THE ELECTORAL DETERMINANTS OF COLLECTIVE REMITTANCES:

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THE ELECTORAL DETERMINANTS OF COLLECTIVE REMITTANCES: THE MEXICAN 3X1 PROGRAM FOR MIGRANTS

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Abstract: The 3x1 Program for Migrants is a matching grant scheme that seeks to direct the money sent by migrant organizations abroad to the provision of public and social infrastructure, and to productive projects in migrants' communities of origin. To do so, the municipal, state, and federal administrations match the amount sent by hometown associations by 3 to 1. This opens the door to the political manipulation of the program. We explore the impact of a particular facet of Mexican political life on the operation of the 3x1: its recent democratization and the increasing political competition at the municipal level. Relying on the literature on redistributive politics, we posit that an increasing number of effective parties in elections may have two different effects. On the one hand, the need to cater to more heterogeneous constituencies may increase the provision of public projects. On the other hand, since smaller coalitions are needed to win elections under tighter competition, fewer public and more private (clientelistic) projects could be awarded. Using a unique dataset on the 3x1 Program for Migrants for over 2,400 municipalities in the period 2002 through 2007, we find a lower provision of public goods in electorally competitive jurisdictions. Thus, we remain sceptical about the program success in promoting public goods in politically competitive locations with high migration levels.

Key words: Collective Remittances, 3x1 Program, Mexico, Latin America, Migration, Poverty, Political Bias

1. Introduction

Remittances in General and collective remittances in particular have recently drawn the attention of policy makers in developing countries. Given the absolute and relative weight of remittances for many of them (World Bank 2006, OECD 2007), these flows are perceived to hold great potential to promote local development. Parallel to the increasing awareness of this fact, policy makers have designed specific policies to secure the flows of remittances, and to influence the way in which they are used (Spector and De Graauw 2006).

In this paper, we explore the political economy of a particular policy intervention: the Mexican 3x1 Program for Migrants. Under this scheme, the municipal, state and federal administrations multiply by three the money sent by hometown associations abroad (HTAs) to their communities of origin. The stated objective of the program is to reach poor communities of high migration in need of public or social infrastructure. The program also tries to promote "productive projects", that is, projects that aim to create employment and to spur community development via improvements in productivity (de Graauw 2005). Relative to projects devoted to public and social infrastructure, productive projects provide private or club goods, which can be easily targeted to specific constituencies. On the other hand, to the extent that public and social infrastructure projects constitute public goods proper, they benefit more dispersed or heterogeneous constituencies. Therefore, we argue that the different types of projects sponsored by the 3x1 program are relevant to explore the possibility of political biases in the allocation of the program resources.

We rely on the literature on redistributive politics and clientelism (Cox and McCubbins 1986; Dixit and Londregan 1996; Calvo and Murillo 2004; Stokes 2005; Kitschelt and Wilkinson 2007) to hypothesize about the patterns of project allocation under the 3x1 Program for Migrants. We follow the strand of the literature that posits a distinctive use of both public and private projects to target either swing voters or core supporters. On the one hand, it could be the case that politicians use productive projects (i.e., excludable by nature) to target their core constituencies, while using public and social infrastructure projects to target more heterogeneous constituencies (Díaz Cayeros et. al. 2007). In terms of a politically motivated allocation of funds, this would imply that localities where elections are not heavily contested, such as in partisan strongholds, should receive relatively more private projects. In turn, localities where elections are more competitive should receive more public or social projects that provide public goods.

A second strand of literature (Bueno de Mesquita et. al. 2003; Chhibber and Nooroddin 2004) contends that in competitive multiparty political systems, the size of the winning coalition required to win elections is relatively small. Thus, election returns can be influenced by targeting private goods to the small constituencies required to secure a victory. Conversely, in less competitive venues, relatively large winning coalitions are better secured through spending on public goods. Thus, the implications of these models are the opposite as before: we should observe more spending on private projects in localities with highly contested races, and more public projects in

localities with less competitive races. In other words, we should observe that increasing political competition results in lower public good provision.

Using a unique dataset on the 3x1 Program for Migrants that comprises over 2,400 Mexican municipalities and six years of operation (2002-2007), we put these contending predictions to test. In line with the "size of the winning coalition" mechanism, we find that municipalities where political competition (proxied by the effective number of parties in local races) is tighter receive *less* public and social infrastructure funds per capita under the 3x1 Program for Migrants than municipalities with less competitive elections.

This finding has important theoretical and public policy implications. From a theoretical point of view, this study has relevance for at least two important literatures. On the one hand, in democratic theory, increasing political competition in authoritarian settings --and the process of democratization that may ultimately result from it-- is expected to translate into more accountability and less patronage in public spending. Yet, as mentioned above, this may not be the case. Indeed, increasing electoral competition may incentive politicians to cater to pivotal groups of voters by using private transfers (Stokes 2005). In Mexico, which underwent a process of democratization that culminated with the election of an opposition presidential candidate in 2000, there are few signs of improvement in public good provision at the municipal level (Cleary 2007).

This paper also contributes to the recent and growing literature that studies the political consequences of migration in sending countries. Scholars report decreasing levels of political engagement of those left behind having connections with migrants (Bravo 2007; Goodman and Hiskey 2008). Also, ongoing research shows that the more politically aware individuals have a higher propensity to migrate (Hiskey and Montalvo 2008). These two findings question the virtuous influence that the migrants' experience in their democratic host countries may bring back upon returning home. Indeed, those with migrant connections seem to opt for non-electoral political participation (Córdova and Hiskey 2008). Yet, another study reports the optimistic outcome that clientelistic practices are less effective when households receive increasing remittances, as this extra source of income for households facilitates political change at the local level (Pfutze 2007).

