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ESTIMATED AT US$325 BILLION IN 2010,¹ migrants’ remittances have been called “a lifeline for the poor.”² Corresponding to three times the size of total foreign development assistance to the developing world, they infuse the recipient country with capital and help relatives and friends make ends meet.³ In some cases, the amount of remittances represents a sizable share of the recipient country’s gross domestic product (GDP). From Tajikistan to Honduras, from Moldova to Haiti, remittances represent more than 25 percent of these countries’ total GDP. Although the amount of money transferred is staggering, it is not surprising that migrants would hope to send money back to their families. What is surprising is that they would engage in collective remittances—the act of sending money as a group to their hometown to finance infrastructure projects—and that they would partner with the government of their country of origin to do so. After all, this is the same government whose neglect implicitly contributed to the individual’s decision to migrate elsewhere.


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Although they have a significant impact in thousands of communities, collective remittances are estimated to make up a relatively small portion—about 5 percent—of total remittance flows. The reason is not that they are less desirable or productive—indeed, the success stories of collective remittances suggest that the development potential is enormous. The problem is that collective remittances pose a formidable collective action problem in which the benefits are diffuse and costs are concentrated. In order to make a difference, collective remittances require that migrants in their host country organize to bundle their monetary contributions to help finance their hometowns’ development. While everyone in the labor-exporting community can enjoy the infrastructure improvements, an important share of the costs is borne by low-income migrants that are geographically removed from the public good and will rarely benefit from it. In the most prominent cases, migrants have partnered with other actors, including local, state, and national governments and the private sector, to fund such projects. Cooperation is further complicated by the diversity of interests among the parties involved in the partnership.

Although some of the social and economic consequences of collective remittances have been studied, the obstacles to cooperation have been taken for granted. Why would many low-skilled and increasingly permanent migrants, who left their country due to the government’s inability to generate employment opportunities, come together with different levels of government, private companies, and non-governmental organizations (NGOs) to share the burden of building public infrastructure projects from which they rarely benefit? How are these actors able to overcome differences in their preferences and objectives in order to make a sustained contribution to the development of their communities? Why are some partnerships successful while others fail?

In answering these questions, this research seeks to advance our understanding of how the collective action problem of financing development projects through collective remittances can be solved and take a step toward theorizing a phenomenon that is generally approached descriptively. To do so, this article first introduces some theoretical considerations regarding the logic of collective action and discusses its relationship to collective remittances. Next, relying on insights from the literature on positive inducements, leadership benefits, and rules as an analytical framework,

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5 “Those that ‘must be available to everyone if they are available to anyone’” Mancur Olson, *The Logic of Collective Action* (Cambridge, MA: Harvard University Press, 1965), 14.
it illustrates how differences in migrant–government partnerships based on collective remittances play a role in determining their success or failure. Third, it compares the Mexican experience with that of El Salvador, and points to differences in the rules and incentives of the two partnerships as important factors explaining relative success in Mexico and discontinuation in El Salvador. In particular, it finds that differences regarding the ability to select the contractors for projects, limits to participation in the program, involvement in the decision-making process, and existence of a mechanism to solve controversies help explain how cooperation obstacles were overcome in the Mexican case. Finally, it considers the role that social capital may play in explaining the partnerships’ different outcomes, and ends with a conclusion.

As the rest of the article will show, building development projects requires the organization of migrants into hometown associations, their coordination with several levels of government, and the cooperation of the benefited communities. Although in many ways, each of these steps represents its own collective action problem among few or many actors, depending on the stage of the process, they are treated here as a single collective action problem. This is not only for simplicity due to space considerations, but also because each step in the process depends on the rest for the partnership to exist. Without the fundraising efforts through migrant associations, their coordination for developmental purposes with local, state, and national governments and with the beneficiary communities would not be possible; likewise, without the incentives for coordination between migrants, the different levels of government, and beneficiary communities in place, many associations would not be formed and their fund-raising efforts would not exist.

COLLECTIVE REMITTANCES AS A COLLECTIVE ACTION PROBLEM

The existing literature on collective remittances has focused on two main issues: documenting the phenomenon and studying its political, economic,

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6 The Mexican partnership is characterized here as “relatively successful,” since, in spite of its many problems (such as the dependence on the volatility of remittance flows), it has remained in existence for over a decade. This outcome contrasts with that of the short-lived Salvadorian experience and others that have failed to materialize.

7 The partnership has encouraged the formation of many hometown associations (HTAs) across the United States. Author’s interviews with Efrain Jiménez, Vice President of the Federation of Zacatecan Clubs in Southern California (FCZSC), August 2007 and April 2008, and Rubén Chávez, President of the Federation of Clubs from Michoacán in Illinois, September 2008. Although many HTAs and their philanthropic efforts would still exist in the absence of the partnership, their scale and impact would be of a completely different order of magnitude.
and social dimensions. In terms of political analysis, some studies have focused on documenting the origins and uses of collective remittances. Others have estimated their volume and geographic distribution. Still others have focused on the characteristics of migrants who remit collectively. Much of this literature shares a narrative that lauds the solidarity among migrants in funding projects that benefit an entire community. While this perspective highlights the worthy sacrifices of migrants, it presents a useful but atheoretical story of philanthropic outcomes.

The second line of research on collective remittances has highlighted their consequences in different arenas. The most prominent approach has studied collective remittances through the lens of transnational social capital. This research has focused on the “formation of formal migrant transnational organizations that enable migrants to build strong identity links with the communities they have left behind” and highlighted the role that collective remittances play in furthering local empowerment and civic participation. In this vein, the emphasis has been placed on the transnational ties that make collective remittances possible and allow migrants to preserve their culture during their stay in the host country.

