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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-First Session**

Rome, 21-22 April 2004

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED

**TECHNICAL ASSISTANCE GRANT**

THROUGH THE

**UNITED NATIONS OFFICE FOR PROJECT SERVICES**

FOR THE

**REMITTANCES AND RURAL DEVELOPMENT PROGRAMME IN LATIN AMERICA  
AND THE CARIBBEAN – STRENGTHENING THE INCOME-GENERATING  
CAPACITY OF THE RURAL POOR IN REMITTANCE-RECIPIENT COUNTRIES**



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**ABBREVIATIONS AND ACRONYMS**

AMUCSS	<i>Asociación Mexicana de Uniones de Crédito del Sector Social</i> (Mexican Association of Credit Unions)
HTAs	Hometown Associations
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund of IDB
NAID	North American Integration and Development
NGO	Non-Governmental Organization
TAG	Technical Assistance Grant
UNOPS	United Nations Office for Project Services



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THE INCOME-GENERATING CAPACITY OF THE RURAL POOR  
IN REMITTANCE-RECIPIENT COUNTRIES**

I submit the following Report and Recommendation on a proposed technical assistance grant (TAG) to be administered by the United Nations Office for Project Services (UNOPS)/Division for IFAD Programmes to support the Remittances and Rural Development Programme in Latin America and the Caribbean – Strengthening the Income-Generating Capacity of the Rural Poor in Remittance-Recipient Countries, in the amount of USD 1.0 million for a three-year period.

**I. BACKGROUND**

1. Over the past ten years, substantial research has been carried out on the phenomenon of international migration, the rise of transnational communities and the socio-economic effects resulting from various forms of interaction on both the migrant communities and their communities of origin. Worldwide, migrants' remittances – the money that migrants earn abroad and send back to their countries of origin – amount to an estimated USD 100 billion annually. In 2002, remittances to the Latin American and Caribbean region totalled approximately USD 32 billion. Remittances are not the only aspect of the ongoing exchange among communities, however: knowledge, skills, goods and culture are also being shared, with both positive and negative effects.

2. Remittances are not just a one-way flow of money for family sustenance, but are also increasingly being used collectively to rebuild the infrastructure of rural communities (for instance, after hurricanes, earthquakes and floods) and, in many cases to cofinance development projects. In Latin America and the Caribbean, governments and non-governmental organizations (NGOs) have begun focusing on how to channel and use remittances to promote sustainable development. IFAD is in a unique position to help remittance senders and recipients invest in productive projects given its long-standing role in promoting rural development in the region through participatory projects involving the poor. The continuous interaction of migrants with their communities of origin and the unique role many migrants play as agents of change in both their adopted and home countries create new opportunities for IFAD.

3. IFAD has organized three workshops on migration and remittances since 2002 (in the United States in Washington D.C. and Los Angeles and in El Salvador, in San Salvador) (Appendix II). The workshops enabled migrant associations, NGOs, universities, mayors from El Salvador and government officials to meet and discuss ways to coordinate and strengthen rural development activities initiated by migrant communities in the United States.

4. The present TAG proposal aims at supporting and formalizing the existing relationship between migrant and local communities using as a framework the activities of IFAD-financed projects in three countries in Latin America and the Caribbean. The Inter-American Development Bank (IDB) has expressed its willingness to cofinance the programme; the World Council of Credit Unions, and the Ford and Rockefeller Foundations are also considering participating. This pilot experience could provide IFAD with an innovative mechanism for continuing its poverty reduction and rural development efforts by incorporating a new and active partner: transnational migrant communities.

## II. RATIONALE

5. The programme strategy to promote poverty reduction and rural development is in line with the *Strategic Framework for IFAD 2002-2006*. In this context, tackling rural poverty is not just a matter of strengthening the income-generating capacity of the target population; a more comprehensive and innovative approach is also needed. The programme has been designed using a matrix that relates each component to the Fund's strategic framework for poverty reduction (Appendix III).

