

“Corporate Giving Trends in the U.S.-Mexico Border Region”

*A Collaboration of:
International Community Foundation (ICF)
The Synergos Institute (Synergos)
Cross Border Business Associates (CBA)
Fundación Empresarial Sonorense (FESAC)
El Paso Community Foundation*

About this report

The International Community Foundation, the Synergos Institute, Crossborder Business Associates, the Fundación Empresarial Sonorense, A.C. (FESAC), and El Paso Community Foundation undertook the study of charitable corporate giving along the border to provide an initial assessment of general levels of giving by Mexico's maquiladora industry to better understand their philanthropic policies; to identify and describe specific cases of outstanding community participation by some maquiladoras; and to assess some of the outreach efforts of non-profit groups that are actively working with companies operating maquiladoras in the border region.

For more information about the report contact:

International Community Foundation
11300 Sorrento Valley Rd. Suite 115
San Diego, Ca 92121
P: 858-677-2913
F: 858-677-2918
E-mail: Info@icfdn.org
www.icfdn.org

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About The U.S. Mexico Border Philanthropy Partnership (BPP)

The BPP was formed in 2002 as a unique bi-national, cross-border collaboration of funders dedicated to improving the quality of life in low-income communities in the rapidly growing U.S.-Mexico border region. The Partnership is composed of 9 national/regional Funders and 21 community foundations operating in both the United States and Mexico. BPP Partners have a strong commitment to the collaborative partnership process, interest in contributing to the development of Border Community Foundations and border philanthropy, and willingness to catalyze concern for the quality of life in the U.S.-Mexico border region. For more information, please visit www.borderpartnership.org.

About the Partners



International Community Foundation (ICF)'s mission is to promote increased charitable giving and volunteerism across U.S. borders to benefit overseas nonprofit organizations and communities with an emphasis on Baja California, Mexico. ICF provides leadership and strategically focused guidance to our donors so that they may contribute to worthwhile groups and organizations undertaking innovative programs.

The organization promotes sustainable communities by building partnerships mobilizing resources, leveraging technology, engaging U.S. based immigrants in transnational philanthropic endeavors and strengthening communication among community leaders across international borders. For more information please visit www.icfdn.org.



The Synergos Institute strengthens local and private philanthropy and links the two into partnerships with business, government, civil society and communities to address problems of poverty and inequity. As managing partner of the US-Mexico Border Philanthropy Partnership, the Synergos Institute administers the partnership's pooled funds, mobilizes the human and financial resources available to the partnership, coordinates activities, provides capacity-building assistance to Border Community Foundations and twice a year convenes Founding Foundations,

Border Community Foundations, Synergos staff, expert speakers and independent evaluators and advisors to a Learning Community. For more information please visit www.synergos.org.



Cross Border Business Associates (CBA) specializes in the maquiladora industry, NAFTA/CAFTA exporters, crossborder market strategies, logistics and transportation, border infrastructure, and technology/environmental trends. CBA also is one of the few crossborder market research firms that understands both sides of the US-Mexico border, integrating Southwest U.S. Hispanic market data with that of Northern Mexico. For more information on CBBA , visit: www.crossborderbusiness.com.



Fundación Empresarial Sonorense (FESAC) is a Mexican public charity whose mission is to improve the standards of living of the people of Sonora by engaging the resources of its industries and promoting a culture of civic duty and participation in sustainable practices amongst the members of the community and its institutions with the aim of fighting poverty and marginalization within the community. For more information please visit www.fesac.org.



El Paso Community Foundation was established in 1977 as a permanent endowment for the long-term benefit of Far West Texas, Southern New Mexico and Northern Chihuahua, Mexico. It serves as a charitable resource to donors, nonprofit organizations and the community at-large. <http://www.epcf.org>

About the Co-Authors (in alphabetical order):

Richard Kiy (ICF) is President & CEO of the International Community Foundation which he has been leading since the summer of 2001. Kiy has over 15 years of international experience in the private, public and non-profit sectors. Prior to joining ICF, Kiy served as Senior Vice President for Business Development at PriceSmart, Inc., a leading emerging markets retailer with operations throughout Central America, the Caribbean and the Philippines. Before joining PriceSmart, Kiy served as Principal Deputy Assistant Secretary for Environmental Health & Safety at the U.S. Department of Energy and over the years has held several other senior level positions in the U.S. Government including Acting Environmental Attaché at the U.S. Embassy-Mexico. Kiy's other international experience includes business development related work in the areas of the environment and applied information technology solutions for Science Applications International Corporation in Mexico and Venezuela. A graduate of Stanford University and Harvard University's John F. Kennedy School of Government, Kiy is also the co-author of a book entitled Environmental Management along North America's Borders. Recently he has contributed to studies on transnational Mexican immigration to the San Diego region as co-author and co-editor of the book The Ties That Bind Us: Mexican Migrants in San Diego County.

Julieta Mendez (ICF) is a graduate from the University of California San Diego's Graduate School of International Relations and Pacific Studies (IR/PS) where she received a Masters in Pacific International Affairs. Mendez also received a Bachelors of Arts degree in Business Economics and Political Science from the University of California, Santa Barbara (UCSB) with a senior thesis focusing on Mexican democratization and the role of civil society. She currently serves as ICF's Executive Coordinator providing managerial and programmatic assistance to ICF's president. Prior to working with ICF, Mendez served as a consultant to various foundations and nonprofits in the San Diego area, including the San Diego Foundation and the Immigrant Museum for New Americans, among others. A California native of Oaxacan descent, Mendez is currently assisting ICF with its expanded Latino philanthropic outreach, primarily focused on transnational migrant communities.

Kenn Morris (CBA) has over 12 years of experience in US-Mexico business and political analysis, with a specialization in cross-border market research, the maquiladora industry, logistics and cargo, border infrastructure, and border-related policy issues. A native of California, Mr. Morris has lived on both sides of the US-Mexico border, reflected in his passion for the region, his insight into the competitive advantages of crossborder activities, and his understanding of the opportunities in Mexico and Latin America. He is active in the San Diego World Trade Center and the California Council for International Trade (CCIT), currently the appointed Chair for the San Diego World Trade Center's Advocacy Committee. Mr. Morris has an MBA in International Business from San

Diego State University, and studied under a scholarship as an International Fellow in the AGSIM (Thunderbird) -- Universidad Autónoma de Guadalajara program in Guadalajara, Jalisco. He also holds a BA in Economics from San Diego State University.

Javier H. Valdés (Synergos) is currently the Special Projects Coordinator at the New York Immigration Coalition. Until August, 2005, Mr. Valdés was the Program Officer for Latin America, Strengthening Bridges Organization Program, at the Synergos Institute. He has a Master's Degree in Urban Planning from New York University (NYU), along with a Bachelor of Arts in Latin American Studies and a Bachelors of Environmental Design from Texas A&M University. Prior to joining Synergos, Javier was a Research Associate for the Research Center for Leadership and Action. He has also served as a consultant for the Local Government Unit of the United Nations Capital Development Fund where he conducted field research in Nicaragua and Yemen. Before coming to New York, Javier was the Director of Information Technology for the Federation of Municipalities of Central America (FEMICA). Javier was a Peace Corps Volunteer in Guatemala, and worked with Banco Nacional de la Vivienda in the Dominican Republic in the design, presentation, and administration of urbanization projects.

Rafael Valdez Mingramm (Synergos) is a Consultant for Latin America, Strengthening Bridges Organization Program, at the Synergos Institute. He has a Master's Degree in Public Policy and Administration from Columbia University and a Bachelor of Arts in Economics from the "Instituto Tecnológico Autónomo de México" (ITAM). In the nonprofit sector, Rafael co-founded and chaired Fundación EDUCA Mexico, A.C., a nonprofit venture that has supported more than 30 organizations and benefited 16,000 low-income children, their families and communities. He has also worked at Casa de Moneda de Mexico (Mexican Mint) where he managed domestic and international sales, exporting 1.5 billion coins to foreign countries, and designed a benchmarking system that enables 48 National Mints to measure performance and identify best practices. As a Joint Japan-World Bank graduate scholar, Rafael participated in a research partnership between Columbia University and the World Bank on "The Role of Business in Sustainable Development", publishing a paper entitled "Multi-Stakeholder Partnerships: a Complementary Strategy to Fulfill Global Commitments in Education".

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Executive Summary: Border Corporate Giving Trends

In the Spring of 2005 the International Community Foundation (ICF), the Synergos Institute, Crossborder Business Associates, the Fundación Empresarial Sonorense, A.C. (FESAC), and El Paso Community Foundation (EPCF) undertook research of charitable corporate giving trends along the border to provide an initial assessment of general levels of giving by Mexico's maquiladora industry to better understand their philanthropic policies; to identify and describe specific cases of outstanding community participation within the maquiladora sector; and to assess some of the outreach efforts of non-profit groups that are active in maquiladora communities. Over 800 maquiladora facilities were contacted in six Mexican Border States, with 110 maquiladora facilities of Fortune 500 and major third country multi-nationals participating anonymously in the study. The sample set represents 8.2 % of total maquiladora employment along Mexico's northern border. Additionally, 50 Mexican border area nonprofit leaders were surveyed to gauge their perceptions of corporate giving in the region.

The key findings were as follows:

- While there are notable exceptions of corporations setting the standard through their philanthropic leadership (Mattel, Johnson & Johnson, Sony, Sanyo, Medtronic, Kyocera and GM), **for the vast majority of companies operating maquiladoras along Mexico's northern border, charitable giving is substantially lower in Mexican border communities when compared to contributions made to comparable nonprofits in the United States.**
- Of the companies surveyed, **65.5% contributed \$10,000 or less in cash donations to charitable causes annually, and 25.5% contributed nothing to charities along the border where they operated. A mere 9.1% gave over \$10,000 annually.**
- **Limited funding authority at plant manager level.** Only 10% of maquiladora managers have funding authority above \$10,000. 66% can fund up to \$1,000. Less than 25% can authorize funding up to \$10,000.
- **In-kind assistance is preferred over cash donations.** Among maquiladora operations, the preferred form of charitable assistance is on an in-kind basis. 68.2% of maquiladoras surveyed made in-kind gifts, with the majority valued at less than \$10,000 annually. While the most common justification by maquiladora operators for preferring in-kind donations over monetary contributions is an apparent absence of reliable charitable institutions to effectively manage their donated funds, there are, in fact, a growing number of community foundations along the border as well as United Way affiliates (Fondo Unido) that are well positioned to assume this role. Here there appears to be a need for greater collaboration between maquiladora operators and public charities operating in the border region.
- **Companies cited their desire to be a good corporate citizen and to build employee morale as the two primary reasons that they give to nonprofits in the border region.**

- **A strong internal champion is a key determinant to giving:** The single biggest determinant for charitable giving by companies operating in the border region is the presence of a strong champion(s) within a given company for a specific nonprofit or public charity. More often than not, key funding decisions are not taken by headquarters but rather based on the recommendations of plant managers.
- **The proximity of corporate headquarters to the border is a factor.** Companies with headquarters or regional office locations within close proximity to their border operations are more inclined to have senior managers actively involved with border area charities on a voluntary basis, and subsequently, are more inclined to be strong advocates for specific charitable causes.
- **A nonprofit's track record, brand, size and programmatic focus are key factors in funding.** Companies have a preference toward funding larger, more established charities with a strong board and brand identity and/or those with an existing U.S. 501(c)(3) counterpart organization. Maquilas are also more inclined to fund education and health care related nonprofits as opposed to environmental and human rights/justice related groups. Smaller, less established nonprofits are less likely to receive maquiladora funding. Many of their parent companies are more inclined to fund nonprofits that are able to fulfill grant requirements in English and online (proposal and reporting). The vast majority of maquilas will only grant to nonprofits that are registered as authorized public charities (donatarios autorizadas) under the Mexican tax code. This limits funding to only the larger Mexican border area nonprofits, increasing the gap between "have" and "have not" among nonprofits.
- **Impediments to corporate giving exist, such as:** maquilas being cost centers not profit centers; fiscal disincentives in the Mexican tax code that discriminate against those maquiladora operations that want to give; regulatory controls in the U.S. resulting from the U.S. Patriot Act that have had a chilling effect on U.S. corporate giving to overseas nonprofits including those in Mexico; and weak communication channels between maquiladora plant managers and their corporate-giving programs or foundations.
- **Strategic positioning on the border is a factor:** U.S. companies and multinationals with the intent to remain in the border region, because of its unique competitive advantages (proximity to U.S. market, relative labor cost, productivity) are more inclined to give charitably in the communities where they operate (to promote employee retention and good community relations) than those companies and/or industrial sectors facing pressures to relocate offshore.
- **Size of community matters.** The level of corporate giving varies from community to community along the U.S.-Mexico border. Border corporate giving represents a larger share of charitable gifts among nonprofits located in major maquiladora centers (e.g. Tijuana and Juarez).

- **Some maquilas are collaborating to have a bigger social impact.** Given the limited resources currently available by many maquiladoras for charitable giving, companies are partnering through their active involvement with local Rotary Club chapters, Fondo Unido (United Way) and maquiladora associations.

Recommendations

Border-based companies could do more to make a difference in the communities where they operate. Yet, the responsibility for increasing the level of corporate giving does not lie solely with the individual companies operating along the border. The Mexican government could play a more prominent role by streamlining its tax code; border area community foundations and United Ways could take a stronger leadership role in encouraging and enabling maquilas to give. These charitable institutions could also assist in strengthening the overall institutional capacity of border area non-governmental organizations (NGOs) to better position nonprofits to receive corporate funding. What has become clear is that through a more cohesive and collaborative joint effort among corporations, government and civil society, more could be done to significantly increase corporate philanthropy along the border thereby improving the living conditions of the growing number of under-served people now living in the region. Without such collective action maquiladora oriented corporate giving along Mexico's northern border will remain inconsequential.

To expand corporate giving by maquiladoras in the border region, the following is recommended:

- **Mexico's tax code must be reformed so maquilas can have the same tax incentives to give as other Mexican national companies.**
- **Procedures must also be streamlined to facilitate charitable tax deductibility for Mexican NGOs. Right now those registered that have tax-deductibility status are very limited---a mere 172 in the border area (See Appendix 5).**
- **Corporations can do more to take a leadership role at the corporate and plant manager level.** Here, parent companies and their corresponding corporate foundations and/or corporate giving programs need to do a better job of working with their maquiladora plant managers to become more engaged in the border communities where they operate. In this age of expanding globalization and greater accountability for a company's corporate social responsibility (CSR), maquiladora plant managers need to be empowered to act more like community based "corporate ambassadors," becoming more directly involved and empowered to get involved in their own company's philanthropic endeavors in the places where they live and do business including the U.S.-Mexico border region. Here it should be noted that companies need to expand the level of authority granted to plant managers for charitable giving at the community level as presently that discretionary spending authority is quite limited.
- **Intermediary charitable organizations (e.g. border area community foundations and the United Way) and service organizations (e.g. Rotary Club, Kiwanis, Optimists) should increase their outreach to corporations in order to expand their**

options for giving across the border as well as to serve as a clearinghouse for less well known nonprofits, thereby reducing the risk to corporate funders. Right now, there are few doing that job--El Paso Community Foundation, ICF, la Fundacion Internacional de la Comunidad in Baja California & FECHAC are exceptions. BPP has an obvious leadership role to play.

- **Nonprofits could do more to build strategic alliances/partnerships** with companies forging long term, win-win relationships. This includes more active participation of senior level maquiladora management (Mexican national and expatriates) on nonprofit boards. Here, *FEMAP in Cd. Juarez* and *Hospital Infantil de las Californias* in Tijuana are showing the way for other nonprofits.

i. Introduction

Today, more than ever, U.S. and other third country multinational corporations are global in their market reach as well as where they do business. This increasingly requires that companies extend their definition of the communities they serve beyond traditional national/regional/local interests to include communities beyond America's immediate borders where they operate or have a presence. Nowhere is this truer than along Mexico's northern border where there are over 2,750 maquiladora assembly and manufacturing operations with over 60% owned by U.S. companies. The list of Mexico's top 100 employers in this category includes major Fortune 500 and non-U.S. foreign companies firms such as Delphi, RCA, Ford Motor Company, Tyco, General Electric, General Instruments, Johnson & Johnson, Sony, Hitachi, Medtronic, Samsung and ITT.

Clearly U.S. companies and third country subsidiaries in Mexico (originating from Japan, Korea and the EC) have benefited under the North American Free Trade Agreement (NAFTA) through expanded trade and commerce, yet the same cannot be said for the border communities where many of these same companies operate. With expanding direct foreign investment and exports, a marked increase in human migration has resulted in unmet social needs, and an overall decline in the environmental quality and health of those living along the U.S.-Mexico border over the past eleven years since the agreement's enactment. These challenges are not necessarily directly attributed to companies operating in the border region but are realities all the same.

Due to these circumstances, U.S. border counties remain among the poorest in the nation with childhood poverty on the rise, increasing school dropout rates, and some of the highest incidences of infectious diseases such as tuberculosis, HIV/AIDS, and hepatitis in the country. Correspondingly, on the Mexican side, similar challenges exist. Urban poverty is on the rise from Tijuana to Matamoros, despite the fact that per capita income figures in these cities are above others in the interior of Mexico. The NAFTA-induced relocation of production from the United States to Mexico has accelerated the level of migration to the border region and with it the incidence of rural to urban poverty across Mexico.

Without a doubt, companies operating in the U.S.-Mexico border region, with a combined population now exceeding 12 million people¹, stand to gain from a healthier workforce and more vibrant, livable border communities. After all, two of the biggest challenges for companies along the border are employee retention and customer acquisition. In fact, this holds true not only for the border region but for multinationals operating around the world in general. Evidence of this is supported by a survey conducted by Cone/Roper in 1993/1994 providing strong evidence that consumers are increasingly more inclined to buy products that are associated with a company that has a positive social image, and with a cause they cared about. Over 60% of consumers stated that they would switch brands and/or retail stores to support a cause they cared about.² In this context, it is clearly advantageous for a company to be viewed

¹ Southwest Center for Environmental Policy & Research, 2003, <http://www.scerp.org/population.htm>

² Kotler, Philip and Nancy Lee. "Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause", New Jersey, 2005, Pg. 7.

favorably for its charitable efforts. So, why don't more U.S. companies and multinational corporations operating along Mexico's northern border give?

ii. **Factors Affecting Maquiladora Charitable Giving along the US-Mexican Border**

While there are clearly corporate leaders along the U.S.-Mexico border, such as Johnson & Johnson, Scientific Atlanta, GE, Mattel, Kyocera, CEMEX and Levis Strauss, that understand the strategic benefits of charitable giving in the region, these companies are more the exception than the rule. Unfortunately, for the vast majority of companies operating along the border, charitable giving still remains quite limited.

Critics of globalization and offshore manufacturing point to the lack of commitment and understanding by U.S. corporations about communities beyond their immediate corporate headquarters' location, including a lack of understanding of the unique problems faced by each community. Yet, to conclude that companies operating maquiladoras are un-caring, exploitative or have no interest in making a difference in their respective communities is simply untrue.

The vast majority of U.S. and third country manufacturing operations are owned by corporations that do care and, in general, maintain a commitment to corporate social responsibility in labor practices and environmental quality in the communities along the border where they work. Furthermore, given on-going maquiladora turnover challenges and the rapid population growth of major cities along Mexico's northern border relative to other major metropolitan regions of Mexico, it would seem logical that companies would be encouraged to give charitably in an effort to promote employee retention, morale and/or market share. So, why does corporate giving along the border continue to lag?

The answer is not simple as there are a number of contributing factors, including many structural impediments, that continue to limit or inhibit corporate giving in the border and these factors need to be taken into account:

- I. ***There are a limited number of U.S.-based cross-border grantmakers through which U.S. companies seeking tax deductions can turn to, to support their desired charitable causes in Mexico.*** To date, U.S. corporations can count on only a handful of reliable charitable grantmakers such as the International Community Foundation (ICF), El Paso Community Foundation, Mascareñas Foundation, Project Concern International (PCI) and Fondo Unido (United Way) to direct their contributions to causes or programs south of the border. Also, the number of Mexican foundations and nonprofits with U.S. 501(c)(3) equivalents is still limited, with a few exceptions: FECHAC, FEMAP, Habitat for Humanity, Junior Achievement, and Hospital Infantil de las Californias. Since 9/11, the need for reliable U.S. based intermediaries and/or U.S. based nonprofits with a cross-border mission has become ever present due to the growing reluctance of U.S. companies to contribute directly to overseas charities in general as a result of the U.S. Patriot Act.

2. **Lack of an assessable legal and fiscal framework that can support the development of civil society and corporate philanthropy in Mexico:**
 - a. While most Mexican corporations can deduct their charitable contributions, under the Mexican tax code, Mexican fiscal treatment of maquiladoras does not allow for this. On the contrary, companies operating maquiladoras are taxed on their total cost of operations – which would only be increased by additional “expenses” made for charitable gifts. In other words, under the current tax rules, charitable contributions made actually increases a maquiladora’s taxable base, rather than decrease it. Needless to say, this creates a disincentive for companies operating maquiladoras to participate in philanthropic efforts. According to Mauricio Monroy, managing partner of Deloitte & Touche’s Baja California office, *“This treatment plays an important role in the inappropriate perception that many have of maquiladoras in terms of them having little or no interest in giving to their communities.”*
 - b. On the other hand, Mexican law lacks a simple and efficient means in which nonprofit organizations can obtain charitable deductibility status. As noted, previously only 172 border nonprofits have this status. This has significantly hindered the development of civil society in Mexico and made it difficult for U.S. and other countries’ maquiladoras to give.
3. **The lack of accountability and management, marketing, and outreach skills among the majority of border area Mexican non-governmental organizations (NGOs) diminishes their chances to receive corporate funding and support for their social causes.** While the capacity of NGOs is growing along the border and there are numerous very well-managed charities in the region, the majority of NGOs are small with limited staff and infrastructure. In addition, these NGOs often lack the formalized training and experience to effectively respond to the needs of U.S.-based companies operating maquiladoras. This contributes to the disparity among Mexican border area NGOs, and creates a widening gap between the “haves” and “have nots” in civil society along the border. Presently there are a very limited number of border based NGOs receiving the lion’s share of corporate funding from maquilas and their parent companies.
4. **Maquiladoras operators have limited discretionary authority for charitable giving. Based on study findings, it was learned that** among those companies operating maquilas along the border, the decision making authority for major charitable gifts typically lies at corporate headquarters. In this sense, if a company’s senior management is not aware of the local needs in a given border community where their maquiladora operates, there is less likelihood that a maquiladora will become involved in charitable giving. In such case, the community will have to only hope for a “local champion”—a maquiladora manager that is sensitive to the needs of the community, and can communicate these needs effectively to its corporate headquarters. To resolve this issue, corporate headquarters and corporate foundations need to pay increasing attention to the needs of communities where they operate internationally, and instill a culture of international corporate social responsibility to their maquiladora managers.

