



Diaspora and Migrant Entrepreneurs as Social and Economic Investors in Homeland Development

*Harnessing the bridging potential of migrant and diaspora
entrepreneurs for transformative and inclusive development*

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EXECUTIVE SUMMARY

Migration is increasingly seen as having important positive contributions to development. In the migration and development field diaspora have emerged as important strategic partners essential for the practical implementation of policy proposals that require migrants to play a leading role.² Over the decades, the contribution of migration to development has been seen through the positive effects of diaspora and migrant remittances on the well-being of families in countries of origin. Since 2000, migrant remittances have grown fivefold, with remittances to developing countries amounting to approximately US\$ 404 million in 2013.³ Consequently, while the relative importance of official development assistance is declining, remittances have grown in importance for the Gross Domestic Product (GDP) of developing countries.⁴ Evidence to date also indicates that going beyond remittances, diaspora entrepreneurs can contribute positively to the socio-economic development of their countries of origin.⁵ The unique nature of diaspora entrepreneurs enables them to exploit opportunities in diverse homeland contexts to create business and jobs, stimulate innovation, create cross border social capital and channel political and financial capital towards development.

In recognition of the increasing importance of migration to development, this paper highlights the potential of diaspora/migrants entrepreneurs as economic and social investors in their countries of origin. Research on the contribution of diaspora business to development is limited. This report therefore contributes to improving the knowledge base in this area. While not exhaustive, the paper presents key policy recommendations for consideration in order to harness the bridging potential of migrant and diaspora entrepreneurs for transformative and inclusive development. These recommendations are presented in the context of: i) the the evolving patterns of diaspora engagement to date; ii) the impact of diaspora/migrant businesses on job creation and skills development and; ii) the challenges are faced by diaspora/migrant entrepreneurs.

Critical elements of facilitating diaspora entrepreneurship are conducive policy, institutional and regulatory environments coupled with access to: i) information, ii) networks iii) business training programs and; iv) funding. Facilitating frameworks for diaspora/migrant entrepreneurship while important, remain riddled with several challenges as discussed above.⁶ Consequently, based on the discussions outlined in this paper, key policy recommendations⁷ tabled for consideration relate to:

The need for evidence based research: There is need to understand the nature, scope and operations of diaspora businesses, including the characteristics of diaspora/migrant entrepreneurs. The contexts in which diaspora entrepreneurs operate has evolved considerably over the past decade, and continues to evolve further. Understanding the unique characteristics of diasporans, the context specific environments in which they undertake businesses in various forms etc., will go a long way towards being able to develop more customized policies focused on stimulating diaspora investment. In this regard, undertaking vigorous impact evaluations will be an important aspect of

² Ndiaye et al. 2009. *The Migration for Development in Africa Experience and beyond*.in Operationalizing Migration for Development Across Regions-The MIDA Experience and Beyond, International Organization for Migration

³ World Bank. 2014. *Migration and Development Brief*. No. 22, November, Washington, DC and Lonback, Lars.2014.*Integrating migration into the post -2015 United Nations Development Agenda*. Bangkok and Washington, D.C.: International Organisation for Migration and Migration Policy Institute.

⁴ Lonback, Lars.2014.*Integrating migration into the post -2015 United Nations Development Agenda*. Bangkok and Washington, D.C.: International Organisation for Migration and Migration Policy Institute.

⁵ UNDP.2009. *Overcoming Barriers: Human Mobility and Development*. Human Development Report. UNDP, New York.

⁶ Riddle, L and Nielsen, T.M.2011. *Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives*.in Realising the development potential of diasporas, Sharma, Kashyap, Montes and Ladd, United Nations Press and Agunias, D.R. and Newland, K. (2012).

⁷ These are recommendations also articulated by various stakeholders during the webinar on *Migration, Entrepreneurship and Development* hosted by ADPC on 20 November 2014. The webinar was one of the key activities undertaken as input into this Policy Paper. The webinar Report is accessible at: <http://diasporaalliance.org/wp-content/uploads/Webinar-Report-Migration-Entrepreneurship-and-Development.pdf> [Last accessed 22 December 2014]

ensuring that the experiences of diaspora entrepreneurship feed back into policy and programming to shape future engagement of diaspora in the socio-economic development of their countries of origin. Harnessing the bridging potential of migrant and diaspora entrepreneurs for transformative and inclusive development hinges on the adoption of multipronged policies and programmes that positively impact on structural inequalities in society. Consequently, timely evidence based research is instrumental in order to inform the ever changing policy and programming context of this complex and multi-dimensional area of study.

Enhanced documentation of best practices and lessons learned: Efficient and effective policy and programming is in part facilitated through vigorous research and knowledge of what works and in what context. There are a plethora of diaspora businesses worldwide functioning in varied contexts. Many of these businesses contribute positively to the socio-economic development of their countries of origin facilitating improved well-being and quality of life. Ensuring that these good practices are properly documented facilitates knowledge sharing, minimises duplication and facilitates efficiency, providing the opportunity to harness these experiences for improved well-being.

