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CAPE VERDE AND ITS DIASPORA: ECONOMIC TRANSNATIONALISM AND HOMELAND DEVELOPMENT

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Resumo:

This study examines the historical role of the diaspora in Cape Verde's socioeconomic development. It analyzes the prospects and limitations of its diaspora as a transnational economic development resource. While it is policy oriented, the study offers a conceptual framework to analyze its diaspora engagement policies and efforts since 1975. Cape Verde has emerged as a success story. The diaspora's contribution was one of the four essential factors behind this relative success: migration and remittances, overseas development assistance, large scale public investments, and reasonably sound policies and stewardship of public finances. Today Cape Verde confronts an adverse set of conditions that hamper growth and even threaten to undue development gains since 1975. An externally dependent micro state in the world economy, with exceedingly limited internal capacity to generate growth and employment, Cape Verde has few viable options in this new phase of development. Its biggest and most dynamic sector, tourism, is disconnected from the rest of the economy. Foreign aid and emigration opportunities are disappearing. This study argues, however, that Cape Verde's reliance on its diaspora as an economic resource will only increase. However, a number of obstacles continue to hamper the country's ability to harness the full potential of its diaspora for development.

Palavras-chave:

Cape Verde, diaspora, economic development, transnationalism, policy, remittances.

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Introduction

This study examines the prospects and limitations of the diaspora as an economic development resource for Cape Verde. The underlying sources of the country's post-independence economic development and growth performance can be reduced to four essential factors, or ingredients: migration and remittances, overseas development assistance, large scale public investments, and reasonably sound policies and stewardship of public finances. Cape Verde has emerged as a comparatively successful case of development over the last four decades (AfDB 2012a; 2012b). The diaspora's contribution was critical. The country's robust performance across many social and economic indicators resulted in the 2008 decision by the United Nations to graduate Cape Verde from the list of Least Developed Country (LDC). Today Cape Verde confronts an adverse set of conditions that hamper growth and even threaten to undue development gains since 1975. Foreign aid and emigration opportunities are disappearing, and the lingering Eurozone crisis has exposed its over dependence on Europe for all its trade, tourists and foreign investments. Despite its graduation, the micro state remains structurally vulnerable and externally dependent. The country must search for a new development model and sources of growth. It is in this broader development context, and structural weakness of its economy, that the economic significance of Cape Verde's diaspora comes into crisper view. Ironically, even as emigration prospects and monetary remittances shrink, the country's large diaspora will become even more important, not less, to homeland development in the future. Comprising both permanent and temporary migrants, its diaspora has been a vital economic resource historically. The diaspora's structural role in the economy today remains large, with its direct financial flows accounting for perhaps 50% of GDP. The open question today is whether Cape Verde will be able to devise an effective strategy to deepen and extend its role in national development. A number of obstacles, on both sides, continue to hamper the country's ability to harness the full potential of its diaspora in homeland development.

This is a study on the political economy of diaspora-homeland transnational relations. Emigrants, and the diaspora communities that result from migration, are important but overlooked transnational actors. Their practices and ties involving the homeland can have significant impact, positive or negative, on the social, cultural, political, and economic development of their country of origin. The study examines the historical role of the diaspora in Cape Verde's socioeconomic development, and analyzes the prospects and limitations of its future contribution. As a policy focused study, it examines

diaspora engagement policies and actions adopted by the homeland since 1975. At the same time, the study offers a conceptual framework to analyze and assess these diaspora engagement policies. It argues that effective mobilization of the full economic contribution of the diaspora requires three categories of efforts: diaspora enabling conditions, diaspora-building, and diaspora integration. An analysis of the Cape Verdean case will show that, first, the migrant economic transnationalism can positively contribute to development and, second, that the diaspora's potential economic contribution extends far beyond financial and goods remittances. Harnessing this full potential requires a broad range of efforts that enlarge the scale and modes of the diaspora's participation in homeland development. The diaspora's economic contribution, however, is conditioned by factors and motivations on the part of the diaspora itself as well as the homeland. This study focuses primarily on the policy and institutional strategies adopted by Cape Verde to harness this economic transnationalism. As such, the study focuses on only one side of the equation. Sustained research is needed on the factors, strategies and conditions that determine the diaspora's own motivations, capacity, practices, and contribution.

The value of Cape Verde's large diaspora as a development asset must be considered in the context of the country's vulnerabilities and limitations. First, Cape Verde is a small island development state, with a micro economy, no exploitable mineral resources, poor natural and climatic endowments, and thus an exceedingly limited productive base. That is, Cape Verde is a small state with few viable options to generate growth and long term development. Development constraints and growth bottlenecks abound. Its micro size, insularity, limited human and natural endowments have meant that the country is structurally vulnerable and externally dependent for nearly everything, including 80% or more of its food. Second, historically, it has relied on donor aid and emigrant remittances. Both sources of free money are vanishing. The country's graduation from the LDC list resulted in losing important sources of non-debt external financing – aid, concessional loans, and other grants and preferential treatment available to LDCs. In the past, foreign aid and concessional loans financed a large public sector and extensive public investments that spurred growth and created jobs. With the end of aid, and the unsustainability of debt-led growth, the state can no longer play this role. Third, in its new phase of development, the country must now rely much more on internal resources and sources of growth and jobs creation. Cape Verde's biggest immediate – and structural – challenge is to create jobs and income generating opportunities for the resident population. Unemployment is structural. The unemployment rate today is over 16%

but over 30% for among the young and educated (INE 2015). Aid-financed large public sectors and public investments have disappeared. An industrial or manufacturing base that can generate the jobs and growth necessary is impossible, and the private sector as a whole remains weak and limited in its investment capacity. Tourism has been the fastest growing and dynamic economic sector, but it is an all-inclusive mass tourism model disconnected from the rest of the economy. A high leakage rate undercuts its contribution to national income and growth. Aside from diversifying the tourism product, the country must diversify the economy by fostering new sectors to spur growth and create jobs. Fisheries, agribusiness, creative industries, ICT, and international transportation and logistics services have been receiving policy attention. Each of these sectors faces severe limitations in terms of scale, productivity, financing, human capital, quality, and commercialization. Moreover, Cape Verde will never be a producer or competitor in any of these sectors for global markets. However, it can foster these sectors to generate jobs by producing for the domestic market and exporting to niche markets, primary among them the diaspora market. Fourth, the post-graduation exigency to spur growth and diversify the economy will require new sources external financing. A debt-led growth strategy is neither possible nor long term sustainable. Total public external debt has been rising rapidly, reaching an alarming 98% of GDP at the end of 2013 (IMF 2014). Encouraging foreign direct investment (FDI) is necessarily an integral part of the effort, but the country's micro scale and limited non-tourism economy make attracting substantial FDI difficult. In nearly all these areas, such as foreign investments, tourism development, and economic diversification, there is potential to widen and deepen the diaspora's contribution.

The November 2014 eruption of the volcano on the Island of Fogo was a microcosm of the relationship between Cape Verde and its global diaspora. Diaspora communities were gripped by the unfolding natural disaster, closely following news reports from back home and calling relatives daily. For a country where few families are unaffected by emigration, the alarm and anxiety over the wellbeing of relatives were palpable. Individuals, church groups, businesses, students, and civic groups each quickly mobilized to raise money, food, clothing and other humanitarian supplies to send for disaster relief. This rapid and extensive outpouring of support was evidence a relationship between the Cape Verdean diaspora and its homeland that is intimate, intense, and cemented by strong emotional and material links. The widespread use today of information and communications technologies, such as social media and low cost telecommunications services, has only magnified the intensity and closeness of this relationship. On the other

hand, the volcanic eruption also revealed the limitations and weaknesses in this transnational relationship. Lack of organization, poor coordination, the absence of any effective means of communication and collaboration between the diaspora and the homeland, meant that individuals and groups were scrambling on their own and working in isolation. Policy and government officials were invisible. Hometown associations do not exist, nor umbrella diaspora organizations, both of which could pool and coordinate efforts. Other types of transnational networks, associations, and collaborative arrangements between the diaspora and homeland civil society are non-existent. Neither the diaspora, the government, nor homeland civil society has established a credible framework or mechanism to mobilize emergency relief supplies or charitable contributions, let alone promote homeland development. These weaknesses are exacerbated by policy and institutional failures in the homeland, such as inefficient customs procedures, poor transportation, and administrative fragility that frustrate diaspora contributions in the form of donations, investments or tourism.

Aims of the Study

This study examines the evolution and future prospects of Cape Verde's efforts to incorporate its diaspora in the country's development. The study is organized as follows. The first section examines Cape Verde's development in the context of economic transnationalism. The section then discusses the nature of Cape Verde's diaspora population, and analyzes its past and present economic roles. The second section develops a typology of the modes and types of the diaspora's potential economic contribution. It examines the nature of the relationship between Cape Verde and its diaspora, the policy and institutional measures adopted by the homeland and, lastly, assesses the prospects and limitations for expanding the scope and modes of its participation in the country's new development strategy.

Since 1975, governments in Cape Verde have embraced the diaspora in national life. Cape Verde is not alone. National governments in the developing world, along with the major international development agencies and donor countries, have been placing increasing emphasis on mobilizing diaspora communities as a resource for economic development in their homeland. Countries like Israel, South Korea, India, Mexico, Ireland, and China are often cited as successful cases of a diaspora-assisted development, whereby their transnational communities actively participate in homeland social and economic progress (Patterson, 2006; Landolt, 2001).

