

Inter-American Development Bank (IDB)

A. INTRODUCTION

This paper provides a summary of the main activities of the Inter-American Development Bank (IDB) with respect to migration, development and remittances. These activities are presented in the context of the 2006 High-level Dialogue on Migration and Development and the Global Forum on Migration and Development held every year since 2007 in Brussels, Belgium, Manila, the Philippines, and Athens, Greece, respectively.

The Inter-American Development Bank has a mandate to support development and poverty reduction throughout Latin American and the Caribbean. Under this mandate, the IDB supports member countries in social, labour migration and development programmes and directly supports research and technical activities related to migration, remittances and development. The Multilateral Investment Fund (MIF), a private sector grant facility of the IDB, has launched a programme to bring awareness to the economic and development impacts of remittances and has led an effort to reduce the cost of remittance transactions.

On 1 January 2009, the Bank created the Labour Markets Unit, a subdivision of the Social Department focusing on international migration. The new unit is intended to establish a new organizational model to integrate and apply policy research directly into country-level operations, and to deepen and widen ongoing Bank efforts in training, migration, and reforms and innovations particularly concerning pensions, health financing, and unemployment insurance. A joint Labour Markets-MIF initiative, with external support, is building a programme of research and knowledge dissemination and best policy practices, and pilot projects to improve and address the human capital dimension of migration, drawing on IDB and external expertise.

This paper summarizes migration activities of the IDB and MIF focusing primarily on the areas of labour markets, economic development and remittances, and provides a list of recently approved projects, such as loan, technical cooperation and grant agreements.

B. OVERVIEW

While almost every region in the world both sends and receives migrants, Latin America and the Caribbean has the highest negative net migration rate in the world with -2.1 (per 1,000 population) in 2000-2005 compared to 4.1 in Northern America, -0.6 in Africa and -0.4 in Asia for the same period (United Nations Department of Economic and Social Affairs, Population Division 2009). While the United States of America continues to be the preferred destination for Latin America's migrants, it is often overlooked that there is increasing diversity in the region's migration patterns both to other developed regions and countries, for example Japan and Southern Europe, and within Latin America itself—for example of Peruvians migrating to Chile, Colombians to the Bolivarian Republic of Venezuela and Nicaraguans to Costa Rica. The current financial crisis has focused attention on the decline in remittance flows to many countries of the region, and the need to improve channels of circular migration and reintegration. Although there does not appear to be a significant flow of return migration to the regions as a result of

the crisis, inflows of migrants in an irregular situation to the United States from the region appear to have decreased.

C. SOCIAL AND LABOUR MARKET DEVELOPMENT

Since IDB has a mandate to focus on poverty reduction and development, migration has become a cross-cutting topic for social, labour and economic and policy initiatives and activities. The activities of IDB include: (a) loan and grant operations; (b) research; (c) support of national surveys and censuses, and (d) awareness-raising efforts, such as seminars and national campaigns. The accompanying table lists current relevant loan, technical cooperation and grant agreements. For example, the IDB has provided loan support to Mexico's "Tres por Uno" programme, which multiplies each monetary investment by migrants in their local communities by a multiple of three with matching federal, state and local contributions (ME-L1012, US\$ 7 million).

As discussed during the 2006 High-level Dialogue and the Global Forums meetings of 2007, 2008 and 2009, the IDB has focused on the social needs of migrants. This includes: (a) initiatives to combat human trafficking and raise public awareness of cross-border trafficking; (b) pilot programmes to address the worst forms of child labour; (c) regional development and poverty-targeting that include areas of high migrant populations, and (d) improved access to education and health services to the poor.

The IDB has noted an increased interest by Governments in the region in programmes relating to migration management. The Labour Markets Unit is funding and providing technical support for a regional public goods project which is advancing the creation of a network of institutions for the protection, monitoring and regulation of migrant workers, now in the first stages of execution. Argentina, Costa Rica, Ecuador, Guatemala and Uruguay are all represented on the committee coordinating this project.

In addition, the Labour Markets Unit is undertaking a series of studies on recent labour migration trends in Central American countries to better understand how migration is shaping labour markets and human capital development, particularly in light of the financial crisis.