Our research aligns with the "not too optimistic" side of the literature: we find that policy interventions supposedly designed to influence the uses of collective remittances are likely to be politically biased. Indeed, the evidence from the 3x1 Program for Migrants in Mexico is resulting in *less*, not more, public good provision despite (or perhaps because of) increasing political competition at the local level.

The paper proceeds as follows. In the first section, we spell out the competing theories regarding redistributive spending and political strategies; and based on this literature we propose two competing hypotheses. In the second section we provide

an overview of the history of the 3x1 Program for Migrants in Mexico, and describe its main features and rules of operation. In the third section we present our data and our empirical strategy. In section four, we discuss our results and the theoretical and policy implications that follow. Finally, we provide concluding remarks in section five.

2. Redistributive Politics and Electoral Investment

There is a large extant literature on the politics of redistributive spending. How do politicians use redistributive spending and other public programs seeking to affect electoral outcomes? Provided they can do so, what is the best way of swaying voters? Do broad-based transfers work as well as providing public or private goods?

Which voters should be targeted by public spending, swing voters or core supporters? On this key issue we have are at least two competing models. First, according to Cox and McCubbins (1986), if politicians are risk averse, discretionary transfers should be allocated to core voters. This is because politicians have an informational advantage in identifying and mobilizing their core voters. Therefore, the transaction costs incurred in effectively targeting transfers, and in monitoring the expected return in votes of those transfers, are relatively lower for core voters.

On the other side, Dixit and Londregan (1996) and others argue that, core voters would vote for their preferred party anyway – they cannot credibly threaten the machine with not supporting it if they do not receive the transfers. Thus, politicians should target so called swing or undecided voters, that is, those voters who are ideologically indifferent between political alternatives--and for whom receiving the transfer can make the difference between supporting and opposing the incumbent. As Stokes (2005) suggests, only voters that are indifferent, undecided or weakly opposed to a party can credibly threaten to vote their conscience if they do not receive a transfer. In empirical research, swing voters become pivotal in majoritarian electoral systems with close margins as well as in multiparty systems where the number of effective political parties is relatively larger.

These approaches portray politicians as confronting a clear cut dilemma: either targeting spending to relatively low-risk core voters vs. targeting swing voters, incurring a higher risk. However, other authors propose that politicians running for office will be better off if they diversify electoral risks by targeting different types of voters (core vs. swing) with different types of goods, namely public vs. private (Bueno de Mesquita et. al 2003; Chhibber and Nooruddin 2004; Person and Tabellini 2003; Díaz Cayeros et. al 2007). Public goods can be as discretional as transfers of private goods; but the latter are by definition excludable (that is, they can be targeted at the level of the individual) and reversible (they can be removed if the expected behaviour in

exchange of the transfer, that is, vote support, does not take place). This can hardly be done with public or locally public goods such as roads, water provision, or health clinics.

Although the research mentioned above agrees in that politicians will be better off diversifying their basket of political investments into public and private spending, there still may be different mechanisms at work that, ultimately, will lead to different predictions and observable implications. To see why this is the case, consider first the approach of Díaz Cayeros et. al. (2007). Here, the concern is about how a hegemonic party (the Mexican PRI) whose support declined overtime used social policies to stay in power. According to these authors, politicians are better off diversifying their basket of investments in line with a simple premise: politicians cannot alienate their core voters by providing transfers only to swing voters; yet, in their search to expand their support coalition particularly in contested jurisdictions, politicians will provide public goods. In this framework, politicians' risk aversion is crucial to determine which type of project will be used to address different voters. Targeting private transfers to core voters is a very conservative strategy with low transaction costs: the machine knows loyal voters well and can monitor their behavior. However, the electoral returns of public good investment are more uncertain, the beneficiaries more diffuse, and the response to this type of transfers is more difficult to observe. Still, public goods can serve the purpose of winning highly contested jurisdictions in which constituencies are more heterogeneous. Under this theoretical framework, the empirical expectation is that

> H_1: spending on public goods will be targeted towards highly competitive municipalities, whereas partisan strongholds will receive relatively more private or clientelistic spending. Thus, jurisdictions with a larger effective number of political parties (ie, no dominant political force), and where elections are won by small margins should receive *more public good* projects.

In their study of private vs. collective spending under the Mexican *Programa Nacional de Solidaridad* (PRONASOL), Díaz Cayeros et. al. (2007) found that the bulk of clientelistic spending under this program went to municipalities that had been PRI strongholds, and where the PRI had been losing support at a fastest pace. Thus, their finding gives strong support to the core supporter model. When the risk of losing elections increases, politicians appear to direct private transfers to the voters that consistently have supported them, and who pose less uncertainty in terms of the expected return in votes.

An alternative theory of redistributive transfers arrives at a different prediction as to how increasing political competition will affect the allocation of public spending. In their study on public versus particularistic (pork barrel) spending in Indian states, Chhibber and Nooruddin (2004) rely on the concept of "winning coalition" (Bueno de Mesquita et. al 2003) to demonstrate that in two-party systems, political

parties need the support of heterogeneous constituencies and thus provide public goods to win elections. Yet in multiparty settings, candidates need only a plurality of votes to win. That plurality can be better secured with club or private goods used to mobilize and persuade the voters needed to secure an electoral victory. As the authors put it "political parties in a multiparty system, therefore need to make appeals to 'vote banks' and particular support groups. In other words, parties operating in a two-party system are more likely to provide public goods than those facing multiparty competition, which focus greater attention on distributing club goods." Using aggregate and individual data, the authors find that the provision of public goods is lower and the individual perception of public good provision is worse in jurisdictions with several political parties competing in electoral races.