Many African governments and regional agencies, such as the African Union (AU) have been keen to replicate this success (Kamei, 2011). Many advanced industrial countries have also been rediscovering their nationals abroad (Gamlen, 2005). The relationship between migration and development has attracted much scholarly attention. A paradigm shift has occurred such that migration is no longer viewed as always harmful to development, but major debates rage over its significance and net impact. The surge of interest in migration and development, especially among donor countries and agencies, may certainly reflect a neoliberal agenda that exaggerates the development benefits of migration while ignoring global power inequalities, restrictive immigration policies, declining aid, and the precarious socioeconomic and legal situation of migrant populations (Glick Schiller, 2012; de Haas, 2012; Skeldon, 2008). The premise of this study, however, is that Cape Verde's emigrant population has always been, and can continue to be, a development resource. That is, this form of economic transnationalism – harnessing the economic practices, resources, ties and transactions between the diaspora and the homeland – can be utilized as a development tool for the homeland. With a diaspora estimated to be twice the size of the resident population, for Cape Verde, the migration-development nexus is not a novelty or neoliberal policy fad. Migration has been the central reality of the country's historical formation and, in good and bad ways, has intimately shaped its economic development across the centuries. Cases like Cape Verde, while perhaps *sui generis* or outliers, demonstrate the central role of migration in a country's development, if not its national viability. For a country without the domestic productive base and natural resources to feed its own people and ensure their welfare, migration has been both as a vital relief valve for its people to escape poverty, famine, unemployment, and lack of economic opportunities as well as a source of remittances in the form of money, goods, medicine, food, clothing, and even ideas. However, this economic role of the diaspora has been limited largely to financial and goods remittances. The diaspora has never been a consumer market for its merchandise exports, a source of tourism demand, knowledge and skills transfer, or a political lobby advocating support for homeland development.

Given its analytical and explanatory objectives, this study focuses on the political economy dimension of homeland-diaspora relations. This is not the only, or even most important, dimension. Migrant transnationalism encompasses all areas of social life and not just ties and transactions that are purely economic. Transnational economic relations and flows of people, money, goods, and ideas are themselves embedded in larger social practices, relations and identities. While this study is solely preoccupied with the

diaspora's economic role, diaspora-homeland relations are multifaceted and span a broad range of social-cultural, political, religious, economic, and psychological interactions, transactions, and connections. They comprise both material and immaterial dimensions and relationships. Even if we narrowly focus on the material and economic dimension, we expect immaterial, or social and ideational, dimension can also impact development. Social remittances of ideas, knowledge, attitudes, identities, norms and values, or other forms of transnational ideational and social interactions, indirectly impact development in positive or negative ways. Important as these dimensions of diaspora-homeland relations are, even for economic development, they lie beyond the immediate purview of this study. In similar vein, there is no suggestion here that Cape Verde's economic development can be reduced to migration and diaspora contribution. Such reductionism would also obscure the fact that economic development of small developing countries like Cape Verde is embedded in a broader global political economy of power relations, hierarchy, inequality, and vestiges of colonialism and neocolonialism. Finally, despite its focus is on political economy, the study brackets from direct consideration the *politics* of diaspora-homeland relations and the *politics* of diaspora mobilization. That is, diaspora mobilization is not a politically neutral or partisan free process. The Cape Verdean diaspora is also an electoral constituency. This is a source of promise as well as peril, and it merits a separate study.

Despite its historical and economic significance, there are only few works in English on the Cape Verdean diaspora – loosely defined as all Cape Verdeans and their descendants living abroad permanently or temporarily, sharing a common identity and ties to the homeland.¹ Most research on the Cape Verdean diaspora has focused on issues of transnational identity and citizenship, social formation, migration patterns, immigrant incorporation and other cultural and ethnographic questions (Halter, 1993; Challinor, 2008; Batalha and Carling, 2008; Carling and Akensson, 2009; Marques, Santos, and Araújo, 2001). A rare few explicitly examine the dimension of political economy (Cardoso, 2009; Bourdet and Falck, 2006; Rocha, Tolentino and Tolentino, 2008). Studies on the Cape Verdean diaspora, therefore, face daunting challenges in terms of the scarcity of research and data. Its geographical dispersion and historical depth present additional research challenges. As discussed below, we do not know the true size of this diaspora,

1. This definition of diaspora departs from the classic definition of diaspora as exiled populations forcibly expelled from a homeland, and sharing a common identity and attachment to the homeland. The definition also departs from others that exclude temporary migrants.

its socioeconomic composition, the depth of sentimental and material connections, the scale of return and circular migration, or the scale and composition of different kinds of transnational transactions that take place. The problem is especially acute for studies on political economy. We have good, albeit incomplete, data on monetary remittances and emigrant deposits in homeland banks, but data is either limited or nonexistent for goods remittances, diaspora return visits, diaspora foreign investment, skills and knowledge transfer, consumption of homeland products, and other types of transnational economic transactions.

The Cape Verdean Diaspora, Transnationalism and Development

Broadly defined for the purposes of this study, economic transnationalism consists of all economically relevant practices, flows, and transactions between diaspora communities and the homeland. Its most visible and recognizable manifestation is the sending of financial remittances. For Cape Verdeans, *bidons* (drums) filled with goods sent to family members has become emblematic. No other social group or sub-state actor embodies transnationalism better than diaspora communities. Since they retain emotional and material ties to the homeland, and engage in practices that span or cut across multiple borders, migrants and diaspora communities are among the most tangible and weighty transnational actors (Portes, 2001). For good or ill, therefore, migration has been an intimate aspect of Cape Verde's social formation and development process, and remains one of the few viable options available as it transitions into its new phase of development. However, to capitalize fully on this potential, the country and its diaspora must move away from the traditional methodology of relations; new strategies and instruments are needed to expand the scope and modes of the diaspora's participation. Indeed, in light of ever restrictive immigration policies in host countries and the long term decline of remittances, the new framework must move diaspora-homeland relations beyond monetary remittances and *bidons*. More still, since the diaspora's economic role remains large – and its withdrawal catastrophic – a policy priority must be to nurture, expand and manage this role.

Harnessing the diaspora for development compels us to rethink and reconceptualize our traditional notions and theories of economic development. In the case of a small developing country like Cape Verde, the building blocs of economic development have tended to focus on governments, international intergovernmental agencies, state-to-state relations, trade

regimes and global markets, and other state-centric actors and interactions. Transnational actors, such as diasporas, are rarely considered as a potentially weighty factor – good or bad – in a country’s social, political, and economic development. For countries like Cape Verde, economic transnationalism has been central. As this paper argues, it is not possible to understand Cape Verde’s social and economic formation, before and after independence, in the absence of economic transnationalism.

A vast literature on transnationalism and migration exists (Levitt, DeWind, and Vertovec, 2003; Vertovec, 2003, 2004; Portes, 2001; Faist, 2009). As such, conceptual and theoretical debates need not detract our analytical objectives in this study. Migrant transnationalism is just one of several forms of the phenomena of sub-national, non-state, non-institutional actors interacting and transacting across or above multiple national borders (Portes, 2001). Transnationalism, and diaspora communities as distinct agents and actors in global affairs, shifts our methodological and conceptual focus from the nation-state as the unit of analysis to non-state actors and forces transcending sovereign borders. Globalization intensifies these flows and practices that cross, span, and transcend borders. Migrants occupy a distinct transnational space that encompasses material and immaterial facets and transactions. Of great policy and theoretical significance of transnationalism is that it can lie, fully or partially, beyond the purview, control, regulation or preferences of formal governing structures or agents of the state. In the case of the diaspora, some facets of its transnational activities may be partially or fully controlled by the state, such as migration, remittances, investment, return visits, but other facets lie beyond the state’s reach and capacity. A significant portion of monetary remittances, for example, flow through informal channels. New communications and information technologies further strengthen the ability of transnational actors and flows to escape the purview of states. Transnationalism, moreover, is not always a positive force. Not all forms of migrant transnational practices benefit homeland development (Faist, 2009). Transnationalism, including migrant transnationalism, can involve illicit trafficking, international organized criminal networks, cybercrime, pandemics, terrorism, and so on. Migrant transnationalism can often entail activities and transactions – such as protest, organized opposition, and other anti-system behavior – that threaten both the security and prosperity of the homeland state. Viewing it as a threat, not all countries wish to involve their diaspora in national life. These are not major concerns in the case of Cape Verde. Nonetheless, many people express concerns over perceived negative cultural and social influences from the diaspora or the troubled integration of deported youth.

Thus, transnationalism in the context of migration encompasses multiple *and interacting* dimensions and spaces (Levitt, DeWind, and Vertovec, 2003). This study focuses exclusively on migration and the political economy of homeland-diaspora relations. However, the transnational lives and practices of migrants cannot be reduced solely or even primarily to economic interactions with the homeland. A vast literature examines the cultural, social, and ideational dimensions of transnationalism and its impact. Given its analytical and explanatory objectives, this study isolates the economic aspects of transnational migration, specifically diaspora-homeland economic relations, but no suggestion is made here that this facet is insulated from or impervious to the other dimensions. These facets interact and transform one another. Indeed, the social, cultural and ideational dimensions of transnational interaction between diaspora and homeland, especially as they impact identity formation, may have a determining role in shaping diaspora-homeland economic relations.