6. This programme will also document and evaluate the experiences of sustainable models for transnational community development and disseminate the lessons learned. In particular, it will allow for the transnational expansion of the three IFAD strategic objectives for 2003-2006 in support of the Millennium Development Goals: (i) strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; and (iii) increasing access to financial services and markets. Specifically, the programme will focus on empowering transnational communities based in the United States and communities of origin in Latin America and Caribbean region, particularly in the Dominican Republic, El Salvador and Mexico.

## III. RELEVANCE TO IFAD

7. During the three transnational workshops held since 2002, IFAD has seen the initial results of its efforts to sensitize Salvadorian migrant associations on the productive uses of remittances (Appendixes II and IV). These workshops have, in fact, been so successful that migrants have expressed their willingness to use their collective resources to cofinance IFAD projects. The TAG will continue to assist hometown associations (HTAs), particularly Dominican, Mexican and Salvadorian associations, in organizing themselves and will provide them with a framework for potential involvement in IFAD projects, not just through remittances but also through the exchange of knowledge and skills.

8. The proposed partnership between the IDB Multilateral Investment Fund (MIF) and IFAD will be mutually beneficial. MIF has accumulated experiences in funding awareness programmes throughout the region, and has implemented a number of pilot projects in several key countries. IFAD has recently begun developing small-scale projects linking migrants and local rural development. This first joint IFAD-MIF programme will aim to maximize synergies to promote private-sector and rural development.

## IV. THE PROPOSED PROGRAMME

9. The programme's long-term overarching goal is to bring about development and poverty reduction in rural communities in the Latin America and the Caribbean region, particularly in the Dominican Republic, El Salvador and Mexico. Its general objective is to promote rural financial and economic development in rural areas through the participation of the migrant community.

10. Specific programme objectives include to: (i) support the development of low-cost, efficient and accessible local financial and communications services for migrants and their families; (ii) strengthen and empower migrant associations interested in supporting rural development in their countries of origin; (iii) build the capacity of migrant organizations for planning and implementing rural development activities in their countries of origin; and (iv) improve the income and living conditions of the rural poor through joint ventures between migrant and local organizations for sustainable rural agricultural and non-agricultural enterprises.

11. Based on the strategic framework, the programme will implement three operational components in participating countries: (i) rural financial/communications services; (ii) training, networking and



self-awareness; and (iii) rural productive projects. In addition, it will have a programme administration and monitoring and evaluation (M&E) component, as described in section VI.

12. **Rural financial/communications services.** Through this component, the programme will develop local banking systems that provide an array of services to the population not currently covered by commercial financial institutions, and it will devise ways to increase the access of this population to the formal financial sector. It will, for instance, seek to link remittances with savings and microcredit, and will work with eligible financial institutions such as microfinance institutions and credit cooperatives and unions.

13. **Training, networking and self-awareness.** The programme will help create and develop a new model of cooperation. Associations of expatriate Salvadorians will directly participate and influence local development policies in their communities of origin by channelling community remittances to productive and rural development projects. The programme will support HTAs in organizing themselves better by promoting their integration into second- and third-level associations. This will help negotiations with the central government concerning social investments in rural areas, and will facilitate governance between rural communities and HTAs. The programme will organize and finance training courses, workshops and seminars in different states and regions of the United States, and also in the Dominican Republic, El Salvador and Mexico.

14. **Rural productive projects.** Activities under this component will support public-private sector partnerships and consolidate links between migrant associations and their communities of origin. The programme will also examine innovative mechanisms to offer migrants an inducement to invest in productive activities in their countries of origin, while preserving the cultural integrity of rural communities. It will, among other activities, support new financial initiatives and mechanisms to promote productive projects through HTAs. These projects will not reduce the amount of remittances available for personal consumption or induce market distortions. Instead, they will provide added value to migrants and their relatives in countries of origin by promoting efficient reinvestment vehicles. The programme will expand and consolidate the ongoing activities of IFAD projects in the Dominican Republic, El Salvador and Mexico. Activities will not be restricted to cash donations from HTAs, but will encourage other forms of cooperation, such as technical and training support from migrants, joint ventures in production and marketing, and information on opportunities for 'ethnic markets' in United States cities.

