

Developing a Road Map for Engaging Diasporas in Development

**A HANDBOOK FOR POLICYMAKERS AND
PRACTITIONERS IN HOME AND HOST COUNTRIES**

Dovelyn Rannveig Agunias and Kathleen Newland



International Organization for Migration (IOM)



MIGRATION POLICY INSTITUTE



Chapter 9: Philanthropic Contributions

Private philanthropy plays an increasingly important role in development efforts. In 2005 approximately 2.2 percent of all giving from US philanthropic foundations, or roughly \$800 million, went to recipients in developing countries.³⁵⁸ It is harder to measure the size of the smaller and often less organized donations of the millions of private individuals who send money back to their countries of origin for altruistic purposes, not directly benefiting their own families and friends, not for commercial gain, and not primarily intended to achieve political power. The growth of transnational communities interacting across borders and the vast sums of money that flow from diaspora communities to their countries of origin have produced a growing interest in the development potential of diaspora philanthropy.

Diaspora philanthropy refers to the private donations of diaspora populations to a wide range of causes in their countries of origin. Their motivations, objectives, capacities, and impacts vary. Individual donors include industrial magnates, entrepreneurs, celebrities, and international sports stars as well as a growing body of middle-income and even relatively poor non-elite philanthropists who combine their contributions into powerful streams of social investment. Some diaspora philanthropists have the necessary knowledge and connections to select their causes and give independently. Others choose to donate via intermediaries, either for convenience or to achieve greater impact than their individual donations might achieve. Intermediaries include such organizations as hometown and community-based associations, faith-based organizations, professional networks, diaspora foundations, and Internet-based philanthropic platforms.³⁵⁹

The public and private sectors, nongovernmental organizations (NGOs), and diasporas all bring unique strengths to the development process. Coordination among these actors can lead to successful and sustainable development efforts. However, each type of actor also has its weaknesses. Official development agencies, for example, must often deal with bureaucracy and are subject to political whims and budget cuts. The private sector, and private enterprise in particular, can leverage large amounts of private funds but are most concerned

with their responsibilities to bring profit to shareholders and investors. Private voluntary organizations, which are also able to raise funds from a variety of sources, face barriers to coordination and collective action. Private philanthropists, even the wealthiest, have limited resources they can (or are willing to) commit to development. Given such circumstances, official international development agencies find it attractive to coordinate their efforts with those of private donors and migrants. The development of a strong for-profit sector makes aid agencies' interventions more productive and sustainable in the long term. However, in the short to medium term, private philanthropic institutions often undertake high-risk policy innovation and demonstration projects that are neither attractive to business nor feasible for government agencies.

1 Policy and Program Options

While in the past philanthropic undertakings were typically associated with wealthy industrialists, many middle-income and even relatively poor individuals now make meaningful donations to philanthropic causes. Today's philanthropists — spanning a wide range of actors — are increasingly focused on strategic giving to bring about social change and influence policy rather than simply to provide stopgap measures to plug chronic problems.

Governments have taken three broad approaches to leveraging philanthropic contributions among the diaspora: engaging individuals, engaging organizations, and pooling funds via donor aggregators.

A. Engaging Individuals

Today, a generation of globally aware entrepreneurs and industrialists engage in a variety of efforts to influence policy on issues such as health care, education, democracy, press freedom, poverty reduction, and economic competitiveness. Many, because of their successes, have come to question the status quo and are inclined to donate their wealth for causes that they support. Billionaire philanthropists Bill Gates and Warren Buffett have recruited 69 wealthy American individuals and families, at least four of whom are immigrants and three of whom are second-generation immigrants, to commit to donating the majority of their wealth to charitable causes.³⁶⁰ However, relatively poor and middle-income individuals also make important contributions to charities to effect change in their communities. Research highlighted in *The Economist*

suggests that the poor are more likely to make charitable donations than the wealthy; and those born into poverty but who have achieved financial wealth are also more likely to donate.³⁶¹

Individual donors have more flexibility in setting priorities and rapidly identifying issues or opportunities than group donors, which typically have to negotiate their giving in advance. Individual diaspora donors include those who are able to make small donations to specific causes in their communities of origin as well as financially successful migrants who have the means to donate larger sums.