Other studies on the politics of collective remittances have focused on their consequences. For instance, Luin Goldring has studied the political contributions of collective remittances and their negotiating power vis-à-vis

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10 Luis Escala-Rabadán, “Migración y formas organizativas en los Estados Unidos: los clubes de migrantes mexicanos en California” in Guillaume Lanly and Basilia Valenzuela, eds., Clubes de Migrantes Oriundos Mexicanos en los Estados Unidos (Mexico: Universidad de Guadalajara, 2004), 425.


political authorities,15 while Katrina Burgess has studied the effect of collective remittances on local governance and accountability.16 Similarly, Jonathan Fox and Xochitl Bada have studied the bargaining power that collective remittances bring to migrants.17

Yet others have focused on the economic effects of collective remittances. For example, Francisco Aparicio and Covadonga Meseguer have highlighted their developmental potential and prospects of becoming “a truly progressive poverty-reduction tool,”18 while Sarah Gammage has warned of the perils of relying on collective remittances as a development strategy.19 Similarly, Lindsay Lowell and Rodolfo de la Garza have turned to the development role collective remittances play in their communities of origin.20

Although these perspectives have certainly furthered our understanding of collective remittances and their effects, they have bracketed the many obstacles that must be overcome in the process and taken for granted the obstacles to collective action. This oversight has important implications for international development. These programs contribute meaningfully to development, but most efforts to attract and employ collective remittances fail. Governments have tried “development bonds for migrants,” with preferential interest rates issued in an attempt to finance development projects through debt in Bangladesh, Jordan, Pakistan, and the former Yugoslavia.21 They have tried to establish “village cooperatives,” where the government tried to turn migrants into shareholders of small community enterprises as in Turkey.22 None of these efforts has met with success. Thus, by identifying the key aspects that make migrant–government partnerships work, this study contributes toward solving a developmental problem that has concerned a number of governments with large migrant populations.

15 Luin Goldring, “Desarrollo, migradólares y la participación ciudadana de los norteños en Zacatecas,” in Miguel Moctezuma and Héctor Rodríguez, eds., Impacto de la Migración y las Remesas en el Crecimiento Económico Regional (Mexico: Senado de la República, 1999); Goldring, “Family and Collective Remittances to Mexico,” 799.
abroad. Having discussed the gap in the literature this article seeks to fill, in the following section, I introduce theoretical considerations regarding the logic of collective action that will guide the analysis conducted in the remainder of the study.

**Insight from the Logic of Collective Action**

Collective action problems are those in which the provision of a public good requires cooperation among two or more parties, but where the parties’ self-interest makes cooperation unlikely.\(^{23}\) Even though the goal of the group is collectively desirable, the individual costs borne by the group’s members prevent them from participating in the collective enterprise. Such cooperation problems emerge regardless of whether groups are formed by individuals, corporations, NGOs, or governments.\(^{24}\)

Certain features of groups make cooperation more or less likely.\(^{25}\) First, as the size of a group increases, cooperation becomes more difficult to organize. As groups become larger, individual group members become less likely to bear the costs of supplying the public good on their own, and increasing anonymity provides incentives to free-ride.\(^{26}\) Similarly, the bonds of reciprocity and trust—which might help overcome inaction among group members—weaken as the group becomes larger.

Second, as the asymmetry regarding preferences and endowments among group members increases, collective action becomes less likely.\(^{27}\) Groups whose members share similar preferences will have an easier time organizing than those in which preferences diverge. Likewise, groups in which some members bear a disproportionate share of the burden to supply the public good are more likely to fail in their collective enterprise.

Based on these theoretical considerations, financing infrastructure projects through collective remittances is a particularly unlikely accomplishment, since it has all the attributes of a difficult collective action problem. A central feature of such projects is that they are public goods. All the roads, schools, or community centers made possible through

\(^{23}\) Olson, *The Logic of Collective Action*, 34.


\(^{26}\) Free riders are those “who contribute less than their true marginal value derived from a nonexcludable public good.” Sandler, *Collective Action: Theory and Applications*, 17.

collective remittances are non-exclusionary: individual “consumption of such a good leads to no subtraction from any other individual consumption of that good.”28 The projects that collective remittances fund “are not businesses owned by the migrants who helped to finance them, nor is their enjoyment limited to these donors.”29 On the contrary, individual appropriation is impossible.30

The number of parties involved in partnerships to leverage collective remittances also makes organization particularly challenging. Since the financial contributions that individual migrants can make are very limited, the provision of developmental projects requires strength in numbers to raise enough money to fund projects. Relative to their host country, remittance-sending migrants are those with the lowest skill levels and who have recently arrived.31 As a result, migrants sending money to their home country are also those with the least ability to do so,32 and every dollar migrants contribute toward the funding of collective goods in their hometowns is a dollar they are not sending directly to their relatives.33 Thus, migrants who tend to remit have very little fiscal capacity for philanthropy34—indeed, the likelihood to give is lowest among people with low levels of income and education35—and it takes a large number of migrants to contribute small amounts toward the funding of any significant project in their hometown.36

Finally, the asymmetry in preferences and endowments among the different parties makes partnerships based on collective remittances a challenging enterprise. Migrants, governments, and the private sector naturally have different interests that must be aligned for cooperation to take place. Rather than contributing to infrastructure projects with a clear developmental impact, migrants sometimes prefer to finance projects oriented toward religious or recreational objectives such as embellishing the façade of the local church, sponsoring the town’s festivities in honor of the patron

30 Ibid.
33 The leaders of migrant associations may not necessarily fall into this category. The incentives compelling the leadership to organize migrants are discussed later in the text.
34 Peter Gammeltoft, “Remittances and Other Financial Flows to Developing Countries,” International Migration 40 (February 2002): 181-211.
saint, or improving the conditions of the community’s graveyard.37 Governments, by contrast, have different objectives for remittance contributions. They prefer to fund projects that have a clear multiplier effect on the local economy, such as irrigation systems, water treatment facilities, sewer systems, roads, bridges, clinics, schools, and scholarships. Whenever migrants’ collective remittances are used toward funding these projects, cash-strapped governments fix a problem they were expected to address and free up funds with which they can address other issues.

