

# The Drivers of Diaspora Donations for Development: Evidence from the Philippines

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**Summary.** — Using administrative data on donations channeled through the Commission on Filipinos Overseas, this paper explores which host and home country factors are associated with donations made by permanent migrants to the Philippines. On the host country side, donations increase with the income level of Filipinos and with the number of hate crimes against minorities. On the home country side, donations are not well-targeted. As donations mainly flow to provinces with high emigration rates, they do not reach less developed Philippine provinces. However, the diaspora is responsive to natural disasters and channels donations to provinces when they are hit by a typhoon.

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## 1. INTRODUCTION

Migrant-sending countries are increasingly recognizing the development potential of their diasporas. Many developing countries are trying to integrate their native citizens abroad into efforts to promote development at home. Above all, migrants have been encouraged to contribute to the provision of public infrastructure (Newland, Terrazas, & Munster, 2010).<sup>1</sup> The most prominent policy example is Mexico's 3-for-1 program where every dollar donated by a migrant or a migrant association is matched by three dollars of government funds at the federal, state, and municipal level to finance local development projects in the home communities.<sup>2</sup> In contrast to private remittances, which migrants send to family members or friends for their private benefits, donations by migrants to community projects potentially generate benefits to all community members. In other words, migrant donations can be seen as migrants' private contribution to the provision of local public goods at home. Therefore, such migrant donations have also been termed collective remittances (Goldring, 2004).

Despite the increasing policy interest, little is known about migrant donations to their home countries. The literature on migrants' transfers to their home countries has almost exclusively focused on private, not collective remittances. Exceptions include Beauchemin and Schoumaker (2009), Kijima and Gonzales-Ramirez (2012) and Chauvet, Gubert, Mercier, and Mesp l -Soms (2013) who investigate the impact of donations made by migrant associations on local development in Burkina Faso, Mexico, and Mali. They show that migrant donations have significantly contributed to improved provision of schools, health centers, water, and other local infrastructure. Aparicio and Meseguer (2012) investigate the municipality-level determinants of the utilization of the 3-for-1 program in Mexico. They find that the program does not reach poorer municipalities and is biased toward municipalities that are politically aligned with the federal government. Luecke, Omar Mahmoud, and Peuker (2012) analyze the individual-level determinants of donations by migrants from Moldova. They document that migrants are more likely

to donate if they earn a high income, communicate frequently with their family members left behind, plan to return to their home country, have an insecure status in the host country, or have left children or elderly family members behind.

This paper is the first to assess both—the host and the home country drivers of migrant donations and over a long period of time using unique administrative data from the Philippines. The Philippines make a very interesting case study. With an estimated stock of 4.4 million permanent and 4.3 million temporary migrants in 2010 it is one of the largest migrant-sending countries in the world. In addition, the Philippine government has a long history of managing migration. The Commission on Filipinos Overseas (CFO) is the central government agency entrusted with the management of permanent migration. Since 1990 CFO has been facilitating the flow of donations to the so-called LINKAPIL program (*Lingkod sa Kapwa Pilipino*, also known as *Link for Philippine Development Program*). The ultimate aim of the program is to increase the development impact of migration by channeling donations from permanent Filipino migrants to local development projects in Philippine communities. Our analysis draws on detailed data on all LINKAPIL donations from Filipino migrants that were administered by CFO during 1990–2010.

We conduct the analysis in two steps. First, we analyze who donates by studying the relationship between host country characteristics and migrant donations. As the vast majority of LINKAPIL donations originate from the United States, the main destination of permanent migrants from the Philippines, we concentrate on donations from the US and use variation in the socio-economic conditions of the overall population and the Filipino population between US states

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and over time. Second, we analyze how donations are allocated across the Philippines by studying the relationship between home country characteristics and migrant donations. We consider all donations regardless of their origin and use variation in the socio-economic conditions between Philippine provinces and over time.

We draw on the economic literature on the motives of private remittances and philanthropy more generally (such as charitable giving) to inform the choice of host and home country characteristics used in our analysis (see [Andreoni, 2006](#); [Rapoport & Docquier, 2006](#), and [List, 2011](#), for reviews of the respective literatures). The literature on private remittances provides insights into the transfer motives of migrants, but is limited to transfers within families. By contrast, the literature on philanthropy provides insights into the motives of donations and charitable giving, but does not consider the link between migrants and their home communities. In combination, both literatures may therefore provide useful guidance for identifying the theoretical drivers of collective remittances ([Luecke et al., 2012](#)). Two motives emerge as potentially relevant from these literatures: altruism and exchange.

