



enlacesAmérica

Investing in Hope: Transnational Communities as Social and Political Entrepreneurs

By Amy Shannon

In areas of the United States with large concentrations of Mexican immigrants, people from the same town or region often come together to form social groups or clubs. These associations serve as spaces for recreation and socializing in the form of athletic events, dances, or cultural celebrations. Over time, they often become vehicles through which immigrants create networks in their new communities and maintain connection to their place of origin by participating in cultural events and by generating resources to support community development and social projects.

These organized groups of immigrants, often called hometown associations (HTAs) or clubs and their umbrella groups, the statewide Federations of clubs are attracting a lot of attention lately. Governments and international aid agencies have discovered that migrants are the largest source of income in many poverty-plagued localities. Comprehensive figures and analysis on HTAs in the U.S. are still scarce, but researchers and home country governments responded to the rapid growth of Mexican Federations during the 1990s by beginning to document the scope and nature of these organizations. Research has focused particularly on Chicago and Los Angeles, the areas with the largest concentration of Mexican immigrants in the country and homes to the biggest and most active Mexican Federations. According to Xoxitl Bada (2003), there are currently more than 600 Mexican hometown clubs and associations registered with consuls in 30 cities in the United States. Approximately 100 HTAs are registered in Chicago and over 200 in Los Angeles (Bada). The Federation of Michoacano Clubs of Illinois estimates that its 20 member clubs represent approximately 20,000 of the 150,000—200,000 Michoacan immigrants in the greater Chicago area.

Sending money home through HTAs

Migrant donations, sent as a group for a specific project or charitable purpose, represent a small fraction of the amount of funds remitted to families on an individual basis, but the amount grows every year. Given the reality that migrants are already important economic actors in the local realm in places of origin, the challenge is to find ways in which this role can become a transformative one. That is, how can migrant investments bring real economic opportunity to their communities of origin?

Over the past decade or so, the Illinois [Mexican] Federation of Michoacano Clubs has sent over \$1 million to support projects in communities throughout the state (Bada 2003). Clubs and Federations from the state of Zacatecas have also been active donors, especially through the Three For One matching program [see box on pp 3]. In 2001, \$7 million went to 113 projects in Zacatecas through this program; in 2002 an approximate \$8.5 million was

directed to 149 projects in the state (Rodolfo Garcia Zamora, 2002). Most of the projects funded by the three-for-one program have been infrastructure development, such as the construction of wells, paving roads, or providing electricity to a town (Alarcon 2000).

Over the past year, we have conducted a participatory research project aimed at understanding both the motivations behind and practices of social investment by transnational immigrant organizations. Through a series of case studies, we have examined questions such as:

- When hometown associations remit collective funds for economic development, what is that money used for and who decides?
- What has been the role of government (federal/state/local)? Is the relationship with government at these three levels a positive one? What elements could be improved to provide an enabling environment for social investment ?
- What have been some early experiences in emigrant investment in local economic development (income generating) projects as opposed to the traditional infrastructure investments?
- What are the opportunities and challenges for this new kind of social investment?

The cases discussed here were visited in the summer of 2004 and again by a delegation of immigrant leaders in early 2005. All of these investments are still in early stages, so it is too soon to speak of “successes” but each of these cases presents an opportunity to examine different challenges that immigrants and their organizations face as they attempt to invest in creating economic opportunities in their communities of origin.

Case 1: Community-based projects with Migrant shareholders in Atacheo, Michoacán

Profile: In Atacheo, an activist priest has led efforts to develop a diverse set of local economic development projects, mainly of an agricultural nature. The Atacheo projects have an explicit focus on enabling young people in the community to become entrepreneurs. Each of the relatively small-scale projects in Atacheo has young, dynamic community members at the helm. Projects include a workshop making stereo speakers, a turkey breeding and feedlot facility, and greenhouse production of flowers and tomatoes.

The Atacheo projects are unique in that they were developed using a conscious set of criteria for contributing to “successful and sustainable” local development. According to Father Linares, the priest who was a driving force in the Atacheo projects, the projects were designed to:

- Provide employment—reduce emigration.
- Take advantage of the rich human and natural resources in the community.
- Create civic pride in the community.
- Develop a healthy work ethic, emphasizing teamwork and self-motivation.
- Add value to rural products—revalue rural life.
- Produce quality to international standards.
- Promote local unity as an essential element of development.
- Stimulate investment from emigrants.
- Build self-esteem and sense of accomplishment.
- Require the government to fulfill its role as partner, facilitator, and protector of each project.
- Enable communities to become protagonists in their own development.

