



Afro Descendants and Economic Development

By: Jose Francisco Avila

One of the best kept secrets of the last few centuries is that very large African Descent populations exist throughout Latin America as well as the Caribbean.

According to industry data, these total approximately 150 million people, roughly one-third of the total population of the region. Brazil has the second largest African Descent population worldwide, approximately 70 million people, exceeded only by Nigeria with a population of 115 million. Colombia has the second largest African Descent population in Latin America, with approximately 10 million people.¹ It is also a known fact that African Descendants comprise 50 percent of the region's poor.

In Central America alone there are some 2 million people of African descent, struggling day to day, shoulder to shoulder, to overcome poverty, pleading for a chance to make a dignified living.²

As a Business major, my community activism has always been to seek the financial empowerment of the Garifuna community and Afro Latinos in general. I've always believed that the best way to make a dignified living is by promoting economic development. Through my research, I found out that Booker T. Washington's one of the nation's most influential black leader at the turn of the 20th century, argued that economic empowerment, not social and political advancement, should be the major goal of blacks. This was stated in his autobiography, "No race that has anything to contribute to the markets of the world is long in any degree ostracized."³ However, my idea was always met with resistance from the same organizations whose charter was to pursue the development of the African Descendant communities, particularly in Honduras.

I finally got to understand and accept the reason for the resistance when I read a document entitled, *Cashing In on Afro-Latin Communities: Strategies for Promoting Grassroots Initiatives*, written by Judith Morrison the executive director of the Inter-Agency Consultation on Race in Latin America (IAC), which includes a section entitled "The Realities of Promoting Economic Development". She explains that while many individuals in African Descendant organizations want to reduce poverty in African descendent communities, they are challenged by institutional limitations. Although there are many black organizations in Latin America; less than a handful of these have active economic development programs or strategies. Why?⁴

Dichotomy between cultural and economic development projects

Because of flexible definitions of race, many African descendent organizations have focused on raising individual consciousness. Their activities often involve cultural preservation or advocacy as ways of making African identity more visible either within black communities or in the larger society. Both structures often

¹ Fitts, Milam, *The Mundo Afro Project, Strategies for Promoting Grassroots Initiative*, Interamerican Foundation Panel Presentations from the XXIII Congress of the Latin American Studies Association, September 2001

² Alvarez, Casildo Celeo, *Civil Organizations that Promote the Interests of Afro-Latin Americans: Voices to Break the Silence*. LCR Sustainable Development Working Paper No. 9, November 2000

³ Washington, Booker T., *Up From Slavery: An Autobiography* by Booker T. Washington

⁴ Morrison, Judith, *Cashing in on Afro Latin Communities: Strategies for Promoting Grassroots Initiative*, Interamerican Foundation Panel Presentations from the XXIII Congress of the Latin American Studies Association, September 2001

position the African descendent organization to protect and defend the black community against present or past threats, but fail to build programs and policies that specifically promote economic development.

Cultural activities often have a historic context and arise out of traditional forms of expression. They are very valuable in establishing community identity (Kleymeyer 1994), but may not necessarily spur economic development opportunities.

Capacity and incentives

Institutions as they now exist face three obstacles to implementing development.⁵

- First, an organization inexperienced in economic development will obviously be nervous and perhaps even reluctant to implement projects outside its core mission.
- Second, Afro-Latin organizations tend to be underfunded and to rely heavily on volunteer labor, which is not unusual for identity-based organizations that grow out of social movements. Volunteers are important, but it is unreasonable to require the most burdened members of the project, in this case African descendent beneficiaries, to undertake full responsibility for implementing core elements of a program without adequate financial support.
- Finally, there is the contradiction of forming a bridge between African descendants and the very economic structure that excludes them from the marketplace. How does a culture or human rights organization engage in activities that might be in direct opposition to their defense of black identity?

It is often tempting for black organizations to disassociate from traditional economic development solutions that seem incongruent with cultural affirmation.

The struggle between culture and economics makes expanding economic opportunities the last development frontier for black communities.

From Civil Rights to Silver Rights Movement

That final frontier is finally being transcended in the Black communities. As the 1990s produced increasing evidence of a widening wealth gap in America, community development practitioners, policymakers, and academics paid increased attention to financial asset accumulation strategies in addressing poverty.

Roughly 100 years ago, W.E.B. Du Bois wrote that the color line would be the issue of the 20th century. As we enter the new millennium, race remains very much a major part of the societal debate. The dynamics, however, have shifted from integration into American society to the acquisition of economic power.⁶

Over the past decade, many African American leaders and organizations have come to the same realization, among them the Reverend Jesse Jackson, who ten years ago founded the Rainbow/PUSH Wall Street Project, to prod American corporations into investing in minority businesses and now acknowledge that minorities have made lots of progress in the last few decades. But he is still frustrated by the slow pace.⁷

⁵ IBID

⁶ Smith, Eric, Our economists show how African Americans can create, transfer and leverage wealth in the century ahead, Black Enterprise, January 2000

⁷ Deusch, Claudia, Jackson's New Initiative for Small Businesses, October 21, 2006, www.rainbowpush.org

In January of 2000, Black Enterprise Magazine launched the “Black Wealth Initiative”, which they described as “Our call to arms. We want you to make wealth-building an imperative.” The program seeks to empower African Americans by changing their attitude toward money management and revealing comprehensive savings, investment and consumer strategies.

