



**A Green Paper by Virginia Cram-Martos
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**Bringing together innovation, e-commerce and trade in support of development
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Innovation, eCommerce and the Rural Diaspora

- New Opportunities for Development?

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This paper defines the growing “Rural Diaspora”, highlights the growing potential for innovation to contribute to development, and seeks to stimulate discussion on the potential of eCommerce for leveraging these resources into accelerated economic development in low and middle-income countries.

The Rural Diaspora

The percentage of the world’s population living in urban areas was 30% in 1950, 55% in 2018 and in 2050 it is projected to be 68%. This has also meant a huge increase in absolute numbers with the world’s urban population growing from 751 million in 1950 to 4.2 billion in 2018¹. As a direct result, a large percentage of the urban population has their roots in rural areas. These people are the “Rural Diaspora” and many of them still feel closely associated with the rural villages and areas that they or their families came from.

In addition, the middle class has grown significantly during the last two decades in developing countries and most of this middle class is located in urban areas.

The Growth of the Middle-Class in Developing Countries 2009-2015²(millions and global share)				
	2009		2015	
Asia-Pacific	525	28%	1,380	46%
-Latin America	181	10%	285	9%
Middle East and North Africa	105	6%	192	6%
Sub-Saharan Africa	32	2%	114	4%

The Rural Diaspora and the growing urban middle-class are under-utilized resources in the majority of developing countries.

Innovation

Innovation is creating more and more “affordable solutions” to a range of development problems ranging from clean water to energy to transportation. At the same time, many of these innovations currently have a limited or small impact because of a lack of diffusion linked to information and economic sustainability.

eCommerce

¹ United Nations, Department of Economic and Social Affairs, Population Division (2018). *World Urbanization Prospects: The 2018 Revision*. <https://population.un.org/wup/Publications/> (accessed 2019-10-18).

² 2009 figures are from *The Emerging Middle Class in Developing Countries*, Homi Kharas, Brookings Institution, June 2011. and 2015 figures are from: *The Unprecedented Expansion of the Global Middle Class, An Update*, Homi Kharas, Brookings Institution, February 2017

In developing countries, ePayments and other mobile payment solutions are creating an environment where eCommerce platforms are beginning to thrive, which is creating new business opportunities for SMEs.

In some developing countries, information technology also is providing more people with official identities³, making visible people who in the past have been invisible to their governments, the world of finance and much of the business community. Official identities open new horizons for the previously disenfranchised – including access to eCommerce.

Opportunities at the Cross-Roads between the Rural Diaspora and eCommerce

Many members of the rural diaspora would be motivated to invest in the development of their “origin communities” – especially if they were given recognition for having done so. For example, if every school desk donated had the name of the donor engraved in a visible place, so that their cousin’s daughter could tell her parent that she had seen a desk in her school donated by her great aunt or uncle. – And the same for solar panels, medical clinic equipment and supplies, water purification stations, etc.

eCommerce could provide cost-efficient ways to bring together needy rural communities and middle-class members of their rural diasporas. These opportunities could range from crowd-funding, to individual purchases made through designated intermediaries, to the use of “we need” shopping lists to be found on the Internet (similar to the wedding and baby-shower lists used by stores in developed countries – but with a greater and more long-lasting impact).

Further, blockchain technology could be used to reduce the possibility of corruption by making available trustworthy public records of what has been donated and to whom, thus making the recipients publicly accountable for the use of these resources.⁴

Opportunities at the Cross-Roads between the eCommerce, Innovation and Development

There are more and more useful and innovative solutions to development problems such as affordable medical care, clean water, off-the-grid electrical power, decent housing, etc.

Unfortunately, many of these innovative solutions have a very limited impact. The reason is often linked to a lack of information and inadequate models for economic sustainability. While eCommerce will not solve these issues, it could help to address them.

eCommerce platforms could make available information about development solutions through their marketplaces. This information could include descriptions, comparisons and evaluations/comments by existing users. In other words, eCommerce platforms could make

³ One example is the Indian Aadhaar system, for more information see, “A Decade of Aadhaar: lessons in implementing a foundational ID system by Srijoni Sen (May 2019), <https://www.orfonline.org/research/a-decade-of-aadhaar-lessons-in-implementing-a-foundational-id-system-50464/> (accessed 2019-10-19) or a cost and benefit analysis undertaken by the Indian government, http://planningcommission.nic.in/reports/genrep/rep_uid_cba_paper.pdf

⁴ For information about blockchain for funding see this article on UNICEF blockchain fund (2019-10) <https://news.bitcoin.com/united-nations-agency-unicef-launches-cryptocurrency-fund/> and <https://foodtank.com/news/2019/01/the-world-food-program-fighting-hunger-with-blockchain/> (both accessed 2019-10-19). For an example of the use of blockchain to fight corruption see <https://perureports.com/perus-government-looks-to-blockchain-to-fight-corruption/9045/> (accessed 2019-10-19)

the experience of purchasing home-based water purification or solar-power equipment similar to the experience of a developed country consumer using eCommerce to purchase a television or a computer.

Local businesses that make and sell affordable development solutions could use eCommerce platforms in order to develop client bases that are large enough to be economically viable – thus supporting local solutions to local problems. Today, the markets of SMEs are often limited to their immediate communities and while language barriers may prevent them from participating in international eCommerce, these same language skills could help them to gain larger regional or national markets.

Other online information technology applications could also be developed to help governments and SMEs to identify freely available (i.e. open source) innovations and access to assistance for developing viable business models around these technologies.

Members of the Rural Diaspora could be encouraged by eCommerce platforms to take information about affordable development solutions back to their origin communities. By using graphic interfaces and intermediaries, such as members of the Rural Diaspora, eCommerce also could help to bridge the information gap between literate and illiterate consumers.

In the developed world, consumers have obtained significant welfare gains from the use of eCommerce based upon increased choice and lower prices. For example, the European Commission estimated in 2011 that eCommerce, in goods alone, had provided consumer welfare gains of around 11.7 billion Euros or 0.12 percent of EU GDP⁵. It is now time to see these same opportunities for increased welfare extended to citizens in the developing world.

The power of eCommerce to increase the diffusion of innovations has not been adequately studied, especially in developing countries. The identification of effective models for eCommerce and social-media based innovation diffusion could support an accelerated implementation of the United Nations' Sustainable Development Goals across the world.

Conclusion

eCommerce has the potential to provide bridges between consumers and solutions for a better life as well as a cost-effective way to mobilize small, medium and large contributions from Rural Diasporas across the developing world in support of their origin communities.

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⁵ SEC (2011) 1640 final, Brussels 11.1.2012, Commission Staff Working Document, Bringing e-commerce benefits to consumers