



Diaspora Engagement in Ethiopia: Finding its Footing

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Ministry of Foreign Affairs



Introduction

State level diaspora engagement policies have gained popularity in the last decade as states increasingly seek to capitalize on the resources that migrants can offer their country of origin (Levitt, 2001). It has become widely accepted that Diaspora members can offer gains to the countries of origin for economic and social development. The greatest focus in this area has been on international remittance flows, but knowledge transfer programmes and general Diaspora investment is gaining popularity. Ethiopia has been implementing Diaspora engagement policies and establishing government institutions to engage the Diaspora over the past decade. Although their policies are not as advanced as historic migration states such as Mexico or India, they are one of the most progressive in Sub-Saharan Africa. The purpose of this policy brief is to give a brief out-line of the diaspora engagement policies in Ethiopia. This brief is based on an in-depth policy review, individual interviews with Ethiopian Government representatives and international organizations, and observations and insights gained at the Dialogue on Mediterranean Transit Migration (MTM) Final Conference in Addis Ababa. The field work was conducted from April- June 2010.

The Ethiopian Diaspora

Emigration from Ethiopia is a fairly recent phenomenon that largely began in the 1970s with the Ethiopian Revolution. The Revolution in 1974 led to two decades of conflict and large refugee flows out of Ethiopia. In the 1980s the refugee crises in the Horn of Africa was the largest in the world with over one million Ethiopian refugees residing in the nearby countries of Sudan and Kenya (Bariagaber, 1997). The majority of refugees returned or were repatriated to Ethiopia in the 1990s and a small percentage received resettlement in the United States or Europe. In the 1980s Ethiopian refugees were one of the largest groups resettled to the United States, which significantly contributes to the large Ethiopian population in the United States at present (Singer and Wilson, 2007). Today, emigration from Ethiopia continues with both low and highly skilled migrants, but is now focused on economic migration and refugee flows out of Ethiopia are minimal. Although Ethiopia, in comparison to other Sub-Saharan African countries, has a low emigration rate at 0.4%, due to its sheer population size of approximately 80 million people, in absolute numbers it has a large diaspora community. The exact size of the diaspora is unknown, but is estimated to be 1-2 million people with large populations in the Middle East, North America and Europe. In comparison to other Sub-Saharan Africa countries, Ethiopians are the second largest group in the United States (after Nigeria) and the fifteenth largest in Europe (AFTCD-AFTQK, 2007).

Institutions

Ethiopia has a young history of diaspora engagement and most government institutions have been established only recently (mainly in the last five to ten years) to better engage with and serve the diaspora living abroad. Table 1 provides an overview of the key institutions involved in Diaspora Engagement in Ethiopia. At the national governmental level, the Ministry of Foreign Affairs and the Ministry of Capacity Building are the main ministries responsible for diaspora engagement. The Ministry of Labour and Social Affairs is not directly involved in diaspora engagement, but the Employment Service Promotion Directorate in the Ministry of Labour and Social Affairs is responsible for assisting Ethiopian migrant

workers abroad. At a regional level, there are branches of Diaspora Coordinating Offices that also engage directly with the diaspora abroad. At an inter-institutional level, the Technical Committee provides co-ordination across the different levels of government on diaspora policy. Finally, the Ethiopian Investment Agency and the Development Bank of Ethiopia are financial institutions under the Ethiopian National Bank (ENB) that are involved in diaspora engagement. Ethiopia thus does not have a specific Ministry that is responsible for Diaspora Engagement, as is the case in India, but has several departments in different Ministries focused on different aspects of Diaspora Engagement.

