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African Diaspora and Remittances

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Introduction

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In the current era of intensifying global human and capital flows, diaspora contribution to the development of their home countries is crucial. Nowhere is the role of diaspora in sustaining local livelihoods and supporting national development as evident as in Africa, where about 40% of the population still lives in poverty. Innovative development financing that includes novel engagement from the diaspora remains at the forefront of policy debates. The new 2030 Agenda for Sustainable Development of the United Nations highlights the positive contribution of migrants and diaspora for achieving sustainable development. It emphasizes the need to study how migration and remittances can be leveraged for improved development financing through reducing remittance costs and mobilizing diaspora savings and collective remittances. The Addis Ababa Action Agenda on financing new sustainable development goals that was defined during the Summit of July 2015 includes a target of reducing the transaction cost of remittances to 3% by 2030. African Union leaders have outlined the need to diversify and improve development financing from domestic as well as private sources, pointing out that novel mechanisms are needed for harnessing and investing remittances for national development, as well as making remittance transfers more cost-effective and enhancing their role in financial inclusion (African Union 2014).

Together with the Constituency for Africa and other African diaspora organizations, CFLP participated in co-organizing the forum "Africans and the African Diaspora: Co-Defining Paths for Africa's Transformation" (September 2014, Washington DC). It focused on how African diaspora members in the United States contribute to their communities of origin through individual and collective remittances and co-define paths for Africa's social and economic transformation. It brought together African diaspora members, policy makers, financial institutions, and scholars of migration for discussions about leveraging African diaspora contributions for Africa's development. The forum built on the development agenda of the African Union voiced at the Global African Diaspora Summit in 2012, which focused on creating possibilities for sustainable dialogue, partnerships, and Pan-Africanist solidarity to advance Africa and its Diaspora. This collaborative Policy Report is an outcome of some of the discussions that started at this forum.

Official migrant remittances to Sub-Saharan Africa are estimated at $40 billion in 2015, and the remittance flows have increased about six-fold since 2000 (The World Bank 2015). Some estimates

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place informal remittances flows to Africa at double the official estimate. Private remittances constitute the largest source of international financial flows to Africa, with remittances remaining a stable source of foreign exchange for national development (African Economic Outlook 2015). That is particularly important in the current context of constantly diminishing aid flows from OECD countries to low-income countries in Africa (Ibid). Remittance transfers to Africa are among the costliest of the world. As of 2014, the global cost of sending $200 averaged at around 8% of the sum sent, whereas the costs of sending remittances to Africa remained close to almost 12% (The World Bank 2014).

Besides material resources, diaspora networks can be an important source of 'social remittances' in the form of ideas, values, skills and behaviors that are transmitted back to the migrants' communities of origin (Levitt and Lamba-Nieves 2011). Social remittances are not just an important development tool, but also contribute to transnational collectivity formation through democratic values and attitudes, technological skills and innovative ideas, organizational practices, and networks of civic engagement (Council of Europe, 2006). The transnational social capital formation is a socially and culturally shaped process, dependent on the norms and networks of trust and mutuality (Eckstein and Najam, 2013). By facilitating organizational learning and exchange of knowledge, migrants' collective organizations can enhance collaboration between public and private sectors. Diaspora members contribute to sending collective remittances through various development projects administered through networks and organizations like "hometown associations (HTAs), ethnic associations, alumni associations, religious associations, professional associations, nongovernmental associations, investment groups, national development groups, welfare and refugee groups, and Internet-based virtual organizations" (Plaza and Ratha 2011). Although such institutions are increasingly prevalent, research of the impacts of collective remittances to the development of migrants' home countries has still been scarce.

Diaspora groups can act as important agents of development particularly in fragile and post-conflict situations. Diaspora remittances can potentially perpetuate conflicts as well as support development. Diaspora remittances in conflict-ridden Somalia, for example, have been known to contribute to military and political purposes like rebel movements, warring factions, and localized clan conflicts (Lindley 2009). Therefore, attention to development policies that support security and peaceful reconstruction is crucial (Sorensen, Van Hear and Engberg-Pedersen 2003). The sparse existing literature examining the role of diaspora in post-conflict development has mostly concentrated on political issues, leaving out the profound economic and social importance of diaspora remittances and their role in partnering with and developing local entrepreneurship (see Lubkemann 2008). Through exercising 'soft power influence' through joint economic projects and skills building, diaspora can contribute towards peace building and sustainable development in contexts rife with vulnerability and potential factional violence (Antwi-Boateng 2012). Creating a favorable policy environment for facilitating the efficiency and transparency of diaspora remittance transfers as well as their productive use is key for successful post-conflict reconstruction and national development. Among the governments of remittance sending countries, attention is needed to fostering regulatory frameworks that facilitate low-cost remittance transfers among migrants, as well as offering them access to financial services and enhancing financial literacy. Policy efforts are also needed by the governments of the receiving countries to integrate remittances into broader national development strategies and financial democracy initiatives (Kleist and Vammen, 2012).

Our research among the African diaspora of the New England area revealed that its members often send money back to their relatives and friends in their communities of origin. Remittances are considered to be a very private and personal issue, and remittance behavior can be affected by cultural, geographical and religious factors. Although senders of remittances are frequently driven by a sense of moral obligation or debt, they cannot be sure that their contributions are always put into good use. Institutional frameworks that enable a productive use of remittances are crucial, including organizational capacity building, access to financial services, development of business skills and relevant technical support. The diaspora members also pointed out the lack of opportunities to connect the relevant organizations and networks on the sending and receiving sides.

