Reflections: Development potentials of diaspora innovation and entrepreneurship

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The migration and development-nexus debate (Portes, 2009; Faist, 2008; Nyberg-Sorensen & Van Hear, 2003) acknowledges the role of diasporas in the development processes in the countries of origin. In the foregoing, significant attention has been given to diasporas’ developmental potentials (Zoomers et al. 2008), especially with regards to financial and social remittances. Diaspora contributions to development in the countries of origin through remittances are often an outcome of both individual and collective initiatives. However, these contributions need to be examined from the perspective of the main drivers of diaspora participation in the development processes and their broader impact.

Although there are different types of diaspora participation and contribution to development, individual creativity and collective organizing through diaspora organisations largely inform them. The two elements are interconnected and intricately intertwined since both individual and organisational activities derive their impetus from several factors linked to the individual attributes. These relate to such characteristics as motive for emigration, education, experiences, integration into and participation in the host society, identification with and affinity to the country of origin. The case studies in this book are manifestations of the significance of individual diaspora attributes but also their innovation in terms of entrepreneurial initiatives. Despite the complexities involved in the lives of many diasporas, courage to integrate and develop close affinity with and function in multiple locations requires a lot of effort from individuals. These include sacrifice, endurance and determination, experiences, ability to learn and translate experiences into opportunities, which inform their eventual decision to engage and participate in development processes. These attributes are also closely tied to the degree of integration and ability to mobilize resources through participation in the host country. The ability to integrate in the host society through naturalisation, language competency and working life thus provides the diasporas with the necessary impetus, capacities and resources for undertaking initiatives that target development in the countries of origin.

While it is acknowledged that diasporas maintain sentimental and material ties with the countries of origin (Sheffer, 1986), not every diaspora has the possibilities to return and even when some can return, not every one engages in activities that contribute to development. For this reason, it is imperative to examine the factors that actually facilitate the leveraging of migration for development through return (Olesen, 2003). Illustrations provided by the cases studies in this book, raises pertinent issues about what makes it possible for diasporas to engage in activities that translate into development outcomes with broader impact in the countries of origin. Besides the individual diaspora attributes, contextual conditions that constitutive of wide range of Political Opportunity Structures in the country of residence and origin also converge to give the diaspora participation its potency in terms of their transformative role and subsequent developmental outcomes.

In the case of the countries of residence, the prevailing political, policy and institutional frameworks, play a significant role in determining the degree to which diasporas can settle, integrate and participate in the new society. The diasporic experiences and resources that the
Diasporas are able to mobilize directly or indirectly thus provide the diasporas with the necessary capital and tools that enable them to launch activities in the countries of origin. These include transnational networks, institutional linkages, symbolic repertoires and discourses that shape their worldview and perspectives towards the countries of origin. The activities of Sankofa Foundation between the Netherlands and Ghana for example point to a more transnational dimension in the diaspora collective organising and resource mobilisation beyond the Netherlands. More established Ghanaian diaspora organisations such as Sankofa Foundation have developed capacities and demonstrated their abilities to undertake large-scale projects with boarder impact. Consequently, they are able to reach out to international organisations for resources needed for projects in Ghana due to a proven track record.

Diaspora participation in the local development processes in the country of origin also depends on the prevailing conditions especially the political environment. This could be receptive or pose obstacles to access and participation by non-state actors such as civil society organisations or individuals. In Ghana, the political environment offers a conductive environment for diaspora engagement and participation. This has been buoyed by the general recognition of the diasporas’ developmental potentials especially the role of remittances from Ghanaians in the diaspora. This has led to efforts towards creating an agenda for placing Ghanaian diaspora organisations in the migration policy discourse in Ghana (Anwut-Bosiako, 2010). The recent moves towards peaceful democratic transition as well as the gains made in terms of political and economic stability has influenced the attitudes of Ghanaian to a great extent. Consequently, most Ghanaian diasporas are focused on achieving lifetime dreams, which they argue is only possible in peacetime. This background provides the Ghanaian diasporas with incentives to return and to operate without fear of repression. Additionally, the political leadership in Ghana is not afraid of the influence of the diasporas since most Ghanaians do not advocate issues that are in contradiction to the government policies. Although Ghana still lack a comprehensive migration policy that captures the various needs of the diasporas, efforts to create a robust institutional framework and comprehensive migration policy that addresses the different dimensions of diaspora participation in the development processes remains an important corollary for a more sustainable diaspora contribution. Examples include the possibilities for diasporas through organisations to give input to government policies by participation in policy consultation processes. For this reason, Ghana Investment Promotion Council (GIPC) under the Act 478 seeks to promote, facilitate and encourage investment in all sectors of the economy by attracting investors including the diasporas. Within this mandate, GIPC established a Non-Resident Ghanaian (NRG) Secretariat that offers non-resident Ghanaians a point of contact for diasporas interested in setting up business in Ghana.