While corporate charitable giving along the border does remain quite limited, it is important to emphasize that generally most, but not all, major border area companies do give charitably, whether it is in the form of monetary donations, sponsorships of charitable events, in-kind gifts (product donations or services), and/or the commitment of time among employee volunteers. While this is so, the extent of border-based giving varies tremendously from company to company. Without question, maquiladoras and their parent companies could do more if the conditions to giving were more favorable and many of the above referenced impediments were removed.

Some companies have a long-standing tradition of supporting charitable organizations along the border, and their level of giving is reflective of the number of years in a given community, the leadership and extent of civic involvement of a given plant manager, the number of local employees, and/or its overall profitability. In turn, there are other assembly and manufacturing companies, particularly those producing low priced, labor intensive products such as textiles, small consumer electronics items, and toys that are more susceptible to an internationally competitive market. These companies are focused on simply staying in business given growing foreign competition from alternative offshore locations.³ In these instances, charitable giving is not high on their priority list. As a case in point, in Tijuana alone, over 258 companies - representing 20% of the maquiladora employment in the city - have shut down in the past three-and-a-half years; 23 % of maquiladora workers, or about 67,000 people, lost their jobs in Ciudad Juarez; and some 18,000 workers lost their jobs in Matamoros.⁴

iii. Purpose and Objectives of the Study

In an effort to better assess corporate giving trends in the U.S.-Mexico Border Region with the goal of expanding philanthropic efforts in the region, the U.S.-Mexico Border Philanthropy Partnership (BPP) commissioned this study with a project team consisting of the San Diego-based International Community Foundation (ICF), the Synergos Institute, Fundacion Empresarial Sonorense (FESAC), the El Paso Community Foundation (EPCF), and Cross Border Business Associates *and the financial support of first and foremost the Ford Foundation as well as ICF, FESAC and EPCF.*

This study has four primary objectives, namely to:

- a) **Raise awareness about corporate giving trends in the border region, identifying success stories of companies making a difference and highlighting existing constraints and impediments;**
- b) **Encourage more active engagement and collaboration between border area community foundations, nonprofit organizations in the region, and**

³ According to official figures, foreign direct investment (FDI) to developing countries, particularly to China, Russia, and India, increased from 25, 1.4, and 2.2 % in 2001 to 34%, 4.7%, and 3.2 % in 2004, respectively. In the same period, FDI to Mexico decreased from 16% to 10.5 %, while the average productivity growth was only 0.5% in comparison to 6 and 4 % from China and Korea.³

⁴ Brezosky, Lynn, "Other Cities Benefit From Maquilas Return," Associated Press, January 25, 2005

major corporate givers in order to develop and strengthen local and regional partnerships and assist community foundations in their fundraising efforts.

c) **Promote structural reform in Mexican law that will encourage, not discourage, the development of civil society and maquiladora charitable contributions** with the aim to raise additional resources and enhance the involvement of this sector.

d) **Expand the overall level of corporate giving by both major maquiladora employers and service providers** (e.g. banking, retail, telecommunications, etc.) while identifying potential corporate champions to address critical border area needs in the future.

Without question, U.S. and multinational companies located in the border region can and should do more to make a difference in the communities where they operate and benefit from, yet it is also important to recognize the impediments that remain that continue to inhibit companies from being more generous with their money, time, and in-kind contributions. Here, it is our hope that through this study and the pro-active efforts of community foundations along the border, greater transparency can be fostered so that a net increase of sustainable corporate giving can occur in the border region over time.

iv. Key Findings

Between March and May of 2005, over 800 maquiladoras in the six border states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon and Tamaulipas were contacted (via email, fax, and/or phone) to solicit their participation in this first-ever Border Philanthropic Survey of the Maquiladora Industry with the aim of gaining a better understanding of their tendencies for charitable giving. In the end, 110 maquiladoras completely answered the survey questionnaire (another 23 completed partial surveys, although their responses were not included in this analysis).⁵ The maquiladoras participating in this survey represent 8.2% of the total border area's maquiladora workforce. Additionally, a representative sample of 50 nonprofit leaders from along the border were also interviewed with the goal of assessing current trends in corporate giving in the border region so as to better develop ways in which border area community foundations may contribute to catalyzing expanded philanthropy and volunteerism among corporations doing business on both sides of the U.S.-Mexico border.

The key findings were as follows:

- While there are notable exceptions of corporations setting the standard through their philanthropic leadership, for the vast majority of companies operating maquiladoras along Mexico's northern border, **charitable giving is substantially lower in Mexican border communities when compared to contributions made in the U.S., even when total employee size is taken into account.** As a case in point, of the

⁵ Of the participating maquiladoras surveyed 87% identified the origin or location of their parent company predominantly in either the United States or Mexico

companies surveyed, 65.5% contributed \$10,000 or less in cash donations to charitable causes annually, and 25.5% contributed nothing to charities along the border where they operated. Only 9.1% gave over \$10,000 annually. As previously noted, an often overlooked reason for this is the current fiscal disincentives that exist in the Mexican tax code, which unduly impact maquiladora operations, together with a very weak philanthropic culture in Mexico and the border region in general.

- U.S. Companies and multinationals with the intent to remain in the border region because of its unique competitive advantages (proximity to U.S. market, relative labor cost, productivity) are more inclined to give charitably in the communities where they operate (to promote employee retention and good community relations) than those companies and/or industrial sectors facing pressures to relocate to other offshore locations. So, sustainability and long-term commitment to border communities is still an important challenge.
- Corporate giving in the border region takes many forms including financial support to nonprofit charities, in-kind gifts including products and services, as well as employee volunteerism and employee matching gifts. Among maquiladora operations, the preferred form of charitable assistance is on an in-kind basis. 68.2% of maquiladoras surveyed made in-kind gifts. As cost centers, financial contributions made by U.S. companies operating maquiladoras in the border region are more limited except in those cases where companies have the support of a headquarters' foundation or corporate giving program.
- Corporations located along the border give charitably for a variety of reasons including a desire to be a good corporate citizen, to strengthen the company's image or brand, and to build employee morale. In some cases, corporations support social development initiatives locally not because they are concerned about unsatisfied needs in the border region, but because of global Corporate Social Responsibility (CSR) policies.
- Some border corporate giving is clearly reactive, in response to governmental regulatory compliance issues or to rectify environmental problems caused directly or indirectly by a specific company's operations. Other charitable giving is based on social pressures and/or personal commitments made by plant managers or other senior employees to support specific charity events or onetime requests by local service organizations (e.g. Rotary Clubs, Kiwanis, Optimists, Lions) or maquiladora associations. Finally, along the border, numerous examples of corporate charitable giving efforts that are more pro-active or strategic in nature are aimed at addressing a priority community-based issue or need over a sustained period of time. These efforts are usually with the commitment of not just financial or in-kind resources by a given company, but also the investment of employee time and/or matching grants.
- The single biggest determinant for charitable giving by companies operating in the border region is the presence of a strong champion or champions within a given company for a specific nonprofit or charity. More often than not, key funding decisions are not taken by headquarters but rather based on the recommendations of plant managers. Here, the level of knowledge and/or level of engagement by a specific plant manager with a given

nonprofit is among the most important factors leading to future support. Notwithstanding, in some cases there is evidence that suggests that these companies do not follow a rigorous selection or screening process that guarantees the optimal allocation of their contributions. In most cases, maquilas simply support those organizations that knocked on their door, were the most visible in the community or offered assistance to those organizations identified by their employees.

- The proximity of corporate headquarters and/or senior management to the border region truly does matter. Companies with headquarters or regional office locations within close proximity to their border operations are more inclined to have senior managers actively involved with border area charities on a voluntary basis, and subsequently, are more inclined to be strong advocates for specific charitable causes. For example, Mattel, based in El Segundo, CA, has a longstanding commitment to *Hospital Infantil de las Californias* through their annual sponsored golf tournament.
- The level of corporate giving varies from community to community along the U.S.-Mexico border. For example, corporate giving represents a larger share of charitable giving among nonprofits in major maquiladora centers and retail markets such as San Diego/Tijuana and El Paso/Juarez. Smaller communities such as Tecate and Nogales are more reliant on support from the government, individual contributions, and other income sources including fee for services. In smaller communities the pressure to give among their maquiladora peers was also less visible, so having a critical mass of companies giving at some level (even if it is small) contributes to other companies that are less philanthropically inclined to give.
- In some cases, local corporations have come together as a united front to strengthen civil society through charitable giving via voluntary monthly contributions, as exemplified by Fundacion Empresarial Chihuahuense (FECHAC) and Fundacion Empresarial Sonorense (FESAC). Where this has occurred, local corporations have set an example for engaged corporate community, establishing solid trusted institutions that can properly manage and distribute funds in their respective communities. As a result of both FECHAC and FESAC, communities in both Chihuahua and Sonora have seen a marked increase in corporate giving, and as a result, civil society has been strengthened. Here, an opportunity exists to establish similar corporate donor circles in Baja California and Tamaulipas, working in close collaboration with Fundacion Internacional de la Comunidad (FIC) and the Fundacion Comunitaria de Matamoros.
- Given the limited resources currently available by many companies for charitable giving in the border region, there is a desire by some companies to partner with other like-minded companies and/or funders in support of worthy charities. This is highlighted by the active role that local Rotary Clubs and Fondo Unido (United Way) chapters play to engage maquiladora managers in coordinated charitable giving to communities along the border. Here, border area community foundations, in particular those members of the Border Philanthropy Partnership (BPP), have a potential catalytic role to play in bringing like-minded corporate actors together to make a difference as well as exploring ways in

which they can partner or collaborate with Fondo Unido (United Way) and other service organizations like Rotary International, Lion's Clubs and Kiwanis Clubs.

- Increasing foreign competition has led to the closure of a growing number of maquiladora operations and facilities in U.S. border communities over the past four years. Fortunately, this has not necessarily led to all these companies walking away from their charitable commitments as exemplified by Levis Strauss & Company honoring its previous charitable commitments in El Paso and South Texas. Still, Levis Strauss is more the exception rather than the rule.
- Companies have a preference toward funding more established charities and those with an existing U.S. 501(c)(3) counterpart organization. Here, companies are looking to fund nonprofits with an existing track record and proven achievements, a strong board of directors with recognized community/civic leaders, and a high degree of transparency including a commitment to annual independent financial audits.
- Companies operating border area maquiladoras are also more inclined to be involved in charities focusing on health and education, as well as children and youth issues. In contrast, they are less inclined to support nonprofits in the areas of the environment or human rights/social justice.
- Among corporate givers, the strength of a nonprofit's brand matters and is increasingly becoming more important under the new face of philanthropy. As Keith Epstein highlights, *"In an attempt to become more strategic in their philanthropy, corporate donors are tying their gifts more closely to their company's business objectives, short-, medium-, and long-term."*⁶ Those nonprofits with a strong brand identification and/or visible presence in a given community (e.g. FEMAP in Cd. Juarez, Hospital Infantil de las California, and Fundación para la Protección de la Niñez I.A.P in Tijuana) are more apt to receive corporate funding/support. To the extent that a corporation is able to strengthen their brand or corporate identity by aligning themselves to a selected nonprofit, the probability of charitable giving dramatically increases.
- Given corporate funding preferences along the border, there is a widening gap between the "haves" and "have nots" among nonprofit organizations. The nonprofits and charitable causes that are less likely to receive support are generally the smaller organizations and those without "donatario autorizado"⁷ status, or the economic means to pay for an annual audit. Here, border community foundations can play a critical role in serving as fiscal sponsors to help worthy but otherwise overlooked border area nonprofits to receive corporate funding or to improve the likelihood that smaller, less known, nonprofits are considered for funding.

⁶ Epstein, Keith. *Philanthropy, Inc.* Stanford Social Innovation Review, Stanford, Summer 2005. Pg. 22

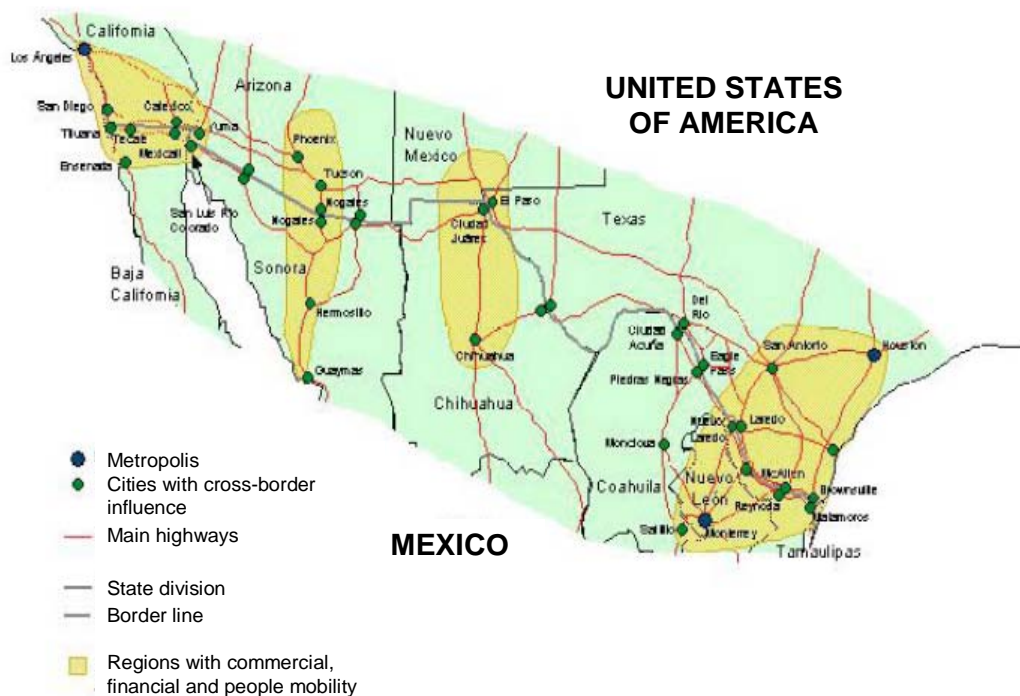
⁷ Term used to refer a nonprofit organization with tax deductibility.

v. The Border in Context

The nearly 2,000-mile U.S.-Mexico border extends from the Pacific Ocean on the west to the Gulf of Mexico on the east. Four U.S. states (California, Arizona, New Mexico, and Texas) and six Mexican states (Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, and Tamaulipas) comprise the border region. Well over 92% of the border region's more than 12 million population⁸ lives in 14 sister cities that straddle the border. Among these, the San Diego-Tijuana metropolis accounts for nearly 40% of the overall population of the border, with over 4.5 million people. The next largest sister city pair is El Paso/Ciudad Juárez.

The border, an imaginary line in the sand for most of its length, is a region of stark contrasts, where cultures, languages, and national security interests collide with issues of poverty, migration, environment, education, and health. These issues produce vast differences in standards of living and social and political rights.

Figure 1
U.S. – Mexico Border Region – Cross-border Urban Relationships⁹



⁸ 2005 Estimated combined population (Source: Southwest Center for Environmental Policy & Research)

⁹ Source: "Programa Nacional de Desarrollo Urbano y Ordenación del Territorio 2001-2006", Social Development Ministry of Mexico.

Table I. How Mexican Border States Compare to their Peers across Mexico: Comparative Statistics¹⁰

| State | Total population per State, 2000 | | Gross rate per State, per thousand inhabitants, 2004 | | Migration per State (by place of birth, 2000) | | | Life Expectancy Index | Education Index | Per capita GDP Index | Human Development Index (HDI) 2001 |
|---------------------------------|----------------------------------|---------|--|-----------|---|------------|-----------|-----------------------|-----------------|----------------------|------------------------------------|
| | | | Birth | Mortality | Immigrants | Emigrants | Net | | | | |
| Estados Unidos Mexicanos | 97,483,412 | 100.00% | 18.8 | 4.5 | 17,220,424 | 17,220,424 | 0 | 0.844 | 0.825 | 0.755 | 0.808 |
| Aguascalientes | 944,285 | 0.97% | 20.6 | 3.9 | 187,768 | 116,039 | 71,729 | 0.861 | 0.860 | 0.791 | 0.837 |
| Baja California | 2,487,367 | 2.55% | 18.9 | 3.5 | 1,025,754 | 127,074 | 898,680 | 0.860 | 0.869 | 0.816 | 0.848 |
| Baja California Sur | 424,041 | 0.43% | 18.6 | 3.8 | 137,928 | 29,883 | 108,045 | 0.860 | 0.865 | 0.798 | 0.841 |
| Campeche | 690,689 | 0.71% | 19.8 | 4.2 | 156,158 | 89,223 | 66,935 | 0.834 | 0.810 | 0.835 | 0.826 |
| Coahuila de Zaragoza | 2,298,070 | 2.36% | 18.6 | 4.1 | 317,792 | 425,338 | -107,546 | 0.858 | 0.861 | 0.790 | 0.836 |
| Colima | 542,627 | 0.56% | 17.9 | 4.5 | 139,290 | 78,375 | 60,915 | 0.861 | 0.845 | 0.756 | 0.820 |
| Chiapas | 3,920,892 | 4.02% | 21.3 | 4 | 122,451 | 336,140 | -213,689 | 0.797 | 0.739 | 0.607 | 0.714 |
| Chihuahua | 3,052,907 | 3.13% | 18.8 | 4.1 | 524,897 | 202,864 | 322,033 | 0.851 | 0.850 | 0.814 | 0.838 |
| Distrito Federal | 8,605,239 | 8.83% | 16 | 5.1 | 1,827,644 | 4,457,713 | 2,630,069 | 0.875 | 0.903 | 0.912 | 0.897 |
| Durango | 1,448,661 | 1.49% | 19.3 | 4.6 | 163,607 | 447,731 | -284,124 | 0.836 | 0.849 | 0.727 | 0.804 |
| Guanajuato | 4,663,032 | 4.78% | 20 | 4.4 | 389,975 | 669,729 | -279,754 | 0.840 | 0.795 | 0.684 | 0.773 |
| Guerrero | 3,079,649 | 3.16% | 21.3 | 4.9 | 167,115 | 655,538 | -488,423 | 0.810 | 0.748 | 0.657 | 0.739 |
| Hidalgo | 2,235,591 | 2.29% | 19 | 4.9 | 276,143 | 579,937 | -303,794 | 0.825 | 0.801 | 0.659 | 0.762 |
| Jalisco | 6,322,002 | 6.49% | 18.9 | 4.6 | 835,121 | 726,021 | 109,100 | 0.860 | 0.836 | 0.755 | 0.817 |
| Estado de México | 13,096,686 | 13.43% | 18.7 | 3.8 | 5,059,089 | 654,711 | 4,404,378 | 0.860 | 0.835 | 0.712 | 0.802 |
| Michoacán de Ocampo | 3,985,667 | 4.09% | 19.2 | 4.9 | 332,805 | 909,120 | -576,315 | 0.835 | 0.782 | 0.653 | 0.756 |
| Morelos | 1,555,296 | 1.60% | 18.4 | 4.7 | 431,003 | 143,964 | 287,039 | 0.852 | 0.827 | 0.744 | 0.808 |
| Nayarit | 920,185 | 0.94% | 18.7 | 5 | 152,540 | 204,431 | -51,891 | 0.842 | 0.830 | 0.669 | 0.781 |
| Nuevo León | 3,834,141 | 3.93% | 18 | 4.2 | 827,453 | 228,453 | 599,000 | 0.867 | 0.858 | 0.848 | 0.858 |
| Oaxaca | 3,438,765 | 3.53% | 20.3 | 5.2 | 201,099 | 843,317 | -642,218 | 0.798 | 0.754 | 0.615 | 0.722 |
| Puebla | 5,076,686 | 5.21% | 19.7 | 4.7 | 436,024 | 884,670 | -448,646 | 0.824 | 0.793 | 0.706 | 0.774 |
| Querétaro de Arteaga | 1,404,306 | 1.44% | 19.6 | 3.9 | 284,890 | 174,955 | 109,935 | 0.843 | 0.821 | 0.782 | 0.815 |
| Quintana Roo | 874,963 | 0.90% | 20.5 | 2.9 | 485,255 | 34,139 | 451,116 | 0.849 | 0.827 | 0.838 | 0.838 |
| San Luis Potosí | 2,299,360 | 2.36% | 18.3 | 4.8 | 217,042 | 594,267 | -377,225 | 0.826 | 0.812 | 0.694 | 0.777 |
| Sinaloa | 2,536,844 | 2.60% | 18.3 | 4.5 | 303,514 | 468,353 | -164,839 | 0.845 | 0.839 | 0.696 | 0.793 |
| Sonora | 2,216,969 | 2.27% | 18.7 | 4.2 | 356,489 | 208,016 | 148,473 | 0.856 | 0.864 | 0.780 | 0.833 |
| Tabasco | 1,891,829 | 1.94% | 19.6 | 4 | 178,683 | 235,392 | -56,709 | 0.838 | 0.833 | 0.678 | 0.783 |
| Tamaulipas | 2,753,222 | 2.82% | 18.5 | 4.3 | 678,752 | 370,722 | 308,030 | 0.847 | 0.856 | 0.765 | 0.823 |
| Tlaxcala | 962,646 | 0.99% | 19.5 | 4.4 | 136,504 | 179,408 | -42,904 | 0.846 | 0.832 | 0.656 | 0.778 |
| Veracruz de Ignacio de la Llave | 6,908,975 | 7.09% | 17.8 | 5.1 | 629,180 | 1,350,282 | -721,102 | 0.822 | 0.783 | 0.658 | 0.754 |
| Yucatán | 1,658,210 | 1.70% | 18.5 | 5 | 113,140 | 271,734 | -158,594 | 0.828 | 0.812 | 0.726 | 0.788 |
| Yucatán | 1,353,610 | 1.39% | 19.9 | 5.1 | 125,319 | 522,885 | -397,566 | 0.829 | 0.826 | 0.651 | 0.769 |

Sources: INEGI. XII Censo General de Población y Vivienda, 2000. Tabulados Básicos. Aguascalientes, Ags., 2001.
 CONAPO. Proyecciones de la Población de México, 2000-2030. México, D.F., 2002.
 PNUD México 2003

¹⁰ Source: INEGI. XII Censo General de Población y Vivienda, 2000. Tabulados Básicos. Aguascalientes, GAZ., 2001; CONAPO. Proyecciones de la Población de México, 2000-2030. México, d.C., 2002.