It is important that collaboration with diaspora organizations be based on a flexible and participatory approach that is mindful of mutual learning and respect. Diaspora organizations are experts regarding the opportunities as well as challenges that are offered by their communities of origin, and should participate as equal and independent partners in policy-making processes. Capacity building and technical support initiatives should include both communities of origin as well as destination. Diaspora engagement should be approached as a careful balance between seeking new opportunities for collaboration and networking in this era of advanced telecommunications and new technologies for remittance delivery, and striving for longer-term sustainability in establishing the much-needed connections between individuals and organizations (Russell 2013).

The contributors to this volume discuss diverse issues that impact diaspora contributions to the development of their homelands. Perspectives and policy solutions are suggested for improving remittance transfer operations, facilitating the financial access of youth and children through remittance services, and enhancing financial democracy through diaspora contributions to their communities of origin. Individual remitters and people participating in co-development projects with African communities present their opinions about the spiritual, social, and economic significance of their contributions and the challenges and opportunities entailed. Diaspora remittances have an important role in supporting local livelihoods, community development projects, and innovation and entrepreneurship. They are also increasingly central to the creation of transnational communities and networks where new democratic values, norms and knowledge are co-produced. The contributions to this volume suggest that in order to find opportunities to better leverage these novel transnational flows of material resources, knowledge, and technical skill, a further collaborative engagement between diaspora members, policy makers, academic scholars, and development experts remains crucial.

"Diaspora remittances have an important role in supporting local livelihoods, community development projects, and innovation and entrepreneurship."

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Melvin P. Foote *is a pioneer in the field of African Affairs, with over 35 years of experience in over 30 African countries. He founded the Constituency for Africa (CFA) in 1990 to establish a network of organizations, groups and individuals committed to the progress and empowerment of Africa and African people worldwide. Mr. Foote is also the founder of a dynamic CFA-related program called the African American Unity Caucus (AAUC), a broad-based coalition of African-American and African leaders. Mr. Foote serves as an advisor to the African Union's Ambassador to Washington and as a consultant to the World Bank on African Diaspora issues. He has participated in numerous high-level missions to Africa, is the recipient of numerous awards and recognitions and is frequently is asked to speak on radio and television shows and contribute to news publications.*

Organizing the African Diaspora for Africa's Co-Development: How Communication and Commitment Will Help the Continent

MELVIN P. FOOTE (President and CEO, Constituency for Africa)

The Constituency for Africa, which works to shape U.S.-Africa policy, recently co-sponsored with BU CFLP an African Diaspora and Remittances forum in Washington DC as part of its Ronald H. Brown African Affairs Series. It was an important meeting because it further established alliances between people who want to help and those who have the experience and expertise to make sure resources are put to work efficiently and effectively.

The timing was good. The series is held every September, coinciding with the Congressional Black Caucus Annual Legislative Conference. Thus the series serves as a unique platform for linking the CBC members and staff with African-focused organizations, African diplomats and policy-makers and grassroots leadership.

An important subject area of the forum this year concerned Diaspora remittances and African co-development initiatives. Both have a tremendous potential to contribute to local livelihoods, promote entrepreneurship and innovation and facilitate development in African states. To facilitate that process, the forum provided a much-needed venue for suggestions regarding contributions to African development. The audience was a diverse collection of public and private sector representatives, policy makers and academics — all keenly interested in helping.

It's all about communication, which leads to commitment, which in turn leads to concrete results. That's what the CFA is about. The organization was created to educate Americans about African development issues and improve cooperation among the various organizations working on African issues — and it's working. Over the past 25 years the CFA has established itself as a leader in African affairs in the U.S. and it continues to coordinate and educate a broad-based coalition of international organizations, businesses and individuals committed to the progress and empowerment of African people. CFA members regularly meet with ambassadors and distinguished officials from the U.S. Congress, the White House, the U.S. Department of State, the U.S. Agency for International Development (USAID) and the World Bank regarding U.S.-Africa policy issues.

Beyond that, the African Diaspora — representing more than 39 million people in North America — wields extraordinary political, cultural and economic power that can be effectively leveraged to encourage political reform, promote economic development and reduce poverty across the African continent.

The African Diaspora and Remittances Forum was an important step toward creating broader awareness while sharing strategy and plans. We hope for a continued fruitful collaboration around initiatives that help enhance the participation of the African Diaspora in Africa's economic and political development. Commitment and courage, combined with ideas and action, can and will create positive change.

***Fallou Ngom** is Associate Professor and Director of the African Language Program at Boston University. Dr. Fallou Ngom's current research interests include the interactions between African languages and non-African languages, the Africanization of Islam, and Ajami literatures—records of West African languages written in Arabic script. Another fascinating area of Dr. Ngom's work is language analysis in asylum cases, a sub-field of the new field of forensic linguistics. Dr. Ngom's work has appeared in the International Journal of the Sociology of Language, Journal of Multilingual and Multicultural Development, Language Variation and Change, and African Studies Review, among others.*

Remittances as Spiritual Investment: A Senegalese Perspective

FALLOU NGOM (Boston University)[1]

Sending remittances is very important for Senegalese. It is seen as a moral obligation. People have been socialized to learn that when they succeed, it is important to give back to the community that produced them. It has always been an obligation for a successful person to help those who are unable to help themselves: for one's success is really the success of everybody. A person has been successful because he has been helped earlier, and a failure to help others is seen as a moral failure of the person. This moral obligation transcends geographical locations and mobility and is reflected in cultural expectations and practices of sending back remittances to one's family and relatives.