Note that according to this mechanism, the expected impact of increasing political competition on redistributive spending is just the opposite as the one suggested in Díaz Cayeros et al. (2007). Under the winning coalition framework, we should expect that:

H$_2$: spending on private or clientelistic goods will be targeted towards highly competitive municipalities, whereas partisan strongholds will receive relatively more public goods. Thus, jurisdictions with a larger effective number of political parties (ie, no dominant political force), and where elections are won by small margins should receive *fewer public good* projects.

As we explain below, the 3x1 Program for Migrants has some similarities with the PRONASOL program but also some important differences. As with PRONASOL, the 3x1 Program is demand driven: migrants' hometown associations have to approach SEDESOL with a proposal in the first place. One difference is that under the 3x1 migrants are required to finance 25 percent of the project, whereas co-financing was optional under PRONASOL. As in PRONASOL, there are no objective criteria or formula to approve or reject projects, which opens the door to the political manipulation of program selection or the types of projects funded. Finally, the 3x1 Program for Migrants can finance both public good or private projects. Public good provision comes under so-called "public or social infrastructure" projects, whereas the provision of private transfers occurs under "productive projects." As we discuss below, the nature and social impact of some of these projects is controversial to say the least. Admittedly, the total outlays of the 3x1 program are quite marginal relative to the total spending of states or municipal governments.

The main differences with PRONASOL have to do with the political context in which the 3x1 Program is operating. Whereas in Cayeros et. al. the interest was to explore how a hegemonic party used social policy to slowdown electoral decline, we are more interested in determining whether or not a non-hegemonic party (the PAN) may be using the 3x1 program to reward particular constituencies in high migration localities as a means to maintain or expand their electoral support.

Our initial assumption about the Program is rather agnostic: it may be the case that, all else being equal, political competition or partisan differences do not affect program allocation. But if we cannot rule out political biases in the program operation, then we are interested in distinguishing which one of the two mechanisms spelled out above –either targeting public good projects to competitive or to partisan strongholds– best explains the actual pattern of project allocation under the 3x1 Program for Migrants in the 2002 to 2007 period.

3. The Mexican context and the 3x1 Program for Migrants

The international migration of Mexicans to the US at the start of the 21st century can be summarized in terms of three features: a common border of more than 3,000 km, a long-standing tradition of more than 100 years, and diversity of origins in Mexico and of destinations in the US (Durand et al., 1996). In recent years migration has intensified, its destinations have become more permanent, and its origins have become more urban and diversified (Leite and Acevedo 2006). Today, 96.2 percent of Mexican municipalities register international migration. Approximately 450,000 mostly young and male Mexicans migrate each year.[1] More than one million Mexican households benefit from remittance flows. For 40 percent of them, remittances represent their only income (García Zamora 2005; Soto and Velázquez 2006).

The precedents of the current 3x1 Program for Migrants are found in the state of Zacatecas, which is the state with the strongest and oldest migratory tradition in Mexico. The Federation of Zacatecan Clubs first started to raise funds to help expatriates abroad (mostly in the event of illness or death) and to fund social and recreational projects back home in the early 1960s.

Building upon these spontaneous initiatives, in 1986 the 1x1 Program was born under the auspices of PRI governor Genaro Borrego. In its initial design, the program contemplated just state support to double the amount of money sent by migrants associations. Although just 28 projects were carried out under the program between 1986 and 1992, the initiative encouraged the Federation of Zacatecan Clubs to undertake more and more philanthropic activities. Parallel to President Carlos Salinas's (1988–94) interest in courting migration, the Zacatecan initiative received further support under Borrego's successor, Arturo Romo, resulting in the program of International Solidarity among Mexicans, also known as the 2x1 Program. Under this

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1. Between 2000 and 2003 the Mexican population residing in the US grew by 14 percent. It represents 30 percent of total US immigration today.

scheme not only the state but also the federation matched the contributions of HTAs. Despite a temporary reduction in support for the program during President Ernesto Zedillo's term (1994–2000), the program continued to operate without the support of the federation but instead with the support of the municipalities. Under PRD governor Ricardo Monreal, the program gathered momentum, in part in recognition of the crucial support of migrants for Monreal's platform. By 2002, in the state of Zacatecas, a total of 868 projects had been funded with an aggregate investment of 464 million pesos (Burguess 2005). In the meantime, the initiative had been replicated by the state governments of Jalisco, Durango and Guanajuato.

Initiatives to encourage the formation of HTAs abroad multiplied under Carlos Salinas. In 1989 Salinas launched the Paisano Program and in 1990 the Program for Mexican Communities Abroad, which was based in the Foreign Ministry and operated through a network of Mexican consulates, institutes and cultural centers. In turn, the Program for Mexican Communities Abroad promoted the formation of State Offices for Mexicans Abroad. Among other things, these offices promoted the formation of HTAs and publicized schemes of collaborative partnership among HTAs and their communities of origin. It is no coincidence that during this period the number of migrant clubs abroad surged (Orozco 2003; Orozco and Welle 2005). Between 1995 and 2002 the total number of registered clubs grew from 263 to 580, and they federated at an increasing pace (Burguess 2005). Alarcón reports that there are 2,000 Mexican HTAs in the US, of which some 700 are formally registered (in Spector and de Graauw 2006).

When Vicente Fox came to power in 2000, he renewed his commitment to work with HTAs and restored the federal support for collaborative programs that Ernesto Zedillo had suppressed. Fox set up the Institute for Mexicans Abroad, and resurrected the matching-grant program with federal support. The 3x1 Program–Citizen Initiative was started in 2002, and later became the 3x1 Program for Migrants.