Relative to the rest of Mexico, except for the capital and surrounding municipalities, and a few other states, the northern border is now among the most affluent regions in the country. In fact, Mexico's 14 contiguous cities along the border - representing nearly 80 percent of the country's border area population - are among the most developed municipalities in the country based on the United Nations Human Development Index, which combines indices for gross domestic product (GDP), per capita income, health, and education. Additionally, the development of the maquiladora industry in the larger border communities - such as Tijuana, Mexicali, and Ciudad Juarez - has greatly increased employment.

This relative affluence, however, is masked by the growing gap between the well-to-do and those living on the edge or in absolute poverty. This is due, in part, to the border region's high cost of living relative to other parts of Mexico. In fact, the border communities of Tijuana, Cd. Juarez, Reynosa, and Matamoros are among the most costly places to live in the country. Another factor is the on-going impact that migration has on the border region coupled with state and local government's inability to keep pace with the public infrastructure needs of these new residents.

In the case of Tijuana, over 50% of the new in-migrant population ends up in squatter settlements without basic utilities such as potable water, sewage treatment, telecommunications, or electrical hook-ups. Collectively, the problems of migration and uneven economic expansion present a unique set of challenges for municipal and state officials across Mexico's northern border in providing a whole host of basic infrastructure and human services (health, education) without a supporting tax basis to meet these growing unmet needs. The dilemma of Mexican Border States is further compounded by the fact that budgetary re-apportionments are directly tied to census statistics with a five-year lag. As such, Mexican Border States lag behind the rest of the country in terms of Mexican Federal budgetary allocations on a per capita income basis.¹¹ In the case of Baja California, there is an un-funded mandate that is unable to fully meet the needs of over 450,000 people according to the state officials.

Contrary to conventional wisdom, for many migrants who move to border communities such as Tijuana, Mexicali, Nogales, and Juarez, the cycle of poverty from southern Mexico to the border is perpetuated. According to a recently published study entitled "Quality of Life Declines in Big and Growing Cities" by Bockerhoff and Brennan, the increase of infectious disease and infant mortality is directly correlated to the crowding index in urban cities of the developing world. As a case in point, Tijuana has the second highest incidence of infant/child mortality along the entire U.S.-Mexico border.

Linking Maquiladoras to Border Socio-Economic Challenges and Needs:

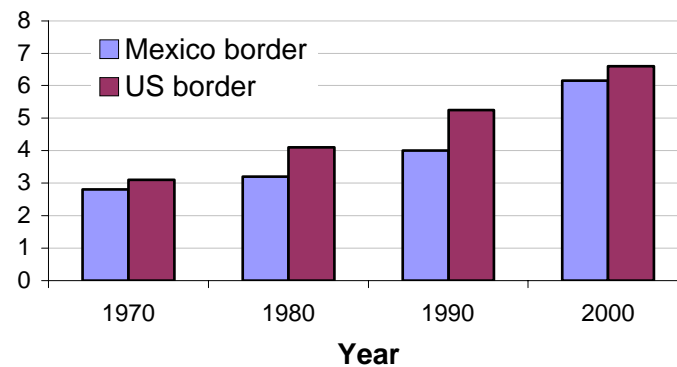
While there is no doubt that the maquiladora industry has spurred job growth throughout the border region, it can also be said that the rapid development of this sector has brought uneven economic expansion and unhealthy population growth for the border with increasing numbers

¹¹ Programa Económico 2003, Proyecto de Presupuesto de Egresos de la Federación (Ramo 33), Secretaría de Hacienda and Crédito Público.

of unskilled and poorly educated migrants coming to the region. The reasons for this are twofold. First, Mexico's economic crisis and peso devaluation of 1994 (following the passage of NAFTA) led to a decline in real wage rates and contributed to increased unemployment throughout the country. This resulted in a marked increase in foreign investment for maquiladora assembly operations in the border region. Consequently, large numbers of migrants came to the border from poorer regions of Mexico. Today, with more than a million workers in 2210 maquiladora factories¹², the border is a region where the movements of the poor are shaking the pillars of the free trade economy.

As Graph I illustrates, between 1970 and 2000, both sides of the border experienced rapid population growth. The majority of these gains occurred on the Mexican side between 1990 and 2000. Over the course of this decade, the region experienced an annual population increase of 2.4%, totaling more than a 26% growth in population.

Graph I. U.S. – Mexico Border Region – Population Trends, 1970 - 2000¹³



The investment in border area maquiladoras in the period following NAFTA was unprecedented. During the first five years after the enactment of NAFTA (1994-1998), maquiladora employment grew by 86% compared to 47% in the five years prior to NAFTA, as illustrated in Table 2.¹⁴ In June, 2005, over 1,170 million workers were employed in the maquiladora sector, with the majority of these jobs concentrated along Mexico's northern border.

¹² Source: Secretaría de Economía de México. www.economia.gob.mx

¹³ Source: Mexico: Instituto Nacional de Estadística, Geografía e Informática; United States; US Census Bureau, 2000

¹⁴ Gruben, William C., "Did NAFTA Really Cause Mexico's High Maquiladora Growth?" Working Paper, CLAE0301, Federal Reserve Bank of Dallas, Center for Latin American Economics, Working Paper CLAE0301, page 3. July 2001.

Table 2. Maquiladora employment, 1995 - 2005¹⁵

| Year | Total | Workers | Production technicians | Administrative employees | Annual variation % | | | |
|----------|-----------|-----------|------------------------|--------------------------|--------------------|---------|------------------------|--------------------------|
| | | | | | Total | Workers | Production technicians | Administrative employees |
| 1995 | 648,263 | 531,729 | 71,098 | 45,436 | 11.2 | 9.2 | 10 | 9.9 |
| 1996 | 753,708 | 616,617 | 82,795 | 54,296 | 16.3 | 16 | 16.5 | 19.5 |
| 1997 | 903,528 | 735,349 | 103,855 | 64,324 | 19.9 | 19.3 | 25.4 | 18.5 |
| 1998 | 1,014,006 | 823,561 | 118,516 | 71,929 | 12.2 | 12 | 14.1 | 11.8 |
| 1999 | 1,143,240 | 922,876 | 138,246 | 82,119 | 12.7 | 12.1 | 16.6 | 14.2 |
| 2000 | 1,291,232 | 1,045,401 | 153,392 | 92,439 | 12.9 | 13.3 | 11 | 12.6 |
| 2001 | 1,198,942 | 957,269 | 149,583 | 92,090 | -7.1 | -8.4 | -2.5 | -0.4 |
| 2002 | 1,071,209 | 852,584 | 136,278 | 82,348 | -10.7 | -10.9 | -8.9 | -10.6 |
| 2003 | 1,062,105 | 840,060 | 137,122 | 84,923 | -0.8 | -1.5 | 0.6 | 3.1 |
| 2004 | 1,115,230 | 886,266 | 140,587 | 88,377 | 5 | 5.5 | 2.5 | 4.1 |
| 2005 Ytd | 1,173,193 | 927,159 | 150,259 | 95,775 | 4.2 | 3.5 | 6.7 | 8.1 |

While NAFTA did contribute to increased foreign investment, the reasons for the expansion of the maquiladora industry during the 1990's had less to do with NAFTA per se, and more to do with the Mexican economic crisis and peso devaluation and the resulting impacts of globalization. For these same reasons, Mexican federal, state, and local governments were ill prepared to make the necessary public investments in basic infrastructure to accommodate the resulting urban and industrial growth.

Post NAFTA migration of largely unskilled, poorly educated workers to Mexico's northern border region coupled with the lack of investment in public infrastructure and social services has led to a marked increase over of the last twelve years in the number of unregulated slum dwellings. These slum communities lack basic municipal services including access to potable water, electricity, sewage, and, in many cases, easy access to schools. As such, amidst rising per capita incomes for Mexico's northern border, the incidence of poverty is increasing with a growing number of the region's working poor now living in un-zoned, unregulated shanty-towns or "colonias populares" with trans-boundary environmental and health problems impacting the bi-national border region as a whole.

vi. Analysis of Corporate Giving Trends by U.S. Companies and Multinational Corporations in the Border Region

Without question, the border region's needs in the areas of education, health, community development, and the environment are great and so, too, is the opportunity for corporate giving in support of charitable organizations working to make a difference. Here, it is important to put the maquiladora industry in context.

For the most part, U.S. and multinational corporations operating maquiladora facilities in the border region are good corporate citizens. These companies provide critical employment to border communities, pay their taxes, and some also contribute to charitable causes in the communities where they have a presence.

However, it can be argued that the growth of the maquiladora sector has contributed to a decline in the quality of life in the border region over time. It can also be said that this decline

¹⁵ Source: INEGI. Estadística de la Industria Maquiladora de Exportación.

has more to do with a lack of long-range planning on the part of municipal, state, and federal governments than with the growth itself. These agencies have simply failed to make the necessary investments in public infrastructure (schools, health care facilities, roads, and sewage treatment facilities) to accommodate the industrial and population growth that has come to the region.

As with most public companies, senior executives for major maquiladora operators are accountable first and foremost to their shareholders, whose focus is on cost containment, maximization of efficiency, and profitability. Simply doing the right thing is no longer a sufficient rationale for corporate giving. So, why does a company give?

Factors Influencing Maquiladora Giving

There are several reasons why companies in general participate in charitable giving, including a desire to be good corporate citizens, to strengthen the company's image or brand, and to build employee morale. The findings of this study show that maquiladoras along Mexico's northern border have mixed reasons for undertaking charitable activities. A majority of these companies appear to consider such activities as something that they do for internal purposes – either to demonstrate their philosophy of being a “good citizen” in the community, or to promote community goodwill among their employees. However, given the mixed or low responses for “external benefits,” it appears that maquiladoras do not expect to receive such external benefits for their charitable activities. In fact, nearly 65% saw no relationship between border giving and improving shareholder value (i.e.: using border giving to build goodwill and/or sales for their brand); over 30% felt that brand or corporate image development was one of the “least important” factors for border giving (see table 3). The fact that maquiladora plant managers do not see a benefit for improving shareholder value and/or corporate image development in charitable giving along the border may explain why, in light of this new phase of strategic philanthropy, charitable giving along the border may be low. Here, it is evident from this study's findings that maquiladora plant managers perceive, in many cases unfairly, that the vast majority of Mexican border nonprofits cannot offer them a concrete way to strengthen their brand or corporate identity.

Table 3. Factors Influencing Maquiladora Giving

| On a scale of 1 to 5 (1 being "least important", and 5 being "most important"), please indicate the importance of each factor in terms of why your company gives charitably in the border communities: | (1) Least Important | 2 | (3) Neutral | 4 | (5) Most Important |
|--|---------------------|------|-------------|-------|--------------------|
| Good Business Practice for Company | 10.0% | 5.5% | 37.3% | 22.7% | 24.5% |
| Improves Employee Morale/Spirit | 6.4% | 1.8% | 23.6% | 26.4% | 41.8% |
| Being a good Corporate Citizen in the Community | 8.2% | 2.7% | 15.5% | 23.6% | 49.1% |
| Brand and Corporate Image Identification | 21.8% | 9.1% | 30.0% | 25.5% | 13.6% |
| Improves Shareholder Value | 56.4% | 8.2% | 20.0% | 9.1% | 6.4% |

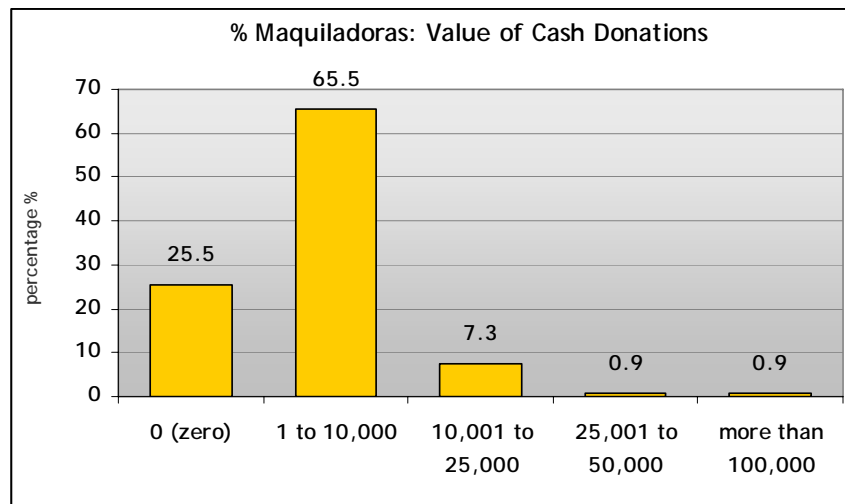
Source: BPP Maquiladora Survey results.

Charitable Activities of Border Maquiladoras

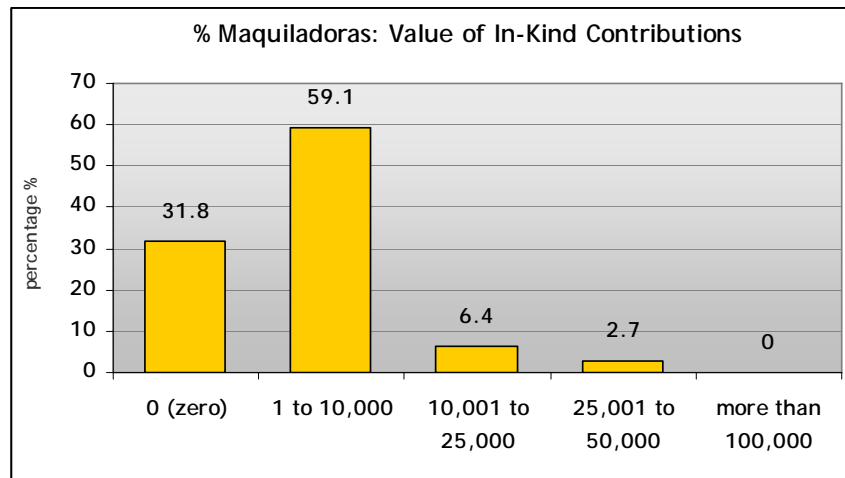
Results from BPP’s survey show that a majority of maquiladoras do provide charitable donations of cash and/or in-kind contributions on a regular basis. However, two facts must be noted: First, most charitable giving appears to be less concentrated at levels less than \$10,000/year for most facilities; and second, a core percentage of maquiladoras – approximately one-quarter or one-third – do not appear to be active at all in philanthropic activities (see graph 2).

Anecdotal comments from interviews undertaken as part of this study imply that the above results may be a factor of the tax structure for maquiladoras, and that they have little operating cash of their own from which to provide large amounts of cash contributions. Some comments from maquiladora operators suggests that individual executives of maquiladora plants may “pool” their money, and provide larger amounts of funds either to local trade associations (which then make charitable contributions), Rotary Clubs, or via elected officials (which then turn the money over to charitable groups).

Graph 2. Value of Cash Donations Contributed by Maquiladoras



Graph 3. Value of In-kind Contributions made by Maquiladoras

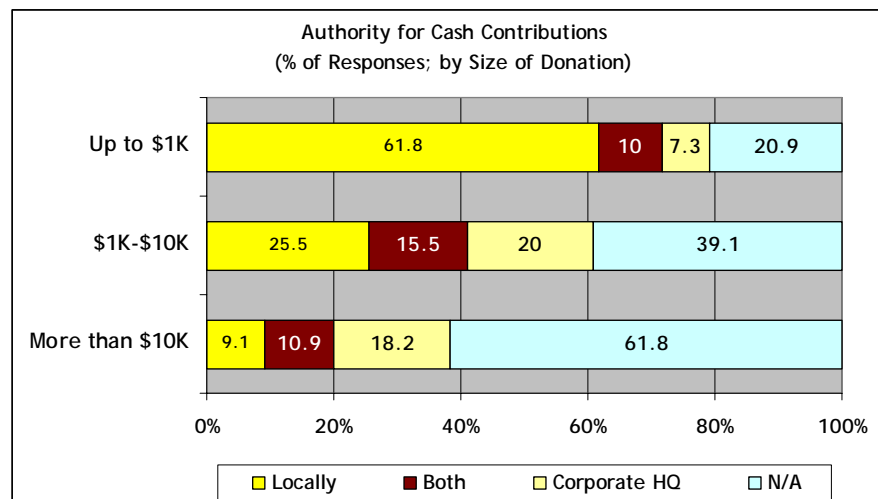


Decision Making Authority

Another factor that must be considered by the philanthropic community is the amount of decision-making authority that local maquiladora management have over the types and levels of contributions. As seen in the graph below, local authority declines as the contribution levels increase. While this might perhaps be intuitive, the specific results yielded when local maquiladora operators were asked about decision-making authority relative to the types and levels of charitable contributions were revealing:

- Nearly two-thirds of maquiladoras appear to have local authority to provide contributions of up to US\$1,000; nearly one-quarter have local authority to make donations between \$1,000 and \$10,000 in value; and nearly 10% state that they have local authority to make donations of over \$10,000 in value – amounts that certainly are substantial for many NGOs in Mexico.
- Nearly two-thirds of maquiladoras are either unaware of appropriate policies or are unable to make contributions of greater than \$10,000.
- Corporate headquarter decision-makers do not play a significant role in philanthropic activities of their maquiladoras. In fact, local or a mixed local/HQ decision-making appears to be at least equal if not the dominant way that contribution decisions are made.

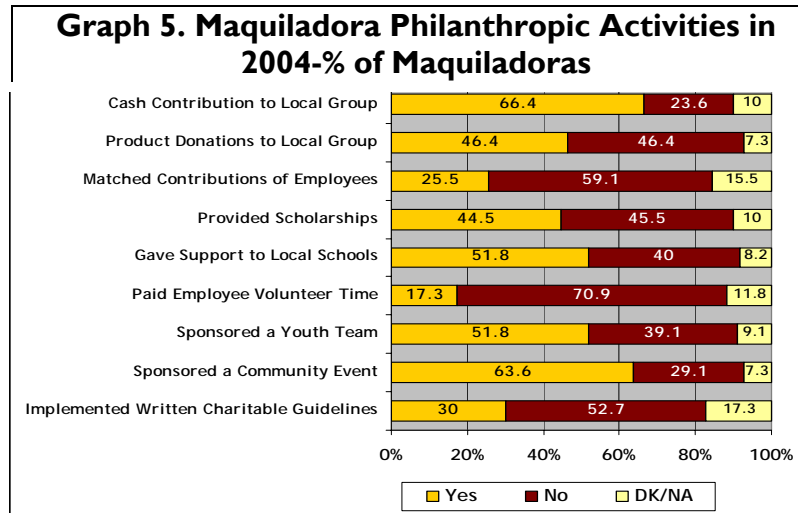
Graph 4: Authority for Cash Contributions



Types of Border Giving This survey also addressed the types of philanthropic activities that maquiladoras undertook in 2004. As seen in graph 5, the three following activities were the most popular for maquiladora giving:

- Making cash contributions to local groups (66.4%);
- Sponsorship of a community event (63.6%); and

- Sponsorship of a youth team, and giving support to local schools (tied with 51.8%).



What is also notable about the above results is the near complete absence of the concept of paid time off for employee volunteers, or matching of employee contributions. In addition, it is clear that a great majority of maquiladoras do not appear to have either created or implemented written policies for charitable giving.

Interactions with & Perceptions of NGOs

As previously noted, another important factor that negatively affects charitable corporate giving along the border is the low level of outreach to these corporations from NGOs.

Table 4. Which best describes the frequency with which non-profit community groups or schools contact your local company for charitable support?

| | |
|--------------------|-------|
| (zero/none) | 9.1% |
| 1-2 times/year | 31.8% |
| 3-6 times/year | 28.2% |
| 12 – 24 times/year | 18.2% |
| 25 times/year | 9.1% |

For instance, nearly 70% of respondents stated that they received less than six requests per year for charitable support from NGOs. Less than one-third of maquiladoras indicated that they received solicitations from NGOs at least once/month.

Table 5. *Of these, approximately what percentage of these requests does your company support?*

| | |
|-------------|-------|
| 0% | 17.3% |
| 1% to 25% | 46.4% |
| 26% to 50% | 14.5% |
| 51% to 75% | 13.6% |
| 76% to 100% | 8.2% |

While only approximately 36% of maquiladoras indicated that they supported more than one-in-four of the requests that they did receive, it is also noteworthy that about one-fifth of companies indicated supporting more than half of all requests made.

When asked to select the primary reasons they had for NOT supporting a charitable request, only about 42% indicated that they either had no authority at the local level to make donations, or that they had no funds available. Of note, a similar number of respondents (about 43%) indicated that the decision to not provide support was related to the request itself – either the maquiladora could not confirm the credibility of the requestor, the request did not match the maquiladoras’ priorities for contributions, or that no formal request was submitted.

Table 6. *Please select the primary reason that your company did NOT support a request from a local charitable or community organization:*

| | |
|---|-------|
| Company policy against making charitable contributions at a local level | 17.3% |
| Funds were not available | 24.5% |
| Difficult to evaluate the credibility of the requesting organization | 10.9% |
| Request did not match company's charitable priorities | 18.2% |
| Did not receive formal request for support | 13.6% |
| Other | 11.8% |

Related to the issue of potential NGO weaknesses, when asked to rate the sophistication of charitable requests generally made to their companies, only 29% of maquiladoras rated the requests as “high” or “very high.” Maquiladoras, however, do feel that they are receiving a fair amount of goodwill in their communities from their charitable activities: nearly 45% rated the amount of goodwill received as either “high” or “very high”. This positive feedback may also explain why nearly 15% of maquiladoras stated that they supported four to five NGOs on a regular basis, and another 17% of maquiladoras supported more than five NGOs on a regular basis.

vii. Border Area Corporate Foundation Trends and Funding to the U.S. – Mexico Border Region.