D. MULTILATERAL INVESTMENT FUND: REMITTANCES AND DEVELOPMENT

For many years, cross-border remittances sent by migrant workers have been part of the migration phenomenon across the globe. The contribution these flows made to recipient families, communities and countries, however, went unnoticed due to the fact that migrant workers existed largely outside the societal mainstream. In 1999, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank pioneered the mapping of remittance flows to Latin America, showing that migration played a key role in poverty alleviation and positively impacted economic development. Since then, the MIF has been very active advocating the reduction of the costs of remittance services. Over the past decade, these costs have decreased from 15 per cent of the amount of money transferred to a current average of about five per cent per transaction, keeping a larger share of income in the hands of those who need it most. The most recent MIF remittances survey, released in August 2009, showed that a number of factors, including economic downturns in Spain and the United States of America, have caused a drop in remittance flows to the region, estimated at 11 per cent. The reality of less prosperous economic times has led the MIF to focus on helping migrants and their families receive greater access to formal financial services to

leverage the funds they receive. This approach helped migrants build savings while at the same time banks and microfinance institutions gained access to new sources of deposits. In 2009, the MIF, in partnership with the International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, the Consultative Group to Assist the Poor, the Government of Luxembourg, the Ministry of Foreign Affairs and Cooperation of Spain, and the United Nations Capital Development Fund, launched a US\$ 15 million financing facility for remittances (FFR) to promote innovative remittance systems and investment channels for migrants. Through a four-phase competitive process, the FFR will award grant financing of up to US\$ 250,000 per project to eligible institutions, to be implemented within a two-year period.

The MIF continues to showcase these initiatives as it leverages the development impact of remittances through projects that address four main concerns: (a) reduction of the cost of remitting; (b) ease and accessibility of remittance transmission; (c) mobilization of savings through formal financial institutions, and (d) productive investment.

Working together with the private sector, Government agencies and non-governmental organizations, the MIF identifies approaches and new business concepts that can be replicated and scaled up to enhance the effect of remittance flows. Through these initiatives, remittances go beyond simply lifting recipients out of poverty to granting un- and underserved people access to the tools to invest in their future.

OVERVIEW OF CURRENT LOAN AND TECHNICAL COOPERATION AGREEMENTS

<i>Country</i>	<i>Project name</i>	<i>Project number</i>	<i>Approval date</i>	<i>IDB contribution (in US\$)</i>
Argentina	Expansion and Strengthening of a Microfinance Institution FIE	TC0305019	19-Nov-03	2 590 640
Bolivia	Development of Services to Improve Remittances Access and Management	BO-M1006	28-Oct-05	291 610
Brazil	Remittances and Training for Brazilian Migrants and their Beneficiaries	BR-M1032	27-Apr-06	470 000
Brazil	Investment Fund - REIF	TC0004002	16-May-01	4 374 000
Brazil	Analysis of the Portugal/Brazil Remittances Market	BR-T1031	7-Nov-05	39 767
Brazil	Dekassegui Entrepreneurs	BR-M1021	3-Mar-05	3 100 000
Colombia	The Role of Remittances in the Development of Low-Income Housing Market	CO-M1022	15-Nov-06	1 725 000
Colombia	Channeling Collective Remittances	CO-M1023	10-Dec-08	720 000
Costa Rica	Strengthening Management of Migration	TC9911171	16-Dec-99	18 000
Dominican Republic	Remittances and Rural Development in the Dominican Republic	DR-M1006	10-Nov-05	321 500
Dominican Republic	Financial and Business Services for Remittance Recipients	TC0304042	1-Oct-03	840 000
Dominican Republic	Distribution Channels for Remittances	DR0158	30-Apr-03	2 500 000
Ecuador	Supporting the Provision of Transnational Mortgages Loans for Ecuadorian Migrants	EC-M1030	8-Aug-07	5 360 000
Ecuador	Support Micro-Enterprises Utilizing a Line of Credit	TC0105029	19-Sep-01	200 000
Ecuador	Alternative Remittance Distribution Channel for Small Financial Intermediaries	EC-M1022	23-May-07	725 500
El Salvador	Strengthening of Financial Services and Remittances	TC0202014	29-May-02	2 300 000
El Salvador	Remittances and Rural Development in El Salvador	ES-M1002	28-Oct-05	366 000
El Salvador	Evaluation of the Impact of Remittances in El Salvador	ES-T1128	5-Feb-09	130 000
Guatemala	Enhance Development Impact of Workers' Remittances	GU-M1003	3-Aug-05	5 200 000
Guatemala	"More than Remittances"	GU-M1004	29-Nov-05	198 000
Haiti	Enhancement of the Remittances Services to and within Rural Haiti	HA-M1007	11-Oct-06	463 020
Haiti	Collective Remittances and Social Service Provision in Haiti	HA-T1059	29-Jun-07	141 000
Honduras	Support for Labour Markets in Honduras	HO-T1070	4-Dec-07	350 000
Honduras	Institutional Strengthening of Credit Unions in Honduras	TC0206015	10-Dec-03	1 425 000
Honduras	Enhance Development Impact of Workers' Remittances	HO-M1006	21-May-08	2 800 000
Mexico	Human Resource Development - Riviera Maya (internal migrants)	ME-M1041	18-Feb-09	1 990 000
Mexico	Strengthening Savings and Credit Unions	TC0109002	20-Feb-02	3 500 000
Mexico	Remittances and Rural Development	ME-M1015	20-Jul-06	209 000
Mexico	Pilot Project 3x1 for Migrants	ME-L1012	3-May-06	7 000 000
Mexico	Investment of Remittances	TC0108017	4-Apr-02	460 000