## V. EXPECTED OUTPUTS AND BENEFITS

15. For the three-year period of implementation, the programme's outputs will include the following activities:

- (i) A low-cost remittance mechanism will be developed between the Vandenberg Credit Union in Santa Maria, California, and the microbank supported by the Mexican Association of Credit Unions (AMUCSS) in Santa Cruz de Mixtepec. The programme, in collaboration with the North American Integration and Development (NAID) Center at the University of California, Los Angeles, and AMUCSS, will establish a branch office of the Santa Cruz de Mixtepec microbank in conjunction with the credit union in Santa Maria. It will subsequently focus on making the branch office fully operational and on improving outreach methods and training materials.
- (ii) In selected Mexican villages, the programme, through AMUCSS, will work with existing community financial organizations (e.g. *cajas de ahorro y préstamo*) to develop full-fledged microbanks. These will be government-regulated financial institutions equipped to provide services such as savings, small loans for productive activities and low-cost remittances.

- (iii) The various components of the model microbank in the village of origin, a linkage to a United States credit union, Internet connectivity, and work on productive projects will be extended to other sites in El Salvador and Mexico.
- (iv) The programme, in collaboration with El Rescate (a Los Angeles-based service organization for immigrants) and the Central American Foundation for Sustainable Human Development, will implement a training programme for Mexican and Salvadorian HTAs and their local counterparts. It will introduce them to productive projects that use community and family remittances. It will also organize a national conference in the United States and a follow-up conference for Salvadorian HTAs on the East Coast.
- (v) A gender-oriented study on women migrants will be undertaken in the first programme year. Results will be used to strengthen gender aspects in programme components and activities.
- (vi) At least three pilot projects will be carried out with migrant HTAs and rural communities per year. These will cofinance productive initiatives, which will be coordinated and facilitated by IFAD-financed projects.
- (vii) As the programme develops, other activities will also be implemented in other countries on the basis of demands presented by interested HTAs and local rural organizations.

## VI. IMPLEMENTATION ARRANGEMENTS

16. The MIF and IFAD will enter into an agreement for the establishment of a “MIF-IFAD Partnership Facility for Rural Private Sector Development”. It is proposed that IFAD establish an agreement with UNOPS to manage the IFAD grant and provide administrative and networking support to the programme. TAG management will be the responsibility of an executive committee chaired by the IFAD programme manager, with the participation of the MIF and various jointly designated international specialists. Approval of programme policies and annual workplans and budgets, and the general supervision of programme activities are the main responsibilities of the executive committee. This committee will prepare an operational manual agreeable to MIF and IFAD, which will include instructions for project selection, financing and supervision. A programme coordinator, satisfactory to both MIF and IFAD, will be responsible for managing day-to-day operations, and will liaise with the IFAD programme manager and participating institutions.

17. The UNOPS Division for IFAD Programmes will be responsible for programme administration and for the administration and monitoring of TAG resources under the annual workplan approved by the executive committee. It will also facilitate the programme’s contractual arrangements; co-sign with the programme coordinator agreements with migrant associations, IFAD-financed projects and other potential partners for the implementation of programme activities; and assume overall responsibility, facilitate and support the coordination for the preparation of participatory annual workplans and budgets, among others. In addition, UNOPS in New York will ensure that the programme develops a close relationship and consults with Dominican, Mexican and Salvadorian migrant associations and other partners located in New York, Los Angeles and elsewhere in the United States.

## VII. INDICATIVE PROGRAMME COSTS AND FINANCING

18. The MIF has indicated that it requires close to a 2:1 financing ratio with IFAD in order to approve this cofinancing operation. The programme’s first phase will be financed with an IFAD grant of USD 1.0 million. Following a progress review, to be carried out by 2005, a second phase of the programme, to be financed by IFAD with an additional USD 1.0 million, will be submitted to the

Executive Board for approval. The MIF will cofinance the programme with a grant of USD 4.0 million. Other financing institutions will include the NAID Center, the World Council of Credit Unions, community-based and civil-society organizations and foundations, and Californian credit unions. The programme will also obtain cofinancing from ongoing IFAD projects in participating countries. Financial and technical contributions will be determined on a case-by-case basis, in accordance with agreements reached between local project beneficiaries and HTAs in the United States. Consequently the potential financial contributions of IFAD projects have not been included in the table below.

