

Draft

**“Mi Querido Pais”*
Program**

**A Proposal to Develop Community to Community
Links between the
United States and Latin America**

*** “My Beloved Country” Program**

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1. Introduction

This paper proposes a “locally owned” development program to link North/South communities, leverage more resources for social and economic development, and assist U.S. Hispanics to assimilate more quickly into U.S. society. The primary goal of the program is to promote community development in Latin America and prevent social and economic conditions that may cause increased illegal immigration to the United States. The Program will enlist the support of the people of the Americas (their communities, non-profit groups and faith-based organizations) to lead development processes, promote equitable economic growth fueled by local initiative and ownership, and build community to community links to sustain these efforts over time. This paper does not propose specific funding levels for the Mi Querido Pais Program (except under a proposed pilot activity for Peru in Attachment One). However, an earlier version of this proposal was briefed with the Peace Corps and called for a \$50 million investment in order to leverage \$200 million in additional financial resources for Latin America over ten years. Also, the Millennium Challenge Account is not mentioned as potential funding source for this program but it appears to meet the criteria established for this innovative new development initiative by the Bush Administration.

2. Background

According to the World Bank,¹ over 150 million Latin Americans now live on less than \$2 a day: they are ill nourished, lack adequate housing, and have limited economic opportunities. The development literature indicates a link between economic development and migration with the rural poor in Latin America using migration to improve their condition. Some experts say that over the last thirty years much of the poverty reduction in rural areas of Latin America is due to migration rather than

¹ Wodon, Quentin. Poverty and Policy in Latin America and the Caribbean (Washington D.C.: World Bank, 2000), p. 10.

economic growth.² Increasing populations, declining export commodity prices and decreasing direct foreign investment may raise overall poverty levels in Latin America in the near term and cause a new wave of migration.

The United States faces critical foreign policy and domestic issues regarding illegal immigration from Latin America. Attempts to address this issue over the last 15 years include amnesty programs (1986 and 1995), increased funding for border security³, and greater enforcement of immigration laws. In the last ten years, U.S. illegal immigration doubled to more than 9 million (mostly Latin American immigrants). If conditions do not improve, we could soon see a new wave of undocumented migrants coming into the U.S. despite increased border security and additional enforcement of immigration laws. A comprehensive immigration strategy is needed that focuses on development issues in Latin America and includes significant increases for social and economic development financing.

This paper presents the “Mi Querida Pais” Program. It discusses the issues, describes the role of key partners (Latin American countries, Peace Corps, NGOs and U.S. communities), highlights the need to proactively address potential issues with America’s changing demographics, and proposes a pilot effort (attachment 1) to demonstrate locally owned, sustainable mechanisms for promoting social and economic development.

Meeting the expectations of key USAID stakeholders - U.S. Congress, Bush Administration and the American people.

- 2000 U.S. Census data show a 30 to 40 percent increase in previous estimates for illegal aliens with the undocumented population at 9 million to 11 million. A 1997 Immigration and Naturalization Service (INS) report indicates that more than 80 percent of illegal residents originated from countries in Latin America.

² “For example, in Latin America in the last 30 years, more than 75% of the reduction in the incidence of rural poverty relative to that of urban poverty has been due to migration.” De Janvry, Alain and Sadoulet, Elisabeth. 2002. “Geography of Poverty, Territorial Growth and Rural Development”, University of California at Berkley.

³ Since 1990, Congress has increased funding to the Immigration and Naturalization Service (INS) by 500%. The INS Budget in FY 1990 was \$1 billion but grew to \$6 billion by FY 2002. An additional increase is projected for FY 2003.

Out-migration has become the safety valve to escape poverty and violence and the U.S. response of immigration reform (in 1986 and 1996) and a huge increase in INS funding (which included significant increases in manpower and infrastructure on the U.S./Mexico border) has failed to halt migration. Polls indicate that many Americans want less illegal immigration and more secure borders.

- Over the last three years, new economic pressures are forcing more rural residents into Latin American cities as coffee, a mainstay export commodity and the economic engine for much of rural Latin America, experienced one of its worst downturns in modern history. Coffee revenue declined by more than \$1.6 billion during 1999 to 2000 in Central America, and permanent employment in the sector was down by 50 percent. This economic downturn combined with other factors (high population growth rates, widespread poverty and inequitable distribution of wealth) could potentially provoke a major population movement; first from coffee production zones to urban areas and then, in many cases, North. The economic crisis in Argentina and continuing problems in Venezuela, Ecuador, Peru and other countries in the region are contributing to an overall economic decline. This situation offers a unique opportunity for the U.S. to step forward with an innovative program to promote sustained, community-led development in Latin America.

Harnessing the power of citizen groups, local government and non-profit charitable organizations to focus on and help solve social and economic development problems.

- Alexis de Tocqueville's 1832 classic, "Democracy in America", highlighted the importance of citizen associations and municipal governments in addressing development needs of the community. The U.S. non-profit sector is focused more and more on international development issues. Between 1990 and 1998, non-profit and corporate philanthropic international grants grew by 66 percent to \$1.6 billion. The National Peace Corps Association is starting a

program to fund community development activities in the U.S. and overseas.⁴ There is strong support for international missions, with the number of Americans going abroad on short-term, faith-based group missions increasing from less than 25,000 in 1970 to more than 200,000 in 1995. Also, Hispanic communities in the U.S. are forming grassroots associations, “hometown associations”⁵ to address local issues and support home country development projects. Historically, immigrants to the United States have formed mutual assistance groups.⁶ Mexican immigrants began forming these associations over the last two decades. In 1995, the Mexican government began to actively promote the formation of these associations with the Paisano Program.⁷ This Program is a model for reaching out to hometown associations in the U.S. to establish mechanisms to decrease remittance⁸ transaction costs and leverage additional resources for community development activities. Studies indicate that these groups also contribute critical democratic values and skills to their country of origin (transparency, accountability, ownership, etc.).⁹ A program is needed to help bring these different sectors together (NGO/Non-Profit, Faith Based Organizations and

⁴ The National Peace Corps Association (<http://www.rpcv.org>) announced in June 2002 the launch of “Continuation of Service” grants to NPCA affiliated groups. Any active affiliate group of the NPCA may submit a proposal for funding of up to \$1,000 annually to support community-based development projects at home and abroad. The objectives of the COS Grants are as follows: 1) Provide financial resources to NPCA affiliated groups for service projects; 2) Encourage and recognize continued service by members; 3) Strengthen collaboration between NPCA, groups and members; and 4) Build on the existing NPCA program message.

⁵ Home Town Associations – groups formed by immigrants from the same geographic area or country to provide mutual assistance. More than 2,000 Mexican Hometown Associations have been established and are receiving assistance from the Mexican government under its Citizens Abroad Program.

⁶ Examples include Eastern Europeans in Chicago in the 1800s (“Hull House” in Chicago), Jewish immigrants in the 19th century (“Landsmanschaften”), and Italians in New York in the early 1900s --- all established these local support mechanisms.