The purpose of the program is to increase the coverage and the quality of basic social infrastructure in localities with a high proportion of their populations suffering from poverty or social backwardness or experiencing high migration. It follows the investment initiatives of migrants living abroad (Soto and Velázquez 2006). This is not the only objective of the program, which also aims to strengthen the links between migrants and their communities through collaborative development projects and the organization of migrants abroad.

In its current design, the 3x1 Program for Migrants is administered by the Mexican Ministry of Social Development (SEDESOL) following the initiatives of hometown associations. A Committee of Validation and Attention to Migrants (COVAM), which includes representatives of the four parties involved (migrants and municipal, state, and federal governments via SEDESOL), prioritizes and decides on the technical viability of the projects. Each of these parties contributes 25 percent of the total cost of the approved project. The degree of participation of different government levels can vary: for instance, the federation can cover up to 50 percent of the project if its social

impact justifies it.[2] However, this is rarely observed in practice. The total cost of each project has a maximum amount of 800,000 pesos (about US$72,000), and the federal budget of the program in recent years has been of 250 million pesos (US$220,000). The formal requirements for participation are minima—provided that the COVAM approves the project proposed by a migrant hometown association. Funding for projects is not granted according to any pre-established or objective formula or any observable criterion. In our view, the program design allows for discretionary or political factors influencing program participation as well as the types of projects being funded.

In a previous paper (Aparicio and Meseguer 2008), we studied the program from the perspective of its ability to target communities living in poverty and suffering from social backwardness as opposed to reaching only communities of high migration. Given that the program design gives the initiative to HTAs, it certainly prioritizes the areas with the highest migration traditions. However, the program objective of targeting the poorest communities cannot be achieved because the areas of highest migration are not among the poorest ones. To the extent that matching grant programs respond to the income distribution of the actors involved, it is expected that wealthier communities will be more likely to participate than poorer ones. Therefore, a program that *unconditionally* supports migrant and hometown associations' initiatives will not be progressive if poverty and migration are not directly correlated. Indeed, our evidence indicates that the self-selection bias of the program impedes the progressivity of the program.[3]

We also found a clear partisan bias in resource allocation: states and municipalities ruled by the Partido Acción Nacional (PAN) were systematically more likely to participate in the program and receive more projects than their PRI (Partido Revolucionario Institucional) and PRD (Partido de la Revolución Democrática) counterparts. This, we posit, alerted of the political use of the 3x1 Program as a tool by the federal government to reward PAN strongholds. Indeed, anecdotal and case study evidence suggests this to be the case. This seems to be especially true in municipal politics, where HTAs' money can supplement the meager finances of local governments (Valenzuela 2006). Thus, migrants have been actively courted by municipal and state politicians, and they have been granted representation in local politics in return (Jiménez 2008). In her study of the municipality of Jala, in the state of Nayarit, Imaz (2003: 396) asserts that "migrants always took positions and in each election they were requested to give their monetary support and exert their influence in favor of a particular candidate…They [migrants] were actively sought because they could mobilize people." As mentioned above, in her account of the evolution of the 3x1 Program, Iskander (2005) explains that the momentum given to the program in Zacatecas after Governor Ricardo Monreal's election –which included cabinet-level positions for migrants– was part of the governor's reward to the HTAs for

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2.   www.sedesol.mx
3.   For instance, in 2007 68 percent of the federal money was invested in municipalities of low and medium poverty, and only 24 percent was invested in poor and very poor municipalities (Aparicio et al. 2007). Moreover, 70 percent of all migrants' clubs are affiliated with the states of Guerrero (PRD), Guanajuato (PAN), Jalisco (PAN) and Zacatecas (PRD) (Zárate 2005). Not surprisingly, in 2007 Zacatecas, Jalisco and Michoacán (PRD) hosted 59 percent of the projects and received 54 percent of the total federal resources allocated to the program (Aparicio et al. 2007).

supporting his candidacy. All this suggests that remittances have empowered migrants and migrant organizations as strategic municipal political allies, both for the resources they can bring to their communities and because they can mobilize the vote.[4]

Since we explored the determinants of program participation, the total funds received, and the number of projects funded in our previous study, here we change the focus to the *types of projects* financed by the program. Therefore, in this paper we study whether or not political factors influences the type of projects funded, and the extent to which political competition affects public good provision under the program.

Following the theoretical revision above, we classified the expenditures funded under the 3x1 Program for Migrants into those providing "public goods" (ie, non excludable) and those rendering "private or club goods" (ie, excludable). Under the "public good category," we distinguish between Public Infrastructure (ecological preservation, electrification, paving, urbanization, drinking water and sanitation, highways and roads, health and educational infrastructure) and Social Projects (community services, historical and cultural sites, sports infrastructure). We do so because social projects constitute a sizeable part of the program, and yet the social or developmental impact of projects such as church restorations, town beautification, and sport courts are rather questionable. However, since their political impact may be not negligible we are interested in distinguishing whether investments in social projects respond to a different political logic than investments in public infrastructure.

Under the "Private or Club Good" category, we include projects that can be considered as private and excludable. Under the 3x1 Program, these are mostly "productive projects", that is, projects whose purpose is the "capitalization of a business or the purchase of tools, equipment, or machines that might enable or increase production" (de Graauw 2005:21). In line with the literature, we argue that this type of expenditure can be easily used for vote buying. Indeed, several analysts have shown concerns about transforming "a community program [the 3x1 Program] into an entrepreneurial one" (Moctezuma and Pérez 2006: 135). [5]

Unfortunately, private projects funded under this program are too few so as to provide reliable estimations. Thus, in our estimations and in the discussion of our results we focus on the effect of political competition on the provision of public and social infrastructure.