A number of very successful diaspora philanthropists have made important contributions to their countries of origin, some to promote political or socioeconomic change. Andrew Carnegie, born into a poor weaver's family in Scotland in 1835, made a lasting impact during his lifetime in Scotland and the wider world by establishing a number of educational institutions, foundations, and organizations that play important roles in the world today. His first donations established a public swimming pool and library in his home town of Dumferline; so-called Carnegie libraries soon were found throughout the English-speaking world. He went on to support the establishment of universities, international organizations (including the League of Nations and Organization of American States), social welfare institutions and peace-building organizations during his lifetime, and to leave a private foundation legacy that continues his philanthropic tradition today. George Soros, a Hungarian-born US financier, established the Open Society Institute (now the Open Society Foundations) to promote democracy in the developing world and the former Soviet bloc. Mo Ibrahim, the Sudanese-born British telecommunications magnate, established the Mo Ibrahim Foundation, which sponsors an annual \$5million prize to promote good governance throughout Africa.

Others focus on humanitarian and community relief efforts. Popular entertainers and professional athletes in the Haitian-American community raised funds for relief and recovery efforts in the aftermath of the devastating earthquake that struck Haiti in January 2010. Others direct their energies toward community development initiatives. International pop star Shakira Isabel Mebarak Ripoll established the US-based Barefoot Foundation (Fundación Pies Descalzos) to promote expanded access to childhood education in her native Colombia. A group of Nigerian-origin National Football League (NFL) athletes in the United States established a nonprofit group, Athletes in Diaspora Community Interventions (ADCI), to promote the establishment of an athletics-based youth development

program in Nigeria. Brazilian-born international soccer star Ronaldo de Assis Moreira (better known as Ronaldhino) established the Ronaldhino Institute in his hometown of Porto Alegre, Brazil, as a youth development organization.

Diosdado (Dado) Banatao, a Filipino entrepreneur and electrical engineer, established three high-tech companies that made him a multimillionaire. He has made philanthropic contributions through the Banatao Family Filipino American Education Fund, which assists Northern Californian high school students of Filipino heritage pursue a college education in science and engineering. Banatao, who stresses the importance of education, particularly in the fields of science and engineering, as the foundation of technological development and economic growth, returned to his hometown of Iguig in Cagayan province in the 1990s and built a computer center equipped with modern computers at the public school he attended as a child.³⁶² During 2011, as chair of the Philippine Development Foundation (PhilDev), he worked in concert with other Filipino Americans and the government of the Philippines to promote science and technology education, starting at the elementary school level, across the Philippines.

B. Engaging Organizations

Aside from individual contributions, organizations have also played important roles in developing countries and regions. Given a lack of resources, time, or expertise, many diaspora members rely on philanthropic intermediaries to channel their donations to specific community projects in their countries of origin.

1. Diaspora-Focused Foundations

In the United States, for example, US-registered nonprofit groups are able to raise tax-deductible funds to channel to diasporas' homelands. Examples of such groups include the American Indian Foundation (AIF), Brazil Foundation, Give2Asia, PhilDev, and the Rafik Hariri Foundation.

The American Indian Foundation (AIF). Established to support relief efforts in India following the Gujarat earthquake in 2001, AIF has served over 1.5 million people by implementing programs through over 115 Indian NGOs. It has held annual fundraisers in New York, San Francisco, Los Angeles, Boston, Chicago, Dallas, Washington, DC, and Seattle.³⁶³

The Brazil Foundation. Established in 2000, the foundation allows donors to choose and recommend a specific Brazilian nonprofit organization or project in the fields of education, public health, human rights, citizenship, and culture in which they would like to invest. After screening the organization, the Brazil Foundation disperses funds and offers donors project monitoring and evaluation services.³⁶⁴

Give2Asia. Founded in 2001, Give2Asia has experience and a presence in over 20 countries and helps small and large companies as well as foundations with their work. Give2Asia has made investments with the Skoll Foundation, the Omidyar Group, the Asia Foundation, the Caterpillar Foundation, and Johnson & Johnson among others. Its work has produced more than \$177 million as of 2011.³⁶⁵