⁷ The Paisano Program has been embraced by Mexico’s President Fox and elevated to a high position in his administration. Mexican consulates manage activities under the Program in major Hispanic areas of the U.S. The Program provides information on ways to lower remittance transaction costs, brings community leaders from Mexico in contact with U.S. based Hometown Associations and provide a 3 to 1 matching fund for economic development initiatives in which the Mexican federal government matches \$3 to each \$1 contributed to a community by a Home Town Association.

⁸ Remittances – The portion of international migrant workers’ earnings sent back to countries of origin. During 2002, there will be an estimated \$23 billion sent by workers in the United States to their relatives and friends in their home countries. Migrant workers typically send home an average remittance of \$250, eight to ten times per year, involving 80 million separate transactions. Mexico receives almost \$9 billion in remittances. Other major recipient countries are Brazil (\$1.9 billion), Dominican Republic (\$1.8 billion), El Salvador (\$1.6 billion) and Peru (\$900 million).

⁹ Leiken, Robert, *The Melting Border: Mexico and Mexican Communities in the United States* (Washington, D.C.: The Center for Equal Opportunity, 2000) p. 5.

Hometown Associations) to improve their coordination and increase their effectiveness.

- The Bush Administration, realizing the importance of community focused development, proposed a major increase in Peace Corps funding (an additional \$320 million is requested in the FY 2003 budget). The Administration also pledged an additional \$5 billion in foreign aid for performance-based development. Finding ways to channel these resources through communities offers an unparalleled opportunity to unleash the power of locally owned processes in dealing with economic and social issues.

The Mi Querido Pais Program will help communities achieve sustained and equitable growth by promoting mechanisms to leverage additional human and financial resources for community development efforts.

2. Concept

Mi Querido Pais (My Beloved Country) Program

Adolfo Franco's vision for sustained development, led by coalitions of communities, can be achieved by providing mechanisms for people to come and join together. History has shown that there is no better way to develop transnational linkages than by working with migrant groups still connected to their country of origin. This paper proposes a program to

“(Regarding my experience at the Inter-American Foundation) ... I came to appreciate the importance of promoting American interests by forging partnerships and alliances not only with the governments of the region but also directly with the populations themselves ... by focusing and carrying out its development projects on a people-to-people basis, I believe that the United States can achieve the dual goals of providing a better life for the region’s disadvantaged populations and attaining true friendship among the peoples of this hemisphere.”

**Adolfo A. Franco, USAID Assistant Administrator for Latin America and the Caribbean before the U.S. Senate Committee on Foreign Relations
December 4, 2001**

form a close and mutually supportive relationship between the people of the United States and Latin America. The Mi Querido Pais Program brings a diverse group of people together in a mutual and coordinated effort to strengthen the links between communities in the United States and Latin American. It seeks to 1) teach Anglo-Americans to be more open, tolerant and appreciative of Latin culture, customs and capabilities, 2) help Latin Americans see firsthand the impact of democratic organizations and the power that transparency, accountability and local ownership bring to the development process, and 3) create sustainable development mechanisms powered by common citizens and local organizations. It also focuses on increasing social capital by promoting grassroots networks and strengthening relationships within and among communities in the Americas. Finally, the Program provides mechanisms for ordinary citizens to become involved in the development process.

The Mi Querido Pais Program will finance activities to support the design and implementation of a U.S. community outreach program by Latin American countries in coordination with the Peace Corps, U.S. and Latin American NGOs, and communities throughout the Americas. The goal of the Program is to generate significant human and financial resources for community development in Latin America.

2.1 Challenges

President Bush set the course for America's challenge to reduce world poverty with the Monterey Conference announcement of a \$5 billion increase in foreign aid over the next three years. As we face this critical challenge there is special urgency in addressing the grinding poverty and inequity that characterizes Latin America; and the increased risk of illegal immigration aggravated by these economic conditions.

“Poverty is a danger ... because failed states become havens of terror.”

President Bush at the Monterey Conference.
New York Times
March 18, 2002

Latin American Poverty

Latin America is characterized by widespread poverty, economic volatility¹⁰ and a disproportionate amount of wealth in the hands of a few. There are now more people living on \$2 a day in Latin America than at the end of the Cold War and the region continues to have one of the most skewed income distributions in the world. According to the World Bank, poverty in absolute terms increased in Latin America from 1986 through 1996 with 179 million poor people (living on \$2 per day) of which 78 million lived in extreme poverty (\$1 per day). This is a considerable increase over poverty levels of 1986 when 34% of the region's population was poor compared to 36% in 1997 (this represents an increase in absolute terms of 40 million additional poor). Urban areas are home to the highest number of poor (roughly 2/3 of total) but rural areas still have the highest poverty levels (63% in 1996 compared to only 30% for urban areas). Poverty probably increased in 1999 with the region-wide wave of economic recession. As Latin America goes through a cycle of growth and recession, the poor are particularly vulnerable because of the lack of social programs to offset negative economic conditions. This economic volatility exacts a heavy price on the poor because of Latin America's inequitable income distribution: the poor have less protection than other segments of the population when the economy recedes, and they benefit less when it improves.

High poverty rates, economic volatility and inequitable distribution of income in Latin America give the poor few options to improve their situation. According to the literature, migration is the social "release valve" for areas with chronic poverty whether in Haiti with families going to Dominican Republic, Nicaraguans to Costa Rica, Peruvians into Chile, or Central Americans going to the United States, when conditions worsen, the poor seek opportunity elsewhere. Dr. Alain de Janvry, University California Berkeley stressed the transnational nature of poverty and the potential impact on the U.S.: "... (it) has become increasingly obvious to all, the external costs of poverty

¹⁰ Latin America's economic volatility is entrenched. Detailed econometric studies show that the region suffers the highest volatility in the world.

(disease, illegal migration, refugees, terrorism, pollution, environmental destruction) do not respect national boundaries.” In its own interest, the U.S. should help the region promote effective social and economic development. If Latin America fails to provide minimum levels of income for its poor, their only choice may be migration.

U.S. Demographic Change and Hispanic Assimilation

Latin American migration to the United States during the 1990s fueled a 58 percent increase in the U.S. Hispanic population in 2000 and made Hispanics the largest minority. They now represent the largest foreign-born group at 14.5 million, five times the Latin American-born population living in the U.S. two decades ago. In “The Changing Face of America”,¹¹ Ann Morse indicates that the near doubling of the foreign-born population to 31 million or 11 percent of total population compares to the peak immigrant arrival periods of the early 19th century. The Census Bureau predicts that by 2050, Anglo Americans will be a minority while Hispanics will reach 25 percent of the population and number approximately 100 million people concentrated in five of the most politically important states in the country.¹² A new analysis of Census data shows that white Anglos are now a minority in the 100 most populated U.S. cities. In 1990, non-Hispanic whites accounted for 52 percent of the residents of these cities. Ten years later, they accounted for only 44 percent of the population. During this same period, these cities gained 3.8 million new Hispanic residents for a 43 percent increase.¹³

In the words of Harvard Professor Samuel Huntington, “...these changes are troubling and could create an anti-immigrant backlash.”¹⁴ Patrick Buchanan in “Death of the West” stresses the need for Hispanic residents to assimilate as quickly as possible and indicates that it may be harder for Hispanics to assimilate than prior migrant waves.