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4. Burguess (2005) reports that in Zacatecas migrants pressed to have the rules changed so that only migrants belonging to a registered HTA – as opposed to any interested group or individual – could finance projects under the program.
5. For instance, Shannon (2006: 90) states that ...**the productive nature of [productive] projects invites to an additional reflection about the use of govern**mental funds – that by their very nature should be devoted to public welfare – to financing projects that, in case of being successful, would guarantee profits for particular investors, and not necessarily for the rest of the community.
And García Zamora (2006: 165) adds The transit (to productive projects) presents large problems to the Secretary [of Social Development] and to the Program, because the 3x1 was created and institutionalized to support and promote philanthropic and basic infrastructure projects, whose results belong to the community; however, productive projects translate into particular investments, and therefore the benefits are owned individually.

4. Data and Empirical Methods

To test our hypotheses, we collected data from the 3x1 Program for Migrants for all Mexican municipalities that participated during the 2002 to 2007 period (SEDESOL). The dataset includes yearly information on whether a given municipality participated in the program, the total amount invested, and the number of projects awarded in any given year. Since we also have information on the number and types of projects awarded to each municipality, we constructed variables with the amounts per capita awarded to each municipality for three different types of projects. Note that we do not have information about the full pool of project applications. Instead, we have information only on the projects that were approved and funded. On average, we have data for more than 2,400 municipalities during six years of program operation, which amounts to more than 14,000 municipality-year observations.

To measure the effect of political competition, migration, poverty and other political covariates on participation in the 3x1 Program in Mexican municipalities, we estimate a series of regression models of the following form:

$$Pr(\text{NUMPROJECTS}_{ijt} = k \mid X) = F(\beta \text{MIGRA}_{ijt} + \chi \text{POVERTY}_{ijt} + \delta \text{ENP}_{ijt} \qquad (1)$$

$$+ X_{ijt}\phi + \mu_j + v_t)$$

$$Pr(\text{PARTICIP}_{ijt} = 1 \mid X) = F(\beta \text{MIGRA}_{ijt} + \chi \text{POVERTY}_{ijt} + \delta \text{ENP}_{ijt} \qquad (2)$$

$$+ X_{ijt}\phi + \mu_j + v_t)$$

$$\text{AMOUNT}_{ijt} = \alpha + \beta \text{MIGRA}_{ijt} + \chi \text{POVERTY}_{ijt} + \delta \text{ENP}_{ijt} + X_{ijt}\phi + \mu_j + v_t + \varepsilon_{ijt} \qquad (3)$$

where the subscripts refer to the i-th municipality in the j-th state, and t refers to a given year. The dependent variable is measured in three different ways. First, PARTICIPATION is a dichotomous variable indicating whether municipality i in year t had any project funded by the 3x1 program. Second, NUMPROJECTS measures the number of total projects that were awarded to a particular municipality in a given year. Finally, the variable AMOUNT measures the sum of resources devoted to each one of our three categories of projects (in constant 2006 pesos per capita) in a particular municipality as a result of program participation. For example, in 2003 Tanhuanto, a municipality located in the state of Michoacán, participated in the 3x1 Program with six projects, a total investment of approximately US$95,000, which implied US$5 per capita devoted toward public good projects.

Our independent variables of interest are measures of electoral competition, and we control for migration intensity, poverty and other political conditions.[6] Our measure of political competition is the Effective Number of Parties (ENP), which we calculated using the Laakso and Taagepara formula (ENP= $1/\Sigma v_i^2$), where v_i is the vote share received by each party in municipal elections. An ENP index of 2, for instance, implies that two political parties split the vote 50/50, whereas an ENP of 1.6 implies that one party won by a lopsided margin of 75 vs. 25 per cent. Clearly, the margin of victory is closely related with the ENP: larger margins usually imply smaller ENP values. However, in multipartisan systems, the negative relationship between margins and ENP is non-linear and may not be defined one to one because there are many different electoral outcomes that lead to close margins. Thus, in our analysis we will rely on the ENP, which we consider a more informative measure of electoral fragmentation.

Measures of migration and poverty were obtained from CONAPO and INEGI, respectively. The MIGRATION INDEX is a principal-components score based on census data on the number of family members who live abroad, circulatory migration, and return migration in the household. The measure of POVERTY is the continuous POVERTY INDEX, which summarizes information on literacy rates, income levels, and social infrastructure in each municipality. Since migration is costly, there is a nonlinear or concave relationship between migration and poverty (Aparicio and Meseguer 2008): very affluent and very poor municipalities have the lowest migration intensity and the lowest percentage of remittance-receiving households. Given this curvilinear relationship, and the fact that the program is demand driven, we include the POVERTY INDEX and its square term in our specifications for program participation.

We control for other political factors. The POLITICS vector includes indicator variables that capture the party label of municipal and state governments. These variables were set to control for governments led by the PAN, the PRI or the PRD – the three main political parties in Mexico. Since the 3x1 program has only been implemented under a PAN federal administration, we focus on PAN municipalities, and use PRI and PRD municipalities as the comparison group. SHARED PARTISANSHIP is a dummy variable that equals 1 when the municipality and the state are governed by the same political party, and zero otherwise. LOCAL ELECTION is a dichotomous indicator that controls municipal elections being held in a given year. Finally, m_j and v_t represent state and year fixed effects, respectively, which we use in our models to capture the time-invariant heterogeneity of the Mexican states as well as any systematic year-by-year changes in the size of the program or its rules of operation.[7]

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6. Note that we consider migration intensity as a proxy of the number of HTAs (about which we do not have direct information). However, HTAs' capacity for collective action and their organizational skills are an important unobservable variable.
7. We included state instead of municipal fixed effects for several reasons. First, we had few time-invariant variables, which prevented us from using municipal effects. Second, and more important, states also have a strong influence on program participation because they have to commit resources *ex ante* via agreements with SEDESOL. Moreover, since migration has been historically concentrated in certain regions, four states host almost half of the funds and projects.