The Philippine Development Foundation (PhilDev). Formerly known as the Ayala Foundation USA (AF-USA) when it was set up in 2000, PhilDev was established in 2009 to strengthen and encourage philanthropy among Filipino Americans and to connect them to well-run nonprofit organizations in the Philippines that work on finding strategic solutions to poverty. Its main focus is to build an ecosystem of science- and technology-based entrepreneurship and innovation for social and economic development in the Philippines. The foundation uses tax-deductible donations to fund its activities with an eye toward accomplishing the following goals:³⁶⁶

- ➔ Strengthening education and training programs for youth in science and engineering;
- ➔ Producing a higher number of qualified science and engineering experts and practitioners among the Filipino population;
- ➔ Fostering innovation by directing science and technology research toward the development of viable products and businesses that can compete in global markets;
- ➔ Supporting training and networking programs to encourage more entrepreneurship and company and job creation;
- ➔ Helping build legal, financial, and support infrastructure conducive to entrepreneurship in the Philippines;
- ➔ Supporting the credible measurement of global competitive indices;
- ➔ Establishing a global network of relationships that will create and sustain innovation and entrepreneurship in the Philippines.

In 2005 it established a program called the Gearing up Internet Literacy and Access for Students (GILAS) to provide Internet access to more

than 6,000 public high schools in the Philippines. The project has provided Internet access to more than 3,000 public high schools (44 percent of the country's total) as of 2010.³⁶⁷ Since its inception as AF-USA in 2000, PhilDev has raised more than \$10 million, supported over 200 projects in five focus areas (agriculture, health, information technology, energy, and infrastructure), and entered into partnerships with 161 organizations.³⁶⁸

Hariri Foundation-USA. In 1985 Rafik Hariri, former Lebanese prime minister and businessman, established the Hariri Foundation with the mission of providing education opportunities for Lebanese youth. The foundation offers loans as well as scholarship opportunities for Lebanese students studying in the United States. Interest-free loans that are repaid by former loan recipients are recycled to fund the education of other students. Among its programs are the Boston University–Hariri Foundation Scholarship Program, which covers two years of full tuition for graduate study in master's degree programs; scholarships for the Research Science Institute, a six-week long summer program held jointly by the Massachusetts Institute of Technology and Center for Excellence in Education, where 80 of the world's most accomplished high school students gather to conduct scientific research; and the Gebran G. Tueni Human Rights Fellowship Program at the Carr Center for Human Rights Policy at the Kennedy School of Government at Harvard University.³⁶⁹

2. Joint Grant Programs

A number of governments, private corporations, and migrant associations have established their own or joint grant programs to help funnel wealth toward development projects in countries and communities of diaspora origin. The US government, for example, offers grants to private philanthropic organizations to fund development projects in developing countries, but such programs are nascent and data on them are scarce or nonexistent.

Some grant programs are based on a sectoral approach. The Institute for Mexicans Abroad (IME), for example, operates a grant program for adult education called BECAS. Since 2005 IME has offered grants of up to \$15,000 annually to organizations offering adult education for Mexican migrants. In an effort to promote access to higher education among Mexican immigrants in the United States, IME grants (IME Becas) are awarded to organizations offering English language classes and workforce training to Mexican migrants, as well as to educational institutions that offer scholarships to individual migrants.³⁷⁰ IME's grant program is

administered through the University of California's Office of the President. As a subgrantor, this office receives approximately \$685,000 from the Mexican government and determines the recipient and size of each IME grant. Between 2005 and 2007, IME provided 210 grants, helping approximately 14,482 students and teachers. Beneficiaries help Mexican and non-Mexican migrants alike, but must be nonprofit organizations to qualify for the grant.³⁷¹

3. Providing Matching Funds

The best-known programs involving diaspora philanthropy are matching fund schemes in which the collective contributions sent by migrant organizations abroad are matched by public or private funds. Various levels of government might, for example, allocate a dollar or more for every dollar that migrant organizations invest in their communities. A hometown association (HTA), which centers on a common place of origin in the home country, is the best-known vehicle for this kind of contribution.