In the case of altruism, migrants care about the welfare of those who stay behind in the home country. If those in the home country are worse off than the migrant, altruism induces migrants to transfer income to those they feel attached to in their home country. Altruism may play an important role as migrants typically multiply their income by moving abroad ([Clemens, Montenegro, & Pritchett, 2008](#); [McKenzie, Stillman, & Gibson, 2010](#)) thus widening the income gap between migrants and those who stay behind. The altruism motive predicts that donations increase with the degree migrants are attached to their families, home communities, or regions. Hence, regions with higher emigration rates should receive more donations than similar regions with lower emigration rates. Another prediction is that, *ceteris paribus*, donations increase with migrants' income and decrease with recipients' income. Many empirical studies on private remittances (as reviewed by [Rapoport & Docquier, 2006](#)) and charitable giving (as reviewed by [Bekkers & Wiepking, 2011](#)) conclude that transfers are at least partly motivated by altruism.

At the same time, however, there is evidence that altruism is typically not pure and migrants/donors also care about their private benefits. Hence, transfers may also be the result of exchange-related motives (compare the literature initiated by [Lucas & Stark, 1985](#), and [Cox, 1987](#)). In the case of exchange, migrants enter an (implicit) agreement with their home communities. Similar to private remittances, migrants may send collective remittances to offer compensation for community members or institutions for services they provide to migrants. For instance, due to their absence from the community, migrants may need to rely relatively more on public infrastructure such as schools or health centers to provide for children or elderly family members left behind. Migrants, who typically no longer contribute to communal budgets through taxes, could support the provision of such services through their donations. Migrants may also choose to show appreciation in the form of a donation rather than a direct private transfer if the group of supportive community members is not well defined or costly to observe. This may be the case for school or medical staff and other individuals who contribute to the provision of public goods or services that are directly or indirectly used by migrants.

Alternatively, migrant donations may also be viewed as a form of intertemporal exchange. Migrants would donate to build up or maintain social capital in their home communities, so they can draw on community support in the future. In this

sense, donations would also help to preserve community membership rights, which may be important should migrants ever (need to) return home ([Osili, 2004](#)). The exchange motive for donations appears compelling for temporary migration (where migrants eventually return home), but may also have validity for the case of permanent migration studied here. According to CFO statistics, the majority of permanent migrants are single. They will thus leave some family members such as their parents behind. In addition, permanent migrants typically make regular visits back home and may hence benefit from enhancing their status in their communities through donations. In the context of permanent migration, the exchange motive predicts that donations rise if migrants' status abroad is insecure so that the option of return provides insurance (compare [Delpierre & Verheyden, 2010](#)). Moreover, donations should primarily flow to migrants' home regions, not to other regions of the home country.

Our results provide support for both the altruism and the exchange motive for donations made by permanent migrants to the LINKAPIL program. On the host country side, we find that migrant donations from the US increase with the level of income earned by the Filipino diaspora (consistent with altruism) and with migrants' insecurity in the home country which we proxy by xenophobia as measured by the number of hate crimes (consistent with exchange). On the home country side, we find that migrant donations flow to provinces with high rates of emigration (consistent with altruism and exchange), but not to those with low levels of development or better governance. However, the Filipino diaspora is responsive to natural disasters and channels donations to provinces when they are hit by a typhoon (consistent with altruism).

## 2. DATA AND EMPIRICAL STRATEGY

### (a) *Migrant donations to the LINKAPIL program*

The Philippine government has tasked several government agencies to manage migration from the Philippines. Among these, the Commission on Filipinos Overseas (CFO) focuses on permanent migration. Its mission is to promote and uphold the interests of Filipino migrants abroad and preserve and strengthen the ties with overseas Filipino communities. One of CFO's core tasks is to facilitate migrant donations through the LINKAPIL program. CFO acts as the principal government conduit between overseas Filipino migrants and associations, local counterparts such as local authorities and NGOs, and the beneficiaries of the donations in the Philippines. Donations to the LINKAPIL program may be in cash (e.g., to finance scholarships), in kind (e.g., medical materials or school books), or in the form of direct assistance (e.g., medical missions). The focus of the LINKAPIL program is on small-scale development projects that are related to the MDGs on eradicating poverty, achieving universal primary education, reducing child mortality, improving maternal health, and ensuring environmental sustainability. CFO facilitates donations in various ways. First, it uses its own and indirect contacts through Philippine embassies and consulates to engage with the overseas Filipino community and mobilize donations for the Philippines. Second, it recommends specific activities or projects in different parts of the Philippines for support. Third, it coordinates with (local) government agencies that can provide project support services and identifies local counterparts that can cooperate in the delivery of project components. Fourth, it arranges the transfer of resources from donors to beneficiaries and partners. Fifth, it assists in the

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