¹¹ Morse, Ann; “Demographics and the 2000 Census: A Quick Look at U.S. Immigrants” Urban Institute, 01/30/2002

¹² Migration will drive a large part of this growth since migration is a “chain event” with people tending to move into communities where other family and friends have previously migrated. Currently the largest Hispanic populations are in California (11 million – 32% of total pop.), Texas (6.7 million – 32% of total pop.), Florida (2.7 million – 17%), New York (2.9 million – 15%), New Jersey (1.1 million – 13%) and Illinois (1.5 million – 12%).

¹³ Racial Change in the Nation’s Largest Cities: Evidence from the 2000 Census. The Brookings Institution Center. April 2000

¹⁴ Huntington, Samuel. “The Special Case of Mexican Immigration” The American Enterprise. December 2000

They face difficult barriers as measured by English language fluency, access to the formal financial sector, disbursement into the general population and access to social services.¹⁵

- English Language Fluency - Hispanics prefer Spanish as the predominant language (preferred or equal to English in 70 percent of Hispanic households). The Limited-English Proficient (LEP) population (largely made up of Hispanics) has doubled to 25 million adults from 1980 to 2000. More than 40% of foreign-born children have limited English proficiency and half of LEP children attend schools in which a third or more of their classmates have limited English proficiency.
- Access to Formal Financial Sector - Hispanics make up one half of all the unbanked residents in the United States and as a sign of increasing poverty not one of five major Hispanic population clusters is affluent. Several banks are beginning to reach out to the Hispanic sector because of its huge purchasing power --- estimated by Bank of America to be \$494 billion in 2002.
- Distribution into the Population - More than two-thirds of all foreign-born residents are in 6 states: California, New York, Florida, Texas, New Jersey, and Illinois. Things are changing, though. During the 1990s, the Hispanic population more than doubled in Arkansas, Georgia, Nebraska, Nevada, North Carolina and Tennessee. But unlike the traditional receiving states, these states tend to have little experience or infrastructure to respond to the language and cultural challenges of the new arrivals. Newly-receiving states, are grappling with the challenges of providing services for a variety of languages, cultures, religions, health practices, and customs of the new immigrant communities.
- Access to Social Services - Over the last ten years there has been an increasing number of Hispanics settling in nontraditional urban and rural receiving

¹⁵ Buchanan, Patrick. The Death of the West. 2002

communities, particularly in the southern and mid -western states. One out of 14 counties in the United States is a "New Ellis Island", with foreign-born population that increased 1991-1998 by more than 50%, according to INS statistics on lawful permanent residents' intended residence --- 131 of these counties are in the South and 75 in the Midwest. In 28% of the 223 "new Ellis Island" counties, the top-sending country accounts for more than half of the new immigrants.¹⁶ The top 10 metropolitan areas in resettling new immigrants (1991-1998) relative to the 1990 population are Nashville, Atlanta, Louisville, Minneapolis-St. Paul, Greensboro-Winston-Salem, Charlotte, Memphis, Portland-Vancouver, Seattle, and Washington, D.C. All of these areas have limited support for English language training and face significant obstacles in assisting Hispanic immigrants in the assimilation process.¹⁷

The United States must be proactive and seek ways to bring Hispanics into mainstream America or face the consequences of a culturally and, perhaps, ethnically divided nation.

2.2 – Response

A critical part of the U.S. response to this situation should focus on 1) reaching out to the Hispanic community to help them adjust to life in the U.S., 2) working with local governments and civic groups to inform them of the importance of the Hispanic community and the need for tolerance, and 3) developing mechanisms that can generate more human and financial resources to support community development in the U.S. and Latin America. The Mi Querido Pais Program seeks to bring American communities into action to support activities to make our citizens more tolerant and understanding of Hispanic culture and involved in solving problems in Latin American. The Program will help form a network of business and cultural links between the U.S. and Latin America and generate a significant increase in resources for community development.

¹⁶ Camarota, Steven A. and John Keeley, Center for Immigration Studies. *The New Ellis Islands: Examining Non-Traditional Areas of Immigrant Settlement in the 1990s*. September 2001.

¹⁷ Fix, Michael, Wendy Zimmermann and Jeffrey S. Passel, The Urban Institute. *The Integration of Immigrant Families in the United States*, July 2001.

An important aspect of the Mi Querido Pais Program will be to help Hispanic residents lower the costs of sending remittances back to their country of origin communities. The program will also provide a mechanism to leverage more development funding for these communities. It is worth noting that migrant populations in the United States are sending \$23 billion in remittances (financial support) to families and friends in their countries of origin each year.¹⁸ Along with this massive flow of resources, migrants are also sending American values through “home town associations.” In 1995, the Mexican government, under the Paisano Program, began to actively promote the formation of these associations and assist them in channeling resources, training and skills back home.¹⁹ These groups provide funding, technical support and training to their local communities. A recent study indicated that the hometown movement is “... an inconspicuous and uncelebrated channel of American influence in Mexico: generally fostering transparency, accountability, voluntary organization and political competition.”²⁰ The home town associations have adopted American technology and use the organizational, accounting and self-governance skills their members learned at the grassroots level in the United States.

Other Latin American migrants should be assisted to form the same types of organizations and provided mechanisms to assist their home communities. Assistance should also be given to help these groups reach out to their community in the United States to inform others of the opportunity to learn more about Latin America and to help on specific development initiatives (church groups, ex-Peace Corps volunteers, etc.).

¹⁸ Remittances – A 1998 marketing study of Latino households, including immigrants and natives, found that 26 percent remit and that the proportion of remitters has increased from 1994 through 2000 (Strategy Research Corporation 1998). Among households that send money, the average is \$221 monthly (about \$2,652 annualized). Surveys indicate that remittances are used primarily for food, shelter and healthcare. They also indicate that men are more likely to remit than women, younger people are more likely to remit than older residents (each year of aging reduces the likelihood of remitting by about 3 percent), less educated residents are more likely to remit (each additional year of education reduces the likelihood of remitting by 7 percent), and residents with less time in the US are more likely to remit (each one percent increase in time in the US decreases remittances by two percent). During the next ten years, if current growth rates continue, cumulative remittances to Latin America and the Caribbean will exceed \$300 billion.

¹⁹ The Mexican program included a 3 to 1 matching fund for economic development initiatives in which the federal government matched \$3 to each \$1 contributed to a community by a Home Town Association.

²⁰ Leiken, Robert S. “The Melting Border: Mexico and Mexican Communities in the United States. 2000 Center for Equal Opportunity, Washington, D.C.

Latin American governments, through their consulates, should promote associations that aim to increase the understanding between the United States and their countries, support direct links and cultural/economic exchanges, and help U.S. citizens understand the importance of the Hispanic community and Latin America.