Tres-por-Uno para Migrantes (3x1) Program. Perhaps the most frequently cited example of a matching fund scheme is the Mexican Tres por Uno (3x1) program. Established in 1999 as an evolution from its predecessor — the Dos por Uno (2x1) program, involving the state government of Zacatecas and the Mexican federal government — the 3x1 program has made a real difference in empowering migrants and promoting local community development. Every dollar of remittance money sent by a diaspora member through a dedicated Mexican HTA abroad is matched by a dollar from the municipal, state, and federal government in Mexico.

From 1992 to 2001, the 3x1 program carried out 400 projects, in which migrants invested \$5 million (out of a total investment of \$15 million). In 2003 alone the federal government invested \$10 million in 898 projects, out of a total investment of \$40 million.³⁷² As of December 31, 2010, the 3x1 program operated in 28 of the 31 states of Mexico³⁷³ and had approved 2,488 projects including 874 urbanization and paving projects; 571 potable water, drainage, and electricity projects; 359 education, health, and sports projects; 332 productive projects; and 56 rural road projects.³⁷⁴ In 2010 the government's allocation to beneficiaries under the 3x1 program amounted to over 550 million pesos (approximately 39 million US dollars).³⁷⁵ To focus on social infrastructure projects, the federal government (Social Development Secretariat, SEDESOL) has a financial limit of 800,000 pesos for infrastructure, equipment, or community service

projects (25 percent of the total project costs), and a 300,000 pesos limit for productive (job- and tax-creating) projects (50 percent of the total project costs). For projects concerning the former group, the government can, after obtaining approval from the Committee on Validation and Attention toward Migrants (COVAM), increase the limit depending on magnitude and social impact. Given the high impact on social infrastructure, the annual budget allocated in 2010 for the 3x1 program was more than five times as large as the budget in 2003.³⁷⁶ In 2010 total financing from migrant associations and local, state, and federal governments reached over 1,192.8 million pesos (approximately \$100 million).

In general, projects are divided into six main categories:

- education, health, and sports
- potable water, drainage, and electricity
- roads and highways
- culture and recreation
- urban improvement
- productive community projects.



Table 1: Mexico’s 3x1 Program: Number of Participating Entities and Funds Allocated, by Actor, 2002–07

Concept	2002	2003	2004	2005	2006	2007
Participating states	20	18	23	26	26	27
Projects	942	899	1,436	1,691	1,274	1,613
Supported municipalities	247	257	383	425	417	443
Participating migrant groups	20	200	527	815	723	857
States of residence in United States	8	17	31	35	34	37
Budget (in millions of Mexican pesos)						
Federal/allocated to projects	113.7	99.9	175.9	232.1	192.0	257.7
State, municipal and migrants	266.5	277.7	461.8	619.7	556.9	690.8

Source: Secretaría de Desarrollo Social (SEDESOL): *Programa 3x1 para Migrantes*, 2008.



Table 2: The 3x1 Program: Number of Projects Supported between 2002 and 2007

Budget (millions of pesos)	2002	2003	2004	2005	2006	2007	Total
Potable water, drainage, electricity	226	274	547	440	236	376	2,099
Roads and highways	67	57	83	100	58	77	442
Health, education, and sports	190	113	114	151	122	186	876
Urbanization and paving	276	282	477	591	452	623	2,701
3x1 scholarships	0	0	0	15	25	66	106
Community centers	127	143	160	298	317	220	1,265
Productive projects	40	22	53	77	45	50	287
Other	16	8	2	19	19	15	79
Total	942	899	1,436	1,691	1,274	1,613	7,855

Source: Secretaría de Desarrollo Social, *Programa 3x1 para Migrantes*, 2008.



Table 3: 3x1 Program: Government Budget Allocations, 2003–10

Year	Budget (in millions of pesos)		
	Original	Modified	Spent
2003	110.00	100.00	99.64
2004	220.00	191.32	187.69
2005	160.00	237.06	233.47
2006	119.50	197.35	191.92
2007	220.00	255.26	244.85
2008	503.47	493.92	491.80
2009	562.38	524.10	518.12
2010	557.50	553.70	546.30

Source: Secretaría de Desarrollo Social, *Programa 3x1 para Migrantes*, 2008.

