Leveraging the Diaspora for Community Economic Development

by

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Abstract

It is often said that if you teach someone to fish, he survives longer and better than if you feed him. This implies that providing opportunity is better than support offers a better outcome. In Guyana, the absence of opportunity has created a cycle of dependence on financial remittances. This dependence has not only come at the expense of initiative but has also resulted in significant social problems within communities. We suggest that a broader understanding of remittances to include contacts, knowledge and skills can be employed in a targeted way to support community economic development projects. Further, we suggest that successful community economic development also has the effect of reducing social ills.

As globalization takes hold and the challenges of economic change continue to emerge, it is becoming increasingly apparent that governmental and nongovernmental agencies cannot continue to provide the kind of 'safety net' to which many in developing countries have become accustomed (Borzaga & Tortia, 2006; Brooks, 2008; Mair & Schoen, 2007; Ratha, et al., 2011). To fill this void, many individuals in developing countries have depended on financial remittances. This is defined as the practice of immigrants sending financial resources from their country of residence back to their country of origin. World Bank statistics show that, a significant percentage of Gross Domestic Product (GDP) in developing countries comes from financial remittances.

However, as the economic fortunes of migrants have declined, so too has their ability to continue providing remittances (Gutierrez & Soares, 2011; Ratha et al., 2011; Roberts, 2006). Remittances tend to be counter-cyclical, increasing when the economy of the home country is experiencing significant contractions and decreasing when economic activity is expanding. With declines in financial remittances come an increase in both economic and social problems. On the economic side, declines in remittances have resulted in reduced spending with its multiplier effects reverberating throughout the economy (Acosta et al., 2012). On the social side, the impact of the declines is seen in numerous ways such as higher levels of crime, an erosion in familial relationships, higher rates of teenage pregnancy, and a general feeling of abandonment (Matejowsky, 2012). More important, financial remittances appear to perpetuate a cycle of dependency

An alternative approach to relying on financial remittances for one's well-being is to create local economic opportunities that reverse the state of dependency. We argue that individuals will not begin to exercise greater control over their lives until they are provided with the tools that offer some sense of optimism and self-determination. In essence, if communities are provided with the tools to address their economic issues, their social problems will also be addressed. This concept is not new, since it has historically been adopted. For instance, it historically supported the village movement and the cooperative societies.

In this article, we argue that there needs to be a broader understanding of remittances. Adopting a social entrepreneurial twist to community development, we suggest that remittances should be expanded to include skills, knowledge, technical know-how, and contacts. Broadening this definition is reinforced by those who suggest that migrants also remit their acquired human capital and contacts, thereby converting initial 'brain drain' into 'brain gain' (Riddle, 2008). We also argue that migrants could combine these broader forms of remittances with their efforts to support targeted community development. In effect, migrants can use remittances to support community development initiatives and, in so doing, address social problems. The gist of this solution is that providing economic opportunity not only reduces the pressure on migrants to provide ongoing support, but also helps to create a self-reliant community.

Addressing this issue is important for a number of reasons. One, the reliance on and ability of the extended family to support others through financial remittances is an unsustainable state of events. So long as financial remittances are inversely related to economic conditions in the developed economies, and conditions in the global economy remain unstable, then one's ability to provide such support will be affected (Inter-American Development Bank Report, 2012). Two, there is a need for the social ills in these societies to be reversed. For example, research has shown that the availability of these financial resources, coupled with the establishment of small ventures has the ability to both increase the years of schooling among children and reduce the dropout rate (Becchetti, et al., 2010; Nino-Zarazua & Moseley, 2009). Failure to address these social ills identified earlier is manifested in other ways in these societies, such as lack of education, high illiteracy rates, high unemployment, and a general lack of economic success. Therefore, it is important that attention be paid to dealing with social problems in unique ways such that they can provide economic opportunities.