Governments: Governments facilitate access to the technical, financial, political, and other resources essential for entrepreneurial success.⁸ They play a key role in diaspora/migrant business promotion by taking on a nurturing role and cultivating a sense of connection between diasporans and their home country. However, the unique characteristics of diaspora/migrant businesses poses challenges for home country governments. Harnessing the potential of diaspora entrepreneurship for homeland development will require that governments facilitate a conducive business environment through the requisite policy, regulatory and legislative reform. Equally important in this regard is ensuring that key information necessary to establish the full spectrum of relationships required to cultivate diaspora/migrant businesses are established. In facilitating this, governments will need to work with a diverse group of opinion leaders that will help spread the message about available investment opportunities. Given the spectrum of home country based challenges faced by diaspora entrepreneurs to date, trust in home country governments and partnerships remains weak; consequently the more voices the more credibility.

Partnerships: Diaspora businesses require strategic partnerships between a wide group of partners in order to “kick off” and grow . Partnerships, in particular cross sector partnerships, are therefore instrumental in today’s interconnected world. Migrant/diaspora entrepreneurs should seek to promote partnerships with private sector and work with other counterpart organisations in their countries of origin.

⁸ Riddle, L and Nielsen, T.M.2011. *Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives.*in Realising the development potential of diasporas, Sharma, Kashyap, Montes and Ladd, United Nations Press

I. INTRODUCTION

Migration is increasingly seen as having important positive contributions to development. In the migration and development field diaspora have emerged as important strategic partners essential for the practical implementation of policy proposals that require migrants to play a leading role.⁹ Over the decades, the contribution of migration to development has been seen through the positive effects of diaspora and migrant remittances on the well-being of families in countries of origin. Since 2000, migrant remittances have grown fivefold, with remittances to developing countries amounting to approximately US\$ 404 million in 2013.¹⁰ Consequently, while the relative importance of official development assistance is declining, remittances have grown in importance for the Gross Domestic Product (GDP) of developing countries.¹¹ Evidence to date also indicates that going beyond remittances, diaspora entrepreneurs can contribute positively to the socio-economic development of their countries of origin.¹² The unique nature of diaspora entrepreneurs enables them to exploit opportunities in diverse homeland contexts to create business and jobs, stimulate innovation, create cross border social capital and channel political and financial capital towards development.

However, until recently the strategic contribution of diaspora to homeland socio-economic development has not been formally recognised in various global discussions. The increasing recognition of the important positive contributions of migration, and in particular diaspora entrepreneurship, to development is now reflected in the current global call for the inclusion of migration in the post 2015 development agenda. Initiated in the 1992 Earth Summit in Rio de Janeiro, these discussions culminated in the UNGA¹³ High Level Dialogues (HLDs) on International Migration and Development in 2006 and 2013. The formation of the Global Forum on Migration and Development (GFMD) was the result of the first forum of discussions. As an outcome and follow up to the 2013 UN HLD, Civil Society organisations have proposed a 5 year Action Plan for collaboration articulating 8 key development issues to be addressed in the coming 5 years. A clear recommendation put forward is the need to better engage migrants and diaspora as entrepreneurs, social investors, policy advocates and partners in development.¹⁴

Consequently addressing the topic of diaspora entrepreneurship as the first global Working¹⁵ Group on migrants and diaspora for development is both timely and policy relevant in that it responds to the current trends on the global development debates geared to promote the contribution of the private sector to development. This topic also holds policy relevance for the next GFMD meeting scheduled to take place in October 2015 in Istanbul. The host government Turkey has already indicated that migrant entrepreneurship will be a leading theme in upcoming GFMD deliberations. Building on the evidence base in this area is important in order to inform policy and programming.

⁹ Ndiaye et al. 2009. *The Migration for Development in Africa Experience and beyond*.in Operationalizing Migration for Development Across Regions-The MIDA Experience and Beyond, International Organization for Migration

¹⁰ World Bank. 2014. *Migration and Development Brief*. No. 22, November, Washington, DC and Lonback, Lars.2014.*Integrating migration into the post -2015 United Nations Development Agenda*. Bangkok and Washington, D.C.: International Organisation for Migration and Migration Policy Institute.

¹¹ Lonback, Lars.2014.*Integrating migration into the post -2015 United Nations Development Agenda*. Bangkok and Washington, D.C.: International Organisation for Migration and Migration Policy Institute.

¹² UNDP.2009. *Overcoming Barriers: Human Mobility and Development*. Human Development Report. UNDP, New York.

¹³ United Nations General Assembly

¹⁴ Civil society on International Migration and Development.2013.*The 5-year Action Plan for Collaboration*. Accessible: http://hldcivilsociety.org/wp-content/uploads/2013/10/0261-HDL_The-5-year-Action-Plan-GB-web2.pdf [Last accessed 22 December 2014]

¹⁵ The Migration and Development Civil Society Network (MADE) coordinated by the International Catholic Migration Commission (ICMC) has emerged out of civil society coordinating within and around the GFMD in recognition of the need to do more to ensure better follow-up, implementation, advocacy and monitoring of global recommendations coming out of the 2013 forum. Within MADE, are three Working Groups. This paper has been developed in the context of the on Working Group on migrants and diaspora for development led by the African Diaspora Policy Centre (ADPC). The other two working groups are on: i) labour migration and recruitment and; ii) global governance of migration and development. More information about MADE is accessible at: <http://madenetwork.org/> [Last accessed 22 December 2014]