Generosity has a special importance in African cultures, as it is considered a spiritual investment. Being generous to others does not make one poor, but adds to his or her wealth. It is believed that the more a person gives, the more opportunities he or she will have in life. I personally believe that the more money I have, the more I should be able to send back in remittances. My salary increase here in the U.S. is reflected in the amount of remittances that I regularly send back home: if I have a 2% raise, my family back home will have a 2% raise. Since 1996, there has not been a single month that I haven't sent money home. It is part of our family's budget — now managed by my wife. My wife is an American, from Montana. Sending back remittances was one of the first cultural challenges in our relationship. She only fully understood the importance of remittances after staying in Senegal for a year to teach English when we were dating back in 1999. When she came back she had a very different attitude, she understood what the money was being used for and why remittances were so important. Now, she is often more generous than I am when it comes to sending money back to Africa.

Money that is sent back is used both for everyday necessities like food, clothing and shelter, but also to fund ceremonial occasions. Every February we commemorate my Father's passing and host a gathering of relatives. Some of the money also goes to support business endeavors of various family members.[2] And some remittances inevitably go towards medical expenses for various family members: I regularly contribute towards my sister-in-law's diabetes medications. Many Africans start sending money back while they are still students — as did I. The first remittances came from my teaching assistantship salary at the University of Montana. I remember that my first monthly salary was about $750. I would divide the salary in three. One part was for my food and other necessities, the second for my rent, and the third was for sending to Senegal. It is interesting that the same basic division still stands. At that time, all money transfers went through Western Union; there was no other way. During my first full-time teaching job at the Washington State, and later at Boston University, I started exploring other ways of sending money, as Western Union was getting expensive. These included bank transfers as well as specialized money transfer operators that were widespread among Senegalese immigrant communities in the East Coast.

In the first year that I came to the U.S., my Dad died, which was a very traumatic event for our family. With that death, responsibility for the extended family fell on my shoulders. My Mom had 9 children, I was the oldest boy. I decided to travel back home for the funeral service. On the 8th day of mourning, our extended family assembled and held a discussion about the future of our household. According to the local practice, in case of the death of the household head, younger dependents may be assigned to different households, sometimes far from each other, and the family house could be sold. I decided that I won't let that happen. I decided at the family gathering that our family should remain as one unit, and promised to do my best to financially support that arrangement. I told my siblings: if I eat, you will eat, and the taste of my food will be the taste of your food. And they all agreed that we have to feed the house; the house is not to be sold.

1 Interviewed by Daivi Rodima-Taylor, February 26, 2015.

2 It is interesting to note that one of my younger brothers is currently planning to start a remittance sending franchise in Ziguinchor (southern Senegal) in partnership with one of the local international remittance companies.

We managed to keep our family together and my brothers are all doing well, some of them have their own businesses. That is the real significance of remittances.

Sending back money, even nowadays where there are more options and faster ways of transfer, still entails a lot of logistical effort and time spent on communication. The generosity that is entailed in sending back remittances is often perceived as an investment of a special kind — a spiritual investment. It will generate more opportunities for that person who is extending himself through remittances. And there is often a belief that if a person refuses to help and chooses to save instead, negative consequences can occur. Personally, I credit my successes to my willingness to share, creating flows of abundance for myself and others.

The act of remitting does not necessarily indicate control over the uses of remitted money. The money is considered to belong to the recipients once remittances have changed hands. They could use it to occasionally fund ceremonies and gatherings, or distribute it to others in need. Some supervision and advice may be in order, of course, if remittances are sent in support of a business endeavor. I see my remittances to my Mother as a price and an appreciation of her motherhood. As it is said in our culture, if my Mom is happy, there is no force that can challenge me. A mother has a special connection with her child, which also entails a spiritual connection. Making one's Mom happy can open doors to unrestricted success — that idea is reflected in local cultural as well as religious cosmology of Senegal. The Senegalese perceptions of generosity and sharing could be contrasted with the Weberian emphasis on saving and accumulating wealth. Both of these ethics generate wealth and prosperity, but through different mechanisms. Many Senegalese accumulate to spend, thereby opening doors to new abundance. That could be seen as 'saving spiritually'.

"The Senegalese perceptions of generosity and sharing could be contrasted with the Weberian emphasis on saving and accumulating wealth. Both of these ethics generate wealth and prosperity, but through different mechanisms."

This intertwining of material wealth and wealth in people and relationships can be seen as mediated through 'spiritual transactions,' where the concept of *baraka* plays a central role. It is used to designate wealth in both a material and immaterial sense, and its generative mechanism is spiritual endorsement — from your family, community, and all the people who have sustained you. When a Senegalese immigrant is sending money back home, he or she is creating wealth that is more enduring in nature. This understanding of wealth goes beyond concrete relationships between individuals, right to the heart of personhood. Money is just one of many elements to invest in a larger wealth that is both material and immaterial. One can have money and lose it, but the opportunities for wealth generated through sharing are greater than the money itself. Because of that, remittances could perhaps be called 'selfish investments,' but only in a broader cosmological sense. The form of *baraka* generated through these spiritual transactions is enduring and omnipotent, and underlies the continued relevance of sending back remittances for millions of migrants all over the world.

