Diaspora giving and equitable development in Mexico

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One of the effects of globalization has been the increasing movement of people, often unskilled labour, to neighbouring countries. Canada and the US, for example, receive large numbers of undocumented migrants from the Caribbean, Mexico and Central America; Western Europe receives large numbers from the Mediterranean basin. Many of these migrants send remittances to support families back home. In the case of Mexican migrants, remittances are estimated to be over $16 billion annually and growing. They exceed foreign direct investment and dwarf overseas development aid. While attention has generally been drawn to the scale of these remittances, there is also mounting interest in the small, yet rapidly growing, trend of migrant philanthropy.

Our recent publication, *New Patterns for Mexico,* examines novel and emerging patterns of giving to Mexico and their lessons for equitable development and global philanthropy. While traditions of giving within and across Mexico have deep, historic roots — dating back to pre-Hispanic communal assistance, and including charitable associations of the 19th century and the more recent growth of civil society and the philanthropic sector — the growing migration of Mexicans to the US has fundamentally reshaped patterns of giving.

**The power of collective giving**

Through many small, local initiatives, Mexican migrant communities in the US have organized themselves into groups — often referred to as ‘home-town associations’ (HTAs) — to raise money for their communities of origin in Mexico. Throughout the US, over a million Mexicans — by no means all of them wealthy — are financing community improvements in Mexico by purchasing buses and ambulances, supplying seed funding for small-scale business endeavours, and building local schools, roads, bridges, and water and electrical systems.

This collective giving challenges long-held notions of philanthropy. In an era characterized by the frequent movement of people within and across national borders, increasing awareness of the disparities between earning power in different regions, and technology to facilitate long-distance communication and financial transfer, a study of the migration between two contiguous major modern nations offers new insights into the ‘who’ and the ‘how’ of cross-border giving.

*New Patterns* highlights some of the many implications of cross-border giving for communities, institutions and capacities on both sides of the border. It illuminates the rapidly growing philanthropic segment driven by migrants, not of great wealth but collectively empowered by grouping into HTAs. Our research focused on policies related to philanthropy in the context of growing remittances, inequitable development, and the immigration debate in Mexico and the US. The significance and durability of these interrelated phenomena is inescapable. As Doris Meissner, former Immigration and Naturalization Service Commissioner under President Clinton, emphasizes, there are dual addictions that feed Mexico-US migration: the Mexican economy is addicted to remittances and US employers are addicted to cheap labour. These addictions must be recognized in order to begin to address inequities on both sides of the border.

The Mexican government, recognizing the public value of cross-border giving, has attempted to stimulate it through programmes that match three pesos for each peso invested by an HTA in community projects. The government, however, is not the only actor supporting migrant philanthropy.

**Key recommendations**

Philanthropy can play a pivotal role in advancing equity by working strategically with Mexico’s civil society sector and supporting diaspora engagement. When recommending actions to increase the impact of cross-border giving on equitable development, our contributors were unanimous that remittances are private resources. We respect the freedom of choice of the individuals who earn them and the families to whom they are sent. Saddling migrants or employers with additional taxes to fund development in the communities they left behind is not recommended. Instead, *New Patterns* focuses on enhancing the development potential of those resources already earmarked for promoting equity.

Five recommendations elaborated below are:

- expanding access to microfinance and rural banking;
- reducing the transaction costs for remittances;
strenthening transparency and accountability;
partnering with diaspora groups to address the root causes of inequity;
improving the knowledge base.

Expanding access to microfinance and rural banking
Rural communities that receive large sums in remittances often lack sufficent banking institutions. This limits the opportunity for capitalization of remittance resources. Working with Mexican banks and NGOs, there are opportunities to strengthen microfinance services for Mexico’s rural poor. Finance institutions could begin to link remittance transfers to more widespread financial services on both sides of the border. Philanthropic foundations, in particular, can support efforts to facilitate greater financial services for both migrants and their communities of origin.

Reducing transaction costs
The unpardonably high transaction costs for sending and receiving remittances are now well recognized, and commercial banks are lowering costs to compete for these funds. This trend is likely to continue both because of market competition and because of the work of development organizations such as the Inter-American Development Bank.

Strengthening transparency and accountability
Third, it is crucial to continue to build transparency and accountability in philanthropic giving. Mexicans often express deep distrust of the state and the elite. Corruption, inefficiencies and exclusion are considered routine. Credible intermediaries, serving as a point of contact for both local communities and migrant funders, could strengthen transparency and accountability in diaspora philanthropy. Local NGOs in the communities of origin could monitor social projects and report on problems and progress. Furthermore, better access to financial institutions, as discussed above, could facilitate greater financial reporting.

Partnering with diaspora groups
Fourth, the time may be right for funders to partner with diaspora groups to address the root causes of inequality. Our research revealed that diaspora resources initially fund immediate, tangible outputs – food, clothing, paved roads, etc – before exploring longer-term objectives such as building better education and health systems, increasing local job opportunities, and facilitating community growth. Funders in partnership with diaspora organizations could jointly develop social investments to target underlying causes of poverty. They could join forces to coordinate policy advocacy on poverty and migration issues.

Improving the knowledge base
Fifth, good policies are born of good information. Policymakers have asked: what are the likely consequences when diaspora flows wane or disappear? This sobering question illuminates the need for fuller understanding of the evolution of transnational communities and the inequities they face. Strengthening transnational philanthropy for equitable development requires up-to-date information related to migration trends, consumption of resources, and the impact on equitable development at the community level. Collecting good information on all of the actions listed above would serve the ultimate goal of improving the quality of life and range of opportunities for communities on both sides of the border.

One of Mexico’s foremost public intellectuals, Carlos Fuentes, wrote in A New Time for Mexico: ‘We do not choose our parents or our neighbors. But we do choose our friends. We must find ways to live together, cooperate, understand our differences, respect them, but also work for all the things that build our friendship, our common interests, our mutual responsibilities.’ Perhaps today, as emerging philanthropic patterns connect communities across the Mexico-US border, we may begin to realize Fuentes’ challenge at a transnational level, building friendships, advancing common interests, and addressing inequity.

To order New Patterns for Mexico, visit www.fas.harvard.edu/~acgei

THE GLOBAL EQUITY INITIATIVE
Through its Global Philanthropy Program, Harvard University’s Global Equity Initiative aims to advance knowledge about global philanthropy and the role of private philanthropic investments in furthering global equity. New Patterns in Mexico is one in a series of studies of diaspora giving that look at the relationship between diaspora engagement and equitable development.