Social Investment Fund for Local Development. The Salvadoran government established the Social Investment Fund for Local Development (Fondo de Inversión Social para el Desarrollo Local, FIDSL) in 1990 to funnel diaspora remittances toward development projects. At the time, the government launched the program as a temporary institution to direct social investment and reconstruction efforts in the postwar period. In 1996 FIDSL became a permanent institution focusing on the fight against poverty and on investment in human capital and social infrastructure.

A matching grant program under FIDSL, called United for Solidarity (Unidos por la Solidaridad), encourages local governments, NGOs, Salvadoran organizations, and HTAs abroad to jointly support development in three major areas: basic social infrastructure, business investments and public-private partnerships, and the Programa de Apoyo Temporal al Ingreso (PATI).³⁷⁷ The program helps finance and build schools, roads, bridges, communal recreation facilities, and health centers in El Salvador. Its model is based on Mexico's 3x1 program. Public-private partnerships involve projects such as building hotels and other businesses in municipalities through diaspora contributions and FIDSL in-kind support such as facilitation and coordination of projects. Finally, the Salvadoran government, with financing in part from USAID, also supports PATI, a program in which young people are remunerated for carrying out community-service projects. Through this program, the government helps young entrepreneurs set up small businesses, showcases them online, and attract Salvadoran diaspora associations to invest in them. The program benefits over 25,000 young Salvadorans, but is looking for further funding to expand its capacity and reach. By July 2007 the United for Solidarity program had held 14 grant competitions and channeled over \$11 million to 45 projects in 27 municipalities throughout El Salvador. Sixty percent of these funds originated from FIDSL, while 19 percent or roughly \$2.13 million came from HTAs and 20 percent from municipal governments.

Between 2009 and 2011, the program spent \$11 million assisting 11 municipalities and 16,000 individuals most affected after Hurricane Ida struck in November 2009. In addition, the World Bank and other international organizations and national governments provided a two-year budget of \$37.7 million to support local and institutional capacity building.³⁷⁸ The bulk of activities center around offering men and women aged 16 to 25 from urban slums the opportunity to engage in community service and job training through the Salvadoran Vocational Training Institute. Participants receive \$100 a month for a six-month period. The program, first piloted in 11 municipalities hit by Hurricane Ida, benefited 3,829 participants there, as well as another 9,404 participants in an additional 25 poor municipalities.³⁷⁹

In addition to this program, FIDSL administers another successful program, financed by a \$20 million loan from the World Bank, in which municipalities ask diaspora HTAs to donate to a fund and in addition receive a certain percentage of funds for a development project.

The GIZ Pilot Project. In 2007 the German International Assistance (GTZ) agency (later renamed GIZ, or Deutsche Gesellschaft

für Internationale Zusammenarbeit), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), created a three-year pilot project on engaging diaspora organizations in Germany to jointly implement programs that contribute to development in their countries of origin and offer cofinancing of investments for these social infrastructure projects.³⁸⁰ The goals of the project were to identify preconditions for successful cooperation with diaspora communities and to provide criteria for the practical design of a cooperation arrangement with diaspora communities for their nonprofit activities.³⁸¹

In addition to the initiatives supported by GIZ (explained in Box 3 of Chapter 7 on direct investments), GIZ also supported the German-Moroccan Competencies Network (Deutsch-Marrokanisches Kompetenznetzwerk, DMK). DMK, a nonprofit organization headquartered in Munich, brings together an interdisciplinary network of 460 high-skilled Moroccan experts and German residents of Moroccan descent (born or residing long term in Germany) to promote the transfer of technology and knowledge from Germany to Morocco, support investments in Morocco, and help the integration of Moroccan immigrants in Germany. DMK's projects include, among others, improving IT literacy in Moroccan schools; providing training in industry at Moroccan universities; promoting scientific cooperation (including the donation of medical equipment and training) between the University of Cady Ayyad Marrakech and the University Hospital of Ibn Tofail; offering dual master's degrees in computer science between the Technical University of Munich and Al Akhawayn University in Ifrane, Morocco; offering a mentorship program for Moroccan students at German universities; and supporting Araganarie cooperatives to market their products, such as Argan oil, in Germany and other countries.³⁸²

