

**FIFTH COORDINATION MEETING ON
INTERNATIONAL MIGRATION**

Population Division

Department of Economic and Social Affairs

United Nations Secretariat

New York, 20-21 November 2006

**MIGRATION, REMITTANCES AND RURAL
DEVELOPMENT**

*Rosemary Vargas-Lundius**

*Policy Division, International Fund for Agricultural Development (IFAD).

IFAD's mission is to enable rural poor people to overcome poverty. Seventy-five per cent of the world's poorest people – 854 million women, men and children – live in rural areas and depend on agriculture and related activities for their livelihood.

IFAD's interest in migration issues derives from the fact that migration is intimately related to rural poverty. In recent decades, migration has changed the composition of families in many poor rural communities where IFAD operates. The primary income earners of these families can be working in another city in the country, or in a different country or continent. In addition, migration by men results in many households being headed by women. Furthermore, many communities are deprived of a significant part of their labour force within the communities themselves. Communities are extended beyond strict geographic boundaries, and their members abroad are playing an active role – sending remittances, bringing innovative ideas – in the well-being of the rural communities they left behind.

Working with rural poor people, governments, donors, non-governmental organizations and other partners, IFAD focuses on country-specific solutions to increase rural poor peoples' access to financial services, markets, technology, land and other natural resources. Nevertheless, persistent poverty continues to push poor rural people elsewhere in an effort to improve their life and livelihood.

In this context, IFAD has broadened its rural development perspective to a transnational level by: (i) recognizing the existence of large migrant populations with strong ties to their communities of origin; and (ii) identifying and strengthening groups among the migrant communities, particularly in the United States and the European Union, who are interested in supporting development in their communities of origin.

In countries of high rural out-migration, the Fund's strives to enable rural poor people to offset the negative impacts of migration by:

- supporting initiatives that aim to reduce the cost of sending remittances and that promote the diversification of financial services in rural areas;
- encouraging families receiving remittances to participate in projects that generate productive employment and sustainable income; and
- promoting the active participation of migrants and their organizations in the design and implementation of IFAD projects and programmes.

A. IFAD'S OELATI;-N Rannizatdi001 Tc0.050ncouragies nd'T

In 2005, IFAD prepared a draft document analysing remittances and rural development from a global perspective. This document analyses the continuous social and economic interaction of migrants with their communities of origin and the unique role many migrants play as agents of change in both their

activities with IFAD-financed projects in El Salvador. A partnership with different migrant associations was developed within a national 'Rural Reconstruction and Modernization Programme' to facilitate the participation of migrant communities in rural development activities. This programme aims to support income-generating capacities of its target population through a technical assistance and investment fund that is allocated on a competitive and co-financing basis. Requests for technical or financial assistance are evaluated on the basis of: i) market feasibility; ii) income generation; iii) productive/market innovation; iv) job creation and women's participation; and v) internal/external co-financing. IFAD funds match local resources and/or collective remittances. In another IFAD programme that will soon be implemented in El Salvador, Salvadoran migrant associations will be represented in the programme's investment committee, with the aim to identify projects that the associations can support.

Recently, with the support of IFAD, representatives of Salvadoran women migrants working in
diversified income-generating activities, DADA.041090/57284122/Programme (FD81-ae24-m)8-clc08ba00nada-24.r

Development of rural productive investment seeks to support migrant associations, NGOs, foundations and other non-profit organizations providing business development support in rural areas of the region.

Twelve projects, selected through a competitive process, are currently being implemented in eight Latin American countries (Bolivia, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico and Paraguay). Eight of them are promoting efficient remittance transfer methods as well as other financial products, such as loans for housing and health insurance. For example, one of the projects involves a Paraguayan microfinance institution that offers remittance transfer services as one of the two authorized Western Union agents in the country. Besides a series of microcredit options ranging from microenterprise to credit cards and housing loans, this microfinance institution also offers a range of savings accounts. The IFAD/MIF technical assistance aims at supporting the design of financial products that are attractive to remittance recipients in the communities where the institution operates.

Other initiatives are helping ‘hometown associations’ to carry out rural development projects. For example, one programme is supporting a financial literacy project proposed by the Institute of Mexicans Abroad. This project plans to organize ten workshops for 500 Mexican community leaders in the United States to inform them of various initiatives to reduce the cost of transferring remittances, promote their productive use, and improve access of migrant workers and their relatives to formal financial institutions. Another project proposed by a Haitian NGO aims to improve the effectiveness of Haitian American hometown associations and support them as agents of development for local communities. The grant will also allow the NGO to expand and improve its money transfer services in rural Haiti

Other projects in Honduras and Mexico are providing support for investment in local employment- and income-generating activities by providing rural families and migrants with necessary information and skills for identifying, executing and managing productive investment projects.

With support from the European Union, the IFAD/MIF programme is currently being upscaled and replicated in other regions. To this end, IFAD has launched the initiative *Promoting innovative migrant remittances*, which seeks to alleviate poverty in rural areas by developing innovative remittance services that are cost-effective and easily accessible, and widening the economic opportunities of the rural poor. In particular, the initiative is: (i) creating a financing facility based in Europe to select and fund innovative remittance proposals in out-migration countries; and (ii) supporting the IFAD-IDB/MIF joint programme in Latin America by leveraging additional funds from the IDB for the second phase of the IFAD/MIF initiative while creating strong coordination mechanisms, synergies and cross-learning between the two facilities.

IFAD’s pilot initiatives have created a new sense of energy and motivation among migrant associations to organize themselves and collaborate in cost-sharing arrangements in their country of origin. They are also promoting efficient remittance transfer methods and other financial services in rural areas. Nevertheless, further action is required if the human and financial resources of migrants are to be effectively channelled towards rural development and enhance employment- and income-generating opportunities in the rural areas.