Our estimation techniques vary according to the nature of the dependent variables. Since the NUMPROJECTS dependent variable is a discrete count measure, we estimate a maximum likelihood model. Our over-dispersion tests suggested that a negative binomial was preferred to a Poisson distribution. Furthermore, since only a fraction of all municipalities participate in the program, we estimate a zero-inflated negative binomial model (ZINB) to estimate the number of projects that a particular municipality was awarded in a given year.[8] We use the MIGRATION INDEX to predict the cases with no projects awarded at all.

For the AMOUNTS *per capita* variables, we estimate three different models: (1) a two-way fixed effects OLS model, (2) a pooled OLS with a lagged dependent variable and a linear time trend, and (3) a Heckman sample selection model. The first stage or selection equation of the Heckman model estimates the likelihood of program participation using a probit model, which is then used in a second stage to estimate the amount per capita awarded while controlling for the program selection process. As we stressed before, program participation depends on migrants' initiatives, which may create a bias in favor of municipalities of high and long-standing migration tradition. Thus, we use the MIGRATION INDEX as the selecting variable in the Heckman model. In order to get a more precise estimate of the effect of political competition in high migration municipalities, we include an interaction term between ENP and the MIGRATION INDEX in the AMOUNTS regression models, which also makes sense given that migrant organizations have to take the initial steps to participate in the program.

5. Results

Table 1 below presents descriptive statistics of our dependent variable in all the municipalities that participated in the program in the sample period. About 13 percent of all Mexican municipalities have participated in the program, with an average investment of US$140,000 on 3.4 projects. Public infrastructure projects take the lion's share of the program, with 66 percent of the program resources devoted to them, on average. Private projects, on the other side, comprise about 5 percent of total program spending, albeit with considerable variation from one year to another. Thus, we will be able to exploit the information on public or social projects to a larger extent than on private ones. As we will show below, amounts per capita devoted to public goods (public and social infrastructure) follow the pattern anticipated in Bueno de Mesquita et. al. (2003) and Chhibber and Nooruddin (2004): in contexts where various parties effectively compete, where the size of the electoral winning coalition is comparatively smaller, governments devote *fewer* resources to the provision of public goods relative to less competitive jurisdictions.

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8. The number of projects awarded had a clear inflation of zeros because only a few municipalities participate in the program. A Voung test to decide between a standard negative binomial and a zero-inflated negative binomial favored the latter.

To estimate the conditional effect of migration, poverty and political covariates on participation in the 3x1 Program in Mexican municipalities, we estimate equations (1) to (3) with a series of multiple regression models using a panel dataset that comprises data from more than 2,400 municipalities over the 2002 to 2007 period.

Table 1. External revenue: foreign aid, trade, sanctions, and regime types (1960-2000)						
Year	Number of projects	Amounts (millions pesos)	Public ratio	Social ratio	Private ratio	No. of participants municipalities
2002	3.84	1.93	0.65	0.26	0.09	239
	(8.24)	(2.87)	(0.44)	(0.41)	(0.26)	
2003	3.44	1.67	0.73	0.24	0.03	260
	(4.81)	(2.17)	(0.40)	(0.38)	(0.17)	
2004	3.30	1.77	0.69	0.24	0.08	384
	(4.89)	(1.97)	(0.41)	(0.38)	(0.24)	
2005	3.75	1.95	0.65	0.29	0.06	446
	(4.52)	(2.14)	(0.42)	(0.40)	(0.21)	
2006	3.22	1.75	0.62	0.33	0.05	410
	(3.77)	(2.18)	(0.44)	(0.42)	(0.19)	
2007	2.91	1.53	0.65	0.31	0.04	487
	(4.30)	(2.15)	(0.44)	(0.42)	(0.17)	
2002-07	3.36	1.75	0.66	0.28	0.05	2226
	(4.99)	(2.22)	(0.43)	(0.41)	(0.21)	

As a first step, we need to determine whether or not political competition has any systematic effect on program participation. To do so, Table 2, models 1 and 2 presents results from a zero inflated negative binomial regression (ZINB) to estimate the number of projects awarded by municipality (equation 1). We use migration intensity and a poverty index (with a quadratic term) to predict program *non*-participation before estimating the count model. Thus, the second column in Table 1, which is the inflation equation, indicates that the probability of being awarded a project increases with migration but also that there is a nonlinear (inverse U shaped) relationship between poverty levels and program participation. We find that municipalities where the effective number of parties in local elections is higher are more likely to receive more projects awarded, all else being equal. Moreover, we also find that municipalities in states ruled by the PAN tend to receive more projects too.

Since we have found evidence that political competition and partisan variables do have an effect in program participation, our next task is to determine whether these effects differ for public vs. private projects, as the competing theoretical models outlined before predict. We turn to this issue on Table 2, models 3 to 8, which summarizes the results of a series of regressions for equations (2) and (3) above for investments per capita in either public or social projects under the 3x1 program.

Models 3 to 5 in Table 2 estimate the total investments per capita devoted by the program to public goods projects in a given municipality. Model 1 presents OLS estimates for public projects with a two-way fixed effects specification. We find that the effective number

of parties in local elections have a negative and significant effect in the amounts devoted to public good provision, controlling for a host of covariates. This negative effect is particularly stronger in municipalities with high migration intensity, as indicated by the interaction term. Party labels and shared co-partisanship do not have an impact in this model. As expected, results indicate that municipalities with high migration receive significantly larger amounts of money than those with lower migration. We also find that poverty levels have a nonlinear effect on the amounts received, which is in line with our previous results. Model 4 estimates an alternative specification with a lagged dependent variable and a linear time trend. Here, we again find that the number of parties has a negative effect in high migration municipalities, which are the main beneficiaries of the program. Also, this model indicates that states ruled by the PAN devote more resources to public projects.