Mi Querido Pais will focus on U.S. communities that have Hispanic residents originating from 8 countries in Latin America and the Caribbean. It will support activities modeled after Mexico's Paisano Program. The Program will promote the efforts of U.S. government entities (Department of State, USAID, Comptroller of the Currency, INS, Peace Corps, Americorps and others) in working with Hispanic communities, local Non-Governmental Organizations (NGOs) and Latin American governments to 1) encourage faster economic, social and cultural assimilation of Hispanics in the U.S, 2) improve U.S. cultural understanding and tolerance of significantly increasing Hispanic populations, and 3) promote economic and social development in Latin America.

The Mi Querido Pais Program will target high density and rapidly emerging Hispanic population areas and promote community development under three components:

1. **Community Outreach Program** –This component will implement activities to bring Hispanic residents together in support of community issues (both domestic and country of origin), increase the number of Hispanics with formal access to the banking sector (checking account, credit card, home loan, etc.), and promote the formation and development of country specific Hispanic groups aimed at resolving problems related to living and working in the United States. Activities in this area will also focus on identifying and promoting the activities of organizations already involved in bridging the cultural and economic gap between the U.S. and Latin America (church mission groups, non-profits, NGOs, State International Development Offices, etc.). It will support specific initiatives aimed at leveraging an expansion of ongoing trans-cultural activities and/or developing new programs. This program area will promote activities to increase the flow of “American” values – participatory and democratic mechanisms for setting development priorities,

allocating funding and implementing initiatives combined with transparency, accountability and rule of law.

2. **Remittance Support Program & Development Fund** – This component will support activities aimed at decreasing the cost of remittance transactions by informing Hispanic communities of the services available and assisting them in entering the formal financial sector. It will increase the economic multiplier effect of remittances by lowering transaction costs and establishing a “Development Fund” mechanism to support social and economic initiatives in countries to which funds are remitted. The Development Fund will be a matching fund to provide financing for community development projects and economic activities in Latin America. The Fund will leverage corporate support by identifying U.S. corporations operating in Latin America and developing a “marketing plan” for specific development initiatives.²¹ The Fund will also match contributions by hometown associations, individual citizens, civic groups, faith-based groups and others.

3. **Marketing Initiative** – The area will support marketing efforts by Latin American public and private sector entities in U.S. communities (gourmet coffee, art work, tourism, etc). It will create farm-to-market links via supermarket chains with a tie-in to Hispanic communities in the United States (online or telemarketing remittance shopping service) so that people in a community can better understand the impact of their purchases. The program will try to link Latin American communities to U.S. communities (focusing on cities with a large resident population from that particular country).²²

The mechanism for providing these services would be through grants to establish activities in specific countries in Latin America and the U.S. The program would

²¹ The Government of Mexico has established a comprehensive program to work with multi-national corporations and their philanthropic foundations that operate in Mexico in order to assist these companies in supporting specific development initiatives in a coordinated and more effective manner.

²² For example, 40% of Peruvian descent Hispanic residents in the U.S. are in a six county area in New York City and suburban New Jersey. This might be a key area for launching a “Peruvian Coffee Festival” in conjunction with local

coordinate directly with Latin American governments and help them establish the Mexican model for community outreach into the U.S. communities.

Attachments

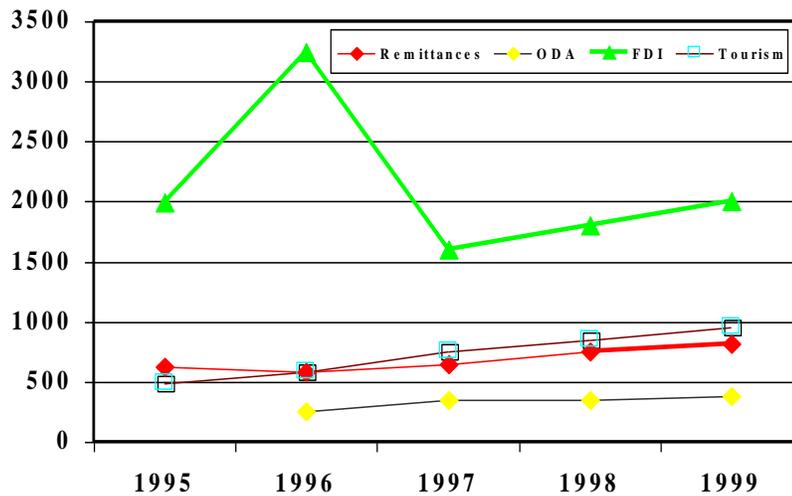
4.1 Pilot Program

“Mi Querido Peru Program”

Peruvians in the United States provide remittances²³ to relatives and friends, possess skills and experiences that could be used to promote economic and social development, and have a presence in key market areas of the United States. Many American citizens have helped Peru in the past as Peace Corps volunteers and others have helped with church missions or individually. Corporations operating in Peru have charitable foundations that could support development activities. The Mi Querido Peru Program will 1) promote social and economic development by increasing human and economic investments by

Peruvians (at home and abroad), U.S. citizens, Non-Governmental Organizations and private corporations, and 2) establish cultural and economic links between Peruvian and U.S. communities. The Program will

Remesas: Peru
1999 - \$819 million

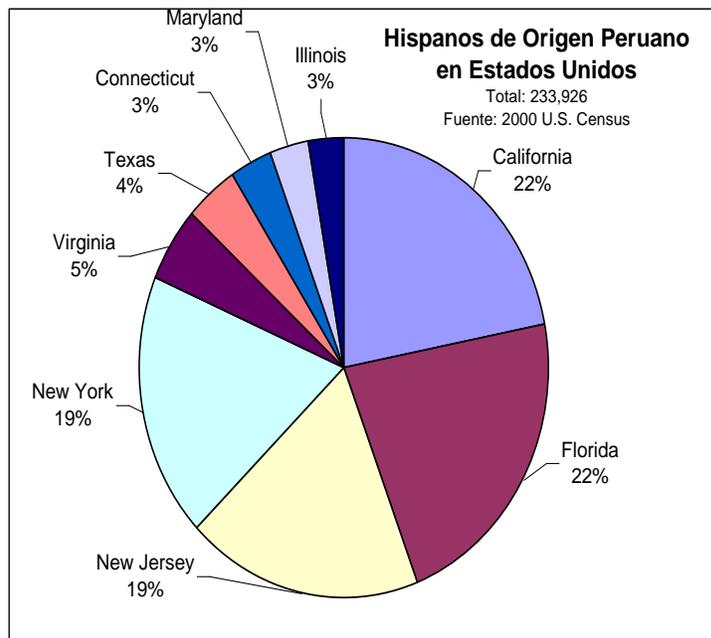


businesses and municipal leaders. There could be other activities --- a focus on tourism and perhaps cultural exchanges between the Peruvian Consulate in New York and the local communities (Machu Picchu Exhibit, Lord of Sipan, etc).
²³ Remittances – The portion of the international migrant workers’ earnings sent back to countries of origin.

leverage an additional \$20 million in investments by these sectors over the next ten years for development programs in Peru.