In addition to having different priorities regarding the funding of projects, governments also have electoral considerations that influence their position on collective remittances and impede developmental partnerships.38 Since a fundamental goal is to remain in office, elected officials are interested in reaping the credit from the construction of projects for electoral purposes. Politicians often assume a zero-sum mentality that seeks to crowd out opponents, making coordination more difficult.39 They are often tempted to attach electoral strings to the funding of projects, conditioning support based on whether migrant groups support a particular candidate.40 Moreover, whenever there are different levels of government involved, partisan differences among them can supersede developmental objectives, effectively suppressing cooperation. Both political frictions and attempts to use migrants’ contributions for electoral gain often become important disincentives for migrants to partner with governments. As an International Organization for Migration report concluded, “Although governments acknowledge the need to cooperate, actual coordination is difficult to achieve.”41

In addition to migrants’ and governments’ interests, other actors, such as private companies and NGOs, are often involved in the partnerships as additional donors. These actors also tend to bring a different set of interests to the table—including marketing and public affairs considerations—making it harder to align the variety of preferences and endowments in

37 These preferences have been documented elsewhere (see Luin Goldring, “The Mexican State and Transnational Organizations,” Latin American Research Review 37 (Summer 2002): 55–99; Orozco, “Mexican Hometown Associations”) and confirmed through interviews with Efraín Jiménez, Vice President of the FCZSC, August 2007 and April 2008; Malú Guerra, Deputy Director-General for Social Programs, Mexico’s Ministry of Social Development, April 2007; Ernesto Nosthas, one of the architects of the Salvadorian partnership Unidos por Solidaridad and Director-General for Migrant Affairs, El Salvador’s Ministry of Foreign Affairs, September 2009.
41 International Organization for Migration, “Engaging Diasporas as Development Partners for Home and Destination Countries” (IOM Migration Research Series No. 26, Switzerland, 2006).
the partnership.42 Taken together, the provision of public goods, coordination of many actors, and multiplicity of interests among the key players makes partnerships based on collective remittances a difficult proposition.

Exacerbating Factors
In addition to these theory-informed challenges, there are certain features of partnerships for collective remittances that exacerbate these difficulties, including geographic distance from public investments and mistrust toward their country of origin’s government. First, geographic separation from the infrastructure projects makes it less likely that individual migrants will remit money collectively, since they will only occasionally benefit from the public good. Due to tougher legal restrictions across the world in the last quarter century, labor migration has increasingly become more permanent and less cyclical. Only those migrants who have acquired legal status in the host country have an opportunity to travel without restriction to their hometown to enjoy the public good, but such migrants are also the ones who have formally established themselves elsewhere. The inability to benefit from the public good on a regular basis serves as a deterrent for migrants to participate in the collective enterprise.

A second exacerbating factor is migrants’ mistrust toward governments.43 Migrants share a lack of trust in their home countries’ governments, which makes them reluctant to partner with governments, in general, and to trust them with their savings, in particular. In many cases, migrants share a sense that governments back home failed at generating the conditions for them to stay, and even that governments’ inability to create jobs or better wages “drove them away.”44 Therefore, it would be hard to ask migrants to shoulder some of the government’s developmental burden, particularly since most of the projects that result from the partnership fall squarely within the government’s sphere of responsibility, both from a minimalist understanding of the role of the state—regarding infrastructure—and a more welfare-oriented state—regarding education and health services.45 Moreover, beyond any resentment migrants might hold against the government, problems commonly affecting developing,

42 Western Union has participated in several government-migrant partnerships. Author’s interview with Mario Hernández, Director of Public Affairs, Western Union, November 2008.
labor-exporting countries, such as corruption, precarious economic conditions, and recurrent crises, raise transaction costs of partnering with the government and provide migrants with little incentive to invest their money in their home country.

Yet, despite sharing the attributes of an immense collective action problem, collective remittances certainly take place. How can these challenges be overcome? As I argue in the remainder of the article, insights from the logic of collective action can shed light on the factors affecting both the value to the individual migrant and the cost of the project in order to meet the aforementioned condition.

Migrant Partnerships for Development: Solving the Collective Action Problem

Although collective remittances are a puzzle for theories of collective action, thinking of this development issue as a collective action problem also points to ways in which these barriers to coordination can be overcome. Drawing on theories of collective action, this section outlines three factors that help overcome the obstacles to cooperation outlined in the previous section: selective incentives, leadership, and rules. First, as Mancur Olson notes, selective incentives are the necessary catalysts for organization among individuals. These incentives come in two forms: sticks—“the authority and capacity to be coercive”—and—carrots—positive inducements offered to individuals in the form of private or non-collective goods.46 Negative incentives include threats, fines, and other sanctions that diminish the well-being of those who refuse to cooperate. Positive inducements include material rewards, prestige, or recreational benefits, and generally constitute by-products that improve well-being as a result of participation.47

A second and related factor is the presence of leadership.48 Leaders can assist individuals in organizing toward accomplishing collective action. In addition to being driven by normative considerations such as principles or values, leaders also tend to benefit from a private good that is different from the public good resulting from collective action. Positive inducements encouraging leaders tend to be qualitatively different from those enjoyed

46 Olson, The Logic of Collective Action, 133.
by the rest of the group, in order for leaders to incur the extra costs associated with their role. Such benefits can be concrete, such as material compensation, or intangible, such as social prestige.

A third factor is the existence of rules that facilitate participation in the collective enterprise.\textsuperscript{49} In studying the effects on participation of different regimes, Elinor Ostrom\textsuperscript{50} has highlighted the importance of certain rules to generate a sense of trust and fairness, encouraging participation and preventing defection. These rules include the delimitation of membership; participation of local actors in the decision-making process; existence of conflict resolution mechanisms; and appointment of monitors among the members of the group. These provisions are aimed at facilitating collective action by means of generating trust and enforcing compliance among group members.

With the exception of negative inducements, all of these factors help mitigate the collective action problem involved in funding projects through collective remittances. As previous experiences with collective remittances have shown, negative inducements are particularly hard to implement in the context of transnational migration and deter migrants from investing in their home country. For example, the government of the Philippines attempted to force Filipinos abroad to remit 70 percent of their salary into mandatory domestic savings funds by executive decree in 1982.\textsuperscript{51} Given that the government could only enforce compliance from those Filipinos placed abroad through government channels, undocumented migrants naturally escaped this provision. Moreover, the decree encouraged Filipino migrants to find ways to circumvent the measure, including misreporting their income. The measure generated such discontent among migrants’ organizations that it was abolished in 1985.\textsuperscript{52}

Similar experiments in Bangladesh, Pakistan, and Thailand during the 1970s and 1980s floundered as a result of migrants’ reluctance to participate due to fears that the government would confiscate the funds.\textsuperscript{53} Due to the transnational nature of labor migration, an important obstacle to


\textsuperscript{50} Ostrom, “Collective Action and the Evolution of Social Norms,” 150.