In addition to the surveys administered to maquiladora managers and border nonprofits to assess the level of corporate giving in the region, a group of 76 U.S. corporate foundations and corporate giving programs¹⁶ were selected and invited to complete a questionnaire. From these

¹⁶ Corporate Foundations and Corporate Programs administered independently. Corporate foundations and corporate giving programs were selected among the list of 110 maquiladoras participating in the study.

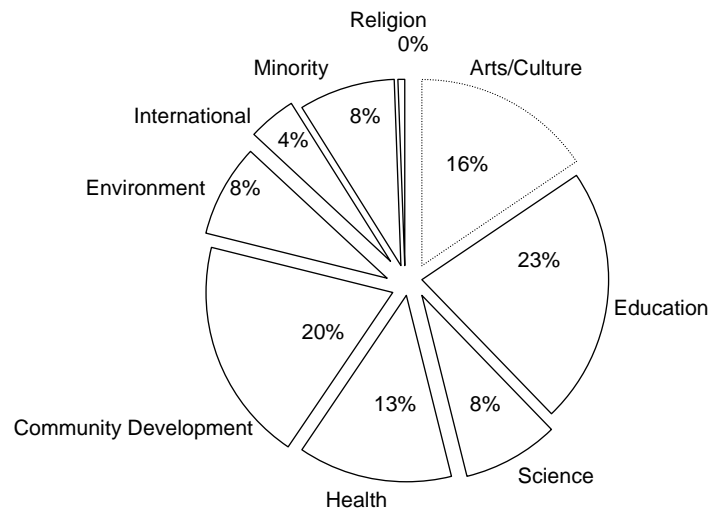
only 7 organizations responded; a few more said they would answer and never did; some decline to participate; and others never responded.

Although the seven responses that we received from the corporate surveys are not a statistically representative sample, the following assertions can be inferred by the reaction of the companies that did complete the survey:

- 1) There is a lack of interest to participate in joint social responsibility related efforts and share information and best practices with other organizations.
- 2) Corporations have put in place internal policies that restrict participating in surveys and research projects conducted by external organizations particularly when the focus is their operations overseas.
- 3) Updated contact information is not easily accessible and widely available to nonprofits from Mexico seeking corporate funding..

Due to the lack of response received from the corporate sector, we decided to analyze information and reports that were available through the Foundation Center Directory or reported corporate giving by parent companies of the same 110 enterprises surveyed along the Mexican border, in order to identify key trends and data related to the amount and type of financial resources that would likely be allocated to the border region.

Graph 6: Corporate Giving Fields of Interest

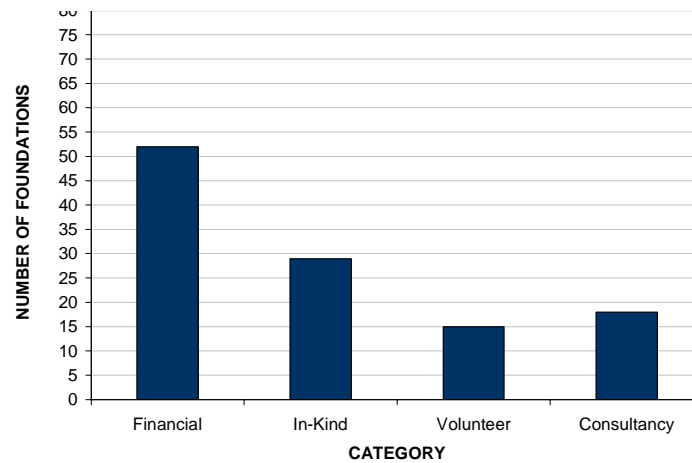


As observed in Graph 6, education, community development, arts and health are the most frequently mentioned categories that are supported by corporate foundations. Referring to education and community development jointly, 57% of corporate foundations are interested in both areas; and few highlighted special interest in higher education¹⁷.

¹⁷ The education level in the U.S. side of the border is below the national level; while in the Mexican side the average years of schooling is below 8.

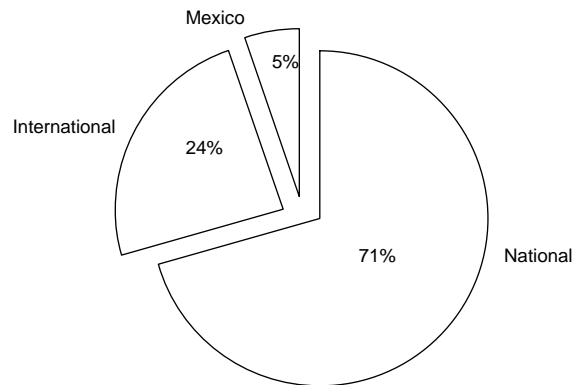
The majority of corporate foundations support social initiatives in areas outside of their headquarters, and less frequently outside of their regional operation facilities. According to graph 7, it appears that corporate foundations claim to provide financial assistance with more frequency, than any other type of support.¹⁸ In-kind contributions, consultancy services and volunteer support were also identified in their reports, but not with the same occurrence. Conversely, the information retrieved from maquiladoras show that most of them provide in-kind services and voluntary time from their employees. This is due to financial constraints, proximity to local initiatives and the inexistence of an adequate fiscal framework.

Graph 7: Corporate Foundations Type of Support



Finally, when it comes to coverage and geographic scope, among those major companies with maquiladora operations in the border, 71% of their charitable giving was limited to support charitable causes in the United States, and 29% international. Mexico accounted for only 5% of their combined giving.

Graph 8: Geographical Limitations

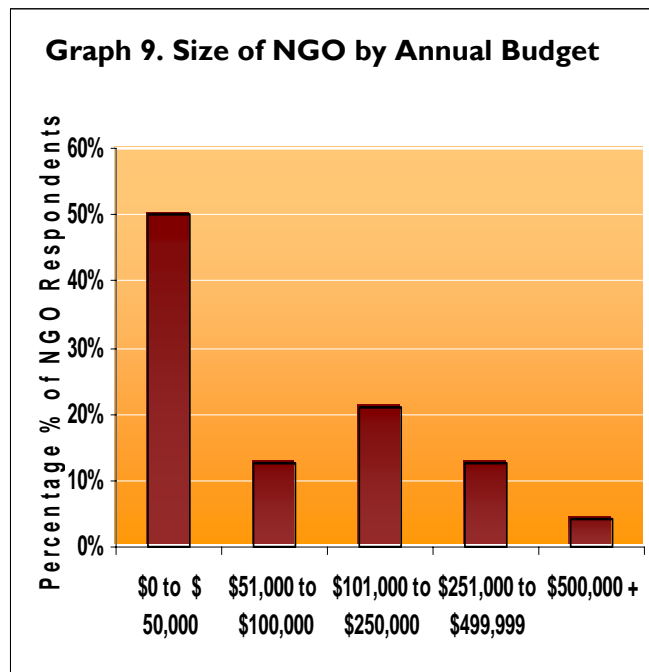


¹⁸ 52 out of 76 provide financial support according to their websites, and only 15 voluntary services.

viii. Border Area Nonprofit Trends and Perception of Corporate Giving

A recent study released by the Institute of the Americas indicates that while there are currently 5,600 registered civil society organizations working in Mexico, the country needs at least 20,000 of these nonprofit organizations to efficiently cover the nation's needs. Part of the reason for this gap lies in the fact that Mexico does not have an established culture of philanthropy that can support the development of an effective civil society. Nevertheless, regardless of the lack of philanthropic support, within the last ten years NGOs have taken on significant responsibility on a wide array of issues ranging from community development, human rights, and democracy, as well as health and human services, the environment, and education, among others. Not only are NGOs serving as a complement to the government, they are also acting as agents of checks and balances, holding the government accountable for its activities.¹⁹

Today more than ever, there is a growing acceptance among the Mexican government, private sector, and citizens alike, that NGOs have an essential role to play alongside, and in many cases, in place of the Mexican government.²⁰ This is a relatively new concept in Mexico, and it is the responsibility of all sectors to further the development of the third sector in Mexico. More specifically, the corporate sector has a crucial role to play, since the lack of corporate support translates into NGOs having to spend an extraordinary amount of time searching for funds through conferences, fundraisers, or other activities, rather than investing in the advancement of much needed development programs.



Characteristics of Border Nonprofit Organizations

Results from our survey of approximately 50 Mexican nonprofit organizations from the three most important cities of the U.S.-Mexico border region - Tijuana, Baja California; Nogales, Sonora; and Ciudad Juarez, Chihuahua - indicate that approximately 50% of these nonprofits can be classified as small organizations, with an annual budget of US\$50,000 or less, and operating with five or fewer employees. However, interestingly only 17% of the total organizations surveyed have been operating for less than five years; 83% claimed to have been in operation for five years or more, with the majority (31%) being in existence between five and ten years.

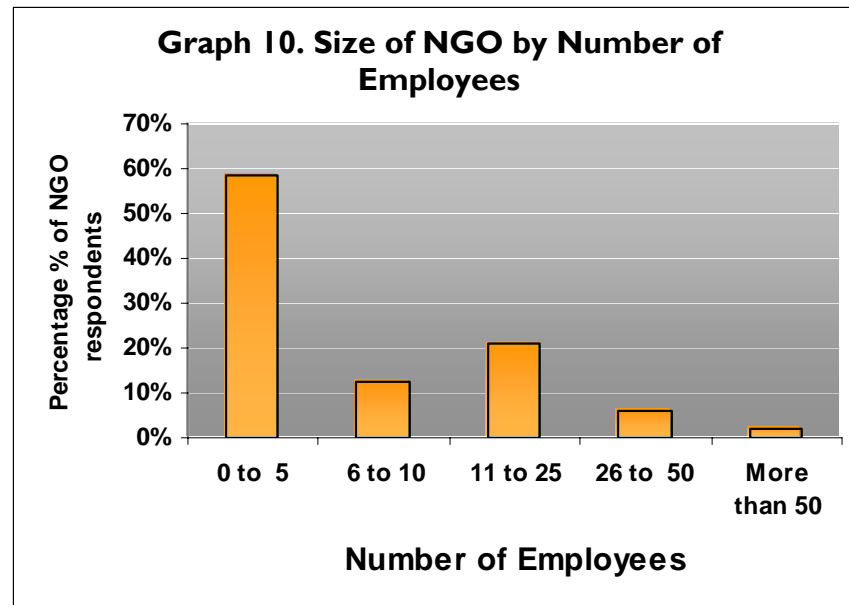
¹⁹ Una Mejor Colaboración: Fortaleciendo la contribución de las empresas mexicanas a la sociedad civil. Institute of the Americas. San Diego, 2005. Pg. 7.

²⁰ Una Mejor Colaboración: Fortaleciendo la contribución de las empresas mexicanas a la sociedad civil. Institute of the Americas. San Diego, 2005. Pg. 8.

These characteristics say much about the lack of support for civil society development along the U.S.-Mexico border region. While most organizations have been working in their respective communities for a significant number of years, more than half continue to operate with relatively low budgets and a minimum number of staff.

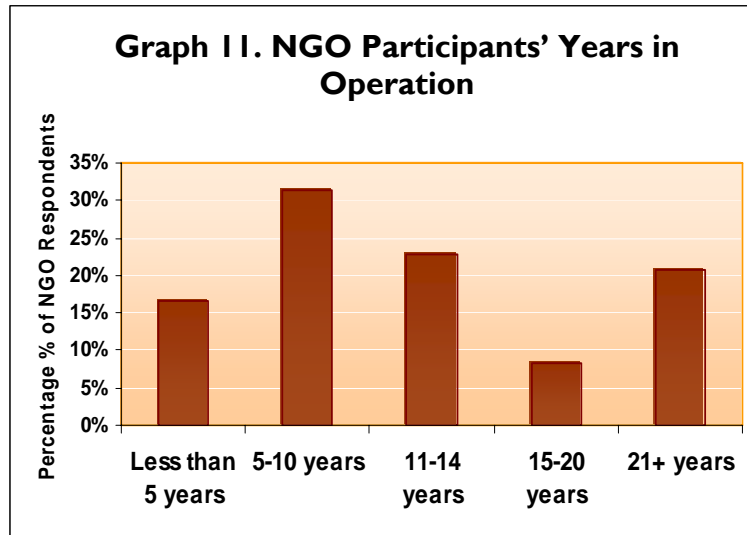
Border NGOs' Perspective on Corporate/Maquiladora Giving

Due to the relatively small sample size of NGO response, our survey yielded a 50-50 outcome among NGOs who claimed to “have” or “have not” received corporate funding. In other words, 50% of the NGOs that we surveyed said they had received some type of support from U.S. corporations or maquiladoras and the other 50% claimed that they had not received any type of support, be it financial, in-kind, volunteer, or matching gifts. While this may not be a good representation of the level corporate support that is occurring along the U.S.-Mexico border region, analyzing the responses received from each group, such as factors impeding NGOs from receiving any type of support, as well as the type of support that was received by others, reveals an interesting story.



Challenges and Struggles Faced by Nonprofits in the Border Region

To better understand the impediments that nonprofit organizations along the U.S.-Mexico border region are facing in their quest for corporate or maquiladora support, nonprofit organizations that claimed to not have received any type of support (financial, in-kind, volunteer, or matching grants) during the 2004 calendar year were asked to specify the reason(s) why.



Among NGOs that made an attempt to request funding from corporations or maquiladoras, the three most common responses as to why they had been unsuccessful in securing corporate support were: 1) they lacked a sponsor or advocate inside the company who could support their cause (25%); 2) they were not able to meet funding/support criteria for companies to which they had applied (17%); and 3) They lacked tax-deductibility status (12%).

| Table 7. Unsuccessful to date in securing corporate support: | |
|---|-----|
| Have not met funding criteria for companies applied | 17% |
| NGO is too small to administer funding | 8% |
| Lack of a sponsor or advocate inside the company | 25% |
| Other: | |
| <i>There is a lack of interest from the maquiladoras to support NGOs</i> | 8% |
| <i>The NGO lacks tax deductibility status</i> | 12% |
| <i>The organization is a government agency and therefore can only receive in-kind donations</i> | 4% |

Another group of NGOs did not even attempt to pursue corporate or maquiladora support. Among the top three responses given as to why they had not even pursued corporate support were: 1) Organization is unaware of existing opportunities for funding (38%); 2) Lack of access to contacts who may assist in pursuing funding opportunities (38%); and 3) Difficulty in meeting corporate requirements for grant applications (21%).

| Table 8. Have not pursued corporate sources of funding due to: | |
|---|-----|
| Ideological Reasons | 13% |
| Difficulty in meeting corporate requirements for grant applications | 21% |
| NGO programs aren't consistent with the corporation criteria | 17% |
| Unawareness of opportunities for funding | 38% |
| Lack of access to the contacts to pursue funding opportunities | 38% |
| Other | 4% |

Whether they had attempted to request support or not, two factors came up in both cases as obstacles to requesting and/or securing funding/support: 1) lack of access to the contacts or

advocates who could assist them in securing or pursuing funding opportunities; and 2) difficulty in meeting corporate requirements.

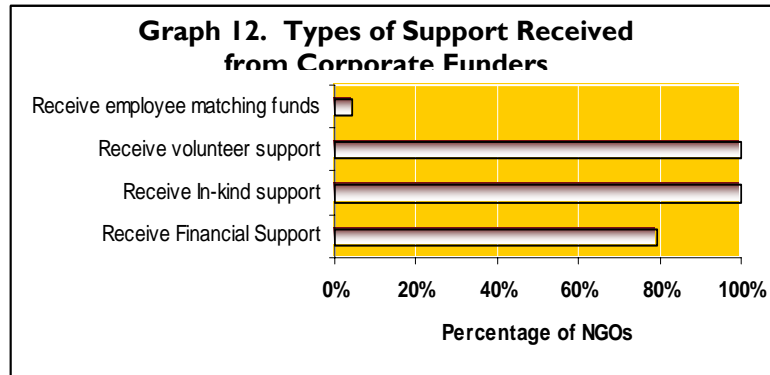
These results yield an interesting commonality with those obtained from the maquiladora survey. If we recall, the earlier section on “Factors Influencing Maquiladora Giving” stated that approximately 43% of the maquiladora respondents indicated that the decision to not provide support was related to the request itself: the maquiladora could not confirm the credibility of the requestor, the request did not match the maquiladora’s priorities for contributions, or no formal request was submitted. All three reasons given by maquiladora managers allude to the nonprofits’ inability to meet the corporate funder’s basic requirements or criteria for charitable giving.

While many interpretations can be given to these results, one thing is clear: Mexican civil society organizations along the border believe that corporate/maquiladora funders lack the willingness to support and understand what these nonprofits can deliver. Further, the fact that most of them stated that they lack the necessary contacts or advocate who can assist them in pursuing funding/support shows that there is still much work to be done in educating the civil society sector on more effective ways to outreach to corporations and maquiladoras. On the other hand, it also confirms the general belief that U.S.-based corporations and maquiladoras need to become more aware of the importance of building philanthropic partnerships with civil society organizations, since they are increasingly playing a more important role in promoting development of Mexican society. Here, U.S. and Mexican community foundations located on the border, United Way as well as Rotary and other service organizations have a potential role to play.

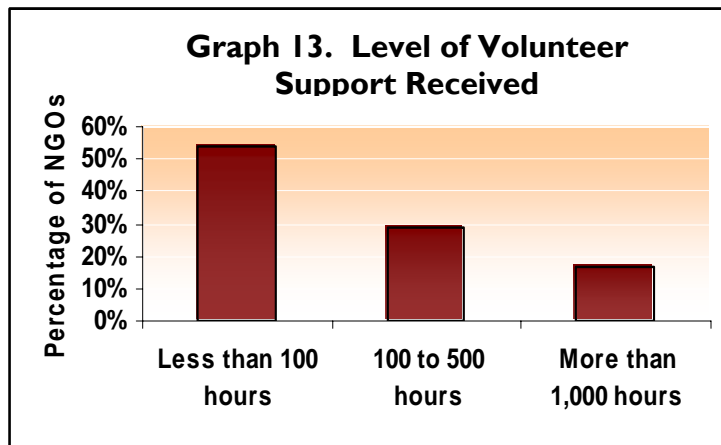
Types of Corporate/Maquiladora Support Received by NGOs

Despite the wide gap that exists between NGOs and corporate/maquiladora funders, it is important to recognize that some level of corporate giving is occurring along the U.S.-Mexico border region. While strong collaborative efforts between NGOs and corporations is still more the exception rather than the rule, there is a group of NGOs that are either beginning to or have already established efficient philanthropic relationships with U.S.-based corporations and maquiladora operations and their strengthened ties is paying off. FEMAP in Cd. Juarez and Hospital Infantil de las Californias in Tijuana are two cases in point.

As mentioned in the previous section, although our sample size of NGOs does not give us enough statistical significance to assess an accurate level of corporate giving from the NGO perspective, it does allow us to explore the types of giving and confirm that the most common type of giving along the U.S.-Mexico border region continues to be in-kind donations.



Graph 12, shows that of the total NGOs that claimed to have received some type of corporate funding during the 2004 calendar year, 100% stated that they received volunteer and in-kind support of some degree. These findings reflect that the most common type of corporate giving along the border is in-kind and voluntary support, followed by financial support with 79%. Furthermore, we can also see that the most uncommon type of corporate giving is “employee matching fund” type contributions. There may be a number of reasons why this is so, among them, the fact that “employee matching programs” may be a relatively new concept in Mexican philanthropy.

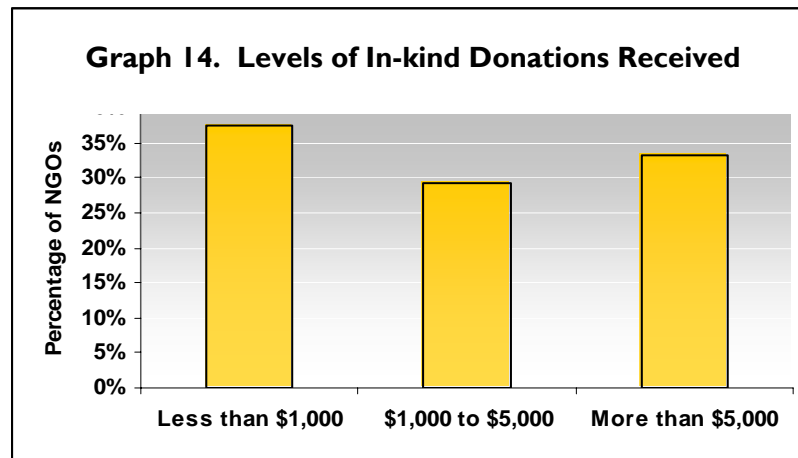


Delving further into the level of in-kind donations and volunteerism, we find that in-kind contribution levels are more predominant than volunteerism. In fact, by looking at graph 13, “Level of Volunteerism Support Received,” we find that as the number of volunteer hours/per year increase, the percentage of NGOs that benefit actually decreases. In fact, more than 50% of NGOs receive less than 100 hours of volunteerism a year. So, although

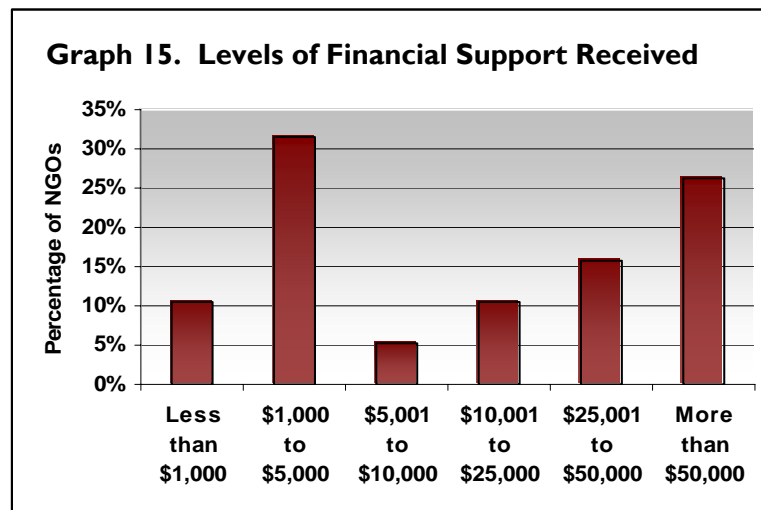
NGOs are receiving volunteer support from corporate and maquiladora funders, the results show that the level of volunteer support received is relatively low.