In this context this paper highlights the potential of diaspora/migrants entrepreneurs as economic and social investors in their countries of origin. The paper is outlined as follows. Section 2 is a discussion on the development potential of diaspora entrepreneurs. Within the section, section 2.1 provides a brief background on diaspora/migrant entrepreneurship to date outlining the evolving patterns of diaspora engagement. In section 3 of the paper is a review of the “impact” of diaspora/migrant enterprises to date. Within the section sub section 3.1 discusses the impact on job creation and skills development, while section 3.2 offers a discussion on corporate social responsibility and diaspora/migrant entrepreneurship. Section 4 is a brief discussion on the research and documentation of good practices. This is followed by a review of the challenges that are faced by diaspora/migrant entrepreneurs in section 5. The paper concludes with policy recommendations in section 6.

2. THE DEVELOPMENT POTENTIAL OF DIASPORA AND MIGRANT ENTREPRENEURSHIP

The potential of migrant/diaspora as change agents for the overall development of their countries of origin is considerable. Migrants/diasporas are one of the contemporary global forces in the 21st century, and have become strategic transnational actors shaping development relationships across countries, regions and continents. Thanks to inexpensive transportation and rapid communication migrants and diaspora are now exerting far greater influence on their homelands than ever before. These modern means have enabled migrant/diaspora communities to establish intersecting social, economic and political bridges that link their new places of residence with their original homelands. In fact, these modern resources have helped to equip migrants/diasporas with the capacity to play a significant role in efforts geared towards advancing social, political and economic transformation back home.

They have also helped them to become the key drivers of a migrant/diaspora led development sector which is informal and distinctive in nature. This sector is quite different from the formal and traditional development cooperation sector, which is typically the domain of more developed donor governments and their subsidiary agencies. The ever growing participation of migrants/diasporas in homeland development¹⁶ has positioned them as critical actors in development cooperation policy circles, both in host and home countries. More concretely in some countries, as discussed, the huge contribution of migrants/diasporas remittances to social welfare and economic growth in the homeland has remarkably even exceeded the level of the official development assistance (ODA). It is on this basis that migrants and diaspora are now considered to be the “*fourth development aid actors*”, along with international organisations, governments and mainstream development agencies. It also makes the case to mainstream migration as a cross-cutting issue within the post-2015 development agenda.

Consequently, while there is clear evidence that diaspora remittances have both direct and indirect favourable development effects, “remittances are largely used for short-term, daily consumption rather than productive investments that can fuel sustainable economic growth. Given the important size of financial flows originating from diaspora populations, governments are becoming increasingly interested in how to channel such flows to foster entrepreneurship, support innovation, and develop

¹⁶ In this context, development is considered in a broader sense which encompasses all forms of transfers that the migrants/diasporas mediate between the host and the home countries. For example, the contributions of the migrants/diasporas to the development of their homelands are not confined to the transfer of financial remittances. They also transfer knowledge and skills, promote trade and foreign direct investment (FDI), create business and spur domestic entrepreneurship.

priority sectors of the economy.”¹⁷ This highlights the importance of supporting and engaging diaspora entrepreneurs in the development process as social and economic investors capable of transformative inclusive¹⁸ development. There is however research on diaspora entrepreneurship is limited. The limited existing research on diaspora entrepreneurship indicates that diaspora entrepreneurs have the potential to contribute to development in four key ways¹⁹:

- Diaspora entrepreneurship fosters business development, job creation, and innovation.
- Diaspora Direct Investment (DDI) creates economic, social, and political capital through global networks.
- Diaspora entrepreneurship taps into social capital through cultural and linguistic understanding.
- Entrepreneurship and economic development are positively linked.

This paper, and in particular this section, focuses discussions on the development potential of diaspora/migrant entrepreneurship. First section 2.1 provides a background and the evolving patterns of diaspora engagement in their homelands. This is followed by a review of the current modus operandi of diaspora enterprises in section 2.2.

2.1 Background and evolving patterns of diaspora homeland engagement

In the last decade, migrant and diaspora organisations, associations, groups and individuals have operated as critical development agents in their countries of origin. Migrants and diaspora have routinely transferred both financial and social remittances which have profoundly influenced domestic dynamics in their home countries. They have in particular transferred large financial resources, set up community development projects and joint business ventures that have facilitated local companies’ access to financial resources, expertise, innovative trade practices and valuable networks abroad. In fact, in many developing countries across the globe, a sizeable number of migrant and diaspora organisations and associations are now leading a vast number of development-related projects in villages and rural areas. These diaspora/migrant organisations and associations are particularly active in locations in the homeland where development assistance is most required. The support provided by these diaspora organisations responds to vital needs not being met by programmes of more established development partners. Consequently diaspora remittances are an important contribution towards meeting the needs of the poor and marginalised in the developing countries from which migrants originate.

