



Deepening the Development Impact of Remittances

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Since 1969, the Inter-American Foundation (IAF), an independent U.S. government agency, has made grants to grassroots development projects in Latin America and the Caribbean. Recently, immigrants from the region living in the U.S. have begun supporting similar projects in their communities of origin. In response, the IAF has initiated a dialogue with these groups to facilitate, enhance and support their involvement.

Immigrants in the U.S. have often supported their communities of origin through remittances, money sent back home. The Inter-American Development Bank estimates that \$32 billion was remitted to Latin America in 2002, making remittances the largest source of national income in some countries, exceeding revenue from agriculture, manufacturing and tourism and far surpassing U.S. foreign assistance. Remittances are typically used for immediate and basic needs, with smaller amounts invested in agricultural activities, land, housing or small businesses.

In addition to supporting their families through remittances, many Latino immigrants in the U.S. have organized Home Town Associations (HTAs), soccer clubs, cross-border Afro-Latino movements and other types of formal and informal groups to advance their status in the U.S. and to improve conditions in their home countries. Through festivals, contests and raffles these groups raise an estimated \$50 million annually for projects such as a new church roof, health clinic, ambulance service or a road. In recent years, programs like Mexico's "Three to One" matching fund and El Salvador's social investment fund have offered Latino organizations the chance to partner with government in community development and economic ventures. HTAs also collaborate with committees in the communities of origin to identify projects, secure funding and oversee operations. One such HTA committee collaboration is constructing a brick factory in El Salvador.



Pat Breslin

A brick layer in El Salvador.

While the IAF cannot fund U.S. organizations, several initiatives are underway to support this new grassroots development phenomenon. The IAF has made several grants to co-fund community development projects with diaspora organizations and seeks to support others. The IAF has also held a series of roundtable discussions in U.S. cities on "transnational community development," at which representatives from HTAs and other Latino groups, private foundations, academics and government share ideas.

The migration pattern from Latin America, particularly along the U.S.-Mexico borders, is characterized by frequent travel and phone and e-mail contact, permitting not only the flow of money but also the flow of ideas, skills and practices. An AIDS education program in New York adopts materials used in the Dominican Republic. Businesses market goods and services across borders. Crises such as Hurricane Mitch and the earthquakes in El Salvador generated construction and emergency relief programs using donated supplies and volunteer labor. These are just a few examples of the kinds of activities taking place within the transnational communities.

A menu of options

The IAF welcomes proposals and ideas

- * to support Latin America-based community groups partnering with HTAs or other immigrant associations on economic development projects;
- * to help farmers and cottage industries supply immigrant markets in the U.S.;
- * to support human capital investment, such as volunteerism, by diaspora organizations in development projects in their communities of origin;
- * to broker financial or in-kind support from local governments and the private sector;
- * to fund selected research projects contributing to knowledge about transnational exchanges.

Examples of Projects

Fundación para la Productividad en el Campo, A.C., (APOYO) a Mexican nongovernmental organization, plans to use \$400,000 in remittances sent by U.S.-based Mexican migrants participating in HTAs to help capitalize a revolving loan fund for low-income farmers in the migrants' home states. APOYO also provides its borrowers assistance with environmentally-sound agricultural techniques, financial management and marketing, including tapping into the "nostalgia" market in the U.S. The IAF, U.S.-based migrants, federal and state governments in Mexico, project beneficiaries, and APOYO are expected to contribute more than \$2.9 million in cash and in kind toward these efforts.

Fundación de Apoyo Infantil Guanajuato, A. C., (FAI-Guanajuato) works to increase the long-term economic benefits of remittances in 63 rural communities in northeast Guanajuato, Mexico, a region marked by extreme poverty and high migration. FAI Guanajuato studies the impact of migration and remittances on families, conducts savings and loan programs, provides training in agricultural production, and runs a community store program that improves access to affordable food staples in remote areas. These activities enable families to maximize each remittance dollar received and they improve the health and nutrition of nearly 9,000 individuals, who are primarily mothers, children and their elderly relatives.

Fondasyon Enstitisyon-yo pou Devlopman ki Sòti nan Baz-la (FIDEB), a Haitian association of community development organizations, recently received a second IAF grant to expand operation of a small-grants fund to co-fund community development projects with diaspora organizations and HTAs. FIDEB will work with diaspora groups that wish to assist projects in their home communities in Haiti, will serve as a link between these groups and their hometowns, and will strengthen the capacity of Haitian organizations to work with diaspora groups. FIDEB will operate a second fund to co-finance community development studies with HTAs. These studies can be used as investment guides and strategic planning tools.

Fundación Centroamericana para el Desarrollo Humano Sostenible (FUCAD) will undertake a three-year project to enable communities in El Salvador and their HTA partner organizations in the United States to launch economic development projects in six communities in the departments of Chaletenango, Cuscatlan, Morazan, San Vicente and La Paz. The Salvadoran government's Social Investment Fund for Local Development (FISDL) and El Rescate, a Los Angeles-based multi-service program for



Courtesy of Salvadorans Associated of Maryland

Delivery of school supplies by a HTA in Maryland to children in San Agustin and San Marcos Lempa, Usulután, El Salvador.

new immigrants will also collaborate. The University of California at Los Angeles (UCLA) will contribute a policy analysis component.

Articles in the IAF's journal *Grassroots Development*, reports on the roundtables and conferences, and presentations at development fora (including a conference hosted by the Inter-American Development Bank, the World Bank, and the U.N. Economic Commission for Latin America) disseminate the IAF experience with transnational communities. For more information or for copies of publications please visit <www.iaf.gov>.

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