Conversely, in-kind donations show more consistency throughout. An increase in the value of in-kind donations does not dramatically affect the percentage of NGOs benefited. Again, this finding is in line with the maquiladora survey findings: two-thirds of maquiladoras reported that they provided some level of in-kind contributions to their communities in 2004. Hence, in-kind donations appear to be the most common form of corporate contribution along the border. This is not surprising. Given the nature of maquiladoras as “cost centers,” the financial contributions made by these maquiladoras in the border region are more limited except in those cases where companies have the support of a headquarters’ foundation or corporate

giving program. As a result, the most readily available form of contribution that the maquiladora can donate becomes in-kind donations.



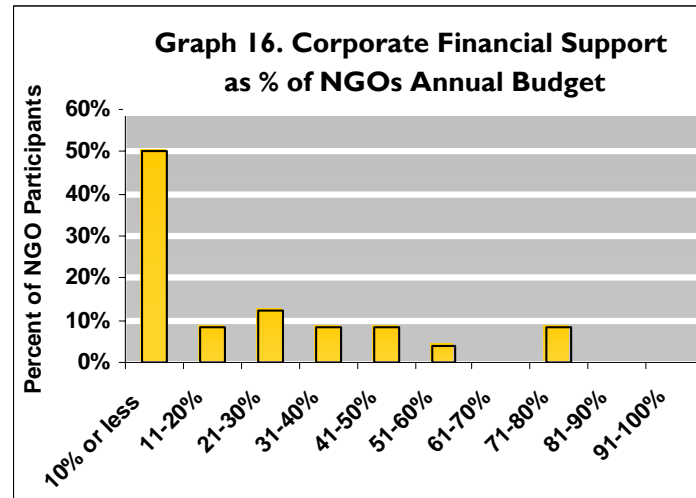
Furthermore, while there is no doubt that many of the forms of in-kind donations are valuable to the development of border communities, it is important to note that the term “in-kind donation” includes a wide array of products and materials, ranging from high tech equipment to disposable cardboard and wood frames that are used by citizens to build “shack-type” homes. Further research on the type of “in-kind donations” would be useful to assess the true monetary and social value of these contributions.



The less common form of corporate giving, after “employee matching gifts”, is “financial contributions.” Survey results on the level of financial support do not portray a significant pattern. We can see that while 32% of NGOs did claim to receive between \$1,000 and \$5,000, 26% claimed to have received more than \$50,000 during the 2004 calendar year.

However, if we analyze these contributions as a percentage of the NGO’s annual budget, we find that while NGOs are claiming to receive financial support, the significance of this support

relative to their annual budget is minimal. The financial support that half of the NGOs received constituted 10% or less of their annual budget. This demonstrates that while NGOs are receiving financial support that is provided, the amount does not correspond to the financial size and need of the organization, and hence the financial support may very well be yielding a very modest impact in the community.



ix. Recommendations

Without question, border-based companies could do more to make a difference in the communities where they operate. Yet, the responsibility for increasing the level of corporate giving does not entirely lie with the individual companies operating along the border. A collaborative effort among individual companies, border area community foundations, and civil society, as well as the Mexican government is required in order to have a significant impact in increasing corporate philanthropy along the border and improving the living conditions of millions of low-income people. Without greater collective action between government, the private sector and civil society, maquiladora oriented corporate giving along Mexico's northern border will remain inconsequential.

The role of the Mexican government:

To create an environment that promotes and develops civil society and expands corporate philanthropy among companies operating maquiladoras, meaningful legislative reforms are necessary.

- ix. The Mexico tax code (Ley del Impuesto Sobre la Renta - LISR) should allow maquiladoras to receive a charitable tax deduction for contributions they make to Mexican nonprofits, both in the border region, and throughout the country. Here, maquiladoras that qualify for tax deductibility should be those that have a minimum fiscal utility, calculated according to the rules of "safe harbor"²¹, or an operations utility estimated by any price transfer method that is defined in Article 215 of the LISR.
- Promote the development of a more efficient and encompassing procedure that can allow NGOs to receive charitable deductibility status. This specifically refers to the "Título III de la Ley de Impuesto sobre la Renta."²²
- Create a formal procedure within the Finance Ministry (Secretaría de Hacienda y Crédito Público) that allows a provisional registration status for nonprofits while they collect all the necessary information and carry out the appropriate changes required to receive legal registered status.²³

The role of U.S. Corporate Foundations:

To provide support to border communities and the maquiladoras beyond their immediate borders, companies can do more by:

- Considering increasing their level of corporate giving commensurate with their level of employment in percentage terms along the border vis-à-vis their other operations globally. One major U.S. multinational company surveyed, had 15% of its entire global workforce in Cd. Juarez and yet corporate giving, while much greater than their peers, was less than \$100,000. If this company's giving, based on total annual contributions in

²¹ Specified in Article 216 Bis from LISR.

²² Una Mejor Colaboración: Fortaleciendo la contribución de las empresas mexicanas a la sociedad civil. Institute of the Americas. San Diego, 2005. Pg. 14.

²³ Ibid.

2003, was commensurate to employee distribution, giving to Cd. Juarez would exceed \$4 million annually for that company alone.

- Explore expanded cross-border giving options via corporate foundations by reaching out to U.S. intermediary organizations capable of assisting with grants into Mexico.
- Providing not only cash and in-kind contributions but technical and training support to local nonprofits.
- Encouraging local plant managers to become more actively engaged in their local communities.

The role of Mexican border area community foundations and NGOs:

To acquire the necessary training that will allow them to develop an efficient management fundraising and marketing strategy that will increase their possibilities in acquiring funding from U.S.-based maquiladoras.

- In addition to requesting financial support from a corporation, NGOs, particularly grassroots organizations, should focus on seeking technical and capacity training assistance that will help them better achieve their nonprofit's overarching goals and objectives.
- Border corporate giving lags, in part, because there is little alignment between nonprofit needs and maquiladoras corporate goals and objectives. "Doing the right thing" is no longer a sufficient rationale for corporate charitable giving. Hence, border area nonprofits, and community foundations, need to do a better job of educating and informing companies; NGOs need to demonstrate that by investing in border communities, they will enhance the bottom line through higher employee retention and lower employee absenteeism.
- NGOs should promote greater transparency and accountability within the nonprofit sector.
- NGOs need to assist individual companies to align their corporate goals and objectives with the programs of specific border area nonprofits;
- NGOs must facilitate greater corporate participation in the boards of worthy border area nonprofits.
- Border area community foundations (including those based on the US side of the border) can do more to expand corporate giving along the border by making it easier for companies to give. This can be facilitated by providing the necessary information, contacts and knowledge critical to assisting companies towards improving their available options for charitable giving in the border region.

x. Conclusion

Given the enormous and growing societal needs in the border region, there is a compelling need to expand the level of corporate giving in the border region. A healthy philanthropic climate goes hand in hand with healthy communities.

As this study has clearly demonstrated, there are several structural impediments that are inhibiting the level of corporate giving along Mexico's northern border. Among the biggest impediments is Mexico's current tax code, which discourages maquiladora operators from giving. Given the potential benefits that could be derived from addressing this overlooked idiosyncrasy in the Mexican fiscal regime, this is a provision that needs to be changed. Beyond changes in Mexico's tax code, it is clear that perceptions by companies operating maquiladoras as well as border area nonprofits need to change.

On one hand, U.S. and third country multinationals operating in the border region need to take more pro-active steps to invest more time and money in the communities where they operate and where they do business. This is not a good thing to do for any company these days that wants to be socially responsible but it will also go a long way to improve the level of employee retention and loyalty which is an on-going problem with so many maquiladoras along the entire border.

On the other hand, border-area nonprofits need to meet companies half way. Nonprofits need to provide companies with greater transparency, improved reporting and be more pro-active in better understanding the specific needs of corporate donors. Unless border-area NGOs take this first step, corporate giving along the border will continue to lag.

Philanthropic institutions can and should do more. US community foundations need to re-examine their roles and begin expanding their missions beyond their traditional country boundaries. If that were the case, then U.S. companies might be more apt to use them as intermediary vehicles to support nonprofits in their neighboring border communities and the quality of life in their own binational region would be better for it. Here, the El Paso Community Foundation is a leader even though at present its cross-border giving to Cd. Juarez is modest.

While, in general, corporate giving in the border region does continue to lag when compared to other major industrial regions of Mexico or the United States, the border is fortunate with many exemplary companies, such as Mattel, Johnson & Johnson, Sony, Medtronic, Kyocera and GM, that are leading by example and through their generosity of time, money and experience they are showing others the way.

Appendix I Study Methodology

To accurately assess levels of border giving, a comparative analysis was undertaken of corporate giving practices and policies among the top 100 maquiladoras employers in the U.S.-Mexico border relative to their giving outside the region (nationally in U.S. and Mexico and abroad). An analysis of border area corporate giving trends and existing impediments was also undertaken with the following methodology:

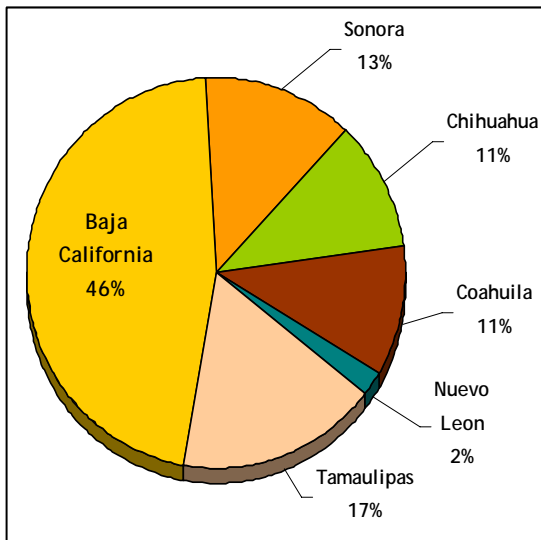
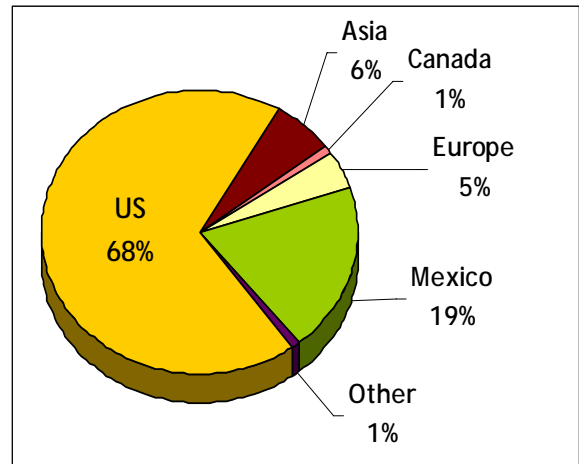
1. Developed a corporate giving data base of major maquiladoras employers and service providers the primary border sister-city regions: San Diego-Tijuana; Imperial Valley; Ambos Nogales; El Paso-Cd. Juarez; and Brownsville-Matamoros;
2. Reviewed corporate giving policies of major border area employers and providers (e.g. review of web sites, social responsibility annual reports);
3. Administered a questionnaire to U.S. companies and multinational corporations (maquiladora plant managers and corporate foundation representatives) with significant maquiladora presence in the region based on employee size (top 200 maquiladora employers) to assess the level of specific corporate giving and existing impediments. **To protect the privacy of the companies and to increase participation in the study, the names of the companies participating in the study have been kept confidential.** NOTE: due to the low response rate of U.S. corporate foundation representatives, findings from surveys were not included in this study; instead, included some trends and statistics from data obtained from their websites and on-line reports.
4. Explored an analysis of potential supplier giving opportunities through a targeted questionnaire administered by Solar Turbines to its 100 suppliers serving its maquiladora operation in Tijuana.²⁴
5. Surveyed border nonprofits to assess their perception of corporate giving trends in their community.
6. Conducted interviews with selected employers identified as corporate leaders in the border region to develop case studies to highlight why these companies give.
7. Conducted a comparative analysis of corporate giving by border sub-region.
8. Developed recommendations for identifying ways in which charitable giving could be increased in the border region.

To insure the accuracy of the study, a corporate advisory committee was established including representatives of maquiladora industry professionals and border area service providers to offer objective feedback prior to the study's release. The study was also peer reviewed by BPP member community foundations with active corporate involvement, in particular FIC located in Tijuana, Baja California; FECHAC located in Cd. Juarez, Chihuahua and FESAC located in Nogales, Sonora.

²⁴ San Diego based Solar Turbines, is a subsidiary of Caterpillar

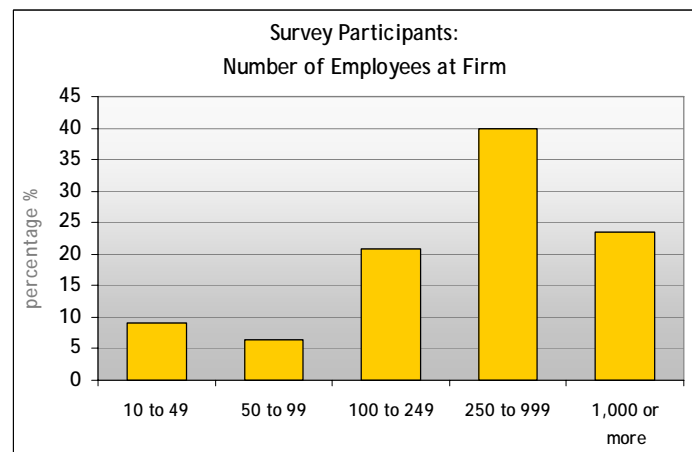
Appendix 2 Maquiladora Survey Participant Demographics

Between March and May of 2005, over eight-hundred maquiladoras in the six border states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon and Tamaulipas were contacted (via email, fax, and/or phone) to solicit their participation in this first-ever Border Philanthropic Survey of the Maquiladora Industry. In the end, 110 maquiladoras completely answered the survey questionnaire (another 23 completed partial surveys, although their responses were not included in this analysis). As seen in the graph at right, maquiladoras that participated identified the origin or location of their parent company predominantly in either the United States or Mexico (approximately 87%).

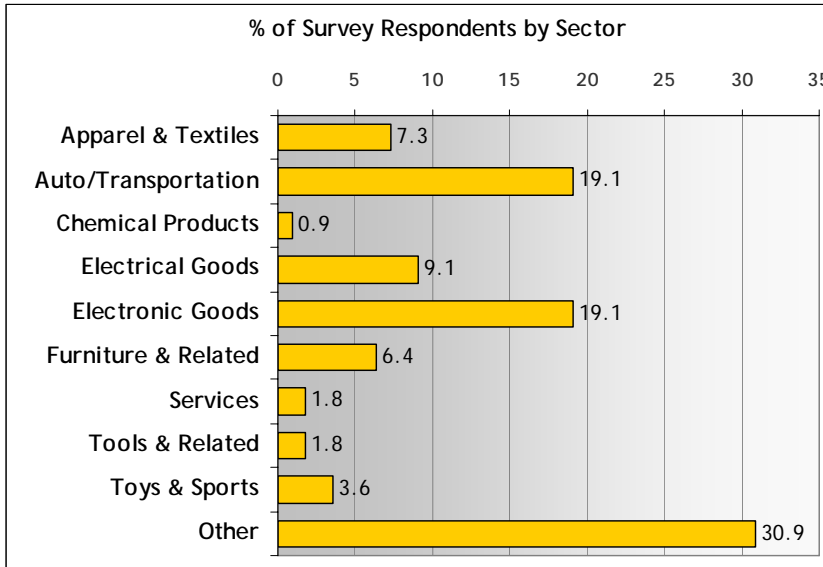


In order to be somewhat representative of the maquiladora industry along the US-Mexico border, an attempt was made to weight the percentage of respondents from each state in proportion to the actual percentage of maquiladoras that each state has. During this first year of surveying, it was noted that some trade organizations and companies tended to be more or less responsive – based in part on awareness of the study partners (i.e.: ICF, FESAC, CBA, etc.). Ultimately, while there was some slight over-representation from Baja California, Coahuila and Tamaulipas firms, the total number of participants should allow for a high degree of confidence in applicability of the results to the border region as a whole.

To better reflect the situation of more-stable, ongoing operators within the maquiladora industry, the survey attempted to target firms with fifty or more employees. As seen at right, more than 90% of survey participants were from such companies. In fact, nearly two-thirds of respondents were from maquiladoras with 250 or more employees – suggesting that these survey results likely reflect larger



companies and multinational firms that operate manufacturing facilities in the border region.



A final goal of the survey was to secure participation from a wide range of industries, albeit reflective of the types of firms operating in the border region. As seen at left, this goal was also achieved, although certain sectors may be slightly under-represented. The category of “Other” is probably over-represented, although each of these categories is somewhat subjective (and participants may fit into multiple categories).

Appendix 3 Sample of Comments from Maquiladora Survey Respondents

While it may be clear from the survey results that the majority of maquiladoras in Northern Mexico participate in some form of charitable activities within their community, the depth of feeling that many maquiladora managers have about participating within their communities was notable. When asked about what results their charitable activities had within their communities, or if they had any additional comments, most survey participants wanted to say something. A sample of their responses follows:

Our corporation has a small budget of approximately \$50,000 Pesos annually. However, we try to make every Peso count, which is why we make sure that our contributions reach those organizations in which we have a strong interest to assist in its development. If a charitable tax-incentive was in place, I think that the philanthropic activity of the corporations would increase exponentially.

Over the fourteen years this company has been in existence, we have donated large sums of money for paving roads in our Colonia (\$1500), to a new university - Universidad Tecnológica del Norte de Coahuila (\$3000), new Guarderia in our colonia (\$4000); [and] cleaning and repainting schools, parks, sports facilities. Management has been totally involved in the community being on the board of directors of Rotary Club, Canacindra, Consejo de Maquiladoras, Maverick County Development Corp., [and] any and every committee that comes up.

We have assisted schools by improving their equipment, students by providing development opportunities, and families with dignified living.

We take pride in working with our local community and providing opportunities for professional and personal development. The vast majority of maquiladoras are not sweatshops that violate laws and take advantage of employees.

[Our company] does not count with a fund available for these types of activities. I believe that it's the corporate headquarters in New York who administers the fund for donations.

[In 2004], we had a flood that drowned more than thirty people and wiped out 6 colonias in Piedras Negras. The management and employees worked on the relief effort for six weeks. The first week many worked 16 hours a day for more than seven days....[The] Manager accepted responsibility for the Centro de Acopio, receiving donated food and goods, controlling the inventory seeing that it was distributed to the needy families with the aid of various social clubs (Rotary, Lions, Red Cross, and local churches). Employees did everything that was necessary from shoveling mud out of homes, filling sand bags, sorting donated food and clothing, distributing food and clothing, and working in the Centro do Acopio unloading and

reloading donated items.... We did not track the daily hours or cost, we did what we felt was our duty and responsibility.

Our organization is focused on four groups:: Our clients, whom we exists for as an organization; our personnel for whom we seek for a better lifestyle for them and their families ;and our community which we never forget because we are part of it and we grow in it.

Keeping young kids in school rather than only working, especially 16 year old girls.

Hopefully all industries will participate in philanthropic programs, because this is the way that we can collaborate to create a better Mexico for our employees, their families and our future professionals.

Supporting charitable groups and organizations helps as an example to other businesses to also contribute.

Appendix 4 Sampling of NGOs Currently Receiving Maquiladora Support

Below is a selected listing of some of the NGOs identified by maquiladora survey respondents as recipients of charitable aid from the companies:

| State | City | Groups Supported |
|-----------------|-----------------|--|
| Nuevo Leon | Monterrey, N.L. | Caritas |
| | Tijuana | DIF Tijuana Alfa Omega Asociacion de la Industria Maquiladora Centro de Rehabilitacion CIRAD Coopermex Equipo infantil de futbol Fronteras Unidas Pro-Salud A.C. Grupo Apsor Hospital de las Californias Instituto Mexico Instituto Tecnologico de Tijuana Preparatoria COBACH Cruz Roja Mexicana Universidad Autonoma de Baja California (UABC) Universidad UTT |
| Baja California | Tecate | Canacintra Farbest Foundation ITT Technical Institute Cruz Roja Mexicana Tecate Rotary club Universidad Autonoma de Baja California (UABC) |
| | Mexicali | Centro de Aprendizaje y Convivencia, AC (Mexicali) Conalep |
| Ensenada | | Casa hogar del Anciano DIF Ensenada Instituto Municipal del Deporte Ensenada Cruz Roja Mexicana |

| Universidad Autonoma de Baja California (UABC) | |
|--|--|
| Playas de Rosarito | CCDER Cruz Roja Mexicana DIF Rosarito |
| Coahuila | |
| Piedras Negras | Arbol de la Esperanza Asoc. de Medicina Ocupacional de Piedras Negras Casa de la Cultura de Piedras Negras Cruz Roja Mexicana IEEA Educacion Liga Internacional de Baloncesto Orfanatorio de Villa de Fuente |
| Saltillo | Caritas CRIT DIF Saltillo |
| Cd. Acuña | Asilo Divina Providencia Casa de Esperanza Esc. Primaria Valeriano Valdez Esc. De Educación Especial Es. Primaria Revolución Jardín de Niños Melchor Ocampo |
| Sabinas | Tecnologico Regional |
| Allende | DIF Allende Orfanatorio de Morelos, Coah. |
| Sonora | |
| Nogales | Arinac Agrupación George Papanicolau Asilo de Ancianos Casa de la Misericordia Casa Hogar de Nuestros pequeños Hermanos Cristo Rey Cetys (Escuela) CONALEP Cruz Roja DIF |
| San Luis R.C. | Big Brothers Big Sisters |

| | | |
|-------------------|---------------------|---|
| | | DIF Municipal San Luis R.C. March of Dimes Special Olympics |
| | Hermosillo | Casa Hogar Ciudad de los niños Cruz Roja Mexicana |
| | Obregon | Casa Hogar Maria Madre Centro Medico San Vicente Cruz Roja Mexicana |
| | Imuris | CEBETA Cruz Roja Mexicana |
| Tamaulipas | | |
| | Reynosa | Casa Amparo a la Mujer Casa del Migrante Casa Hogar Amparo a la Mujer Casa Hogar San Francisco Casa Hogar San Vicente Cecati CEPRHODAC Cruz Roja Mexicana DIF Reynosa Empleados de la empresa Equipos deportivos Escuela Nueva Creacion Food Bank Rotary International Sindicato de Maquiladoras Teleton Universidad Autonoma de Tamaulipas (UAT) United Way South Texas |
| | H. Matamoros | Caritas de Matamoros Cruz Roja Mexicana Escuela Primaria Heroes de la Patria H.Cuerpo de Bomberos Instituto Tecnologico de Matamoros |
| Chihuahua | | |
| | Cd. Juarez | Apanical Centro de atencion multiple # 20 |

Colonia de la periferia
 Cruz Roja Mexicana
 Desarrollo comunitario Sta Maria
 Down's syndrome Assoc
 Fondo unido A.C.
 Parroquia Sn Fco De Asis
 Secretaria del Trabajo - IMSS
 Servicio de limpia (parques y jardines)
 Tarahumaras

Camargo

Albergue de Tarahumaras
 Albergues Siquem
 DIF Camargo

Cd. Cuahatemoc

Day care centers
 Club Lions (Lyons Club)
 Cruz Roja Mexicana

Chihuahua

Rehabilitation program 'El Alfarero'
 Cruz Roja Mexicana

Nationa

Teleton

Appendix 5

Registered Mexican Nonprofits Operating along the U.S.-Mexico Border with Tax-deductibility status

| Total by State Border Region | | Broken Down by Border City | |
|------------------------------|-------------|----------------------------|-------------|
| State | No. of NGOs | City | No. of NGOs |
| Baja California | 88 | Tijuana | 44 |
| | | Tecate | 4 |
| | | Mexicali | 40 |
| | | | |
| Sonora | 9 | San Luis Rio Colorado | 2 |
| | | Nogales | 7 |
| | | Naco | 0 |
| | | Agua Prieta | 0 |
| | | | |
| Chihuahua | 27 | Ciudad Juarez | 26 |
| | | Ojinaga | 1 |
| | | | |
| Coahuila | 9 | Ciudad Acuña | 4 |
| | | Piedras Negras | 5 |
| | | | |
| Tamaulipas | 39 | Nuevo Laredo | 13 |
| | | Reynosa | 7 |
| | | Matamoros | 19 |

Source: Centro Mexicano para la Filantropía (CEMEFI).