In this regard, the development initiatives undertaken by migrant/diaspora organisations often complement those implemented by mainstream donor partners active in the homeland. Likewise, the involvement of migrant/diaspora in their respective home countries has not only increased tremendously, but has also become diversified, entrenched and broadened in scope, often cutting across both social services and financial sectors. For example, members of migrant and diaspora communities have become active to varying degrees in health, education, employment promotion, micro-entrepreneurship and business, etc. They are also active at different levels in the homeland and have become involved in a broad range of development-related activities at the local, sub-national and national levels. Consequently, the interaction of migrants and diaspora in homeland development has evolved over the past 10 years from simple to very complex and dense processes.

¹⁷ Agunias, D.R. and Newland, K.2012.*Developing a Road Map for Engaging Diasporas in Development: A HANDBOOK FOR POLICYMAKERS AND PRACTITIONERS IN HOME AND HOST COUNTRIES*. IOM and MPI

¹⁸ An inclusive development process requires addressing issues of structural transformation, especially economic, social, and demographic aspects. To achieve this, a multipronged policy and programme mix is critical to success..

¹⁹ Newland, Kathleen and Tanaka, Hiroyuki.2010. *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC. Migration Policy Institute

A clear pattern is visible regarding the evolution of migrant/diaspora engagement in the development processes of their countries of origin. A decade ago migrants and diaspora remittances to families and communities were the main level of engagement with their countries of origin. In the last decade, this pattern of homeland engagement has evolved to encompass migrants/diaspora investment in businesses in their native homes. Consequently, a lot of research has been undertaken regarding the impact of remittance transfers and the community-oriented projects supported mainly by hometown associations (HTA).

2.2 Diaspora entrepreneurs as socio-economic change agents: The current modus operandi²⁰

Diaspora enterprises are more complex than the average enterprise and operate in "complex transnational, trans-functional political, social and economic circumstances."²¹ Several factors determine the nature and scope of businesses undertaken by migrants and diaspora.²² According to Vemuri (2014),²³ Push, Pull, Re-pull and Re-push factors shape diaspora businesses.²⁴ These factors are in part also shaped by generational aspects and the extent to which the enterprise is transnational in nature. Whether diaspora are first or second generation migrants greatly influences the type of enterprise they establish. In addition, indications are that diaspora entrepreneurs are often organized through informal and formal business networks that emerge based on the business context in the homeland and whether the entrepreneurs have the requisite information on the ground, facilitating connections to the supply chain.

Existing research suggests that first generation diaspora entrepreneurs are less educated and undertake ethnic type business initiatives primarily in the services sector. This generation of migrant/diaspora entrepreneurs are often concentrated in sectors such as money transfers, travel agencies, and ethnic oriented initiatives such as: bakeries, shipping, restaurants, translation services, music shops, small grocery stores etc.²⁵ In many instances, first generation migrant/diaspora enterprises are micro or small scale in nature and rely on personal relationships in the home country due to a host of challenges such as lack concise market information, a weak institutional and regulatory environment that to some extent necessitates engagement of family members due to an overall lack of trust. The informality and small size of many of these enterprises stem in part from their own lack of sophisticated entrepreneurial skills and low production, low standards, and the low

²⁰ This section of the paper draws from the presentations made by Abubakarr Bangura and Florian Täube during the webinar on *Migration, Entrepreneurship and Development* hosted by ADPC on 20 November 2014. The webinar was one of the key activities undertaken as input into this Policy Paper. The webinar Report is accessible at: <http://diasporaalliance.org/wp-content/uploads/Webinar-Report-Migration-Entrepreneurship-and-Development.pdf> [Last accessed 22 December 2014]

²¹ Vemuri, S.R.2014.*Formation of Diaspora Entrepreneurs*. Center for Transnational Studies (ZenTra).Universities of Bremen and Oldenburg. Available at: <http://ssrn.com/abstract=2519432> [Last accessed 22 December 2014]

²² Liesl Riddle, Liesl and Brinkerhoff, Jennifer .2011. *Diaspora entrepreneurs as institutional change agents: The case of Thamel.com*. International Business Review 20 (2011) 670-680

²³ Vemuri, S.R.2014.*Formation of Diaspora Entrepreneurs*. Center for Transnational Studies (ZenTra).Universities of Bremen and Oldenburg. Available at: <http://ssrn.com/abstract=2519432> [Last accessed 22 December 2014]

²⁴ Push factors from home countries include "escaping from different political, economic and other forces that stifle individual's ability to live, contribute to their growth and for achieving success. Pull factors, on the other hand, are factors that attract people to other countries, for example the freedom to think and act without the shackles of family, culture or political backlash. The relative strength of these factors in relation to the others largely influences the outcome of the interactions between the Push and Pull factors. Re-push factors, such as the failure of immigrants to gain employment in professions they are trained in, e.g. teachers, doctors, nurses, engineers, surveyors, etc". (Vemuri (2014)).