Migrants enter the picture primarily as sources of capital, in some cases using the Three For One mechanism. These

projects have attracted a great deal of attention within Mexico and have received governmental recognition as representing a good model for efforts elsewhere. However, several of the projects have struggled financially, and some appear to have serious technical flaws. The State of Michoacan and Federal Government have provided some supplementary assistance for several of the projects.

Issues we are exploring in this case:

- The Atacheo projects reflect a conscious attempt to prioritize community well-being and local leadership development. The criteria present a yardstick for measuring some of the non-financial elements of “success” over time.
- Atacheo has developed a very innovative ownership model in which each investor is limited to no more than 5% of shares. The purpose of this structure is to guarantee broad community ownership and benefit-sharing. However, the projects are under-capitalized and several of them have had to be bailed out by the Federal Government. How are questions of ownership and sustainability linked in this case?
- The project documents and contracts that were developed in Atacheo have been shared with other regions and have become the standard for contracts that spell out community rights and responsibilities with respect to projects financed by migrants and via Three For One program. To what extent could these contracts represent a model for “best practices” in this area?

Case 2: Greenhouses in San Rafael, Michoacan:

Profile: The greenhouse project is a fairly large-scale investment by community standards (approximately \$250,000 total invested so far) aimed at producing high quality hydroponic tomatoes for internal and export markets. The two principal investors are experienced businessmen in Chicago who have received the support of their respective hometown clubs to obtain complementary financing through the Three For One matching program. The greenhouses have experienced technical problems, but the lead investors are optimistic for this year’s harvest. The greenhouses use hydroponic technology and therefore require a substantial amount of water. Given existing conflicts over water resources in the region, this factor may impact long-term sustainability. The greenhouses have relatively low labor requirements, mainly seasonal labor in the time of harvest, but even so, the investors report difficulty in recruiting reliable workers at the prevailing wages.

Issues we are exploring in this case:

- This project has a clear entrepreneurial focus, but less clear impact on local communities. To what extent can or should individual investments be held accountable to social goals? What is the role of government financing in this equation?
- What is the impact on economic success of having very experienced businessmen as the lead investors?
- What is the impact of emigration on local labor markets? Should migrant investments be expected to pay higher salaries? How does this affect sustainability?

Case 3: Student Scholarships in Indaparapeo

Profile: This project only began in earnest in 2004, but we include it because it represents an innovative approach to hometown investment. In this case, two hometown clubs from Indaparapeo—one in Chicago, and one in California—joined with an organization of educators in the home town to form a bi-national non-profit agency called “Group Indaparapeo.” Grupo Indaparapeo is a member of the Federation of Michoacan Hometown Associations in Illinois (FEDECFMI). This new entity decided to invest in human capital by creating scholarships for post-

“secundaria” training (i.e. high school and college or professional school). In the first round of funding (matched through Three For One), twenty-one scholarships of 1500 pesos (\$150) per month were awarded. Several controls are built into the project to keep students and parents focused on the community-building aspect of the scholarships. First, each student is assigned to perform volunteer work that will serve the community. Projects include: tutoring grade-school children, developing cultural programming, educating citizens about water conservation, and planting flowers in the town park, teaching computer classes. Second, each student must donate 1/10th of his or her scholarship each month toward a fund for new scholarships.

Issues we are exploring in this case:

- This project offers one of the few examples we have been able to identify of relatively strong organizing capacity on both sides of the binational relationship. How did this impact the choice of investment? Will there be a long-term impact on sustainability? Will interest in the project be sustained long enough for the students to complete their course of study?
- Will the students who receive the scholarships remain in the community? Is that an important success criterion or does building capacity confer benefits even if the students leave the community?

Case 4: Water bottling and fruit canning in Tabasco, Zacatecas

Profile: This case involves a family enterprise of one former migrant from California who saved diligently over the course of more than twenty years in the United States and decided to return to Mexico to launch a small bottling facility in Zacatecas. Despite two decades of experience with successful small business ventures in the United States, the entrepreneur has faced a host of serious challenges in Zacatecas. His original idea was to add value to local products such as fruit and “nopal” (a mexican edible pickled cactus), by making preserves and relishes that would appeal to local markets. Although he eventually hopes to export to the United States, he did not target the export market at start-up because of the challenges in obtaining the proper permits and his lack of capacity (as a small businessman) to market properly in the United States.

The project has suffered from both technical challenges (rough roads cause an extremely large amount of breakage of bottles) and marketing failures. The local markets have not been as receptive to the products as anticipated. It appears that no formal marketing study was carried out. The entrepreneur believed from anecdotal response to his products that they would find more demand in the market. In an unexpected development, the well water that the entrepreneur invested in for his bottling plant turns out to appeal to tourist hotel operators in Zacatecas who like having a locally bottled water as an amenity for tourists. The entrepreneur is currently breaking even through the sale of bottled water.

