they struggle to challenge (*Jones et al., 2014*)
- ❑ Migrants cope with discriminatory struggles by resorting to their ethnic affiliations and homogeneous groups or use their resilient mindset to shape their enterprise development (*Kloosterman et al., 2016*)

Research experience with African diaspora entrepreneurs

Social enterprise model	For-profit enterprise model	
	Type 1: Service provision	Type 2: Tangible goods
<ul style="list-style-type: none"> ➤ Clothing sales to help street boys in Ghana ➤ Healthcare supply trading to support the healthcare sector in Malawi ➤ Clothing manufacturers employing artisans in the Gambia, Nigeria and Kenya 	<ul style="list-style-type: none"> ➤ Money transfer from the UK to Ghana and Zimbabwe ➤ Accounting consulting services in the UK and Nigeria ➤ Financial consulting in Malawi ➤ Real estate management in Nigeria ➤ Oil and gas services in Nigeria 	<ul style="list-style-type: none"> ➤ Logistics and delivery from the UK to Nigeria ➤ Second-hand car-parts exports from the UK to Ghana and Cameroon ➤ Fashion design in Nigeria

What motivates African diaspora to engage with home countries?

Home-driven motivation

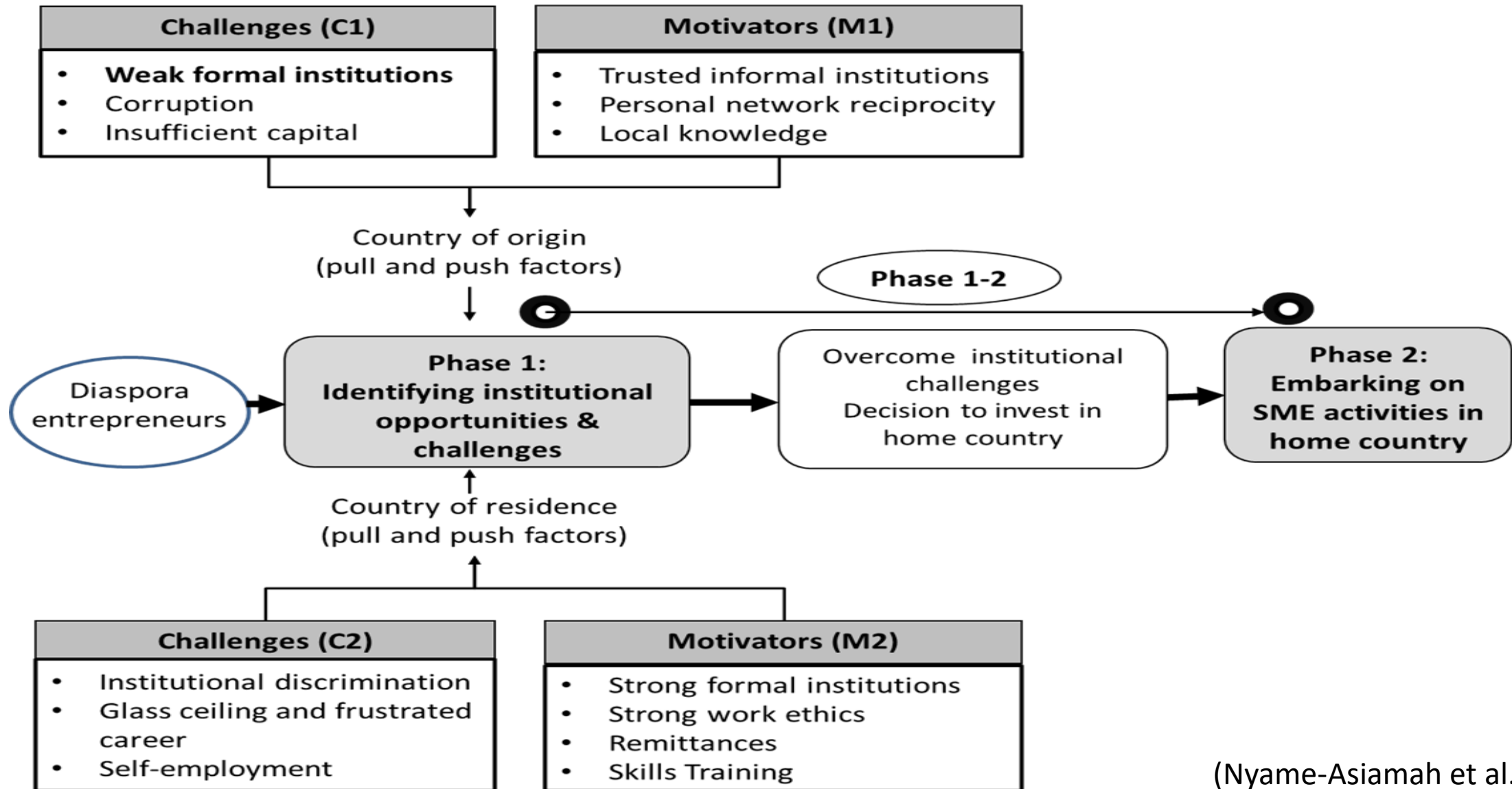
- Opportunities for street children
- Healthcare provision for pregnant women
- Mobile financial services for women
- Jobs for friends, families & others
- Community support development
- Upholding the belief in the African movement

Enterprise-driven motivation

- Consulting services for diaspora businesses
- Support for diaspora community remittances
- Applying expertise from Western settings
- Self-employment & franchising options
- Alternative to the glass-ceiling formal sector
- Potential opportunities for growth in Africa

(Nyame-Asiamah et al., 2020)

Diaspora entrepreneurs' motivation for enterprise development (DEMED model)



Paradoxes in African diaspora entrepreneurship & opportunities

- ❑ Precarious environments drive the diaspora out of their native countries BUT later these become lucrative grounds for business enterprise
- ❑ The Western country of residence provides opportunities for diaspora entrepreneurs BUT the diasporas face institutional discrimination
- ❑ Family and kinship ties provide support for diaspora entrepreneurs' businesses BUT dishonesty of some informal ties constrain enterprise development

Implications for practice

1. Diaspora entrepreneurs

- ❑ Inspire diaspora entrepreneurs to capitalise their international experience and knowledge to explore, exploit and facilitate business opportunities in their native countries
- ❑ Motivate diaspora entrepreneurs to rely on their agencies as well as social networks e.g. family, kinship, personal and business ties to establish and manage successful businesses
- ❑ Develop a digital platform of diaspora SMEs ecosystem to innovate informal institutional support and overcome the challenges with the weak formal institutions

2. Teaching and pedagogy

- ❑ The study gives new understanding of how diaspora entrepreneurship should be perceived and taught in the classroom e.g. DEMED model

Implications for policy

- ❑ Policy programme on diaspora investment management to motivate and safeguard diaspora entrepreneurs' investments in the countries of origin
- ❑ Involve successful diaspora entrepreneurs in developing 'returnee talent initiatives' and 'enterprise policy institutionalization' for diaspora entrepreneurs
- ❑ Take a firm line on challenging and curbing corruption in order to attract diaspora investments and improve confidence in African entrepreneurship