²⁵ Wah, T.2013.*Engaging the Haitian Diaspora: Emigrant Skills and Resources are needed for Serious Growth and development, not Just Charity*. CAIRO REVIEW 9/2013 Available: <http://cgsd.columbia.edu/files/2013/07/ENGAGING-THE-HAITIAN-DIASPORA.pdf> [Last Accessed: 10 December 2014] and the presentation provided by Dr. Täube on the *Impact of migrant/diaspora entrepreneurship on job creation and skills development* during the webinar on *Migration, Entrepreneurship and Development* hosted by ADPC on 20 November 2014. The webinar Report is accessible at: <http://diasporaalliance.org/wp-content/uploads/Webinar-Report-Migration-Entrepreneurship-and-Development.pdf> [Last accessed 22 December 2014]

diversity of goods. Second generation diaspora on the other hand are more educated, worldly and often engage in non-ethnic businesses ventures in for example the technology sector. This generation of entrepreneurs have a better understanding of how markets function, how modern enterprises operate and the changing global dynamics that impact on their interventions.²⁶

Another distinguishing feature of diaspora entrepreneurship has to do with whether they are transnational in nature or returnee enterprises. Returnee diaspora entrepreneurs permanently repatriate to their countries of origin, while transnational entrepreneurs “migrate circularly,” or return regularly to the country of origin physically and virtually through social networking sites, electronic bulletin boards, and other online venues.²⁷ Transnational diaspora entrepreneurship has been described as a “social realm of immigrants operating in complex, cross-national domains, with dual cultural, institutional, and economic features that facilitate various entrepreneurial strategies.”²⁸

As a group, migrant/diaspora entrepreneurs are also seen to have powerful political orientation and are often sensitive towards facilitating the participation of the community and the overall social impact of their business endeavours in their countries of origin or heritage. Overall, whether first or second generation or a transnational versus returnee entrepreneur will greatly shape the nature of business established. Diaspora entrepreneurs are risk oriented and are often more willing to engage in business activities in high-risk or emerging markets. They have the “first mover” advantage because they know where opportunities are, and make use of such opportunities when investing in or starting businesses in their countries of origin.²⁹ Their role is often that of fostering niche markets. While a substantial number of diaspora entrepreneurs possess the cultural, social and financial capital with which to facilitate their undertakings, not all diaspora entrepreneurs have the requisite networks in their home countries.

The transnational nature of select diaspora enterprises makes it possible for these organisations to facilitate innovation and knowledge transfers from the host country to their countries of origin. Among second generation diaspora in particular the transfer of knowledge and technological knowledge is greater because they are better educated, have broad knowledge and are more exposure to global dynamics. As such, the transnational nature of diaspora entrepreneurs, context permitting, situates them such that they are in a position to pioneer the development of robust policy and spur economic development in their countries of origin or heritage.

3. Impact of migrant/diaspora entrepreneurship on job creation and skills development

This section of the paper examines the contribution and impact of migrant and diaspora enterprises to job creation and skills development. The section also briefly discusses the extent to which diaspora enterprises meet their corporate social responsibilities. In section 3.1, the question posed is “to what extent do migrant/diaspora enterprises contribute to job creation and skills development and what impact has there been in terms of boosting the domestic labour market in the homeland? Section 3.2 discusses the extent to which migrant/diaspora enterprises have a greater sense of corporate social responsibility in the homeland, and contribute to increasing awareness in this area.

²⁶ Riddle, L and Nielsen, T.M.2011. *Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives*.in Realising the development potential of diasporas, Sharma, Kashyap, Montes and Ladd, United Nations Press

²⁷ Drori, I., Honig, B., Ginsberg, A., 2006. *Transnational entrepreneurship: toward a unifying theoretical framework*. Academy of Management Best Paper Proceedings, pp. Q1–Q6

²⁸ Drori, I., Honig, B., Ginsberg, A., 2006. *Transnational entrepreneurship: toward a unifying theoretical framework*. Academy of Management Best Paper Proceedings, pp. Q1–Q6

²⁹ Newland, Kathleen and Tanaka, Hiroyuki.2010. *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC. Migration Policy Institute

3.1 Impact of migrant/diaspora entrepreneurship on job creation and skills development

The impact of migrant/diaspora entrepreneurship on the socio-economic development of their homeland is shaped by the context and conditions in both the host and home country.³⁰ Further, recent research suggests that opportunity³¹ entrepreneurs as opposed to necessity³² entrepreneurs contribute positively to economic development.³³ While there is no correlation between economic development and necessity entrepreneurship, this form of entrepreneurship is found to have a positive effect on employment.³⁴

Research on the effects of diaspora entrepreneurship on socio-economic development in the homeland is scanty. In particular impact evaluations have yet to be undertaken. However, based on developments to date certain general inferences can be made regarding the effect of diaspora entrepreneurship on job creation and skills transfer. For a start, a large number of diaspora entrepreneurs to date have been necessity entrepreneurs, especially amongst first generation diaspora with lower educational levels and limited business skills.

However the scope and nature of diaspora enterprises has and is changing as diaspora become more educated and gain the requisite skills to run successful businesses. Within the context of the varied settings that diaspora enterprises operate, indications are that diaspora organisations contribute positively to job creation and skills development in countries of origin or heritage. Business enterprises set up by migrants and diaspora in their countries of origin can contribute to skills development through the transfer of smart and innovative business practice, technical know-how, knowledge exchange, professional capacity to market. The transfer of trading and business making skills directly contributes to skills development of homeland entrepreneurs. In addition, indications are that diaspora entrepreneurship can contribute to “creating social capital across borders, and channelling political and financial capital toward their countries of origin”.³⁵ While some diaspora groups such as the Chinese and Indian, in the manufacturing sector for example, are found to have established medium scale enterprises, the majority of diaspora enterprises remain micro and small scale due to in part to the challenges as outlined in section 5 below. In order to harness and capitalise on the bridging potential of migrant/diaspora entrepreneurs for transformative inclusive development, it will be important to strategically engage and facilitate the engagement of migrant/diaspora entrepreneurs in development of their home countries.