Concept of social entrepreneurship

Social entrepreneurship has emerged as a major area of entrepreneurial research within the past few years (Dees, 2007; Dees, 2001; Light, 2008). Commonly touted as a means of creating employment opportunities while addressing some social issue, it has emerged as an effective alternative to traditional approaches to creating new ventures and spurring economic activity (Alvord, et al., 2004; Dees, 2001).

Over the past two decades, social entrepreneurship has been defined in numerous ways. Alvord, et al (2004) and Thompson (2002) define social entrepreneurship as activities by individuals who are concerned about correcting some social malady while making an income. Others argue that social entrepreneurship is not much different from traditional entrepreneurship. As such, they argue that it is the ability to recognize, evaluate, and exploit profitable opportunities in the course of addressing some social problem (Shane & Venkataram, 2000). The problem with the perspective on social entrepreneurship offered by these authors is that it emphasizes the profit motive and sees addressing social issues as a secondary focus in the field. For purposes of this article, we adopt the definition of social entrepreneurship as involving unique approaches to addressing societal inefficiencies by creating social value and changing society (Nicholls, 2006). The central issue here is that social entrepreneurship must be focused on creating social value in contrast to wealth creation (Dees, 2001).

One important observation about social entrepreneurship relates to the perception that it is a ‘new field.’ Though there has been much interest in this area over the past three decades, the history of this activity can be traced back to the 18^{th} century. For example, freed slaves in the colonies purchased villages to establish social standing, deal with the problems of emancipation, and provide income possibilities for those in the community (Kwayana, 2007). Likewise, communities unable to afford banking services have used such options as ‘susu,’ ‘box,’ and ‘partner’ to establish informal savings schemes that have afforded contributors the opportunity to address social issues while earning an income. These describe an informal savings system whereby a group of individuals contribute a fixed sum of money every week/month, based on a schedule that has been predetermined, which is then collected and distributed to an individual in that group in accordance ith the schedule. It is done in such a way that no individual member receives multiple disbursements prior to each group member receiving one. These tools have facilitated access to financial resources for activities such as the payment of school fees, knowing that failing to do so may be the difference between raising a successful contributor to society versus a delinquent.

Research has also shown that there is a significant distinction between social entrepreneurship and benevolence. Benevolence we define as a willingness to do good and be kind without seeking any reward. The distinction between benevolence and social entrepreneurship is important because benevolent actions may be easily misinterpreted.

Benevolence not only has the tendency to perpetuate the problem but also promote an environment of reliance and dependency, the very things that social entrepreneurship is seeking, in some ways, to eradicate (Dees, 2007; Nga & Shamuganathan, 2010). Though there is some degree of benevolence involved, more important is the entrenched desire to make a difference (Light, 2006; Roberts & Woods, 2005). Doing so most likely will come at the expense of profitability, as this takes a secondary role.

Of equal importance for social entrepreneurship is access to information (Lucas, 2001; Ratha, et al., 2011). Under normal conditions, decisions on what projects to support and promote may be heavily influenced by the access to specific public (hard) and private (soft) information. Hard information is based on publicly available documents. In many instances, much of that information is unavailable because the projects under consideration do not lend themselves well to such calculations and are more focused on alleviating some social condition. Moreover, the individuals and communities involved in these ventures either lack the expertise to provide information that shows a profit link to the alleviation of a social problem or do not view such efforts through a profit-generating lens (Ards & Myers, 2000; Connolly, 1998). As a result, some highly valuable projects may not be considered because searching for this information may be too costly.

Motivational Justification for Diaspora Involvement

Key to the involvement of the diaspora in community development initiatives is understanding their closeness to the communities from whence they came. The diaspora community has strong ties to their original communities. These ties are reflected in the establishment of home-town associations, travel patterns, and community activities. To understand the ability of the diaspora to facilitate community development, one needs to look at social identity. That identity provides a sense of belonging and being part of something from which one cannot be easily separated (MacGregor et al., 2008).