Diaspora and entrepreneurship – new dimensions

These above discussed diaspora attributes thus bring to the fore, the factors that underpin the outcomes of diaspora translocal activities as manifested in the various individual diaspora initiatives. Similarly, at the organisations level, there is a shift from donor dependence to social enterprise in which diaspora entrepreneurship is increasingly becoming the most preferred viable and sustainable way of diaspora contribution to the country of origin but also making a difference in the countries of residence through reverse flows. This shift is evident in the initiatives of Sankofa (Ghana) and its partner organisations Computers for Development (Kenya) and NEDSOM (Somalia). The three Dutch-based African diaspora organisations have come together under the Diaspora Business Centre to tap into diaspora investment potentials by offering a one-stop-shop for information, networking and access to information about investment potentials in the emerging markets in Africa and investment opportunities in the Netherlands and other EU member states.
The nature of development outcomes of diaspora activities includes their direct involvement in economic activities both in the countries of residence and origin. Nevertheless, migration as a transnational phenomenon has an economic transformational capacity if the necessary conditions and enabling environment is created for full participation of diasporas (Brinkerhoff, 2012). This is because diaspora contribution to development is not spontaneous, but a process that is guided by factors that are embedded in specific national contexts in which the diasporas function. It is also made to happen through deliberate intervention of other actors within these contexts with governments as the most significant players. Equally, harnessing the potentials of international migration and return to promote development (De Haas, 2010; Ammassari & Black, 2001) may not be possible or sustainable if local communities and the private sector are not supportive of their initiatives. It therefore requires support that entails partnerships between the public and private sector in the innovation for diaspora foreign investment promotion (Liesl et al. 2008). For example, under the public-private partnership arrangement in the Netherlands, several Ghanaian individuals and Dutch SMEs have benefited from the Dutch Government supported Private Sector Investment Programme (PSI), a subsidy programme aimed at supporting innovative investment projects in developing countries.1

Besides the individual initiative and remittances that are often visible and much more easy to track, certain types of social remittances evade public policy and academic scrutiny because not all types of diaspora activities and influences are easy to spot unless they make such revelations themselves. The issue here is not only about the visibility of all types of diaspora input but also relates to whether mainstream perspectives take them into account. Diaspora involvement in business is not a new phenomenon, since many diasporas support or undertake private initiatives that are business-oriented. But because they are not captured in most of migration literature, little information is available on the significant impact that these initiatives create from an economic perspective. Over the past decade, the over emphasis of the role of diasporas in conflict obscured the other diaspora potentials until the discovery of the large volumes of financial remittances that the diasporas send home (Ratha et al. 2011; Ratha & Plaza, 2011).

With remittances becoming a development mantra in the migration and development debate (Kapur, 2004), other types of diaspora potentials such as involvement in business activities have remained invisible. However, a shift is beginning to take place in terms of efforts to promote diaspora entrepreneurship potentials by creating platforms for its visibility and inclusion in the development policy discourse, debate and programmes. Diasporas themselves are beginning to claim their position and demonstrate their ability to undertake serious business and investment initiatives between the countries of residence and origin. For example, during a conference organised by the Gesellschaft Fur Internationale Zusammenarbeit (GIZ), Dutch Consortium of Migrant Organisations (DCMO), Sankofa, Computers for Development and NEDSOM on “Building Bridges, Diaspora for Business and Development” in April 2012 in Frankfurt, Dutch and German based Africa diaspora organisations displayed significant entrepreneurial initiatives that migrant communities undertake in pursuit of investment opportunities in the countries of origin.2 These initiatives have both individual and collective dimensions to them in the sense that they depend on the initiatives by individuals, who mobilise diaspora communities and as a result, promote entrepreneurship culture among diasporas through innovative business ideas. Within the migration debate, attention is drawn to the potential role of diasporas in the development processes in Ghana, nevertheless, factors that drive these processes are undertaken by individual Ghanaians at different levels in various sectors of the economy as illustrated by the cases outlined in this book. Other illustrations of diaspora contribution to the local economy are noted in the

1 See http://www.agentschapnl.nl/en/programmas-regelingen/private-sector-investment-programme-psi
2 Available from http://www.diasporabusinessdev.com
remittances from the Ghanaian diaspora (Kabki et al. 2004; Manuh & Asante, 2005) and long distance housing and development from abroad (Diko & Tipple, 1992).