Economic transnationalism has its limits. The diaspora has not been, and will not be, the only critical factor in Cape Verde's development. Migration has been, and might continue to be, a central reality for Cape Verde, but its socioeconomic development cannot be reduced to migration and diaspora. Mobilizing the diaspora's full contribution must necessarily be only one component in a much broader national development strategy and post-graduation growth model. For any country, especially small developing countries, development is conditioned, positively or negatively, by a number of factors internal and external to the country. Vital as migration and the diaspora's contribution may be, the development of a small, highly open and vulnerable, and externally dependent country like Cape Verde will always be conditioned by global forces over which it has no control, including a global asymmetries of power, wealth resources, and economic exchange. As such, the prospects and limitations of the diaspora's contribution must be placed in this larger context of global relations and local capacity. Notwithstanding these larger global constraints and development handicaps, homeland policies, institutions and conditions remain critical. The Cape Verdean diaspora, as discussed below, is an economic diaspora – in that emigration over the centuries involved individuals and families driven by poverty at home and searching of better economic opportunities abroad. Put differently, caution is necessary in analyzing the positive links between migration and development for Cape Verde, since migration has been a product of the country's poverty and underdevelopment. In good and bad ways, migration and development in Cape Verde are inseparable. The country's high rate of out migration since the beginning reflected its limited internal capacity to gener-

ate growth and development. In a land of poverty, drought and scant natural resources, migration constituted a vital safety valve. The export of people reduced the pressures at home for food, jobs, education, and resources. On the other hand, migration was also a positive economic resource in terms of the monetary and goods remittances that resulted. The small island country, with a long history of emigration, implicitly has always relied on diaspora-based economic transnationalism as a major resource.

It is not the purpose of this study to engage in debates about the migration and development nexus. Others review this debate (Skeldon, 2008; Ratha, Mohapratha, and Scheja, 2011; de Haas, 2012; Schiller, 2012; Faist, 2009; Bourdet and Falck, 2006; Ratha, 2003; Durand, Parrado, and Massey, 1996). The relationship between migration and development is neither linear, simple, or unidirectional. As de Haas (2012) notes, it is context dependent. There are limits and challenges to migration's potential contribution to development, many of which are beyond the control of either the homeland or its emigrants. Unavoidably, migration has negative and positive impacts on the homeland, especially for a country like Cape Verde with a high proportion of emigration consisting of skilled labor. We can assume a high degree of brain drain in the Cape Verde case, but data and empirical research are scarce as is data on brain gain and circulation (Cabral, 2009). Migration deprives a country of social and human capital essential to productivity, creativity and entrepreneurship; it can result in negative social and cultural impacts, such as family separation, breakdown, and negative cultural influences. There is a widespread view in Cape Verde that emigration results in reduced work ethic and entrepreneurship by relatives in the homeland who simply rely on remittances from family members abroad. That the diaspora retains strong material connections to the homeland may mean more remittances and circular migration, but it also means diaspora-owned houses, farmland, and other productive assets frequently remain frozen, unused, and an obstacle to local and national development planning.

Given Cape Verde's structural characteristics and severe development limitations, it is safe to conclude that emigration has resulted in a net positive impact and that the diaspora's direct contribution has been vital. Compared to other countries, Cape Verde may be an outlier in that migration looms so large in its development, today as in the past. The reason is not solely based on the disproportionately large size of its diaspora and high rate of out migration, but also based on the sizeable financial role of the diaspora in the economy. As discussed below, 40% of Cape Verde's GDP today is accounted for by the direct financial transfers (remittances and emigrant bank deposits) from its diaspora. As such, the role of the diaspora and

migration in the country's development is not merely a theoretical exercise. Understanding the prospects and limitations of this economic transnationalism, and devising an effective framework to manage and nurture it, becomes a practical, timely and urgent policy necessity.

The paucity of empirical research on the economic impact of migration in Cape Verde tempers any firm conclusions and net assessments (Bourdet and Falck, 2006; Rocha, Tolentino and Tolentino, 2008). Migration has contributed positively to Cape Verde's development at both the macroeconomic and micro, or individual and household, levels. Migration becomes a development resource for countries with Cape Verde's characteristics. To put it crudely, Cape Verde has always been a country unable to feed itself, let alone possess the scale or productive endowments for large scale economic activities to employ everyone. Cape Verde's historical vocation has been the export of people, including skilled labor. As noted above, this has not only been an important social and economic pressure relief valve but also a source of economic value. Migration results in an inflow of financial resources that can stimulate consumption, production, improve balance of payments and the current accounts, increase hard currency reserves, and boost private investments. Financial remittances became one of the two biggest sources of external financing for the economy during the first three decades after independence. The macroeconomic impact of remittances and emigrant deposits extended even further. Such financial inflows by migrants are non-debt. Combined with the fact that remittances are also a stable, non-volatile source of financing, they were pivotal to Cape Verde's macroeconomic stability and long term sustainability. Finally, the experience of countries like India, China and others, demonstrate how a well-articulated and managed diaspora engagement framework can transform skilled emigration into an important source of growth and innovation for the homeland economy. At the micro level, the positive impact of migration is visible, both in terms of remittances as well as circular migration and social remittances of skills, ideas, knowledge, entrepreneurship. Remittances have been critical sustaining household consumption, reducing poverty and even stimulating entrepreneurial activities. Since those early years, the remittance by emigrants to relatives of money, food, clothing, medicine, home goods, tools, farm equipment, vehicles, machinery, and other goods made the difference between famine and survival, abject poverty and prospects for improved living standards by family members back home.

The Cape Verdean Diaspora and the Role of Migration

The Cape Verdean diaspora is unique. On both theoretical and policy grounds, Cape Verde offers a novel and fertile case study on migration and homeland development. Cape Verde is notable among countries with large emigrant populations because of the relative size of the diaspora, the historical depth of its formation, and the unusually strong bond the diaspora maintains with the homeland. Cape Verde has the largest diaspora population in Africa, relative to the resident population, and ranks among the largest in the world (Ratha, et. al., 2011). Cape Verde and emigration are synonymous. Transnationalism thus defines Cape Verde and the Cape Verdean experience in the modern world. Indeed, as a vulnerable micro state in the world economy with near total dependency on the outside, Cape Verde's development and national survival have been determined by the external dimension – trade, migration, remittances, donor aid.

Migration is thus at the heart of Cape Verde's historical formation as a society and economy (Batalha and Carling, 2008; Halters, 1993). The history of Cape Verde is a history of migration. Its formation as a society has roots in migration – from the brutality of colonial "discovery" and the violence of the trans-Atlantic slave trade, to centuries of voluntary out migration driven by famine and poverty. Cape Verde is unique among countries of the global South because its transnational and transatlantic migration, both coercive and voluntary, began so early (Halters, 1993). This economic transnationalism, in effect, started with the country's social formation and origins as an *entrepôt* during the Atlantic slave trade. In its non-coercive manifestation it has been reproduced across centuries of out migration driven by poverty, famine, colonial repression, and lack of economic opportunities. The indelible traces of transnationalism are visible as early as the nineteenth century when the so-called packet boats and whaling ships transported people, goods, money and ideas back and forth between the Islands and the Americas. The Cape Verdean diaspora is also unique because, despite its long history, it retains strong sentimental and material ties to the homeland even after becoming permanently settled in host countries. With a large diaspora relative to its tiny resident population, few families in Cape Verde are unaffected by migration. Cape Verde continues to have one of the highest rates of emigration in the world (Ratha, et. al., 2011).

Cape Verde, perhaps more than any other country, can be considered a nation, a culture and society whose history and identity are intimately shaped by and through its diaspora and history of emigration (Challinor, 2008; Batalha and Carling, 2008). Cape Verdeans are among the first free

Blacks in the United States. Ship manifests and other official records show Cape Verdean emigrants in the United States by the mid-1700s (Halters, 1993). In general, prior to independence in 1975, there were three great waves of outmigration (OIM, 2010a, p.26). The first big wave of outmigration from the Portuguese colony, approximately 1900-1926, was destined primarily toward the United States (although arrivals had begun over a century earlier). The second wave, 1927-1945, was oriented primarily toward Latin America and Africa, while the third wave during 1945-1973 went to Europe. In general, the Cape Verdean diaspora communities in Europe are more recent and comprise a much higher percentage of temporary migrants (Batalha and Carling, 2008). Most official figures indicate that the majority of emigrants from Cape Verde in the last two decades went to Europe. Thus, Cape Verde's diaspora does not consist only or primarily of temporary migrants, but also long established, permanent communities with a high level of social and economic integration in their host countries. Its diaspora is quite varied in terms of history, geography, genealogy, and socioeconomic composition. That is, while it is a large global diaspora, Cape Verdean communities abroad are heterogeneous in terms of socioeconomic conditions, legal status, host country incorporation, wealth resources, and overall levels of human development. On the other hand, it is a culturally, linguistically, and ethnically homogeneous diaspora, and reinforces the transnational identity of the people as one nation.

No one knows the true size of Cape Verde's diaspora. Census data in the US or Europe are nonexistent. It is likely that Cape Verde has the largest Diaspora in the world relative to the resident population. A widely shared assumption is that the Cape Verdean diaspora is 'twice the size' of the resident population of roughly 500,000. The largest diaspora communities are in the United States and Europe, primarily Portugal, France, the Netherlands (Holland), Italy, Luxembourg, Switzerland and more recently Spain. Scatterings of Cape Verdean emigrants can be found in nearly every part of the world, from nearby Senegal and São Tomé e Príncipe, to Argentina and Brazil to China. The United Nations database on international migration estimates a total stock of 171,737 Cape Verdean emigrants in 2013 (UN-DESA, 2014), or 35% of the resident population. The Global Migrant Origin Database of the Development Research Center (DRC) places the estimate at 199,644 in 2007 (DRC, 2014). The Organization for Economic Cooperation and Development (OECD) estimates 116,248 Cape Verdeans living and working in OECD countries in 2011 (OECD, 2011). The World Bank's Global Bilateral Migration databank calculates a size of 152,411 (World Bank, 2014), roughly 31% of the resident

population.² A now extinct government agency responsible for emigrant support services had estimated a diaspora population size of 518,180 in 1998 (OIM, 2009, p.18). An early World Bank report in 1985 estimated a high range of 454,00 compared to 296,000 residents (World Bank, 1985a). A recent study by the International Organization for Migration (IOM, 2010b, p.9) puts the size of Cape Verde's emigrant population at 450,000, or 90% of the resident population. Even if we use a low conservative estimate, it still would represent a significant stock relative to the tiny resident population. Based on the UN migration data, Cape Verde's diaspora size relative to national population is much higher than comparative figures for Senegal (4%), Liberia (8%), Ghana (3%), and Côte d'Ivoire (4%).³ Cape Verde's relative diaspora size is more comparable to high emigration countries like El Salvador, whose total emigrant stock is roughly 24% of the resident population.