Understanding the reasons why a diaspora has emerged is also important. While there are normal patterns of migration, this may be further exacerbated by economic conditions. In fact, one can argue that a significant portion of the Guyanese diaspora has emerged because economic conditions. Looking at these migration patterns, one observes a steady outflow of not only skilled labor to traditional destinations, but also of unskilled labor to other countries. Despite these migration patterns, one thing remains constant. That is, a desire to contribute to their local communities. This begs the question: how can this be achieved?

Much of the desire demonstrated by the diaspora revolves around the notion of embeddedness. Sociological research suggests that individuals remain linked to their communities. Broadly speaking, embeddedness is deeply grounded in network theory and the notion that social interactions affect the kinds of relationships we enjoy (Granovetter, 1985; Mair & Schoen, 2007; Uzzi & Lancaster, 2003). These relationships affect how we interact with each other, our motives, and our decision-making (Granovetter, 1985; Mair & Schoen, 2007; Uzzi, 1999). This paper argues that contrary to exclusive one-on-one interactions (strong ties), a great deal more success can be achieved through the interactions of multiple individuals who may not be connected directly to one another (weak ties). More important, in communities where embedded relationships and trust exist, they are likely to have significant impact on what social entrepreneurs can achieve and the subsequent benefits enjoyed by that community.

Approaches to Diaspora Involvement in Community Development

Diaspora Knowledge Networks

Members of the diaspora have a wealth of knowledge that may be critical to community development initiatives. They are part of a wider network with global contacts that can facilitate access to resources. This embeddedness in a larger network allows for the development and strengthening of ties in this global arena. Equally important is the fact that those in the diaspora may, through social media maintain strong ties that were established decades ago and, when activated, help to eliminate barriers and facilitate action (Light, 2008; Mair & Schoen, 2007). It facilitates access to skill sets, knowledge, contacts, and other factors that are critical to the success of entrepreneurial ventures. Through using social media, individuals in the diaspora with specific knowledge can facilitate the resolution of otherwise complex problems.

Likewise, members of the diaspora can tap into their own networks to ensure that critical contacts are made to facilitate action 'on the ground.' In effect, while the spatial area in which these community development ventures may remain fixed, the network of resources that can be accessed to facilitate success is increased. Through virtual interaction, one now has access to a broader range of actors whose participation is critical to the success of these ventures (Smith & Stevens, 2010).

As we look at these knowledge networks, it is to be acknowledged that the flow of knowledge will represent both loss and gain. Brain drain will continue as individuals are exposed to those in the diaspora and learn about new opportunities. At the same time, new knowledge is embraced by the local community. Brain gain might occur because educated members of the diaspora return to provide some tools needed for educational advancement and community development

Diaspora Funding Initiatives

Research has shown that there is a causal link between diaspora populations and flows of financial resources to their home countries (Ratha et al., 2011). The general notion has been that members of the diaspora will invest in projects within their home countries if they see a favorable opportunity. In essence, diaspora investment in community development is partially driven by expected returns.

At the same time, there is a cultural and emotional dimension to such investments (Nielsen & Riddle, 2010). Studies have shown that diaspora investment in homeland projects is greatest among those communities that have the strongest emotional ties to their homeland and are actively involved in diaspora organizations (Gillespie et al., 2001). They are connected to these communities and experience a regular flow of reliable information. Such information provides a fairly accurate reflection of circumstances, which can be corroborated through third parties. Moreover, because diaspora members are embedded in the community, they are at a comparative advantage over other investors. Therefore, embeddedness allows for diaspora members and their firms to access more reliable information in their homelands and gain a competitive edge over others (Graham, 2014).

Diaspora members may also perceive themselves to have an ethnic advantage that can be exploited. That is, intangible benefits may accrue as a result of 'being from here.' Hence, there is a view that they will have access to highly reliable information and may be less exposed to risk.

They understand the local environment better than others, can translate that understanding into a knowledge about what makes sense, and possess an understanding of the local community that is unique. Thus, as long as members of the diaspora perceive an ethnic advantage in their home communities, there will be a greater likelihood of investing in community development initiatives.