Appendix 6
Registered Maquiladoras found in nine cities of the
U.S.-Mexico Border region

| Location | Total Registered |
|-----------------------|-------------------------|
| CIUDAD JUAREZ | 350 |
| MATAMOROS | 157 |
| MEXICALI | 197 |
| NOGALES | 144 |
| NUEVO LAREDO | 55 |
| PIEDRAS NEGRAS | 157 |
| REYNOSA | 190 |
| SAN LUIS R.C., SONORA | 35 |
| TIJUANA | 925 |
| Total | 2210 |

Source: Secretaría de Economía, México www.economica.gob (2005)

Appendix 7 List of Top 100 Maquiladoras operating in Mexico

| No. | COMPANY | EMPLOYEES | PLANTS | ORIGIN | INDUSTRIAL SECTOR |
|-----|-----------------------------|-----------|--------|-------------|-----------------------|
| 1 | DELPHI AUTOMOTIVE SYSTEMS | 66,000 | 51 | USA | AUTOMOTIVE |
| 2 | LEAR CORPORATION | 34,000 | 8 | USA | AUTOMOTIVE |
| 3 | YAZAKI NORTH AMERICA | 33,400 | 41 | JAPAN | AUTOMOTIVE |
| 4 | ALCOA FUJIKURA LTD | 23,000 | 26 | JAPAN | INDUSTRIAL |
| 5 | GENERAL ELECTRIC COMPANY | 20,700 | 30 | USA | INDUSTRIAL |
| 6 | TAKATA | 15,800 | 10 | JAPAN | AUTOMOTIVE |
| 7 | THE OFFSHORE GROUP | 14,498 | 3 | USA | SHELTER SERVICES |
| 8 | SANMINA-SCI | 12,110 | 7 | USA | ELECTRONICS |
| 9 | THOMSON, INC | 10,874 | 6 | USA | ELECTRONICS |
| 10 | PHILIPS ELECTRONICS | 10,575 | 11 | NETHERLANDS | ELECTRONICS |
| 11 | SIEMENS AG | 10,200 | 15 | GERMANY | ELECTRONICS |
| 12 | JABIL CIRCUIT | 10,000 | 3 | USA | ELECTRONICS |
| 13 | VISTEON CORPORATION | 10,000 | 16 | USA | AUTOMOTIVE |
| 14 | MAGNA INTERNATIONAL INC | 9,800 | 12 | CANADA | AUTOMOTIVE |
| 15 | SONY CORPORATION OF AMERICA | 9,679 | 3 | JAPAN | ELECTRONICS |
| 16 | KEMET CORPORATION | 8,000 | 8 | USA | ELECTRONICS |
| 17 | CARDINAL HEALTH | 7,566 | 6 | USA | MEDICAL |
| 18 | MALLINCKRODT, INC. | 7,521 | 8 | USA | MEDICAL |
| 19 | SUMITOMO W.E.S. | 7,500 | 14 | JAPAN | ELECTRICAL |
| 20 | WHIRLPOOL | 7,500 | 5 | USA | ELECTRONICS |
| 21 | A.O. SMITH CORPORATION | 7,400 | 17 | USA | ELECTRICAL |
| 22 | TYCO INTERNATIONAL LTD | 6,785 | 4 | USA | ELECTRONICS / MEDICAL |
| 23 | FLEXTRONICS CORPORATION | 6,200 | 2 | SINGAPORE | ELECTRONICS |
| 24 | SANYO NORTH AMERICA GROUP | 5,879 | 2 | JAPAN | ELECTRONICS |
| 25 | SAMSUNG | 5,789 | 2 | KOREA | ELECTRONICS |
| 26 | EMERSON ELECTRIC CO. | 5,678 | 7 | USA | ELECTRICAL |
| 27 | CELESTICA, INC | 5,500 | 4 | CANADA | ELECTRONICS |
| 28 | AMERICAN INDUSTRIES | 5,432 | 23 | MEXICO | SHELTER SERVICES |
| 29 | MOTOROLA, INC | 5,290 | 2 | USA | ELECTRONICS |
| 30 | MATSUSHITA ELECTRIC CORP. | 4,986 | 4 | JAPAN | ELECTRONICS |
| 31 | HONEYWELL, INC | 4,900 | 3 | USA | ELECTRONICS |
| 32 | DAEWOO INDUSTRIAL CO., LTD | 4,856 | 3 | KOREA | ELECTRONICS |
| 33 | TRW INCORPORATION | 4,554 | 11 | USA | AUTOMOTIVE |
| 34 | FOXCONN MEXICO | 4,500 | 1 | CHINA | ELECTRONIC/PLASTICS |
| 35 | AUTOLIV, INC. | 4,455 | 5 | SWEEDEN | AUTOMOTIVE |
| 36 | KEY SAFETY SYSTEMS, INC | 4,390 | 4 | USA | AUTOMOTIVE |
| 37 | BOSCH GROUP | 4,320 | 7 | USA | AUTOMOTIVE |
| 38 | LEXMARK | 4,200 | 4 | USA | ELECTRONICS |
| 39 | THE CHAMBERLAIN MFG | 4,000 | 1 | USA | ELECTRONIC |
| 40 | ITT INDUSTRIES | 3,845 | 4 | USA | AUTOMOTIVE |

| | | | | | |
|----|--|-------|----|-------------|-------------------------|
| 41 | LG ELECTRONICS | 3,700 | 3 | KOREA | ELECTRONICS |
| 42 | PLANTRONICS, INC | 3,600 | 5 | USA | ELECTRONICS |
| 43 | JOHNSON CONTROLS, INC | 3,589 | 7 | USA | AUTOMOTIVE |
| 44 | NOVA LINK | 3,515 | 8 | MEXICO | SHELTER SERVICES |
| 45 | MOLEX | 3,200 | 2 | USA | ELECTRONICS |
| 46 | INTERMEX MANUFACTURA | 3,100 | 14 | MEXICO | SHELTER SERVICES |
| 47 | HYUNDAI MOTOR COMPANY | 3,015 | 3 | KOREA | AUTOMOTIVE |
| 48 | LEVITON | 3,000 | 6 | USA | ELECTRICAL |
| 49 | SCIENTIFIC ATLANTA INCORPORATION | 2,996 | 1 | USA | ELECTRONICS |
| 50 | BOSE CORPORATION | 2,900 | 2 | USA | ELECTRONICS/AUTOMOTIVE |
| 51 | ELCOTEQ NETWORK CORPORATION | 2,835 | 2 | FINLAND | ELECTRONICS |
| 52 | AVERY DENNISON | 2,830 | 2 | USA | OFFICE PRODUCTS |
| 53 | NOMA CORPORATION | 2,795 | 3 | USA | ELECTRONICS |
| 54 | AM-MEX PRODUCTS, CO. KEY TRONIC | 2,789 | 6 | USA | SHELTER SERVICES |
| 55 | CORPORATION | 2,760 | 2 | USA | ELECTRONICS |
| 56 | TRICO TECHNOLOGIES, INC. | 2,700 | 1 | USA | AUTOMOTIVE |
| 57 | IBM | 2,689 | 1 | USA | ELECTRONICS |
| 58 | TI GROUP AUTOMOTIVE SYSTEMS | 2,639 | 9 | USA | AUTOMOTIVE |
| 59 | ALLIED SIGNAL CO. | 2,589 | 4 | USA | AUTOMOTIVE |
| 60 | AVX CORPORATION | 2,587 | 2 | USA | ELECTRONICS |
| 61 | MATTEL INC. AVAIL MEDICAL | 2,578 | 1 | USA | TOYS |
| 62 | PRODUCTS | 2,548 | 8 | USA | MEDICAL |
| 63 | ADVANCE TRANSFORMER CO. | 2,387 | 3 | USA/HOLLAND | ELECTRONICS |
| 64 | SCHLAGE DE MEXICO S.A. DE C.V. | 2,227 | 3 | USA | SECURITY |
| 65 | YALE DE MEXICO, S.A DE C.V | 2,169 | 1 | USA | APPAREL |
| 66 | AVENT | 2,150 | 2 | USA | MEDICAL |
| 67 | EDS MANUFACTURING INC. | 2,150 | 1 | USA | ELECTRONICS/ELECTRIC |
| 68 | PHELPS DODGE MAGNET WIRE | 2,136 | 1 | USA | ELECTRICAL |
| 69 | EATON CORPORATION | 2,113 | 2 | USA | AUTOMOTIVE |
| 70 | VF IMAGEWEAR | 2,100 | 2 | USA | APPAREL |
| 71 | ACCO BRANDS INC. | 2,063 | 2 | USA | STATIONARY |
| 72 | SKYWORK SOLUTIONS NATIONAL PROCESSING | 2,000 | 1 | USA | SEMICONDUCTORS |
| 73 | COMPANY | 1,961 | 2 | USA | SERVICES |
| 74 | EDM INTERNATIONAL BENCHMARK | 1,948 | 2 | USA | SERVICES |
| 75 | ELECTRONICS, INC. | 1,900 | 1 | USA | ELECTRONICS |
| 76 | SOLA OPTICAL USA ACCURIDE | 1,900 | 2 | AUSTRALIA | LENSES |
| 77 | INTERNATIONAL | 1,869 | 2 | USA | STEEL PRODUCTS |
| 78 | TOSHIBA | 1,780 | 1 | JAPAN | ELECTRONICS |
| 79 | SATURN ELECTRONICS NCH PROMOTIONAL | 1,700 | 2 | USA | ELECTRONICS, ELECTRICAL |
| 80 | SERVICES | 1,569 | 3 | USA | SERVICES |
| 81 | COOPER-STANDARD | 1,520 | 3 | USA | AUTOMOTIVE |

| AUTOMOTIVE | | | | | |
|------------|-----------------------------------|-------|---|---------|-------------|
| 82 | ALPINE ELECTRONICS OF AMERICA | 1,502 | 1 | JAPAN | AUTOMOTIVE |
| 83 | SUPERIOR INDUSTRIES INTERNATIONAL | 1,500 | 2 | USA | AUTOMOTIVE |
| 84 | TATUNG | 1,500 | 1 | TAIWAN | ELECTRONICS |
| 85 | INVENSYS | 1,420 | 6 | USA | ELECTRONICS |
| 86 | STRATTEC | 1,400 | 2 | USA | AUTOMOTIVE |
| 87 | AUTOMOTIVE SAFETY COMP. INT'L | 1,325 | 2 | USA | AUTOMOTIVE |
| 88 | ARVIN MERITOR | 1,300 | 1 | USA | AUTOMOTIVE |
| 89 | NOKIA | 1,250 | 1 | FINLAND | ELECTRONICS |
| 90 | PLEXUS | 1,211 | 1 | USA | ELECTRONICS |
| 91 | ELECTROLUX | 1,033 | 1 | SWEDEN | APPLIANCES |
| 92 | DATAMARK, INC. | 973 | 2 | USA | SERVICES |
| 93 | COILCRAFT, INC. | 850 | 3 | USA | ELECTRONICS |
| 94 | HAMILTON PROCTOR-SILEX, INC | 850 | 1 | USA | APPLIANCES |
| 95 | SMTC | 800 | 1 | CANADA | ELECTRONICS |
| 96 | AUMA | 800 | 1 | GERMANY | AUTOMOTIVE |
| 97 | LABINAL | 700 | 2 | FRANCE | AEROSPACE |
| 98 | HAYES LEMMERZ INTERNATIONAL | 650 | 4 | USA | AUTOMOTIVE |
| 99 | MACK TECHNOLOGIES | 520 | 1 | USA | ELECTRONICS |
| 100 | AUTOKABEL | 335 | 1 | GERMANY | ELECTRICAL |

Source: Maquiladora Portal.

Note: Due to the number of sources from which the contents is obtained, Maquiladora portal does not warrant the accuracy or completeness of this list.

Appendix 8

Local Civil Society Organizations Supported by Fondo Unido in the Border Region

| Fondo Unido de Nuevo León A.C. | Fondo Unido de Chihuahua A.C. |
|---|---|
| Asilo Luis Elizondo | Agrupación de Fe, Esperanza y Caridad |
| Asilo Monte Carmelo | AGMISI |
| Asoc. Nacional de Ayuda al Anciano | Albergue Granja Hogar del DIF |
| Caritas de Nuevo Laredo | Albergue Infantil del DIF |
| Casa de Rescate Clamor en el Barrio | Albergue Santa Clara de Asís A.C. |
| Casa Hogar Arcoiris de Jesús | Amigos Unidos contra la Esclerosis Múltiple A.C. |
| Casa Hogar Betesda (Mty) | APAMAC (Asociación para la Protección y Defensa del Menor A.C.) |
| Casa Hogar el Elhoe, A.C. | APINDA |
| Casa Hogar Sta. María | Appanical (Asoc. de Padres de Niños con Cáncer y Leucemia de Juárez A.C.) |
| Casa Hogar Sta. María de Guadalupe, A.C. | APPNES (Asoc. de Padres de Personas con Necesidades Especiales A.C.) |
| Casa Hogar Refugio y Esperanza, A.C. | Apronicáncer (Asociación Protectora de Niños con Cáncer de Cd. Juárez A.C.) |
| Casa Hogar V. Eudes | Asilo de Ancianos Primavera en Invierno |
| Casa Paterna la Gran Familia, A.C. | Asilo el Buen Pastor |
| Centro de Adapt. e Integr. Familiar, A.C. | Asilo el Buen Samaritano |
| Centro de Ayuda del Pobre más Pobre, A.C. | Asilo de Niños y Casa Hogar |
| Centro de Neurorehab. Betesda (Saltillo) | Asilo Inesita (Asociación Siloe A.C.) |
| Centro de Rehab. de Sabinas (Coah.) | Asilo San Rafael |
| Centro Hospitalario San José, A.C. | Asilo Senecu |
| Club Rotario de Sabinas, A.C. | Asoc. Chihuahua Contra el Cáncer |
| Comunidad Terapéutica | Asoc. Comunitaria de Apoyo a la Salud A.C. |
| Cruz Roja Mexicana | Asoc. de Autismo A.C. |
| D.I.F. Coahuila | Asoc. Franciscana de Cd. Juárez |
| D.I.F. Linares | Asoc. Mex. de Ayuda a Niños con Cáncer |
| D.I.F. Nuevo Laredo | Asoc. Pro Niños con Leuc. de la Laguna |
| D.I.F. Plateros | Asoc. San Vicente de Paul |
| D.I.F. Sabinas Hgo. | Bastión de Vencedores |
| D.I.F. Victoria | Brenda Asoc. de Esclerosis Múltiple |
| D.I.F. Zacatecas | Brindemos Alegría para Vivir |
| Dispensario San Antonio ABP | Cáritas de Chihuahua |
| Distrofia Muscular y Espinal, A.C. | Cáritas Meoqui A.C. |
| Ejército de Salvación, A.C. (Mty.) | Cáritas Parroquial Cristo Rey |
| Ejército de Salvación, A.C. (Saltillo) | Cáritas Parroquial del Santuario |
| Ejército de Salvación, A.C. (Nvo. Laredo) | Cáritas Parroq. Nuestra Sra. del Cármen |
| Fundación Douglas | Cáritas Parroquial San Juan Diego |
| Fundación García Noriega, ABP | Casa Amiga "Centro de Crisis" |
| Gpo. Gansos de Pers. con Discap. (Salt.) | Casa del Buen Pastor |
| Manantiales de Amor, A.C. | Casa de Cuna DIF |
| Mejor una vida a tiempo | |
| Niños con Leucemia, A.C. (Saltillo) | |
| Org. de Ciegos Emprendedores de NL. | |
| Patronato de Prom. Voluntarios de Coah. | |

Prevocacional Severiano Martínez
Villas Asistenciales Sta. María, ABP
Viviendo Hoy, estancia para personas
de la tercera edad

Casa de Jesús de Cd. Juárez A.C.
Casa del Migrante en Juárez A.C.
Casa del Niño y del Anciano México A.C.
Casa de Refugio para Jovencitas A.C.
Casa Hogar del Anciano Rincón del Amor
Casa Hogar de Niñas de Chihuahua
Casa Hogar Jeruel
Casa Triunfo México
Centro de Asistencia al Menor Fronterizo
(CAMEF I y II)
Centro de Atención Múltiple (25 centros)
Centro de Capacitación y Educación Especial
(CECADEE) no. 1 y 2
Centro de Estudios para Invidentes
Centro de Formación Humana
Centro de Integración Juvenil A.C.
Centro de Protección para Niños
Desamparados A.C. (la vid)
Centro de Rehabilitación el Alfarero
Centro de Rehabilitación Vida Nueva A.C.
Centro Estatal de Cancerología
Centro Victoria de Chihuahua
Ciudad del Niño (Fomento de Obras
Sociales y Caridad A.C.)
Clínica de la Asociación Comunitaria
de Apoyo a la Salud A.C.
Clínica Desarrollo Comunitario Sta. Ma. A.C.
Clínica Rural San Agustín
Club la Tercera Edad, Época de Oro
Complejo Asistencial Clínica Sta. Teresita A.C.
Comunidad Tarahumara Marista
C.R.A.E.M.A.C. (Centro de Rehabilitación
y Asist. para Enfermos Mentales A.C.)
Cruz Ambar
Cruz Roja Mexicana Cd. Juárez
Cruz Roja Mexicana Chihuahua
Cruz Roja Mexicana Delicias
Desarrollo Comunitario Sta. María A.C.
Desarrollo Juvenil del Norte A.C.
Desarrollo Rural de Juárez
Despertando a la Vida A.C. (niños)
Despertando a la Vida A.C. (jóvenes)
Discapacidad y Excelencia de Chih. A.C.
El Bocado del Pobre
El Buen Pastor
Escuela de Mejoramiento Social para Menores
Esperanza y Vida
Familia del Rey
Fatima I.P.B.
Fundación Raramuri

Fundación See Internacional A.C.
Gloria Arellano de Cervantes, DIF Municipal
Granja Hogar p/ Ancianos de Cd. Cuauhtémoc
Grupo Unido al Servicio de los Indígenas A.C.
Grupo Salvador de Lupus
Guardería "Niñito Jesús"
Hogar de la Misericordia
Hogar de Niñas Padre G. Cusmano
Hogar "Psiquiátrico San Juan de Dios"
Hospital de la Tarahumara
Hospital General de Cd. Juárez
Hospital General
Hospital Infantil
Hospital Central
Hospital Psiquiátrico Civil Libertad
Hospital Regional de Delicias
Impulsa, el Joven Emprendedor
Inst. de Asesoría y Apoyo para Ciegos A.C.
Instituto Down de Chihuahua
Instituciones en 20 ciudades más
Instituto José David
Juntos lo lograremos A.C.
Juventud con Visión A.C.
Juventud y Senectud A.C.
Lograr y Superar
Mecidi de Cd. Cuauhtémoc, Chih. A.C.
Mi Casa, Centro de Rehabilitación Chih.
Misericordia y Vida para el Enfermo
con SIDA A.C.
Misión con Visión A.C.
Prog. de Atención a Discapacitados (DIF)
Programa Valores
Reto a la Juventud México I.A.P.
Santa María de los Niños A.C.
Superación Integral de Cajemé A.C.
Techo Comunitario A.C.
Un Niño y un Caballo A.C.
USAER no. 16, 30, 31, 32, 33
Villa Integra A.C.
Vino, Trigo y Aceite A.C.
Voluntarias Vicentinas de Cd. Juárez A.C.

Appendix 9 Corporate Case Studies

- 1. Johnson & Johnson**
- 2. Cementos Mexicanos (CEMEX)**
- 3. General Electric (GE)**
- 4. Medtronic Mexico**

I. JOHNSON & JOHNSON

“...We are responsible to the communities in which we live and work and to the world community as well...”²⁵

Company and Industry Profile:

Johnson & Johnson is the world's most comprehensive and broadly based manufacturer of health care products, as well as a provider of related services, for the consumer, pharmaceutical, and medical devices markets. The Company includes more than 200 operating companies in more than 57 countries and employs approximately 109,900 people worldwide. In Mexico, the company has corporate offices and four operation sites in the Mexico City Area (Janssen-Cilag Farmaceutica, Johnson & Johnson Medical, Johnson & Johnson Vision Care, and LifeScan), and one operation site in the border state of Chihuahua, Mexico (Cordis de Mexico).