***Nikos Passas,** Professor of Criminology and Criminal Justice at Northeastern University and co-Director of the Institute for Security and Public Policy, specializes in the study of corruption, illicit financial/ trade flows, and international crimes. He has authored more than 150 articles, book chapters, reports and books in 13 languages, and currently serves as serves as editor-in-chief of the international journal Crime, Law and Social Change. Prof. Passas is Chair of the International Advisory Board, African Centre for Anti-Corruption, Integrity and Accountability (ACACIA). He is also Law Professor at Case Western Reserve University; Programme Consortium Member and Faculty at the International Anti-Corruption Academy, Vienna; Corruption Program Director at the Ethics and Compliance Officer Association (ECOA); and INSPIRE Fellow at Tufts University.*

Improving Remittance Operations in Africa

NIKOS PASSAS (Northeastern University)

Even though the remittance market is big (the World Bank estimates put it to $400 billion a year) and growing, competition in the African markets is not strong enough and the options are limited in several parts of the continent. The cost to individual customers is far too high, averaging around 10% of the amount sent. When it comes to Africa, the average cost is even higher: 12.5% of the amount remitted. This is an unnecessarily high rate that effectively constitutes a tax on the poorest continent. Given that some big remittance players are not African, this tax does not even stay within the region. In a context where total financial outflows exceed total inflows, the negative effect on development and economic growth is substantial and consequential, as efforts to attain the Millenium Development Goals and improve security, education, health, and the environment are undermined.

Financial controls can serve to monitor and counter illicit (out)flows as well as assist with the fight against serious crime, asset recovery and repatriation. The big question, however, is this: Do such controls succeed or do they produce their own negative externalities?

The path towards effective financial and anti-money laundering (AML) controls is replete with challenges due to a lack of political will or genuine commitment to engage in the reforms necessary and implement appropriate measures. Many countries suffer from insufficient technological, resource and skills capacity. Proper AML requires the cooperation and contribution of several agencies and processes that need to be coordinated. Technical assistance and capacity building projects, however, are often uncoordinated, and there is no systematic quality control. At the normative level, there are disparities between what the law mandates and what many people consider acceptable or even useful practices. Moreover, the cost of compliance for financial institutions is high, particularly for small operators. Finally, corruption problems and wanted governance add to the challenges in both the public and private sectors.

All this results in a higher cost of doing business; small companies get eliminated from the competition and the big players left in the market under-serve certain communities or offer no service in many locations. Charges for remittances remain at the highest level in the world — even the 5% target recently set by the G8 should be considered too high, given the current technologies and overall financial sector capacity. As a result, humanitarian and other aid efforts are being hampered. At the same time, some AML practices have generated collateral damage: innocent parties, including charitable organizations, have been targeted unnecessarily and unfairly.

Yet, controls do not appear to be stronger, as remittances services are pushed underground or may criminalize legitimate clients and transactions. In addition, ethnic communities in sending countries and recipients in Africa are becoming less trusting and willing partners in AML/CFT. In extreme instances these developments fuel new grievances, anti-globalization or anti-Western rhetoric, and radicalization.

In addition to ill-considered AML policies that produce externalities, problems are compounded by the concentration of market power, private sector practices and flawed financial regulation. This completes a context in which banks are favored over alternative remittance payment options, while bank networks are not well adapted to process low-value retail flows, and are allowed to impose levies as well as opaque foreign currency charges. Moreover, 'exclusivity agreements' between money transfer companies, their agents and banks further restrict competition and drive prices up. Within-Africa remittances are occasionally more expensive than cross-continental ones. For example, South Africa to Mozambique or Nigeria to Ghana remittances may cost all the way up to 20% of the sum.

As noted by the Central Bank of Nigeria (2008), "exclusivity clauses aimed at protecting the interest of the International Money Transfer Operators, constitute a restraint on competition and unnecessarily increase the cost of money transfer services to the users." In Gambia, exclusivity clauses "constitute an abuse of the

dominant position enjoyed by" two dominant remittance companies (Investigation Report to Competition Commission, 2011).

If Africa attained the 5% cost set a target by the G8, this would increase the amounts for recipients by $1.8 billion annually. The benefits would be extraordinary, as this amount is equivalent to the sub-Saharan African cost of education for 14 million primary school age children; it could improve sanitation for 8 million people or provide clean water for 21 million.

WHAT CAN THE DIASPORA DO TO ASSIST?

The first broad task is to help establish the facts and document with precision by country or region the problems outlined above, especially with respect to market concentration and commercial practices that inflate remittance charges. The second task is to advocate for transparency on currency rates and actively promote positive changes towards lower cost, more competition, and better investment options for Africans, as well as more effective financial controls and good governance.

Specific projects and activities that would facilitate the achievement of these general goals include the following:

- Raise awareness of the issues in sending and receiving countries and help revoke exclusionary agreements.
- Place remittances at the center of the investment and development agenda.
- Sponsor research into the different existing and potential remittance channels available and applicable in Africa and document thoroughly the respective risks and benefits with respect to financial controls, thus enabling more informed debates and strategic planning for remittances regulation, growth, and investment in the continent.
- Following from such improved knowledge and understanding, support remittance and value transfer channels, including informal channels under appropriate and context-sensitive regulation and controls.
- Promote innovation with transparency and traceability.

Remittance regulation and markets as well as financial controls would especially benefit from a diaspora-led collaboration with the donor community, international organizations, and African governments. The focus of these activities should be on the following:

- Systematic and thorough risk and capacity assessment in each region
- Adoption of a strategic approach for the longer term and improved coordination of national government agencies
- Outreach to all stakeholders, including private sector, civil society, political parties, civil service, and government officials
- Maximization of existing resources, based on the principle that you build on what you have
- Collaboration between control authorities with *hawala* agencies and operators and in-depth exploration of alternatives to bank and *hawala* options
- Thoughtful and pragmatic management of expectations as policies and measures are introduced
- Collaboration with the donor/NGO community to align their tasks and activities at home and in Africa
- Devising and applying performance indicators to measure progress, identify problems, amend policy and enhance accountability.

