



CIUDADANÍA Y VALORES
FUNDACIÓN

II SIMPOSIO INTERNACIONAL DE INMIGRACIÓN
INMIGRACIÓN Y DESARROLLO: LAS REMESAS

**Social Welfare Policy, Migrant Remittances, and the 3-
for-1 Program in Mexico**

Dr. David A. Shirk
Trans-Border Institute, University of San Diego

Madrid, 28 de marzo de 2008

Social Welfare Policy, Migrant Remittances, and the 3-for-1 Program in Mexico

Dr. David A. Shirk
Trans-Border Institute, University of San Diego

During the 1990s, scholars and development experts began to realize that vast sums of money were being transferred to developing countries by international migrants remitting funds to their families back home. For some experts, these migrant remittances represented a viable tool for international development, presuming that these capital flows could be better monitored; that reduced fees and better financial mechanism could be developed to facilitate flows; and that programs could be developed to better channel these resources to economic development projects in migrant-sending communities. For others, the potential role of migrant remittances in promoting long-term development seemed relatively small, since these funds were primarily dedicated to household subsistence and, when used for larger community expenditures were more likely to be used for “white elephant” projects that did little to promote development. Depending on how remittances are measured, Mexico ranks first on the list of leading recipient nations, bringing home approximately US\$25 billion in 2007. This is up four fold from US\$6 billion in 1999 and up more than 20 percent from 2005. Depending on oil prices and remittance cycles, funds sent home by migrants have frequently outpaced flows from all other major sources of foreign revenue.

Still, compared to other countries, Mexican migrant remittances make up a very small percentage (less than 2%) of GDP; Mexico’s US\$1.3 trillion economy is the 13th largest in the world. Moreover, in a long-range study of a migrant-sending community in Jalisco, Wayne Cornelius, Director of the Center for Comparative Immigration Studies found that remittances helped diminish the worst effects of Mexico’s economic crises, but little money remitted was invested in long-term job-creating enterprises. Sent at irregular intervals by working people in amounts rarely totalling more than a couple of hundred dollars at a time, these money transfers historically have been directed toward supplementing family income; ensuring family subsistence, particularly in very rural Mexico; and in private home building. Thus, personal remittances appear to be a less predictable, sustainable, and manageable revenue and investment source than others. Moreover, over the longer term greater permanent settlement by immigrants north of the border may lead to a major decline in remittances, as migrants lose ties with their home communities.

Yet, given the still significant flows of migrant remittances pouring into the country each year, the Mexican government has responded favourably to the idea that these funds could be harnessed to better assist and develop migrant-sending communities. While personal remittance revenue fails to jumpstart productive and job-generating enterprises, the collective remittances that are pooled by migrants’ civic associations offer somewhat greater entrepreneurial potential. Such remittances are collected by civic groups, generically known as Home Town Associations, or HTAs, which gather monies from their members in order to fund infrastructure improvements, beautification projects and symbolic events, such as parades or fairs, in their hometowns. Not surprisingly, the most active HTAs represent immigrants from major sending regions in Mexico, from states such as Jalisco, Michoacán, Oaxaca, and Zacatecas, and who are concentrated in major receiving areas like Southern California.

The 3-for-1 Program for Migrants was designed to enable Mexico’s federal, state, and

local governments to assist organized efforts by migrants living abroad to send remittances back to Mexico in order to promote social development projects in their home communities or other communities in need. Though SEDESOL oversees the program and its rules of operation, the program is intended to operate in a highly decentralized manner, with SEDESOL regional delegation offices working with state and municipal governments and the appropriate agencies to administer the projects on behalf of the migrant organizations and the beneficiaries.

Projects supported by the program have a minimum budget of 75,000 pesos (about \$7,150 USD) and a maximum budget of 800,000 pesos (about \$76,000 USD). To receive the minimum amount of funding, applications must identify at least 20 individual migrants as partners for the project; to receive the maximum, at least 107 individuals must partner with the project. Costs are shared by the federal government (25%), migrant organizations (25%), and by the federal and state governments (50%). Effectively, for every peso sent home by migrant organizations, the three levels of Mexican government contribute three more. To ensure transparency, all beneficiaries the program are required to provide complete information about themselves (name, gender, age, level of education) and their economic situation (including tax documentation), and demonstrate that resources from the program are used properly.

In particular, one of the program's stated goals is to "contribute to the resolution of deficits in basic infrastructure, services, and to generate sources of work and income."¹ Thus, while types of projects supported by the 3-for-1 program can vary widely, they are ultimately intended to channel resources to poverty alleviation; economic development (including social, agricultural, and communications infrastructure); and improvements the quality of life in poor Mexican communities (including health, recreational, and community services). While the program also supports other types of projects —such as environmental health programs and natural resource conservation— they have not been a major feature of the program, as noted in Figure 1.1.

The fact that the 3-for-1 program is used predominantly for public works projects and quality of life improvements —such as drinking water, electricity, and sewage— has significant merits. The program helps to fulfill important poverty relief and social development functions in traditional migrant sending areas. At the same time, it is important to underscore that the program's resources are not predominantly directed toward promoting longer-term economic development, since investments in education, major infrastructure (roads and highways), and new business opportunities remain a relatively small fraction of the program.

The fact that neither personal nor "collective" remittances constitute a reliable long-term stream of capital will ultimately require policymakers to identify other investment sources for profitable and job-generating projects. What are especially needed are sustained and far-reaching reforms of Mexico's domestic fiscal policy, education and human development, protections for intellectual property, management of public sector enterprises, basic infrastructure provision, and the rule of law. Throughout his term, President Fox strongly advocated fiscal reforms that would increase Mexico's tax base and enable the federal government to invest in infrastructure and social programs to improve the country's economic development opportunities. These efforts were hamstrung by a divided congress that opposed most of Fox's key initiatives. More recently, his successor, Felipe Calderón, has made significant gains in several key areas, including reforms in fiscal policy, education, and the justice sector. Efforts to promote an overhaul of government-run enterprises (especially the state-run energy company, PEMEX) are still pending, as are investments in infrastructure development (especially in Mexico's underdeveloped South). Whether any of these initiatives will prove sufficiently far-reaching to be successful in promoting sustainable, equitable economic development in Mexico remains to be seen.

¹ The goal is to "Contribuir a resolver carencias en materia de infraestructura básica, de servicios o generar fuentes de ocupación e ingreso para la población." Author's translation in the text. See "Programa 3x1 Para Migrants," SEDESOL website (<http://www.sedesol.gob.mx>) accessed on February 29, 2008.

TABLES & FIGURES

Number of 3x1 Projects Funded, 2002-2007

Project Type	2002	2003	2004	2005	2006	2007	Total:
Agua Potable, Alcantarilado y Electrificación	226	274	547	440	236	375	2098
Caminos y Carreteras	67	57	83	100	58	77	442
Salud, Educación y Deportes	190	113	114	151	122	185	875
Urbanización y Pavimentación	276	282	477	591	452	623	2701
Centros Comunitarios	127	143	160	298	317	234	1279
Proyectos Productivos	40	22	53	77	45	50	287
Becas Educativas 3x1	0	0	0	15	25	66	106
Otras	16	8	2	19	19	1	65
Total	942	899	1436	1691	1274	1611	7853

Source: http://www.microrregiones.gob.mx/3x1/3x1_tipoprojec.html (Accessed Feb. 15, 2008).