More than US\$819 million was sent back to Peru in 1999 from Peruvians living abroad according to Central Bank, World Bank and Inter-American Development Bank estimates.²⁴ It is estimated that 50 percent of Peruvians live in the U.S., 25 percent in Argentina and the rest in Spain, Italy, Chile, Japan and other countries. Remittances to Peru amount to twice the Official Development Assistance it receives, surpass the value of all agricultural product exports and are equivalent to income from tourism. While the remittance transaction costs are ten percent or more of the amount remitted, anecdotal

evidence indicates that the amount remitted is rapidly increasing. In fact, Peruvians are finding ingenious ways to reduce remittance transaction costs. For example, the largest supermarket chain in Lima, E Wong, with a major share of the local grocery retail market, established a web site offering groceries for home delivery paid with a



credit card. The idea was to target the affluent clientele in the wealthier areas of Lima and provide a convenient service. Wong was surprised when the web site drew heavy use, was even more surprised when they realized that the customers using the home grocery delivery service did not live in Peru. Peruvian immigrants in the United States (and possibly elsewhere) were using their credit cards to buy groceries on the Internet for home delivery to relatives in Lima.²⁵

²⁴ “Comparative Remittances 2001”, Inter-American Dialogue, May 2001.

²⁵ The Wong model, if expanded to other sectors (health, building supplies, etc.) could dramatically lower the remittance transaction cost (down from 10 percent to >2 percent), provide access to the most urgently needed goods

Peruvian descent residents of the United States are concentrated in New York/New Jersey (36%), California (19%) and Florida (19%). These are potentially key market areas for Peruvian exports. An information system should be established to inform U.S. Peruvians of the types of products that are available and encourage them to actively participate in promoting these products to the larger community (e.g., sponsoring a “Peruvian Coffee Festival” in the New York/New Jersey area, promoting tourism to Peru, etc.).

Historically, immigrants to the United States have formed associations for mutual assistance.²⁶ It was not unusual for Mexican immigrants to do the same in the 1990s with the formation of mutual assistance association or “Home Town Associations”²⁷. These organizations have now grown to more than 2,000 nationwide. In 1995, the Mexican government began to actively promote the formation of Home Town Associations and assist them in channeling resources, training and skills back home.²⁸ These groups are now providing funding, technical support and training to their local communities. Peruvian migrants should be assisted to form the same types of organizations and provided mechanisms to assist their home communities in Peru. Assistance should also be given to help these groups reach out to their community in the United States to inform others of the opportunity to learn more about Peru and to help on specific development initiatives (church groups, Returned Peace Corps Volunteers, etc.). The Government of Peru through its Consulates should promote joint U.S./Peru associations that aim to increase the understanding between the two countries, support direct links and cultural/economic exchanges, and help U.S. citizens understand the importance of Peru in addressing critical bilateral issues (drugs, terrorism and protection of the environment).

and services at favorable prices (80 percent of remittances go for food and medical services) and ensure that the funds remitted are used for the intended purpose. In May 2002, Wong began offering “gift certificates” purchased on their website (<http://www.ewong.com>) for local delivery. The gift certificates are denominated in US dollars and can be used to purchase groceries and pay for other services (telephone, electricity, travel packages, special events, etc.).

²⁶ Examples include Eastern Europeans in Chicago in the 1800s (“Hull House” in Chicago), Jewish immigrants in the 19th century (“Landsmanschaften”), and Italians in New York in the early 1900s --- all established these local support mechanisms.

²⁷ Home Town Association – a local association in the United States formed by immigrants from a particular country in order to provide mutual support.

²⁸ The Mexican program included a 3 to 1 matching fund for economic development initiatives in which the federal government matched \$3 to each \$1 contributed to a community by a Home Town Association.

The Mi Querido Peru Program will target high density and rapidly emerging Hispanic population areas in the United States and establish mechanisms for dialogue and support.

The \$3 million program will:

- Promote the formation and development of country specific Hispanic groups aimed at resolving problems related to living and working in the United States, increasing the number of Hispanics with formal access to the banking sector (checking account, credit card, home loan, etc.), connecting them back to their countries-of-origin, and focusing on local social and community issues;
- Identify and promote the development of organizations already involved in bridging the cultural and economic gap between the U.S. and Latin America (church mission groups, non-profits, NGOs, Peace Corps, State International Development Offices, etc.) and work with them to create farm-to-market links via supermarket chains with a tie-in to Hispanic communities in the United States and to promote activities to promote participatory & democratic mechanisms combined with transparency, accountability and rule of law in Latin America.
- Increase economic multiplier effects of remittances by lowering transaction costs, establishing “Development Fund” mechanisms to support social and economic initiatives in countries to which funds are remitted and promote corporate investment in development programs in Latin American communities;

Implementation Plan

Draft, compete and award a \$3 million grant to develop an outreach capability to inform and enlist the support of U.S. residents of Peruvian descent for development activities in Peru. The grant will also provide support for bringing Returned Peace Corps Volunteers (RPCVs) back to Peru, leveraging additional corporate /NGO/non-profit giving and creating links to U.S. communities.

Peruvians Abroad Program – Develop a database down to the neighborhood level from Census 2000 showing population density of U.S. residents of Peruvian descent. Target the top five areas to concentrate an outreach program. Develop a set of “best practices” for citizen outreach (use example of Mexico’s Paisano Program) for providing information and training to Peruvian descent residents in the U.S. on remittance issues, access to formal financial channels, “home town” association formation and other issues. Develop an “action plan” to 1) leverage corporate, U.S. community , faith-based groups and NGO support, 2) train Peruvian government how to design and implement outreach program, and 3) finance pilot activities in key target areas. Support implementation of the “action plan.” Use Development Fund to match contributions by U.S. based groups, corporations, etc.

“Going Back” - A Peace Corps Initiative – Develop a database for RPCVs (where they served in Peru and where they are in the U.S.). Specify where RPCVs coincide geographically with high density areas for Peruvian descent residents in the U.S. Design an outreach program to bring RPCVs back to their communities of service to develop community projects, raise funding and create links back to their communities in the U.S. The Mi Querido Peru Program will coordinate and share the expense of the RPCV’s return on the condition that the person bring a minimum of four other people to visit a community in Peru over an 8 day period and develop a community project not to cost more than \$15,000 (up to \$5,000 will be matched by the Program’s “Development Fund” against every dollar raised by the RPCV’s community in the U.S. --- one third of each project will be unskilled labor contributed by the community in Peru).