C. Pooling Funds via Donor Aggregators

Some organizations rely on their extensive philanthropic networks, which sometimes transcend national borders, to pool funds together to offer grants for a variety of local development projects. One of the strengths of such organizations or initiatives is the relatively active involvement of local NGOs, diaspora members, and organizations, as well as foundations and international organizations such as the Inter-American Development Bank (IDB) that have the capacity to offer matching grants.

Hispanics in Philanthropy (HIP) is a transnational organization, established in 1983 and headquartered in San Francisco with offices in New York, Florida, Minnesota, North Carolina, and Mexico, comprised of over 600 grantmakers representing corporate, public, and private

philanthropies from across the Americas.³⁸³ Through its programs, HIP aims to strengthen relationships, connections, and collaborative efforts among civil society leaders in a variety of countries and increase resources for the civil sector in Latin America.³⁸⁴ HIP seeks to increase resources for the Latino civil sector by leading a funding collaborative, the Funders' Collaborative for Strong Latino Communities, which has raised more than \$39 million and has made grants to more than 500 Latino-led nonprofit organizations across the Americas to date.³⁸⁵ HIP's commitment to supporting philanthropic activities transnationally lies in its conviction that members of Latino communities live transnational lives, sending remittances back home and helping foster development in their home communities. In the mid-1990s HIP established a program for staff mentoring and internship exchanges between US and Latin American foundations and sponsored research on strengthening links between transnational communities.

HIP's comparative advantage lies in its ability to aggregate funds and knowledge from local and US-based funders. HIP partnered with IDB's Multilateral Investment Fund (MIF) to establish the Promoting Diaspora Support for Local Productive Initiatives in Latin America program, a fund that supports income-generating local economic development projects backed by Latin American diaspora organizations from Argentina, Mexico, and the Dominican Republic. In addition to MIF and HIP, local in-country funders also pool their resources to provide matching funds. The general objective of the project was to improve the economic conditions of low-income communities affected by migration in Argentina, Mexico, Dominican Republic, El Salvador, Nicaragua, and Guatemala. The program has helped support a number of initiatives. Trade for Export Made by Argentinians, carried out by the Asociación Mutual de Empleo y Gestión Solidarios (Mutual GESOL), was aimed to facilitate and raise the volume of exported goods produced by over 600 entrepreneurs in Buenos Aires by connecting them to relevant members of the Argentina diaspora who could help incubate their products. Other examples include the Marzano Fammi Olio project that helped 26 small olive producers in Mendoza, Argentina, improve their social and economic status and the Centro Humanitario para las Obras y el Intercambio Cultural project that helped farmers in the mountain regions of Irapuato and Salamanca, Mexico, establish better production processes for goat breeding.³⁸⁶ Overall, the project offered grants to six entities (two each in Mexico, Dominican Republic, and Argentina); raised over \$1 million in local counterpart funds; helped establish local funder networks including the business community; and conducted capacity-building workshops, informational sessions, and meetings to share experiences and lessons learned with grantees.

National Financiera (Nafin) is a development banking institution established by the Mexican government that seeks to promote overall development and modernization of the industrial sector through a regional approach by providing credit and technical assistance to micro, small, and medium businesses in all states in Mexico. The primary sources of funding are loans from international development institutions (such as the International Bank for Reconstruction and Development (IBRD), IDB, and foreign banks) and the placement of securities in international and domestic markets.