3.2 Diaspora entrepreneurs and corporate social responsibility

Limited research has been undertaken on diaspora enterprises and corporate social responsibility³⁶. The decision for diaspora to engage in entrepreneurial activities in their country of origin is in part due to socio-emotional ties and the desire to see their homeland develop.³⁷ While there are social dimensions to why diaspora enterprises emerge, as corporate entities it is also important for diaspora enterprises to meet their corporate social responsibilities. The limited research on diaspora

³⁰ IOM.2013.*Diasporas and development: Bridging between societies and states*. Background paper

³¹ Entrepreneurs who choose to become entrepreneurs because they have identified financially lucrative opportunities to engage in.

³² Necessity entrepreneurs as the name suggests, are entrepreneurs out of necessity.

³³ Newland, Kathleen and Tanaka, Hiroyuki.2010. *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC. Migration Policy Institute

³⁴ *ibid*

³⁵ IOM.2013.*Diasporas and development: Bridging between societies and states*. Background paper

³⁶ This refers to companies taking responsibility for their impact on society (EU, 1995-2012)

³⁷ Newland, Kathleen and Tanaka, Hiroyuki.2010. *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC. Migration Policy Institute

enterprises and corporate social responsibility (CSR) seems to suggest that diaspora owned enterprises have greater potential to meet their corporate social responsibilities than other firms.³⁸

The expectation is that due to patriotism diaspora enterprises will automatically be more corporately responsible. However, Graham (2012) suggests that due to their unique competitive advantage, while at present not necessarily more corporately socially responsible than other firms, diaspora owned enterprises are in a unique position to exercise their corporate social responsibilities for positive socio-economic development. It is therefore important to have diaspora enterprises introduce and where possible have CSR initiatives piggyback on existing diaspora-led mechanisms for institutional change and articulation.³⁹ Evidence suggests that CSR is increasingly important to the competitiveness of firms, and can bring benefits in terms of risk management, cost savings, access to capital, customer relations, human resource management and innovation capacity.⁴⁰ These benefits coupled with the comparative advantage that diaspora firms have in the home country context, present vast opportunities for these organisations to socially and economically substantially capitalise on their business endeavours in their home country for overall socio-economic development.

4. Robust research and documentation of good practices

Evidence based policy and programming can only take place in the context of vigorous robust analytical research on the multi-dimensional aspects of diaspora engagement in development. However to date insufficient research has focused on how diaspora entrepreneurs contribute to socio-economic development in their home countries.⁴¹ In order to fully understand and reap the benefits that diaspora entrepreneurship has to offer, it will be important to map out a clear research agenda in this area encompassing a detailed profile of how for example generational factors, education and sense of identity shape the emergence of diaspora enterprises.

Of equal importance is systematic documentation and impact evaluation on the full spectrum of existing diaspora entrepreneurial interventions, as well as diaspora enterprises themselves. Through an account of the context specific mechanisms, policy and regulatory factors that facilitate successful diaspora enterprises, lessons learned can be shared to guide and shape future initiatives.

The accompanying **Good Practice Note**, presents good practices regarding and about facilitating diaspora/migrant enterprises. Featured in the Note are good practices in four categories: good examples of diaspora enterprises; financing mechanisms; networks/partnerships and training. While various interventions have been undertaken over the years to support diaspora engagement in homeland development, the sustainability of interventions remains a challenge. Initiatives are undertaken on a project basis with no mechanisms in place to ensure the sustainability of interventions/support facilitated beyond the life of the project. What went well and what went wrong during the life of the project to have resulted in the current status quo? These are questions that can only be answered through research to inform future policy and programming in this area.

³⁸ Graham, B. 2013. *Diaspora owned firms and social responsibility*. Review of International Political Economy, 2013.

³⁹ Gutierrez-Chavez, J.E.2012.*Diaspora-led development through the corporate social responsibilities of talented migrants*. Paper presented at the III Congreso ene Gobierno Admistracion y Politicas Publicas. Madrid

⁴⁰ European Union, 1995-2012. Enterprise and Industry site available at: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm [Last accessed 10 December 2014]

⁴¹ Newland, Kathleen and Tanaka, Hiroyuki.2010. *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC. Migration Policy Institute

5. Challenges and constraints faced by migrant/diaspora enterprises⁴²

Cultivating and facilitating diaspora economic engagement poses several opportunities and challenges. The challenges that migrant/diaspora enterprises face are determined not only by the country of origin of migrants and diaspora, but extends to what generation of immigrant they are and the extent to which the organisation is truly a returnee enterprise or transnational in nature. Many diaspora ventures, particularly in their initial start-up phase are enterprises that operate in two continents simultaneously which presents different types of challenges and opportunities than in the context of a fully repatriated returnee who is operating in their country of origin and only periodically travelling.⁴³ Transnational diaspora enterprises need to navigate in two starkly different institutional and business environments in particular in situations when the country of origin is an emerging market and the country of residence a developed country.⁴⁴ The challenges faced therefore vary by type of diaspora, by generation and type of enterprise in terms of being truly transnational or domestically focused in the country of origin or country of residence.