### Programme Costs and Financing<sup>1</sup>

Cost Items	IFAD <sup>2</sup>	MIF/IDB	Others	Total	%
Rural financial/communications services	150 000	1 850 000	350 000	2 350 000	41.2
Training, networking and self-awareness <sup>3</sup>	350 000	150 000	160 000	660 000	11.6
Rural productive projects <sup>4</sup>	250 000	1 850 000	120 000	2 220 000	38.9
Programme administration and monitoring and evaluation	250 000	150 000	70 000	470 000	8.3
<b>Total programme costs</b>	<b>1 000 000</b>	<b>4 000 000</b>	<b>700 000</b>	<b>5 700 000</b>	<b>100.0</b>

<sup>1</sup> Potential financial contributions of IFAD ongoing projects have not been included.

<sup>2</sup> Costs are included in the first phase.

<sup>3</sup> This includes gender and diagnostic studies in the Dominican Republic.

<sup>4</sup> The direct costs of rural productive projects will be covered by HTAs and beneficiaries.

### VIII. RECOMMENDATION

19. I recommend that the Executive Board approve the proposed TAG in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Remittances and Rural Development Programme in Latin America and the Caribbean – Strengthening the Income-Generating Capacity of the Rural Poor in Remittance-Recipient Countries, for three years, commencing in May 2004, shall make a grant not exceeding one million United States dollars (USD 1 000 000) available for the administration of the United Nations Office for Project Services (UNOPS)/Division for IFAD Programmes upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President



## LOGICAL FRAMEWORK

Description	Objectively Verifiable Indicators	Means of verification	Critical Assumptions
<p><b>Development Objective (Goal)</b></p> <p>Development and poverty reduction of rural communities in the Latin America and the Caribbean region is achieved through a combination of public and private, migrant and local, investment programmes, particularly in the Dominican Republic, El Salvador and Mexico but also in other participating countries.</p>	<ul style="list-style-type: none"> <li>❖ Proportion of rural population with an income below national poverty benchmarks (disaggregated by age group and gender, with special attention to disparities between indigenous and non-indigenous populations).</li> <li>❖ Poverty gap ratio (at individual country level), with special attention to gender inequalities.</li> <li>❖ Proportion of public and private (migrants and local) funding (new and reflows) disbursed to rural social and economic development (at individual country level).</li> </ul>	<ul style="list-style-type: none"> <li>- Countries' poverty assessment studies and publications.</li> <li>- National statistics and census data.</li> <li>- Data of multilateral organizations (United Nations Development Programme; United Nations Economic Commission for Latin America and the Caribbean; World Bank).</li> <li>- Field studies.</li> <li>- Impact evaluation surveys and studies.</li> </ul>	<ul style="list-style-type: none"> <li>- International donors and governments provide adequate financial support to rural poverty reduction.</li> <li>- HTAs in close cooperation with local organizations implement social and economic programmes.</li> <li>- Base organizations and HTAs have increased decision-making capabilities over rural development policies and investment plans.</li> </ul>
<p><b>Main TAG Objective (Purpose)</b></p> <p>Rural financial and economic development in rural areas is achieved through the joint participation of migrant and local communities.</p>	<ul style="list-style-type: none"> <li>❖ Development plans jointly designed and approved through consultative mechanisms involving local and migrant communities.</li> <li>❖ Coverage and scope of private-public partnerships.</li> <li>❖ Public and private resources allocated to pro-poor development.</li> <li>❖ Degree of participation of local and migrant communities in consultative mechanisms.</li> <li>❖ Degree of participation of formal rural financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- Minutes and agenda of consultative groups, workshops, etc.</li> <li>- Database from public-private agencies.</li> <li>- Annual reports from rural financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- Public investments (relative and absolute) in the rural sector increased.</li> <li>- Migrant communities' investment in the rural sector increased.</li> <li>- Rural sector has corresponding increase in uptake capacities for investment.</li> <li>- Migrant and rural communities develop systematic and long-term relations.</li> </ul>