Nafin's Department of Entrepreneurial Services and Government Agencies implemented a pilot project in 2002 that channeled remittances from Mexican migrants in the United States to productive activities in Mexico. Nafin linked with three sets of partners: Mexican state governments (Jalisco, Zacatecas, and Hidalgo), the private sector (business advisors and potential investors), and Mexican HTAs in the United States.³⁸⁷

The projects ultimate goal was two-fold: create a civil association composed of state representatives, business advisors, and entrepreneurs and establish a trust fund that would channel remittances and other grants toward productive investments. More specifically, the project aimed to help finance 60 new businesses, or expand existing ones. The project began in 2002, lasted over four years and met most of its goals. Nafin led the creation of:³⁸⁸

- ➔ Three state-level subcommittees composed of state representatives, business advisors, and Nafi state coordinators who together identified and vetted feasible project ideas and communicated with HTAs about these investment opportunities;
- ➔ Three state-level trust funds that channeled investments from HTAs to 14 businesses (out of 225 proposals received).

According to the project's final evaluation, more than \$3.5 million was raised from migrants for investment, mostly from individual investors; 56 groups of potential entrepreneurs received technical assistance in business skills; and three successful businesses are reportedly still operating.³⁸⁹

Online Donor Aggregators. In recent years, a number of social entrepreneurs have created online platforms that allow individuals to pool resources and fund development projects as a group. Two of the largest and most well-known organizations that fit this category are the US-based Kiva and GlobalGiving, but each has a different approach toward

philanthropic giving. Kiva allows individuals to lend money for microloans through microfinance institutions (MFIs) in developing countries. However, unlike typical loan schemes, loans are interest free — Kiva’s lenders or investors do not earn any interest on their loans. GlobalGiving allows people to donate directly to a specific project and aggregates their contributions. Given the recent establishment of both platforms, their impact is still relatively unknown. While the founders of both websites did not create their respective platforms for diasporas, they nevertheless have the potential to attract diaspora donors. A couple of similar online platforms — JustGiving and MyCharityPage — allow individuals to create online pages for fundraising for particular charities or causes. Since 2000 JustGiving has raised over \$712 million for 6,300 charities from 6.5 million donors. Another organization, Wokai, provides microloans to rural Chinese borrowers.³⁹⁰



Box 1: Turning Philanthropists into Development Agents: The Challenges

Moving beyond palliative charitable contributions to actions that address the sources of deprivation, for example, are likely to draw philanthropists into contentious political debates.

Collective action also presents challenges. For example, when migrant organizations pool the donations of many individuals, it is often difficult to identify priorities.

It can also be difficult for philanthropists to find partners in the home country, as many diaspora members mistrust the established social-service institutions in their countries of origin.

2

Challenges and Lessons Learned

Diaspora philanthropists make invaluable contributions to their countries of origin through a variety of means: by providing individual financial contributions, setting up intermediary institutions and online platforms that pool funds to finance local development projects, fostering entrepreneurship and innovation, and creating businesses and jobs. Such efforts are rooted in diasporas’ long-term interest in helping their countries develop, enter, and lead the knowledge economy. However, diaspora philanthropists also face a number of challenges in making their contributions as effective as they would wish them to be.

Some of these challenges, such as issues of accountability, effective deployment of resources, agenda setting, structural limits on the impact

of private philanthropy, and representation and achieving scale and sustainability are common among all philanthropists. In addition to such challenges, diaspora philanthropists also face particularly difficult issues in setting agendas and identifying priorities, clearly articulating their objectives and outcomes, and overcoming a lack of trust in the nonprofit sector.

A. Set a Clear Agenda and Priorities

Diaspora philanthropists' objectives may not always align with those of their origin-country governments. Moreover, some governments may view identity-based diaspora organizations with suspicion or even hostility and refuse to support their proposed activities, undermining cooperation or the execution of projects.

Avoid Ambiguous Objectives

While many foundations or NGOs that fund projects in countries of diaspora origin are keen to illustrate the concrete impacts that their donations and programs have on communities, such impacts may not be sustainable in the long term. Diaspora donors, too, may find it difficult to effect change and economic development in the long term if they are focused solely on short-term humanitarian actions. HIP has learned, for example, that funders in Latin America tend to donate to classically charitable purposes, and most designate funds for projects of their own interest. A lack of interest in collaborative models that focus on economic development has limited the amount of counterpart funding HIP has been able to raise. Nafin has also found that pooling funds from migrant HTA associations is extremely challenging. Migrants typically use remittances for basic needs rather than for business investments. As such, they hold different expectations about returns on investment, where to invest, and terms of investment, and have difficulties in reaching consensus. Given their relative lack of expertise on social investments, migrants are hesitant to invest in such causes.³⁹¹