\textsuperscript{51} The objective was to direct monetary remittances toward domestic banks, which could, in turn, lend to local investors. Lilian Autler, “Una potencial alianza para el desarrollo: remesas y movimiento cooperativo en El Salvador,” in Mario Lungo, ed., \textit{Migración Internacional y Desarrollo} (El Salvador: FUNDES, 1997), 107.

\textsuperscript{52} Ibid., 107.

\textsuperscript{53} Shivani Puri and Tineke Ritzema, “Migrant Worker Remittances, Micro-finance and the Informal Economy” (ILO social finance unit working paper 21, July 1999).
negative inducements is that in most cases, migrants lie beyond the reach of the state and its coercive apparatus. Therefore, governments’ attempts to force a particular conduct on migrants—let alone remit collectively—are likely to be unsuccessful.

Conversely, positive inducements, leadership benefits, and rules are considerations affecting both the benefits and the costs derived from participating in the partnership. On the one hand, the value to the individual migrant is a function not just of the benefit derived from the migrant’s direct use of the project—which is extremely limited—but also of a series of positive private inducements, both material and intangible. On the other hand, the cost of the project to the migrant association is a function not only of the monetary expenses involved in its construction, but also of the burden associated with transaction costs involved in partnering with other actors—for example, different levels of government. These transaction costs can in turn be greatly affected by the institutional design of the partnership. As certain rules contribute to lowering the costs associated with corruption and mistrust toward government—for example, by making the process more transparent and giving migrants a say in the decision-making process—the cost to migrants will decrease accordingly. As the following case studies show, positive inducements, leadership benefits, and rules can play a significant role in making the provision of public goods possible and migrant–government partnerships sustainable.

EXPERIENCES IN MEXICO AND EL SALVADOR

Although some attempts at leveraging collective remittances through migrant–government partnerships are in progress, only Mexico and El Salvador—with the two largest diasporas in the Americas—have had partnerships institutionalized at the national level.\(^{54}\) The next section presents a comparison between the two partnerships, which were structured similarly in a number of ways but differed in their outcomes; the former has been in operation for over a decade, while the latter has ceased to exist. Using the collective action insights outlined above as a guide, the following analysis of the two cases is organized around how and whether positive incentives, leadership incentives, and institutional design helped overcome the collective action challenges discussed earlier by inducing participation, aligning the different parties’ interests and endowments, and overcoming mistrust toward governments. How

these factors influenced the relative success of the partnership in the Mexican case is introduced first. The case of El Salvador, which was less durable, then follows.

**Mexico’s Migrant–Government Partnership**

Operating nationally since 1999, Mexico’s partnership—dubbed Citizens’ Initiative 3x1 (*Iniciativa Ciudadana 3x1*)—is one in which migrants living abroad voluntarily remit funds collectively, and three different levels of government—local, state, and federal—provide matching funds in order to build development projects in the migrants’ hometowns. Migrants send collective remittances through hometown associations and earmark these funds to finance projects they deem necessary for the community. The projects funded range from community parks to roads and irrigation systems, depending on both the needs of the community and the associations’ ability to raise funds.\(^{55}\)

The first step of the process is for the association to identify a project it would seek to fund. Once a project is identified, the association drafts a project proposal outlining the estimated costs and completion time. It then runs the proposal by the municipal and state governments in order to guarantee that proposal’s technical feasibility and the project’s sustainability over time. Afterwards, the proposal is submitted to an evaluation committee, the Committee for Evaluation and Attention to Migrants (*Comité de Evaluación y Atención al Migrante, COVAM*), in charge of determining which projects receive funding. The COVAM is formed by representatives of migrants and of the local, state, and federal governments, and it awards funding based on the development priorities of the four parties represented in the committee.\(^{56}\) Once the COVAM approves funding for a project, the construction of the project normally takes up to one year after its approval.\(^{57}\)

The partnership has attracted significant contributions year after year since its inception in 1999. In 2010, it financed $183 million worth of projects, most of which benefit rural communities. On average, each association’s contribution is estimated to be $10,000 per project.\(^{58}\) Funded in more than 500 municipalities in 28 states, these projects were possible due to a combination of positive membership incentives, leadership

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55 Germán Palafox, *Program 3x1 for Migrants* (presented by the Undersecretary for Social Programs, Mexico’s Ministry of Social Development, at the Ad-hoc Expert Meeting: Contribution of Migrants to Development, Switzerland, 29 July 2009).

56 Author’s interview with Malú Guerra, Deputy Director-General for Social Programs, Mexico’s Ministry of Social Development, April 2007.


58 Palafox, *Program 3x1 for Migrants*. 
incentives, and rules, which helps explain the success of Mexico’s partnership based on collective remittances.

**Positive inducements.** A central feature of the partnership is the matching of funds as a positive incentive for all parties. Each party—migrants, local, state, and federal governments—then has the opportunity to make its contribution go three times farther than if it attempted to finance the project on its own. For migrants and their relatives and friends in their hometown communities, this allows the projects to reach a different order of magnitude. Rather than financing wells and boreholes—as is the case with migrant associations attempting to promote development without government intervention—\(^{59}\)—the partnership allows for the construction of clinics, roads, and even part of a university campus. For local, state, and federal governments, the partnership allows them to leverage a source of money that they would not have had otherwise. In a majority of cases,\(^{60}\) the amount destined to finance projects in a municipality exceeds the local government’s total public works budget for the entire year.\(^{61}\)

In addition to the matching incentive appealing to all parties, there are positive inducements that appeal to specific parties of the partnership. In order to organize thousands of migrants to participate in the partnership, migrant associations provide benefits associated with membership and recreational benefits in exchange for monetary contributions. Most of the migrants belonging to hometown associations join them because of a series of individual benefits that come with membership. For example, associations help new members get acquainted with the place upon arrival from Mexico. They provide a space where migrants can find other migrants with the same background, culture, and language and with whom they can more easily relate in their host countries.\(^{62}\) Migrants also find in associations people who understand their problems—because they have experienced similar situations—and can provide assistance in solving them. They represent a source of information and support in finding employment

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\(^{59}\) Such is the scope of development projects financed by migrants from the Senegal River Valley—Mali, Mauritania, and Senegal—living in France and organized in *Organisations de Solidarité International Issues de Migrations* (OSIM) but without partnering with their governments. OECD, *Migration, Remittances, and Development*, (Paris: OECD, 2005).