Expected Outputs	Indicators	Means of verification	Assumptions
<p><b>1. Rural Financial/Communications Services</b></p> <p>Development of local banking systems that will provide an array of services to the rural population not currently covered by commercial financial institutions; and promotion of ways to bring this population to the formal financial sector. In that sense, activities will promote a variety of services and systems such as linking remittances with savings and microcredit.</p>	<ul style="list-style-type: none"> <li>❖ Number of rural financial institutions providing innovative and new financial services to migrant and local communities.</li> <li>❖ Number of new checking and savings accounts opened in migrant and local communities.</li> <li>❖ Number of communications (Internet and phone services) microenterprises opened in local and migrant communities.</li> <li>❖ Lower costs of transaction in money transfer operations.</li> <li>❖ Number of rural microbanks created or upgraded from informal to formal “<i>cajas rurales</i>”.</li> </ul>	<ul style="list-style-type: none"> <li>- Financial institutions’ annual reports.</li> <li>- Central bank and government financial supervisory institutions’ annual reports and studies.</li> <li>- Impact evaluation studies and publications.</li> </ul>	<ul style="list-style-type: none"> <li>- Rural financial institutions develop financially sustainable new innovative financial services.</li> <li>- HTAs and local communities maintain their association with financial institutions.</li> <li>- Government maintains adequate supervisory and control mechanisms for financial institutions.</li> </ul>
<p><b>2. Training, Networking and Self-Awareness</b></p> <p>Creation and development of a new model of migrant-local cooperation. HTAs become direct protagonists in the process of negotiations with central and local governments, and relate effectively to international development institutions. HTAs achieve a stronger degree of organization, by promoting the integration of local HTAs into second and third-level associations.</p>	<ul style="list-style-type: none"> <li>❖ Number and evaluation reports of workshops and seminars.</li> <li>❖ Number and evaluation of HTAs and local community training courses.</li> <li>❖ Number of formal second- and third-level HTAs organizations in the United States.</li> <li>❖ Number of formal cooperation agreements between HTAs and local organizations’, municipal and central governments’ rural development and investment programmes.</li> <li>❖ Publication of a gender-oriented study in migrant communities.</li> </ul>	<ul style="list-style-type: none"> <li>- Final reports of workshops and seminars.</li> <li>- Final reports of training courses.</li> <li>- Annual reports of second- and third-level HTAs.</li> <li>- Annual reports of municipal governments.</li> <li>- Impact evaluation studies and publications.</li> </ul>	<ul style="list-style-type: none"> <li>- HTAs and local communities maintain their interest in associative local development efforts.</li> <li>- Municipal governments maintain active links with HTAs.</li> <li>- Limited political interference with HTA-local community-municipal government interactions.</li> <li>- Adequate local and national political environment.</li> </ul>
<p><b>3. Rural Productive Projects</b></p> <p>Associations of expatriates and HTAs will participate in and influence directly the local development policies of their communities of origin, through the channelling of community remittances for productive and rural development projects.</p>	<ul style="list-style-type: none"> <li>❖ Number of agricultural and non-agricultural productive projects jointly cofinanced by HTAs, local communities, municipal and central government, and local IFAD projects.</li> <li>❖ Number and evaluation of HTAs’ and local communities’ entrepreneurial capacity training courses.</li> <li>❖ Number of members of HTAs travelling to local communities for business/training purposes.</li> <li>❖ Proportion of land area used in environmentally sustainable productive projects.</li> <li>❖ Proportion of new rural microenterprises initiated and operating over three years.</li> <li>❖ Proportion of export deals generated by HTAs and local communities.</li> <li>❖ Number of export agreement between local enterprises and entrepreneurs from HTAs.</li> <li>❖ Number of trade fairs on local ‘nostalgic’ products for ethnic markets in the United States.</li> </ul>	<ul style="list-style-type: none"> <li>- Government international trade data.</li> <li>- Annual reports of IFAD projects.</li> <li>- Municipal records of permits given to industrial and enterprise operations.</li> <li>- Annual reports and financial statements of newly created rural enterprises.</li> <li>- Government data on export permits.</li> <li>- Impact evaluation studies and publications.</li> </ul>	<ul style="list-style-type: none"> <li>- HTAs and local communities maintain active interest in joint productive-trade projects.</li> <li>- Country macroeconomic scenarios generate a favourable environment.</li> <li>- Adequate national trade policies.</li> <li>- Adequate regulations from regional free-trade agreements.</li> </ul>