Illustrative Budget (3 years)

\$3 million

Outreach Program	“Going Back” Program
U.S. Based	Peru Based
Program Manager - \$120,000 (3 yr - \$360,000)	Program Director - \$75,000 (3 yr - \$175,000)
Program Assistant - \$75,000 (\$225,000)	2 Coordinators - \$100,000 (\$300,00)
Admin. Assistant - \$40,000 (\$120,000)	Admin. Assistant - \$20,000 (\$60,000)
Communication - \$50,000 (\$150,000)	3 Vehicles – (\$75,000)
Office - \$30,000 (\$90,000)	Office - \$20,000 (\$60,000)
Training/Travel - \$50,000 (\$150,000)	Evaluation & Audit – (\$95,000)
Pilot Activities - \$50,000 (\$150,000)	Development Fund - \$400,000
Evaluation & Audit - (\$95,000)	(\$1,200,000)
Development Fund - \$100,000 (\$300,000)	Cost Sharing - \$74,500 (\$223,500)
Total - \$1,500,000	Total - \$1,500,000

Logframe
Mi Querido Perú

<p>Goal Increase social & economic development in selected communities of Peru.</p>	<p><u>Indicators</u> Significantly increased household income in target areas. Increased access to basic services by the local population.</p>
<p>Purpose Generate additional development funding of \$20 million over 10 years to selected communities. Strengthen Peruvian community associations and create links with U.S. communities. Provide access to U.S. key markets for Peruvian products.</p>	<p><u>Indicators</u> Establishment of “Development Fund” and disbursement to communities. Amount of corporate and NGO/non-profit giving increases. Number of Peruvian community associations that are actively operating and providing assistance. Increased sale of Peruvian products in U.S. Number of RPCVs increases each year.</p>
<p>Component Objectives</p> <ul style="list-style-type: none"> • Community Outreach Established • Development Fund Established • “Going Back” Program Established 	<p><u>Indicators</u></p> <ul style="list-style-type: none"> • North/South community links are strengthened. • Corporate, private and NGO funding increases. • Cultural, development & marketing initiatives increase between U.S. & Peru.
<p>Outputs <u>Remittances</u> – lower transaction costs & increased purchasing power for Peruvian recipients. <u>Community</u> – support increases & more cultural /education al exchanges. Closer, sustained links. <u>Investments</u> – increased investment & better use of investments (Development Fund). <u>Markets</u> – increased marketing activities</p>	<p><u>Indicators</u> Increase in remittances. No. of community to community initiatives increase, cultural exchange and support trips increase. Financial support increases No. of marketing events increase – sales increase.</p>
<p>Activities</p> <ul style="list-style-type: none"> • Establish “One Stop” Information service on remittance and lowest cost services. • Community Outreach Program • Development Fund • “Going Back” Program established. 	<p><u>Milestones</u> <u>Outreach</u> - Mkt. Research, website, community outreach & partnership with key partners. <u>Community</u> - Target areas identified, communication plan developed, cultural/education program initiated to help Peruvian migrants link with local community organizations. RPCVs connect with communities. <u>Development Fund</u> – Establish 501(3)c NGO, negotiate deal with remittance providers, establish matching mechanism, solicit corporate support and make fund operational. <u>Marketing</u> - Pick key products, establish marketing campaign, coordinate with Prompex, host special events, negotiate community to community marketing initiatives.</p>

Attachment 4.2

Illegal Immigration: USAID's Role in Developing a Comprehensive Solution

Michael Maxey

A Paper presented to USAID Latin America Bureau Leadership
Washington, D.C.

July 2, 2002

Illegal immigration is a growing problem. Annual cost of illegal immigration to 5 states¹ with highest population of undocumented workers may exceed \$8 billion. In 1996, California alone spent \$500 million on the 22,000 aliens in their prison system and \$1.8 billion to educate the children of illegal aliens. Also in 1996, the Welfare Reform Act was enacted and stopped all health, education and welfare benefits to illegal aliens leaving the burden on the individual states. A study by the National Academy of Sciences indicated that the average immigrant contributed \$1,800 more in taxes than he received in benefits with the federal government receiving the lion's share of those tax dollars (approximately two-thirds). However, states and localities providing the bulk of services that immigrants use, most notably education, health, and public assistance, were "shortchanged." There is a growing political debate between the states and Washington on how best to use federal funds earmarked for immigration issues. The states want a larger investment in social services for their immigrant population while the Federal government favors directing more resources towards stopping illegal crossings at the border. The role of social and economic development in the primary source countries² for undocumented workers is not part of the current policy debate.

The number of undocumented immigrants in the United States appears to be far higher than the 6 million the government had previously estimated, according to a growing number of federal officials and other experts the number could be at least 50 percent higher than the official estimate. Experts say it could range from 9 million to 11 million or higher. A GAO study in 1997 stated that Congress and states with large illegal immigrant populations have raised concerns about illegal immigrants' fiscal impact on government programs, participation in criminal activities, and overall effect on local economies. The presence of millions of people in this country previously unknown to the government has important policy implications, creates a financial burden on local governments, and is becoming the focus of a major political debate between the Bush Administration, Congress and the states. Officials and researchers point to the 2000 Census as evidence in arguing that the 6 million figure is far too low. The Census Bureau had estimated -- based on birth, death and other records --

¹ According to a 1997 INS study California was home to 40% of the illegal aliens in the US followed by Texas with 14%, New York with 11%, Florida with 7% and Illinois with 6%.

² Mexico, Guatemala, El Salvador, Honduras and Nicaragua citizens make up almost 80% of illegal immigrant population in the US according to a 1997 INS study.

that its 2000 head count would find 275 million U.S. residents. The number that came in was much higher: 281.4 million. Then, a survey conducted after the census as a quality check arrived at an even higher number: 285 million. The census also found 35.3 million Hispanics, a number much higher than the 32.5 million the government had estimated. Acknowledging that it was surprised by the higher than anticipated count, the Census Bureau pointed to illegal immigration as the cause. Bureau Director Kenneth Prewitt noted that the count was larger "because the Bureau did a better job than expected of counting undocumented immigrants." Overall, the number of Americans who described themselves as Hispanic grew by nearly 60 percent in the 2000 Census. Finally, in the US Senate last week, Senator Robert Byrd, (D-WV) stated that "... illegal immigration jumped from an estimated 5 million in 1986 to somewhere between 7 million to 13 million illegals today." The Congress is currently engaged in discussions with the Bush Administration on illegal immigration and finding ways to resolve the issues related to it. A task force co-chaired by Secretary of State Colin Powell and Attorney General John Ashcroft is expected to release a report before the state visit of President Vincente Fox of Mexico in September.

According to census data, illegal immigrants are closely linked to immigrant communities in the United States. Congress is sensitive to immigrant and Hispanic issues and illegal immigration is likely to become a more important issue in the highest Hispanic population states: California, Texas, Florida and New York. These are key states with a great deal of influence on the White House and Congress. The total Hispanic population in the US is 35.3 million out of a total US population of 281 million-285 million --- 12.5 percent of the population. But this changes when you look at the top four states Hispanic population States. California has 10 million Hispanics (31% of its total population) with over 3 million in Los Angeles county alone. Texas has 5.9 million residents of Hispanic origin or 30% of the state's population. New York has 2.6 million Hispanics or 14% of its total population. Finally, Florida has 2.2 million Hispanics or 15% of its population. These four states make up 54% of the votes required in the Electoral College to elect the next President of the United States. Immigration reform will continue to be a major issue in these states and the nation. Given the sensitive nature of the issue, a coalition will be needed to address all aspects of the problem. This was communicated by Senate Majority Leader Daschle's spokesperson last week --- "... the Senator believes there is bipartisan support for a broader immigration reform program."

As a coalition comes together to create a comprehensive solution to illegal immigration, a key part of the discussion should be how to promote the social and economic conditions needed to stem the out migration of Latin Americans to the US. A critical part of immigration reform should be support for social and economic development in the source countries.