Evolution of the Diaspora's Economic Role

There is strong empirical and historical reason to assert that Cape Verde's economic viability and social progress since 1975 would have been improbable without its diaspora's contribution. This study argues that in order for the diaspora to remain a valuable economic resource in the next phase of Cape Verde's development, a new framework must be devised that expands the modes of its contribution. The diaspora's historical contribution has been largely limited to goods and monetary remittances, as this section discusses below. Today, the economic value of Cape Verde's diaspora is neither limited to, nor primarily, in the form of financial remittances. Yet Cape Verde and its diaspora have yet to develop a framework to mobilize the full extent and modes of the diaspora's contribution. However, this does not imply absence of substantial contribution today and in the past. Financial remittances remain important today. Since 1975, the diaspora's primary contribution has been channeled through monetary remittances, but today it is also emerging as an important source of investments.

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2. Note that the methodology and definition used by many international agencies tend to rely on official census data as well as define migrants as only foreign born, non-citizen individuals residing in a different country. As such, this methodology would severely undercount the Cape Verdean diaspora, especially older and rooted communities in the United States.
 3. Author's calculations based on UN migration data and World Bank population data.

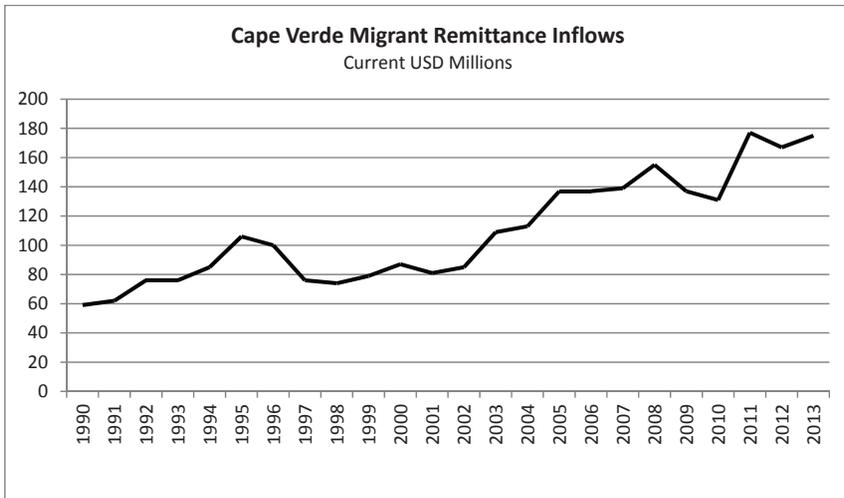


Figure 1. Cape Verde Migrant Remittances⁴

Universally, remittances are the most visible and direct manifestation of the diaspora's contribution to homeland development. Officially recorded remittance inflows from Cape Verde's diaspora in 2013 totaled \$13.7 billion escudos, or roughly \$172 million dollars (BCV, 2014b). Remittances were three times the size of foreign aid, and bigger than donor aid and FDI combined. Remittances are two to three times bigger than merchandise export earnings. In fact, it is safe to say that the export of workers (emigration) is Cape Verde's single biggest export. As percentage of GDP and in per capita terms, Cape Verde is among the highest recipient countries in the world. Cape Verde was the 6th largest remittances recipient in Sub-Saharan Africa in 2013, as percentage of GDP, and 29th in the world, according to World Bank data (World Bank, 2014). In per capita terms, Cape Verde remittance inflows in 2013 infused an additional \$352 dollars into the personal income of every resident, more than double the minimum monthly salary. This per capita contribution of remittances ranks Cape Verde among the highest recipient countries in the world such as El Salvador (\$664), Guatemala (\$349), the Philippines (\$258) and Nepal (\$187).⁵ Cape Verde's remittance per capita is the highest in the West Africa subregion, with Senegal (\$116) trailing a distant second. Historically until the mid-1990s, remittances and foreign aid have been the dominant inflows, accounting for as high as 80% of the

4. World Bank, *World Development Indicators (WDI)*, 2014.

5. Author's calculations based on World Bank remittances and population data for 2013.

country's GDP (World Bank, 1985b, 6). For most the decade and half after independence, remittances ranged between 40% and 25% of GDP. The World Bank estimates that remittances accounted for over 40% of GDP during 1978-82 (World Bank, 1985a, p.29). As is commonly observed, official statistics on monetary remittances underreport their actual size. An unknown but presumably significant portion, as high as 50% of official figures, is transferred through informal channels (Rocha, Tolentino and Tolentino, 2008). Likewise, official data do not capture non-monetary remittances, or goods remittances. Goods remittances have been just as equally important as monetary remittances, especially in terms of their role in household consumption and poverty alleviation.

Today, officially recorded remittances account for roughly 9% of Cape Verde's GDP, which is much lower than in the past (BCV, 2014a). However, this figure is far above the regional average of 2.6 percent for Sub-Saharan Africa (Ratha, Mohapratha and Scheja, 2011). Remittances have been steadily rising in absolute terms for more than two decades. Despite its declining share in GDP, remittances remain one of the four main sources of financial inflows into Cape Verde today, along with ODA, FDI, and tourism travel receipts. During the 2005-2011 period, remittances averaged 10.3% share of GDP. Tourism receipts have averaged 18.7 percent of GDP during 2005-2011, ranging between 12-21 percent.⁶ For its part, FDI averaged 10 percent of GDP during this period, oscillating between 6.3 to 14.2 percent of GDP. In the last few years since the 2008 crisis, remittances have been a bigger source of external financing than FDI – indeed the largest source not including tourism receipts. Remittances inflows in 2009 experienced an expected but almost negligible dip, 1.6%, in contrast to the -36.5 decline in FDI. Inflows of approved FDI resumed in 2010, but took another steep drop, 21.6%, in 2011.⁷ Remittance inflows rebounded, to a peak of 28% in 2011. Importantly, unlike FDI and ODA, remittances are not only stable but also non-seasonal. In terms of the economic geography of remittances, Cape Verde enjoys significant remittance inflows from eleven countries, the majority of them in the European Union. Over the last three decades or so, the top source countries for roughly 80% of Cape Verde's remittances have been Portugal, France, Netherlands, and the United States. Italy has been a distant fifth for most years, followed by Switzerland, Luxembourg, and increasingly Spain and the United Kingdom. Portugal, traditionally home to the largest Cape Verdean migrant worker community, has remained the largest single source country (Rocha, Tolentino and Tolentino, 2008). That

6. Author's calculations based on BCV normalized balance of payments data.

7. Banco de Cabo Verde (BCV), *Relatório de Política Monetária*, (Praia: BCV, May 2012).

the European based diaspora, comprising a higher proportion of temporary migrants, remits more than the historically older US diaspora is not surprising. Research has shown that temporary migrants tend to remit much more and more frequently.

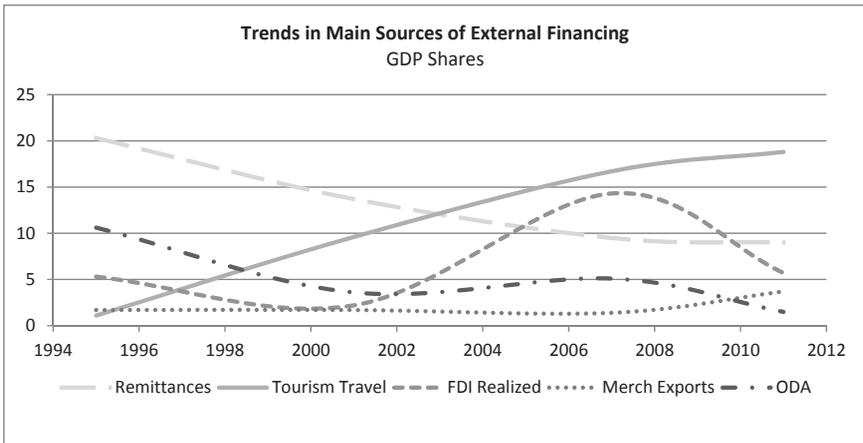


Figure 2. Trends in Main Sources of External Financing, GDP Shares⁸

In summary, monetary remittances continue to be a crucial source of development financing and poverty alleviation for Cape Verde. They have proven resilient and stable, confirming research findings that remittances are more stable and counter-cyclical. The overall relative decline of remittances in GDP may primarily reflect the fast growth of the homeland economy in the past two decades, rather than restrictive immigration policies or generational turnover. Undoubtedly, however, the latter two phenomena are occurring.

Even as remittances decline, Cape Verde has been making good progress in expanding the modes of diaspora contribution. The most important change in the diaspora's role has been its rise as a source of foreign investments. Cape Verde's diaspora is depositing its savings in specially designated "emigrant accounts" in homeland banks. The origins of these emigrant deposits date to a 1984 law, revised and amended in late 1995. The accounts can be in local or foreign currency time deposits. They are tax-free and carry high interest rates. In addition, emigrants may borrow up to twice their value. Emigrant deposits are conceptually and qualitatively different from remittances.