OVERVIEW OF CURRENT LOAN AND TECHNICAL COOPERATION AGREEMENTS (*continued*)

<i>Country</i>	<i>Project name</i>	<i>Project number</i>	<i>Approval date</i>	<i>IDB contribution (in US\$)</i>
Mexico	International Migration, Remittances and Impact on Rural Communities in Zacatecas	ME-M1014	3-Oct-05	55 000
Mexico	Facilitation of Access to Housing Finance for Recipients of Remittances	ME-M1006	23-Mar-05	3 400 000
Mexico	Capitalization of Remittances for Local Economic Development	TC0106003	12-Dec-01	1 115 000
Nicaragua	Migration Service Support	TC9804297	9-Dec-98	168 000
Nicaragua	Investment in Financiera Nicaragüense de Desarrollo (FINDE S.A.)	TC0203015	30-Jul-03	840 000
Nicaragua	Remittances, Financial Democratization and Entrepreneurship Opportunities	RG-M1140	13-Nov-08	270 825
Paraguay	Bringing Unbanked Remittance Recipients into Formal Financial System	PR-M1003	28-Oct-05	222 000
Peru	Support for Returning Entrepreneurs	PE-M1006	7-Apr-04	500 000
Peru	Enhance Dev. Impact of Peruvian Workers' Remittances from JP	PE-M1010	17-Nov-04	7 200 000
Regional	New Dynamics in Labour Migration in Central America	RG-K1129	31-Aug-09	30 000
Regional	Regional Framework for the Protection, Monitoring, and Regulation of Migrant Workers in LAC	RG-T1514	17-Dec-08	900 000
Regional	Voluntary Return Migration Model Based on Entrepreneurship Development	RG-M1080	15-Dec-06	3 975 000
Regional	Promoting Diaspora and Local Support for Productive Initiatives	RG-M1069	22-Mar-06	3 285 000
Regional	Mobilization of Remittances through Microfinance Institutions	RG-M1003	28-Apr-04	824 770
Regional	Migration and Development: The Latin American Case	RG-T1060	30-Mar-05	369 500
Regional	MIF-IFAD Partnership Facility for Rural Private Sector Dev-LAC	RG-M1019	10-Mar-04	300 000
Regional	International Migration Symposium	TC0002053	20-Jul-00	337 500
Regional	International Migration	TC0206022	4-Sep-02	65 000
Regional	Improving Central Bank Remittance Reporting and Procedures	RG-M1059	27-Apr-05	1 306 884
Regional	Immigrant Remittance Corridors	RG-M1075	27-Apr-06	150 000
Regional	CARICOM - Implementing the Free Movement of Skills	RG-T1293	24-Mar-08	200 000
Regional	Application of General Principles for Remittance Markets	RG-M1083	2-Aug-06	1 759 300
Regional Support	Information System for Statistics on Migration	TC0111010	13-Dec-02	66 000
Total: 54 projects (15 countries and 14 regional projects)				77 147 816
Colombia	MIF- IFAD LOA Banking and Remittances Within Your Reach	CO-M1070	Expected Dec-09	250 000
Ecuador	MIF-IFAD LOA Remittances, technology and financial education among cooperatives	EC-M1054	Expected Dec-09	249 928
Regional (El Salvador, Honduras, Nicaragua)	Leveraging the diaspora to increase market opportunities for small producers	RG-M1143	Expected Jul-10	2 600 000

REFERENCE

United Nations Department of Economic and Social Affairs, Population Division (2009). *World Population Prospects: The 2008 Revision, CD-ROM Edition – Datasets in Excel Formats – Comprehensive Dataset* (United Nations publication, Sales No. 09.XII.5).