Table 1: Ethiopia Diaspora Engagement Institutions

Institution	Ministry Responsible	Vision/ Mandate	Main Activities
Ethiopian Expatriate Affairs	Ministry of Foreign Affairs	To foster the relationship with migrant communities abroad and encourage them to participate in activities in Ethiopia.	<ul style="list-style-type: none"> - Serve as a liaison between the different Ministries and Ethiopians abroad, - Encourage the active involvement of Ethiopian expatriates in socio-economic activities of Ethiopia, - Safeguard the rights and privileges of Ethiopians abroad and - Mobilize the Ethiopian community abroad for sustained and organized image building
Diaspora Coordinating Office	Ministry of Capacity Building	To fully mobilize and utilize diaspora resources and facilitate optimal brain gain and capacity building for poverty alleviation.	<ul style="list-style-type: none"> - Maintain database on Diaspora skills - Maintain database on skills needed in Ethiopia - Coordinate Knowledge Transfer Programs for Capacity Building
Employment Service Promotion Directorate	Ministry of Labour and Social Affairs	To assist in the protection of Ethiopian migrant workers abroad, to assist Ethiopians in accessing employment locally and abroad, to formulate policies to protect the rights of migrant workers and to facilitate legal migration.	<ul style="list-style-type: none"> - Collects & compiles labour market information - Issues/renews work permit and work permit clearances to foreign nationals & Ethiopian nationals - Undertakes studies on foreign employment opportunities for Ethiopians - Issues license to private employment agencies & monitors its proper implementation - Undertakes follow-up activities on the rights & dignities of Ethiopians employed abroad.
The Ethiopian Investment Agency (EIA)	Ministry of Trade and Industry	To handle all foreign investments, to offer both pre and post-investment services to investors and to act as a liaison with other relevant agencies.	<ul style="list-style-type: none"> - All encompassing support system that ensures all practical aspects are taken care of for investments, from making sure permits and licenses are obtained to helping get access to electricity and water

Policies

The Government of Ethiopia has formally acknowledged the importance of the Diaspora and the valuable contribution that Ethiopians abroad can make to the countries development. This recognition has led to the decision to create a single diaspora policy that will span all governmental institutions and levels. This policy has yet to be finalized, but is expected to provide a unifying approach to diaspora engagement

across the different Ministries and governmental levels. In the formulation of this policy, the Ethiopian Government hired advisors from India to assist them in understanding the Indian case as a model. As the official diaspora policy is still under development, this section will focus on other diaspora focused policies that have been implemented in the last decade. Table 2 provides an overview of the Ethiopian Governments Diaspora Engagement Policies.

Table 2: Diaspora Engagement Policies of the Government of Ethiopia

Policy	Objective	Description	Take-Up Rate
Ethiopian Origin Identity Card (Yellow Card)	Provide rights to Ethiopian Diaspora Members while not granting Dual Citizenship	- Allows for all rights of citizenship except the right to vote, be elected to public office, and work for the National Defense, Security, Foreign Affairs, or other similar establishment on a regular basis - Costs US\$ 500 for the first 5 years and US\$ 200 for every 2 years thereafter	21,000 in early 2010
Return Incentives	Permitted individuals returning to Ethiopia permanently to import their personal and household effects 100% duty free	- In 2006 the provision was lifted as the government suspected that vehicles were being signed over to third parties without paying duty, which violated the law	
Investment and Import Incentives	Make investment in Ethiopia more attractive to the Diaspora.	- Defined a Domestic Investor to be inclusive of foreign nationals who are Ethiopian by birth, which allows the members of the Diaspora to be treated as domestic investors, who have significantly different rights than foreign investors in Ethiopia - Incentives for Domestic investors include custom import duty exemptions and income tax holidays	Approximately 10% of domestic investment in the last decade has been from diaspora members and 90% of this investment is in Addis Ababa. ¹
Foreign Currency Bank Accounts	To encourage investment from the Diaspora and to “support the international foreign exchange reserve and ease the balance of payments problem of the country”.	- Fixed (time deposit) account- takes the form of a deposit certificate, issued in the name of the depositor where the maturity period of the deposit can vary based on agreements with the bank; however, the minimum maturity period is three months. The minimum deposit required to open this account is US\$ 5,000. - Current account- acts in the same fashion as a regular bank account wherein deposits or withdrawals can be made at any time. The minimum deposit to open this type of account is US\$ 100 and an individual can only open one current account at one bank. - Non-repatriable Birr account- a savings deposit that can only be used for the purpose of local payments, where the interest is double of the minimum savings deposit rate set by the National Bank of Ethiopia.	By 2009, approximately 1,000 Foreign Current Bank Accounts had been opened. ²

¹ Chacko, E., and Gebre, P. (2009). “Diaspora Investments, Motivations, and Challenges: The Case of Ethiopia.” *World Bank International Conference on Diaspora and Development*. 13-14 July 2009, Washington D.C.