\(^{60}\) Orozco finds that more than half of the total projects in Mexico are funded in communities with less than 1,000 inhabitants and in which the public works budget is extremely limited. Orozco, “Mexican Hometown Associations,” 37.


and housing, and they help migrants maintain contact with events in their hometowns.\(^{63}\) The associations facilitate a quid pro quo; in exchange for receiving services that are helpful for migrants, they pay a fee that then supports the collective remittances programs.

Besides membership-related benefits, migrant associations also rely on social or recreational inducements to raise funds specifically to remit collectively. They organize recreational activities to raise money, including raffles, picnics, dinner parties, soccer pools, and bake sales. In contributing to a cause to which they might feel sentimentally attached, migrants derive a direct recreational benefit. The affordability of the recreational activities is important to raise funds among low-income migrants.

These private benefits enjoyed by members help overcome some of the difficulties in organizing migrants, regardless of group size, geographic separation from the public good, or low income level. Irrespective of the ultimate purpose of the funds raised, migrants pay to enjoy direct recreational and social benefits. The individual expenses related to these benefits are normally small enough to be affordable to the lowest-income migrants. The large amounts contributed toward the partnership come from a large membership participating in numerous events, not from large contributions.\(^{64}\)

In addition to the matching incentive of the partnership, elected officials at the local, state, and federal levels have important electoral incentives to participate in the partnership, since migrants constitute an important constituency. Elected officials seek to gain votes for themselves or their party by touting pro-migrant credentials in high-migration communities. At the national level, for example, it has been important for the federal government to be perceived as pro-migrant, since Mexicans living abroad have been allowed to vote by mail since 2006. At the local and state levels, politicians in high-migration areas know that being associated with policies that benefit migrants is a sine qua non to get elected, because of both the prevalence of migrant relatives in voters’ families and the influence that migrants living abroad have in their relatives’ political preferences. Voters with relatives or friends abroad may naturally be inclined to favor politicians perceived as championing pro-migrant policies.\(^{65}\) This is true at all levels of government.

**Leadership incentives.** Certain incentives available to the leadership of migrants’ associations are an important ingredient to organize migrants

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\(^{63}\) Author’s interview with Efraín Jiménez, Vice President, Federation of Zacatecan Migrants in Southern California (FCZSC), April 2008.

\(^{64}\) Author’s interview with Efraín Jiménez, Vice President of the FCZSC, August 2007.

toward the funding of projects through collective remittances. In the case of Mexico’s 3x1 program, leaders of the associations enjoy not only the recreational benefits available to the rest of the membership, but they also benefit from positive inducements in the form of social prestige, political prominence, and material benefits. Heading hometown associations brings leaders social status both in the host country and in their hometowns. In the host country, they gain prestige and become recognized interlocutors by local authorities. In their hometowns, they derive status and political importance from remaining involved as benefactors of the community.

Moreover, heading the hometown organization gives leaders the political visibility that often propels them to become elected officials in their hometowns. For example, former mayor of Jerez, Zacatecas, Andrés Bermudez, enjoyed a strong backing by the Federation of Zacatecan Clubs in Southern California (FCZSC). Similarly, one of the Federation’s former presidents, Guadalupe González, had aspirations in the state’s gubernatorial race. Although being a migrant leader does not guarantee an electoral victory, it brings significant political influence in the hometown.

Additionally, leading the association also brings material benefits. The contractors in charge of building the infrastructure projects are often relatives or friends in the benefited communities, so the leaders stand to benefit directly from these projects. The ability to benefit friends and family by steering business their way is an additional motivation.

Rules. Certain aspects of the partnership’s institutional design are crucial to solving cooperation obstacles by reducing transaction costs, particularly those associated with mistrust toward the government. First, the partnership restricts participation so that only migrant associations can present funding proposals. Other actors, such as NGOs, private citizens, and corporations, are not allowed to submit proposals and request funding.

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66 Ibid., 74.
70 As will be discussed later, this allows migrant associations to directly oversee and manage their funds. Katrina Burgess, “Migrant Philanthropy and Local Governance,” in Merz, ed., New Patterns for Mexico; Manuel Orozco and Kate Welle, “Hometown Associations and Development,” in Merz ed., New Patterns for Mexico, 157.
By clearly delimiting who gets to participate, the partnership gives migrants a sense of ownership and guarantees that resources are used exclusively toward migrant-sponsored development projects.\textsuperscript{71}

Second, the rules of the partnership also give migrants a prominent place in the planning and decision-making process. Once migrants draft the proposal of the project they would like to finance, they are required to work with the different levels of government to improve the project’s technical feasibility. Crucially, migrants have a prominent seat in the COVAM, which is formed by one representative from each party—migrants and local, state, and federal governments—and decides which projects merit funding. Thus, rather than acting as distant patrons, migrants’ involvement throughout the process enhances transparency and helps overcome suspicion that the funds will be embezzled or that different interests will be favored.\textsuperscript{72}

Furthermore, although the COVAM’s main function is to vote on which projects to fund, the committee serves as a forum to air and solve any concerns regarding previous or future projects. Serving as a mechanism to solve controversies, the COVAM also contributes to resolving disputes regarding delays in the availability of funds, unsatisfactory progress, or attempts to use projects toward partisan gain. The existence of this forum gives the Mexican partnership an important degree of flexibility to fix problems that may present along the way.\textsuperscript{73}

Finally, the rules of the mechanism allow migrants to play a role in the oversight of projects. Migrants appoint representatives from among community members in their hometown in Mexico to monitor progress of the project and ensure control over the funds.\textsuperscript{74} Migrants appoint a president, a treasurer, and a secretary to an oversight committee (Comité de Obras) for the duration of the project to administer the funds, oversee progress, and prepare achievement reports. Moreover, the migrant associations never turn over control of the financial resources. Their funds are deposited in a private bank account and the signature of the migrants’ representative in the community is required to draw funds.\textsuperscript{75}

\textsuperscript{71} A brief attempt by the government to open participation was reversed due to generalized discontent among migrants. Author’s interview with Guillermo Huerta, Director of Social Programs, Ministry of Social Development, October 2008.