The examples in this book further confirm the timeliness of addressing development issues through enterprise and trade. It reaffirms the calls for a paradigm shift from aid to trade (Ng’ona & Dube 2012; Higgins & Prowse, 2010; Hayashikawa, 2009; Winters, 2008). These cases also corroborate the fact that diasporas are way ahead of the debate on social enterprise. The reason being, majority of diasporas regardless of background have been involved in the development in the countries of origin through a combination of both philanthropic and entrepreneurial undertakings that target family business, SMEs and public service provisions in rural areas. The work of Sankofa and similar organisations and the numerous Ghanaians entrepreneurs with diaspora backgrounds suggest that much of the diaspora initiatives are still invisible to the to the policy and academic lenses. The history of respective cases studies in this book indicate that diasporas do have a history of engagement in business and systematic build up which has brought them to their current levels. In this regard, they demonstrate the likely areas of diaspora investment potentials and how to unlock them using different strategies informed by innovative approaches.

**Development outcomes of diaspora entrepreneurial initiatives**

Diaspora contributions in the countries of origin are largely initiatives that address the consequences of under-development. They address the drivers of migration by giving input in areas of economy that contributes to nation building through philanthropy and entrepreneurship. This has been noted in the various types of resources sent by different categories of Ghanaian diasporas including the élite migrants who return with significant capital for large-scale investment (see Ammassari, 2004). However, the impact of diaspora entrepreneurship can be felt in a number of areas and consequently contribute to large-scale development and societal transformation beyond one particular sector. The sections below attempt to provide an illustration of these potentials in addition to the case studies outlined in this book.

**Direct and indirect job creation**

Diaspora entrepreneurship through investments in various sectors of the local economy in the countries of residence and origin contributes to job creation both directly and indirectly. Diaspora contribution to the local economy in Ghana for instance, has been noted in the investment in real estate and other economic ventures (Smith, 2007; Black et al 2003), as well as resources used on social events such church contributions, birthdays, weddings and funerals (Mazzucato, 2006). Spending in these areas have spill over effect in the local economy in Ghana, which is largely informal (Obeng-Odoom, 2011). This has led to the creation of employment opportunities for a large section of the population especially people working as peasant proprietors, agricultural labourers, distribution agents, buyers, transport owners and employees, porters and repairers (Ninsin, 1991).

**Skills transfer**

Besides the financial capital that the diaspora inject into the local economy through investment in various sectors, diasporas also contribute to development (Bakewell, 2009; Nieswand, 2009) in terms of technological innovation and skills transfer as illustrated in the various initiatives covered by the case studies in this book. Diasporas combine their knowledge, skills and experiences in both contexts (country of origin and residence) to give a nuanced explanation and understanding to the issues that affect the local communities. For instance, in the Sankofa poultry project in
Greater Accra and Northern regions of Ghana, keeping chicken is not new to the Ghanaian society, but the way in which it is redefined and contextualised has led to broad comprehension among the women groups about what the project could achieve given the new understanding and strategies for increased productivity. With such input, diasporas bring along new ideas that resonate with local practices and realities while at the same time deploying modern technology for increased productivity and large profit margins.

**Complementarity to Government’s socio-economic policy goals**

Diaspora contribution to development in the countries of residence and origin is not only limited to direct input into the economy, but also includes benefits that accrue to governments in terms of their socio-economic and development policy agenda. In the countries of residence, diaspora entrepreneurship helps to reduce the burden on the welfare system as diasporas engage in self-employment which further generates other opportunities to the natives as well as other diaspora communities (Newland & Tanaka, 2010). Similar benefits accrue in the countries of origin where diaspora investment contributes to job creation hence, leading to the reduction of unemployment levels among the youth. Moreover, governments also benefit from diaspora entrepreneurship initiatives through taxes that they collect from diasporas’ direct investment and associated business undertakings that contribute to the overall government revenue. In the countries of origin, transfer of large amounts of diaspora capital has been playing an important role as a means of earning foreign exchange. In most cases, it acts as an alternative source of external development finance (Ratha, 2005) while at the same time contributes to a large share of the GDP in many developing countries (Addison, 2005; Ratha, 2005). Other areas of significance include the role of diaspora remittances as a counter-cyclical measure in the context of economic shocks (Lueth & Ruiz-Arranz, 2007).