Central America, whose citizens make up 16% - 20% of the illegal immigration population in the US, should be the target of a major development initiative aimed at creating the conditions necessary to stem the flow of undocumented workers to the US. Development assistance would be one part of a comprehensive package aimed at

addressing the entire illegal immigration problem. This is a critical area not only because of the size of its current illegal alien population in the US, but also because of the high potential for a major increase in the number of undocumented workers coming from Central America to the US. The collapse of the world coffee market and the severe ongoing drought in Honduras and Nicaragua has created a crisis situation in Central America, particularly in these two countries. Coffee prices are at a 10 year low and production has declined by 2.25 million 60kg bags in the last year. This price drop and cut in production resulted in the loss of over \$1.5 billion in income to the coffee sector in Honduras, Guatemala, El Salvador and Nicaragua. Over a million people are employed by the sector and have lost, or are in danger of losing, their livelihood. The coffee market collapse and the multiplier effect throughout the economies in Central America is the equivalent of an economic “hurricane.” To compound the problem, Honduras and Nicaragua are currently in the middle of a severe drought that the World Food Program has heralded as an international disaster. This year’s corn harvest is lost. The threat of starvation is causing large migrations from the rural areas to the cities and possibly to Mexico and the US.

USAID Actions: USAID should 1) take the lead in analyzing the impact of poverty in Central America on illegal immigration, 2) help the Administration develop a comprehensive policy that addresses all aspects of the illegal immigration problem, and 3) design a package of programs to address development issues aimed at stemming increased illegal immigration from Central America to the US.

Specific actions that USAID should take are:

1. Determine the economic and social impact in Central America of the depressed coffee market, aftereffects of Hurricane Mitch, and the ongoing drought, and estimate the amount of illegal America.
2. Assess the potential cost to the primary recipient states (California, Texas, Florida, New York and Illinois) that this increase in illegal immigration will cause.
3. Prepare briefing on issues and necessary development response for its Front Office, State Dept. leadership, White House and Congressional delegations of the states hardest hit by cost of illegal immigration.
4. Recommend a five-year development assistance fund for Central America that is equivalent to 10% of the annual cost of Central American illegal immigrants in US³. The amount of the fund is calculated based on the cost that states currently incur to provide services to illegal aliens (approximately \$10 billion per year).

³ If the Central America percentage of total illegal alien population is 20% then the annual cost of Central American undocumented workers would be \$2 billion (20% of estimated \$10 billion annual cost to states). Ten percent of \$2 billion each year for 5 years would equal \$1 billion. A special fund of \$1 billion (FY 2002 ESF plus up) for economic development in El Salvador, Guatemala, Honduras & Nicaragua should be established as part of a comprehensive immigration reform package.

Potential Programs for a Central American Immigration Initiative

Employment and Markets for Development – Consisting of an “enterprise fund” to provide matching resources for Direct Foreign Investment initiatives. USAID would partner with private corporations and host governments in Central America to provide the necessary incentive for investment to create jobs.

Community to Community Partnership – USAID would work with BID and World Bank on their programs to assist “home town associations” (immigrant associations linked to their hometown in their mother country) develop stronger and more effective development links with their communities in Central America. Part of this program would focus on ways to lower the transaction cost of money transfer (remittances) from the US to Central America while also setting up mechanisms to capture part of the transaction cost for investment in development activities in the home countries.

Functioning Property Markets and Increased Home Ownership – This would be a program to promote the development of formal property markets that function effectively and free “dead capital” currently trapped in the informal sector property markets.

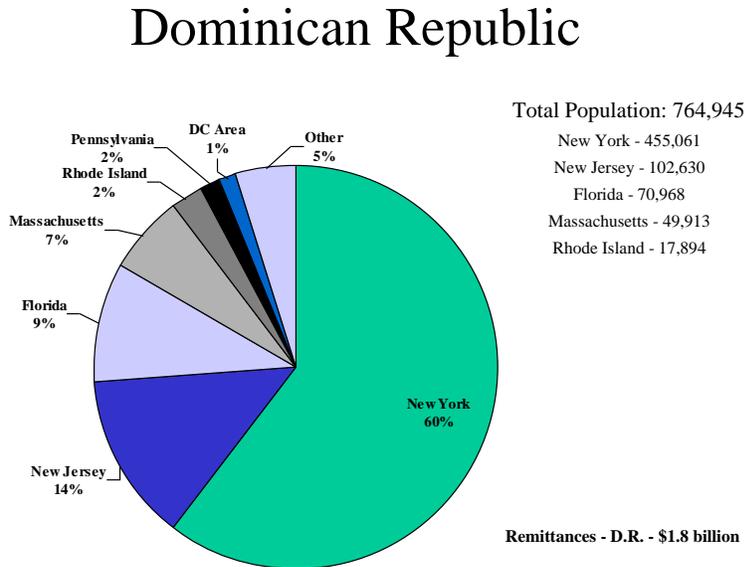
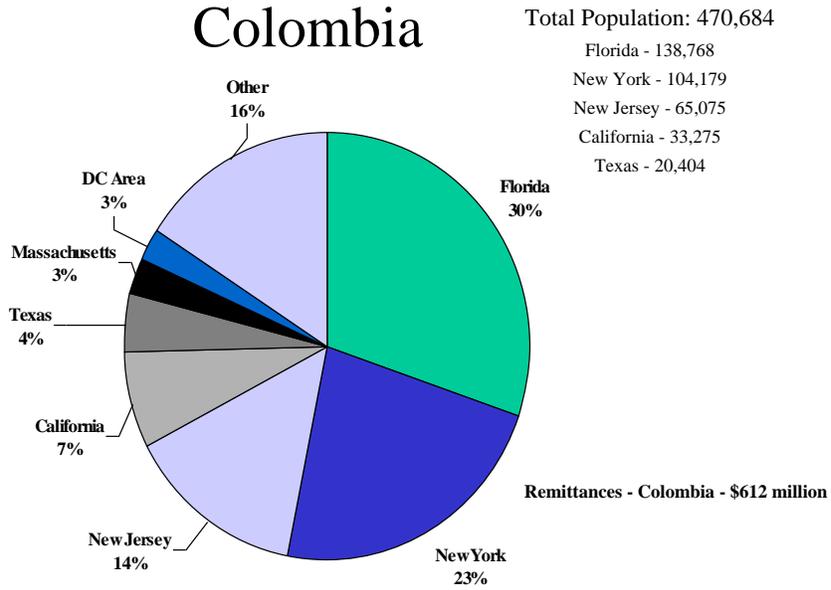
Attachment 4.3

Returned Peace Corps Volunteers from Peru

(National Peace Corps Association List is available for approximately 300 RPCVs who served in Peru but it's distribution and use is subject to copyright held by the Association. This will be discussed with the Association as implementation of Mi Querido Peru moves forward.)