8. Author's calculations compiled from various official reports by the Banco de Cabo Verde, including *Boletim de Estatísticas 20 Anos* (Praia: BCV 2012).

They are investments, as emigrants pursue higher rates of return on their money. More than three times the size of annual remittance inflows, by the end of calendar year 2013, Cape Verde's emigrants had deposited over \$545 million dollars in Cape Verde's commercial banks (BCV, 2014b). As alluded to previously, emigrant deposits and officially reported financial remittances combined account for about 40% of Cape Verde's GDP. This share is likely much higher since some portion of remittances is informal and emigrant investments are included in FDI figures.

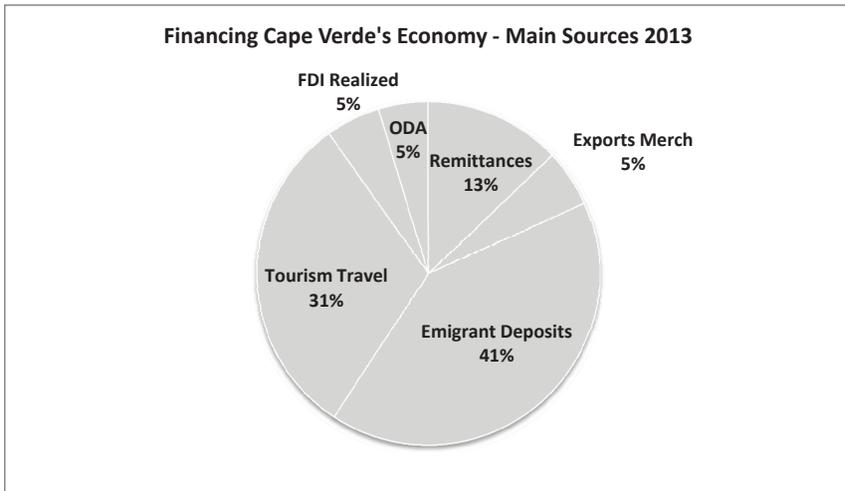


Figure 3. Financing Cape Verde's Economy - Main Sources 2013⁹

Emigrant deposits are by far the largest single category of deposits in the national banking system. Fruit of a policy innovation in the mid-1990s, emigrant deposits now constitute a substantial portion of assets in national banks. Representing nearly 30% of GDP, emigrant deposits also account for over 32.4% of M2, or monetary mass. Like remittances, emigrant deposits have proven very stable, even during the crisis years following 2008. Indeed, this stable and steady growth, without any reversals, is characteristic of emigrant deposits since 1991 (BCV, 2012). Emigrant deposits also represent 46% of the outstanding commercial credit to the economy during the fourth quarter of 2013 (BCV, 2014b). This external financing has helped fuelled the country's growth by supporting domestic investment and business development. As such, emigrant deposits have been a significant source of liquidity

9. Banco de Cabo Verde (BCV), *Boletim de Estatísticas*. (Praia: BCV, November 2014).

for the banking system, which has converted these assets into investment credit. Diaspora savings, in other words, have been supporting the credit expansion that has benefitted business and consumers alike. The substantial amount of emigrant deposits is not risk free, since sudden withdrawal can cripple the banking system and trigger economic ruin. Growth and stability in the deposits have been the norm, even after the 2008 global and Eurozone crises. For now, emigrant deposits constitute a diaspora vote of confidence in the homeland. The country's stable and predictable exchange rate, based on a fixed peg with the *euro*, provides added confidence.

Finally, observational evidence suggests two other notable trends. The first is a growing trend of 'transnational entrepreneurship', as emigrants start or finance businesses in the homeland or launch new ventures that cater to this transnationalism (Portes, Guarnizo and Haller, 2002). The second trend, often intertwined with the first, is that emigrants themselves are using their savings to finance their own housing construction, other property investments, and entrepreneurial ventures. The last two decades have witnessed a veritable boom in emigrant home construction and real estate purchases by emigrants. Aside from depositing their savings in homeland banks, emigrants are also investing in real estate, farmland, transportation, hotels, and new business ventures. Reliable statistics on emigrant foreign direct investment are lacking. Reports of the Central Bank of Cape Verde (BCV) over the last few years have inserted a new rubric labeled "emigrant investments," but there is no consistency in reporting, explanation, or systematic treatment.¹⁰ In one of its random reporting, BCV data indicates that emigrant investments accounted for 42% and 28% of total FDI in 2012 and 2013 respectively (BCV 2014b, 25).

Lastly, observational evidence suggests that potential exists to extend the diaspora's contribution in other modes. Based on current trends and market signals, two areas of biggest potential are tourism demand and so-called "nostalgic" trade. Not only is there already a detectable amount of informal transnational trade taking place between Cape Verde and its diaspora, but circular migration is also substantial. Significant deepening of diaspora participation in either or both of these areas, trade and tourism, can have significant multiplier and secondary effects on homeland economic growth, diversification of the economy, business development, rural poverty alleviation and jobs creation. The strong emotional and material bonds

10. Care is necessary in treating statistical data from all sources. It should be noted that there is frequent discrepancy and inconsistency across different statistical reports from the Banco de Cabo Verde (BCV) or in different editions of the same reports. Some data is always reported as preliminary.

between the homeland and its diaspora mean that Cape Verdeans are returning and visiting in substantial numbers. A growing trend is emigrants returning to retire. Most return to vacation and participate in annual cultural festivals. The diaspora is consuming the few 'made in Cape Verde' products available on store shelves in community supermarkets and shops in the US and Europe. In other words, a ready-made consumer market exists for Cape Verdean exporters. The biggest consumption item has always been cultural products, music especially, but there is high demand for other goods, especially agro-foods and traditional alcoholic beverages.

Notwithstanding these many positive developments, Cape Verde and its diaspora have failed to extend the scale and modes of diaspora contribution beyond the areas above. Progress in transforming the diaspora into a source of foreign investment has been notable, but the diaspora is still not a source of tourism demand or consumer market for national products. Nor is the diaspora a meaningful source of knowledge and skills transfer. As noted above, emigrant direct investment and transnational entrepreneurship appear to be substantial and gaining momentum, but there is neither reliable statistical monitoring of it or a policy framework to guide it. Philanthropy and charity are widespread but ad hoc. Despite a good deal of enthusiasm and efforts among diaspora individuals and groups to send donations and other charitable contributions, no credible framework exists to marshal, coordinate, manage and catalyze such efforts. The inability to harness the full potential contribution of the diaspora is puzzling because of the unusually strong and positive ties between the diaspora and the homeland. Diaspora-homeland and diaspora-state relations have always been positive, rather than hostile, historically. What explains this incomplete success in harnessing the diaspora as a development resource? As noted previously, there are numerous facets to this questions, and a complete explanation would have to examine the many social, political, economic, cultural and ideational factors inside the diaspora itself. The importance of these other factors notwithstanding, diaspora engagement policies of the homeland are also determining in the success and failure of diaspora mobilization. The section below develops a typology of diaspora engagement policies and mechanisms, and assesses Cape Verde's policy performance in each of the categories.

Harnessing the Diaspora for Development

Cape Verde today is in a development crossroads. Having graduated into the middle income country category, it must readapt development strategy

to find new sources of growth and innovation. Given the size and historical significance of its diaspora, and limited in its options, Cape Verde is rethinking ways to leverage its diaspora as a resource. Since independence, Cape Verde has sought to incorporate its diaspora in all facets of national life. Only recently has this goal taken a more focused and comprehensive form, but it builds on years of individual policies and laws aimed at encouraging greater diaspora participation in all aspects of national life. The 2014 *National Strategy on Emigration and Development* (ENED) outlines a general framework and goals. The document is aware of the need to mobilize the diaspora along multiple forms, or modes, of participation. It identifies four broad areas: promoting dialogue and information sharing; increasing remittances, including charitable contributions and philanthropy; skills remittances; and investment and trade promotion. The importance of the diaspora is also cited in other key development documents like the Growth and Poverty Reduction Strategy Paper (GPRS) and the Plan of Government. As noted below, however, these documents remain largely aspirational, having generic goals and lacking an operational or implementation plan for diaspora mobilization. Nonetheless, there is a durable political will and broad partisan support in the homeland to embrace the diaspora.

Largely implicitly, and without a comprehensive strategy, migration has always been an integral part of Cape Verde's development strategy since 1975. Strong emotional and material bonds retained by emigrants materialized as monetary and goods remittances, requiring little effort in policy or institutional innovation on the part of the homeland. Today, for all the reasons discussed in this study, the *laissez-faire* approach of the past is no longer relevant. Migration must be translated into positive economic contributions through deliberate and sustained efforts by the homeland *and* its diaspora. Diaspora engagement policies are one crucial component of this process of translating migration into a development resource. In both policy and the academic literature, the focus has concentrated on financial remittances, skills transfer, remittance capture and immigration policies (Bhagwati, 2003). This is a narrow conception of the possible economic roles of the diaspora, since today its role as tourists, investors or consumers of nostalgic goods will have far greater growth-inducing impact. To leverage fully its diaspora, Cape Verde must go beyond monetary remittances to harness the diaspora as a source of growth, jobs creation, innovation and global economic integration. Although a number of policy and institutional deficits stand in the way, as discussed below, Cape Verde has good reasons to believe its diaspora can continue its historically significant economic role into the future. Harnessing this full potential will require effective policy and

institutional supports on multiple fronts. These policy and institutional supports fall into three distinct but mutually reinforcing analytical categories: diaspora enabling, diaspora-building, and diaspora integration.