Diaspora enterprises often face challenges in countries of origin due to three major types of institutional weaknesses. The first is a lack of information analysis and advisors. In any kind of foreign investment situation, whether a diaspora enterprises or not, there is need for information gathering on the ground. There is often talk about diaspora entrepreneurs having good social connections and an understanding of markets in their countries of origin. At times this is true but it is difficult to truly understand an entire market in order for a diaspora enterprise to have all the social connections they require to get their business off the ground. Consequently it is important to recognise that diaspora enterprises also need relationship brokers in order to be successful, despite the fact that they come from that country and or have family and friends. This kind of relationship facilitates the market research necessary to undertake business with buyers, suppliers etc. Missing in some of these markets are analysers, advisors and the right institutions that provide market research, human resource firms, management consultancy etc., which makes it more challenging to get businesses off the ground quickly.

The second type of challenge is the lack of credibility, information flow and transition facilitators. It is often very hard to determine who to do business with when going back to home country markets. As a result a lot of businesses tend to be predicated on relationships that may not always be economic and efficient. Third, and most important, is the lack of risk capital providers. A lot of the capital in these countries is tied up in terms of financing government projects or big projects with very little left for SMEs in general. It is particularly difficult for diaspora to gain access to risk capital particularly in countries of origin without having enough local collaboration in order to get the risk capital on the ground. They are then forced to turn to more transnational sources of capital. These are known institutional challenges. When bureaucratic delays and red tape are included in the mix of challenges that migrant/diaspora enterprises face on the policy front there is now call for “on-stop-shops” of support to diaspora enterprises. The idea being that returnee diaspora entrepreneurs would only need to go to one place to gain access to information about the market, brokering relationships and risk capital etc. Consequently, investment promotion agencies have now gotten into undertaking diaspora related activities. In addition various diaspora ministries have been formed and now engage in this area. There have also has business incubators in both countries of

⁴² This section of the paper also draws extensively from the presentation by Dr. L..Ridde during the webinar on *Migration, Entrepreneurship and Development* hosted by ADPC on 20 November 2014. The webinar was one of the key activities undertaken as input into this Policy Paper. The webinar Report is accessible at: <http://diasporaalliance.org/wp-content/uploads/Webinar-Report-Migration-Entrepreneurship-and-Development.pdf> [Last accessed 22 December 2014]

⁴³ Riddle, L, GA Hrivnak, and TM Nielsen. 2010. *Transnational Diaspora Entrepreneurship in Emerging Markets: Bridging Institutional Divides*. Journal of International Management.

⁴⁴ Riddle, L, GA Hrivnak, and TM Nielsen. 2010. *Transnational Diaspora Entrepreneurship in Emerging Markets: Bridging Institutional Divides*. Journal of International Management.

origin and residence trying to support diaspora enterprises. However these organisations face a number of challenges in efforts to provide support to diaspora enterprises. First is the issue of trust. Fundamentally migrant entrepreneurs often have great ideas to implement but are concerned about who to trust to help realise their dreams. The idea of cross sector partnerships⁴⁵ are therefore very important whether government led or not.

Taking the discussion further, most types of government led initiatives in this area tend to be most successful when they can identify opinion leaders within migration associations who have diverse large networks in the enterprise community in countries of residence to really cultivate trust enhanced relationships. These opinion leaders are out there in social media, in diaspora organisation meetings speaking about the opportunities, resources etc. It is a much more legitimate and credible voice then if it comes from only the government. The idea of establishing partnership, in particular government cultivated networks of opinion leaders that are diverse in their opinions, backgrounds and experiences is therefore important. Representing transnational and returnee businesses as well as multiple generations and geographic interests is hard to do. This is a network strategy that diaspora organisations need to think through. Another challenge faced in terms of trust is the tremendous turn over seen in many organisations whether within migrant associations, business incubators, diaspora ministries or investment promotion agencies. The high turnover breaks trust and those that take over the various positions and try to solve existing problems have to engage in brand building exercises.

On the regulatory front, three main challenges exist with regard to freer flow of capital, greater voice and regulatory rights. First is the need for policy interventions to reduce the costs of remittances. The regulatory environment needs to change in order to enable diversity in funding mechanisms available to diaspora entrepreneurs. An example of regulatory changes required relate to migrant deposits in countries of origin both in terms of local and foreign currency, and tying these deposits to decreases in interest rates when they apply for investment loans. Another would be changes to tax policies so diaspora enterprises can import required supplies and get the tax breaks needed to get their ventures off the ground. Yet another example is ensuring that the regulatory environment is conducive to the kind of matching programmes Efrain spoke about earlier.

A major obstacle to investment is the lack of voice in how businesses enabling environments develop in home countries. Equally important is addressing issues of dual citizenship or other types of citizenship status and even non-voting citizenship rights that at least protect property rights and allow migrant entrepreneurs, particularly those who are truly transnational, to ensure that their investments receive the same type of rights and respect that local investments receive.