An important factor in the long-term success of Johnson & Johnson has been its commitment to its corporate Credo. For more than 60 years, the Company has followed the tenets of its Credo, simple, one-page document that has helped guide its actions in fulfilling the Company's responsibilities to its customers, its employees, the local and global community and its shareholders. This document reminds employees and management of Johnson & Johnson of the deep sense of responsibility they have to enhance the economic and social health of the communities in which the company operates by supporting local programs and assisting new efforts to improve health, education, and civic vitality.

In recognition of its social awareness, Johnson & Johnson's stock has been included in the Dow Jones Sustainability Index (DJSI), which encompasses the best-in-class approaches and sustainability leaders in each industry.

Corporate Social Responsibility (CSR) Strategy:

Johnson & Johnson's commitment to CSR is described by a large and diverse number of community initiatives and focused strategies that are classified in five areas: Women's and Children's Health, Community Responsibility, Access to Care, Advancing Health Care Knowledge, and Global Public Health.

As stated in Johnson & Johnson's Worldwide Contributions Program 2004 Annual Report, “... Johnson & Johnson offers solution-driven programs that ensure quality health care and help build strong communities around the world.” In 2003 and 2004, the company allocated \$384.5 and \$528.7 million in cash gifts and product contributions, respectively, nearly 4% of the company's annual worldwide pretax income.

Johnson & Johnson's CSR's sustainable strategy is mainly performed through partnerships and strategic alliances with local organizations, in which the company and its employees participate actively; and by assisting in emergency situations. For example, last year, in response to the

²⁵ J&J 2004 Worldwide Contributions Program Report.

tsunami tragedy, senior management made an immediate financial commitment and sent medical relief modules to most affected areas, donating products in excess of \$80 million.

Community Outreach:

Johnson & Johnson corporate giving extends throughout their global organization. Their actions range from their Neonatal Resuscitation Program to assist births in China, the Ethiopia's Fistula Hospital, the European Business Campaign on Corporate Social Responsibility, to the Nature Conservancy initiative in Brazil.

In Mexico, the company has supported several different causes. Among them are the Pediatric Leadership Alliance, a partnership with the American Academy of Pediatrics that promoted leadership education (in 2001, 13 teams from across the United States and Mexico were trained in issues affecting children); the John Langdon Down School Program, in which Johnson & Johnson supported education and human development services to families of children with Down's Syndrome; and Project HOPE - Mexico, that has addressed the increasing prevalence of diabetes in Mexico through professional training and public awareness.

U.S. - Mexico Border Projects:

Due to their presence in the border region, the urgent need of providing basic services in Ciudad Juarez transmitted by the managers of their local subsidiary, their relationships with nonprofit organizations that operate in the area and their long-term commitment to education and health, Johnson & Johnson has supported the following initiatives:

- **Juarez Community Eye Care Project.** In association with Surgical Eye Expeditions (EE) International, Inc., a nonprofit organization that seeks to reduce world blindness, the Juarez General Hospital, and the local ophthalmic community, Johnson & Johnson funded the creation of a self-sustained clinic to provide eye care to low-income people through cost-recovery fees. Since its opening in 2002, the clinic has examined hundreds of patients and performed surgeries in the areas of cataracts, glaucoma and cornea implants.
- **Center for Environmental Resource Management (CERM), University Of Texas.** With the aim to combat the environmental threats that jeopardized the health, safety and development of the border region, in 2002, Johnson & Johnson donated \$90,000 to finance an environmental initiative entitled "*Johnson & Johnson Water and Sanitation Outreach Program*". According to recently published reports from the company, the center has reached over 200 families with safe water and constructed around 11 latrines.
- **Mexican Foundation of Health and Community Development (FEMAP):** With the assistance of Johnson & Johnson and El Paso Community Foundation, the organization has been able to expand the capacity of FEMAP's Hospital de la Familia, from four beds and one doctor in 1976 to more than 100 beds and 80 doctors in 2003. Funding from Johnson & Johnson allowed hundreds of children to benefit from open thermal cribs, an incubator, oximeters, and monitors for newborns, installed in different units of the hospital.

- **Juarez General Hospital Nursing School:** In response to a deficit of more than 3,500 trained personnel in the Juarez Area, Johnson & Johnson sponsored the training of a large number of nurses to apply the appropriate skills when serving the community of Cd. Juarez. In addition, they sponsored the enhancement of the nursing school's physical facilities. By 2003, with financial support from Johnson & Johnson and the assistance of Fundación Margarita Miranda de Mascareñas, the school was training 48 scholars.
- **El Paso Community Foundation (EPCF) - U.S. / Mexico:** Johnson & Johnson has donated \$705,000 dollars for different projects. Of this amount, \$220,000 dollars have been used to improve air quality in the region, by reducing vehicular emissions through education and vehicular maintenance programs and other strategies.
- **Elementary School Program:** Through their local subsidiary, Cordis de Mexico, in 2001, Johnson & Johnson participated with EPCF in a matching funds effort with Siga Construcciones to support a school that would assist more than 300 children; in 2004, the company funded another facility, with additional support from the contractor.

Although these projects are different in nature and therefore not-easily comparable, *“Johnson & Johnson has stood on the feet and has supported the community in a sustainable way... With regard to the school in Juarez, we can now see a school that everyone is proud of...”*²⁶

²⁶ Mr. Conrad Person, Director of International Programs, J&J. Telephone interview: March, 22, 2005.

2. CEMENTOS MEXICANOS (CEMEX)

“We are committed to ensuring the well-being of our employees, protecting the environment, and contributing to the growth of societal infrastructure and the development of our communities.”²⁷

Company and Industry Profile:

Cementos Mexicanos, a Mexican company that was founded in 1906, is a leading global producer and marketer of quality cement and ready-mix concrete products that works to provide building solutions for customers around the world and to create sustainable value for its stakeholders. In Mexico, the company has established nationwide coverage with 15 strategically located cement plants, 211 ready-mix concrete facilities, 68 land distribution centers, and 8 marine terminals, and has a production capacity of 27.2 millions of metric tons/year.

Cement is an essential building material, yet producing it is an energy and resource-intensive process. As a member of the World Business Council for Sustainable Development, CEMEX was one of ten leading cement companies to participate in the Cement Sustainability Initiative (CSI), a project that explored ways for the industry to meet the needs of the present without compromising the ability of future generations to meet theirs.

CEMEX is committed to helping its customers, employees, communities, and stockholders to build a better future, to provide building solutions for clients around the world, and to create sustainable value for its investors. To achieve a more sustainable society, the company is committed to working in six areas: climate protection, fuels and raw materials, employee health and safety, emissions reduction, local impacts, and internal business processes.

Corporate Social Responsibility (CSR) Strategy:

The promise of CEMEX to social responsibility is rooted in its 98-year history of helping communities to build infrastructure. The company’s commitment to social responsibility guides their strategy *“to run an efficient and profitable business while caring for the needs of the environment and the communities.”²⁸*

CEMEX’s approach to managing a responsible corporation consists of specific policies that require all of their businesses, subsidiaries, and units to adhere to some primary actions that ensure the safety and satisfaction of their employees, customers, communities, and the environment. These actions are to employ cutting-edge technology to guarantee the optimal use of energy and raw materials, to promote a culture of environmental awareness, and to use the most effective equipment to safeguard people.

Community Outreach:

According to their longstanding strategy to society, the company works to improve the well-being of communities around the world through educational, cultural, infrastructure, and community-development initiatives. CEMEX’s actions range from scholarships for children in

²⁷ Lorenzo H. Zambrano, Chairman of the Board and Chief Executive Officer of CEMEX.

²⁸ CEMEX Website: http://www.cemex.com/cc/cc_lp.asp

Costa Rica to medical and dental care for communities in the Philippines, education of young girls in Egypt, and the support of non-profit centers for disabled children in Venezuela, among others.

In Mexico, through a multi-sector alliance with the federal, state, and local governments, CEMEX provides Mexico's poorest residents with concrete floors to stand on. Through the "Piso Firme" program, the company has helped over 200,000 disadvantaged families by replacing their dirt floors with antibacterial concrete. Also, through their "Patrimonio Hoy" initiative, the company has helped more than 103,000 low-income families that live on the Mexican side of the border to own their own homes. They accomplished this by organizing the families into self-financing cells that facilitate home-building, and by assisting those family members who live in the United States to transfer money to their families in Mexico, for covering construction expenses.

U.S. – Mexico Border Projects: El Carmen Project.

As part of CEMEX's conservation and environmental policies, the company initiated, in 1997, the El Carmen Project. This was a joint effort with the Sierra Madre Association to preserve the natural environment of one of Northern Mexico's richest ecological zones.

Located in Coahuila state, just south of the U.S. – Mexico border and east of the Chihuahua Desert, El Carmen Project reinforces the commitment of the company in the region. The project aims to recover endangered species as part of the natural resource management and intends to offer economic means to local communities.

Figure 2. Geographic Location of Boquillas del Carmen, Mexico



This region has historically been seen as an important mining and forestry center that maintains its natural richness and beauty as a result of its isolation. However, it faces some social and economic circumstances that have jeopardized the preservation of animals like “El Carmen” white tail deer, the javalina, the mule deer, 70 other mammal species, 50 reptiles, and some amphibians.

The Project includes the bio-preservation of 55 thousand hectares of land, of which 60% are part of the Wildlife Protection Area of the Maderas de El Carmen. The project incorporates

several actions to preserve species, ecosystems, and biological corridors, along with preservation of the history and culture of the area. The Project seeks to restore wilderness areas damaged by human activity by recovering and protecting native flora and fauna that has become extinct or is in danger of becoming so.

A few years ago, World Wildlife Fund-USA, Bird-life International, the North American Commission for Environmental Cooperation (NACEC), among other national and international organizations designated this area as one of the most ecologically threatened regions in the world. Today, El Carmen and the Cañon de Santa Elena projects have become part of the Conservation Regions of Priority, established by CONABIO (National Commission for Knowledge and Use of Biodiversity), Profaua, Pronatura, World Wildlife Fund, Fondo Mexicano para la Conservación de la Naturaleza, USAID, The Nature Conservancy, and INE, (National Ecology Institute). They have succeeded, together with other campaigns, in turning the region into one of the world's largest protected areas and last refuges of the natural world.

In 2003 CEMEX selected the El Paso Community Foundation to be its philanthropic partner in the El Carmen project. To date, the company has contributed over \$1.4 million to this initiative. Future plans include border-wide environmental grantmaking.

As John M. Fahey, Jr. states, "*CEMEX's El Carmen Project... is particularly relevant in that it demonstrates what can be accomplished when there is committed collaboration between industry, conservation organizations and academia.*"²⁹

²⁹ John M. Fahey, Jr., President and Chief Executive Officer of the National Geographic Society.

3. GENERAL ELECTRIC (GE)

*"The GE Foundation's support of UNICEF's early childhood development programs in China and Mexico focuses on mobilizing both attention and resources on the needs of thousands of pre-school aged children - especially those under the age of three. Good nutrition, health care, clean water and sanitation, and a nurturing environment during these early years can last a lifetime."*³⁰

Company and Industry Profile:

General Electric (GE) is a diversified technology, media, and financial services company dedicated to creating products that range from aircraft engines and power generation to financial services, medical imaging, television programming, and plastics. GE operates in more than 100 countries and employs approximately 300,000 people.

The company has corporate offices in Mexico City and 33 operation sites spread throughout the country. Out of these sites, eight are located along the U.S. - Mexico border: GE Infrastructure in Tijuana, Baja California Norte; three GE Consumer & Industrial plants and one GE Healthcare in Ciudad Juarez, Chihuahua; GE Consumer & Industrial plant in Ciudad Acuña, Coahuila; GE Consumer & Industrial plant in Nogales, Sonora; and GE Consumer & Industrial plant in Reynosa, Tamaulipas.

Corporate Social Responsibility (CSR) Strategy:

As part of its CSR policies, GE stresses their commitment to integrity, corporate governance, innovation, environment, health and safety, quality, and diversity. The company defines "community" as the area in which its employees live and work.³¹ In 2004, GE contributed over \$150 million dollars and one million volunteer hours to support local and global organizations in the areas of education, human service and healthcare, environment, and the arts. According to Lorena de Lima³², the values that underlie GE's CSR strategy are their desire to carry out good business practices, improve employee morale, and be good corporate citizens in their communities.

To achieve its CSR goals, the company constituted the GE Foundation in 1953, with the premise that "quality education ushers in a lifetime of opportunity, which helps build a strong and diverse workforce and citizenry".³³ The Foundation has emphasized GE's giving, stressed the urgent need for quality education, especially for individuals from under-represented and disadvantaged backgrounds, and supported high-impact initiatives that improve access, equity, and quality of public education.

Community Outreach:

In education, where the Foundation has focused its programs in China, India, and Mexico, GE seeks to improve school readiness and primary education by improving schools and preparing youth for the workplace. In China, GE is carrying out the "Project Hope Teacher Training

³⁰ Carol Bellamy, Executive Director, UNICEF.

³¹ General Electric Website: www.ge.com/en/commitment/index.htm

³² Ms. Lorena de Lima, Corporate Community Relations Leader, GE-Mexico. Telephone interview, April 1, 2005.

³³ General Electric Website: www.ge.com/foundation/index.html

Program” to support professional development for teachers from remote communities; in India, the “Pre-School and Primary School Access” program spurs academic achievement among disadvantaged children.

Similarly, in Mexico, the GE Foundation works toward promoting child and youth educational development through the following programs:

- Partnerships with Junior Achievement Mexico, also known as “Impulsa al Joven Emprendedor (Impulsa)”. This partnership implements programs in seven schools that help children to develop entrepreneur skills and values, and to prepare disadvantaged youth for academic and career opportunities.
- Promoting Positive Development of Youth Initiative, a partnership between the GE Foundation and the International Youth Foundation (IYF): This program promotes healthy lifestyles, employability, and community engagement for young people in India and Mexico.
- Early Childhood Development Initiative: Through a grant of \$1.27 million awarded to the U.S. Fund for UNICEF over a two year period, GE supports early childhood development programs in Mexico and China to prepare children to reach school age healthy and well-nourished, intellectually curious, socially confident, and equipped with a solid foundation for lifelong learning.

U.S. – Mexico Border Projects:

Along the US-Mexico border region, GE sustains its mission of promoting educational opportunity for disadvantaged youth. Specifically, GE is promoting two educational programs: one in Ciudad Juarez, Chihuahua, and the other in Mexicali, Baja California, Norte.

- **GE - Junior Achievement, Cd. Juarez, Chihuahua:** GE’s collaboration with Junior Achievement (JA) in Ciudad Juarez began in 2004, when representatives from Impulsa approached GE headquarters in Mexico City and asked them to support JA’s educational initiatives in community schools, through the participation of GE employees as volunteer teachers.

In 2004, as a result of a pilot project, GE decided to expand their participation to every state in the country. At that time, 30 employees in Cd. Juarez, from Planta PROCON, became part of the initiative by assisting JA regional offices and adopting two local schools. Currently, the company is preparing another group of 15 to 20 volunteers to join the project.

According to Ms. de Lima, GE was attracted by JA’s program because of its nature, adaptability, and short-term objectives with tangible results and also, because the organization “*did not ask for money, but rather for time.*”³⁴ To date, GE Foundation has contributed over \$100,000 to JA nationwide, and 7,500 GE employee hours in which more than 750 people have participated.

³⁴ Ms. Julieta García de Márquez. Telephone interview conducted on March 22, 2005.

- **GE - CETYS Universidad, Mexicali, Baja California:** GE has been supporting the Universidad Centro de Idiomas' TEFL Certification Program (CETYS) since 2002.³⁵ To date, the foundation has donated a total of \$200,000 to the program through matching grants.

The Test of English as a Foreign Language (TEFL) Certification Program is designed to prepare teachers and prospective teachers to meet the growing needs for bilingual training in Baja California, as well as other regions of northern Mexico, by providing them with the necessary skills to attain higher levels of professionalism, effectiveness, and innovation. Core courses focus on theory, principles of good language teaching, and creative applications of various methodologies.

Students in the certification program are motivated individuals who develop teaching skills for a range of environments: primary, secondary, college, and adult classrooms; content instruction programs; community college, college, and university programs; workplace communication programs; private institutions; and public and private institutions abroad.

In contrast to their JA – GE collaboration, GE is strictly a financial supporter of the CETYS program. Nonetheless, as Ms. de Lima pointed out during the interview, the main reason for GE involvement in this project is because of its multiplying effect. In other words, by preparing a small number of teachers and prospective teachers, GE impacts the education of a larger group of aspiring English-language students.³⁶

³⁵ Ms. Lorena de Lima, Corporate Community Relations Leader, GE-Mexico. Interview conducted on April 1, 2005.

³⁶ *Ibid.*

4. MEDTRONIC MEXICO

“Medtronic is passionate about improving the health of people and communities throughout the world, and our philanthropy reflects that passion. We focus our giving in areas where we can make unique and positive contributions: health, education and community.”³⁷

Company and Industry Profile³⁸

Medtronic (MDT) was founded in 1949 by Earl E. Bakken and the late Palmer J. Hermundslie. Since developing the first wearable external cardiac pacemaker in 1957 and manufacturing the first reliable long-term implantable pacing system in 1960, Medtronic has been the world's leading producer of pacing technology.

Currently the company is the global leader in medical technology- alleviating pain, restoring health, and extending life for millions of people around the world. With deep roots in the treatment of heart disease, Medtronic now provides a wide range of products and therapies. Headquartered in Minneapolis, Minnesota, company operations are primarily focused on providing therapeutic, diagnostic, and monitoring systems for cardiovascular, neurological, diabetes, spinal, and ear, nose and throat markets.

Medtronic employs 32,000 people worldwide including operations in Mexico City as Endo Medica, S.A. de C.V. and as Medtronic Mexico in Tijuana.

Medtronic's passion and philanthropy is focused on “improving the health of people and communities throughout the world.” They focus their giving in areas where they can make unique and positive contributions: health, education and community.

Corporate Social Responsibility (CSR) Strategy³⁹

Medtronic's mission is to alleviate pain, restore health and extend life; and to maintain good citizenship as a company.

Giving has been a long-standing tradition at Medtronic — one to which they've been committed since the company was founded in 1949. Since 1978, the Medtronic Foundation has led and managed the company's giving efforts with a goal of improving the health of people with chronic diseases, educating future generations of scientific innovators and enhancing the communities where they live and work.

As a company, they have consistently given 2 percent of their domestic pretax profits to the communities where they do business. Last year alone, Medtronic Foundation giving, medical device donations and Medtronic cash contributions exceeded \$40.2 million.

The Medtronic Foundation has established a grantmaking partnership with United Way International (UWI) to manage donations to organizations chartered outside of the United

³⁷ Medtronic website: <http://www.medtronic.com/foundation/>

³⁸ Medtronic Annual Report

³⁹ Medtronic Website

States. They have created a Donor Advised Gift fund at UWI. All of Medtronic's international grantmaking is done through this fund.

Community Outreach: the impact of employees

Thanks to more than 30,000 Medtronic employees worldwide, their giving extends beyond grantmaking. Medtronic partners with its employees to honor their commitment to improve the lives of people in the communities where they live and work.

Whether making a difference through a company-sponsored volunteer activity, donating to United Way, or participating in our Time-N-Talent or Matching Gifts to Education programs — our employees' involvement in the community puts their mission into motion.

U.S.-Mexico Border Projects—Financial and Volunteerism

- **Hospital Infantil:** Medtronic Mexico contributes \$25,000 annually to the Children's Hospital of Tijuana. This cash contribution helps to support the general operations of the hospital and its effort to serve the children of the region.
- **Los Niños, Inc.:** Medtronic Mexico has established a relationship with Los Niños, Inc. to assist them in developing volunteer activities for its Executive Staff. Plant Manager, Gerardo de la Concha, has requested that volunteer activities be conducted every six months by his Executive Team. Through Los Niños, Inc.'s VolunTours™ program, these projects have extended as far east as Mexicali. Projects are determined by community outreach workers, lay workers, and Los Niños, Inc.'s program directors. The experiences focus on sustainable development projects and include budgets for coordination, materials, and meals with community residents.
- **Hospice Adoption:** A group of Medtronic Mexico employees have adopted a local hospice to support through their voluntary efforts and financial assistance. The plant is offering them the opportunity to promote their efforts to other employees, meet on-site to review the challenges of the hospice and how they may be addressed, and is discussing the option of creating a matching fund for the combined financial contributions of the employees to the hospice.

Appendix 10 Border NGO Case Studies

- 1. Fondo Unido**
- 2. Hospital Infantil de las Californias**

The amount of funding from U.S. corporations and maquiladoras is limited. The majority of Mexican foundations based along the northern border face real difficulties in procuring funds from them, and are in an urgent need to develop alternative strategies to get these institutions engaged. This section highlights the active role that two organizations: Fondo Unido and Hospital Infantil de Las Californias have played in the region in promoting and engaging maquiladora managers in coordinated charitable giving. Their experience in bringing together like-minded corporate actors to make a difference can serve as a model for border community foundations to develop strong relationship-building strategies with U.S. maquiladoras in their region.



I. FONDO UNIDO, A VEHICLE FOR MAQUILA CHARITABLE GIVING ALONG THE BORDER

Organization's Profile

Fondo Unido I.A.P. (Fondo Unido) was founded in 1955 under the auspice of American Society of Mexico, A.C. as part of a community effort brought forth by several Americans that wanted to help people in need. Over time, Fondo Unido's objectives changed, having decided to focus more on assisting the Mexican community. In 1979, it was registered as an institution for private charity, working jointly with the United Way in the United States. A few years later, the institution decided to approach Mexican corporations and the general public, without drifting away from foreign corporations. In August of 1989, the organization moved to its own offices and began to operate as an independent institution. That same year, Fondo Unido affiliated itself to the United Way International Network.

