

**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 OUTREACH ACTIVITIES IN RELATION TO MIGRATION AND RURAL DEVELOPMENT

In an effort to extend awareness among its staff and member states of the scope and impact of migration and remittances on rural development, IFAD has produced a number of informative documents during the past several years.

In 2003, IFAD's Latin American and Caribbean Division prepared a discussion paper on remittances and rural development. The paper identifies effective and innovative mechanisms for promoting remittances as a rural development tool, and was presented at a workshop at IFAD. In 2004, a round table on remittances and rural development was held during the 27<sup>th</sup> Session of IFAD's Governing Council, with the participation of migrant representatives, international experts, NGOs and government representatives.

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 country of settlement and their country of origin. The document discusses the possibilities of enhancing the involvement of migrant communities in local development and their potential contribution to help achieve the Millennium Development Goals. The information provided by the document was further developed at regional and country levels in 'remittance regional profiles' and 'remittance country profiles'. These briefs were designed as quick-reference documents that identify major problems, opportunities and initiatives connected with migration and remittances within different regions and countries.

'Cash Flow Fever', a documentary on the uses of remittances in Salvadoran rural areas was issued in 2005 to sensitize a wide audience on the potential of this financial source to reduce poverty. The film, co-produced by IFAD and the Television Trust for the Environment, was broadcasted as part of BBC World's documentary series 'Life' in October 2005. The documentary tells the story of the Cortez family in the United States and El Salvador and explores the role development projects can play in spreading the beneficial impacts of remittance flows.

Concerned by the negative impacts of out-migration in rural areas, in 2005 IFAD launched a project on rural out-migration, trafficking and HIV/AIDS in Central and Eastern Europe and the Newly Independent States in Central Asia. The goal of this project is to strengthen IFAD's capacity to respond to rural migration and trafficking issues within the concerned countries, and contribute to policy dialogue and advocacy initiatives in the region. Field studies were recently conducted in Armenia and Moldova and a range of pilot initiatives has been proposed to strengthen some of the positive aspects and mitigate adverse impacts of out-migration in the region.

In 2006, IFAD financed a study on out-migration and migrant remittances in rural areas in Armenia. The study confirmed that significant amounts of migrant and household savings are not currently kept in the Armenia banking sector and proposed the establishment of the *Migrant Saving and Investment Trust* (MSIT), a financial intermediation mechanism to attract individual migrants savings and investment. The core idea of the MSIT is to address the issue of limited employment and investment opportunities in rural areas of Armenia by mobilizing the migrants' savings, and investing in commercially viable projects within their own communities.

## B. INCORPORATING MIGRANT COMMUNITIES IN IFAD PROJECTS AND PROGRAMMES

During the last five years, IFAD has been engaged in a process to formally incorporate migrant associations in the design frameworks and financing of some of its projects and programmes. For example, the 'Sustainable Human Development Programme of the Union of the Comoros', financed by IFAD, will include a component on local development that will be co-financed by Comorian migrant associations in France. Contacts with expatriate groups have already been established to review their aspirations and identify how they could participate in the programme.

IFAD has been involved in sensitizing several Salvadoran migrant associations in the United States on the productive use of remittances and on the potential role that migrant communities can play in the social and economic development of their communities of origin. Several workshops have been organized with Salvadoran migrant associations in the United States to discuss the current situation of the rural population in El Salvador and to identify mechanisms for co-investment in income- and employment-generating activities in rural areas.

As a result of this collaboration, IFAD has involved migrant community representatives in the design and implementation of projects in El Salvador, and migrant associations are already co-financing

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 different European countries have established direct links with groups of poor rural women in communities targeted by ongoing IFAD-financed projects in El Salvador. The aim is to identify productive activities to be co-financed with remittances.

In 2004, IFAD approved a grant to develop a partnership with migrant groups from Somalia to support rural poverty reduction in Somalia. The partnership is being developed by establishing a dialogue with migrant communities to assess their interest in investing in productive and job-creating activities in their community of origin so that their financial and technical support can have greater and longer-term returns.

### C. PROMOTING INNOVATIVE MIGRANT REMITTANCE SYSTEMS

In April 2004, IFAD and the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) launched a joint programme<sup>1</sup> to help senders and recipients of remittances increase their access to financial services and invest in employment- and income-generating projects. In particular, this programme supports bi-national rural development projects in remittance-receiving communities and fosters alliances between migrant associations, savings and credit institutions and immigrant communities of origin.

The programme supports funding in the following three areas:

- *Knowledge development for community-based organizations and rural development* includes projects that help migrant and community-based organizations to manage, promote and carry out rural development projects in their home countries. The capacity building of migrant organizations and their integration as full partners in strategies for transnational development is crucial to the programme. Building on IFAD's experience of small-scale projects linking migrants from rural areas to their community of origin, the joint programme aims to work with migrant associations, encouraging them to play a leading role in local development, and facilitating access to investment resources, advanced technologies and new markets in their host countries.
- *Development of rural financial services* includes projects supporting the development of banking systems that provide an array of services to the population not currently covered by commercial financial institutions, thus paving the way for their access to the formal financial sector. To this end, the programme is working with eligible financial institutions such as microfinance institutions, credit cooperatives and credit unions.

---

<sup>1</sup> Remittances and Rural Development Programme in Latin America and the Caribbean – Strengthening the Income-Generating Capacity of the Rural Poor in Remittance-Recipient Countries

- *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.