6. CONCLUSIONS AND POLICY RECOMMENDATIONS

Engaging migrants/diaspora in development processes in their countries of origin has shown great potential with remittances contributing substantially to GDP. However, remittances remain primarily for consumption purposes, and are not channelled into productive investments to fuel sustainable

⁴⁵ "Cross-sector partnerships involve some form of structured collaboration between organisations from business, government and civil society on the basis of converging interests, focused on achieving joint objectives. Partnerships exist on different scales and take different forms, but they have in common the expectation that the participants can achieve their objectives more effectively and efficiently through strategic alliances with others rather than acting independently" (source: Hamann, R. et al.2010.*What makes cross-sector partnerships successful? A comparative case study analysis of diverse partnership types in an emerging economy context.* Accessible at: <http://gsbblogs.uct.ac.za/sapartnershipforum/files/2010/03/What-makes-cross-sector-collaboration-successful-working-paper.pdf>). The Zacatecas 4+1 Program for example, brings together four funders – national government, state government, local government and the private sector – each of which contributes one dollar for every dollar that migrants invest through HTAs in municipalities in Zacatecas in Mexico. For more on this partnership visit: <http://www.thedialogue.org/PublicationFiles/WU41FINAL.pdf>

economic growth. Diaspora entrepreneurship is therefore one of the key means to harness the potential of financial flows from diaspora for inclusive socio-economic development in countries of origin. Critical elements of facilitating diaspora entrepreneurship are conducive policy, institutional and regulatory environments coupled with access to: i) information, ii) networks iii) business training programs and; iv) funding. Facilitating frameworks for diaspora/migrant entrepreneurship while important, remain riddled with several challenges as discussed above.⁴⁶ Consequently, based on the discussions outlined in this paper, key policy recommendations⁴⁷ tabled for consideration relate to:

The need for evidence based research: There is need to understand the nature, scope and operations of diaspora businesses, including the characteristics of diaspora/migrant entrepreneurs. The contexts in which diaspora entrepreneurs operate has evolved considerably over the past decade, and continues to evolve further. Understanding the unique characteristics of diasporans, the context specific environments in which they undertake businesses in various forms etc., will go a long way towards being able to develop more customized policies focused on stimulating diaspora investment. In this regard, undertaking vigorous impact evaluations will be an important aspect of ensuring that the experiences of diaspora entrepreneurship feed back into policy and programming to shape future engagement of diaspora in the socio-economic development of their countries of origin. Harnessing the bridging potential of migrant and diaspora entrepreneurs for transformative and inclusive development hinges on the adoption of multipronged policies and programmes that positively impact on structural inequalities in society. Consequently, timely evidence based research is instrumental in order to inform the ever changing policy and programming context of this complex and multi-dimensional area of study.

Enhanced documentation of best practices and lessons learned: Efficient and effective policy and programming is in part facilitated through vigorous research and knowledge of what works and in what context. There are a plethora of diaspora businesses worldwide functioning in varied contexts. Many of these businesses contribute positively to the socio-economic development of their countries of origin facilitating improved well-being and quality of life. Ensuring that these good practices are properly documented facilitates knowledge sharing, minimises duplication and facilitates efficiency, providing the opportunity to harness these experiences for improved well-being.

Governments: Governments facilitate access to the technical, financial, political, and other resources essential for entrepreneurial success.⁴⁸ They play a key role in diaspora/migrant business promotion by taking on a nurturing role and cultivating a sense of connection between diasporans and their home country. However, the unique characteristics of diaspora/migrant businesses poses challenges for home country governments. Harnessing the potential of diaspora entrepreneurship for homeland development will require that governments facilitate a conducive business environment through the requisite policy, regulatory and legislative reform. Equally important in this regard is ensuring that key information necessary to establish the full spectrum of relationships required to cultivate diaspora/migrant businesses are established. In facilitating this, governments will need to work with a diverse group of opinion leaders that will help spread the message about available investment opportunities. Given the spectrum of home country based challenges faced by

⁴⁶ Riddle, L and Nielsen, T.M.2011. *Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives*.in Realising the development potential of diasporas, Sharma, Kashyap, Montes and Ladd, United Nations Press and Agunias, D.R. and Newland, K. (2012).

⁴⁷ These are recommendations also articulated by various stakeholders during the webinar on *Migration, Entrepreneurship and Development* hosted by ADPC on 20 November 2014. The webinar was one of the key activities undertaken as input into this Policy Paper. The webinar Report is accessible at: <http://diasporaalliance.org/wp-content/uploads/Webinar-Report-Migration-Entrepreneurship-and-Development.pdf> [Last accessed 22 December 2014]

⁴⁸ Riddle, L and Nielsen, T.M.2011. *Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives*.in Realising the development potential of diasporas, Sharma, Kashyap, Montes and Ladd, United Nations Press

diaspora entrepreneurs to date, trust in home country governments and partnerships remains weak; consequently the more voices the more credibility.

Partnerships: Diaspora businesses require strategic partnerships between a wide group of partners in order to “kick off” and grow . Partnerships, in particular cross sector partnerships, are therefore instrumental in today’s interconnected world. Migrant/diaspora entrepreneurs should seek to promote partnerships with private sector and work with other counterpart organisations in their countries of origin.

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