\textsuperscript{72} In addition to enhancing ownership, it must also be noted that migrant participation in the COVAM sometimes leads to jealousy and frictions within the migrant community.

\textsuperscript{73} Author’s interview with Rubén Chávez, President of the Federation of Clubs from Michoacán in Illinois, September 2008.

\textsuperscript{74} Sometimes migrants’ friends and family are selected to participate in the oversight committees.

\textsuperscript{75} Author’s interview with Efraín Jiménez, Vice President of the FCZSC, April 2008.
Although imperfect and with much room for improvement, the Mexican partnership has proved to be resilient to challenges facing one of the first efforts of its kind. It has survived several changes in government with attempts at political gain at all levels; has gradually expanded to most states in the country; and has seen an increasing trend in the number of associations participating and the amount of funds remitted. Significantly, it has helped to overcome important obstacles regarding the public nature of the projects funded, number of actors involved, differences in preferences and endowments, migrants’ mistrust toward the government, and even distance. As the discussion of the Salvadorian partnership will show, the factors that make the Mexican partnership work should not be taken for granted.

**El Salvador’s Migrant-Government Partnership**

With a large migrant community in the United States representing a fifth of its population, El Salvador established a similar partnership by the name of United for Solidarity (Unidos por la Solidaridad) in 2001. Inspired by the Mexican case, El Salvador’s partnership also attempted to organize thousands of migrants and more than 200 jurisdictions in order to leverage collective remittances from abroad toward community development projects. Like the Mexican partnership, it encouraged the participation of migrant associations and different levels of government through the co-financing of projects, mostly infrastructure.

However, the program that tried to follow in the footsteps of the Mexican experience was short-lived and faced several obstacles. Throughout the duration of the program, the flow of collective remittances was heavily related to natural disasters rather than a sustained stream of resources throughout the year. Of the 300 associations of Salvadorian migrants registered in the United States, only 31 submitted proposals throughout the duration of the program, and 3 associations were repeatedly selected due to their ability to shoulder a significant share of the cost of the

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76 The program has been criticized for neglecting long-term maintenance costs of infrastructure projects and for its inability to contribute toward the development of the least-affluent municipalities in Mexico that do not have an international migrant tradition. Raúl Delgado and Héctor Rodríguez, “The Emergence of Collective Migrants and Their Role in Mexico’s Local and Regional Development,” *Canadian Journal of Development Studies* 22 (Fall 2001): 747–764; CIDE, *Evaluación externa de consistencia y resultados 2007 del Programa 3 x 1 para Migrantes* (Mexico: CIDE, 2008).

77 Between 1999 and 2008, the number of participating associations increased nine-fold, the number of participating states rose from 18 to 27, and the amount invested in projects grew by a factor of five. Palafox, *Program 3x1 for Migrants*.

78 Gammage, “Exporting People and Recruiting Remittances,” 75.

79 The central government, 12 departments, and more than 200 municipalities.

projects. On average, migrant associations contributed 2 percent of the cost of the projects funded through the Social Investment Fund for Local Development (Fondo de Inversión Social para el Desarrollo Local), a considerably lower contribution compared to that of Mexico’s program. In 2006, the central government decided to dismantle the program and make the funds available for a general poverty alleviation program instead. These difficulties can be partly attributed to some differences in the way the program operated regarding membership benefits, leadership incentives, and rules compared to the Mexican experience.

Membership incentives. El Salvador’s partnership shared the same membership incentives present in the Mexican case. Like their Mexican counterparts, Salvadorian migrants participated in the partnership through associations formed in the United States. Their funding of projects through collective remittances was also a byproduct of private benefits different from the public good. As in the Mexican case, these benefits were social and recreational and were exchanged for an affordable fee or contribution.

Leadership incentives. The leaders of migrants’ associations also enjoyed many of the same benefits—social status and political visibility—that encouraged their Mexican counterparts to organize other migrants. Similarly, elected officials had similar incentives to appear as champions of migrants’ causes—one in five Salvadorians lives in the United States and Salvadorian politicians running for office at all levels of government have made campaigning in the United States a habit.

However, the partnerships differed in one of the positive incentives available for the leadership: migrants’ ability to select the contractor that builds the project. In contrast to the Mexican case where migrants’ leaders determine who gets to build the project, in El Salvador, the government selected the contractors. This became an important source of discontent among Salvadorian migrants. Their inability to control resources generated suspicion of...

84 Paul and Gammage, Hometown Associations and Development: El Salvador.
86 This view was consistently expressed in interviews with leaders of Salvadorian associations in California, Virginia, and Washington, DC. Author’s interviews with Miriam Karaoglani, René Velasco, Donald Sosa, and Ricardo Álvarez (2009, 2010).
corruption and inefficiency, and shifted material incentives from the association’s leadership to the government.87 As one migrant from a Salvadorian association put it, “If we raise the money, we want to make sure it is spent properly.”88 Whereas in Mexico, the ability to select the contractor ameliorated government mistrust and generated material incentives for migrants’ leaders by steering business toward friends and family, in El Salvador, migrants were more reluctant to turn over their money to the government.