Given that migration intensity is not randomly or evenly distributed in Mexican municipalities, it may be the case that our previous OLS results have a sample selection bias: if some municipal or state features influence both program participation and the amounts or types of projects awarded, OLS estimates may be biased. Moreover, since we observe only the amount of money awarded to participating municipalities, and zero otherwise, we need to correct for the incidental truncation of the amounts per capita variable. Models 5 in TABLE 2 address this issue with a Heckman sample-selection estimation, where we use the migration index as the key selecting variable for program participation. When controlling for the selection process, we find that the poverty has a curvilinear relationship with program selection, which again suggests that program participation is regressive. In the second stage of model 5, which is the amount equation, we confirm our previous finding that the effective number of parties negatively and significantly affect the amounts devoted to public good provision (significant at the 1 percent level). The Heckman model also identifies a partisan effect: municipalities ruled by the PAN are indeed more likely to participate in the program, but once there they do not appear to invest more on public projects than other participating municipalities.

Models 6 to 8 turn the attention to so-called "social infrastructure projects," which in many instances constitute the modal category for the projects supported by the 3x1 program (Aparicio et al. 2007). Our concern here is to verify if these types of projects respond to political competition in the same way as public or private projects.

Model 6, a two-way fixed effects specification, finds that the effective number of parties in local elections also has a negative and significant effect in the amounts devoted to social projects in high migration municipalities, although this result barely reaches statistical significance ($p = 0.11$). Model 7 estimates an alternative specification with a lagged dependent variable and confirms this result. The ENP is negatively related to the amounts per capita devoted to social infrastructures and this regardless of the level of migration in the municipality. Models 7 and 8 also suggest that municipalities ruled by the PAN tend to invest more resources in social projects than those ruled by other political parties, which did not seem to be the case for public projects. Finally, model 8 estimates a Heckman selection model and confirms our main result that the number of parties is negatively associated with the amounts devoted to social projects. The estimation reveals that not controlling for the selection process clearly results in a downward bias in coefficient for ENP.

Table 2. Political competition and projects funded by the 3x1 Program for Migrants in Mexican municipalities, 2002 - 2007				
	PUBLIC GOODS PER CAPITA			
	3	4	5 (HECKMAN)	
	STATE AND YEAR EFFECTS	POOLED OLS	SELECTION	AMOUNTS PER CAPITA
ENP	-8.676		0.008	-23.411
	[4.740]*		[0.024]	[5.429]***
Migration Intensity Index	59.312	48.665	0.247	
	[19.663]***	[18.062]***	[0.021]***	
ENP*Migration	-12.305			
	[5.563]**			
ENP (Lagged)		-5.343		
		[3.911]		
L.ENP*Migration		-8.879		
		[5.129]*		
PAN State	15.567	29.175	0.114	13.819
	[13.550]	[7.507]***	[0.100]	[13.645]
PAN Municipality	-1.682	-1.699	0.185	-6.499
	[8.018]	[8.832]	[0.041]***	[8.094]
Shared Government	-7.692	-3.735	0.039	-9.511
	[8.229]	[7.587]	[0.035]	[8.282]
Local Election	-7.622	-10.472	-0.155	-2.613
	[7.493]	[7.095]	[0.040]***	[7.671]
Poverty	121.193	47.275	0.452	140.697
	[20.790]***	[16.816]***	[0.088]***	[20.144]***
Poverty^2	-19.482	-7.672	-0.096	-23.590
	[4.374]***	[3.941]*	[0.018]***	[4.135]***
Dependent Variable (Lagged)		0.288		
		[0.066]***		
Year		-4.422		
		[2.563]*		
Rho				-0,213
				[0.036]***
Sigma				179.87
				[23.360]***
Lambda				-38.347
				[6.920]***
Wald Test of Independent Equations				32.44***
Constant	-126.691	8.866	-0.542	-34.358
	[31.923]***	[5.144]*	[0.228]**	[29.774]
Observations	1995	1772	10894	10894

Robust standard errors in brackets

All especifications, except for the pooled OLS, include state and year effects.