The section below offers a typology of diaspora engagement policies. It is important to re-emphasize that, while this study focuses primarily on the efforts of the homeland state, constructing an effective and sustainable framework is a two-way street, and it must involve both governmental, non-government, civil society and private sector actors on both sides. Moreover, as De Haas (2012) and others have observed, the laws and policies of diaspora host countries – on immigration, banking and money transfers, social security, taxation, mobility and guest workers, circular migration – have considerable impact on the scale and modes of the diaspora's contribution to the homeland. Even with a fully developed diaspora engagement framework, the homeland may not be able to derive migration's full contribution if the policies of host countries are incompatible. Nevertheless, homeland policy is crucially important. The experience of other countries, and the practical necessities of development planning, suggest that the homeland state can play a pivotal role: devising appropriate policy and institutional mechanisms, creating an enabling environment, but also an equally important role as facilitator and promoter of bottom-up transnational initiatives by the diaspora and homeland civil society. Lastly, as Portes (2001) has observed, harnessing the full potential contribution of a diaspora does not require the active participation of every member of the diaspora, only a portion. It does not require substantial circular movement or even conscious effort by diaspora individuals or groups to structure or direct their activities as contributions to development. Activists, grassroots groups, transnational entrepreneurs and other similar groups and individuals are important, but passive and occasional consumers of homeland exports can be equally significant from the standpoint of development. As noted previously, the socioeconomic profile of the Cape Verdean diaspora is heterogeneous, comprising established middle and professional classes as well as low skilled temporary migrants and marginal communities. Moreover, not everyone has to contribute in the exact same extent or frequency. Considerable variation is to be expected in the intensity, scope, frequency and modes of participation. The bulk of the diaspora's contribution occurs through individual actions and decisions – remittances are a great example – but incrementally and cumulatively they can have major economic impact and the micro and macroeconomic levels (Vertovec, 2004; Levitt, 2001). This is all the more reason that it is critical to devise a diaspora engagement framework that fosters different levels and modes of individual and collective contribution. That is, the importance of a

strategic framework lies precisely in its capacity to mobilize and facilitate diaspora participation across a broad range of modes: as investors, knowledge remitters, consumers of homeland exports, tourists, and so on.

Typology of Diaspora Engagement Policies

In terms of its direct economic participation in homeland development, the diaspora's potential contribution spans a broad range of activities, modes, and roles. It can be direct and visible as well as indirect and not easily quantifiable. Contribution is used here in a wider meaning rather than narrowly to mean direct giving, as in remittances, donations, or voluntarism. Important as monetary remittances are, it is more appropriate to view the diaspora's potential contribution in terms of the multiple *modes* of participation. As such, a framework constructed to harness the diaspora as an economic resource must be able to do so across all the possible modes of contribution. The experience of countries like Israel, South Korea and, recently, Ireland, China and India, illustrate that the diaspora's contribution can extend across multiple modes. This experience has drawn much scholarly attention to what Patterson (2006) has called "diaspora-homeland collaborative development." The scope and number of these modes will differ from country to country and will depend, in part, on the three categories of diaspora engagement efforts. Not all modes may be possible at once, nor materialize in the same depth. For Cape Verde's political economy profile, we can identify several possible modes.

The possible economic roles of Cape Verde's diaspora can be divided into five or six distinct categories, or modes: a source of monetary remittances; a source of direct investment; a consumer market for homeland or nostalgic exports; a tourist demand market; and as a source of brain gain. The sixth mode, while not strictly economic in character, can be consequential for development – namely, the diaspora as a transnational political lobby. A politically well-organized diaspora can be an effective advocate and promoter of homeland development by lobbying and pressuring host governments and international donor agencies. The case of Israel may be *sui generis*. No suggestion is made that Cape Verde's diaspora is similar in size, wealth or organizational capacity. A major handicap Cape Verde and its diaspora confront is the low levels of organization and political mobilization inside diaspora communities. The diaspora is poorly organized. It can neither defend nor advocate for its own community interests and welfare, let alone advocate for the homeland. More importantly, it cannot mobilize, coordinate,

and manage its own contribution to homeland development, as the recent volcanic eruption illustrated. This internal weakness obstructs the diaspora's full potential irrespective of the efforts of the homeland. Finally, the list of modes above is not exhaustive. There are several other potential modes not mentioned. Diaspora transnational entrepreneurship, a variant of direct investment, can be a transformative force in the both the homeland and host countries (Portes, Guarnizo and Haller, 2002). As diaspora reaction to the volcanic eruption illustrates, for example, the diaspora can be an important source of charity and humanitarian relief. Similarly, another potential is philanthropy oriented toward community development, youth empowerment, education and training, and entrepreneurship, including microfinancing, scholarships, and project grants. The effectiveness of diaspora hometown associations in the cases of El Salvador and Mexico illustrates not just the potential impact of diasporas on community development but also the importance of diaspora organization (Durand, Parrado and Massey, 1996; Landolt, 2001; Portes, Escobar and Radford, 2007). New information and communication technologies open up a range of unexplored opportunities for virtual diaspora engagement, especially in knowledge and skills transfer.

This study examines the types of diaspora engagement policies necessary to harness these various modes and expand the scale of each type of contribution. Like the diaspora's modes of participation, diaspora engagement policies and mechanisms vary widely. A universal formula or set of policies does not exist. Gamen (2006) suggests we can classify diaspora engagement policies into general types of policies homeland governments pursue, namely, policies oriented toward diaspora capacity building, extending rights, and extracting obligations. Brinkerhoff (2012) and others argue that efforts to harness the diaspora for development are effective only if broader conditions in the homeland are conducive. For analytical convenience, and borrowing from Brinkerhoff (2012) and Gamlen (2010), we can organize these policies and conditions into three distinct categories, or typologies: diaspora enablers, diaspora-building, and diaspora integration. The three categories are interrelated and mutually supporting. Success in harnessing the diaspora's full potential requires substantive progress in all three categories of diaspora engagement policies.

Diaspora Enabling Conditions

Diaspora enabling conditions comprise all macro level social, economic, political, and historical conditions and factors that either obstruct or

facilitate the participation of diaspora members in national life of the home country. These conditions include among them: the nature of diaspora-homeland relations, especially the character of the diaspora exit; social and political stability; macroeconomic conditions; and governance equality in the homeland. In other words, enabling conditions and policies are not directly related to, or aimed, at the diaspora, but encompass the general socio-economic and political conditions in the homeland. These conditions impact the lives, behavior and economic activities of everyone – residents, diaspora, foreign investors, tourists, donors. By shaping the wider structure of incentives, risk, and productivity, enabling conditions spur growth by facilitating economic activity, entrepreneurship, trade, investment, and business development.¹¹ While gaps and challenges remain, Cape Verde enjoys a number of enabling conditions that favor diaspora engagement.

Of the three categories, Cape Verde has made most progress in the area of enabling conditions. First, diaspora-homeland relations have always been positive historically. It is not a relationship characterized by mutual hostility, fear, or rejection. The diaspora is not an exiled population forcibly removed or fled persecution. Migration has been free of exit trauma. Poverty and famine have been the main drivers, not civil wars, ethnic cleansing, persecution, or expulsion. Aside from the exuberance and competitiveness of partisan politics, the Cape Verde case is free of anti-system behavior, deep social, ethnic or political cleavages, political exclusion or trauma. Government-diaspora relations are equally positive. Partisan squabbles and criticisms of government policies are routine but normal.

Second, political stability, social peace and durable institutions have been crucial enablers of the country's underlying economic and political success since independence. Problems remain. Comparatively, however, the country has performed well. It ranks high in Africa and the world in terms of democracy, governance, transparency, and human development (AfDB, 2012a). Aside from a competitive multiparty democracy, there is rule of law, secure property rights, and investor protection.

Third, good governance and sound macroeconomic management have been the country's trademark, and ensured its credibility with donors, foreign investors, and diaspora alike. Over the last two decades, Cape Verde has pursued economic and trade liberalization as well as reforms to improve

11. For a comprehensive analysis of economic conditions and the business climate in Cape Verde, see: Government of Cabo Verde, Ministry of Finance and Planning, *Cape Verde: Constraints to Growth, Transformation and Poverty Alleviation* (Praia: MFP, 2010); and Government of Cabo Verde, Ministry of Tourism, Industry and Energy (MTIE), *Cape Verde: Diagnostic Trade Integration Study 2013* (Praia: MTIE 2013). See also the AfDB (2012a; 2012b) studies.

the business and investment climate, including reforms to improve the efficiency of public administration to deliver services to citizens and businesses. The reforms, still incomplete, have been improving the business and investment climate for all investors – nationals, foreigners as well as diaspora. For example, one important reform has been in electronic government, and the creation of a one-stop-shop platform, the *Casa do Cidadão* (House of the Citizen) which allows nationals and emigrants to access common services virtually or in person at any consulate. Progress is uneven and big challenges remain, especially in the areas of public administration efficiency, customs procedures, business and investment regulations, and regulatory environment. Even though institutions generally work, favoritism, judicial delays, and bureaucratic inefficiencies are common. The two biggest areas of diaspora complaints in Cape Verde are transportation and customs administration. Diaspora visitors and returning emigrants overlook the inadequacies of health care, water, electricity and other services, but the low quality and inefficiencies of international and inter-island transportation as well as customs administration generate a level of frustration that dampens diaspora enthusiasm for the homeland. Today, growing external debt is threatening macroeconomic stability. Social inequality, crime and public insecurity, weak accountability of elected officials, policy dysfunctions, and other ills still exist, and may threaten long term stability and democratic governance. Despite these challenges, Cape Verde possesses a still durable and favorable enabling environment for effective diaspora engagement.