Such initiatives would serve to enhance some of the most positive aspects of the remittance business, such as reuniting remitting and receiving communities, supporting livelihoods and innovation at home, reintegrating and rebuilding relationships between the African diaspora and their families and home countries, facilitating productive investment and supporting good governance.

***Anthony Kasongo** is an activist and advocate of social justice and human rights with over 15 years of professional experience and leadership in the areas of project management, technology and problem solving. Mr. Kasongo currently holds the position of Executive Director for the Congolese Genocide Awareness (CGA) and Director of IT for the Patriot Energy Group in Boston Massachusetts. During his time at CGA, Mr. Kasongo has been essential to building collaborative partnerships with international organizations such as with One Million Bones and Enough Project, to educate, advocate and create change regarding the atrocities taking place in Congo. Most recently, Mr. Kasongo joined then state representative, Marty Walsh and Congo Action Now to promote Bill H.2898, An Act relative to Congo conflict minerals. The bill requires any company registered with the Securities and Exchange Commission to take steps to report on the origin and supply chain of conflict minerals from Congo.*

A New Beginning for Congolese Genocide Survivors Through Diaspora Remittances

ANTHONY KASONGO, Executive Director, Congolese Genocide Awareness

Women's microfinance initiative Mwanzo Upya (A New Beginning) is located in the eastern part of the Democratic Republic of the Congo (DRC). It is a diaspora co-development project organized by Congolese Genocide Awareness, Inc. (CGA), which is a U.S.-based non-profit organization dedicated to working to enhance the quality of life for Congolese Genocide survivors. It is also an important fund-raising actor among the Congolese diaspora community. The project was started after the war in eastern Congo to provide help to women and children who had suffered in war atrocities. The microfinance project helps the victims of war to re-gain their economic independence and find their place in the post-conflict society. It arose as an initiative of a small group of Congolese Americans, who contributed initial funding and technical know-how, and worked with the Congolese community on finding suitable principles for facilitating the lending groups.

> *"We work under the assumption that every woman has a skill. We simply provide the opportunity for women to do more with the abilities that they already have."*

The project started in 2012 and is offering women micro-loans to grow their small businesses and support their families. The project is based on a peer solidarity model, where loans are issued to individuals in small groups and subsequent loans depend on repayment by all. With guidance from CGA, women form lending groups that provide accountability and support throughout the lending and repayment process. The project also teaches women business and money management skills and helps them work cooperatively. Once the loans are paid back, borrowers are eligible for larger loans. That helps build strong businesses and provides a significant incentive for the borrowers to repay, empowering women to change their lives and the lives of their families.

The project started with 15 members and today manages about 300 women, directly impacting over 5,000 family members of the genocide survivors. Project members are reporting significant increases in children's school attendance, household spending on food, as well as growth in women's savings and income. A group of five women, for example, used the project loans to start a joint coffee shop, selling home-made tea and *mandazi* (African donuts). Using the income from their thriving business they started traveling to neighboring Burundi to buy second-hand clothing and reselling it locally, further augmenting their income.

The diaspora-based core group organizes regular fundraising events among the Congolese American diaspora members, and visits the Congolese communities to help with training and follow-up. It engages people with different skill sets from the diaspora community for assistance with different aspects of the project — including teachers, business people, community facilitators, and microfinance experts. It also facilitates cooperation of the project with local Congolese government and other organizations, including a local hospital that helps with physical and psychological rehabilitation of the genocide victims.

Diaspora contributions — both social as well as economic — have a tremendous importance for rebuilding post-conflict Congolese communities. In 2013, diaspora economic remittances to the DRC amounted to USD 7 billion — which was only about 1 billion less than the Republic of the Congo Government Budget for 2014. Particularly in fragile post-conflict contexts, the importance of diaspora remittances for national development is paramount. Regular fund-raising events organized by CGA bring together diaspora members for dinners, sporting events and other occasions. These events highlight diaspora activities and contributions in assisting the genocide victims and continue engaging Congolese Americans in co-development efforts for post-conflict rehabilitation of their country of origin.

***Floor Knoote**, born in Amsterdam, has done research in the field of human rights for several academic institutions in the Netherlands, and worked for the protection of human rights defenders. As the CYFI Research & Evaluation Coordinator, she coordinates the development of new research projects in innovative child and youth finance topics in order to lead the organization's efforts in proving its theory of change and has initiated and coordinates regional research platforms that aim to increase the evidence base on successful youth economic empowerment policies and programs on a regional level.*

Youth and Remittances: Opening the Door to Financial Inclusion and Building Sustainable Livelihoods

FLOOR KNOOTE, Child and Youth Finance International

There is growing recognition among policymakers that children and youth are important economic actors whose financial decisions shape future economies. However, poverty, debt, and financial uncertainty often affect children and youth at greater levels than adults. In order to overcome the marginalization of children and youth in the economic sphere, youth have to be equipped with the financial tools and life skills necessary to participate in this system and build a sustainable livelihood. Research indicates that remittances may be able to play an essential role in improving the livelihoods of young people, in the form of inclusion, increased income and youth self-employment (Anzoategui et al. 2014; Braga 2009).

ESTABLISHING FINANCIAL INCLUSION FOR YOUTH

Financial inclusion is paramount for sustainable livelihoods. It involves access to basic financial services as well as provision of efficient, affordable, and convenient services. Truly inclusive finance provides a secure place to keep money and accumulate assets and promotes a sense of dignity for all clients without regard to age, social standing, or economic status (Sherraden and Ansong 2013). The case for financial inclusion of children and youth is not only supported through increased economic and financial well-being or financial knowledge and skills, but also with psychological health, reproductive and sexual health, academic achievement and education attainment and expectations (Ibid.). Formal-sector savings accounts appear to give young people a cushion from economic shocks (Deshpande 2013) and protect children from resorting to informal money lenders or potentially abusive and exploitative situations.