**Rules.** Three main differences are found between the two partnerships regarding their institutional design. The first important distinction concerns who is allowed to participate. Whereas in the Mexican case, only migrant associations could submit projects, in El Salvador, other actors were allowed to submit a project aimed at the development of the community. Operating under a scheme of “funding by contest” (*fondos concursables*), the main funding criterion was how much money the proponents could contribute on their own. The logic behind the funding mechanism was to encourage migrants to raise as much money as possible before submitting a project in order to improve their chances of receiving funding.89 In theory, the less that migrants depended on government funds, the larger the number of projects that could be funded from the same limited budget. Since participation in the partnership was open—as opposed to limiting the submission of projects to migrants only—the intention was to induce migrants to pool their resources with foundations and NGOs and submit proposals jointly.90

However, the unintended effect of the partnership’s open participation was to discourage migrants from channeling funds into the partnership. With open participation, migrants could rarely compete against projects submitted by foundations and NGOs, due to significant differences in their endowments of financial and technical resources. Instead, migrants were forced to negotiate every single project with a partner to determine the share of the burden to be shouldered. In the process, as small contributors toward the funding of a project, migrants were often relegated to a secondary role in determining the characteristics of the projects.91

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88 Ibid., 18.
90 Ibid.
91 Author’s interview with Ernesto Nosthas, one of the architects of the Salvadorian partnership Unidos por Solidaridad and Director-General for Migrant Affairs, El Salvador’s Ministry of Foreign Affairs, September 2009.
the inability to compete for funds exclusively against other migrants with
similar resources and technical expertise significantly increased the trans-
action costs and provided weaker incentives than those provided by the
Mexican partnership. The Salvadorian partnership made it more onerous
for migrants to participate, which in turn discouraged their participation.

A second difference was the degree to which migrants were involved
in the decision-making process. In contrast to the Mexican case, in which
migrants have a prominent seat at the table in the decision-making
process through their participation in the COVAM, in El Salvador, the
central government alone made all decisions regarding which projects to
finance. The central government’s closed-door, unilateral decision-making
process generated a sense among migrants that partisan considerations
drove award decisions, a perception consistent with evidence that pro-
Nationalist Republican Alliance (Alianza Republicana Nacionalista-
ARENA) leaning played a role in the likelihood of receiving funds in
El Salvador.

This is not to say that partisanship allegations do not take place in
Mexico. Quite the contrary, evidence also exists that funds are more likely
to be allocated for projects in strongholds of the National Action Party
(Partido Acción Nacional), which reached power at the federal level
in 2000. Instead, that political bias has been found in both Mexico and
El Salvador makes the role of the partnerships’ rules to increase transpar-
ency all the more salient. Even though the COVAM increases transactions
costs for the Mexican partnership by involving all parties in the decision-
making process, its role in overcoming partisan considerations has con-
tributed to the partnership’s duration over time.

Third, since Salvadorian migrants did not participate in the decision-
making process through a selection committee, there was little room
for the solution of controversies in El Salvador. In the Mexican case, the
COVAM served as a bargaining space among the different sponsors. Given
that migrants’ and governments’ priorities are likely to be different regard-
ing the type of project to be financed, the bargaining that takes place in
the COVAM gives the mechanism an important degree of flexibility. In
contrast, in El Salvador, the rigidity of the selection mechanism made it
hard to accommodate the different parties’ preferences. Thus, whereas in
Mexico, migrants were allowed to submit projects aimed at embellishing
the community or with recreational purposes, migrants in El Salvador

92 Burgess, State Society Relations Across Borders.
93 Paul and Gammage, Hometown Associations and Development: El Salvador, 18.
94 Aparicio and Meseguer, “Collective Remittances and the State.”
were unable to submit such projects. Only those projects strictly within the category of “productive infrastructure” were allowed to participate, and there was no forum in which to raise migrants’ concerns.

Conversely, an aspect both partnerships had in common was the existence of monitoring mechanisms throughout the development of the project. As in the Mexican case, Salvadorian migrants and their relatives in their hometowns also played a role in the oversight of projects, making sure that both internal deadlines and project specifications were met. Table 1 summarizes the comparison between the Mexican and Salvadorian partnerships.

### ARE DIFFERENT OUTCOMES A PRODUCT OF DIFFERENCES IN SOCIAL CAPITAL?

Social capital—relationships that allow people to achieve common goals through cooperation—plays an important role in making these partnerships work. Without social capital, networks of migrants would not exist, and the collaboration between migrant associations and their hometowns would be severely undermined. Even the levels of migration of the last few decades would be hard to achieve in the absence of social capital, since “social networks and the bonds of reciprocity and trustworthiness

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95 About 15 percent of the program’s projects in Mexico have historically fallen into this category. Author’s interview with Guillermo Huerta, Director of Social Programs, Ministry of Social Development, October 2008.

that arise from them have been found to play a crucial role in people’s decision to migrate. Thus, social capital has been an important driver not only of migration, but also of migrants’ ability to organize into developmental partnerships.

However, levels of social capital are not constant across societies, and differences in social capital between Mexico and El Salvador could potentially account for the partnerships’ different outcomes. Do higher levels of social capital in Mexico explain its migrants’ ability to organize better than their Salvadorian counterparts? If so, the positive inducements, leadership incentives, and rules identified above may only be intervening variables serving as a catalyst.

Evidence from cross-national surveys suggests that this is not the case, however. If anything, levels of social capital may actually be higher in El Salvador than in Mexico. Although social capital is inherently hard to measure, individual-level data regarding respondents’ reported trust in others and engagement in the community are commonly used approximations.

According to a Latinobarómetro survey conducted in 2003, 43.3 percent of respondents in El Salvador reported high levels of trust in their neighbors, compared to 42.8 percent of those in Mexico. Conducted while both the Mexican and Salvadorian partnerships were operating, this survey suggests that levels of trust in both countries were very similar at the time.

Moreover, indicators of social capital point to similarities in both countries across time. A 1996 Latinobarómetro survey asked respondents about their views on whether organized action helped to solve problems in their community. As in the 2003 survey, reported levels were very similar in both countries: 89.5 percent of respondents in El Salvador agreed or strongly agreed, compared to 89.8 of those in Mexico. Similarly, according to the 2008 Latin American Public Opinion Project Survey, 16.3 percent of respondents in El Salvador participated in community problem-solving

100 Latinobarómetro, 1996, 2003, Banco de Datos de Latinobarómetro (Santiago, Chile).
101 Ibid.
activities, compared to 12.8 percent of those in Mexico. In this case, mutually exclusive 95 percent confidence intervals suggest that the difference—which becomes greater when controlling for gender, age, education, wealth, and size of the community—is probably not due to sampling.