Diaspora Building Policies

Diaspora building, in essence, entails constructing a shared identity and common purpose that can be harnessed for homeland development. There is nothing automatic in collective identity formation, and translating identity into collective action. This is especially true of the Cape Verdean diaspora, which is dispersed geographically and spans generations. Diaspora building policies are measures and initiatives aimed at constructing solidarity, shared identity, common purpose, patriotism, and strengthening emotional bonds with the homeland and inside the diaspora. They involve the construction of a transnational imagined community. They also include activities that constitute and recognize diaspora communities (Gamlen, 2010). In social science jargon, diaspora building entails symbolic as well as concrete actions involving transnational nation-building. Although this study focuses only on homeland initiatives to support and promote it, diaspora building

necessarily depends much more on the diaspora's own internal efforts, conditions and dynamics. As noted, the diaspora's motivations, incentives, and mobilizational capacity are critical determining factors (Vertovec, 2003).

Diaspora building efforts can be subdivided into five subcategories, namely, cultural affirmation, community support and consular services, diaspora organization, circular migration, and diaspora focused administrative structures. Cultural affirmation efforts by the diaspora and the homeland are oriented toward fostering collective identity, cultural pride, solidarity, and transnationalism nationalism. Commonly used diaspora building initiatives by homelands include promoting cultural festivals, sponsoring and facilitating national day celebrations, community outreach, diaspora return festivals, among others. The Cape Verdean diaspora is also unusual in the strength and vitality of its collective identity and cultural affirmation. Diaspora communities retain cultural practices and customs, turning their local communities into little 'Cape Verdes' in host countries. Cultural, ethnic, religious, and linguistic homogeneity further strengthens this transnational collective identity and sense of nationhood. The use of the native language, *creolu*, is a powerful cement and dimension of collective identity that unifies diaspora Cape Verdeans irrespective of their geographic residency. The homeland government has typically not focused on cultural affirmation activities. Some of its policies, such as refusal to recognize *creolu* as an official language, undermine cultural affirmation. Community outreach is also an important element. Frequent official visit to diaspora communities by government leaders is a common practice, even though they are social or partisan events rather than development promotion.

Homeland governments have been attentive to providing consular services to diaspora communities, including a focus on providing social and financial assistance to distressed communities. Cape Verde's principal diplomatic representations are precisely in the countries with substantial Cape Verdean immigrants. The advent of electronic government, specifically the one-stop-shop *Casa do Cidadão*, offers greater reach and efficiency in providing consular services. In a pattern established since the 1980s, much homeland policy attention continues to be on social work, focused on providing social services and integration assistance to diaspora communities. The recently endorsed III GPRSP (2012-2016) allocates financial resources under the "Global Nation" category, but these are destined for "improving the quality of life of emigrants" and reinforcing consular and diplomatic representation in the main diaspora host countries.

Diaspora organization and circular migration are two areas in which neither the diaspora nor the homeland have performed well. Indeed, both

are practically non-existing. First, the Cape Verdean diaspora in the United States and in Europe is poorly organized, as noted above. Notwithstanding a proliferation of small neighborhood and church based groups and social clubs, intermediary organizations and umbrella associations do not exist. A separate study is necessary to untangle the myriad of social, economic, political, cultural, and even psychological factors that shape and condition the diaspora's weak organization (Vertovec, 2003). Island groupings and hometown associations are few; if they function at all, activities are primarily social and rarely inclusive. The Cape Verdean Associations in many urban centers in the Boston-Providence corridor function as a community resource center, offering language classes, translation services, and meeting point. However, a peak organization, umbrella association or network of organization does not exist in neither the US or in Europe. Diaspora professional networks and associations do not exist. Despite its long history in the United States, the Cape Verdean diaspora does not have a national umbrella organization – not even at the state or municipal levels – that can lobby, represent, defend and advocate for its interests. Organizational fragmentation and low levels of political participation are the norm. The diaspora in the US is characterized by low levels of voter registration and electoral participation despite its large size in certain urban centers.

Various governments have made ad hoc and limited efforts to encourage circular migration and return visits. However, a comprehensive policy does not exist, especially policies that either focus on promoting diaspora building through return visits and 'rediscovering ancestral roots' or that focus on promoting diaspora investment and brain gain. Circular migration is valuable both in strengthening or renewing diaspora bonds, especially with younger generations, and in encouraging economic investments. Ad hoc and limited efforts have been tried, including attempts to encourage brain gain. With financial support from various European Union countries, the government initiated a "Diaspora Contribution" and "Diaspora Cape Verde" programs to support short term visits by diaspora professionals based in Europe to offer training programs in public and private sector organizations. Currently, Cape Verde participates in the Temporary Return of Qualified Nationals program, financed by the International Organization for Migration (IOM). The substantive impact of these one-time, two to three weeks training programs is uncertain. Sporadic, individual efforts by businesses, ministries, universities and other agencies to attract temporary or permanent return by skilled diaspora professionals are common. Nevertheless, a specific policy to encourage, organize and support return and circular migration does not exist.

Cape Verde has performed much better in terms of creating dedicated bureaucratic structures to manage diaspora-homeland relations. First, since the early years, the government has experimented with an assortment of institutional arrangements, although none had the specific mandate to mobilizing the diaspora for development. An early mechanism was the creation of a directorate general for emigration and consular services in the foreign ministry, followed a few years later in 1984 with the creation of the Institute for Emigrant Support (IAPE – Instituto de Apoio ao Emigrante). This institute was renamed the Institute of Communities (Instituto das Comunidades) in 2001, also inside in the foreign ministry. These early structures, however, were not focused on diaspora economic mobilization. Rather, much of their mandate focused on social and consular services. A more recent institutional innovation is the creation of “focal points” for migration in all 22 municipalities. In 2008, a separate ministry, the Ministry of Communities, was created. In practice, three separate government bodies – the Ministry of Communities, the Ministry of Foreign Affairs, and the Institute of Communities – are responsible for diaspora affairs. As such, conflicting and imprecise mandates, together with institutional fragmentation, is the norm. A national diaspora council exists, under the aegis of the Ministry of Communities, but it is not clear how operational it is and it functions as a consultative rather than policy making body. Notwithstanding the elevation of the diaspora as a policy priority, the strategic objective of diaspora mobilization for homeland development is neither at the core of policy nor institutional mandate.

There is one final aspect of diaspora building that merits attention. As noted, Cape Verde has not performed well in encouraging circular migration, but it has made limited progress in enhancing emigration opportunities for its people. Namely, it has been active on the diplomatic front in an effort to widen emigration opportunities through special mobility and temporary workers’ accords with European Union countries. It signed a mobility agreement with the EU in 2008, involving the Netherlands, Portugal, France, Spain, and Luxembourg. Finally, Cape Verde enjoys preferential access to the world’s two biggest economic blocs, the United States and the European Union. While this preferential access is underutilized by Cape Verde and other African countries, they give Cape Verde easy access to its diaspora communities as well as the wider market in these countries.

Diaspora Integration Policies

Diaspora integration involves efforts to strengthen emotional and

material connections to the homeland, including cultivating direct diaspora participation in all spheres of national life.¹² Two important subcategories of diaspora integration measures include the extension of constitutional rights, such as dual citizenship, and specific policies aimed at attracting diaspora participation in development. Cape Verde has been an innovator in both areas, although institutional and policy deficits continue to hamper its ability to harness fully its diaspora.

As a matter of constitutional principle, the country has embraced the principle of political and legal equality for all Cape Verdeans irrespective of their residence or place of birth. Granting automatic dual citizenship and the right to vote to its diaspora sets Cape Verde apart from most other countries with large diaspora populations. This constitutional principle has a practical consequence beyond the importance of patriotism and emotional bonds – it facilitates circular migration. Second, and related to this constitutional principle, universal suffrage was extended to the diaspora in national elections. Cape Verde's diaspora is one of the few in the world able to vote in national elections. Suffrage is limited to parliamentary elections, rather than municipal elections. The diaspora is represented in parliament by deputies directly chosen by the diaspora constituency. There is uncertainty in terms of taxation and social rights, such as pensions and social security, although Cape Verde has attempted agreements with some European countries.

However, diaspora integration, such as extending suffrage rights, can be a dual edge sword. It too is not risk free. There is an ever present risk that diaspora-homeland relations will become politicized and infused with partisan divisions. As an electoral constituency, the diaspora becomes a domestic political actor. It can influence political and electoral outcomes – as it did in the controversial 2006 presidential elections – or become embroiled in domestic squabbles. Harnessing and mobilizing the diaspora for its development contributions in an intimately political endeavor, not a technical or bureaucratic process. The process can easily become partisan or engender acrimony and suspicions between the diaspora and the homeland government, thus undermining the overall national objective.

In terms of standalone policies, Cape Verde has made a lot of progress. As discussed above, Cape Verde has been one of the largest recipients of financial remittances in the world. Remittances are driven by personal and familial motivations rather than primarily by policy. However, policy matters directly and indirectly to the extent that remittance inflows are affected by

12. A useful reference on Cape Verde's diaspora policies and institutions is the International Organization for Migration (IOM), *Linking Emigrant Communities for More Development: Inventory of Institutional Capacities and Practices* (Geneva: IOM, 2010).

monetary and exchange rate policies, macroeconomic governance, and general enabling conditions in the homeland. Moving beyond monetary remittances, Cape Verde has embraced policy innovations that have proven quite successful. The most outstanding policy success has been the 1984 law creating the emigrant deposit bank accounts. That policy alone has been responsible for infusing half a billion dollars into the economy. In addition, a number of fiscal and other incentives are in place aimed at fostering diaspora investment and circular migration. To encourage emigrants to return, the country has a number of customs exemptions. As noted, a noticeable trend is retired permanent emigrants returning, with their pensions. Returning emigrants can ship their belongings, including vehicles and household durable goods, duty free. To encourage emigrants to invest in real estate, for example, fiscal and administration fees are waived or reduced. In addition, emigrants are also eligible for any of the investment incentives in place that benefit foreign investors, including sector specific investments in tourism and renewable energy.