THE LINK BETWEEN REMITTANCES AND YOUTH FINANCIAL INCLUSION

There is growing agreement that "a well-functioning payment and remittance ecosystem" plays a key role in enhancing financial inclusion and poverty reduction (CGAP 2014). Remittances lift millions of people and households out of poverty by improving living standards, as well as decreasing the demand on government services. They can help families on the road to financial independence, savings and investment. Studies have shown positive effects of remittances on different components of financial inclusion. For example, there is evidence from various parts of the world that municipalities where a higher proportion of households receive remittances have a higher number of bank branches and accounts per capita, and a larger share of deposits to GDP; also that remittance receipt is strongly associated with the ownership of savings accounts; and that remittances have a direct poverty-mitigating effects (Demirgüç-Kunt et al. 2011; Ambrosius 2012; Gupta et al. 2009). Remittances can additionally be of particular importance in conflict-affected and post-conflict contexts, where they frequently remain the only lifeline for the family members who have been left behind.

The African Development Bank, among other institutions, has highlighted the role that remittances can play in the empowerment of the less privileged in society, specifically highlighting the importance of access to finance in creating opportunities for African youth. Research on Africa reveals that youth definitely receive remittances and use remittance services. Specifically, 67% of young migrants under 25 remit, compared to 75% of migrants over 25 years of age (Orozco 2008). Data on remittance channels segmented by different age groups in Africa expose that most young migrants send remittances through informal channels (couriers, personal delivery or friends or relatives). Informal channels can be more risky and expensive than formal channels but may be the only option for young people who cannot access formal banking systems, due to illiteracy, or lack of documentation and official identification. There is thus a serious need for youth-friendly remittance mechanisms.

Several projects have been initiated to catalyze the savings of young remittance recipients. The Multilateral Investment Fund and Red Katalysis have recently initiated a project in Honduras which aims to increase the use of savings by remittance recipients through financial products and services tailored to their needs and references. Their savings products are targeted to young people who benefit from remittances. In the long term, the project hopes to see the benefits of a focused strategy on the young remittance recipients, and to achieve a savings business model that is both profitable and makes advances in financial inclusion for the region (MIF 2014). Even though there is limited evidence on the impact of remittances on youth financial inclusion specifically, a number of studies have indicated the positive impact that remittances can have on financial inclusion of general populations. Factors that appear to impede the positive effects of inclusion are the level of education and financial literacy and the level of formality of the financial institution that is used to receive the remittance. However, several outcomes associated with financial inclusion of young people appear to be positive, so there is a case to be made for the promotion of remittances among youth.

Questions that remain untouched include usage of young remitters' accounts, the dynamic behind the impact of informal transfers versus the impact of formal remittances on young people, and the role financial education or financial literacy plays to catalyze access to savings products for youth relative to how and whether this plays a role for adults.

REMITTANCES AND THEIR IMPACT ON EMPLOYMENT AND ENTREPRENEURSHIP

Especially developing countries are characterized by high unemployment rates among its young, and the consequential risks of a restless young population: "Migration is seen by youth as a strategy to cope with limited employment opportunities, particularly in rural areas" (FAO 2013). According to the FAO, migration is often chosen as a strategy in the contexts of a lack of social safety nets and weak capital markets, often characteristic to rural areas. Significantly, youngsters who engage in such "distress migration" may lack required resources that migration necessitates, such as economic assets like savings or an active bank account. There is a higher propensity of rural youth to resort to internal migration. "The most important [contributing factor] is undoubtedly the lack of decent employment opportunities for youth in rural areas, and the high incidence of vulnerable employment and poor working conditions among youth" (Ibid.). The World Bank argues that young people are 40 percent more likely to move from rural to urban areas or across urban areas than older individuals. Another concern is that receiving remittances increases dependency and thus reduces the incentive to seek employment. Studies conducted in El Salvador and Sri Lanka indicate that "children of remittance-recipient households have a lower school dropout rate and that these households spend more on private tuition for their children" (Hollifield et al. 2014). Moreover, other studies prove that remittances "provide capital to small entrepreneurs, reduce credit constraints, and increase entrepreneurship" (Ibid.). This is essential because often countries that receive a large amount of remittances have citizens that have inadequate access to credit. A good deal of remittances comes from young migrant workers, who send back significant amounts of their earned money for their family use or to pay for bride-price and other marital expenses. While most remittances are used to pay for family consumption, "[m]any migrants use part of their earnings to set up businesses in their home country" (Cotula 2004).

It is fair to say that to date limited attention has been given to the relation between migration, financial inclusion, youth, entrepreneurship and employment. Still, a growing number of rural youth are migrating to cities that can only offer limited job prospects. With a growing young population and the worrying examples of the Arab Spring, it is essential to understand better what factors could contribute to creating a more conducive environment that stimulates sustainable livelihoods for youth with the help of remittances. Questions that need more investigation include what remittance-related financial products could be developed to support rural youth in their internal migration activities, what are the conditions for young mobile users to have access to mobile payment systems, and which special remittance channels exist for financing education. It is also important to explore what kind of assistance diaspora organizations and governmental institutions can provide to encourage contributions to the development of their countries of origin by second and third generation migrant youth.