² Teshome, M. (2009). “Low Remittance Spurs Ministry On”. *Addis Fortune*. Accessed online at: www.addisfortune.com/LowRemittanceSpursMinistryOn.htm Retrieved: 25 June 2010.

Table 2: Diaspora Engagement Policies of the Government of Ethiopia

Policy	Objective	Description	Take-Up Rate
Provisions for International Remittance Services	<ul style="list-style-type: none"> - "To improve the operations of the formal remittance service in Ethiopia - To reduce the costs of remittance transfer system in Ethiopia - To increase access of international remittance service for Nationals and make the service reliable, fast and safe." 	<ul style="list-style-type: none"> - Establishes regulations around rates and remittance service providers - Rates of different providers (for sending remittances to the National Bank of Ethiopia) are available on the website of the National Bank of Ethiopia 	By 2009, approximately 1,000 Foreign Current Bank Accounts had been opened. ²
Diaspora Bond	To provide investment capital for the Ethiopian Electric Power Corporation (EEPCO)	<ul style="list-style-type: none"> - The minimum amount is US \$500, and the interest rates are 4%, 4.5 % and 5% for five, seven, and ten years maturity - The bonds are tax-free in Ethiopia, and interest is paid annually - The bond can also be used as collateral for borrowing from local banks in local currency 	By June 2009, the Millennium Bond had raised US \$200,000. ³
Transfer of Knowledge and Skills Programme	For skilled members of the Diaspora to temporarily return to Ethiopia for a period of six months or more to provide capacity building to Ministries and public institutions	<ul style="list-style-type: none"> - The programme is implemented by the International Organization for Migration (IOM) and funded by the United Nations Development Programme (UNDP) - Ethiopian Embassy's recruit members of the Diaspora, the Ministry of Capacity Building assesses needs for skilled workers in Ethiopia and the IOM in Ethiopia coordinates the linkages and logistics. - The Ministry of Capacity Building partially funds the programme by paying for the flight and housing costs of temporary returnees - The United Nations Development Programme (UNDP) funds the other aspects of the programme including the IOM coordination activities and paying the Diaspora member a top-up of a maximum of US \$300 per month 	



Discussion

The Government of Ethiopia recognizes that a partnership needs to be built with the diaspora to benefit both parties and has worked to grant significant rights and privileges to the diaspora since the establishment of the Ethiopian Expatriate Affairs (EEA) in 2002. The policies have been largely modelled on India's diaspora engagement model as a consultant from India was hired to act as an advisor to the process. Key differences exist, however, between the case of India and Ethiopia, most significantly that India has a large highly skilled knowledge based Diaspora, whereas the Ethiopian Diaspora is primarily refugee based. In addition, the Ethiopian government's official diaspora policy is pending. The policies to date do not have a cohesive direction, which will most likely emerge with the Ethiopian Government's official Diaspora policy. The Ethiopian government has encouraged the diaspora to invest in the country both financially and through knowledge exchange to assist in developing the country and improving its fiscal situation. It appears that the policies have resulted in increased diaspora businesses and investment in Ethiopia, although this has not occurred to the degree of initial expectations. Overall, the take up rate of the policies has been less than expected. One challenge is that the Ethiopian Diaspora is primarily comprised of low skilled refugee populations that may not have the resources to invest in the country. A second challenge is that there appears to be limited awareness in the Diaspora of the Ethiopia government's policies. A third challenge is that the Ethiopia Diaspora is not a cohesive group and diaspora members may not want to support the current government. The final challenge is that the Ethiopian Expatriate Affairs department lacks capacity to implement all of its policies effectively. For these reasons Ethiopia's diaspora policies are struggling to find their footing.

Conclusion

Ethiopia is continuing to establish and build upon its diaspora policy. The Government is working to finalize a comprehensive diaspora policy that is expected to be implemented in the near future. They are also working to encourage further South-South cooperation in the area of diaspora policy. The Ethiopian Government hosted the Government of Uganda in Addis Ababa to share with them their experiences in implementing the diaspora policies. In addition, the Government would like to see cooperation with countries such as Botswana and South Africa on issues of emigration and brain drain as the Ethiopian Diaspora population increases in these African countries. Ethiopia is working to establish further partnerships and relationships with the Diaspora and continues to encourage diaspora investment in Ethiopia.

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