**IFAD-ORGANIZED WORKSHOPS ON MIGRATION AND REMITTANCES**

1. The first major meeting to discuss the potential use of remittances in rural development in El Salvador was organized by the World Bank and IFAD and was held at World Bank headquarters. Other co-organizers were the SHARE foundation, an American non-governmental organization (NGO), and the Advocacy Committee for Agricultural and Rural Development, a Salvadorian NGO. As a result of this meeting, a second workshop was held in San Salvador in May 2002.

2. The second workshop was attended by Salvadorian migrant associations from Washington D.C., Las Vegas, New Jersey and Los Angeles, and by representatives of the Salvadorian government and civil-society organizations. Its purpose was to introduce the Salvadorian migrant associations to IFAD projects in the country. To show the migrants how IFAD develops and implements its projects, a trip was organized to the regions of two project sites in Chalatenango, San Vicente and Cabañas. This outing gave the migrants the unique opportunity to see development projects in action. It was a memorable event for many migrants who had never visited anywhere in El Salvador outside their region of birth. Also, many migrants were deeply affected by the persistent poverty in their home country, and by the work being done by IFAD. Some HTA representatives expressed interest in assisting in developing organic vegetable production. One representative also was considering helping an association of producers purchase a freezer-truck (to transport produce to the capital). Some suggestions and conclusions arising out of this event were the following: a migrant association representative should be on the national steering committee of IFAD-financed projects; besides investing financial resources in income-generating projects, migrants can also share human and intellectual resources (technology, knowledge, skills); community-based organizations must be included in the dialogue; the migrant associations in the United States should begin to organize themselves nationally; future meetings should be held in the United States so that IFAD can continue this new and innovative dialogue with migrant communities there.

3. A third workshop, held in Los Angeles in October 2002 and entitled "Transnational Conferences of Salvadorian Associations in the United States", sought to sensitize Salvadorian migrant associations in the United States on the current situation of the rural population in El Salvador and to identify mechanisms for co-investment of remittance resources and IFAD projects. This last meeting, organized at the request of transnational Salvadorian associations based in Los Angeles, San Francisco, Houston and Las Vegas, allowed the Salvadorian hometown representatives to establish direct contact and discuss project proposals with IFAD staff. Among its other conclusions, the workshop suggested that IFAD establish clear criteria, objectives and mechanisms for migrant association collaboration in local development projects; share its database of proposals for co-investment and; organize another similar meeting with Salvadorian migrant associations on the East Coast of the United States, ensuring the participation of the counterpart organizations of the community of origin.

## APPENDIX III

## PROGRAMME DESIGN MATRIX

Programme Operational Components	IFAD Strategic Framework 2002 – 2006			Outputs
	Human and Social Assets	Productive Assets and Technology	Financial Assets and Markets	
<b>Rural financial communications services</b>	<ul style="list-style-type: none"> <li>Better bargaining level with local, national and transnational financial institutions</li> <li>Stronger local rural financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Efficient, low-cost communications and fund-transfer technologies</li> </ul>	<ul style="list-style-type: none"> <li>Low-cost, efficient and accessible financial services for migrants and their families</li> <li>Loan, credits, guarantees and other innovative financial services</li> </ul>	<ul style="list-style-type: none"> <li>Empowerment</li> <li>Enhanced financial services</li> <li>Capacity-building</li> <li>Low-cost remittances</li> </ul>
<b>Training, networking and self-awareness</b>	<ul style="list-style-type: none"> <li>Strengthened capacity of the rural poor and of migrant and local organizations</li> <li>Networking of migrant associations and local community counterparts</li> </ul>	<ul style="list-style-type: none"> <li>Improved productive and management capacity</li> <li>Awareness of market and business opportunities</li> <li>Awareness of bargaining power with national and local authorities</li> </ul>	<ul style="list-style-type: none"> <li>Accessible financial services</li> </ul>	<ul style="list-style-type: none"> <li>Empowerment</li> <li>Self-awareness</li> <li>Political leverage</li> </ul>
<b>Rural productive projects</b>	<ul style="list-style-type: none"> <li>Strengthened income-generating capacity of the rural poor</li> </ul>	<ul style="list-style-type: none"> <li>Investments in productive assets (land, equipment and production tools)</li> <li>Productive agricultural and non-agricultural support (provided by IFAD projects and migrant associations)</li> </ul>	<ul style="list-style-type: none"> <li>Accessible financial services for productive investments</li> <li>Savings and capital mobilization</li> <li>Access to national and international markets</li> </ul>	<ul style="list-style-type: none"> <li>Empowerment</li> <li>Improved income</li> <li>Sustainable rural enterprises</li> <li>Better living conditions</li> </ul>