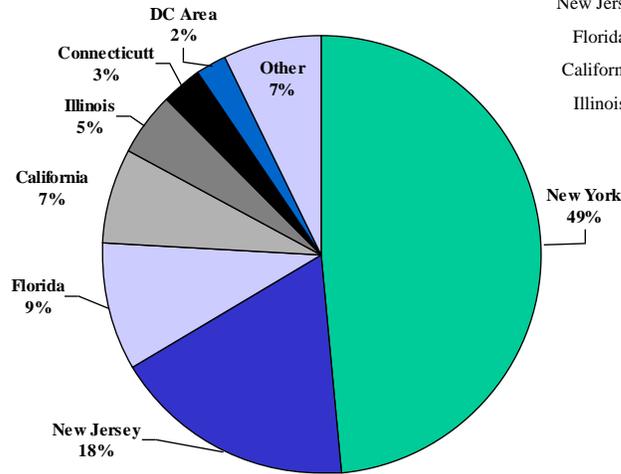
Attachment 4.4

U.S. Hispanics by Country of Origin



Ecuador

Total Population: 260,559

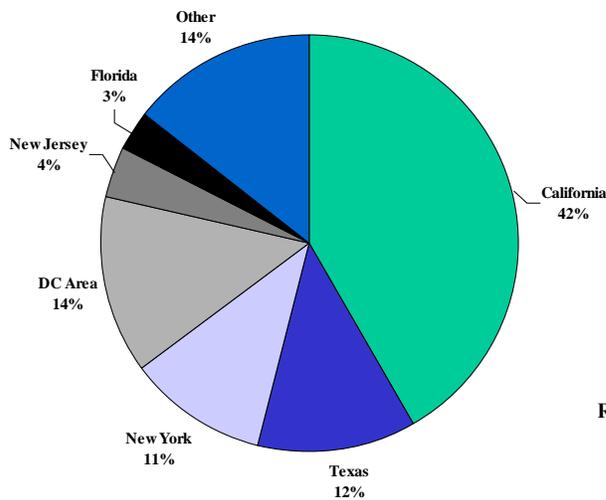


New York - 123,472
 New Jersey - 45,392
 Florida - 23,939
 California - 18,115
 Illinois - 12,060

Remittances - Ecuador - \$1.3 billion

El Salvador

Total Population: 655,165



California - 272,999
 Texas - 79,204
 New York - 72,713
 DC Area - 89,827
 New Jersey - 25,230
 Other - 94,491

Remittances - \$1.6 billion

Guatemala

Total Population: 372,541

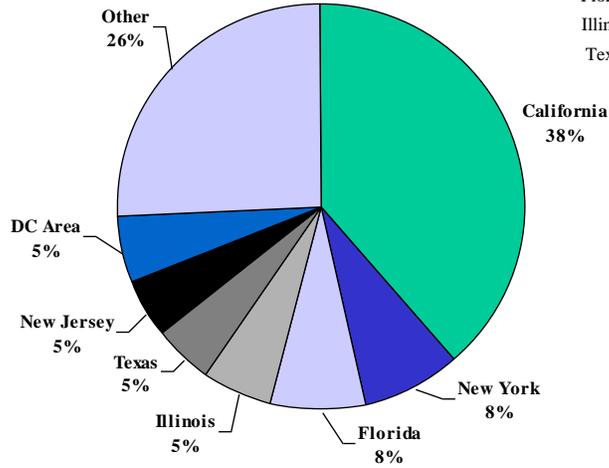
California - 143,500

New York - 29,074

Florida - 28,650

Illinois - 19,790

Texas - 18,539



Remittances - Guatemala - \$535 million

Honduras

Total Population: 217,578

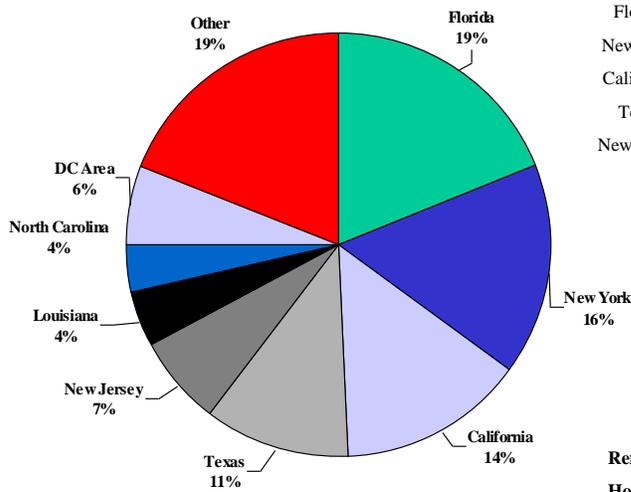
Florida - 41,229

New York - 35,135

California - 30,372

Texas - 24,179

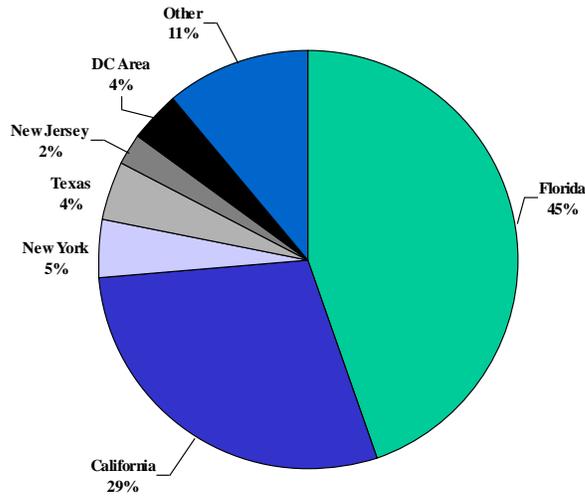
New Jersey - 15,431



Remittances -
Honduras - \$368 million

Nicaragua

Total Population: 177,684

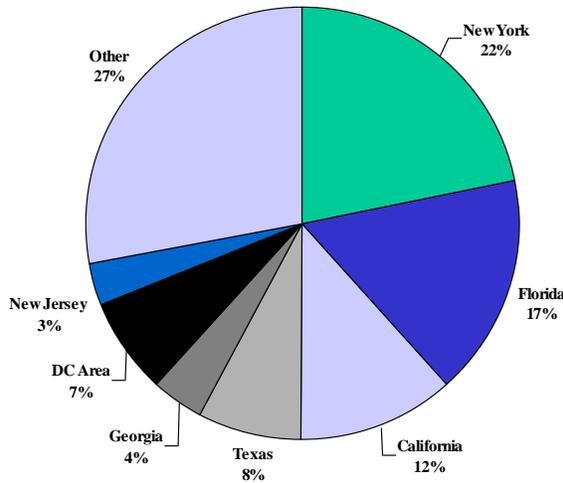


Florida - 79,559
 California - 51,336
 New York - 8,033
 Texas - 7,487
 New Jersey - 4,384
 DC Area - 7,235

Remittances - Nicaragua - \$345 million

Panama

Total Population: 91,723



New York - 20,055
 Florida - 15,117
 California - 10,688
 Texas - 7,706
 Georgia - 3,535
 DC Area - 6,456

The 2000 Census Data can take the breakdown of U.S. Hispanic residents down to the neighborhood level for very specific targeting of activities. The following is some demographic work showing the location of Peruvian descent populations in the New York/New Jersey area.