* significant at 10%; ** significant at 5%; *** significant at 1%

	SOCIAL GOODS PER CAPITA				PRIVATE AND CLUB GODDS PER CAPITA			
	6	7	8 (HECKMAN)		9	10	11 (HECKMAN)	
	STATE AND YEAR EFFECTS	POOLED OLS	SELECTION	AMOUNTS PER CAPITA	STATE AND YEAR EFFECTS	POOLED OLS	SELECTION	AMOUNTS PER CAPITA
	-1.182		0.010	-7.420	-0,539		0,007	-0,358
	[1.980]		[0.024]	[2.648]***	[0.843]		[0.024]	[0.977]
	26.922	4.740	0.249		2,056	-2,014	0,241	
	[9.242]***	[9.687]	[0.021]***		[2.412]	[2.463]	[0.021]***	
	-4.932				0,607			
	[3.126]				[0.766]			
		-10.895				0,059		
		[3.384]***				[0.644]		
		0.612				1,392		
		[2.965]				[0.945]		
	-1.159	-9.311	0.113	-1.987	-5,724	-4,374	0,114	-6,079
	[8.533]	[5.365]*	[0.100]	[8.431]	[5.227]	[2.160]**	[0.100]	[5.199]
	9.967	12.468	0.185	7.631	-0,313	-1,477	0,185	-1,044
	[4.900]**	[6.325]**	[0.041]***	[4.997]	[1.638]	[1.859]	[0.041]***	[1.818]
	-14.257	-12.780	0.039	-15.144	-2,625	0,53	0,041	-2,845
	[4.018]***	[4.811]***	[0.035]	[4.074]***	[2.558]	[2.380]	[0.035]	[2.539]
	4.591	-0.779	-0.154	7.051	-0,017	-1,291	-0,156	0,706
	[4.033]	[4.182]	[0.040]***	[4.137]*	[2.822]	[1.897]	[0.040]***	[2.813]
	12.013	14.213	0.453	23.471	-6,483	-3,257	0,462	-3,337
	[9.214]	[6.989]**	[0.088]***	[8.607]***	[3.652]*	[3.351]	[0.088]***	[3.339]
	-0.283	-2.973	-0.096	-2.682	1,512	0,744	-0,098	0,87
	[1.950]	[1.680]*	[0.018]***	[1.837]	[0.895]*	[0.842]	[0.018]***	[0.843]
		0.451				0,626		
		[0.096]***				[0.243]**		
		1.251				0,448		
		[1.205]				[0.545]		
				-0,225				-0,113
				[0.038]***				[0.020]***
				81.674				51.109
				[6.150]***				[12.608]***
				-18.415				-5.799
				[3.598]***				[2.379]**
				31.91***				30.00***
	-12.473	-2.466	-0.552	29.127	3,895	-0,89	-0,541	11,217
	[12.682]	[2.414]	[0.228]**	[14.625]**	[4.374]	[1.090]	[0.228]**	[6.394]*
	1995	1772	10894	10894	1995	1772	10894	10894

In sum, we find evidence of significant effects of political fragmentation in the number and types of projects funded by the 3x1 Program for migrants. The more competitive local elections are, as measured by the effective number of political parties, the fewer resources are devoted to public or social infrastructure projects. Put differently, the program seems to be used as a reward mechanism for strongholds, rather than a mechanism to win competed municipal elections. We also find that PAN ruled municipalities are more likely to participate in the program, but with no additional amounts, than those governed by other political parties. Figures 1 and 2 below depict our key result that the negative effect of political competition on public or social project provision is stronger in high migration municipalities, which evidently are the main beneficiaries of the program. As the figures reveal, the negative effect of political fragmentation in the amounts per capita received is particularly strong in the case of spending devoted to public infrastructure in high migration municipalities.

Figure 1. Marginal Effect of ENP on per capita spending in Public Goods, as Migration Intensity increases
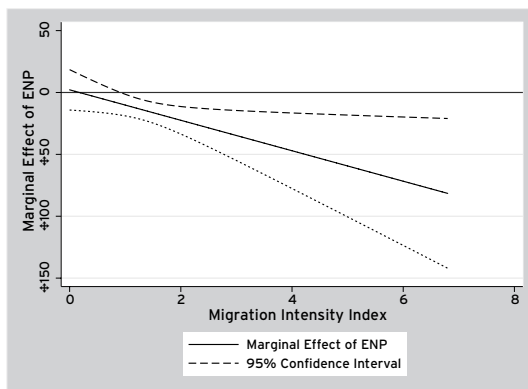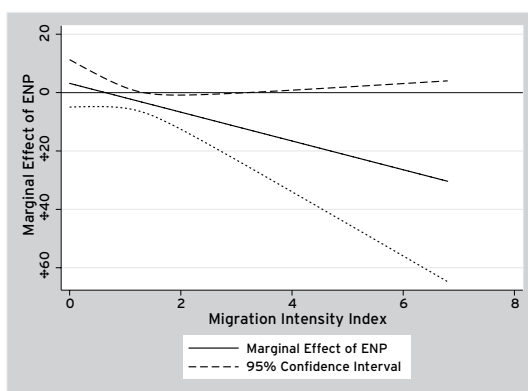

Figure 2. Marginal Effect of ENP on per capita spending on Social Goods, as Migration Intensity increases.

6. Conclusions

Remittances have become a crucial source of revenue in many developing countries. Whereas some analysts (Durand et al. 1996) regard them as flows that can circumvent state intervention – which is treated as an advantage in poorly institutionalized and often corrupt political settings – the fact is that governments do intervene to influence the amount of remittances that arrive in sending countries, the channels by which they arrive, and their uses once they have arrived. These interventions are likely to increase as governments become increasingly aware of their developmental potential. Precisely because of this characterization of remittances as alien to political intervention, political economy research on remittances is in its infancy. In this paper, we explore the 3x1 Program for Migrants, a well-publicized public policy program directed at channeling collective remittances to "productive uses" and to provide public and social infrastructure in migrants' communities of origin.

We explored how increasing political competition, which has been a feature of Mexican politics in recent decades, is affecting the allocation of projects under the 3x1 Program. Based on the literature on redistributive politics, we explored two competing theories to explain the allocation of private and public transfers. On the one hand, a risk aversion mechanism would take politicians to invest in private transfers to secure the loyalty of core voters. This will be the case if the incumbent electoral track reveals declining support. Instead, public goods would be used to address heterogeneous constituencies in competed electoral settings.

On the other hand, the size of the winning coalition mechanism anticipates that in settings were a few political parties compete, and large constituencies need to be attended, politicians will give priority to public good expenditures. In turn, increasing political competition motivates politicians to focus on specific groups, increasing the provision of club goods or more particularistic transfers. The evidence from the projects awarded under the 3x1 Program for Migrants follow this pattern when subject to several estimation methods: the provision of public and social infrastructure in high migration municipalities tends to decrease with increased political competition. Thus, there is little reason to be optimistic about the alleged positive link between greater political competition and enhanced provision of public goods, at least under this particular program. What our results suggest is a political use of the 3x1 Program to reward high migration strongholds, other things equal.

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