**IFAD EXPERIENCE WITH MIGRANT ASSOCIATIONS AND GROUPS**

1. IFAD already collaborates with Salvadorian migrant associations in the United States through the implementation of pilot projects combining remittances and IFAD resources. This pilot experience could be replicated in other countries with continued support. IFAD first considered remittances as a possible tool to cofinance productive projects in El Salvador in 1997, when it launched the Rural Development Project for the North-Eastern Region. IFAD had noted when designing this project the large volume of remittances flowing into the country and their importance for the national economy. However, during project implementation, it was realized that remittances often had specific purposes and destinations. Therefore, to tap into remittances effectively, the Fund would have to sensitize not only the recipient community, but also the sending community (in other words, the source of the funds).

2. While IFAD has recognized the importance of remittances in the Latin American and Caribbean region for many years, it has only been recently that concrete possibilities for cofinancing rural activities with remittance resources have arisen. Over the past two years, migrant communities have showed increasing interest in ensuring that the money they remit to their countries of origin has the greatest impact possible. Due to the surge in interest among the migrant communities and their associations, a new dialogue on remittances has been established involving migrants, community-based organizations, NGOs, local universities, and intergovernmental organizations such as the World Bank, IDB and IFAD.

3. As a result of this interaction, many associations that previously had no effective facilities to channel their money to their communities of origin now see new possibilities of investing their resources there in a more sustainable manner. They have been empowered because of the relationships and dialogue that have been built, and the manner in which they have been built, i.e. the fact that migrants themselves have been in direct contact with IFAD and government representatives. It was indeed a unique and exciting moment when at the workshop in Los Angeles, migrants of poor peasant background, normally excluded from development policy dialogues, sat at the same table as Salvadorian government representatives. The migrant associations are clearly expressing a desire to collaborate with other organizations in directing remittances towards the economic and social development of their communities in El Salvador. However, they are also apprehensive about the possible political use of their funds.

4. IFAD has launched a pilot project with two Salvadorian migrant associations in the United States to explore cofinancing possibilities (following the Mexican matching fund programme). In 2002, the IFAD Rural Development Project for the Central Region (PRODAP II), in the departments of San Vicente and Cabañas, El Salvador, began a collaboration with two Salvadorian migrant communities in the United States (in Los Angeles, California, and in Virginia)<sup>1</sup>, in which the associations will cofinance the construction of an extension to an existing rural school, on land purchased with migrant community support. This will allow the school to provide education to 685 students through the high school level. The *Comité Pro Mejoramiento de la Labor en Los Angeles* has provided USD 7 300 for the purchase of the land and USD 9 000 for the construction of the extension. The HTA *Hermanos Lejanos de la Labor en Virginia* has invested USD 1 300 in the construction. The total project cost will be about USD 55 000. IFAD/PRODAP II is providing USD 29 000 and HTA USD 26 000. So far, this innovative project has functioned smoothly and has sparked the energy and interest of migrant associations.

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<sup>1</sup> The project also incorporates the participation of the community itself, the Salvadorian Ministry of Education, ADESCOLL (the community association requesting assistance), the ROCHDALE cooperative (the referral organization for the management of the technical services), FUCAP (the Central American Foundation for Sustainable Development) and Sertecnica (the co-executing agency)