These survey results are consistent with country-specific accounts that El Salvador’s levels of social capital do not represent an impediment for organization. Quite the contrary, Salvadorians have been found to be highly capable of collective action even in the most adverse of circumstances—in particular those with socioeconomic backgrounds similar to those of migrants. As Elisabeth Wood has shown, for example, civil society has played a major role in that country’s democratization in the aftermath of its civil war.

Taken together, the measures of engagement in community problem solving and trust suggest that the different outcomes in the two countries’ partnerships are not explained by differences in the levels of social capital. In fact, it may be the case that the positive inducements, leadership benefits, and rules of the Mexican partnership may contribute to overcoming lower levels of social capital in that country compared with those in El Salvador.

DISCUSSION AND CONCLUSION
As the previous comparison indicates, even though both the Mexican and Salvadorian partnerships make use of membership benefits, leadership incentives, and rules as means to overcome collective action problems, some key differences contribute to explaining the relative success of the Mexican partnership. The contrast between the two partnerships highlights that not all partnerships are created equal, and that the existence of a co-financing scheme is not enough to successfully sustain a partnership for collective remittances over time.

By and large, the cases supported the argument about institutional design; in the context of comparable levels of social capital and indications of partisan biases, differences in membership inducements, leadership incentives, and rules affected the extent of participation and sustainability in the case of Mexico and El Salvador. Migrants from Mexico and El Salvador responded to the same private goods offered as a byproduct of collective action. Migrants enjoyed similar membership-related and recreational benefits, and the leadership enjoyed similar social status and political importance. The main source of difference was in the Salvadorian

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associations’ inability to select contractors for the projects, which affected the consideration to provide the collective good in two ways: it detracted from the value derived from the collective enterprise both materially—in terms of foregone income through contracts for friends and family—and immaterially—in terms of the satisfaction associated with being able to help others in the community; and it fueled migrants’ mistrust in the government for fear of embezzlement, effectively raising the transaction costs involved in carrying out the collective projects.

Additionally, the differences in the partnerships’ institutional designs increased transaction costs for Salvadorian migrants. Of the four rules suggested by Ostrom in order to overcome trust-related obstacles to collective action, three were absent in El Salvador’s partnership. First, while the exclusive participation of migrants generated a sense of ownership and fairness in Mexico, open participation in El Salvador enhanced difficulties related to differences in resource endowments between migrants and other participants and affected migrants’ sense of ownership and fairness. It made Salvadorian migrants’ participation considerably more onerous since they were forced to negotiate funding with other actors, often as a minor partner.

Second, whereas migrants’ full involvement in the decision-making process ameliorated partisan considerations and mistrust toward the government in Mexico, the exclusion of migrants from funding decisions in El Salvador opened the door to political considerations and fueled concerns among migrants over the appropriate use of their resources. By allowing migrants to participate in the different stages of the project—from the planning phase alongside municipal and state governments to the implementation of the project—the rules of the Mexican partnership contributed toward overcoming migrants’ suspicion.

Third, the existence of a mechanism for the solution of controversies granted the partnership flexibility and an opportunity to accommodate different actors’ interests in Mexico. Conversely, the lack of such mechanism in El Salvador affected the partnerships’ ability to reach negotiated outcomes. By affecting transparency and trust, these three differences in the partnerships’ rules contributed to making participation more costly to Salvadorian migrants compared to that of their Mexican counterparts. Taken together, membership benefits, leadership incentives, and rules help explain how coordination among the different parties can be achieved.

Although the comparison between the two partnerships is helpful in identifying the differences that contributed to the relative success of the Mexican case and the discontinuation of the Salvadorian partnership, it does not allow us to determine the extent to which a particular difference
is responsible for this outcome. To do so would require evidence from additional cases with different configurations of positive inducements and rules, but unfortunately such cases do not exist, since the Mexico and Salvadorian programs are the only two of this nature. In the absence of additional data points, this study’s findings constitute a first step toward identifying the key factors making migrant–government partnerships work.

The findings presented in this article have implications for both theory and policy. Regarding theory, this study contributes to filling an important gap in the migration literature, which has taken for granted the very fact that collective remittances happen at all. It takes a step toward theorizing why and under what conditions migrants and different levels of government come together to provide public goods in the form of infrastructure projects. Though obstacles to cooperation are high, the cases of Mexico and El Salvador suggest that leadership incentives, positive incentives in the form of private goods, and certain trust-enhancing rules can affect a partnership’s ability to carry out its collective objectives.

Moreover, this article also expands the application of the logic of collective action into the field of migration. As has been pointed out by Olson in general and other scholars in a variety of contexts, collective action is hard to achieve, and the complications are even greater in the context of diffuse, long-distance, transnational developmental partnerships. This is why these partnerships are so rare, and why, even when they manage to take shape, their survival is not guaranteed—as was the case in El Salvador. By studying how different types of incentives and rules can bring together actors with asymmetric objectives and endowments, this article highlights the importance of appropriate institutional designs in supplying collective goods. In particular, the article illustrates how the coordination problem is overcome in a context of private and public actors engaged in a transnational activity.

Finally, this research also speaks to a key issue of policy: it advances our understanding of how governments can improve their ability to attract and employ migrants’ remittances for development purposes. Just as Mexico’s partnership inspired a similar program in El Salvador, other countries have expressed interest in emulating the collective remittance experiment. As other countries undertake similar efforts to leverage collective remittances,

104 Olson, *The Logic of Collective Action*.
it is crucial that they learn from previous experiences and avoid their mistakes. As Barbara Merz\textsuperscript{107} has pointed out, it is necessary to analyze the partnerships’ achievements and limits so that they can “contribute in the formulation of similar development tools in other parts of the world.” The findings presented here should guide future efforts to do so.\textsuperscript{*}

\textsuperscript{107} Barbara Merz, “Remesas y equidad” in Fernández de Castro et al., eds., \textit{El Programa 3x1 para Migrantes}, 82.

\textsuperscript{*} I am indebted to María Cook, Francisco Flores-Macías, Michael Jones-Correa, Sarah Kreps, Mary Kritz, and Lindsay Lowell for valuable comments on earlier drafts.