Diaspora bonds also represent a way of involving those abroad in community development initiatives (Ketkar & Ratha, 2010). These have been effectively used by China, Israel, India, and other developing countries, seeking to attract capital and raise their profile. Such a financing tool can appeal to the patriotism of individuals. Since patriotism is the principal motivation for purchasing diaspora bonds, they are likely to be in demand under all circumstances. However, the issuance of diaspora bonds must be supported by a strong governance system designed to ensure stability. Individuals must know that the community development projects targeted for these diaspora bonds are pursued and funds are not diverted to other projects.

Targeted Diaspora Philanthropy

Philanthropy represents the voluntary transfer of resources, which may either be targeted towards a specific group (Johnson, 2007). Often these contributions take the form of individual and home-town association contributions. Diaspora contributions to facilitate local development is nothing new. The floods of 2006 saw an outpouring of diaspora support to facilitate individuals and communities returning to normalcy.

If diaspora networks can be activated in times of crisis, then they also can be activated for development purposes. Studies of diaspora involvement in local development have shown that countries such as India, China, Senegal, Somalia, Ghana, and Kenya have done excellent at capturing diaspora philanthropic contributions for development purposes. However, the patterns of success have not been uniform. For instance, Ghanaian and Senegalese living in Italy have shown huge differences in their willingness to facilitate economic activity at home through philanthropic contributions (Riccio, 2008).

Still, diaspora philanthropic contributions do have a role to play in community development. Through home-town contributions, specific projects can be earmarked for support. Such support is intended to help develop a sense of independence within the local community. One by-product of such independence is a reduction in the level of dependence of the local community upon financial remittances.

Diaspora Return Flows

Several members of the diaspora establish businesses in their new environs. They also include business persons who have already established businesses within their home countries. Within their new environment, they also form networks. As a group, they may represent an important source of reverse flow, as some financial resources are repatriated to their homelands. For example, both China and India have done an excellent job of creating mechanisms that facilitate the easy transfer of financial resources under favorable conditions.

There is also the widespread view that such business networks ay represent a group of individuals focused on participating in initiatives designed to enhance the status of their home communities. This assumption is based on the sense that, despite absence, one remains psychologically embedded within that community (Faist, 2008). If this is the case, then what emerges is a transnational business network that seeks to not only promote trade but also facilitate local development. This occurs because there is a high level of trust among these individuals, based on a common identity and a sense of moral obligation. Their involvement in community development, though partially driven by the profit motive is also influenced by the moral obligation to assist the less fortunate.

Self interest when coupled with embeddedness will likely also impact the willingness to support community development initiatives. Those who are indirectly affected by these social problems may demonstrate heightened interest in efforts to address them (Kistruck & Beamish, 2010). That heightened interest may be translated into support for the initiatives. Such support may not only take the form of financial backing but also a commitment to ensure that others provide financial and moral support to the effort. By so doing, the commitment to the project is increased and the likelihood of its success is enhanced.

Conclusions

Community development has emerged as a major goal of the new administration, and should be of interest to us all. It has the ability to recreate relatively independent communities whose sustainability is less reliant on financial remittances. As such, the ways in which the diaspora can facilitate such initiatives is of vital interest. Afterall, sustainable community development is about ‘teaching a man to fish, rather than feeding him a fish.’

In this article, we have presented some general ideas regarding ways in which the diaspora can participate in community development. Our arguments are driven by the notion that those in the diaspora are not only embedded in their home communities but also access to information that may place them at a comparative advantage in making investment decision. Hence, diaspora involvement in community development presents a victory both for the investor and the local community.

The ideas presented here are not intended to suggest that diaspora investment is charitable. To the contrary, there is significant financial, social, and reputational capital to be gained through such investments. Diaspora investments have the potential to benefit from the social networks and embedded relationships that provide access to critical and reliable information. Such information and the trusting relationships place them at a comparative advantage over others who may also which to pursue similar opportunities. Hence, the diaspora should be aggressively courted to participate in community development initiatives, not only because of their capabilities, but also for their social consciousness and unique positions.

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