On April 12th, 2005, Ambassador Andrew Young, Dr. Dorothy Height, Reverend Joseph Lowery, Jack Kemp and John Bryant shared a historic moment at the Andrew Young School of Policy Studies in Atlanta, Georgia, as they stood together to call for a new movement, a “silver rights” movement in America. According to Mr. Bryant: “If the 20th century was about race and the color line, all over the world, or what we call civil rights, and the first civil right was the right to vote, then the 21st century, an economic era, will be principally about issues of class and poverty, or what I call “silver right,” and the first silver right is financial literacy. If you do not know better, you cannot do better.

In the final analysis, a “silver rights” movement means making capitalism and the free enterprise system work for poor people. The issue of the 21st century – both here and around the world - is poverty.”⁸

Even the National Urban League has joined the band wagon, "We have to advocate, provide direct services and engage in business development," says Lance McCarthy, head of the Orlando affiliate of the National Urban League. "This is the civil rights movement of the 21st century." The new cutting edge of the civil rights movement is economic development," says Marc Morial, the Urban League's national president.⁹ In fact, it makes sense for civil rights groups, long dependent on the philanthropy of others for their financial solvency to generate their own income streams. This will give them greater freedom to press for a broad range of civil rights advancement unfettered by the guiding interests or fears of their benefactors¹⁰

New Horizon Investment Club

Freedom of choice is what has always motivated me to pursue financial empowerment for my community. I have always believed that it’s not sufficient to ask the government or multilateral international organizations to provide funding for our community projects. Furthermore, I’ve always understood that most philanthropic organizations only provide funding for capacity building which typically only lasts for five years. Therefore, I’ve always felt that we must be financially ready to support our organizations and their projects. To paraphrase that famous saying, “If it is to be, it’s up to US.”

In January of 1998, I relocated from Dallas, Texas to New York City, where I got involved with the Garifuna community residing there. In May of that year, I attended the First Garifuna Nation Retreat in Brooklyn through an invitation by Mirtha Colon, this meeting was the founding of the Garifuna Coalition USA, Inc. and I was fortunate enough to be one of the founding members and was in charge of the Economic Development Committee. The Coalition became my main Community involvement for the rest of that first year in New York City. Philosophical differences over economic development led to my eventual resignation from the Resignation from the Garifuna Coalition USA, Inc. In May of 1999.

In December of 1999, my wife and I invited our childhood friend Sergia Solis-Moreira and her husband Wilfredo Moreira, for dinner. During the conversation, I shared with them the idea of starting an investment club. The idea occurred to me after observing that most Garifunas in New York city were involved in a

⁸ Bryant, John, August, 2005 - From Civil Rights to Silver Rights, www.operationhope.org, August 2005

⁹ Whycham, DeWayne, Urban League's new mantra: Economic development, USA Today, November 2005

¹⁰ IBID

saving scheme in which one person acts as deposit taker and distributes the proceeds in numerical order, this is what the Caribbeans call "susu" and the Latinos "sociedad". As I saw it, while the scheme worked for solving immediate financial problems, it does not do much to encourage capital creation and in my opinion that's what was needed. I shared with them that my goal was to get to the point where we could become financially empowered. Both Sergia and Wilfredo expressed their agreement with the idea and along with my wife told me, "let's do it"

After sharing the idea with additional friends, we send out an invitation to a meeting. New Horizon Investment Club was founded on May 21st, 2000 by ten Garifunas with the objective of pooling their financial resources to learn how to invest in the stock market and subsequently become active participants in the economic development of the Honduran Community Residing in New York City, teaching members how to become successful strategic long-term investors. Over the past six years, our membership has reached over 100 and we have raised a quarter of a million in capital.

Why New Horizon Investment Club?

What I sought was to establish a collective investment vehicle to increase efficiency of the capital raising process. New Horizon offers the opportunity to invest efficiently in the USA or Latin America and facilitates the capital raising process, as we can either pool investors' assets into a legal vehicle ready to invest or raise funds on a case-by-case basis. This was in contrast to what I saw in the Garifuna community of New York, where most entrepreneurial efforts were by individuals who faced the challenges of lack of financing, competition and lack of growth opportunities.

Learning to Invest in the Stock Market

Initially the club maintained its investment account with E*TRADE Financial and performed their own stock trades. As of September 4, 2001 the club had invested a total of \$12,788.75 in a portfolio which included Microsoft, Honeywell, Sun Microsystems and Cablevision.

However, as a result of the September 11, 2001 terrorist attacks, the New York Stock Exchange (NYSE), the American Stock Exchanges and NASDAQ did not open on September 11 and remained closed until September 17. NYSE facilities and remote data processing sites were not damaged by the attack but member firms, customers and markets were unable to communicate due to major damage to the telephone exchange facility near the World Trade Center. When the stock markets reopened on September 17, 2001, after the longest closure since the Great Depression in 1929, the Dow Jones Industrial

Average stock market index fell 684 points, or 7.1% to 8,920, its biggest-ever one-day point decline. By the end of the week, the DJIA had fallen 1,369.7 points (14.3%), its largest one-week point drop in history. U.S. Stocks lost \$1.2 billion in value for the week.