CONCLUSIONS AND POLICY RECOMMENDATIONS

It is important to find effective ways for leveraging remittances for development through financial inclusion mechanisms. If financial institutions that pay out the remittances offered the beneficiary families a selection of basic financial services such as savings accounts and small loans for microenterprise, the portion of remittances saved and invested could grow. A longer term goal is the promotion of the willingness of banks to introduce reliable financial products for remittance beneficiaries, while increasing access to financial literacy programs so that the population´s enthusiasm to engage with the formal banking system is enhanced. This could be especially relevant for youth and young remittances receivers as they stand at the beginning of potential contribution to their country's economic development.

> *"A longer term goal is the promotion of the willingness of banks to introduce reliable financial products for remittance beneficiaries, while increasing access to financial literacy programs ..."*

Remittances must be integrated into the overall framework of migration management policies and development strategies. The youth segment should be an integral focus of these policies. Rural youth in particular can be supported by developing innovative financial products, including those offering internal remittances services that would reduce costs of remittance sending and increase the speed of delivery. Because of constantly increasing refugee-based migration flows, particular attention should be paid to facilitating the access of youth to remittance services and related financial products in the contexts of forced and voluntary displacement. Regulatory development is necessary to ensure that youth have access to adequate institutional and legal options that provide them more autonomy over their transactions, and that youth accounts are tailored to their needs and have the necessary consumer protection. As part of a broader framework of financial inclusion, youth remittances should not be treated as separate from issues such as diaspora, education and environment. Both social and economic empowerment goals should be considered when leveraging remittances for broader financial inclusion and economic development of young people.

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The African Diaspora and Remittances: Problematizing the Discourse

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The tradition of sending remittances is as old as human history, taking many forms — monetary and in-kind. Individuals and groups from countries of the global North have been engaged in sending remittances from the global South to their countries of origin for centuries. Indeed, during the early 19th century, Great Britain, Spain, and Italy were beneficiaries of remittances from many parts of the world, including Africa. Remittances from the African continent were mainly in-kind, taking the form of exotic animals, skins and hides, precious stones and other artifacts. In a sense, therefore, South-to-North remittances have been in place for a long time despite the fact that this has received little attention. Hence, the contribution of such remittances to the economies of countries of the global North is not well known. More recently, attention to remittances has focused on monies sent by immigrants from poor countries of the global South to their countries of origin, and the impacts of these remittances to the economies of these countries. Available data on the subject indicate that the amount of total global remittances from foreign workers to their home countries has grown considerably, from about $170 billion in 2002 to about $318 billion in 2007. Current estimates of flows to countries in the global South stand at $414 billion (IFAD, 2013; IRIN, 2014; OECD, 2006). In fact, there is some evidence suggesting that total remittances to poor countries account for more than double the value of foreign aid (ADBG, 2013; IFAD, 2013).

"Largely because of this dramatic increase in remittance sending, attention — both political and academic — has been devoted to understanding the issue of remitting."

Largely because of this dramatic increase in remittance sending, attention — both political and academic — has been devoted to understanding the issue of remitting. Topics of interest include exploration of the determinants of remittances, transfer channels used, and the economic impact of the remittances on receiving countries. We contribute to this growing body of knowledge by highlighting three positions that have received little attention. The first is that remittances occur in a private sphere; they are generated through private effort to support private behavior, activities and goals. Their primary objective should be understood within this domain. The second point we make is that remittances are located in a complex social and cultural environment, pointing to the need to understand the complexity of the exchange, including social context and relations that guide that exchange. Finally, we argue for the need to locate remittances within global systems of inequality that define how the African immigrant and member of the diaspora engages with multiple social and economic structures, including the labor market, that give rise to remittances.

REMITTANCES AS A PRIVATE BEHAVIOR

In remittance receiving countries, money sent by one's relatives and friends can be the single source of income for many. It is used mainly for education, consumption, and other economic and social needs such as meeting health care expenses and paying for funerals and other ceremonies. In fact, there is some evidence suggesting that about 80 percent of total remittances to Africa are directed towards education (Adams 2005). The range of monies sent by an individual at a time varies widely — it may be as little as fifty dollars to thousands of dollars. In general, the nature of remittances, from the perspective of the originator and recipient, is that they are a product of private behavior, and are remitted to support private activities. Contribution to the economy, although desirable, should be seen as a positive externality; it should not always be seen as the intended goal.

COMPLEXITY OF THE EXCHANGE

For many people of African ancestry, familial and kin obligations go beyond one's immediate family to encompass the extended family. It is, therefore, not unusual for a wealthy family member to provide support, monetary or otherwise, to needy family members. In the context of this discussion, we would look at these "within country remittances" as part of the kinship obligation. Moreover, with a growing number of Africans living outside of their home countries, private familial obligations — such as remittances — have been globalized and become more visible; they have increasingly fallen under public and academic scrutiny.

SYSTEMS OF INEQUALITY AND THE AFRICAN IN THE DIASPORA

Exploration of the effects of remittances requires an understanding of the context within which the remittances are produced. Evidence exists suggesting that African immigrants to the U.S.A. are one of the most highly educated group — many of them are likely to have a college degree. However, they are likely to be located in low-paying jobs, often in secondary labor market characterized by atypical working conditions and limited upwards mobility. In that sense, remittances come at a social cost to the African in the diaspora — they are immersed in acute sacrifice.

CONCLUDING REMARKS

As observed, the question of remittances has continued to receive attention from a wide range of stakeholders, including politicians and academia. The primary objective of remittances is to support private behavior and activities such as education, consumption, and access to health care. Benefits, however, may accrue on individual, communal, and even national scales. At the individual level, benefits may consist of enhanced education enrollment and attendance, improved consumption patterns, and increased access to health care. At the community level, they may include improved income generation, small business and infrastructure development, and enhanced security and welfare. At the level of the nation, remittances can boost economic development, help in efforts to reduce poverty, and promote access to productive resources especially among marginal social categories (Adams, 2005), promoting national development and empowerment for all citizens.