This case is intriguing for at least two reasons:

- It is using migrant investment to develop local markets and add value to existing local products. Transforming and adding value to agricultural products is often a desire of migrant investors, so it will be important to continue to follow this venture.
- It offers a sobering view of the logistical and technical challenges for small enterprise in Mexico. It also points to some of the technical assistance needs that would be required for a successful venture. In this case, a marketing study would have been extremely useful. Bottled fruit, “nopal” and preserves do not have the demand at the break-even price point that the entrepreneur anticipated. It was not until the entrepreneur began talking regularly with tourist venues in Zacatecas that he discovered the latent demand for bottled water.

Reflections on Lessons Learned To Date:

Even though the vast majority of migrant collective donations have supported infrastructure development, church rehabilitation projects, and cultural activities, there is a lot of buzz right now about the importance of “proyectos productivos” or economic development projects. At present, very little consensus exist on what constitutes a “proyecto productivo” nor are there clear criteria for evaluating the success of these projects. In some cases, community economic development projects are being funded out of the same philanthropic motivations that drove previous donations, but in other cases, investors do expect to make money.

We believe that this issue deserves a much more serious analysis. The challenge is far more complex than just figuring out how to dump more money on rural development. In most countries, governments have decades of experiences with failed rural development projects. It is not clear why the new migrant-financed “productive projects” would have more success. Case study research we have carried out in Michoacan and Zacatecas, suggests that in most cases, neither governments nor migrant investors have a clear vision of how these “productive projects” will have a positive impact on community well being, beyond a vague notion of “creating jobs.” Nor has there been a serious effort to put all the pieces together to understand how they could constitute a new model for rural community development. Another thing that our research and experience consistently unearths is a profound and persistent lack of trust both in governmental institutional and in the financial system. This will certainly have long-term impacts on sustainability and the ability of potential donors and investors to succeed when they try to take projects to scale or apply successful models in other places.

A systemic and profound need to build capacity at all levels of the transnational relationship comes across clearly in all the cases and in other work we have done. Although the traditional set of skills for philanthropy could be useful for some of the problems HTAs are confronting, this kind of training does not get at key issues around how transnational communities go about building sustainable power with respect to governments and other elements of civil society. Meeting these broader capacity needs would set the groundwork for more stable and equitable partnerships.

Everyone points to the problem of lack of organized civil society counterparts in Mexico. Some of the cases we have examined, in particular the cases of Indapapareo point to some suggestions of how HTAs contribute to filling that gap. Nevertheless, it will be important to explore opportunities for both building connections between existing civil society organizations and HTAs and opening up a dialogue about the potential need for new civil society organizations in towns of origin.

This is not to say that migrants should not invest in local development. To the contrary, we see an important opportunity to nurture a learning process that would both construct an alternative model for migrant-supported community economic development and engage migrants in policy debates about the economic policy context in which they will make their investments. In places where local civil society has already developed a strong track record of rural community development planning, migrant organizations could explore partnerships that would amplify these experiences.

Over the longer term, we believe that the experience in local development should inform a comprehensive political advocacy agenda. We should ask ourselves, “What are the responsibilities implied by the process of rethinking the migrant role in local economic development?” Migrant organizations may well want to take on a more active advocacy role with respect to US foreign policy and the policies of the International Financial Institutions such as

the World Bank, IDB and IMF. Not all migrants' organizations will see this advocacy role as a priority, but some migrant organizations could become important new actors in US foreign policy advocacy, bringing both moral authority and economic clout to the debate about macro-economic policies.

That learning process in terms of intervening in an alternative community economic development model back home could also serve as a basis for alliance building in communities of destination. The migrant organizations could transfer the knowledge gained in communities of origin to work on economic development in their new homeland and to build solidarity alliances with organizations working on similar challenges in the United States. We also see an opportunity to engage a broader US constituency on issues of concern to migrants and broaden own range of political engagement as a result of these alliances.

The Three For One Program

The Three For One Program is an initiative of the Mexican government, working in collaboration with organized groups of Mexican emigrants. Through the Three For One mechanism, a project receiving support from a hometown association in the United States can access matching funding from the government at the federal, state, and municipal levels. For each dollar invested by a hometown club, the project can receive as much as three dollars in governmental matching funds. Different states follow different protocols for accessing the "three for one" match mechanism. In some states, such as Zacatecas, emigrants have a formal, institutionalized voice in the project selection process. In other states, the municipality or the state government takes a more decisive role in identifying and selecting projects.