As a result of the stock market collapse, the Club's portfolio suffered a drastic drop, which reached bottom on October 11th, 2002 with an unrealized lost of \$9,225.50 and a market value of barely, \$3,452.50. The club refrained from any further stock purchase. Despite the uncertainty of the stock market, the club continued meeting monthly and the members kept on investing. As a result, the Club's capital account reached over \$100,000, which was held in a money market account.

Real Estate Investment

In November 2002, the members made a decision to diversify the investment portfolio by investing in real estate. On June 2004, they purchased their first real estate investment, a five apartment building in the

borough of the Bronx. The building was sold in July 2006.

Selection of New Broker

In an effort to recoup the unrealized loss and improve on the club's investment performance, in February 2006, the club announced the appointment of Merrill Lynch as its brokerage firm and financial advisor.

The appointment of Merrill Lynch, as its brokerage firm and financial advisor, helped the club achieved an annualized rate of return of \$14.84% for the 2007 calendar year.

Remittances and Development

As remittances began to catch the attention of the media and the multilateral development organizations, I saw an opportunity to extend our business plan expand our objectives to establish or strengthen pilot mechanisms in Honduras' North Coast to channel remittances to productive use with the participation of local government and local private Honduran migrants abroad. Our goal would be to assist in the creation and expansion of productive enterprises that generate employment.

Our innovative approach has caught the attention of the development organizations in Washington D.C., particularly Dr. Manuel Orozco a senior associate at the Inter-American Dialogue, where he serves as executive director of the Remittances and Rural Development project funded by the Multilateral Investment Fund of the Inter-American Development Bank and the UN International Fund for Agricultural Development.

The Remittances and Rural Development project has funded a feasibility study on how to invest remittances for the greatest possible African Descendant community impact.

New Horizon has established a strategic alliance with The National Garifuna Tourism Chamber in Honduras whose members are entrepreneurs involved in the tourism industry and is currently negotiating investments in some of these enterprises. The plan is to establish regional alliances with Afro Descent organizations, such as the Central American Black Organization (CABO) and its affiliates, as they transition into Economic Development.

The Central American Black Organization Joins the Economic Development Bandwagon

During the Central American Black Organization's (CABO) 12th Annual General Assembly in La Ceiba, Honduras, a document entitled "Advances and Challenges" was read and distributed. The document was authored by Dr. Quince Duncan a Costa Rican fiction writer who has gained an international reputation, not just as an author, but also as a human rights leader. In the document, Dr Duncan challenges CABO to strengthen and sharpen various elements in their work plan, among them:

"The struggle for inclusion has economic and political implications. Our people and communities need to urgently become owners of their own destiny. And that entails having wider participation in the economic life of the nation. This implies the struggle for places of employment and for the development of businesses, small and medium scale for now. CABO needs a more aggressive plan in this matter, with the moral authority that it has, it is indispensable to start a macro campaign in that direction and to commit each one of

its members in the local fight for the achievement of this objective, African Descendant places of employment and enterprises.”¹¹

CABO has taken the initial steps toward the accomplishment of this objective, by electing Dr. Waldaba Stewart, to the Board of Directors, as Secretary of Sustainable Economic Development during the 12th Annual General Assembly. Dr. Stewart has served for over 25 years as a capacity building specialist and political action organizer for disadvantaged groups and communities in Latin America, the Caribbean and the African Descendants Diaspora. He as served for four years as an elected official and representative to the State Senate in the State of New York (1968-1972). Currently, Dr. Stewart is the director of the Southern Diaspora Research and Development Center (SDRDC), which is a non-governmental organization in New York City.

Towards a Bright Future for Afro Descendants

Peter Drucker, whom many consider the most influential management thinker of the past century, stated that “Major historical events rarely have just one cause and just one explanation. They typically result from the convergence of a good many separate and independent developments”¹² The visibility of the large African Descent population throughout Latin America, has led to consciousness raising efforts by the Black organizations. Although organizations in the USA and Latin America have wanted to reduce poverty in their communities, they have been challenged by institutional limitations, and only a few have active development strategies or Programs.

The struggle between culture and economics makes expanding economic opportunities the last development frontier for black communities. That final frontier is finally being transcended in the Black communities. As the 1990s produced increasing evidence of a widening wealth gap in America, community development practitioners, policymakers, and academics paid increased attention to financial asset accumulation strategies in addressing poverty.

Over the past decade, many African American leaders and organizations have come to the realization that the dynamics, have shifted from integration into American society to the acquisition of economic power. There’s no question that the convergence of all the separate and independent developments detailed in this document have set the path for a bright future for the African Descendants.

¹¹ Duncan, Quince, Advances and Challenges, Central American Black Organization’s (CABO) 12th Annual General Assembly, December 3, 2006

¹² Drucker, Peter F, A Functioning Society, Transaction Publishers, 2003