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Novel Attitudes to Remittances and Diaspora as a Path towards Financial Democracy

DONALD F. TERRY

Tens of millions of migrants have been sending hundreds of billions of dollars back to their home countries each year to support their families. Money and goods are one side of this international equation. People are the other. Yet the impact of these huge inter-national flows of both money and human capital is only beginning to be understood. Today, at least 1 in 10 people around the world is directly involved with remittances—either sending them or being supported by them back home. However, these huge sums of money and flows of workers have been hidden in plain sight for decades. Why has that been the case?[1]

First of all, remitters to developing countries tend to send money in small amounts: $50 to $300 each month is typical. Migrants often send remittances in ways that lie outside of any formal financial system. Some money is still hand-carried. As financial institutions are generally not interested in these families as customers, people in many parts of the world still rely on international money-transfer companies or local neighborhood operators for their remittance transactions. Since the vast majority of these remitters do not use banks, they also lack access to savings accounts, loans, and other financial products. These remittances have not been counted in the financial statistics collected to track international financial flows. Nowhere is this truer than in Africa where the majority of remittance transfers remain informal and the cost of sending them is far above the world average.

There is often another reason why remittances have been undercounted: the people sending or receiving them are typically poor and largely invisible. Many hail from poor regions in their home countries, many work in low-skill, low profile jobs. Still, they save a far higher percentage of their income than average households in rich countries do, and these savings translate into expanding global flows of remittances.

Remitters and their families are in the forefront of forging a new kind of global community, with transnational families and inter-personal networks that surmount traditional geographic boundaries and create new forms of social and economic interconnections.

Remittances represent a huge range of potential opportunities not only for individual families, but also for local communities and national economies. Yet these global flows remain largely undeveloped with respect to providing the poor with more options in using their own resources. Remittances can be seen as financial flows in search of financial products. Yet few financial institutions are meeting the needs of these transnational families, and few public authorities are creating enabling environments to leverage these flows. Remittances can be the point of entry for many remitters to the formal financial system. Most remittance families are either “unbanked” or have only limited contacts with formal financial institutions.

Even more importantly, financial democracy requires new partnerships: with civil society, diaspora groups, nongovernmental organizations, microfinance institutions, and cooperatives in both developed and developing countries. Besides new partnerships and new institutional modes of leveraging the resources of the migrants, financial democracy requires new approaches and new attitudes toward handling it. Remittances are private transactions between private parties, family money: family members work hard to get it and endure considerable sacrifice to accumulate it. The transfer of remittances represents the ultimate in family values: hard work, thrift, sacrifice, and hope for a better future. Every party involved in the remittance process needs to be included in order to provide more and better options for remittance families to use their own resources. First and foremost, that highlights the need for a profound recognition among academics, policy makers, and financial industry specialists of the importance of including diaspora members, their families, as well as informal remittance transfer operators and all parts of the existing global remittance networks in multi-sided consultations and a constructive dialogue about the future of remittances.

1 Please see also *Beyond Small Change: Making Migrant Remittances Count;* Donald F. Terry, Steven R. Wilson; Washington DC, 2005.

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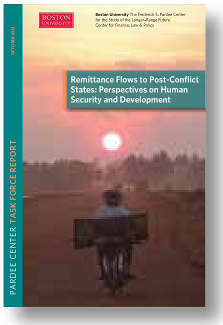
BOSTON UNIVERSITY TASK FORCE REPORT

Remittance Flows to Post-Conflict States: Perspectives on Human Security and Development



The interdisciplinary research Task Force by the Boston University Center for Finance, Law & Policy was one of the first attempts to systematically analyze post-conflict remittance systems and the potential for leveraging remittance funds for post-conflict development. Migrant remittances play a central role in post-conflict reconstruction and development. The interdisciplinary Task Force initiative resulted in a collaborative Report "Remittance Flows to Post-Conflict States: Perspectives on Human Security and Development" that outlined the findings and drew policy recommendations to enhance the economic and social role of remittances in post-conflict reconstruction efforts.

Remittances can be a major catalyst for economic and social development particularly in post-conflict contexts that are characterized by population displacement and endemic institutional breakdown. Instabilities generated by the violence impact local livelihoods and family relations, networks of social security, and institutional and physical infrastructures. The fragility of post-conflict environments necessitates that attention be given to sustainable institution-building for remittance systems to be able to contribute to lasting peace. The Report was guided by a central focus on human security that highlights the role of remittances in building local resilience through reliance on a broad range of local institutions and with attention to individual and community participation.

The Task Force also established that remittances can act as a gateway to greater financial inclusion, while also providing crucial post-conflict stability. Drawing upon existing networks of social support and interacting with a variety of institutions, remittance flows facilitate multi-scale connections between diverse organizations and foster local innovation and empowerment. Highlighting the increasing complexity of global remittance systems, the Task Force Report examined opportunities for greater formalization of remittance transfer channels and possibilities for enhanced collaboration with diverse institutions. It explored the challenges to regulating international remittance transfers in the context of growing concerns about transparency, and investigated the increasing role of diaspora networks and migrant associations in post-conflict co-development initiatives. Situating remittances within a broader framework of human security, it suggested an emphasis on the growing connectedness of diverse aspects of human vulnerability in post-conflict reconstruction. ■

Boston University 2013, Center for Finance, Law & Policy, and the Frederick S. Pardee Center for the Study of the Longer-Range Future, October 2013. Lead researcher and editor: Daivi Rodima-Taylor; Co-conveners: John Harris and Donald Terry.

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