Sub-Saharan Africa: Data on Investment and Emigration

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The severe financial capital flight that Africa experienced until the late 1980s has started to be reversed. The factors that have accounted for this repatriation are probably the reduction in the parallel market premium and African indebtedness, the reduction in the incidence of civil war, and the decline in real US interest rates. **In contrast, we find that human capital flight is rapidly increasing**, as the emigration of the educated is subject to much more powerful momentum effects than financial capital flight. Finally, we find that for both types of capital flight policy changes only affect outcomes with long lags, suggesting that Africa's human capital exodus will be an increasingly important problem (Collier, 2004).

Investment:

Private flows to the region remain predominantly in the form of FDI. **Inflows of FDI to Sub-Saharan Africa from all sources in 2003 were $10.6 billion**, which represented a 20 percent increase from 2002 inflows of $8.9 billion. The recovery in FDI flows may be attributed to increases in investment in natural resources and continued liberalization of FDI policies in many African countries. The increase in FDI was also spread more evenly across countries and industries; along with natural resources investment, FDI in services (particularly in telecommunications, electricity, management, and trade) has risen (ITA, 2005).

Although inflows in 2003 were relatively high, **Africa's share in the world FDI inflows remains small at 1.9 percent** of worldwide FDI inflows in 2003 and 6.2 percent of inflows to developing countries. The U.S. Sub-Saharan Africa accounts for **less than one percent** of the U.S. direct investment position worldwide (ITA, 2005). Top countries for FDI flows to Africa are France, the Netherlands, South Africa, the U.K., and the U.S. (UNCTAD, 2005).

FDI outflows from Africa were $1.1 billion in 2003, and it is estimated that they more than doubled in 2004, mainly from cross-border acquisitions by TNCs [transnational corporations] from South Africa, following an increasingly liberalized investment policy (ITA and UNCTAD, 2005).

Emigration:

The number of highly skilled emigrants from Africa increased from 1,800 a year on average during 1960–75 to 4,400 during 1975–84 and 23,000 during 1984–87. These trends were confirmed in the 1990s in the face of the increasingly "quality-selective" immigration policies introduced in many Organisation for Economic Co-operation and Development (OECD) countries (World Bank, 2005).

Although the share of skilled workers in the total labor force in Sub-Saharan Africa is only 4 percent, these **skilled workers comprise more than 40 percent of all migrants**. As a result, close to 20 percent of all skilled workers have emigrated out of Sub-Saharan African countries, excluding South Africa (World Bank, 2005).

The rate of skilled migration exceeds 50 percent in five African countries (67.5 percent in Cape Verde, 63.3 percent in The Gambia, 55.9 percent in the Seychelles, 56.2 percent in Mauritius, and 52.5 percent in Sierra Leone). On the western and eastern coasts of Africa, tremendous rates of emigration are found in nations such as Ghana, Mozambique, Sierra Leone, Kenya, Uganda, Angola, and Somalia (World Bank, 2005).

Regarding selection (that is, the proportion of skilled emigrants in the total emigration stock), **the highest selection rates are observed in a few of African countries (including Nigeria, Swaziland, South Africa, and Zambia)** (World Bank, 2005).

Remittances:

Sub-Saharan Africa received $4 billion, or 5 percent of the global total, in official remittances in 2002....As for unrecorded flows, no estimate is available, but the report extrapolates from global estimates that these flows would be 2.5 times the official data. **Unrecorded flows appear to be exceptionally high in Africa**, especially in certain countries. In Sudan, for example, informal remittances are estimated to account for 85 percent of total remittance receipts (World Bank, 2003).

The sums transferred by migrant workers account for a significant portion of GDP of African countries. One example is **Cape Verde, where fund transfers amount to USD 75 million a year, or 12.5 per cent of GDP**. They also surpass the official development aid received by certain countries. **In Eritrea, for instance, fund transfers amount to USD 141 million, while official development aid totals USD 148 million**; hence the need to pay closer attention to the leveraging effects of such funds on development (IOM, 2005).

Resources

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