Progress and partial success notwithstanding, Cape Verde still lacks a coherent diaspora policy, or strategy. Its diaspora 'policies' are disjointed. As Gamlen (2006) observed, for most countries, diaspora engagement policies tend to emerge in ad hoc fashion, unplanned, driven by disparate interests and motivations, for different reasons at different times. Cape Verde is no exception. In order to harness the diaspora in the post-graduation phase of development, a qualitative leap in policy formulation, policy coordination and implementation capacity will be necessary. Serious policy and institutional deficits must be addressed. There are three distinct aspects to this policy deficit – policy mainstreaming, bureaucratic capacity, and policy coordination and implementation. Streamlining and integrating diaspora policy in all areas and phases of development planning has never been practiced in Cape Verde. Rather than mainstream diaspora mobilization across all policy making and institutions, diaspora policy has been scattered and pigeonholed in bureaucratic silos. As a policy issue area, the diaspora is cross-cutting and multidisciplinary. Diaspora mobilization implicates active involvement of multiple agencies. It entails active roles from a mix of public and private sector agencies covering finance, investment and trade promotion, customs, marketing, economic diplomacy, banking services, tourism, transportation, and so on. Put differently, diaspora mobilization policies must be mainstreamed in overall development planning and project implementation.

For the diaspora to participate across all modes of potential contribution, all policy and institutional supports must be aligned. For example, observational evidence suggests the diaspora can be an important demand

market for the country's merchandise and tourism products. However, tourism and trade policies have simply ignored the diaspora market despite having a diaspora potentially twice the size of the resident population. The 2010 Tourism Strategic Plan, the first of its kind and subsequently shelved, does not even mention the word diaspora. Despite the fact that the diaspora is doing tourism in the homeland in large numbers, there is no effort to court them, cater to them, or treat them as tourists. No effort has ever been made to market and sell the country's tourism to its diaspora. In both policy practice and the theoretical literature, diaspora visitors are not counted as tourists, thus Cape Verde not unusual is disregarding this market. It is a missed opportunity. Diaspora visitors go in large numbers, especially for the big national festivals and cultural celebrations. Even if they choose to stay in family homes rather than the all-inclusive hotels, diaspora visitors spend more money, stay longer and leave more in local communities through their general vacation spending and gift giving to relatives and friends. For good or ill, tourism is a critical sector. In the short term, Cape Verde faces a dual challenge of increasing the national income effects of tourism by diversifying the product, and increasing its linkages to the rest of the economy. The diaspora as a tourism demand market can be a significant component of the wider diversification strategy.

Similarly, in trade and investment policies the diaspora is missing. A major development bottleneck in Cape Verde is its small and geographically fragmented domestic market. Incorporating the diaspora population would potentially double the size of the 'domestic' market, and thus alleviate the bottleneck of economies of scale. Despite the apparent avidity with which diaspora consumers seek out nostalgic products, trade policy has never targeted this export market. Absence of a diaspora trade policy is glaring in light of the fact the country enjoys preferential access to the world's two richest markets and home to its largest diaspora communities. It has a Special Partnership Agreement with the European for its exports, and duty free access to the US market under the Africa Growth and Opportunity Act (AGOA). As in tourism, there is urgent need to diversify the primary sectors in order to address unemployment and rural poverty. Duty free access and high diaspora demand can serve as the base for transforming certain agribusiness product chains where the country has demonstrated some potential, such as wine and traditional alcoholic beverages, goat cheese, fresh, canned and frozen fish, dried and processed fruits, traditional spices and sauces, and coffee. To be sure, a diaspora export strategy will not be easy. Cape Verdean producers face daunting supply side constraints, such as production limitations, financing, high cost of inputs, high transportation costs, poor quality

management and nonexistent national certification. That is, a diaspora export strategy will require interventions along the entire product chain, from production, to commercialization to market entry requirements. Finally, as noted previously, a diaspora trade policy can also engender a number of secondary effects that boost growth and business development.

Despite increasing reliance on FDI, investment promotion policy does not include any explicit diaspora investor targeting, or creative schemes such as diaspora public-private partnerships. Several decades of heavy public investments in economic infrastructure, in addition to government procurement policy and privatization, never attempted to incorporate participation of diaspora investors and businesses. Cape Verde sustained nearly four decades of heavy public investments in infrastructure. Yet no effort was ever made to target diaspora investors and diaspora-owned businesses (or even domestic firms) to participate or bid on projects, nearly all of which went to foreign companies. Four decades of missed opportunities in diaspora-homeland economic relations. The recently launched “Technology Park,” data center and other ICT initiatives do not have any explicit plan to incorporate or mobilize the knowledge diaspora. Diaspora investment promotion does not require special or preferential treatment, although some countries adopt such measures. However, it does require investor targeting, with dedicated public and private sector agencies that promote, inform, market, and encourage a specific kind of investment or type of investor. In general, investment promotion has been a deficient component in overall development planning.

Finally, policy coordination and implementation capacity, and the overall human and technical deficits of public institutions, are perennial challenges in Cape Verde in nearly all policy areas. As noted, given the absence of policy mainstreaming, coordination among the various agencies and ministries is nonexistent. Given the multidisciplinary, crosscutting nature of diaspora mobilization, policy coordination and implementation capacity are critical. Bureaucratic weakness and conflicting mandates aggravate the problem. Municipal governments – the point of closest contact with diaspora – are limited in resources and capacity. Diaspora focused national bureaucracies have their own organizational and human resources limitations. The result is they are small, understaffed, and under-resourced. Project implementation and monitoring are perennial difficulties in Cape Verde’s public administration. For example, the ENED contains useful ideas and recommendations, but implementation capacity is absent.

Conclusion

Cape Verde today is in a development crossroads. Having graduated from the category of LDC, it must now devise a new model of growth and development that relies primarily on internal resources. As in the past, the country's diaspora, as a transnational economic resource, can continue to be one of the vital components of the new model. Notwithstanding declining emigration opportunities and generational turnover, the diaspora remains a viable policy option. As noted, the country's structural characteristics leave it with few other realistic options to spur growth and development in the present world economy. Yet it is the positive reasons – a large diaspora intensely devoted to the homeland, a declining but still significant role of remittances, numerous policy and institutional innovations in the areas of diaspora enablers, diaspora building, and diaspora integration – that make the diaspora both a viable and significant option. Harnessing the diaspora's participation across all possible modes of contribution to homeland development has been one of the biggest policy challenges for homeland governments everywhere. A number of countries, such as China, India, Israel, South Korea, and Mexico, have made progress expanding the scale and modes of diaspora contribution. Cape Verde too has made some progress, as the phenomenon of emigrant deposits illustrates. Other policies, such as extending voting rights and dual citizenship, have proven effective instruments to deepen the diaspora's integration. A qualitative leap is required, however. A more effective policy and institutional framework is necessary as is a better organized diaspora.

While this study argued that the diaspora will only increase in importance as a development resource, it is necessarily only one component in the wider national development strategy that must find new sources of growth and human development. The diaspora can only be one part of a broader development strategy. The diaspora is not, and cannot be, the answer to all foreign investment needs of the country. Nor can it ever be the sole or even primary demand market for the country's tourism and merchandise exports. The diaspora is not panacea. Diaspora mobilization is not risk free, as noted previously. As alluded, some of the diaspora integration and diaspora building policies – emigrant deposits, extending suffrage – also engender certain risks, such as exposure of the financial system and divisive partisanship.

Harnessing the full potential contribution of the diaspora is not easy, even under the best of conditions. The diaspora's potential as a development resource must not be exaggerated or oversimplified. This study identified a number of limitations and obstacles in three categories of diaspora engagement efforts

– diaspora enabling, diaspora building and diaspora integration. Multiple policy and institutional obstacles in the homeland hamper the diaspora’s full contribution. As a structurally vulnerable micro state in the world economy, policy has always a pivotal ingredient underlying Cape Verde’s socioeconomic performance since 1975. The country’s enabling environment has been critical for development as well as the diaspora’s engagement. These enabling conditions are increasingly under strain today. Aside from these policy and institutional weaknesses, there are also practical reasons that will limit the diaspora’s full contribution to national development. These limits, by and large, reflect the diaspora’s own internal fragilities. Significant portions of Cape Verde’s diaspora in the United States and Europe are on the social, political and economic margins of those societies, and struggle with unemployment, legal status, inadequate housing, crime and youth delinquency, family breakdown, inadequate health care and social insurance, and many other challenges typical in immigrant communities everywhere. As this study argued, one of the biggest obstacle will be the diaspora’s own lack of internal organization.

A fully articulated strategy, requiring sustained efforts by both the homeland and the diaspora, will not emerge overnight. A universal formula, or recipe, does not exist. However, Cape Verde is not starting from scratch. It can build on a number of policy and institutional innovations and an enabling environment. Two essential first steps, however, are necessary. The first is the need to build up institutional capacity and commit to diaspora policy mainstreaming. The second involves actions, symbolic and concrete, to promote better internal organization of diaspora communities. As noted, diaspora mobilization is a two-way street. The diaspora’s full contribution is crucially dependent on its own ability to mobilize and respond. This requires effective internal organization. As evidenced in the analysis above, Cape Verde has made substantial progress mobilizing its diaspora as a vital economic development resource. Economic transnationalism, in the form of its diaspora communities, has always been a vital economic resource. However, Cape Verde and its diaspora today must reconfigure their relationship to enlarge the scope and modes of diaspora contribution to homeland development.

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