B. Address Lack of Trust in the Nonprofit Sector and Institutions

A general lack of trust in the nonprofit sector and charitable institutions in countries of diaspora origin may lead migrants to focus their contributions on family members and established institutions. While

such contributions may produce effective outcomes, they may not be the most optimal social investments for sustainable development outcomes. For example, one difficulty faced by El Salvador's United for Solidarity Program is generating enough interest among the Salvadoran diaspora to contribute to development projects in El Salvador. Salvadorans have had bad experiences in the past and mistrust public institutions due to their lack of transparency. To mobilize remittances from diaspora groups, public and private philanthropic institutions should increase and improve communication with HTAs and educate them on organization, entrepreneurship, and investment opportunities in their home countries.

C. Find the Right Public and Private Partners

Governments and multilateral institutions must be prudent when finding partners within diaspora communities to fund and implement development projects. Not all diaspora organizations are able to represent the interests of their communities as some have divisive political or religious affiliations with political parties, religious sects, clans, or tribes in their countries of origin. Other donors should ensure that, while diaspora partners play an integral role in philanthropic development efforts, they do not cause a backlash within the diaspora community or in the countries to which they hope to provide aid. Nafin, for example, has found it challenging to find the right partners for development projects. It points out that the project should have a broader outreach and coordinates its efforts with IME so that migrants interested in investing in any Mexican state are able to connect with local partners and financial institutions in that state.

Some organizations have also discovered that in some diaspora communities, the younger the migrant, the less he/she identifies with the community of origin, and the more stable the migrant, the more likely he/she is to be interested in investing. Understanding the target population is an important first step before implementing any philanthropy-based development initiative.

D. Choose Implementing Agencies and Partners with Expertise and Experience

Expertise and experience in carrying out philanthropy-driven development projects are key to the success of any initiative. HIP, for example, has expertise in capacity building and fundraising, while local NGOs to whom it offers funds have experience in executing projects. Nafin's pilot project ran into several obstacles, one of which was that its

employees working on the project lacked experience in starting businesses or investing. One of the lessons learned from the experience was that successful business investments involve more than simply training entrepreneurs. Executing agencies must also possess business expertise or otherwise form partnerships with institutions that do, such as private sector entities or nonprofits that run social enterprises.³⁹²

IDB's experience in the Americas also suggests that many diaspora groups have "traditionally focused their efforts on advocacy, public policy, community development, and other social aspects," and "have limited knowledge and experience with microenterprises." IDB finds that this can slow down program implementation. In the implementation of its project with HIP, for example, IDB highlights three sets of lessons:³⁹³

- ➔ Some of the most successful diaspora linkages have occurred through close family and friendship ties to individuals living abroad who can make in-kind donations, such as land donations or volunteering their time, to projects.
- ➔ The culture and level of engagement with the home country vary among diaspora groups with the Mexican diaspora as the most organized due to its relatively longer history with social investment programs such as the 3x1 program.
- ➔ Generally, NGOs in Latin America require more training in business management and leadership to be able to support cooperatives or community enterprises on a larger scale.

E. Expect the Unexpected

The economic and financial crisis that has hit markets around the world has also had an impact on social investment. HIP, for example, which works on developing local philanthropy in Latin America by conducting joint ventures with the diaspora, has found it difficult to implement its projects in recent years. Low-income migrants have suffered higher unemployment rates in the recession than other groups, and have less left over to contribute to collective causes after sending family remittances. Many middle-income and even wealthy individuals, including diaspora members, have seen their net worth reduced sharply with the declines in real estate and financial markets, and may thus reduce their charitable giving. But growing inequality has seen a continuing rise in the ranks of the extremely wealthy, and their philanthropic contributions may continue to increase. The first generation of diaspora billionaires, many of whom are deeply involved in philanthropic activities, may fuel a boom in diaspora philanthropy when the international economy finally emerges from the period of low growth following the Great Recession.