In 1992, Fondo Unido began its expansion to other parts of Mexico; currently it has a presence in 22 out of the 32 Mexican states. Along the US-Mexican border, the organization has a presence in the states of Chihuahua, Nuevo Leon, and Coahuila, and is also active in the Tijuana region. In these states, it has two main offices that overlook charitable giving activities: Fondo Unido Nuevo Leon, A.C. (Fondo Unido NL) that oversees charitable giving in its own state, Coahuila, Tamaulipas, and Zacatecas; and Fondo Unido Chihuahua, A.C. (Fondo Unido Ch) that oversees charitable giving in its state. Charitable giving in Tijuana is monitored by Fondo Unido Mexico City.

Fondo Unido's Partnership with Maquiladoras: Fondo Unido Nuevo Leon, A.C.

This section will focus primarily on the activities of Fondo Unido Nuevo Leon, in order to understand the dynamics of their charitable contributions along the border.

Fondo Unido Nuevo Leon, A.C. covers the northeast zone of Mexico. It was created in 1993 under the auspice of Delphi Automotive Systems. For this accomplishment, the multinational corporation was recognized as "the first company in Mexico to begin a Fondo Unido program outside Mexico City."⁴⁰ For nearly 10 years, Delphi supported 100% of the operating expenses of Fondo Unido NL. In 2002, the organization became an independent entity and began to enlist other corporations in its charitable activities. Yet, its strategic partnership with Delphi still remains, as it continues to be one of their top contributors, making up between 75 to 100% of Fondo Unido NL's contributions.⁴¹

⁴⁰ Corporate Social Responsibility in Latin America: Practices by U.S. Companies. The Business Roundtable, July 2001.

⁴¹ Nohemi Cardenas, General Director, Fondo Unido Nuevo Leon. Interview conducted April 6, 2005.

Along the Mexican northern border region, Fondo Unido NL has charitable activities in the cities of Matamoros, Nuevo Laredo, and Reynosa in Tamaulipas; Piedras Negras in Coahuila; and Tijuana in Baja California. A total of eight maquiladoras contribute through Fondo Unido NL for charitable projects in these communities, including Delphi in both Tamaulipas (80%) and Coahuila (100%), and Schneider Electric in Tijuana (100%).⁴² It is worth mentioning that 100% of the corporate maquiladoras that collaborate with Fondo Unido NL are based in the U.S., and that the employees' voluntary contributions constitute 85% of its annual income.

| Corporate Contributors in Tamaulipas | |
|--|------------|
| DELPHI | 80% |
| GODAN | 2% |
| VISTEON | 6% |
| UGIMAG | 1% |
| MODINE | 1% |
| FROMEX | 2% |
| WEIGAND | 8% |
| Note: The only non-border city that receives funding from FUNL in Tamaulipas is Victoria City. | |

| Corporate Contributors in Coahuila | |
|---|-------------|
| DELPHI | 100% |

Note: Contributions in Coahuila are distributed to other cities in addition to Piedras Negras: R. Arizna, Saltillo, and Sahinas.

| Corporate Contributors in Tijuana | |
|--|-------------|
| SCHNEIDER ELECTRIC | 100% |

Fondo Unido's Contribution to Border Communities

Fondo Unido's branches operating along the border, such as Fondo Unido Nuevo Leon and Fondo Unido Chihuahua, seek to a great extent to get involved with institutions and foundations to determine their internal weaknesses, either administrative and/or operative. Fondo Unido strives to support and provide guidance as to the best way the institutions and foundations may render service to their communities without having to go through the institutional bureaucracy.

In addition to this, the organization is always looking for ways to distribute their donations through local organizations so that their contributions can impact specific local community projects. Last year, for example, Fondo Unido Nuevo Leon, together with Fondo Unido Chihuahua, supported approximately 15 organizations along the border, both foundations and civil society. Among these were four local organizations from Nuevo Laredo, Tamaulipas, Fundación Douglas, and nine organizations in Ciudad Juarez, Chihuahua (For a list of the organizations, see appendix 4).

By and large, Fondo Unido has an extensive network of opportunities that young community foundations emerging along the Mexican northern border can tap into to form collaborative partnerships that assist in channeling available resources (financial, in-kind and voluntary) to local community development initiatives. Time and again, the experience of Fondo Unido in the border region demonstrates that strategic alliances between community foundations and other

⁴² Data was obtained from Fondo Unido Nuevo Leon, A.C.'s Power Point Presentation, prepared by Nohemi Cardenas, General Director. The statistics shown reflect activity between 1993 and 2004.

major stakeholders from the private and public sectors stand out as one of the most feasible and sustainable approaches to help community foundations in their search for legitimacy, credibility, and support from U.S. and Mexican maquiladoras.



HOSPITAL INFANTIL DE LAS CALIFORNIAS

2. HOSPITAL INFANTIL DE LAS CALIFORNIAS: AN INNOVATIVE APPROACH TO PROMOTING MAQUILADORA SOCIAL RESPONSIBILITY (MSR)⁴³

Organization's Profile

The Hospital Infantil de Las Californias, I.B.P. (HIC) was established in 1994 in the City of Tijuana, BC, Mexico, to improve the health and nutrition of the children of the U.S.-Mexico border region, Southern California and Mexico. HIC was started by a group of professionals who recognized the critical need for a pediatric hospital in northwestern Mexico. Being that Baja California is the only state in Mexico bordering on the U.S. without a full service pediatric hospital, despite the fact that 43% of its population is under 19 years of age, HIC supporters decided that this would be the best location for the hospital. The majority of the patients are from Mexico, but the hospital also serves children living in California who otherwise do not have access to adequate medical care.

The Hospital Infantil is supported by a tri-national backbone, made up of three foundations that focus on the fundraising efforts of the hospital. The Foundation for the Children of the Californias was the first to be established in 1990 in San Diego, California, followed by the Fundacion Para Los Niños de Las Californias in Tijuana, Baja California, Mexico, and their Canadian counterpart.

In the context of this study, what has made Fundacion Para Los Niños de Las Californias unique among border nonprofits is its success in engaging U.S. and Mexican corporate funders to give through its “Marca con Causa” (Brand with a Cause) program. HIC has also instituted a program called “Membresía Medico Infantil” which promotes “Maquiladora Social Responsibility” (MSR) in Tijuana.

The Success of “Marca Con Causa”

The Hospital Infantil is an excellent example of a Mexican border nonprofit that has been able to successfully leverage funding from both Mexican and U.S. corporations through their “Marca con Causa” (Branding for a Cause) program by developing a marketing strategy that aligns the needs of the nonprofit organization with corporate goals and objectives. Through this program, HIC appeals to corporations promoting “cause-related marketing” and, as a result, provides a charitable vehicle through which the corporation may benefit from brand recognition and enhance its bottom line.

How the program works

According to Mr. Mario Medina, Executive Director of the Fundacion Para Los Niños de Las Californias in Tijuana, BC, Mexico, the “Marca con Causa” program allows a corporation to brand name a hospital facility or a program when they provide the significant amount of financial

⁴³ Mr. Carlos Medina, Executive Director of the Fundacion Para Los Niños de Las Californias, Tijuana, BC, Mexico. Phone Interview: August 1, 2005.

assistance needed to complete the facility or jump-start the program.⁴⁴ Based on this market strategy, the HIC has received support from internationally recognized U.S. and Mexican corporations such as the San Diego Padres, Mc Donald's, Inc., Coca-Cola, Mattel, Televisa, and El Sol, to name a few. In stark contrast to other border area nonprofits which receive little or no corporate support, during 2004 18% of Hospital Infantil's funding came from corporate sources including the maquiladora sector .

Promoting MSR through “Membresía Médico Infantil”

Obstacles in Promoting MSR along the U.S.-Mexico Border Region

Nonprofit organizations along the U.S.-Mexico border region confront an additional problem aside from finding solutions to further increase corporate social responsibility: how does an NGO tailor its fundraising programs to appeal to maquiladora social responsibility (MSR)?

NGOs tackle many limitations when requesting funding from maquiladoras: 1) First of all, maquiladora giving programs are very limited in scope. Most of them have a set budget of about \$2 to \$3 thousand a year per NGO/foundation that they are allowed to give. In addition, the requirements for the application process for maquiladora contributions are very specific and may be overwhelming for most NGOs - e.g. NGOs are required to have at least a minimum of five years experience working in the community where they operate, they are required to submit the minutes of their last five board of governors meetings, etc. Lastly, most maquiladoras will contribute the minimum amount to a nonprofit for approximately three to four years, before deciding if they will establish a more extensive commitment with the NGO.

The HIC has not been immune from these obstacles. In fact, Mario Medina, Executive Director for the Fundacion Para L@s Niñ@s de Las Californias, stated that a mere ten maquiladoras contributed to the Hospital Infantil; among them are Mavamex (Matel), Sony, Panasonic, and Sanyo. What the HIC has recognized, stated Mr. Medina, is that maquiladoras are interested in increasing the productivity of their employees and decreasing their turnover rate, and not in positioning the brand name of their product. Hence, what NGOs and foundations have to do is form a partnership with the maquiladoras through the provisions of goods and/or services that will benefit their employees, and as a result, guarantee lower turnover rate and greater productivity. Through the “Membresía Médico Infantil” program, the HIC is attempting to provide a service model that can appeal to maquilas seeking to be socially responsible and, as such, the Hospital Infantil is an excellent model of a border area nonprofit that has demonstrated how to effectively develop a win-win relationship with corporate donors. Other border area nonprofits can learn much from Hospital Infantil and its innovative approach to corporate fundraising.

What is the “Membresía Médico Infantil” program?

Recognizing that more than 80% of Tijuana's women are employed by the maquiladora sector⁴⁵, the Hospital Infantil is carrying out a pilot program known as “Membresía Médico Infantil”. This

⁴⁴ Ibid.

⁴⁵ Ibid.

program offers annual medical healthcare benefits to children under the age of 16 with mothers employed by the maquiladora sector in an attempt to appeal to and increase MSR in Tijuana.

The benefits that the program offers to its affiliates are:

- Coverage for basic pediatric needs;
- A savings of more than 50% from the normal price for special visits and short stay surgeries.

By contributing to the program, the maquiladora will receive the following benefits:

- Tax-deductibility for the total amount of the membership size.
- Personalized service with the maquiladora's doctor.
- Fast and efficient service to the patients so that they don't have to wait more than 60 minutes. Consequently the mothers don't miss more than a day from work.
- Decreased absences and employee turnover due to child illness.
- Opportunity to position itself as a leader in social responsibility in the region.

The encompassing goal of the program is to increase MSR, while at the same time providing affordable and consistent healthcare benefits to more than 80% of Tijuana's children.

Appendix I I



The FECHAC Model:⁴⁶

An example of Mexican corporate social responsibility

The **Fundación del Empresariado Chihuahuense, A.C. (FECHAC)** is a unique and successful model of Mexican corporate social responsibility that for nearly ten years, has proven that corporate social responsibility, transparency and social progress is possible in Mexico. To date there are a total of 38,000 local business people from Chihuahua contributing through FECHAC toward social and development projects throughout the state. However, despite FECHAC's success, Chihuahua remains the only state along the northern border and, for that matter the entire country, that have succeeded with such a business model of voluntary corporate giving.⁴⁷ Here it should be noted that while Cd. Juarez's maquiladoras accounts for the lion's share of employment within the state of Chihuahua, the majority of companies and businesses participating through FECHAC are Mexican national companies not maquilas. In fact, FECHAC has encountered real challenges to get maquiladoras engaged to give. This raises two very important questions that the border area community of foundations, multilateral agencies, and corporations must resolve: 1.) Why has this model not been replicated in other northern border states of Mexico? And 2.) Why are U.S. corporations and maquiladoras now operating in Ciudad Juarez and throughout Chihuahua not giving through FECHAC? Answers to these two seemingly perplexing questions, we believe, can, in part, be explained through some of the key findings of this report.

Organization's profile:

The **FECHAC** was established in 1996 as a result of the collective efforts of local businessmen who joined forces to help rebuild the state of Chihuahua after disastrous floods hit the region in 1990. Led by Samuel Kalisch Valdez, a group of 18 local businesses lobbied the state government to assess a voluntary payment amounting to 10% above the required 2% tax that businesses must pay for employee social security benefits. The voluntary contribution was a modest \$2 per every \$1,000 of otherwise required paid employee social security benefits but today this has amounted to over \$12.8 million in annual contributions which have been targeted to a wide range of social development projects across the state of Chihuahua. The success of this collaboration among businesses through FECHAC has demonstrated that that effective and transparent local corporate social responsibility is possible

Organizational structure:

⁴⁶ Miguel A. Alvarez, Fundraising Department, FECHAC, Chihuahua State Office, Chihuahua, Chihuahua, Mexico. Phone interview: December 14, 2005.

⁴⁷ The states of Sonora, through FESAC, and Oaxaca, through Fundación Comunitaria Oaxaca (FCO) are seeking to emulate the FECHAC model in their respective states.

FECHAC has an office in each of the nine states of Chihuahua, including Ciudad Juarez. Each branch has a local board that is made up of an average of 15 businessmen of which, two members from each state make up the statewide board of governors. In addition to continuing to contribute the voluntary 10% tax, which supports FECHAC's operating budget as well as local projects, these businessmen are also responsible for reviewing each proposal submitted by the nonprofits and carrying out visits to evaluate each project. They have been involved in every organizational aspect of the foundation, from creating its vision to establishing the policies and procedures of the foundation.

In 2004, the foundation managed a total budget of approximately \$16 million dollars. Of FECHAC's total operating budget, over 80% came from the revenue derived from the 10% voluntary tax that is paid monthly by local businesses to the state government. Additional funds come from interest rates earned on the endowment (10.29%), the federal government (1.17%), and national Mexican corporations, international foundations, multilateral organizations and other local organizations (5.85%).⁴⁸ **Less than half of a percent (<0.5%) of their total budget comes from matching funds contributed by the maquiladora association in Chihuahua.**⁴⁹ Approximately 8% of their total budget goes toward operating, while the remaining 92% of total revenues are invested in social service and community projects throughout the state.

FECHAC's Contribution to Ciudad Juarez

In a period of ten years, from 1994-2004, FECHAC has invested a total of \$11.5 million dollars in social and development projects in Ciudad Juarez alone, supporting a total of 161 projects throughout the city. Their investment in 2004 amounted to \$1.5 million dollars, 10% of their total budget, which supported a total of twenty-five organizations. In addition to funding social and development projects, the Foundation also carried out a variety of activities throughout Ciudad Juarez aimed at strengthening civil society in the region. Some of these activities included capacity building seminars aimed at increasing the professionalism of local NGOs, and creating collaborative partnerships with 8 institutions, including: the Mexican institution for social development (INDESOL), the Endowment for the Common Good (Patrimonio de la Beneficencia Publica), Fundación Murrieta, Association of Fundraising Professionals, Fundación Paso del Norte, A.C., Community Resource Center, and the General Consulate of the United States.

FECHAC's active role in Ciudad Juarez has positioned the Foundation to act as an "institución de Segundo piso", or an intermediary organization between the nonprofits and the local corporations. By doing so, the Foundation serves as a support organization for nonprofits, assisting them in increasing their professionalism, while offering accountability and legitimacy on their behalf to local, national and international corporations and maquiladoras.

The FECHAC-IWG-AMEAC Partnership

⁴⁸ FECHAC: *Construyendo Comunidad*, annual report, 2004, page 19 (Financial Statements). For a complete list of additional FECHAC funders please refer to page 21 of their 2004 Annual Report at <http://www.fundacion.org.mx/pdf/informe2005.pdf>

⁴⁹ Miguel A. Alvarez, Fundraising Department, FECHAC, Chihuahua State Office, Chihuahua, Chihuahua, Mexico. Phone interview: December 14, 2005.

Despite the fact that FECHAC is a successful, transparent and legitimate vehicle through which international corporations and maquiladoras could give, the Foundation has also expressed a concern in the difficulty to engage maquiladoras and international corporations philanthropically. As with most nonprofits, FECHAC has also found that the varied interests of the maquiladoras, along with their limited funding resources pose a big challenge to secure funding from these production centers.

As a way to get around this issue, FECHAC has established strategic alliances with local organizations that work collaboratively with the association of maquiladoras and exporting companies in Chihuahua (**AMEAC, Asociación de Maquiladoras y Exportadoras de Chihuahua, A.C.**)⁵⁰. One example is their alliance with the **International Women's Group (IWG)**, an international organization that operates locally through the collective efforts of the wives of maquiladoras plant managers. Through this alliance, the IWG carries out a number of fundraisers in support of development and social programs that FECHAC grants to. The amount raised by the IWG is then matched on a one-to-one basis by the AMEAC. The funds are then contributed to FECHAC, who then matches the monies on a one-to-one basis as well. According to FECHAC representatives, it is more efficient to partner with local organizations that are already working collaboratively with the AMEAC, then to try to procure funds from each maquiladora individually, or requesting funds from AMEAC directly.

The alliance has been in effect since 2003; and to date, a total of about \$75,000 dollars has been raised through this matching funds collaboration. Of the total amount, one-third, or \$25,000 dollars has come from the AMEAC in a period of three years. Below is a table that illustrates the amounts raised through this alliance from 2003 to 2005. As we can see, despite the presence of a legitimate charitable vehicle, the levels of contribution are still amazingly low.

Amount of Matching Funds Raised by the FECHAC-IWG-AMEAC Alliance
In U.S. Dollars

| Year | Total Amt Fundraised | Amt contributed per organization |
|----------------------|-----------------------------|---|
| 2003 | \$ 15,000.00 | \$ 5,000.00 |
| 2004 | \$ 22,400.00 | \$ 7,466.67 |
| 2005 | \$ 37,000.00 | \$ 12,333.33 |
| Total '03-'05 | \$ 74,400.00 | \$ 24,800.00 |

Source: Miguel A. Alvarez, Fundraising Department, FECHAC, Chihuahua State Office, Chihuahua, Chihuahua, Mexico. Phone Interview, December 14, 2005.

Conclusion

The impacts of local CSR that the FECHAC model has yielded throughout the state of Chihuahua, and specifically in the border city of Ciudad Juarez, reminds us that the binational community of foundations and nonprofits needs to do more to spread this model to other

⁵⁰ For more information on the AMEAC, you may visit: <http://www.ameac.org/>

parts of the country. To date there are two states that are currently working to adopt the “10% voluntary tax contribution” model, namely the Fundación del Empresariado Sonorense, A.C. (FESAC), and the Fundación Comunitaria de Oaxaca (FCO). Still, more needs to be done, primarily in border cities such as Tijuana, BC, and Matamoros, Tamaulipas, to get the required buy-in from local corporations as well as state government.

Finally, there are obvious serious limitations in the levels of philanthropic contributions that maquiladoras and other international corporations are engaging in, even in the presence of legitimate and efficient charitable vehicles through which they could give. The challenge that FECHAC faces demonstrates that while there is much work to be done on behalf of the third sector in Mexico, there are by far, other factors involved that are impeding the practice of international corporate/maquiladora social responsibility in Mexico. As mentioned earlier in this publication, the Mexican Government has an important role to play by simplifying the rules and regulations for both nonprofits and corporations/maquiladoras to engage philanthropically. But the corporate sector also needs to do more to reach out to the communities where they operate to become more involved in the development and well being of the communities and their people.

Appendix 12 Glossary

| Term / Concept | Definition |
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| Border | Abbreviation to the U.S. - Mexico border region. |
| Civil Society | This term refers to all of the organizations which are not public or for-profit institutions. |
| Community Foundations | Nonprofit organizations that are autonomous, tax deductibility, represented by different sectors of society that receives public and private contributions to benefit locally-based initiatives. |
| Community Outreach | Scope, transcendence and/or social impact of a nonprofit venture. |
| Corporate Foundations / Corporate Philanthropy | Used when referring to nonprofit organizations that are founded and managed by private corporations. |
| Corporate Social Responsibility (CSR) | Company's obligation to be accountable to its stakeholders in its operations and activities with the aim of achieving sustainable development, not only in the economical but also in the social and environmental dimensions. |
| Dow Jones Sustainability Index (DJSI) | The Index was launched in 1999 to track the financial performance of the world's leading sustainability-driven companies. The Index tracks performance using economic, social and environmental criteria. Companies listed on the DJSI are revised annually. |
| Globalization | A set of processes leading to the integration of economic, cultural, political, and social systems across geographical boundaries. |
| Good Business Practice / Good Corporate Citizen | Terms applied to an individual or an organization when contributing positively to a social initiative and fulfill their social obligations. |
| Gross domestic product (GDP) | The total market value of goods and services produced domestically during a given period. The components of GDP are consumption (both household and government), gross investment (both private and government), and net exports. |
| In-kind contributions / resources | A service or item donated in lieu of dollars to the operation or implementation of a social project; usually given by the grantee or a third party. |

| | |
|---|--|
| Maquiladora / maquiladora | The term comes from the Spanish word maquiladora, which in colonial Mexico was the charge that millers collected for processing grain. Today, a maquiladora is an operation used for the production of goods based on the temporary importation of raw materials and equipment for transformation in Mexico with subsequent export to foreign markets including the United States. |
| Matching funds / grants | Funds which must be supplied by the grantee in an amount equal to or a percentage of the award amount in order to receive the award. |
| Mexican tax code | A mean of summarizing the amount of allowances and deductions due to a taxpayer in Mexico, so as to determine his taxable income. |
| Multi-sector alliance | A close association between different sectors, created for a common objective. |
| NAFTA | The North American Free Trade Agreement, between Canada, Mexico, and the United States, went into effect in 1994 and created the largest free trade zone in the world. |
| Nonprofit organizations | A non-profit organization (often called "non-profit org" or simply "non-profit" or "not-for-profit") can be seen as an organization that doesn't have a goal to make a profit. |
| Per capita income | The per capita income is determined by dividing the aggregate income of any geographic area by the total population in that area. |
| Peso | Mexico's unit of currency. |
| Shareholder | Term that is commonly used to refer a person who buys a portion of a public or private company's capital. In the context of this paper, it applies to individuals and entities that share common objectives and are accountable for attaining the desired outcome of a social project. |
| Sustainability | A state or process that can be maintained indefinitely. The principles of sustainability integrate three closely interlined elements of the environment, the economy, and the social systems into a system that can be maintained in a healthy state indefinitely. |
| Tax deductibility | The ability to deduct the amount of contributions given to nonprofit organizations from the individual's / firm's taxable income. |
| Third County Company or Operator | Refers to non-U.S. companies operating maquiladoras in the Mexico border region. |

Volunteers

A volunteer is a person who performs or offers to perform a service out of his or her own free will, often without payment.

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