**Poverty reduction**

In the course of their engagement and participation in the countries of origin, diasporas address issues that have direct impact on the livelihoods of the majority that have been left behind in the national economic growth trajectory. Diasporas thus contribute to poverty reduction through other initiatives beyond remittances (Newland & Patrick, 2004). In the case of Ghana, the case studies in this book demonstrate that diaspora participation at the local level through entrepreneurial initiatives have the potentials to create opportunities for socio-economic development (Orozco & Reus, 2007) and poverty reduction. This is mainly realised through remittances (Quartey & Blankson, 2004) as well as return and small enterprises that Ghanaian diaspora develop (Black et al. 2003). Likewise, those initiatives by diaspora organisations such as Sankofa also show case the overall role of diaspora-based organisations in the socio-economic development in the countries of origin (Akologo, 2005). The difference made by the diasporas are mainly defined in terms of activities that facilitate access to basic physiological needs of the local communities and play a significant role in addressing issues that have direct impact on the livelihoods (see Awumbila et al. 2008) of the majority that have been left behind in the national economic growth trajectory. Such contributions enable poor women to pay for food, medicine, clothing, school fees, housing and community levies and contributions during funerals and other celebrations (Mazzucato, 2006). At a diaspora organisational level, the examples in the Sankofa activities suggest that diaspora entrepreneurial initiatives introduces creative ways of addressing productivity at the community level at the same time functioning as a facilitator of societal transformation in the local communities in the countries of origin (Ong’ayo, 2013). Finally, the way in which they approach the people and the problems, brings in innovative strategies that enable the local communities to mitigate poverty conditions in a much more sustainable way. For instance, they help the women groups to think and mobilise resources collectively while at the
same time addressing the individual needs through access to microcredit facilities and agricultural inputs (Ong’ayo, 2013).

Reverse flows to the countries of residence

Diaspora contribution to development takes place at different levels and in multiple contexts. Besides the countries of origin, diasporas also contribute to societal change in the countries of residence. Diaspora contributions to local economies is not new since there is evidence of their creation of small and medium enterprises (SMEs) as well as “their role in fostering niche markets in immigrant communities, and their ability to offer jobs to the native born as well as other immigrants” (Newland & Tanaka, 2010). Diaspora investments abroad also have impact in the countries of residence through profits that are ploughed back into the host country economies in the form of savings and family spending. Others include the capital that diasporas invest in securing supplies but also proceeds from investments undertaken in partnership with SMEs in the former countries of residence. These potentials therefore call for the need for developing partnerships with natives in order to access emerging markets in the countries of origin. However, these initiatives could only succeed if they receive the necessary support from the state. This is because the state system largely remains the most significant determinant of “spatial boundaries of human collectivities and the chance of their members to achieve development goals” (Portes 2011, p.501).

The way forward

One way to facilitate leveraging of international migration for development is to put in place policies and institutional frameworks that facilitate full integration of diasporas in the business environment in the countries of residence and origin. This is due to the fact that the degree, to which a diaspora is integrated in the host society, provides an individual with the necessary capacities for contribution to both the country of residence and origin. By creating facilities for diaspora investments, countries of residence would benefit from the accumulative diaspora potentials in the form of access to emerging markets in the countries of origin, their transnational and local linkages that can facilitate the mitigation of business cultures and access to opportunities that are beyond the reach of native SMEs. Promoting entrepreneurship among diasporas could thus create conditions for getting out of the dependency syndrome of looking unto governments and aid agencies for funds and employment.

Entrepreneurship has been touted as the new economic model for the 21st century. New entrepreneurship economic models such as entrepreneurship (a model where an employee of an organisation comes up with innovative ideas for running an organisation), techpreneurship (a model where technology professionals develop or come up with an innovative application software in running businesses, talentpreneurship (this is where a person develops a business model around his/her talent or gift) are increasingly gaining ground as the viable option for stimulating development. These and other types of entrepreneurship models could be considered for implementation and replication by diasporas wishing to start business in the country of origin. These stories and profiles of successful migrants should serve as a motivational factor for stimulating diaspora ideas for starting business in the countries of origin and residence. For diasporas considering permanent return, temporary return or transnational operation between multiple locations, this is an opportune moment to launch an investment dream. As for governments, these diaspora initiatives point to the need to put in place the necessary mechanisms for mobilizing diaspora entrepreneurship for development (Newland & Tanaka, 2010) in order to unlock the potentials of diaspora which lie in their double engagement, affinity, cross-cultural capital, transnational networks and linkages.
References


